

Investor Update

Quarter 2 ended September 30, 2011



Highlights for the quarter –

- ✓ Revenue for the quarter at ₹ 3,726 million, Y-o-Y growth of 26%, Q-o-Q growth of 7.5%.
- ✓ Operating profit at ₹ 586 million, highest ever quarterly operating profit, an increase of 35% over ₹ 435 million for previous quarter and an increase of 28% over ₹ 457 million for Q-2 of previous year.
- ✓ Operating margin at 15.7% for the quarter, increase of 320 bps over Q-1 and 20 bps over Q-2 of previous year.
- ✓ Profit after tax at ₹ 307.4 million for the quarter, an increase of 14.5% over previous quarter.
- ✓ Strong revenue growth in N&CE and ENGG verticals at 8.1 % and 7.1% respectively over Q-1.
- ✓ ENGG revenues crossed ₹ 250 crores in a quarter for the first time and \$ 100 million for the first half of this year.
- ✓ Business momentum and environment continues to be stable in line with the expectations especially in – Aerospace, Heavy equipment, Utilities, Hitech, and Telecom.

Message from the Chairman & Managing Director

Commenting on the results, Mr. BVR Mohan Reddy, Chairman and Managing Director, said, " For the quarter, we had strong revenue growth and equally strong margin expansion. We had highest ever revenues and operating profit in a quarter in the history of the company. The growth and margin expansion has been across the verticals and across the geographies. Our focus on operational excellence delivered higher margin for current quarter. ENGG revenues crossed \$ 100 million for the first half of this year. Our associate strength crossed 9000 mark, another milestone in the history of the company, after making a net addition of 400 during the quarter.

Inspite of the macro-economic challenges, we have not seen any signs of our customers cutting down projects or giving us indications of contraction in business. Next year budgets for outsourcing spend as indicated by our customers is robust.

Order backlog and pipeline have been the best in the history of the company. In the second half of the year, we would hire 1000 additional resources to cater to growing business.

We are aggressively pursuing acquisitions to increase our footprint in geographies. We will continue to focus on operational excellence and are confident of improving margins further in coming quarters.

We will see continued revenue growth and margin expansion in coming quarters but we are taking all our decisions on capital investments, hiring etc. with "cautious optimism".

Performance Highlights

(In ₹ Million, except % data)

Particulars	Q2 FY 12	Q1 FY 12	Q2 FY 11
Operating Revenue	3,726.0	3,466.7	2,954.7
Operating Profit	585.8	434.8	457.4
Operating Margin	15.7%	12.5%	15.5%
PAT	307.4	268.5	329.9

(In \$ Million, except % data)

Particulars	Q2 FY 12	Q1 FY 12	Q2 FY 11
Operating Revenue	81.4	77.5	63.5
Operating Profit	12.8	9.7	9.8
Operating Margin	15.7%	12.5%	15.5%
PAT	6.7	6.0	7.1

Rupee Dollar exchange rate

(In ₹)

Particulars	Q2 FY 12	Q1 FY 12	Q2 FY 11
Period average rate	45.76	44.74	46.50

Business and Operational Highlights

✓ New Business & Services Offerings –

- **11 customers added** during the quarter, 4 in N&CE and 7 in ENGG.
- **Two large size MSAs**, each with a potential to grow over 200 FTEs were signed during the quarter.
- **Key wins** in Telecom, Utilities and Content Engineering
- Entered into **partnership with Software Engineering Institute (SEI)**, USA to globally offer services pertaining to the Smart Grid Maturity Model.

- Signed a **development partner agreement with Echelon Corporation**, an acknowledged technology leader in the areas of smart metering, automated metering infrastructure and utility solutions.
- Entered into a **contract with Southern California Edison**, a leading investor owned utility, for the deployment of an integrated GIS solution to support transmission business operations.

- ✓ **Awards and recognitions –**
 - Received **“The Award for Innovation in Retention Strategy”** by the Asia’s Best Employer Brand Awards 2011.
 - Signed an **MoU with Indian Institute of Technology**, Hyderabad.

 - Our Chairman, Mr. B.V.R Mohan Reddy, received the prestigious **ASME (American Society of Mechanical Engineers) Leadership Award 2011**.

- ✓ **New facilities -**
 - Commenced operations in our **new facility at IT SEZ** at Kakinada, A.P.

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Quarter that Was.....

Operating margin for the quarter

Our operating margin for the quarter is at 15.7%.

In this quarter, we have witnessed strong volume growth coupled with favorable exchange rates which has helped in increase in revenues. Though we saw increase in salaries and other indirect expenses, we have been able to control our OPM levers in order to increase the OPM by 320 bps over last quarter.

