

INFOTECH ENTERPRISES LIMITED

Third Quarter, FY 13 Results



Press Release, Hyderabad, India, January 17, 2013

Financial Highlights

- ✓ Revenue
 - In INR at ₹475 Cr.; up 14% YoY
 - In US\$ at 87.6 Mn.; up 7.3% YoY and 0.5% QoQ
- ✓ Operating profit at ₹88 Cr; up 2.8% YoY
- ✓ OPM at 18.5% for the quarter, stable.
- ✓ Net profit at ₹62 Cr; up 82% YoY; up 23% QoQ
- ✓ Interim dividend @ 40%, i.e ₹ 2 per share, paid.

Chairman's Message

Commenting on the results, Mr. BVR Mohan Reddy, Chairman and Managing Director, said:-

“We had a stable Q3. In spite of challenges in Europe and also with Hi-Tech vertical, we maintained small revenue growth and robust margins.

We believe some of these challenges are market driven and also internal to the organizations. Markets are certainly showing signs of recovery and actions are being taken to strengthen the internal organization.

We hope to get back to a stronger growth path on revenues in the next one to two quarters and the long term business prospects remain strong.”

Financial Performance Highlights

(in ₹ million)

	31-Dec-12	30-Sep-12	31-Dec-11	Growth %	
				QoQ	YoY
Revenue	4,751.1	4,771.3	4,165.2	(0.4)	14.1
Operating Profit	880.8	892.1	856.7	(1.2)	2.8
Operating Margin %	18.5%	18.7%	20.6%		
PAT	618.2	503.0	339.6	22.9	82.0

(in US\$ million)

	31-Dec-12	30-Sep-12	31-Dec-11	Growth %	
				QoQ	YoY
Revenue	87.6	87.2	81.7	0.5	7.3
Operating Profit	16.2	16.3	16.8	(0.6)	(3.6)
Operating Margin %	18.5%	18.7%	20.6%		
PAT	11.4	9.2	6.7	23.9	70.1

<i>Rupee/US Dollar Rate</i>	31-Dec-12	30-Sep-12	31-Dec-11
Quarter Average	54.25	54.74	51.01
Quarter Closing	54.78	52.70	53.27

Quarter that Was

Revenue Growth

AERO witnessed flat revenue, consisting of volume growth of 0.7% and an exchange rate impact of -0.7%.

HTH witnessed revenue growth of -6.2%, consisting of volume growth of -5.9% and an exchange rate impact of -0.3%.

Utilities and Telecom witnessed revenue growth of 6.6%, consisting of volume growth of 7.5% and an exchange rate impact of -0.9%.

Content witnessed revenue growth of -1.8%, consisting of volume growth of -2.5% and an exchange rate impact of 0.7%.

Overall revenue growth was -0.4%, consisting of volume growth of 0.04% and an exchange rate impact of -0.46%.

Business Update

ENGG Highlights

In spite of fewer working days in Q3, Aerospace revenues are marginally higher than Q2. We added a new customer first time from Israel and added two more new customers in Europe. We started new service offering in “Operations/manufacturing software” and got good response from our existing customer base. Couple of customers conducted their annual quality audits and approved supplier status/clearance for next few years with improved scores. We were awarded the “Highest Productivity Supplier” award by one of our customers for the year 2012 for our initiatives in productivity savings which contributed to more than 50% of total savings received from all its engineering suppliers in year 2012. We opened a 200 people new delivery center in East Hartford, USA to support one of their Aerospace customers. Our team presented 10+ technical papers in conferences and seminars conducted by CII/SAE/ISB/ASME. We have good pipeline for Q4 and expect to see growth coming from existing/new customers.

The third quarter of FY 2013 saw significant challenges in two of our Top 10 accounts - one of our Heavy Equipment clients announced furloughs which impacted a significant part of our engagement while a semiconductor customer announced their exit in two key areas of our engagement resulting in sudden ramp-down of our existing engagement. Though the remainder of the accounts performed quite well, these two accounts resulted in a Q-o-Q revenue drop of 4.2%. While the revenue dip in the Heavy Equipment customer is a one time issue, the ramp-down in the semiconductor will take at least two quarters to backfill.

The drop in revenue lowered the operating margin; we expect to scale back to earlier levels in Q4 on accounts on increased revenue momentum and better utilization.

We continue to see good traction in our Rail Transportation business and have signed two customers in the quarter. We expanded our existing engagement with a Heavy Equipment customer with a 5-year Technical Publications deal valued at \$7M.

UT & C Highlights

Across Utilities & Telecom BU we saw growth in all our geo's compared to the previous quarter, resulting in the overall 6.6% Q-on-Q growth. Performance was especially strong in our Utilities business where we saw good revenue traction both with direct end users and also via a number of our strategic alliance partners. Although we only added one new direct client, we achieved a number of significant new wins with existing clients and partners. The overall revenue growth resulted in us improving our operating margins and we also saw our revenue per associate increase for the third consecutive quarter this FY. Looking forward to Q4, we have one large project in the US where a substantial amount of work is transitioning from onshore to offshore which will present some short term revenue challenges, but overall the pipeline and outlook remains strong.

In the Content BU, it was a mixed quarter. In two of our PDU's we saw 9% and 18% revenue growth respectively, with the highest growth coming from our energy and mining business. Unfortunately this growth was offset by Q-on-Q de-growth in our Commercial Geospatial practice - which mainly focuses on geospatial and mapping projects. We believe this Q-on-Q de-growth is temporary, resulting mainly from some one-off events that happened in the market place, coupled to specific delays in the supply of source data by various clients. These operational delays have largely been resolved now. On all other metrics, such as utilization and profitability, the Content BU performed well and we look forward to a strong fourth quarter.

