



## Earnings Call– Q2 FY'14



October 17, 2013

We deliver Global Engineering Solutions. **Efficiently.**

This document contains certain forward looking statements on our future prospects. Although, Infotech believes that expectations contained in these statements are reasonable, their nature involve a number of risks and uncertainties that may lead to different results. These forward looking statements represent only the current expectations and beliefs and 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).

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 / reclassified, wherever necessary.

# Quarter that was - Summary



## Financial Highlights

- ✓ **Highest ever** Revenue, Operating Profit and Net Profit
- ✓ Revenue crossed milestone of ₹5,000 Mn in a single quarter & ₹10,000 Mn in a half year period. **Highest ever**
- ✓ Operating Profit crossed ₹1,000 Mn milestone in a single quarter. **Highest ever**
- ✓ **Revenue Growth**
  - In INR at ₹5,493 Mn; Up 13.5% QoQ and 15.1% YoY
  - In US\$ at \$87.6 Mn; Up 1.8% QoQ and 0.5% YoY
  - Constant Currency revenue up by 2.3% QoQ
- ✓ **Operating Margin** at 19.8% as against 16.6% in Q1. Up +323 bps
- ✓ **Operating Profit** at ₹1,088 Mn; Up 35.6% QoQ and 22.0% YoY.
- ✓ **Net Profit** at ₹725 Mn; Up 33.5% QoQ and 44.1% YoY. **Highest ever net profit**

## Business Highlights

- ✓ Growth trajectory resumed for company with 3 out of 4 Business Units posting more than 4.5% QoQ growth in constant currency.
- ✓ Employee addition continues to be strong. Gross addition and Net addition for the quarter at 1,195 and 724 respectively; **Highest ever gross additions in a single quarter.**
- ✓ Cash Balance, including liquid investments, is ₹6,124 Mn; **Highest ever**

# Revenue at a Glance



| Company Revenue      | 30-Sep-13 | 30-Jun-13 | 31-Mar-13 | 31-Dec-12 | 30-Sep-12 | Growth % |       |
|----------------------|-----------|-----------|-----------|-----------|-----------|----------|-------|
|                      |           |           |           |           |           | QoQ      | YoY   |
| Revenue (in US\$ mn) | 87.6      | 86.0      | 85.9      | 87.6      | 87.2      | 1.8%     | 0.5%  |
| Revenue (in INR mn)  | 5,492.8   | 4,839.3   | 4,644.5   | 4,751.1   | 4,771.3   | 13.5%    | 15.1% |

## Growth by Segments (in US\$)

| Business Units      | QoQ    | YoY    |
|---------------------|--------|--------|
| Aero                | (3.0)% | (5.4)% |
| HTH                 | 4.1%   | (4.7)% |
| Utilities & Telecom | 3.6%   | 8.3%   |
| D&A                 | 4.7%   | 13.6%  |

| Geographies     | QoQ    | YoY    |
|-----------------|--------|--------|
| Americas        | 0.5%   | (7.7)% |
| Europe          | 7.4%   | 7.7%   |
| APAC and Others | (2.8)% | 25.4%  |

## Drivers

- Growth driven by Europe and APAC
- APAC grew ~4.5% QoQ in constant currency however in US\$ it is -2.8% QoQ because of AUD movement.
- Growth in 3 out of 4 BUs, led by D&A growing at 4.7%, HTH at 4.1% and UT at 3.6% QoQ.
- Weakness in Aerospace due to delays in customer programs.
- Top 10 accounts are almost flat while we witnessed strong growth in non top-10 customers
- Offshoring improvement by 200 bps in Q2 compensated for impact on OPM from investments made in Sales and branding.

