

INFOTECH ENTERPRISES LIMITED

Third Quarter, FY 13 Results



Earnings Release, Hyderabad, India, January 17, 2013

- Revenues at ₹475 cr, up 14% YoY
- Revenues in \$ terms up 0.5% QoQ
- Profit After Tax at ₹62 cr; up 82% YoY and 23% QoQ

Quarter 3 – Highlights

Financial Highlights

- ✓ Revenue
 - In INR at ₹475 Cr.; up 14% YoY
 - In US\$ at \$ 87.6 mn.; up 7.3% YoY and 0.5% QoQ
- ✓ Operating profit at ₹88 Cr; up 2.8% YoY
- ✓ OPM at 18.5% for the quarter, stable.
- ✓ Net profit at ₹62 Cr; up 82% YoY; up 23% QoQ
- ✓ Interim dividend @ 40%, i.e ₹ 2 per share, paid.



Chairman's Message

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

"We had a stable Q3. In spite of challenges in Europe and also with Hi-Tech vertical, we maintained small revenue growth and robust margins.

We believe some of these challenges are market driven and also internal to the organizations. Markets are certainly showing signs of recovery and actions are being taken to strengthen the internal organization.

We hope to get back to a stronger growth path on revenues in the next one to two quarters and the long term business prospects remain strong."



Financial Performance Highlights

(in ₹ million)

	31-Dec-12	30-Sep-12	31-Dec-11	Growth %	
				QoQ	YoY
Revenue	4,751.1	4,771.3	4,165.2	(0.4)	14.1
Operating Profit	880.8	892.1	856.7	(1.2)	2.8
Operating Margin %	18.5%	18.7%	20.6%		
PAT	618.2	503.0	339.6	22.9	82.0

(in US\$ million)

	31-Dec-12	30-Sep-12	31-Dec-11	Growth %	
				QoQ	YoY
Revenue	87.6	87.2	81.7	0.5	7.3
Operating Profit	16.2	16.3	16.8	(0.6)	(3.6)
Operating Margin %	18.5%	18.7%	20.6%		
PAT	11.4	9.2	6.7	23.9	70.1

<i>Rupee/US Dollar Rate</i>	31-Dec-12	30-Sep-12	31-Dec-11
Quarter Average	54.25	54.74	51.01
Quarter Closing	54.78	52.70	53.27

Quarter that Was

Revenue Growth

AERO witnessed flat revenue, consisting of volume growth of 0.7% and an exchange rate impact of 0.7%.

HTH witnessed revenue growth of -6.2%, consisting of volume growth of -5.9% and an exchange rate impact of -0.3%.

Utilities and Telecom witnessed revenue growth of 6.6%, consisting of volume growth of 7.5% and an exchange rate impact of -0.9%.

Content witnessed revenue growth of -1.8%, consisting of volume growth of -2.5% and an exchange rate impact of 0.7%.

Overall revenue growth was -0.4%, consisting of volume growth of 0.04% and an exchange rate impact of -0.46%.



Business Update

ENGG Highlights

In spite of fewer working days in Q3, Aerospace revenues are marginally higher than Q2. We added a new customer first time from Israel and added two more new customers in Europe. We started new service offering in "Operations/manufacturing software" and got good response from our existing customer base. Couple of customers conducted their annual quality audits and approved supplier status/clearance for next few years with improved scores. We were awarded the "Highest Productivity Supplier" award by one of our customers for the year 2012 for our initiatives in productivity savings which contributed to more than 50% of total savings received from all its engineering suppliers in year 2012. We opened a 200 people new delivery center in East Hartford, USA to support one of their Aerospace customers. Our team presented 10+ technical papers in conferences and seminars conducted by CII/SAE/ISB/ASME. We have good pipeline for Q4 and expect to see growth coming from existing/new customers.