Business and Operational Highlights

✓ New Business, Pursuits & Services Offerings

- **11 customers added** during the quarter, 2 in UT&C and 9 in ENGG.
- **Key wins** across all verticals.
- Signed a global partnership agreement with **ViryaNet** to provide mobile workforce management services to the Telecom and Utility verticals.
- Signed a global partnership agreement with **acquire** to provide services to support their Geoscientific Management System to the mining industry
- Signed Consulting Agreement with **Silcar Australia** to provide Plan & Design services to support NBN Program
- Signed a contract to supply resource to **Ericsson** as we are now an approved network design partner to Ericsson

✓ Awards and Recognitions

- Mr. B V R Mohan Reddy, CMD, nominated as the Chairman of the Board of Governors of Indian Institute of Technology (IIT), Hyderabad.
- The Mayor of London, Mr. Boris Johnson, visited us on November 28, 2012.
- Named to The International Association of Outsourcing Professionals' annual ranking of the world's best outsourcing service providers and advisors. We were selected in the "Leaders" category for the 2012 Global Outsourcing 100 service providers list, comprised of the top 100 service providers globally.
- Awarded the "**Highest Productivity Supplier Award**" by Pratt & Whitney for the year 2012.
- Awarded "LEED INDIA GOLD" rating from Indian Green Building Council in which our Manikonda Tower-2 was certified as a "Green Building".

✓ New Facilities

- New SEZ facility inaugurated at Kakinada, Andhra Pradesh.

✓ Other Highlights

- DSO stands at 98 days as on December 31, 2012 as compared to 101 as on September 30, 2012.
- Cash balance, including liquid investments, is ₹ 508 crores.

PART I : STATEMENT OF UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2012

(C in Lakhs)

Sl. No	Particulars	Quarter Ended			Nine Months Ended		Year Ended
		31-Dec-12	30-Sep-12	31-Dec-11	31-Dec-12	31-Dec-11	31-Mar-12
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	Income from operations						
	(a) Net Sales/income from operations	47,512	47,712	41,652	140,862	113,579	155,297
	(b) Other operating income	-	-	-	-	-	16
	Total income from operations (net)	47,512	47,712	41,652	140,862	113,579	155,313
2	Expenses						
	(a) Employee benefits expense	28,686	27,906	24,219	84,406	70,587	95,257
	(b) Travel expenses	2,384	2,497	2,313	7,298	6,999	9,484
	(c) Depreciation and amortisation expense	1,614	1,445	1,423	4,401	3,807	4,941
	(d) Other expenses	7,734	8,229	6,556	22,856	17,319	23,662
	Total expenses	40,418	40,077	34,511	118,961	98,712	133,344
3	Profit from operations before other income, finance costs & exceptional item (1-2)	7,094	7,635	7,141	21,901	14,867	21,969
4	Other income	1,704	(633)	1,419	2,859	3,056	1,753
5	Profit from ordinary activities before finance costs and exceptional item (3+4)	8,798	7,002	8,560	24,760	17,923	23,722
6	Finance costs	10	8	2	19	29	73
7	Profit from ordinary activities after finance costs but before exceptional item (5-6)	8,788	6,994	8,558	24,741	17,894	23,649
8	Exceptional item (Refer Note 7)	-	-	3,751	181	4,839	159
9	Profit from ordinary activities before tax (7-8)	8,788	6,994	4,807	24,560	13,055	23,490
10	Tax expense	2,776	2,262	1,715	7,961	4,517	8,353
11	Net Profit from ordinary activities after tax (9-10)	6,012	4,732	3,092	16,599	8,538	15,137
12	Share of Profit of associates	171	299	297	1,086	616	1,001
13	Minority Interest	-	-	(7)	-	-	-
14	Net Profit from ordinary activities after taxes, minority interest and share of profit of associates (11+12-13)	6,183	5,031	3,396	17,685	9,154	16,138
15	Paid-up equity share capital (Face Value ` 5 per share)	5,580	5,573	5,570	5,580	5,570	5,571
16	Reserves excluding revaluation reserves						110,177
17	Earnings Per Share [Face Value of ` 5 per share](not annualised)						
	(a) Basic (in `)	5.55	4.52	3.05	15.87	8.22	14.49
	(b) Diluted (in `)	5.53	4.51	3.05	15.82	8.22	14.49

PART II : SELECT INFORMATION FOR THE QUARTER AND NINE MONTHS ENDED DECEMBER 31, 2012

1	Particulars of shareholding						
1a	Public Shareholding						
	(a) Number of shares	86,660,187	86,521,504	85,913,770	86,660,187	85,913,770	85,988,400
	(b) Percentage of shareholding	77.65%	77.62%	77.12%	77.65%	77.12%	77.18%
1b	Promoters and Promoter Group Shareholding						
	(a) Pledged / Encumbered						
	- Number of shares	-	-	418,082	-	418,082	358,082
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	0.00%	0.00%	1.64%	0.00%	1.64%	1.41%
	- Percentage of shares (as a % of the total share capital of the company)	0.00%	0.00%	0.38%	0.00%	0.38%	0.32%
	(b) Non-encumbered						
	- Number of shares	24,942,780	24,942,780	25,067,280	24,942,780	25,067,280	25,068,780
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00%	100.00%	98.36%	100.00%	98.36%	98.59%
	- Percentage of shares (as a % of the total share capital of the company)	22.35%	22.38%	22.50%	22.35%	22.50%	22.50%

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 & 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 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; Infotech Geospatial (India) Ltd (IGIL); joint venture Infotech HAL Ltd (HAL JV) and associate company Infotech Aerospace Services Inc. (IASI).

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