

# Investor Update

## Quarter 1 ended June 30, 2011



### Highlights for the quarter –

- ✓ **Revenue for the quarter at ₹ 3,466.7 million, Y-o-Y growth of 37.1%, Q-o-Q growth of 6.4%.**
- ✓ **Revenue for the quarter at \$ 77.5 million, Y-o-Y growth of 40.0%, Q-o-Q growth of 7.8%.**
- ✓ **Operating margin at 12.5% for the quarter.**
- ✓ **Profit after tax at ₹ 268.5 million for the quarter.**
- ✓ **Strong volume growth in both verticals – N&CE and ENGG.**
- ✓ **Received “Supplier of the Year” award from Boeing.**
  
- ✓ **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 Q1 results for FY 2011-12, indicate robust quarter on quarter revenue growth of 6.4% and year on year growth of 37.1%. In dollar terms, our revenues were at \$ 77.5 million, a growth of 7.8% over sequential quarter and 40% over quarter 1 of last year.

Being the first quarter of the year, we gave annual increments to our associates and this is the predominant reason for our operating margin to drop by 180 bps over last quarter to 12.5%. Though the net impact of salary increases was 280 bps, we were able to contain the overall impact on the company at 180 bps, both due to volume growth and managing margin levers.

The quarter saw strong volume growth from both our verticals – N&CE and ENGG at 4.4% and 6.3% respectively. Our revenue mix from geographies – North America, Europe and APAC have remained stable. Out of the overall revenue growth of 6.4%, both our Top 5 and Top 10 customers grew by 5% and others grew by 8%. Though there was a decline in revenues from IEE, we saw good revenue growth from IEAI and IEG.

We continue to actively manage the various levers for improving operating margins – efficient onsite-offsite-offshore mix, right sizing the pyramid with induction of freshers and improving the productivity and utilization and we are confident of seeing positive results in the coming quarters.

Our PAT was lower this quarter due to higher tax rate on account of expiry of STPI benefits. We currently target to have 450 seats operational from October 2011 in our SEZ facilities at various locations. We are aggressively pursuing opportunities to generate more work out of our SEZ facilities.

Our liquidity position continues to be strong with a cash position of ₹ 393 crores.

This has been a quarter where we received a number of awards and recognitions – “Supplier of the year” award from Boeing; “Best Indian Company located in South India doing business in the USA” by Indo-American Chamber of Commerce; and “Exceptional contribution to the development of German-Indian Business relations” from Indo-German Chamber of Commerce, to name a few”

## Performance Highlights

*(In ₹ Million, except % data)*

Particulars	Q1 FY 12	Q4 FY 11	Q1 FY 10
Operating Revenue	3,466.7	3,258.3	2,528.9
Operating Profit	434.8	467.2	403.9
Operating Margin	12.5%	14.3%	16.0%
PAT	268.5	369.8	328.9

*(In \$ Million, except % data)*

Particulars	Q1 FY 12	Q4 FY 11	Q1 FY 10
Operating Revenue	77.5	71.9	55.4
Operating Profit	9.7	10.3	8.8
Operating Margin	12.5%	14.3%	16.0%
PAT	6.0	8.2	7.2

### Rupee Dollar exchange rate (In ₹)

Particulars	Q1 FY 12	Q4 FY 11	Q1 FY 10
Period average rate	44.74	45.26	45.67

## Business and Operational Highlights

### ✓ New Business & Services Offerings –

- **7 customers added** during the quarter, 4 in N&CE and 3 in ENGG.
- **Key wins** in Telecom, Utilities and Content Engineering
- Long term **MSA signed with one of the global leaders in mining and construction equipment.**
- Long-term **MSA signed with a world leader providing lab analytical equipment**
- Selected for providing **ASIC design services for one of the largest manufacturer of semiconductors worldwide.**
- **Won a significant opportunity with the world's leading aircraft systems OEM to design critical safety systems**

### ✓ Awards and recognitions –

- Received **"Supplier of the Year" award from Boeing** in the "Non-production category".
- Categorized as **"Leader in verticals like Aerospace & Defense as well as Transportation"** according to a recent study undertaken by Zinnov Management Consulting, a leading globalization and advisory firm.
- Recognised as **"Best Indian Company located in South India doing business in the USA"** by Indo-American Chamber of Commerce.
- Received award for **"Exceptional contribution to the development of German-Indian Business relations"** from Indo-German Chamber of Commerce, Dusseldorf, Germany.
- Signed MoU with Jawaharlal Nehru Technological University, Kakinada, A.P, to create the curriculum of M. Tech in Avionics.

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✓ New facilities -

- Laid the foundation stone for our **new facility at IT SEZ** at Kakinada, A.P.
- We moved to a large and spacious **delivery centre at Peoria, IL** while we closed down our Seattle, WA office

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## Quarter that Was.....

### Operating margin for the quarter

Our operating margin for the quarter is at 12.5%.