Revenue Growth

ENGG vertical witnessed a revenue growth of 7.1%, made up of volume growth of 4.1%, exchange rate impact of 2.5% and price increase of 0.5%.

N&CE vertical witnessed a revenue growth of 8.1%, made up of volume growth of 6.4% and exchange rate impact of 1.7%.

Overall revenue growth was 7.5%, made up of volume growth of 5.0%, exchange rate impact of 2.2% and price increase of 0.3%.

Key margin drivers for next quarter

Our order pipeline and our continuous focus on key margin drivers like efficient onsite-offsite-offshore mix, right sizing the pyramid and improving the productivity and utilization will drive our operating margins in the coming quarters.

Business Highlights

- **N&CE :**

There was robust growth of 8.1% in revenue and an improvement of 360 bps over previous quarter.

The anticipated growth in APAC has continued in Q2 and should remain in Q3 and beyond. We are seeing some excellent engineering opportunities, especially in Australia related to Telecoms and Mining. In North America, traction remains good and the large utility deals we have been involved with remain on track in terms of funding and timelines.

Telecom activity was strong, although we did see some adverse impact from the Verizon strike during the summer.

In EMEA and despite the challenging fiscal environment, we are seeing an increase in the number of opportunities. We were delighted to show revenue growth in EMEA in Q2 as we see the impact of new clients and projects, improving our revenues. With a strengthened sales engine and a wider geographic reach, we are confident of winning additional opportunities in the coming months.

For Indian domestic market, our domestic sales team is now in place and we continue to see excellent opportunities in telecom engineering and Government projects around Land Records and Urban Property Ownership Records.

- **ENGG :**

We continue to build on the momentum of previous quarters. Q2 was another very strong quarter both in terms of revenue growth, but more importantly in terms of operating margin. Revenues crossed Rs. 250 crores in a quarter for the first time and \$ 100 million for the first half of this year. We increased our OPM by 320 bps in a quarter, while maintaining a robust 7.1% QoQ growth. We have seen strong growth in both our operating units – Aero and HTH. We continue to have a solid pipeline of prospects and have had a number of key wins in Q2.

All three of our geographies and both operating units are performing at or above budget. In interacting with our clients in Europe and North America, we do not foresee any decrease in their engineering spend, at least for the rest of the fiscal year. Demand in the aerospace design services remains strong with long cycle projects. Demand in HiTech also continues to be strong. We have seen some very key wins in this segment. Similarly the rail practice has seen investments, which are translating into business expansion for us.

Operational and financial parameters

Client Concentration

(in %)

Particulars	Q2 FY12	Q1 FY12	Q4 FY11	Q3 FY11	Q2 FY11
Top 5	36.6	37.5	37.8	36.7	38.4
Top 10	53.7	55.9	56.3	55.8	58.3

Revenue by geography

(in %)

Geography	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11
North America	56.7	58.0	57.6	55.8	55.0
Europe	33.6	33.7	33.9	36.0	37.5
APAC	9.7	8.3	8.5	8.2	7.5
TOTAL	100.0	100.0	100.0	100.0	100.0

Onsite / Offshore split of Revenues

The onsite – offshore split of revenues was 44% - 56% for N&CE and 59% - 41% for ENGG in Q2 FY12.

(in %)

Particulars	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11
Offshore	45.9	48.0	48.4	47.0	47.4
Onsite	54.1	52.0	51.6	53.0	52.6
Total	100.0	100.0	100.0	100.0	100.0

Customers Added

Business Segment	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11
N&CE	4	4	12	7	7
ENGG	7	3	7	8	5
Total	11	7	19	15	12

Utilisation

(in %)

Business Segment	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11
N&CE	90	86	83	81	75
ENGG	73	74	75	75	73

Other income

(in ₹ million)

Particulars	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11
Income from Investments	64.5	58.5	43.8	40.7	41.0
FX Gain/(Loss)	(86.4)	25.2	6.7	43.5	27.1
Others	8.1	(20.0)	(0.4)	14.1	(2.5)
TOTAL	(13.8)	63.7	50.1	98.3	65.6

Cash Position

(in ₹ million)

Particulars	30-Sep-11	30-Jun-11	31-Mar-11	31-Dec-10	30-Sep-10
Cash including liquid investments	3,938	3,926	3,836	3,808	3,620

Capex

(in ₹ million)

Particulars	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11
Capital expenditure	194	115	612	59	309

Receivable days (DSO)

(Number of days sale)

Particulars	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11
DSO	92	90	96	89	85

Attrition

(in %)

Particulars	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11	Q2 FY11
Attrition (annualised)	18.1	19.0	15.0	19.0	18.3

