

# INFOTECH ENTERPRISES LIMITED

## Third Quarter, FY 2014 Results



### Earnings Release, Hyderabad, India, January 16, 2014

- Revenues in INR at ₹5,784 Mn, Up 22% YoY
- Operating Profit at ₹1,136 Mn; Up 29% YoY
- Strong Free Cash Flow generation at ₹671 Mn

### Quarter 3 – Highlights

#### 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 ₹694 Mn; Down 4.3% QoQ and Up 12.3% YoY.

#### Financial Metrics

- ✓ **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.

#### 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.

## Management Message

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

“After four quarters of flat business, we saw significant growth in our business for this quarter. All the four business units grew, three of which recorded the highest ever quarterly revenue. Our margins were flat owing to significant investments that we are making in future sustainability and growth of business, which includes both additional manpower and one time initiatives. We are seeing increasing traction and spend from our customers across the world. While overall growth is driven by the growth in top-20 customers, I am happy to note that this is across industries and the customer base. Future looks promising as reflected in current order backlog and pipeline. We are confident of a stronger H2 and equally strong FY 15 on revenue, operating margins and net profit.”

**Mr. Ajay Aggarwal, Chief Financial Officer, said** “Our efforts towards continued improvement in key financial metrics resulted in a milestone quarter. We generated our highest ever Free Cash Flow in a quarter at ₹671 mn. Our Free Cash Flow as percentage of Operating profit stands at 62% for the quarter and 46% on last 9 months basis. This is a significant expansion over our last 3 year average of 23% for the same ratio. Cash generation was driven by 4 days reduction in DSO, continued capex optimization and further improvement in Tax Rate. Our strategy with higher focus on collection cycle, efforts towards capex optimization and improved SEZ deployment, we are confident to achieve better performance on key financial parameters.”

## Financial Performance Highlights

(in ₹ million)

	31-Dec-13	30-Sep-13	31-Dec-12	Growth %	
				QoQ	YoY
Revenue	5,783.7	5,492.8	4,751.1	5.3	21.7
Operating Profit	1,136.1	1,087.8	880.8	4.5	29.0
Operating Margin	19.6%	19.8%	18.5%		
Profit After Tax	693.9	725.0	618.2	(4.3)	12.3

(in US\$ million)

	31-Dec-13	30-Sep-13	31-Dec-12	Growth %	
				QoQ	YoY
Revenue	93.3	87.6	87.6	6.5	6.5
Operating Profit	18.3	17.3	16.2	5.7	13.1
Operating Margin	19.6%	19.8%	18.5%		
Profit After Tax	11.2	11.6	11.4	(3.2)	(1.8)

₹/US\$ Rate	31-Dec-13	30-Sep-13	31-Dec-12
Quarter Average	62.00	62.72	54.25
Quarter Closing	61.90	62.78	54.78

## Quarter that Was

### Revenue Growth

AERO revenue grew at 2.0% in INR and 3.0% in US\$, with an exchange rate impact of -0.8%.  
 HTH revenue grew at 9.9% in INR and 11.4% in US\$, with an exchange rate impact of -0.2%.  
 Utilities and Telecom revenue grew at 4.2% in INR and 5.7% in US\$, with an exchange rate impact of -0.7%.  
 Data Transformation & Analytics (D&A) revenue grew at 8.1% in INR and 9.5% in US\$, with an exchange rate impact of 0.8%.

**Overall revenue growth for company in INR is at 5.3% and 6.5% in US\$, with an exchange rate impact of -0.4%.**

## Business Update

### Aerospace and HTH (ENGG) Highlights

As discussed in Q2, the Aerospace business unit had a good quarter with 3% QoQ growth. Our pipeline for Q4 continues to be strong. We added another multimillion-dollar customer in the newly created SEZ location at Bangalore. The Dallas engineering center is getting ready for operations from the first week of February.

We received two awards from one of our biggest customers for productivity savings and innovation. This is the second time we have received both of these awards in the same year. Infotech has been selected as an approved supplier for providing engineering services to one of our customer's captive units in India. Several proactive proposals were submitted in this quarter, and we see traction on those opportunities, which will bring growth in Q4 and additional revenues next year.