The third quarter of FY 2013 saw significant challenges in two of our Top 10 accounts - one of our Heavy Equipment clients announced furloughs which impacted a significant part of our engagement while a semiconductor customer announced their exit in two key areas of our engagement resulting in sudden ramp-down of our existing engagement. Though the remainder of the accounts performed quite well, these two accounts resulted in a Q-o-Q revenue drop of 4.2%. While the revenue dip in the Heavy Equipment customer is a one-time issue, the ramp-down in the semiconductor will take at least two quarters to backfill.

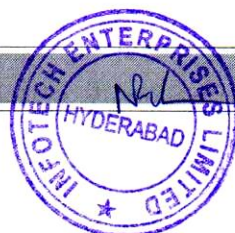
The drop in revenue lowered the operating margin; we expect to scale back to earlier levels in Q4 on accounts on increased revenue momentum and better utilization.

We continue to see good traction in our Rail Transportation business and have signed two customers in the quarter. We expanded our existing engagement with a Heavy Equipment customer with a 5-year Technical Publications deal valued at \$7M.

UT & C Highlights

Across Utilities & Telecom BU we saw growth in all our geo's compared to the previous quarter, resulting in the overall 6.6% Q-on-Q growth. Performance was especially strong in our Utilities business where we saw good revenue traction both with direct end users and also via a number of our strategic alliance partners. Although we only added one new direct client, we achieved a number of significant new wins with existing clients and partners. The overall revenue growth resulted in improving our operating margins and we also saw our revenue per associate increase for the third consecutive quarter this FY. Looking forward to Q4, we have one large project in the US where a substantial amount of work is transitioning from onshore to offshore which will present some short term revenue challenges, but overall, the pipeline and outlook remains strong.

In the Content BU, it was a mixed quarter. In two of our PDU's we saw 9% and 18% revenue growth respectively, with the highest growth coming from our energy and mining business. Unfortunately this growth was offset by Q-on-Q de-growth in our Commercial Geospatial practice - which mainly focuses on geospatial and mapping projects. We believe this Q-on-Q de-growth is temporary, resulting mainly from some one-off events that happened in the market place, coupled to specific delays in the supply of source data by various clients. These operational delays have largely been resolved now. On all other metrics, such as utilization and profitability, the Content BU performed well and we look forward to a strong fourth quarter.



Business and Operational Highlights✓ **New Business, Pursuits & Services Offerings**

- **11 customers added** during the quarter, 2 in UT&C and 9 in ENGG.
- **Key wins** across all verticals.
- Signed a global partnership agreement with **ViryaNet** to provide mobile workforce management services to the Telecom and Utility verticals.
- Signed a global partnership agreement with **acQuire** to provide services to support their Geoscientific Management System to the mining industry
- Signed Consulting Agreement with **Silcar Australia** to provide Plan & Design services to support NBN Program
- Signed a contract to supply resource to **Ericsson** as we are now an approved network design partner to Ericsson

✓ **Awards and Recognitions**

- Mr. B V R Mohan Reddy, CMD, nominated as the Chairman of the Board of Governors of Indian Institute of Technology (IIT), Hyderabad.
- The Mayor of London, Mr. Boris Johnson, visited us in November, 2012.
- Named to The International Association of Outsourcing Professionals' annual ranking of the world's best outsourcing service providers and advisors. We were selected in the "Leaders" category for the 2012 Global Outsourcing 100 service providers list, comprised of the top 100 service providers globally.
- Awarded the "**Highest Productivity Supplier Award**" by Pratt & Whitney for the year 2012.
- Awarded "LEED INDIA GOLD" rating from Indian Green Building Council in which our Manikonda Tower-2 was certified as a "Green Building".

✓ **New Facilities**

- New SEZ facility inaugurated at Kakinada, Andhra Pradesh.

✓ **Other Highlights**

- DSO stands at 98 days as on December 31, 2012 as compared to 101 as on September 30, 2012.
- Cash balance, including liquid investments, is ₹ 508 crores.

