

INFOTECH ENTERPRISES LIMITED

Fourth Quarter and Annual Results, FY 2014



Earnings Release, Hyderabad, India, April 24, 2014

- Annual Revenues at ₹22,064 Mn, Up 17.8% YoY
- Operating Profit for the year at ₹4,101 Mn; Up 20.1% YoY
- Net Profit for the year at ₹2,660 Mn; Up 15.1% YoY
- Board of Directors recommend a final dividend of 60% for year i.e. ₹3.0/Share, subject to approval from shareholders
- Free Cash Flow at ₹2,182 Mn is up 94.1% YoY; Total Cash at ₹7,260 Mn
- Krishna Bodanapu has been elevated as Chief Executive Officer and Managing Director, effective immediately.

Fiscal Year 2014 – Highlights

Financial Highlights

- ✓ **Revenue Growth**
 - In INR at ₹22,064 Mn ; up 17.8% YoY
 - In US\$ at \$363.3 mn; up 5.3% YoY
 - Constant Currency growth of 6.3% YoY
- ✓ **Operating Margin** at 18.6%. up 35 bps YoY
- ✓ **Operating Profit** at ₹4,101 Mn; up 20.1% YoY
- ✓ **Net Profit** at ₹2,660 Mn; up 15.1% YoY

Financial Metrics

- ✓ Significant improvement in **Free Cash Flow (FCF)**
 - FCF as % of EBITDA; Up from 30% last year to 51% this year. **Best ever**
 - FCF generated ₹2,186 vs ₹1,126 Mn last year; Up 94.1% YoY. **Highest ever; Quadrupled in last 2 years.**
- ✓ **DSO** improved by 8 days to reach 87 Days. **Best in last 12 years.**

Business Highlights

- ✓ Employee gross addition for the year at 3,545 and net addition at 1,577.
- ✓ Crossed milestone of 12,000+ associates.
- ✓ 43 customers added during the year, 22 in ENGG and 21 in UT&DA.
- ✓ Attrition rate at 10.7%. Improved 110 bps YoY.
- ✓ Growth is broad based across all industry segments and geographies.

Quarter 4 – Highlights

Financial Highlights

- ✓ **Revenue Growth**
 - In INR at ₹5,948 Mn; Up 2.8% QoQ and 28.1% YoY
 - In US\$ at \$96.4 Mn; Up 3.4% QoQ and 12.2% YoY
 - Constant Currency revenue up by 3.3% QoQ
- ✓ **Operating Margin** at 18.1% as against 19.6% in Q3; Down 157 bps due to business investments in strategic initiatives, branding and market studies
- ✓ **Operating Profit** at ₹1,075 Mn; Down 5.4% QoQ and Up 35.9% YoY
- ✓ **Net Profit** at ₹698 Mn; Up 0.6% QoQ and Up 28.8% YoY

Financial Metrics

- ✓ **Free Cash Flow (FCF)** as % of EBITDA for the quarter stands at 68%. **Highest ever on quarterly basis.**
- ✓ Absolute FCF generated ₹707 Mn . **Highest ever on quarterly basis.**
- ✓ **Cash Balance**, including liquid investments, is ₹7,260 Mn; **Highest ever**

Business Highlights

- ✓ Employee gross addition for the quarter is 786 and net addition is 236.
- ✓ 7 customers added during the quarter, 3 in ENGG and 4 in UT&DA.

Management Message

Commenting on the results, Mr. BVR Mohan Reddy, Chairman, said “The business momentum has picked up considerably in the second half of last financial year (FY 2013-14), reflected in QoQ growth for the last two quarters. The backlog and order pipeline are very healthy. We are very confident that this momentum will continue during the current financial year (FY 2014-15). We will focus on operating levers such as utilization, sales efficiency and management overhead to improve operating margins in the current financial year. Considerable amount of effort and money has been invested in branding, reorganization and sales compensation restructuring. All three initiatives will lead to accelerated growth and better efficiency. The impact of these will be seen in the second half of the financial year (FY 2014-15).”

“Mr. Krishna Bodanapu has been elevated as Managing Director and Chief Executive Officer.” **He added** “Krishna has done outstanding work in the company since joining us in 2011 and has been President and COO for the last 2 years. Krishna and his team will be responsible for all operations. I will move into the role of Executive Chairman focusing on medium and long term issues that will ensure continued growth and sustainability.”