The third quarter of FY 2014 saw HTH posting double-digit QoQ growth and achieving its highest ever quarterly revenue. All geographies grew in double digits. From an industry practices perspective, the growth was led by our hi-tech and rail businesses while heavy engineering had a small reduction in QoQ revenue due to reduced working days onsite.

We have ramped up significantly for three of our top five customers - a rail OEM, an energy company and a semiconductor company and thus are seeing higher contribution to revenue from our top five customers.

### Utilities, Telecom and Data Transformation & Analytics (UT & DA) Highlights

We are pleased to announce that during Q3 our best-growing geography was Europe. We were able to successfully mine our existing customers and ramp up a couple of new relationships. North America also grew well, showing double-digit QoQ growth. APAC revenues were down slightly from the previous quarter, which was expected and mainly reflects the exceptionally strong H1 we had in that region. We are glad to share that we have become the first company in India to receive the TL9000 quality accreditation.

Within the telecoms infrastructure business, we are continuing to benefit from the high levels of investment that are going into both fiber and LTE/4G – not only in Europe, but across the globe. Our telecom operations business is progressing well and with the new leadership now established, we are starting to build a healthy pipeline. The most immediate opportunities are in APAC and Western Europe. Within our utilities business, it was our IT and assets business that was the star performer. Growth came predominately from increased offshore activity for existing customers. While Operations Technology (OT) and smart grid revenues were down slightly compared to the previous quarter, we are still well ahead of our plan and have some exciting projects that we will execute this year. Our order intake continues to track ahead of revenue.

With the acquisition of all of Nokia's business by Microsoft, except HERE platform, which is its mapping and location-based services and its R&D business, the dynamics of the mapping industry are expected to undergo a significant change in the months ahead. We believe any change will be positive for Infotech, particularly given our continued strong relationship with TomTom, the only remaining independent mapping content provider, and our largest customer in D&A.

We have been able to deliver considerable savings to TomTom through our services, and we believe the investments being planned will lead to an increase in revenues in 2015. Despite the global challenges facing the mining sector, the outlook for Infotech with its largest customer in this sector appears to be good. The outlook in the oil and gas sector remains positive.

## Business and Operational Highlights

### ✓ New Business & Services Offerings

- **11 customers added** during the quarter, 7 in ENGG and 4 in UT & DA.
- **Key deal wins** across service offerings in both new and existing customers.

### ✓ Awards and Recognitions

- Becomes the first India based company to be TL 9000 Certified for Fixed Network Engineering Services. Our Telecom business unit's network engineering services division has earned the certification under the product category 7.2.1.1 Fixed Network Engineering Services. The scope of the certification include: engineering services including design, modeling, analysis, and data conversion of wire line telecommunication networks.
- Awarded "Highest Productivity / Cost savings Award" from Pratt & Whitney for 2013.
- Won the "Supplier Innovation Award" from Pratt & Whitney for the year 2013. Few of the productivity submissions by Infotech have involved projects for which patent applications have been filed by Pratt & Whitney.

### ✓ New Facilities/Infrastructure

- Aerospace business unit established the *Infotech America Inc. Design Support Center* at Arlington, Texas (US), near Dallas.
- Inaugurated an extension center at Bangalore for an existing customer in Aerospace.
- Opened a new facility at Hartford, Connecticut (US) to perform work for Pratt and Whitney.

