

# Earnings Call– Q3 FY'14



January 16, 2014

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) Pvt. 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

- ✓ **Revenue Growth**
  - In INR at ₹5,784 Mn; Up 5.3% QoQ and 21.7% YoY
  - In US\$ at \$93.3 Mn; Up 6.5% QoQ and 6.5% YoY
  - Constant Currency revenue up by 5.7% QoQ
- ✓ **Operating Margin** at 19.6% as against 19.8% in Q2
- ✓ **Operating Profit** at ₹1,136 Mn; Up 4.5% QoQ and 29.0% YoY
- ✓ **Net Profit** at ₹685 Mn; Down 4.3% QoQ and Up 12.3% YoY

## Financial Highlights

- ✓ **Free Cash Flow (FCF)** more than doubled from ₹304 Mn last quarter to ₹671 Mn this quarter. *Highest ever*
- ✓ **FCF as % of EBITDA** up from 26% in Q2 to 62% in Q3; Stands at 46% on YTD basis.
- ✓ **Cash Balance**, including liquid investments, is ₹ 6,554 Mn; *Highest ever*
- ✓ **Total DSO (including unbilled WIP)** for Q3 at 91 days, improved by 4 days QoQ. *Best in last 7 quarters*

## Business Highlights

- ✓ Robust growth in all 4 Business Units; Led by strong performance in HTH at 11.4% QoQ and DA at 9.5% QoQ on US\$ basis
- ✓ Europe and US posted growth of 10.1% QoQ and 7.3% QoQ respectively on US\$ basis
- ✓ Employee addition continues to be strong. Gross addition and Net addition for the quarter at 801 and 319 respectively

# Revenue at a Glance

Company Revenue	31-Dec-13	30-Sep-13	30-Jun-13	31-Mar-13	31-Dec-12	Growth %	
						QoQ	YoY
Revenue (in US\$ mn)	93.3	87.6	86.0	85.9	87.6	6.5%	6.5%
Revenue (in INR mn)	5,783.7	5,492.8	4,839.3	4,644.5	4,751.1	5.3%	21.7%

## Growth by Segments (in US\$)

Business Units	QoQ	YoY
Aero	3.0%	(3.3)%
HTH	11.4%	12.2%
Utilities & Telecom	5.7%	6.4%
D&A	9.5%	25.4%

Geographies	QoQ	YoY
Americas	7.3%	-0.9%
Europe	10.1%	18.4%
APAC and Others	(3.1)%	17.2%

## Drivers

- Significant growth in all the 4 BUs. 3 out of 4 BUs achieved their highest ever revenues in a quarter.
- Company growth driven by Top 20 customers which grew by 7.1% over the last quarter.
- OPM remained flat in constant currency owing to significant investments in future sustainability and growth of business. - investments on Organization Restructuring, Sales and Branding and one time strategic initiatives.
- Generated 62% of EBITDA as free cash – the highest ever. YTD, the ratio stands at 46%. Improvement driven by DSO, SEZ additions and CAPEX.

# Profit and Loss Statement

<i>(in INR millions)</i>	31-Dec-13	30-Sep-13	31-Dec-12
<b>Operating Revenues</b>	<b>5,783.7</b>	<b>5,492.8</b>	<b>4,751.3</b>
Operating Expenditure	<b>4,647.6</b>	<b>4,405.0</b>	<b>3,870.2</b>
<b>Operating Profits</b>	<b>1,136.1</b>	<b>1,087.8</b>	<b>880.9</b>
Depreciation & Amortization	183.0	182.2	161.5
Financial Expenses	6.9	7.2	3.1
Other Income	(58.0)	83.4	162.4
<b>Profit Before Tax</b>	<b>888.2</b>	<b>981.7</b>	<b>878.6</b>
Tax	241.3	280.6	277.6
Share of Profits - IASI	47.0	24.0	17.1
<b>PAT after Share of Profits</b>	<b>693.9</b>	<b>725.0</b>	<b>618.2</b>
<b>Basic EPS (INR)</b>	<b>6.2</b>	<b>6.5</b>	<b>5.6</b>

Operating Margin	19.6%	19.8%	18.5%
Effective Tax Rate	27.2%	28.6%	31.6%
Net Income Margin	12.0%	13.2%	10.5%

## QoQ Variance

### **Operating Profit Movement**

- Headwinds
  - Net addition of 319 employees
  - Investments in Sales, branding and new offices
  - Adverse exchange impact
- Tailwinds
  - Better Operational Efficiencies – Increased utilization and offshore revenue.

### **Profit After Tax Movement**

- Other Income: Treasury Income of ~Rs. 99.9 Mn was offset by forward covers and balance sheet translation losses.
- Tax Rate: Tax rate improvement driven by continued deployment of new business into SEZ.

## Cash Generation

₹ in Mn

	31-Dec-13	YTD FY'14
<b>Cash Position (including liquid investments)</b>	6,554	6,554
<b>Free Cash Flow</b>	671	1,479
<i>as % of EBITDA</i>	62.3%	45.7%
<b>Cash from Operations</b>	783	1,846
<b>Capital Expenditure</b>	112	367
<i>as % of Sales</i>	1.9%	2.3%

Highest ever absolute cash position at ₹6,554 Mn

## Days Sales Outstanding

In Days

	31-Dec-13	30-Sep-13	31-Dec-12
<b>DSO (including Unbilled)</b>	91	95	97
- <b>Billed</b>	73	75	79
- <b>Unbilled</b>	18	20	18

Both Billed and Unbilled DSO improved by 2 days each. Total DSO is down by 4 days which is best in last 7 quarters.

