

INFOTECH ENTERPRISES LIMITED

Fourth Quarter and Annual Results, FY 2013



Press Release, Hyderabad, India, April 25, 2013

- **Annual Revenues at ₹1,873 Cr, Up 21% YoY**
- **Operating Profit at ₹342 Cr; Up 26% YoY**
- **Profit After Tax at ₹231 Cr; Up 43% YoY**
- **Board of Directors recommend a final dividend of 50% for year i.e. ₹2.5/Share, subject to approval from shareholders**
- **Free Cash Flow at ₹112 Cr is up 120% on full year basis**

Fiscal Year 2013 – Highlights

Financial Highlights

- ✓ **Revenue Growth**
 - In INR at ₹1,873 Cr; up 20.6% YoY
 - In US\$ at \$ 345 mn; up 6.5% YoY
 - Constant Currency growth of 9.2% YoY
- ✓ **Operating Margin** at 18.2%. up 82 bps YoY
- ✓ **Operating Profit** at ₹342 Cr; up 26.3% YoY
- ✓ **Net Profit** at ₹231 Cr; up 43.2% YoY

Financial Metrics

- ✓ Significant improvement in **Free Cash Flow as % of EBITDA**; up from 18% to 30% this year. FCF generated ₹112 Cr vs. ₹ 51 Cr last year. **Highest ever.**
- ✓ **Cash Balance**, including liquid investments, is **₹559 crores. Highest ever.**
- ✓ DSO at 95 Days. **Best in last 10 years.**
- ✓ Driven by strong focus on Special Economic Zone deployment (*Added 1000+ people this year*), Tax Rate improved by 479 bps to 30.5%.

Business Highlights

- ✓ Employee gross addition for the year at 3,092. ***Highest ever for company.***
- ✓ 64 customers added during the year, 34 in ENGG and 30 in UT&C
- ✓ UT&C crossed milestone of US\$100 mn revenue in a financial year.

Quarter 4 – Highlights

Financial Highlights

- ✓ **Revenue Growth**
 - In INR at ₹464 Cr; up 11.3% YoY and down 2.2% QoQ
 - In US\$ at \$ 86 mn; up 3.6% YoY and down 1.9% QoQ
 - Constant Currency revenue down by 1.8% QoQ
- ✓ **Operating Margin** at 17.0% as against 18.5% in Q3
- ✓ **Operating Profit** at ₹79 Cr; down 4.3% YoY and 10.2% QoQ
- ✓ **Net Profit** at ₹54 Cr; down 12.3% QoQ

Financial Metrics

- ✓ DSO for Q4 stands at 95 days (including WIP 17 days), as compared to 98 days in Q3.

Business Highlights

- ✓ Employee gross addition for the quarter at 783. ***2nd highest ever for Infotech.***
- ✓ 19 customers added during the quarter, 11 in ENGG and 8 in UT&C.

Management Message

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

“In spite of the global uncertainties, we had a robust performance for FY 12-13. We grew our revenue, margin and earnings. Our revenue, profit and cash generation were highest in the history of the company. Our collections were highest ever and the DSO lowest in the last ten years.

We built scalable Information Systems for accelerated and sustainable growth in the coming years. Our orders backlog and pipeline are higher than last year. We are confident of significantly better business performance this year.”

Mr. Ajay Aggarwal, Chief Financial Officer, said “In FY’13, our INR Revenue and Net profit grew by 21% YoY and 43% respectively. Free Cash generated by business doubled in one year to ₹112 Cr (*from ₹51 Cr last year*), and we are well poised to increase it further. Led by our strategy of increased focus on SEZ, we clocked improvement of +479 bps in tax rate on full year basis.

Current business environment requires us to remain efficient, invest in growth and continue focus on improving our cash flows.”

Financial Performance Highlights

(in ₹ million)

	31-Mar-13	31-Dec-12	31-Mar-12	Growth %		FY'13	FY'12	Growth YoY %
				QoQ	YoY			
Revenue	4644.5	4,751.1	4,173.5	(2.2)	11.3	18,730.7	15,531.4	20.6
Operating Profit	791.1	880.8	827.1	(10.2)	(4.3)	3415.7	2,704.5	26.3
Operating Margin	17.0%	18.5%	19.8%			18.2%	17.4%	
PAT	542.1	618.2	698.3	(12.3)	(22.4)	2,310.6	1,613.8	43.2

(in US\$ million)

	31-Mar-13	31-Dec-12	31-Mar-12	Growth %		FY'13	FY'12	Growth YoY
				QoQ	YoY			
Revenue	85.9	87.6	83.0	(1.9)	3.6	344.9	323.8	6.5
Operating Profit	14.6	16.2	16.4	(9.8)	(10.9)	62.9	56.4	11.5
Operating Margin	17.0%	18.5%	19.8%			18.2%	17.4%	
PAT	10.0	11.4	13.9	(12.0)	(27.7)	42.5	33.6	26.4

₹ US\$ Rate	31-Mar-13	31-Dec-12	31-Mar-12
Quarter Average	54.04	54.25	50.31
Quarter Closing	54.39	54.78	51.16

Quarter that Was

Revenue Growth

AERO revenue growth of -3.2% in INR and -2.9% in US\$. It consists of pricing improvement of 0.3% and an exchange rate impact of -0.3%.