## Revenue Segmentation

### Geographies

(in %)

	31-Dec-13	30-Sep-13	31-Dec-12
Americas	56.5	56.1	60.7
Europe	29.2	28.3	25.3
Asia Pacific & Others	14.3	15.6	14.0

### Business Units

(in %)

	31-Dec-13	30-Sep-13	31-Dec-12
<b>ENGG</b>	<b>63.1</b>	<b>63.0</b>	<b>65.0</b>
Aero	33.2	34.4	36.6
HTH	29.9	28.6	28.4
<b>UT &amp; DA</b>	<b>35.7</b>	<b>35.6</b>	<b>33.9</b>
Util. & Telecom	23.7	23.9	23.7
DA	12.0	11.7	10.2
<b>Others</b>	<b>1.2</b>	<b>1.4</b>	<b>1.1</b>

### Onsite / Offshore Split

(in %)

	31-Dec-13	30-Sep-13	31-Dec-12
Offshore	50.9	50.3	50.2
Onsite	49.1	49.7	49.8

The onsite – offshore split of revenues was 38:62 for UT&DA and 55:45 for ENGG in Q3 FY14.

### Currency Mix

(in %)

	31-Dec-13	30-Sep-13
USD	64.0	63.8
EUR	16.6	16.4
GBP	6.5	6.2
AUD	10.3	10.2
OTHERS	2.6	3.4

## Operational Metrics

### Utilization

(in %)

	31-Dec-13	30-Sep-13	31-Dec-12
<b>Overall Utilization</b>	<b>76</b>	<b>74</b>	<b>77</b>
- ENGG	71	68	71
- UT & DA	81	80	83

### Receivable Days

(in Days)

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

## Customer Metrics

### Top Customers - Revenue Contribution

(in %)

	31-Dec-13	30-Sep-13	31-Dec-12
Top 5	35.8	35.3	36.8
Top 10	49.8	48.2	51.6

### Customers Added

(in number)

	31-Dec-13	30-Sep-13	31-Dec-12
ENGG	7	7	9
UT & DA	4	8	2
<b>Total</b>	<b>11</b>	<b>15</b>	<b>11</b>

### No. of million dollar clients

(in number)

	31-Dec-13	30-Sep-13	31-Dec-12
20 Mn+	3	4	2
10 Mn+	6	7	8
5 Mn+	17	17	15
1 Mn+	54	56	50

\*Revenue segments basis LTM (Last twelve months) Revenues

## Employee Metrics

### Manpower by Business Units

(in number)

	31-Dec-13	30-Sep-13	31-Dec-12
ENGG	5,113	4,923	4,758
UT & DA	5,906	5,764	4,661
IT Services	142	140	112
Support Functions and Common	697	712	603
<b>Total</b>	<b>11,858</b>	<b>11,539</b>	<b>10,134</b>

### Manpower by Company

(in number)

	31-Dec-13	30-Sep-13	31-Dec-12
Infotech Enterprises Ltd	10,203	9,933	8,591
Infotech Enterprises Europe Ltd	61	65	55
Infotech Enterprises America Inc.	1,158	1,111	1,102
Infotech Enterprises GmbH	286	291	267
Infotech Geospatial (India) Ltd.	4	4	4
Infotech Enterprises IT Services Pvt. Ltd.	134	125	107
Infotech Enterprises Japan KK	12	10	8
<b>TOTAL</b>	<b>11,858</b>	<b>11,539</b>	<b>10,134</b>

### Attrition (Voluntary)

(in %)

	31-Dec-13	30-Sep-13	31-Dec-12
Attrition (QAA)	12.1	12.6	15.5



## Detailed Financials

### Consolidated Income Statement

*(in ₹ millions)*

	31-Dec-13	30-Sep-13	31-Dec-12
<b>Operating Revenues</b>	<b>5,783.7</b>	<b>5,492.8</b>	<b>4,751.1</b>
Operating Expenditure	<b>4,647.6</b>	<b>4,405.0</b>	<b>3,870.2</b>
Salary Costs	3,441.6	3,281.2	2,857.0
Travel Expenditure	286.0	257.7	237.6
Purchases	130.8	146.1	224.3
Other Operating Costs	789.2	720.0	551.3
<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
Profit After Tax	646.9	701.0	601.0
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 (₹)</b>	<b>6.2</b>	<b>6.5</b>	<b>5.6</b>

Operating Margin	19.6%	19.8%	18.5%
PBT Margin	15.4%	17.6%	17.9%
Effective Tax Rate	27.2%	28.6%	31.6%
PAT Margin	12.0%	13.2%	12.6%