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Detailed Financials

Particulars	Q2 FY 12	Q1 FY 12	Q2 FY 11
Operating Revenues	3,726.0	3,466.7	2,954.7
Operating Expenditure	3,140.2	3,031.9	2,497.4
Salary Costs	2,305.3	2,220.8	1,845.1
Travel Expenditure	221.5	247.1	188.0
Purchases for Products / Re-sale	109.8	107.3	103.5
Other Operating Costs	503.6	456.7	360.8
Operating Profits	585.8	434.8	457.3
Operating Margins	15.7%	12.5%	15.5%
Depreciation & Amortization	123.0	115.4	124.2
Financial Expenses	4.9	2.4	5.7
Other Income	-13.8	63.7	66.3
Profit Before Tax	444.1	380.7	393.7
PBT Margin	12.0%	10.8%	13.3%
Tax	153.5	126.6	79.6
Profit After Tax	290.6	254.1	314.1
Share of Profits - IASI	17.3	14.6	16.2
Minority Interest - IGIL	-0.5	-0.2	-0.4
PAT after Share of Profits	307.4	268.5	329.9
Net Margin	8.3%	7.6%	10.9%
Basic EPS	2.76	2.40	2.97

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

Revenue by Company

Company	Q2 FY12	Q1 FY12	Q2 FY11
Infotech Enterprises Ltd	2,064.5	1,916.1	1,582.8
Infotech Enterprises Europe Ltd	218.3	184.6	277.3
Infotech Enterprises America Inc.	1,561.3	1,468.8	1,234.8
Infotech Enterprises, GmbH	813.0	793.1	622.9
Infotech Geospatial (India) Ltd	16.0	10.8	18.3
Infotech HAL Limited	1.7	2.0	2.2
Infotech Enterprises Japan KK	7.5	9.2	5.5
Infotech Enterprises IT Services Pvt. Ltd.	27.6	23.7	24.0
Gross Revenues	4,709.9	4,408.3	3,767.8
Less: Intra Group Revenues	983.9	941.6	813.1
Net Revenues	3,726.0	3,466.7	2,954.7

(In ₹ Million)

Revenue by Vertical

Vertical	Q2 FY12	Q1 FY12	Q2 FY11
N&CE	1,148.4 (30.8%)	1,062.6 (30.7%)	901.7 (30.6%)
EMI	2,578.5 (69.2%)	2,404.3 (69.3%)	2,053.2 (69.4%)
Less: Inter Segment Sales	-0.9 (0.0%)	-0.2 (0.0%)	-0.2 (0.0%)
TOTAL	3,726.0 (100.0%)	3,466.7 (100.0%)	2,954.7 (100.0%)

(In ₹ Million, except for % data)

Profit Distribution, by Company

Company	Q2 FY12	Q1 FY12	Q2 FY11
Infotech Enterprises Ltd	190.2	235.2	253.4
Infotech Enterprises Europe Ltd	1.8	-11.9	9.1
Infotech Enterprises America Inc.	56.3	17.6	39.3
Infotech Enterprises, GmbH	57.0	27.1	17.6
Infotech Geospatial (India) Ltd	1.8	0.7	1.7
Infotech HAL Limited	-2.7	0.2	0.0
Infotech Enterprises Japan KK	-5.2	-3.8	-2.5
Infotech Enterprises IT Services Pvt. Ltd.	-0.5	-2.9	-4.7
Gross Profit	298.7	262.2	313.9
Less: Others (Elimination)	-8.1	-8.1	0.2
Profit After Tax	290.6	254.1	314.1
Share of Profits from IASI	17.3	14.6	16.2
Minority Interest of IGIL	-0.5	-0.2	-0.4
Profit after Minority Interest	307.4	268.5	329.9

(In ₹ Million)

Manpower by Vertical

Vertical	30-Sep-11	30-Jun-11	30-Sep-10
N&CE	3,949	3,693	3,923
ENGG	4,658	4,525	3,587
IT services	71	58	61
Support Functions	597	599	552
TOTAL	9,275	8,875	8,123

Manpower by Company

Company	30-Sep-11	30-Jun-11	30-Sep-10
Infotech Enterprises Ltd.,	7,744	7,328	6,658
Infotech Enterprises Europe Ltd	75	78	127
Infotech Enterprises America Inc.	1,067	1,065	993
Infotech Enterprises, GmbH	296	323	239
Infotech Geospatial (India) Ltd.	23	19	36
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Infotech Enterprises IT Services Pvt. Ltd.	67	58	61
Infotech Enterprises Japan KK	3	4	5
TOTAL	9,275	8,875	8,123

*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 +9200 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); 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. Previous period numbers are regrouped / reclassified, wherever necessary.