Revenue Segmentation

Geographies

(in %)

	31-Dec-12	30-Sep-12	31-Dec-11
Americas	60.7	61.1	54.8
Europe	25.3	26.4	34.8
Asia Pacific and Others	14.0	12.5	10.4

Business Units

(in %)

	31-Dec-12	30-Sep-12	31-Dec-11
ENGG	65.0	66.6	68.5
Aero	36.6	36.5	37.3
HTH	28.4	30.1	31.2
UT&C	33.9	32.5	30.5
Utilities & Telecom	23.7	22.1	20.9
Content	10.2	10.4	9.6
Others	1.1	0.9	1.0

Onsite / Offshore Split

(in %)

	31-Dec-12	30-Sep-12	31-Dec-11
Offshore	50.2	49.1	48.0
Onsite	49.8	50.9	52.0

The onsite – offshore split of revenues was 46:54 for UT&C and 52:48 for ENGG in Q3 FY13.

Currency Mix

(in %)

	31-Dec-12	30-Sep-12
USD	64.0	66.2
EUR	17.7	15.7
GBP	5.3	7.0
AUD	8.3	7.6
OTHERS	4.7	3.5

Operational Metrics

Utilization

(in %)

	31-Dec-12	30-Sep-12	31-Dec-11
ENGG	71	73	72
UT&C	83	85	88

The overall utilization was 77% as compared to 78% in the previous quarter.

Receivable Days

(in Days)

	31-Dec-12	30-Sep-12	31-Dec-11
DSO (Including Unbilled Revenue)	98	101	104

Customer Metrics

Top Customers - Revenue Contribution

(in %)

	31-Dec-12	30-Sep-12	31-Dec-11
Top 5	36.8	36.3	36.4
Top 10	51.6	51.8	52.3

Customers Added

(in number)

	31-Dec-12	30-Sep-12	31-Dec-11
ENGG	9	9	5
UT&C	2	8	6
Total	11	17	11

Employee Metrics

Manpower by Vertical

(in number)

	31-Dec-12	30-Sep-12	31-Dec-11
ENGG	4,758	4,810	4415
UT&C	4,661	4,595	4131
IT Services	112	100	73
Support Functions	603	588	578
Total	10,134	10,093	9,197

Manpower by Company

(in number)

	31-Dec-12	30-Sep-12	31-Dec-11
Infotech Enterprises Ltd	8,591	8,476	7659
Infotech Enterprises Europe Ltd	55	105	105
Infotech Enterprises America Inc.	1,102	1,130	1058
Infotech Enterprises GmbH	267	282	281
Infotech Geospatial (India) Ltd.	4	4	23
Infotech Enterprises IT Services Pvt. Ltd.	107	91	69
Infotech Enterprises Japan KK	8	5	2
TOTAL	10,134	10,093	9,197

Attrition (voluntary)

(in %)

	31-Dec-12	30-Sep-12	31-Dec-11
Attrition (QAA)	15.5	15.2	19.0

Detailed Financials

Consolidated Income Statement

(in ₹ millions)

	31-Dec-12	30-Sep-12	31-Dec-11
Operating Revenues	4,751.1	4,771.3	4,165.2
Operating Expenditure	3,870.2	3,879.5	3,308.5
Salary Costs	2,857.0	2,788.4	2,463.5
Travel Expenditure	237.6	245.1	231.4
Purchases	224.3	220.5	123.0
Other Operating Costs	551.3	625.5	490.6
Operating Profits	880.9	892.1	856.7
Depreciation & Amortization	161.5	144.5	142.3
Financial Expenses	3.1	4.6	2.9
Other Income	162.4	(43.2)	(605.9)
Profit Before Tax	878.6	699.7	480.7
Tax	277.6	226.2	171.5
Profit After Tax	601.0	473.7	309.2
Share of Profits - IASI	17.1	29.9	29.7
Minority Interest - IGIL	-	-	0.7
PAT after Share of Profits	618.2	503.1	339.6
Basic EPS (₹)	5.6	4.5	3.05

Operating Margin	18.5%	18.7%	20.6%
PBT Margin	17.9%	14.8%	12.2%
Effective Tax Rate	31.6%	32.3%	35.7%
PAT Margin	12.6%	10.6%	8.6%