Mr. Ajay Aggarwal, Chief Financial Officer, said “In FY’14, our Operating Profit and Net profit grew by 20% YoY and 15% YoY respectively. Strong improvement in all financial metrics continued for the second straight year. Free Cash generated by business doubled again this year to ₹2,186 Mn (*from ₹1,126 Mn last year*), and we are well poised to increase it further. Efforts towards improving collection cycle resulted in 8 days improvement in DSO. We continue to focus on cost structure optimization, increased efficiency from investments and improvement in financial metrics.”

Financial Performance Highlights

(in ₹ million)

	31-Mar-14	31-Dec-13	31-Mar-13	Growth %		FY'14	FY'13	Growth YoY %
				QoQ	YoY			
Revenue	5,948.0	5,783.7	4644.5	2.8	28.1	22,064.3	18,730.7	17.8
Operating Profit	1,075.1	1,136.1	791.1	-5.4	35.9	4,100.9	3,415.7	20.1
Operating Margin	18.1%	19.6%	17.0%			18.6%	18.2%	
PAT	698.3	693.9	542.1	0.6	28.8	2,660.1	2,310.6	15.1

(in US\$ million)

	31-Mar-14	31-Dec-13	31-Mar-13	Growth %		FY'14	FY'13	Growth YoY %
				QoQ	YoY			
Revenue	96.4	93.3	85.9	3.4	12.3	363.3	344.9	5.3
Operating Profit	17.4	18.3	14.6	-4.9	19.4	67.5	62.9	7.4
Operating Margin	18.1%	19.6%	17.0%			18.6%	18.2%	
PAT	11.3	11.2	10.0	1.1	13.2	43.8	42.5	3.0

₹/US\$ Rate	31-Mar-14	31-Dec-13	31-Mar-13
Quarter Average	61.68	62.00	54.04
Quarter Closing	60.10	61.90	54.39

Quarter that Was

Revenue Growth

AERO revenue grew 5.3% in INR and 5.8% in US\$, with an exchange rate impact of -0.4%.

HTH revenue grew 3.4% in INR and 3.9% in US\$, with an exchange rate impact of -0.3%.

Utilities and Telecom revenue de-grew by 2.8% in INR and 2.1% in US\$, with an exchange rate impact of -0.7%.

Data Transformation & Analytics (D&A) revenue grew by 6.5% in INR and 7.2% in US\$. It consists of pricing impact of -1.7% and an exchange rate impact of -0.6%.

Overall INR revenue growth was 2.8% and US\$ was at 3.4%. It consists of pricing impact of -0.2% and an exchange rate impact of -0.4%.

Business Update

Aerospace and HTH (ENGG) Highlights

The Aerospace business unit had a good quarter with US\$ growth of 5.8% QoQ led by North America delivering more than 6% growth. Our clients have expanded their engagements in value engineering with a focus on developing products at a lower cost. This trend is transforming into a significant opportunity for us during FY15. We see a good pipeline for FY15 by virtue of winning multimillion dollar contracts from some of our existing customers. This quarter, we executed a major project for a large OEM that involved concept-to-prototype development and testing of an aircraft component. The engagement helped us differentiate our value proposition through innovation. We also designed over 250 tools for development of industrial gas turbine components, and got it manufactured through our partner network. These components were then shipped to parts manufacturing facilities in North America and Asia.

During the quarter, we received accolades from our key customers including Boeing's continued recognition with the Performance Excellence Award for the 4th consecutive year. Our focus on innovation and productivity has been our key differentiator. In this spirit, we conducted an "Open Innovation Challenge" for engineering final year students across India during India Aviation 2014 in March.

The fourth quarter of FY14 saw HTH continuing its growth momentum to achieve its highest quarterly revenue. North America grew at 8%, EMEA stayed flat while APAC declined by 7.1% due to project closure by two rail customers. From an industry perspective, the growth was led by our Hi-Tech and Heavy Engineering businesses, each growing at ~6% while Rail grew by 1% on a quarterly basis.

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

Our Utilities business continued to grow in the quarter, with strong performance both from IT/assets and OT projects – especially around DMS implementations. The opportunity pipeline is particularly encouraging, especially as it is global and not limited to only one or two geographies.

