

# Investor Update

Quarter 3 ended December 31, 2011



**Revenues cross ` 400 crore in a quarter for the first time**  
**YTD Revenues cross ` 1000 crores**  
**OPM for Q-3 at 20.6%**

## Financial Highlights for the quarter –

- ✓ Revenue for the quarter at ` 4165 million, Y-o-Y growth of 33%, Q-o-Q growth of 11.8%.
- ✓ Operating profit at ` 857 million, highest ever quarterly operating profit, an increase of 46% Q-o-Q.
- ✓ Operating margin at 20.6% for the quarter, increase of 490 bps over Q-2 and 550 bps over Q-3 of previous year.
- ✓ Profit after tax at ` 340 million for the quarter, an increase of 10.5% over previous quarter.
- ✓ Revenue growth of 12% and 11% in ENGG and N&CE verticals respectively over Q-2.
- ✓ The peak Fx rate (INR/USD) at 53.27 at Dec 31,2011 compared to 48.93 as on September 30, 2011 resulted in notional Fx losses of ` 449 million, mainly on account of forward covers.

## Business Highlights for the quarter –

- ✓ Both verticals showed strong revenue growth and OPM improvement.
- ✓ Business momentum and environment continues to be stable in line with the expectations especially in – Aerospace, Heavy equipment, Utilities, Hitech and Telecom.

## Message from the Chairman & Managing Director

**Commenting on the results, Mr. BVR Mohan Reddy, Chairman and Managing Director, said,** "Q-3 of FY 12 has been a very encouraging quarter for us as we witnessed strong revenue growth and substantial margin improvement. Our revenue and margin improvements were witnessed across both our Verticals. Despite adverse global macro-economic conditions and highly volatile currency markets, we saw our revenues grow by 11.8% over sequential quarter and 33% over Q-3 of the previous year. Our operating margins also improved by 490 basis points over sequential quarter and 550 basis points over Q-3 of previous year.

This has been a very satisfying quarter on various fronts, which witnessed across-the-board improvement in our key operating levers like onsite-offsite-offshore mix and pyramid resizing. We have now seen significant results emanating out of these initiatives - revenue and margin improvement as a result of our sharp focus.

Our PAT has grown Q-o-Q despite being impacted by losses on forward contracts, most of which are notional in nature.

Cumulative revenues from one of our top customers have crossed USD 100 million during this quarter. This is the third customer to have crossed this milestone. This is a significant milestone which demonstrates our engagement, depth of relationship and value creation for our customers.

We continue to be optimistic on our revenue growth and margin expansion in coming quarters. Our long term currency hedges will bring in more predictability to our margins in the future. We are mindful of the macro-economic developments and are cautious but optimistic about the future."

## Performance Highlights

*(In ` Million, except % data)*

Particulars	Q3 FY 12	Q2 FY 12	Q3 FY 11
Operating Revenue	4,165.2	3,726.0	3,138.2
Operating Profit	856.7	585.8	475.0
Operating Margin	20.6%	15.7%	15.1%
PAT	339.6	307.4	368.4

*(In \$ Million, except % data)*

Particulars	Q3 FY 12	Q2 FY 12	Q3 FY 11
Operating Revenue*	81.7	81.4	69.9
Operating Profit	16.8	12.8	10.6
Operating Margin	20.6%	15.7%	15.1%
PAT	6.7	6.7	8.2

\* The actual volume growth based on our revenue mix vis-à-vis the currencies for the quarter is 2.3%. Revenue growth in USD terms is 0.4% based on average USD rates for the period, ignoring actual currency variations.

### Rupee Dollar exchange rate

*(In `)*

Particulars	Q3 FY 12	Q2 FY 12	Q3 FY 11
Period average rate	51.01	45.76	44.86

## Business and Operational Highlights

### ✓ New Business & Services Offerings –

- **11 customers added** during the quarter, 6 in N&CE and 5 in ENGG.
- **Signed an MSA** with a high potential heavy engineering company
- **Key wins** in Telecom, Utilities and Content Engineering.
- **Commenced work with a consumer appliances company, nuclear engineering company and aerospace company.** All three customers are high potential customers.
- **Commenced work from a mining major.** This is the first time we are offering an integrated solution across N&CE and Engineering to a customer.
- Increased traction from Japan. Won our **first project from Malaysia in ENGG vertical.**
- Increased focus and business from localization projects, which are also at a system level rather than at a discrete level.

### ✓ New facilities -

- Opened an engineering center in West Palm Beach, Florida. This center will address restricted engineering work.

### ✓ Other highlights -

- Cash balances, including liquid investments, at ` 388.4 crores. Capex for the quarter at ` **25 crores.**
- Acquired 26% stake in Infotech Geospatial (India) Limited, to convert it into our wholly-owned subsidiary.
- Paid 25% interim dividend which is ` 1.25 per share.
- Saw participation from our customers in CSR activities.