# Hedge Book and Other Income

## Forward Contracts

<i>(in Millions – Respective currency)</i>	31-Dec-13	30-Sep-13
USD / INR	57.0	76.9
EURO / INR	13.5	18.0
GBP / INR	1.8	2.4
AUD / INR	4.5	6.0

Company has hedged ~70% of inflows for next 9 months.

## Booked Rates (in ₹)

Currency	Next 9 Months
INR/USD	61.0
INR/EURO	80.6
INR/GBP	103.9
INR/AUD	58.4

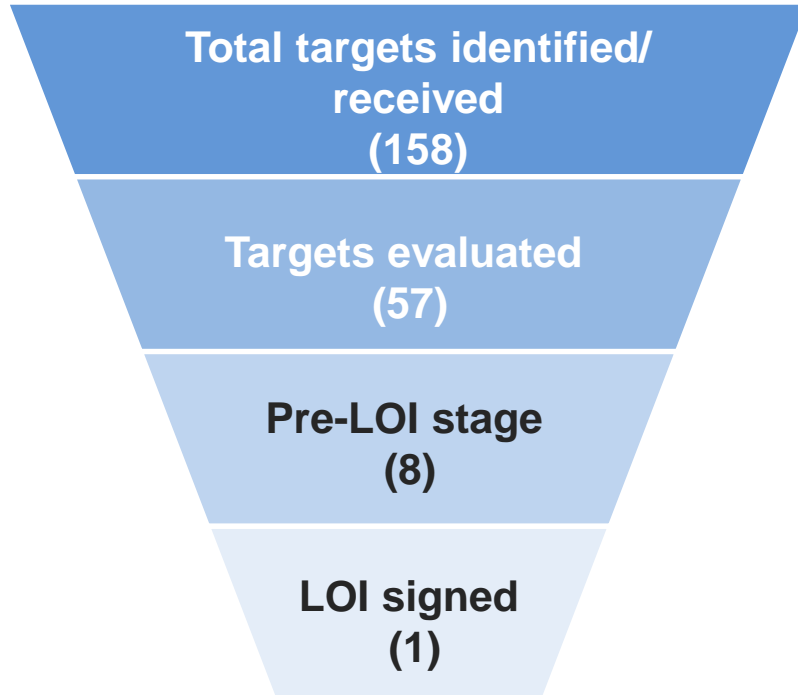
## Other Income - Details

₹ in Mn.

	31-Dec-13	30-Sep-13
<b>Income from Treasury: -</b>		
Interest on Investments / deposits	97.0	94.1
Dividend on mutual funds	2.9	5.3
<b>Subtotal (A)</b>	<b>99.9</b>	<b>99.4</b>
<b>Foreign Exchange Gain/(Loss): -</b>		
Gain/(Loss) on Forward Contracts	(139.3)	(189.1)
Gain/(Loss) on Restatement	(19.6)	139.5
<b>Subtotal (B)</b>	<b>(158.9)</b>	<b>(49.6)</b>
Others	1.0	33.5
<b>Subtotal (C)</b>	<b>1.0</b>	<b>33.5</b>
<b>GRAND TOTAL (A+B+C)</b>	<b>(58.0)</b>	<b>83.4</b>

# Acquisitions pipeline and focus

## Deal pipeline in YTD FY14



## M&A focus areas YTD FY14

### **Aero**

Design area with special focus on acquiring key customers in US and Europe

### **HTH**

Electronics Hardware and software focus in the domains such as Industrial, Medical devices, Semiconductor space

### **UT**

Focus on operations side of the Telecom business, especially in the Service assurance & fulfillment area

### **Mfg./Systems**

High value, low volume manufacturing for moving from services/systems to solutions perspective



## ■ Engineering (Aerospace & HTH)

- Aerospace – Several proposals were submitted and we see the traction on those opportunities Y2015 and QoQ growth in Q4.
- Semiconductor– We have completed a significant onsite ramp up at a large semiconductor customer. We see this business being stable over the next couple of quarters.
- Rail Transportation – Outlook is good in both Rolling Stock and Signaling. We are witnessing sizable new project wins in 3 of our Top 5 customers and see continued growth
- Heavy Engineering – stability in our existing customer base and growth coming from new customers that we have won in Energy, Heavy Equipment and Industrial Products. We have also completed a large ramp up in one of our Energy customers in late Q3 that will enable good QoQ growth in Q4.

## ■ Network & Operations (Utilities & Telecom)

- Utilities – Strong orders from NAM and also new revenue streams from the OT and Smart Grid as well as IT Systems, as utilities are spending on business process improvement
- Telecom – Stable outlook in all geographies.

- **Data Transformation and Analytics (D&A)**
  - Energy and Natural Resources – Introduction of new services will lead to growth in the O&G Industry
  - Content and Geospatial – Good traction from existing customers and few prospects
  - Transportation and Navigation – Continued traction from our largest customer. New services around image processing can lead to good opportunities
  
- **Manpower outlook**
  - With the positive outlook for Q4 and FY 15, we are tracking ahead of our plan to have ~2,500 gross additions assuming ~15% planned attrition.



# Thank You



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