



Earnings Call– Q4 FY'14



April 25, 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.

Year that was - Summary



Key Announcements

- ✓ **Krishna Bodanapu** has been elevated as Chief Executive Officer and Managing Director, effective immediately.
- ✓ Board of Directors recommend a final dividend of 60% for year i.e. ₹3.0/Share, subject to approval from shareholders.
Total dividend for the year at 100% which is ₹5.0/Share.

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
- ✓ 43 customers added during the year, 22 in ENGG and 21 in UT&DA.

Quarter that was - Summary

Financial Highlights

- ✓ **Revenue Growth**
 - o In INR at ₹5,948 Mn; Up 2.8% QoQ and 28.1% YoY
 - o In US\$ at \$96.4 Mn; Up 3.4% QoQ and 12.2% YoY
 - o 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 including branding, organizational effectiveness, customer investment fund 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.
- ✓ Voluntary Attrition (QAA) rate at 10.7%. Improved 110 bps YoY.
- ✓ 7 customers added during the quarter, 3 in ENGG and 4 in UT&DA.

Revenue at a Glance

Company Revenue	31-Mar-14	31-Dec-13	30-Sep-13	30-Jun-13	31-Mar-13	Growth %	
						QoQ	YoY
Revenue (in US\$ mn)	96.4	93.3	87.6	86.0	85.9	3.4%	12.2%
Revenue (in INR mn)	5,948.0	5,783.7	5,492.8	4,839.3	4,644.5	2.8%	28.1%

Growth by Segments (in US\$)

Business Units	QoQ	YoY	FY'14 YoY
Aero	5.8%	5.3%	-1.4%
HTH	3.9%	16.5%	5.2%
Util. & Telecom	-2.1%	4.1%	8.5%
D&A	7.2%	34.4%	20.1%

Geographies	QoQ	YoY	FY'14 YoY
Americas	6.0%	15.6%	-0.4%
Europe	2.1%	18.6%	11.9%
APAC	-4.6%	-10.2%	18.4%

Company	3.4%	12.2%	5.3%
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Drivers for Q4

- Significant growth in 3 out of 4 BUs.
- NAM and Europe grown by 6.0% and 2.1% respectively
- NAM growth is due to ramp up in key customers in Semiconductor, Heavy equipment and Utilities industries
- APAC de-grew by 4.6%, also impacted by AUD appreciation against USD. (-3.0% in constant currency)
- Company growth driven by Top 10 Customers which grew by 5.2% over the last quarter.

Profit and Loss Statement

<i>(in INR millions)</i>	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
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
Share of Profits - IASI	39.8	47.0	20.5	152.1	129.1
PAT after Share of Profits from Associate	698.3	693.9	542.1	2,660.1	2,310.6
Basic EPS (INR)	6.2	6.2	4.9	23.8	20.7

Q4 QoQ Variance

Operating Profit Movement

- Declined QoQ due to
 - Business Investments in strategic initiatives including branding, organizational effectiveness, customer investment fund and market studies.
 - Adverse exchange impact

Profit After Tax Movement

- Other Income: Better than last qtr due to higher treasury income and lower forward cover losses.
- Tax Rate: Improvement driven by continued deployment of new business into SEZ and a one-off benefit of 1.5%, towards deferred tax & other one-time benefits

Operating Margin	18.1%	19.6%	17.0%	18.6%	18.2%
Effective Tax Rate	24.5%	27.2%	24.6%	27.2%*	30.5%
Net Income Margin	11.7%	12.0%	11.7%	12.1%	12.3%

↑ +35 bps

↓ (334) bps

↓ (24) bps

* 27.2% is excluding one-off dividend tax in Q1, FY14. Reported tax rate for FY14 is 29.1%

Working Capital Management



Cash Generation

₹ in Mn

	31-Mar-14	FY'14
Cash Position (including liquid investments)	7,260	7,260
Free Cash Flow	707	2,186
<i>as % of EBITDA</i>	68%	51%
Cash from Operations	897	2,742
Capital Expenditure	189	556
<i>as % of Sales</i>	3.2%	2.5%

Highest ever FCF, FCF as % of EBITDA and cash position on both quarterly and yearly basis.

Days Sales Outstanding

In Days

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

Billed and Unbilled DSO improved QoQ by 3 days and 1 day respectively. Total DSO is down by 4 days QoQ and 8 days YoY to reach 87 days which is best in last 12 quarters.

Forward Contracts

<i>(in Millions – Respective currency)</i>	31-Mar-14	31-Dec-13
USD / INR	85.8	57.0
EURO / INR	24.0	13.5
GBP / INR	2.4	1.8
AUD / INR	6.6	4.5

Company has hedged ~70% of inflows for next 12 months.