## Quarter that Was.....

### Operating margin for the quarter

Our operating margin for the quarter is at 20.6%.

In this quarter, we have witnessed stable volume growth coupled with favorable exchange rates which has helped in increase in revenues. Costs have been under control but costs in foreign currency have been impacted by increase in exchange rates. Out of the 490 bps improvement in OPM over previous quarter, 390 bps is on account of favorable exchange rates and 100 bps on account of operational excellence.

### Revenue Growth

ENGG vertical witnessed a revenue growth of 12.2% comprising volume growth of 2.3% and exchange rate impact of 9.9%.

N&CE vertical witnessed a revenue growth of 10.8% comprising volume growth of 2.0% and exchange rate impact of 8.8%.

Overall revenue growth was 11.8% comprising volume growth of 2.3% and exchange rate impact of 9.5%.

Revenue growth in USD terms is 0.4% based on average USD rates for the period, ignoring currency mix. However, actual volume growth for the quarter is 2.3% based on mix of the currencies that we deal in.

### Key margin drivers for next quarter

Our order pipeline is encouraging. Our order pipeline has been at its best in the recent years. Our continuous focus on key margin drivers like efficient onsite-offsite-offshore mix, right sizing the pyramid and improving the productivity and utilization have started showing results and they will drive our operating margins in the coming quarters.

### Business Highlights

- **N&CE :**

N&CE had another successful quarter. Across virtually all our markets and all operating units we saw volume growth and operating margin improvement. Highlights included the growth in our Power Utility business in both APAC and North America, as well as in our Content Engineering business across all geographies. We are in the process of ramping up three recently acquired clients, two in utilities and one in mining, each of which will become significant clients for us in FY13.

Our EMEA business continues to strengthen with the addition of two new "Must Have" telecom customers in the quarter, each of which has the possibility to scale into Key Accounts for Infotech. This growth will help offset some of the drop in revenues we will experience from one of our longer standing EMEA telecom customers.

During the quarter we saw an increase in the percentage of our revenues coming from offshore services. This has been a conscious decision to improve the percentage of work done offshore. We performed 58.5% of our work offshore, up from 56.3% the previous quarter. Our medium term objective is for 60% of our revenues to come from offshore.

In terms of customer acquisition we have strengthened both our direct sales team and our partner and alliances team. We see the later initiative as very important, especially when we go after some of the larger network engineering deals.

- **ENGG :**

Q-3 FY 12 was another strong quarter for the engineering business. In terms of new customer acquisition, we were able to sign longer term contracts with two "Must Have accounts". We also were able to start work with some previously signed contracts which we believe will give us significant traction in this and coming quarters. Overall, the demand environment remains strong and we do not see any structural weakness in markets.

On the operations front we have been able to increase margins (~100 bps outside currency gains). This increase coupled with almost 250 bps increase last quarter means that margins are coming back to historic levels.

## Operational and financial parameters

### Client Concentration

(in %)

Particulars	Q3 FY12	Q2 FY12	Q1 FY12	Q4 FY11	Q3 FY11
Top 5	36.4	36.6	37.5	37.8	36.7
Top 10	52.3	53.7	55.9	56.3	55.8

### Revenue by geography

(in %)

Geography	Q3 FY12	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11
North America	54.8	56.7	58.0	57.6	55.8
Europe	34.8	33.6	33.7	33.9	36.0
APAC	10.4	9.7	8.3	8.5	8.2
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### Onsite / Offshore split of Revenues

The onsite – offshore split of revenues was 42% - 58% for N&CE and 57% - 43% for ENGG in Q3 FY12.

(in %)

Particulars	Q3 FY12	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11
Offshore	48.0	45.9	48.0	48.4	47.0
Onsite	52.0	54.1	52.0	51.6	53.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

### Customers Added

Business Segment	Q3 FY12	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11
N&CE	6	4	4	12	7
ENGG	5	7	3	7	8
<b>Total</b>	<b>11</b>	<b>11</b>	<b>7</b>	<b>19</b>	<b>15</b>

### Utilisation

(in %)

Business Segment	Q3 FY12	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11
N&CE	88	90	86	83	81
ENGG	72	73	74	75	75

### Other income

(in `million)

Particulars	Q3 FY12	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11
Income from Investments	76.1	64.5	58.5	43.8	40.7
FX Gain/(Loss)	(315.3)	(86.4)	25.2	6.7	43.5
Others	8.3	8.1	(20.0)	(0.4)	14.1
<b>TOTAL</b>	<b>(230.9)</b>	<b>(13.8)</b>	<b>63.7</b>	<b>50.1</b>	<b>98.3</b>

Most of the FX Gain / (loss) is notional except realized loss from delivered contracts ` 12 million.