HTH revenue growth of -2.4% in INR and -2.1% in US\$. It consists of an exchange rate impact of -0.3%.

Utilities and Telecom revenue growth of -3.7% in INR and -3.2% in US\$. It consists of an exchange rate impact of -0.5%.

Content revenue growth of 4.9% in INR and 5.8% in US\$. It consists of an exchange rate impact of -0.8%.

Overall INR revenue growth was -2.2% and US\$ was at -1.8%. It consists of pricing improvement of 0.1% and an exchange rate impact of -0.4%.

Business Update

ENGG Highlights

Infotech has been recognized as “Supplier of the Year 2012” in the International category by The Boeing Company. Infotech was one of only 16 companies out of more than 11,000 Boeing suppliers honored for this distinguished performance. This is an extraordinary achievement for the Aerospace BU as it is the second time we have received this recognition in the last 3 years. We also see good traction in new customers and acquired one Must Have customer in Q4. This customer is one of the largest aerospace companies and ramp up will start from next quarter. Seven technical paper abstracts which were submitted to the 2nd ASME Conference, scheduled in Dec 2013, have been accepted, this recognizes our strong domain expertise in Aerospace. Several proposals have been submitted and are in process which gives us a good pipeline for next quarter and beyond.

The quarter continued to be impacted by the customer ramp downs that happened in Q3. Growth in the Energy segment was muted as the ramp-ups in new engagements were offset by a temporary stoppage in an Oil & Gas engagement. The Rail PDU continued to see good traction with ramp-up in existing and new customers. Closure of work in two divisions of a semiconductor customer saw significant downward movement in our Hitech PDU QoQ. The overall impact was a 2% decrease in QoQ revenue which also resulted in lower operating margin. We believe the worst is over in ramp downs in Hitech. Several US Companies in the Off Highway segment are seeing lower demand for their products and have implemented budget cuts. We may see impact of these cuts at least for the first two quarters of FY 14. Our Rail customers have started to improve their order backlog and we expect to see a positive impact of the same in our workload over the next two quarters. Our semiconductor business is stabilizing and we won our first customer in Europe that is expected to ramp-up by the end of Q1 FY 2014. We will see growth returning to our Europe business in Q1 FY 2014 and continuing growth in our APJ business.

UT & C Highlights

As anticipated at the start of the Quarter, we saw a small dip in QoQ revenue of Utilities and Telecom BU as the work we are doing for one of our large US Utility customers transitioned from onsite to offshore. Despite the ~\$2m impact on overall revenues, we were able to recover most of this by achieving strong growth across other customers. In particular, the successful ramp up with two clients around our Fiber (FFTx) Plan and Design services was very encouraging and we see these engagements continuing throughout FY14. We were pleased to improve our operating margins QoQ, due to better gross margins helped by an increase in the proportion of work being done offshore. Moving forward we see this as an important trend for FY14 and something that should help further improve our operating margins during the coming quarters. During the Quarter we added 6 new customers – 2 each in EMEA, APAC and India. For the full year FY13, UT BU posted YoY growth of 32.1% in INR terms and 16.8% in US Dollar terms. The outlook for Q1 FY14 looks positive and we won't have a similar challenge on QoQ revenues compared to the last quarter.

Our Content BU had a very strong quarter, achieving its highest ever revenue figure of \$9.44m. The strong performance, which was helped by good QoQ growth from our top 2 customers, occurred across the BU, and was especially strong in India and EMEA. During the quarter we added 2 new customers, one “Must Have Account” in the Americas and the other in India. We saw a positive movement in terms of both gross margins and operating margins. We are pleased that R. Shankar has joined as Head of Content BU in place of S.A. Lakshminarayanan who is officially retiring at the end of April. For the full year Content BU achieved 26.3% YoY growth in INR terms and 11.6% in US Dollars. The outlook for Q1 FY14 is positive and we will have a good first quarter.

Business and Operational Highlights

✓ New Business, Pursuits & Services Offerings

- **19 customers added** during the quarter, 11 in ENGG and 8 in UT&C.
- **Key wins** across all verticals.