# Profit and Loss Statement

| <i>(in INR millions)</i>          | 30-Sep-13      | 30-Jun-13      | 30-Sep-12      |
|-----------------------------------|----------------|----------------|----------------|
| <b>Operating Revenues</b>         | <b>5,492.8</b> | <b>4,839.3</b> | <b>4,771.3</b> |
| Operating Expenditure             | <b>4,405.0</b> | <b>4037.4</b>  | 3,879.5        |
| <b>Operating Profits</b>          | <b>1,087.8</b> | <b>801.9</b>   | <b>892.1</b>   |
| Depreciation & Amortization       | 182.2          | 180.8          | 144.5          |
| Financial Expenses                | 7.2            | 6.9            | 4.6            |
| Other Income                      | 83.4           | 182.1          | (43.2)         |
| <b>Profit Before Tax</b>          | <b>981.7</b>   | <b>796.3</b>   | <b>699.7</b>   |
| Tax                               | 280.6          | 294.5          | 226.2          |
| Share of Profits - IASI           | 24.0           | 41.3           | 29.9           |
| <b>PAT after Share of Profits</b> | <b>725.0</b>   | <b>543.1</b>   | <b>503.1</b>   |
| <b>Basic EPS (INR)</b>            | <b>6.5</b>     | <b>4.9</b>     | <b>4.5</b>     |

## QoQ Variance

### Operating Profit Movement

- Headwinds
  - Net addition of 724 employees
  - Investments in Sales, branding and new offices
- Tailwinds
  - Better Operational Efficiencies
  - Exchange Benefit

### Profit After Tax Movement

- Other Income: Losses in forward covers, offsetted by balance sheet translation gains and Treasury Income.

|                    |       |        |       |
|--------------------|-------|--------|-------|
| Operating Margin   | 19.8% | 16.6%  | 18.7% |
| Effective Tax Rate | 28.6% | 37.0%* | 32.3% |
| Net Income Margin  | 13.2% | 11.2%  | 10.6% |

*\*Effective Tax Rate for the Q1 is 28.4% excluding one off*

# Working Capital Management

## Cash Generation

₹ in Mn

|   | 30-Sep-13 | YTD FY'14 |
|---|-----------|-----------|
| <b>Cash Position (including liquid investments)</b> | 6,124     | 6,124     |
| <b>Free Cash Flow</b>                               | 304       | 807       |
| <i>as % of EBITDA</i>                               | 26%       | 37%       |
| <b>Cash from Operations</b>                         | 421       | 1,062     |
| <b>Capital Expenditure</b>                          | 117       | 255       |
| <i>as % of Sales</i>                                | 2.1%      | 2.5%      |

Highest ever absolute cash position at ₹6,124Mn

## Days Sales Outstanding

In Days

|                                 | 30-Sep-13 | 30-Jun-13 | 30-Sep-12 |
|---------------------------------|-----------|-----------|-----------|
| <b>DSO (including Unbilled)</b> | 95        | 95        | 100       |
| - <b>Billed</b>                 | 75        | 75        | 82        |
| - <b>Unbilled</b>               | 20        | 20        | 18        |

Billed DSO is stable at 75 days on reported QoQ basis. Overall DSO for the quarter is higher by 1 day due to exchange impact.

## Forward Contracts

| <i>(in Millions – Respective currency)</i> | 30-Sep-13 | 30-Jun-13 |
|--|-----------|-----------|
| USD / INR                                  | 76.9      | 72.7      |
| EURO / INR                                 | 18.0      | 17.7      |
| GBP / INR                                  | 2.4       | 2.9       |
| AUD / INR                                  | 6.0       | 5.4       |

## Booked Rates (in ₹)

| Currency | Next 12 Months |
|----------|----------------|
| INR/USD  | 60.0           |
| INR/EURO | 79.1           |
| INR/GBP  | 101.1          |
| INR/AUD  | 58.2           |

The company continues to hedge 70% of net inflows for next 12 months.