**Other Income***(in ₹ millions)*

	31-Dec-13	30-Sep-13	31-Dec-12
Income from Investments	99.9	99.4	86.1
FX Gain/(Loss)	(158.9)	(49.6)	54.3
Others	1.0	33.5	22.0
<b>TOTAL</b>	<b>(58.0)</b>	<b>83.4</b>	<b>162.4</b>

**Capital Expenditure***(in ₹ millions)*

	31-Dec-13	30-Sep-13	31-Dec-12
Capital Expenditure	112	117	119

**Cash Position***(in ₹ millions)*

	31-Dec-13	30-Sep-13	31-Dec-12
Cash Including Liquid Investments	6,554	6,124	5,079

**Outstanding Hedge Position***(in millions)*

	31-Dec-13	30-Sep-13	31-Dec-12
USD / INR	57.0	76.9	56.3
EURO / INR	13.5	18.0	17.4
GBP / INR	1.8	2.4	6.9
AUD / INR	4.5	6.0	3.6

## Performance by Company

### Revenue

(in ₹ millions)

	31-Dec-13	30-Sep-13	31-Dec-12
Infotech Enterprises Ltd	3,174.8	3,151.6	2,694.1
Infotech Enterprises Europe Ltd	334.5	283.9	230.7
Infotech Enterprises America Inc.	2,698.4	2,497.7	2,183
Infotech Enterprises GmbH	953.8	940.9	701.7
Infotech Geospatial (India) Pvt. Ltd*	0.6	0.7	2.8
Infotech HAL Limited	3.2	6.1	2.0
Infotech Enterprises Japan KK	43.7	31.5	26.4
Infotech Enterprises IT Services Pvt. Ltd.	82.4	85.0	56.6
<b>Gross Revenues</b>	<b>7,291.4</b>	<b>6,997.4</b>	<b>5,897.4</b>
Less: Intragroup Revenues	(1,507.7)	(1,504.6)	(1,146.3)
<b>Net Revenues</b>	<b>5,783.7</b>	<b>5,492.8</b>	<b>4,751.1</b>

\*With effect from October 29, 2013, Infotech Geospatial (India) Ltd. has been renamed as Infotech Geospatial (India) Pvt. Ltd.

### Profit

(in ₹ millions)

	31-Dec-13	30-Sep-13	31-Dec-12
Infotech Enterprises Ltd	478.7	651.0	514.1
Infotech Enterprises Europe Ltd	(6.2)	(21.0)	(20.5)
Infotech Enterprises America Inc.	73.1	88.0	92.6
Infotech Enterprises GmbH	41.0	21.0	6.4
Infotech Geospatial (India) Pvt. Ltd	(4.8)	(5.2)	(2.9)
Infotech HAL Limited	(0.9)	1.6	(0.3)
Infotech Enterprises Japan KK	(0.4)	(14.6)	(1.4)
Infotech Enterprises IT Services Pvt. Ltd.	16.8	22.1	10.4
<b>Gross Net Profit</b>	<b>597.3</b>	<b>742.9</b>	<b>598.4</b>
Add / (Less): Others (Elimination)	49.6	(41.9)	2.6
<b>Profit After Tax</b>	<b>646.9</b>	<b>701.0</b>	<b>601.0</b>
Share of Profits from IASI	47.0	24.0	17.1
<b>Profit After Minority Interest</b>	<b>693.9</b>	<b>725.0</b>	<b>618.1</b>

\*With effect from October 29, 2013, Infotech Geospatial (India) Ltd. has been renamed as Infotech Geospatial (India) Pvt. Ltd.

## Company Overview

Infotech Enterprises provides leading-edge engineering solutions, including product development and life-cycle support, process, network design and optimization, and data management solutions 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 11,000+ associates across 38 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 26 'Fortune 500' 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, Medical Devices (ISO 13485), Aerospace (AS9100 C), IRIS Rev 02, CMMI Dev 1.3 and TL9000 R5.0

For more information, please visit [www.infotech-enterprises.com](http://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) Pvt. 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.