Booked Rates (in ₹)

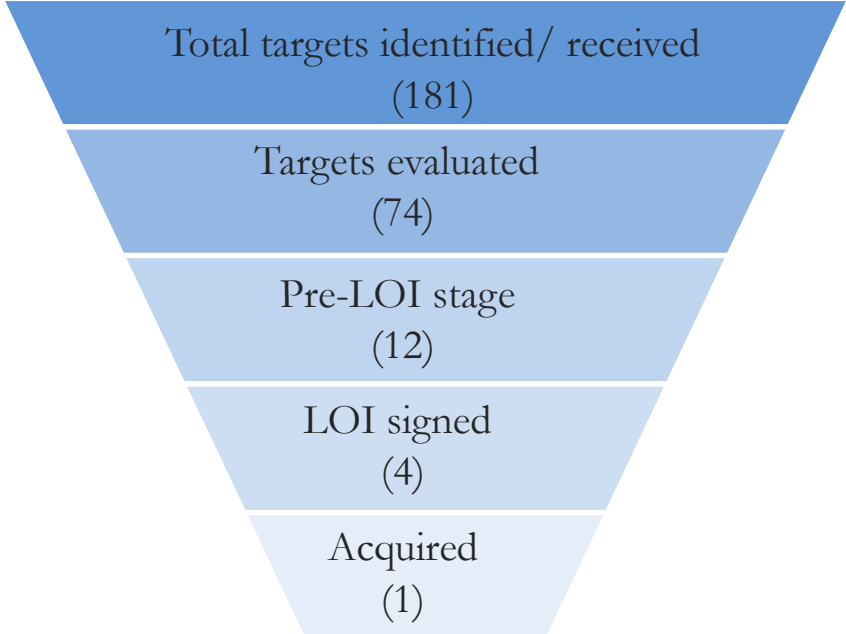
Currency	Next 12 Months
INR/USD	64.6
INR/EURO	87.5
INR/GBP	106.4
INR/AUD	58.4

Other Income - Details

₹ in Mn.

	31-Mar-14	30-Dec-13
Income from Treasury: -		
Interest on Investments / deposits	114.6	97.0
Dividend on mutual funds	3.2	2.9
Subtotal (A)	117.8	99.9
Foreign Exchange Gain/(Loss): -		
Gain/(Loss) on Forward Contracts	(112.1)	(139.3)
Gain/(Loss) on Restatement and translation	(35.4)	(19.6)
Subtotal (B)	(147.5)	(158.9)
Others	9.3	1.0
Subtotal (C)	9.3	1.0
GRAND TOTAL (A+B+C)	(20.4)	(58.0)

Deal pipeline in FY14



M&A focus areas in FY15

Bridging gaps in service lines

- Embedded systems
- Operations Technology in Utilities
- Product realization services (High value, low volume)

Strengthening the verticals

- Medical devices
- Industrial automation
- Data Analytics

Expanding geographical reach

- Europe for Aerospace
- Japan for Hi-tech, Embedded Systems

- **Engineering (Aerospace & HTH)**

- **Aerospace**

- Incremental product development, driving towards lighter, less maintenance and less expensive aircrafts
- High electronic content - Multi-platform advanced avionics and cockpit display systems, in-flight entertainment and user interface design.

- **Transport:** Industry is witnessing significant investment across the world in new projects as well as in modernization of existing systems. Global Rail Industry growing at a 3.6% CAGR

- **Semiconductor:** Semiconductor market has started seeing upward trend and expected to recover in 2014 with a growth of 5 to 8%. Growth will be driven due to mobile technology, industrial and automotive sector growth

- **Heavy Engineering**

- Regulatory requirements in Off-highway industry is changing rapidly to address emission and safety norm which results in more compliance related engineering
- Opportunities in vehicle electronics is increasing due to increased vehicle automation. Customers are looking for partners who can offer an integrated Product Engineering solution that including Control Automation

▪ Network & Operations (Utilities & Telecom)

- Customer experience management, 4G rollout and cloud technology remain the top trends of the telecom industry: LTE has primarily been seen in North America and China, but in 2014, this is expected to accelerate in Europe. Investment in CEM is likely to increase going forward
- Smart Grid initiatives, distributed generations and consolidation of utilities continue to be the key trends in the utilities industry. These trends also generate good “big data” opportunities for Infotech as grid optimization and demand response are key areas where the utilities are focused

▪ Data Transformation and Analytics (D&A)

- **Energy & Natural Resources:** Engaging external Consulting group to understand the market and growth of our business. This study would enhance our market reach
- **Content & Geospatial Providers:** The contracts for few key customers are due for renewal this financial year
- **Transport & Navigation:** Growth in T&N industry will be driven by our partnership with imagery analytics provider. Telematics and LBS is being studied as a potential areas for growth
- **Analytics:** Developing Big Data solutions for Rail and Aerospace industries

▪ Manpower outlook

- With the positive outlook for Q4 and FY 15, we are planning to add ~1,500 people on net basis assuming ~15% planned attrition.

Margins expected to stay almost flat

- Wage hike impact to be around 250-300 bps
- Investments in branding and increasing salesforce to have an impact of ~100 bps
- Price to remain stable
- Impact of other operational improvements like utilization, offshoring and pyramid correction to compensate for the above is expected to be ~300-350 bps

The above bridge is an approximation intended to reflect the margin outlook

Five Key Initiatives



- **Customer Engagement** - Robust governance to increase Revenue per Customer
- **Moving up S3** - Building an ecosystem for next-generation solutions and systems
- **Re-branding** - Updating Brand to resonate better with Customers, investors, partners and employees
- **Acquisitions** - Strong Appetite for investment in synergistic acquisitions
- **Associate Engagement** - Emphasis on becoming Global, Collaborative and Participative



Q&A



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