For the full year, our Telecom business showed robust growth, posting ~10% growth YoY. The general outlook is favorable, with Australia being the only significant market to show signs of uncertainty. This is due to the ambiguity around the plans of NBN Co. because of a change in leadership.

Having worked very hard on the business case and due diligence, we are delighted that we were able to close our discussions with Softential Inc. This acquisition was a key milestone in our business plan, and we believe it will give us a great platform to accelerate the growth of our telecom operations business. We are already seeing some joint opportunities that are being actively pursued.

D&A BU had a very strong last quarter, capping off a successful year. As compared to last year, not only did all of our top five customers grow, but we were also able to make some good inroads in identifying new opportunities. With the continued growth in the amount of data that organizations have to handle, coupled with current interest in big data and analytics, we believe we are in a good position and have a very stable platform for growth. Against the backdrop of strong performance from existing clients, we have been able to make investments in sales and marketing – both by adding new sales resources and by investing in business knowledge and research.

Business and Operational Highlights

✓ Acquisitions

- Infotech, through its subsidiary IEAI, will complete acquisition of Softential, Inc. a US-based firm, by Apr 2014. The firm specializes in service management and service assurance solutions for telecommunications and cable operators, enterprise customers & the public sector. The results will reflect in financials of quarter ending Jun 30, 2014.

✓ New Brand Launch

- Infotech Enterprises announced on 27th Mar, 2014 that the board of directors has approved a resolution to change the company's name to "Cyient Limited". This change is expected to be completed by 7th May, 2014. With increasing global recognition of the company's services, we need a unique identity that we can own and a brand promise we can live every day. The name Cyient has connotations to the words client and science, two important ingredients of the company's success. The "ient" references Infotech Enterprises and reflects the company's heritage and continuity. Our new brand promise will help further our commitment to create innovative, forward-looking solutions with our customers to design tomorrow together.

✓ Awards and Recognitions

- Received "Boeing Performance Excellence Award (BPEA)". This is the fourth consecutive year in which Infotech has been recognized with this award.
- Received "Highly Commended Transport Supplier of the Year 2014" as part of London Transport Awards.
- Awarded the 'Highest Productivity Supplier Award' as well as the 'Innovation Award' at the Pratt & Whitney Summit 2013.
- BVR Mohan Reddy, Chairman & Managing Director of Infotech was honored with "India Geospatial Leadership Award for Lifetime Achievement" by India Geospatial Forum.
- BVR Mohan Reddy, Chairman & Managing Director, Infotech Enterprises, was conferred with honorary degree of Doctor of Science by Andhra University.

✓ **Organization Realignment**

- Management has been realigned to enhance customer focus and bring efficiency in operations. Sales has been aligned to geographies and operations to service lines. The next level alignment continues along industries. As part of this realignment, the following leaders will head geographies.
 - Mr. John Renard will head Europe
 - Mr. Tom Edwards will head NAM
 - Mr. Sanjay Krishnaa will head APAC
- Operations will be headed by Rajendra Velagapudi for Engineering and Sunil Kumar Makkena for Data Networks & Operations. Anand Parameswaran who headed HTH BU will now head HR. Ashok Reddy moves into role of President–Corporate Affairs & Infrastructure
- Mr. Martin Trostel who has been heading Europe and has been with company for last 13 years, will retire in April 2014 on attaining superannuation.

Revenue Segmentation

Geographies

(in %)

	31-Mar-14	31-Dec-13	31-Mar-13	FY'14	FY'13
Americas	58.0	56.5	56.3	56.9	60.1
Europe	28.9	29.2	27.3	28.4	26.2
Asia Pacific & Others	13.1	14.3	16.4	14.7	13.7

Business Units

(in %)

	31-Mar-14	31-Dec-13	31-Mar-13	FY'14	FY'13
ENGG	64.1	63.1	64.5	63.6	66.0
Aero	34.1	33.2	36.2	34.4	36.8
HTH	30.0	29.9	28.3	29.2	29.2
UT & DA	34.8	35.7	34.2	35.2	33.1
Util. & Telecom	22.4	23.7	23.3	23.3	22.7
Content	12.4	12.0	10.9	11.9	10.4
Others	1.1	1.2	1.1	1.2	0.9

Onsite / Offshore Split

(in %)

	31-Mar-14	31-Dec-13	31-Mar-13
Offshore	49.3	50.9	51.4
Onsite	50.7	49.1	48.6

The onsite – offshore split of revenues was 38:62 for UT & DA and 57:43 for ENGG in Q4 FY14.