In this quarter, salaries have increased by ₹ 19.8 crores – due to salary hikes and manpower additions. We also witnessed higher travel costs, commissions and other administrative expenses during the quarter.

### PAT for the quarter

PAT for the quarter was impacted due to higher tax provisions on account of expiry of STPI benefits.

### Volume Growth

ENGG vertical witnessed a volume growth of 6.3% and N&CE vertical witnessed a volume growth of 4.4%. Overall, the volume growth was 5.6%.

### Impact of exchange rate variance on revenues

Both verticals N&CE and ENGG had positive exchange rate impact of 1.0% and 0.6% respectively. Overall, the exchange rate variance was 0.7%.

### Impact of price increase on revenues

Both verticals N&CE and ENGG had price increase impact of 0.1% each.

### 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 impact of salary hikes and additions to manpower.

Our order pipeline continues to be strong. We are also focusing on key operating levers efficient onsite-offsite-offshore mix, right sizing the pyramid with induction of freshers and improving the productivity and utilization to improve our operating margins.

## Business Highlights

- **N&CE :**

We saw good traction in North America, with increased volumes from some of our largest telecom and utility clients. The outlook remains positive in both these sectors.

In APAC region, the outlook in Australia in particular is good and we are seeing an increase in both offshore and onsite work there. This is across all our verticals.

EMEA remains subdued. The pipeline in UK, Benelux and DACH region is stronger, but the Middle East markets were quiet for us in terms of order intake. We are pleased to see some very positive uptake in our Content Engineering business, especially in the mining and exploration and oil and gas markets. We expect this trend to continue. Finally in the India market, following a reorganization of our sales activity here, we are seeing good levels of activity in terms of prospects and bids for both our network and content engineering service offerings.

- **ENGG :**

Q1 was another strong quarter for the engineering vertical. Revenue grew 7% QoQ and 35% YoY. We continue to see strong demand for our services which is reflected in the new customers we have added and the deal pipeline. We are also addressing and adding long term strategic customers in all sub verticals which will ensure long term sustainable revenue.

## Operational and financial parameters

### Client Concentration

*(in %)*

Particulars	Q-1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11	Q1 FY11
Top 5	37.5	37.8	36.7	38.4	41.4
Top 10	55.9	56.3	55.8	58.3	60.0

### Revenue by geography

*(in %)*

Geography	Q-1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11	Q1 FY11
North America	58.0	57.6	55.8	55.0	52.2
Europe	33.7	33.9	36.0	37.5	38.4
APAC	8.3	8.5	8.2	7.5	9.4
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Onsite / Offshore split of Revenues

The onsite – offshore split of revenues was 44% - 56% for N&CE and 56% - 44% for ENGG in Q1 FY12.

(in %)

Particulars	Q-1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11	Q1 FY11
Offshore	48.0	48.4	47.0	47.4	54.8
Onsite	52.0	51.6	53.0	52.6	45.2
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

### Customers Added

Business Segment	Q-1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11	Q1 FY11
N&CE	4	12	7	7	6
ENGG	3	7	8	5	6
<b>Total</b>	<b>7</b>	<b>19</b>	<b>15</b>	<b>12</b>	<b>12</b>

### Utilisation

(in %)

Business Segment	Q-1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11	Q1 FY11
N&CE	86	83	81	75	78
ENGG	74	75	75	73	71

### Other income

(in ₹ million)

Particulars	Q-1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11	Q1 FY11
Income from Investments	58.5	43.8	40.7	41.0	40.0
FX Gain/(Loss)	25.2	6.7	43.5	27.1	19.0
Others	(20.0)	(0.4)	14.1	(2.5)	21.2
<b>TOTAL</b>	<b>63.7</b>	<b>50.1</b>	<b>98.3</b>	<b>65.6</b>	<b>80.2</b>

### Cash Position

(in ₹ million)

Particulars	Q-1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11	Q1 FY11
Cash including liquid investments	3,926	3,836	3,808	3,620	4,052

### Capex

(in ₹ million)

Particulars	Q-1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11	Q1 FY11
Capital expenditure	115	612	59	309	104



**Receivable days (DSO)**

*(Number of days sale)*

Particulars	Q-1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11	Q1 FY11
DSO	90	96	89	85	88

**Attrition**

*(in %)*

Particulars	Q-1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11	Q1 FY11
Attrition (annualised)	19.0	15.0	19.0	18.3	16.4

