

Infotech Enterprises Limited

Investor Update: Second Quarter FY 13

Hyderabad, India, October 17, 2012

- **Revenues at ₹477 cr, up 28% Y-o-Y; up 4.5% Q-o-Q**
- **Operating Profits at ₹89 cr; OPM at 18.7%**
- **Profit After Tax at ₹50 cr; up 63% Y-o-Y**

Key Highlights

- Revenue for the quarter at ₹4771 million, year-on-year(Y-o-Y) growth of 28.1%; Q-o-Q growth of 4.5%; Q-o-Q growth in constant currency terms at 3.6%
- Volume growth of 3.9%
- Operating profit of ₹892 million; up 52% Y-o-Y
- Operating Margin (OPM) flat at 18.7% against Q1 and 300 bps up compared to Q2 of last year
- Profit after tax (PAT) of ₹503 million for the quarter, an increase of 63% Y-o-Y
- PAT drop Q-o-Q on account of notional FX losses on restatement of FC receivables due to rupee appreciation in current quarter compared to depreciation in Q1.
- All four business units have shown growth
- Manpower exceeds 10,000 -- a significant milestone in the history of the company
- Won global Golden Peacock Award for “Excellence in Corporate Governance” for the year 2012

Chairman's Message

Commenting on the results, Mr. BVR Mohan Reddy, Chairman and Managing Director, said, "Our business continues to grow steadily. We have seen volume growth, stable margins and a robust pipeline. After several quarters, all four business units have grown this quarter, a reflection of improvement in the business environment.

Our order pipeline is strong and we are confident of growing at a higher rate in H2 than in H1. We believe we can at least maintain the same margins over the second half of the year.

Our business in Europe has grown this quarter and is a sign that we are seeing stability in our business in spite of the macro-economic challenges."

Performance Highlights

(In ₹ Million, except % data)

Particulars	Q2 FY 13	Q1 FY 13	Q2 FY 12
Operating Revenue	4,771.2	4,563.8	3,726.0
Operating Profit	891.7	851.8	585.8
Operating Margin	18.7%	18.7%	15.7%
PAT	503.1	647.1	307.4

(In \$ Million, except % data)

Particulars	Q2 FY 13	Q1 FY 13	Q2 FY 12
Operating Revenue	87.2	84.2	81.4
Operating Profit	16.3	15.7	12.8
Operating Margin	18.7%	18.7%	15.7%
PAT	9.2	12.0	6.7

Rupee/Dollar exchange rate

Particulars	Q2 FY 13	Q1 FY 13	Q2 FY 12
Period average rate	54.74	54.22	45.76
Period closing rate	52.70	56.31	48.93

Sales mix in currencies

(In %)

Currency	Q2 FY 13	Q1 FY 13
USD	66.2%	64.7%
EUR	15.7%	15.9%
GBP	7.0%	6.4%
AUD	7.6%	7.4%
OTHERS	3.5%	5.6%

Business and Operational Highlights

▪ **New Business, Pursuits & Services Offerings**

- 17 customers added during the quarter, 8 in UT&C and 9 in ENGG.
- Key wins across all verticals

▪ **Awards and Recognitions**

- JT (an innovative and progressive global communications supplier) selected Infotech for deployment of an integrated GIS solution to support the rollout of a fiber-to-home network in Europe
- Governor of the state of Washington, Christine Gregoire, visited Infotech's Hyderabad offices. During her visit, the Governor was briefed on several complex and safety-critical projects being executed by the Infotech team for customers in the United States and particularly the state of Washington
- "2012 Global Services 100" recognized us as a leader in engineering services and outsourced product development
- In September 2012, for the second consecutive year, Infotech achieved a supplier rating of 'A' for the VDA audit conducted by one of the largest navigation equipment / data conversion services providers
- Zinnov Consulting, a global advisory firm, rated Infotech for the second consecutive time as a leader in R&D services for *Aerospace & Defense and Transportation*

▪ **New Facilities**

- New office in Seoul, South Korea – 8th office in the APAC region
- New CoE inaugurated for a major customer in our new SEZ at Hyderabad
- Staffed our SEZ facility in Hyderabad with 426 seats. Kakinada and Noida SEZs on track, will be complete by Q3 and Q4 respectively. SEZ Kakinada staffed with 230 seats so far

- **HR Highlights**

- Global manpower exceeds 10,000. Net addition of 759 in H1 – the highest number in any six-month period
- Signed an MoU with Sri Vishnu Educational Society as part of our industry – academia initiative
- Won a special recognition award from NHRD INSPIRE
- Recognized at the 3rd Asia Best Employer Brand Awards held at Suntec, Singapore. The jury honored the company for its Excellence in Training. The esteemed authority also honored Mr. B. Ashok Reddy, President - Global Human Resources and Corporate Affairs, with the HR Leadership Award

- **Other Highlights**

- Cash balances, including liquid investments, at ₹471 crores. Capex for the quarter at ₹17 crores.
- Participated in Farnborough International Airshow.