Currency Mix

(in %)

	31-Mar-14	31-Dec-13
USD	63.5	64.0
EUR	16.2	16.6
GBP	6.4	6.5
AUD	10.5	10.3
OTHERS	3.4	2.6

Operational Metrics

Utilization

(in %)

	31-Mar-14	31-Dec-13	31-Mar-13
Overall Utilization	76	76	74
- ENGG	71	71	68
- UT & DA	81	81	80

Receivable Days

(in Days)

	31-Mar-14	31-Dec-13	31-Mar-13
DSO (Total)	87	91	95
- Billed	70	73	78
- Unbilled	17	18	17

Customer Metrics

Top Customers - Revenue Contribution

(in %)

	31-Mar-14	31-Dec-13	31-Mar-13
Top 5	35.9	35.8	35.1
Top 10	50.7	49.8	48.1

Customers Added

(in number)

	31-Mar-14	31-Dec-13	31-Mar-13
ENGG	3	7	11
UT & DA	4	4	8
Total	7	11	19

No. of million dollar clients

(in number)

	31-Mar-14	31-Dec-13	31-Mar-13
20 Mn+	4	3	2
10 Mn+	8	6	8
5 Mn+	19	17	15
1 Mn+	54	54	53

*Revenue segments basis LTM (Last twelve months) Revenues

Employee Metrics

Manpower by Vertical

(in number)

	31-Mar-14	31-Dec-13	31-Mar-13
ENGG	5,312	5,113	4,721
UT & DA	5,953	5,906	5,076
IT Services	140	142	118
Support Functions	689	697	602
Total	12,094	11,858	10,517

Manpower by Company

(in number)

	31-Mar-14	31-Dec-13	31-Mar-13
Infotech Enterprises Ltd	10,360	10,203	8,931
Infotech Enterprises Europe Ltd	79	61	55
Infotech Enterprises America Inc.	1,213	1,158	1,117
Infotech Enterprises GmbH	293	286	287
Infotech Geospatial (India) Pvt. Ltd.	3	4	4
Infotech Enterprises IT Services Pvt. Ltd.	134	134	113
Infotech Enterprises Japan KK	12	12	10
TOTAL	12,094	11,858	10,517

Attrition (Voluntary)

(in %)

	31-Mar-14	31-Dec-13	31-Mar-13
Attrition (QAA)	10.7	12.1	11.8

Detailed Financials

Consolidated Income Statement

(in ₹ millions)

	31-Mar-14	31-Dec-13	31-Mar-13	FY'14	FY'13
Operating Revenues	5,948.0	5,783.7	4,644.5	22,064.3	18,730.7
Operating Expenditure	4,872.9	4,647.6	3,853.4	17,963.4	15,315.0
Salary Costs	3,493.1	3,441.6	2,853.7	13,301.5	11,261.3
Travel Expenditure	278.2	286.0	249.5	1,043.0	978.4
Purchases	220.0	130.8	144.5	548.1	742.2
Other Operating Costs	881.6	789.2	605.7	3,070.8	2,333.1
Operating Profits	1,075.1	1,136.1	791.1	4,100.9	3,415.7
Depreciation & Amortization	174.0	183.0	195.4	720.3	635.7
Financial Expenses	8.3	6.9	3.9	29.3	12.1
Other Income	(20.4)	(58.0)	100.4	186.8	398.4
Profit Before Tax	872.4	888.2	692.2	3,538.1	3,166.3
Exceptional Item	-	-	-	-	18.1
Tax	213.8	241.3	170.6	1,030.1	966.7
Profit After Tax	658.5	646.9	521.6	2,508.0	2,181.5
Share of Profits - IASI	39.8	47.0	20.5	152.1	129.1
PAT after Share of Profits from Associate Company	698.3	693.9	542.1	2660.1	2,310.6
Basic EPS (₹)	6.2	6.2	4.9	23.8	20.7

Operating Margin	18.1%	19.6%	17.0%	18.6%	18.2%
PBT Margin	14.7%	15.4%	14.6%	15.9%	16.6%
Effective Tax Rate	24.5%	27.2%	24.6%	29.1%*	30.5%
PAT Margin	11.7%	12.0%	11.7%	12.1%	12.3%

***Note:** The effective tax rate for the year excluding one off is 27.2%. The one off during the year is due to dividend tax of ₹68 Mn on receipt of dividend of ₹400 Mn from the overseas subsidiaries during Q1, FY14. The tax on intercompany dividend is eligible for setoff against dividend distribution tax to be paid by Infotech India on dividend declared in the financial year and hence had no cash flow impact.