## Other Income - Details

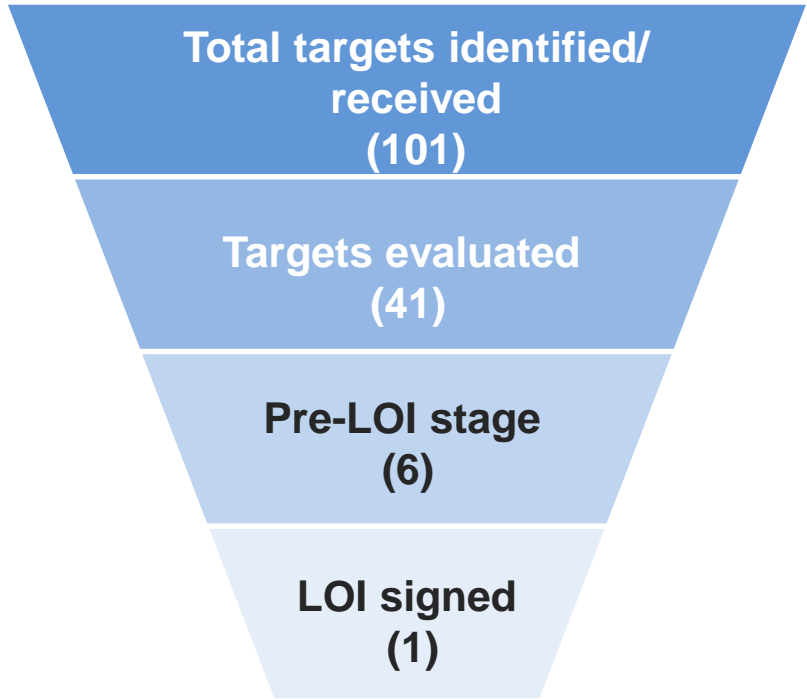
₹ in Mn.

|  | 30-Sep-13      | 30-Jun-13    |
|--|----------------|--------------|
| <b>Income from Treasury: -</b>         |                |              |
| Interest on Investments / deposits     | 94.1           | 83.7         |
| Dividend on mutual funds               | 5.3            | 14.3         |
| <b>Subtotal (A)</b>                    | <b>99.4</b>    | <b>97.9</b>  |
| <b>Foreign Exchange Gain/(Loss): -</b> |                |              |
| Gain/(Loss) on Forward Contracts       | (189.1)        | (42.8)       |
| Gain/(Loss) on Restatement             | 139.5          | 122.4        |
| <b>Subtotal (B)</b>                    | <b>(49.6)</b>  | <b>79.6</b>  |
| Others                                 |                |              |
| <b>Subtotal (C)</b>                    | <b>33.5</b>    | <b>4.6</b>   |
| <b>GRAND TOTAL</b>                     | <b>83.4</b>    | <b>182.1</b> |
|  | <b>(A+B+C)</b> |              |

# Acquisitions pipeline and focus



## Deal pipeline in H1 FY14



## M&A focus areas in H1 FY14

- Aero**  
Specialization in design with focus on acquiring key customers in US and Europe
- HTH**  
Electronics Hardware and software focus in the domains such as Industrial, Medical devices & Semiconductor
- UT**  
Focus on Telecom operations especially in the Service assurance & fulfillment area
- Systems**  
High value-low volume product realization for moving from services/systems to solutions



## ■ **Engineering (Aerospace & HTH)**

- Aerospace – New customer programs are starting in the second half of the year building positive traction. Growth will be led by ramp up in our emerging Avionics accounts.
- Rail Transportation – The outlook is good in both Rolling Stock and Signaling. We are witnessing sizable new project wins in 3 of our Top 5 customers and we see continued growth for the remainder of the year.
- Heavy Engineering – We are seeing new opportunities coming up in the Energy, Oil & Gas and Mining markets. We are still seeing uncertainty in the Off Highway segment but expect revenue to remain stable – while there is demand weakness in some of our customers, we also expect to have new project wins in other customers in this segment.
- Hitech – We have started to witness growth in our Top 2 customers – however, the recovery is fragile and we are tracking the broader industry developments for sustainable growth opportunities.

## ■ **Network & Operations (Utilities & Telecom)**

- Utilities – Positive outlook owing to a strong order pipeline and offshore ramp-up.

- Telecom – Reasonable outlook with potential growth in wireless and inventory domains
- **Data Transformation and Analytics (D&A)**
  - Mining – Mining organizations looking for sharp cost efficiencies, reviewing budgets across the board to re plan their investments. We are strengthening our account mining with existing customers.
  - Oil & Gas – New skillsets are being developed and will be deployed in line with the emerging demand in seismic data processing.
  - Government – Existing overseas Government accounts going strong and performing well, volumes of work are increasing.
  - Publishing – Navigation data providers under pressure on account of forced change in business models and focusing on providing more value added services. We see potential of engaging these customers in their other business streams.
- **Manpower outlook**
  - With the positive outlook for FY'14, we are tracking ahead of our plan to have ~2,500 gross additions assuming ~15% planned attrition.



**Thank You**



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