Quarter that Was

- **Revenue Growth**

- Aerospace achieved revenue growth of 1.4%, made up of volume growth of 1.5% and exchange rate impact of -0.1%.
- HTH achieved revenue growth of 5.1%, made up of volume growth of 2.8%, price reduction of 0.3% and exchange rate impact of 2.6%.
- Utilities achieved revenue growth of 8.3%, made up of volume growth of 8.2%, price reduction of 1.0% and exchange rate impact of 1.1%.
- Content achieved revenue growth of 5.4%, made up of volume growth of 5.2% and exchange rate impact of 0.2%.
- Overall revenue growth was 4.5%, made up of volume growth of 3.9%, price reduction of 0.3% and exchange rate impact of 0.9%.

- **Key Margin Drivers for the Next Quarter**

Infotech's order pipeline and continuous focus on key margin drivers such as an efficient onsite/offsite/offshore mix, right sizing the pyramid and improving productivity and utilization will drive operating margins in the coming quarters.

Engineering (ENGG) Highlights

Q2 was a good quarter for the Aerospace business unit (BU) in terms of acquiring new customers: added two "Must Have" customers in this quarter and a few prospects that are in the final stages of closure and expected to close in Q3. Initiated work on a multimillion dollar project to support an aircraft program in Europe. Embraced Infotech's Business Excellence and Standardization (BEST) business excellence system and five of the cells in the Aerospace BU were certified for base level certification – first in the company.

The second quarter of FY 2013 saw recovery in the HTH BU, especially in the Heavy Engineering segment where we had good ramp-ups with three clients. Our Rail Signaling business, which experienced demand softness from the UK for the first five months of the fiscal year, saw workload improvement toward the end of the quarter, which is expected to continue for the rest of the year. Our Europe business overall showed sequential improvement while the US remained steady. The Asia Pacific business witnessed good growth led by Australia and Japan.

We acquired two strategic customers, one in rail transportation and one in the semiconductor segment, and they are expected to ramp up in Q3 and Q4.

UT & C Highlights

It was another strong quarter in terms of growth for our Utilities & Telecom BU. The successful ramp-up of a number of new client projects, coupled to key deliveries on existing projects and the addition of four new customers, helped achieve strong volume growth. The outlook for our utility assets/GIS business is particularly strong; also experienced improvement in our telecom network planning business. All geos saw Q-on-Q growth in local

currency terms, with APAC showing the highest percentage gain. We were delighted to hear from one of our oldest utility clients that we are now empanelled for all IT and OT solutions.

The Content BU, we also achieved good Q-on-Q growth. While there was limited growth across the top three clients, the commercial geospatial business had a very strong quarter. It is also encouraging to see growth in some of the new service offerings such as the mining and exploration. The company added four new clients during the quarter, including one “Must Have” relationship in the APAC region and participated at a number of key industry events, building a pipeline of prospects.

Operational and Financial Parameters

Client Concentration

(in %)

Particulars	Q2 FY 13	Q1 FY 13	Q2 FY 12
Top 5	36.3	38.6	36.6
Top 10	51.8	55.2	53.7

Revenue by Geography

(in %)

Geography	Q2 FY 13	Q1 FY 13	Q2 FY 12
Americas	61.1	62.5	56.7
Europe	26.4	25.7	33.6
APAC and Others	12.5	11.8	9.7
TOTAL	100.0	100.0	100.0

Onsite / Offshore Split of Revenues

The onsite/offshore split of revenues was 46:54 for UT&C and 53:47 for ENGG in Q2 FY13.