✓ Awards and Recognitions

- Infotech has been recognized for the second time in last three years as “Supplier of the Year 2012” in the international category by The Boeing Company.
- Received “Boeing Performance Excellence Award (BPEA)”. This is the third consecutive year in which Infotech has been recognized with this award
- Received “Top Offshore Engineering Services Provider Award” from Vought Aircraft Co.
- Infotech Enterprises was recognized for excellence in learning at the “3rd Asia Best Employer Brand Awards” held at Suntec, Singapore.
- Received the prestigious annual award from ITsAP (IT & ITES Industry Association of Andhra Pradesh) for Best Performance in its category.

✓ New Facilities

- Opened Silicon Valley office in Santa Clara, California (USA). Larger facility to accommodate anticipated growth
- New SEZ facility inaugurated at Kakinada, Andhra Pradesh. The new development center is Infotech’s seventh in India and currently employs 850 people.
- The Honorable Chief Minister of Andhra Pradesh Mr. N Kiran Kumar Reddy and The Honorable Union Human Resources Development Minister Mr. MM Pallam Raju visited the Kakinada center for inauguration and publicly acknowledged Infotech's success in creating and operating a high technology knowledge center in a Tier-2 city.

✓ Key Management Additions

- R. Shankar appointed as new Content BU Head
- Appointed Mr. Shankar Narayanan to the Board of Directors as a Non-Executive Director
- Manjunath Hebbar appointed as SVP and Head of Strategic Initiatives

PART I : STATEMENT OF AUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE QUARTER AND YEAR ENDED MARCH 31, 2013

(C in Lakhs)

Sl. No	Particulars	Quarter Ended			Year Ended	
		31-Mar-13	31-Dec-12	31-Mar-12	31-Mar-13	31-Mar-12
		Audited	Unaudited	Audited	Audited	Audited
1	Income from operations					
	(a) Net Sales/income from operations	46,444	47,512	41,718	187,306	155,297
	(b) Other operating income	-	-	16	-	16
	Total income from operations (net)	46,444	47,512	41,734	187,306	155,313
2	Expenses					
	(a) Employee benefits expense	28,995	28,628	25,933	114,060	96,909
	(b) Travel expenses	2,488	2,384	2,485	9,786	9,483
	(c) Depreciation and amortisation expense	1,954	1,614	1,134	6,355	4,941
	(d) Other expenses	7,027	7,792	5,124	29,224	22,009
	Total expenses	40,464	40,418	34,676	159,425	133,343
3	Profit from operations before other income, finance costs & exceptional item (1-2)	5,980	7,094	7,058	27,881	21,970
4	Other income	952	1,704	3,563	3,811	1,753
5	Profit from ordinary activities before finance costs and exceptional item (3+4)	6,932	8,798	10,621	31,692	23,723
6	Finance costs	10	10	28	29	73
7	Profit from ordinary activities after finance costs but before exceptional item (5-6)	6,922	8,788	10,593	31,663	23,650
8	Exceptional item	-	-	159	181	159
9	Profit from ordinary activities before tax (7-8)	6,922	8,788	10,434	31,482	23,491
10	Tax expense	1,706	2,776	3,836	9,667	8,353
11	Net Profit from ordinary activities after tax (9-10)	5,216	6,012	6,598	21,815	15,138
12	Share of Profit of associates	205	171	385	1,291	1,001
13	Minority Interest	-	-	-	-	-
14	Net Profit from ordinary activities after taxes, minority interest and share of profit of associates (11+12-13)	5,421	6,183	6,983	23,106	16,139
15	Paid-up equity share capital (Face Value ` 5 per share)	5,580	5,580	5,571	5,580	5,571
16	Reserves excluding revaluation reserves				126,635	110,177
17	Earnings Per Share [Face Value of ` 5 per share](not annualised)					
	(a) Basic (in `)	4.86	5.55	6.27	20.72	14.49
	(b) Diluted (in `)	4.85	5.53	6.27	20.68	14.49

PART II : SELECT INFORMATION FOR THE QUARTER AND YEAR ENDED MARCH 31, 2013

1	Particulars of shareholding					
1a	Public Shareholding					
	(a) Number of shares	86,660,087	86,660,187	85,988,400	86,660,087	85,988,400
	(b) Percentage of shareholding	77.65%	77.65%	77.18%	77.65%	77.18%
1b	Promoters and Promoter Group Shareholding					
	(a) Pledged / Encumbered					
	- Number of shares	-	-	358,082	-	358,082
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	0.00%	0.00%	1.41%	0.00%	1.41%
	- Percentage of shares (as a % of the total share capital of the company)	0.00%	0.00%	0.32%	0.00%	0.32%
	(b) Non-encumbered					
	- Number of shares	24,942,880	24,942,780	25,068,780	24,942,880	25,068,780
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100.00%	100.00%	98.59%	100.00%	98.59%
	- Percentage of shares (as a % of the total share capital of the company)	22.35%	22.35%	22.50%	22.35%	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.