Other Income*(in ₹ millions)*

	31-Dec-12	30-Sep-12	31-Dec-11
Income from Investments	86.1	90.8	76.1
FX Gain/(Loss) *See note below	54.3	(106.0)	(315.3)
Others	22.0	(28.0)	8.3
TOTAL	162.4	(43.2)	(230.9)

***Note:** Company, effective April 1, 2012, has applied the hedge accounting principles set out in Accounting Standard – 30 “Financial Instruments – Recognition and Measurement” (AS-30) in respect of forward exchange contracts. Accordingly, in respect of all such contracts outstanding as of June 30, 2012, that were designated and effective as hedges of future cash flows, gain/loss has been recognized directly in the Hedge Reserve account. Gain/loss on actual deliveries was taken to the Profit and Loss account.

Capital Expenditure*(in ₹ millions)*

	31-Dec-12	30-Sep-12	31-Dec-11
Capital Expenditure	119	173	254

Cash Position*(in ₹ millions)*

	31-Dec-12	30-Sep-12	31-Dec-11
Cash Including Liquid Investments	5,079	4,714	3,884

Hedge Position*(in millions)*

	31-Dec-12	30-Sep-12	31-Dec-11
USD / INR	56.3	50.5	86.9
EURO / INR	17.4	18.8	30.6
GBP / INR	6.9	8.2	15.5
AUD / INR	3.6	2.7	---



Performance by Company

Revenue

(in ₹ millions)

	31-Dec-12	30-Sep-12	31-Dec-11
Infotech Enterprises Ltd	2,694.1	2,598.5	2,342.3
Infotech Enterprises Europe Ltd	230.7	253.7	244.8
Infotech Enterprises America Inc.	2,183	2,173.4	1,680.9
Infotech Enterprises GmbH	701.7	814.0	940.8
Infotech Geospatial (India) Ltd	2.8	11.6	15.5
Infotech HAL Limited	2.0	3.9	3.9
Infotech Enterprises Japan KK	26.4	22.9	7.2
Infotech Enterprises IT Services Pvt. Ltd.	56.6	48.6	35.0
Gross Revenues	5,897.4	5,926.7	5,270.4
Less: Intragroup Revenues	(1,146.3)	(1,155.4)	(1,105.2)
Net Revenues	4,751.1	4,771.3	4,165.2

Profit

(in ₹ millions)

	31-Dec-12	30-Sep-12	31-Dec-11
Infotech Enterprises Ltd	514.1	341.0	206.9
Infotech Enterprises Europe Ltd	(20.5)	(8.1)	(1.3)
Infotech Enterprises America Inc.	92.6	75.4	58.5
Infotech Enterprises GmbH	6.4	50.8	71.4
Infotech Geospatial (India) Ltd	(2.9)	0.8	(0.5)
Infotech HAL Limited	(0.3)	(0.1)	(1.8)
Infotech Enterprises Japan KK	(1.4)	(5.3)	(0.6)
Infotech Enterprises IT Services Pvt. Ltd.	10.4	4.7	(0.7)
Gross Profit	598.4	459.3	331.9
Add / (Less): Others (Elimination)	2.6	14.1	(22.7)
Profit After Tax	601.0	473.2	309.2
Share of Profits from IASI	17.1	29.9	29.7
Minority Interest of IGIL	-	--	0.7
Profit After Minority Interest	618.1	503.1	339.6

Company Overview

Infotech Enterprises provides leading-edge engineering solutions, including product development and life-cycle support, process, network and content engineering 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 10,000+ associates across 35+ 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 & Gas, Mining, Heavy Equipment, HiTech, Transportation, Telecom and Utilities and include 22 'Fortune 500' and 27 'Global 500' blue chip 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, Aerospace (AS9100 C), and Medical Devices (ISO 13485).

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) 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.

For Infotech Enterprises Limited


N. Ravi Kumar
Dy. Company Secretary