(in %)

Particulars	Q2 FY13	Q1 FY13	Q4 FY12	Q3 FY12	Q2 FY12
Offshore	49.1	51.2	48.0	48.0	45.9
Onsite	50.9	48.8	52.0	52.0	54.1
Total	100.0	100.0	100.0	100.0	100.0

Customers Added

Business Segment	Q2 FY13	Q1 FY13	Q4 FY12	Q3 FY12	Q2 FY12
UT&C	8	12	7	6	4
ENGG	9	5	9	5	7
Total	17	17	16	11	11

Utilization

(in %)

Business Segment	Q2 FY13	Q1 FY13	Q4 FY12	Q3 FY12	Q2 FY12
UT&C	85	84	82	88	90
ENGG	73	71	73	72	73

Other Income

(in ₹ million)

Particulars	Q2 FY13	Q1 FY13	Q4 FY12	Q3 FY12	Q2 FY12
Income from Investments	90.8	96.2	79.9	76.1	64.5
FX Gain/(Loss) (see note below)	(106.0)	62.7	243.8	(315.3)	(86.4)
Others	(28.0)	19.9	25.8	8.3	8.1
TOTAL	(43.2)	178.8	349.5	(230.9)	(13.8)

Note: Company, effective April 1, 2012, has applied the hedge accounting principles set out in Accounting Standard – 30 “Financial Instruments – Recognition and Measurement” (AS-30) in respect to forward exchange contracts. Accordingly, in respect of all such contracts outstanding as of June 30, 2012, that were designated and effective as hedges of future cash flows, gain / loss has been recognized directly in the Hedge Reserve account. Gain / loss on actual deliveries were taken to the Profit and Loss account.

Cash Position

(in ₹ million)

Particulars	30-Sep-12	30-June-12	31-Mar-12	31-Dec-11	30-Sep-11
Cash including liquid investments	4,714	4,815	4,786	3,884	3,938

Hedge Details

(in million)

Particulars	Q2 FY13	Q1 FY13	Q4 FY12	Q3 FY12	Q2 FY12
USD	50.5	64.4	73.35	86.85	51.85
EURO	18.8	24.2	25.10	30.62	20.94
GBP	8.2	10.5	12.94	15.52	10.60
AUD	2.7	3.6	--	--	--

CAPEX

(in ₹ million)

Particulars	Q2 FY13	Q1 FY13	Q4 FY12	Q3 FY12	Q2 FY12
Capital expenditure	173	212	143	254	194

Receivable Days (Number of days sale)

Particulars	Q2 FY13	Q1 FY13	Q4 FY12	Q3 FY12	Q2 FY12
DSO (Including unbilled revenue)	101	99	99	104	92

Voluntary Attrition

(in %)

Particulars	Q2 FY13	Q1 FY13	Q4 FY12	Q3 FY12	Q2 FY12
Attrition (annualized)	15.2	14.3	17.5	19.0	18.1

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Detailed Financials

Particulars	Q2 FY 13	Q1 FY 13	Q2 FY 12
Operating Revenues	4,771.2	4,563.8	3,726.0
Operating Expenditure	3,879.5	3,712.0	3,140.2
Salary Costs	2,788.4	2,762.2	2,305.3
Travel Expenditure	245.1	246.2	221.5
Purchases	220.5	152.9	109.8
Other Operating Costs	625.5	550.7	503.6
Operating Profits	891.7	851.8	585.8
Operating Margins	18.7%	18.7%	15.7%
Depreciation & Amortization	144.5	134.2	123.0
Financial Expenses	4.6	0.5	4.9
Other Income	-43.2	178.8	-13.8
Profit Before Tax	699.4	895.9	444.1
PBT Margin	14.8%	18.9%	12.0%
Exceptional Item	--	18.1	---
Tax	226.2	292.3	153.5
Profit After Tax	473.2	585.5	290.6
Share of Profits - IASI	29.9	61.6	17.3
Minority Interest - IGIL	-	-	-0.5
PAT after Share of Profits	503.1	647.1	307.4
Net Margin	10.6%	13.6%	8.3%
Basic EPS	4.52	5.81	2.76

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

Revenue by Company

(In ₹ Million)

Company	Q2 FY 13	Q1 FY 13	Q2 FY 12
Infotech Enterprises Ltd	2,598.5	2,584.9	2,064.5
Infotech Enterprises Europe Ltd	253.7	213.3	218.3
Infotech Enterprises America Inc.	2,173.4	2,106.2	1,561.3
Infotech Enterprises, GmbH	814.0	728.1	813.0
Infotech Geospatial (India) Ltd	11.6	8.5	16.0
Infotech HAL Limited	3.9	3.5	1.7
Infotech Enterprises Japan KK	22.9	15.0	7.5
Infotech Enterprises IT Services Pvt. Ltd.	48.6	38.5	27.6
Gross Revenues	5,926.6	5,698.0	4,709.9
Less: Intra Group Revenues	1,155.4	1,134.2	983.9
Net Revenues	4,771.2	4,563.8	3,726.0

Revenue by Vertical

(In ₹ Million, except for % data)