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## Detailed Financials

Particulars	Q1 FY 12	Q4 FY 11	Q1 FY 10
<b>Operating Revenues</b>	<b>3,466.7</b>	<b>3,258.3</b>	<b>2,528.9</b>
Operating Expenditure	<b>3,031.9</b>	<b>2,791.1</b>	<b>2,124.9</b>
Salary Costs	2,220.8	2,022.3	1,566.9
Travel Expenditure	247.1	214.8	163.7
Purchases for Products / Re-sale	107.3	109.8	86.1
Other Operating Costs	456.7	444.2	308.2
<b>Operating Profits</b>	<b>434.8</b>	<b>467.2</b>	<b>404.0</b>
<b>Operating Margins</b>	<b>12.5%</b>	<b>14.3%</b>	<b>16.0%</b>
Depreciation & Amortization	115.4	122.7	116.8
Financial Expenses	2.4	6.3	2.4
Other Income	63.7	50.1	80.7
Profit Before Tax	380.7	388.3	365.6
PBT Margin	10.8%	11.7%	14.0%
Tax	126.6	39.7	74.0
Profit After Tax	254.1	348.6	291.6
Share of Profits - IASI	14.6	21.6	36.8
Minority Interest - IGIL	-0.2	-0.5	0.5
<b>PAT after Share of Profits</b>	<b>268.5</b>	<b>369.8</b>	<b>328.9</b>
<b>Net Margin</b>	<b>7.6%</b>	<b>11.2%</b>	<b>12.6%</b>
<b>Basic EPS</b>	<b>2.4</b>	<b>3.3</b>	<b>2.96</b>

(In ₹ Million, except for % and EPS data)

### Revenue by Company

Company	Q1 FY12	Q4 FY11	Q1 FY11
Infotech Enterprises Ltd	1,916.1	1,784.8	1,415.8
Infotech Enterprises Europe Ltd	184.6	225.7	265.9
Infotech Enterprises America Inc.	1,468.8	1,389.5	977.2
Infotech Enterprises, GmbH	793.1	626.4	511.0
Infotech Geospatial (India) Ltd	10.80	15.6	7.1
Infotech HAL Limited	2.0	2.5	2.4
Infotech Enterprises Japan KK	9.2	9.7	4.1
Infotech Enterprises IT Services Pvt. Ltd.	23.7	25.2	-
Gross Revenues	4,408.3	4,079.5	3,183.5
Less: Intra Group Revenues	941.6	821.1	654.6
<b>Net Revenues</b>	<b>3,466.7</b>	<b>3,258.3</b>	<b>2,528.9</b>

(In ₹ Million, except for % data)

### Revenue by Vertical

Vertical	Q1 FY12	Q4 FY11	Q1 FY11
N&CE	1,062.6 (30.7%)	1,007.4 (30.9%)	746.5 (29.5%)
EMI	2,404.3 (69.4%)	2,253.8 (69.2%)	1,783.9 (70.5%)
Less: Inter Segment Sales	-0.2 (0.01%)	-2.9 (0.1%)	-1.5 (-0.1%)
<b>TOTAL</b>	<b>3,466.7</b> <b>(100.0%)</b>	<b>3,258.3</b> <b>(100.0%)</b>	<b>2,528.9</b> <b>(100.0%)</b>

(In ₹ Million, except for % data)

### Profit Distribution, by Company

Company	Q1 FY12	Q4 FY11	Q1 FY11
Infotech Enterprises Ltd	235.2	313.9	215.2
Infotech Enterprises Europe Ltd	-11.9	-1.4	24.8
Infotech Enterprises America Inc.	17.6	4.7	40.7
Infotech Enterprises, GmbH	27.1	35.6	39.0
Infotech Geospatial (India) Ltd	0.7	1.9	-2.0
Infotech HAL Limited	0.2	0.8	-0.2
Infotech Enterprises Japan KK	-3.8	-4.5	-5.0
Infotech Enterprises IT Services Pvt. Ltd.	-2.9	-4.4	-
Gross Profit	262.2	346.2	312.6
Less: Others (Elimination)	-8.1	2.3	-21.0
Profit After Tax	254.1	348.5	291.6
Share of Profits from IASI	14.6	21.6	36.8
Minority Interest of IGIL	-0.2	-0.5	0.5
<b>Profit after Minority Interest</b>	<b>268.5</b>	<b>369.8</b>	<b>328.9</b>

(In ₹ Million, except for % data)

### Manpower by Vertical

Vertical	30-Jun-11	31-Mar-11	30-Jun-10
N&CE	3,693	3,714	3,772
ENGG	4,525	4,365	3,463
Support Functions & others	657	632	434
<b>TOTAL</b>	<b>8,875</b>	<b>8,711</b>	<b>7,669</b>

**Manpower by Company**

Company	30-Jun-11	31-Mar-11	30-Jun-10
Infotech Enterprises Ltd.,	7,328	7,223	6,589
Infotech Enterprises Europe Ltd	78	98	135
Infotech Enterprises America Inc.	1,065	1,019	688
Infotech Enterprises, GmbH	323	280	210
Infotech Geospatial (India) Ltd.	19	22	38
TIIT *	--	3	6
Infotech Enterprises IT Services Pvt. Ltd.	58	60	--
Infotech Enterprises Japan KK	4	6	3
<b>TOTAL</b>	<b>8,875</b>	<b>8,711</b>	<b>7,669</b>

\*Merged with Infotech Enterprises Limited w.e.f April 1, 2011

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## 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 +8800 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](http://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); 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.