Other Income*(in ₹ millions)*

	31-Mar-14	31-Dec-13	31-Mar-13
Income from Investments	117.8	99.9	99.6
FX Gain/(Loss)	(147.5)	(158.9)	(14.6)
Others	9.3	1.0	15.4
TOTAL	(20.4)	(58.0)	100.4

Capital Expenditure*(in ₹ millions)*

	31-Mar-14	31-Dec-13	31-Mar-13
Capital Expenditure	189	112	360

Cash Position*(in ₹ millions)*

	31-Mar-14	31-Dec-13	31-Mar-13
Cash Including Liquid Investments	7,260	6,554	5,591

Hedge Position*(in millions)*

<i>(In respective currencies)</i>	31-Mar-14	31-Dec-13	31-Mar-13
USD / INR	85.8	57.0	58.1
EURO / INR	24.0	13.5	16.4
GBP / INR	2.4	1.8	5.1
AUD / INR	6.6	4.5	3.6

Performance by Company

Revenue

(in ₹ millions)

	31-Mar-14	31-Dec-13	31-Mar-13	FY'14	FY'13
Infotech Enterprises Ltd	3,103.7	3,174.8	2,629.8	12,271.5	10,507.3
Infotech Enterprises Europe Ltd	370.5	334.5	223.9	1,202.3	921.6
Infotech Enterprises America Inc.	2,865.7	2,698.4	2,135.4	10,225.7	8,598.0
Infotech Enterprises GmbH	951.3	953.8	886.7	3,607.8	3,130.5
Infotech Geospatial (India) Pvt. Ltd.	5.1	0.6	3.2	9.1	26.1
Infotech HAL Limited	0.6	3.2	3.7	14.3	13.2
Infotech Enterprises Japan KK	42.5	43.7	23.1	142.9	87.4
Infotech Enterprises IT Services Pvt. Ltd.	75.7	82.4	52.6	296.9	196.3
Gross Revenues	7,415.1	7,291.4	5,958.4	27,770.5	23,480.4
Less: Intragroup Revenues	(1,467.1)	(1,507.7)	(1,313.9)	(5,706.2)	(4,749.7)
Net Revenues	5,948.0	5,783.7	4,644.6	22,064.3	18,730.7

Profit

(in ₹ millions)

	31-Mar-14	31-Dec-13	31-Mar-13	FY'14	FY'13
Infotech Enterprises Ltd	539.3	478.7	421.9	2,535.6	1,819.5
Infotech Enterprises Europe Ltd	3.6	(6.2)	(18.9)	(38.5)	(57.9)
Infotech Enterprises America Inc.	112.4	73.1	50.0	353.5	289.2
Infotech Enterprises GmbH	(36.1)	41.0	26.1	21.7	83.2
Infotech Geospatial (India) Pvt. Ltd.	(5.4)	(4.8)	(5.2)	(19.9)	(7.2)
Infotech HAL Limited	(1.1)	(0.9)	(0.3)	0.6	(0.7)
Infotech Enterprises Japan KK	(4.8)	(0.4)	(15.0)	(23.6)	(28.0)
Infotech Enterprises IT Services Pvt. Ltd.	0.1	16.8	2.4	52.2	22.1
Gross Net Profit	608.0	597.3	461.0	2,881.6	2,120.2
Add / (Less): Others (Elimination)	50.5	49.6	60.6	(373.6)	79.4
Exceptional Item					(18.1)
Profit After Tax	658.5	646.9	521.6	2,508.0	2,181.5
Share of Profits from IASI	39.8	47.0	20.5	152.1	129.1
Profit after Share of Profit from Associate Company	698.3	693.9	542.1	2,660.1	2,310.6

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 12,000+ 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.

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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.