Vertical	Q2 FY 13	Q1 FY 13	Q2 FY 12
UT&C	1,550.7 (32.5%)	1,444.8 (31.7%)	1,148.4 (30.8%)
EMI	3,230.4 (67.7%)	3,125.6 (68.5%)	2,578.5 (69.2%)
Less: Inter Segment Sales	-9.9 (-0.2%)	-6.6 (-0.2%)	-0.9 (0.0%)
TOTAL	4,771.2 (100.0%)	4,563.8 (100.0%)	3,726.0 (100.0%)

Revenue by Business Units

Company	Q2 FY 13	Q1 FY 13	Q2 FY 12
UT&C			
Utilities & Telecom	68.3%	67.6%	68.2%
Content Engg	31.7%	32.4%	31.8%
ENGG			
Aero	54.8%	55.7%	53.8%
HTH	45.2%	44.3%	46.2%

Profit Distribution by Company

Company	Q2 FY 13	Q1 FY 13	Q2 FY 12
Infotech Enterprises Ltd	341.0	524.0	190.2
Infotech Enterprises Europe Ltd	(8.1)	(10.3)	1.8
Infotech Enterprises America Inc.	75.4	71.3	56.3
Infotech Enterprises GmbH	50.8	(0.1)	57.0
Infotech Geospatial (India) Ltd	0.8	0.0	1.8
Infotech HAL Limited	(0.04)	0.0	(2.7)
Infotech Enterprises Japan KK	(5.3)	(6.3)	(5.2)
Infotech Enterprises IT Services Pvt. Ltd.	4.7	4.6	(0.5)
Gross Profit	459.3	583.2	298.7
Less: Others (Elimination)	14.1	20.5	(8.1)
Less : Exceptional item	--	(18.1)	--
Profit After Tax	473.2	585.6	290.6
Share of Profits from IASI	29.9	61.5	17.3
Minority Interest of IGIL	--	--	-0.5
Profit after Minority Interest	503.1	647.1	307.4

(In ₹ Million)

Manpower by Vertical

Vertical	30-Sep-12	30-Jun-12	30-Sep-11
UT&C	4,595	4,507	3,949
ENGG	4,810	4,619	4,658
IT Services	100	87	71
Support Functions	588	585	597
TOTAL	10,093	9,798	9,275

Manpower by Company

Company	30-Sep-12	30-Jun-12	30-Sep-11
Infotech Enterprises Ltd.	8,476	8,191	7,744
Infotech Enterprises Europe Ltd	105	114	75
Infotech Enterprises America Inc.	1,130	1,134	1,067
Infotech Enterprises GmbH	282	270	296
Infotech Geospatial (India) Ltd.	4	7	23
Infotech Enterprises IT Services Pvt. Ltd.	91	78	67
Infotech Enterprises Japan KK	5	4	3
TOTAL	10,093	9,798	9,275

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Company Overview

Infotech Enterprises provides leading-edge engineering solutions, including product development and life-cycle support, process, network and content engineering to major organizations worldwide. With over two decades of continuous growth, Infotech leverages a global delivery and collaborative engineering model to achieve measurable and substantial benefits for our clients. Whether your organization needs to design innovative products faster, optimize R&D costs, increase market share, enhance operational efficiency or maximize the return on investment in your networks, Infotech Enterprises is the ideal partner.

Infotech has 10,000+ associates across 35 global locations. We adopt a proactive approach to serve our clients with our best-in-class delivery centers in North America, Europe, Middle East and Asia Pacific. Our clients span multiple industries such as Aerospace, Consumer, Energy, Medical, Oil and Gas, Mining, Heavy Equipment, HiTech, Transportation, Telecom and Utilities and include 22 'Fortune 500' and 27 'Global 500' blue chip organizations.

In order to create and deliver services that exceed clients' expectations consistently and enhance their business agility, Infotech employs a framework of robust internal processes to ensure IP security, quality of solution and on-time delivery. Infotech aligns with industry best practices and internationally renowned standards and frameworks including International Standards Organization (ISO) 9001:2008, Information Security 27001:2005, Aerospace (AS9100 C), and Medical Devices (ISO 13485).

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 involves a number of risks and uncertainties that may lead to different results. These forward looking statements represent only the current expectations and beliefs and the company provides no assurance that such expectations will prove correct.

All 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; Infotech Geospatial (India) Ltd (IGIL); Joint Venture Infotech HAL Ltd (HAL JV) and associate company Infotech Aerospace Services Inc. (IASI).

Income statement provided is in the internal MIS format. MIS format is different from the income statement published as part of financial results, which is as per the statutory requirement, in terms of grouping of cost elements. Previous period numbers are regrouped and reclassified wherever necessary.