### Cash Position

(in `million)

Particulars	31-Dec-11	30-Sep-11	30-Jun-11	31-Mar-11	31-Dec-10
Cash including liquid investments	3,884	3,938	3,926	3,836	3,808

There is a marginal reduction in the closing cash position as during the quarter we paid interim dividend of ` 162 million, apart from working capital change for higher volumes, Capex and additional investment in IGIL.

**Capex**

*(in `million)*

Particulars	Q3 FY12	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11
Capital expenditure	254	194	115	612	59

**Receivable days (DSO)**

*(Number of days sale)*

Particulars	Q3 FY12	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11
DSO	104	92	90	96	89

The DSO at 31<sup>st</sup> Dec '11 has gone up mainly due to restatement of receivables at higher exchange rate and spillover of December cash collections into January due to December end holidays.

**Attrition**

*(in %)*

Particulars	Q3 FY12	Q2 FY12	Q1 FY 12	Q4 FY11	Q3 FY11
Attrition (annualized)	19.0	18.1	19.0	15.0	19.0

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## Detailed Financials

Particulars	Q3 FY 12	Q2 FY 12	Q3 FY 11
<b>Operating Revenues</b>	<b>4,165.2</b>	<b>3,726.0</b>	<b>3,138.2</b>
Operating Expenditure	<b>3,308.5</b>	<b>3,140.2</b>	<b>2,663.2</b>
Salary Costs	2,463.5	2,305.3	1,933.8
Travel Expenditure	231.4	221.5	194.5
Purchases for Products / Re-sale	123.0	109.8	131.4
Other Operating Costs	490.6	503.6	403.5
<b>Operating Profits</b>	<b>856.7</b>	<b>585.8</b>	<b>475.0</b>
<b>Operating Margins</b>	<b>20.6%</b>	<b>15.7%</b>	<b>15.1%</b>
Depreciation & Amortization	142.3	123.0	122.3
Financial Expenses	2.9	4.9	1.0
Other Income	-230.9	-13.8	98.4
Profit Before Tax	480.7	444.1	450.1
PBT Margin	12.2%	12.0%	13.9%
Tax	171.5	153.5	76.5
Profit After Tax	309.2	290.6	373.6
Share of Profits - IASI	29.7	17.3	-4.6-
Minority Interest - IGIL	0.7	-0.5	-0.6
<b>PAT after Share of Profits</b>	<b>339.6</b>	<b>307.4</b>	<b>368.4</b>
<b>Net Margin</b>	<b>8.6%</b>	<b>8.3%</b>	<b>11.4%</b>
<b>Basic EPS</b>	<b>3.05</b>	<b>2.76</b>	<b>3.31</b>

*(In ` Million, except for % and EPS data)*

### Revenue by Company

Company	Q3 FY12	Q2 FY12	Q3 FY11
Infotech Enterprises Ltd	2,342.3	2,064.5	1,673.6
Infotech Enterprises Europe Ltd	244.8	218.3	295.8
Infotech Enterprises America Inc.	1,680.9	1,561.3	1,312.0
Infotech Enterprises, GmbH	940.8	813.0	629.6
Infotech Geospatial (India) Ltd	15.5	16.0	22.5
Infotech HAL Limited	3.9	1.7	1.6
Infotech Enterprises Japan KK	7.2	7.5	9.6
Infotech Enterprises IT Services Pvt. Ltd.	35.0	27.6	22.0
Gross Revenues	5,270.4	4,709.9	3,966.7
Less: Intra Group Revenues	-1,105.2	-983.9	-828.5
<b>Net Revenues</b>	<b>4,165.2</b>	<b>3,726.0</b>	<b>3,138.2</b>

(In ` Million)

### Revenue by Vertical

Vertical	Q3 FY12	Q2 FY12	Q3 FY11
N&CE	1,273.0 (30.6%)	1,148.4 (30.8%)	1,021.7 (32.6%)
EMI	2,892.5 (69.4%)	2,578.5 (69.2%)	2,119.7 (67.5%)
Less: Inter Segment Sales	-0.3 (0.0%)	-0.9 (0.0%)	-3.2 (-0.1%)
<b>TOTAL</b>	<b>4,165.2</b> <b>(100.0%)</b>	<b>3,726.0</b> <b>(100.0%)</b>	<b>3,138.2</b> <b>(100.0%)</b>

(In ` Million, except for % data)

### Profit Distribution, by Company

Company	Q3 FY12	Q2 FY12	Q3 FY11
Infotech Enterprises Ltd	206.9	190.2	365.9
Infotech Enterprises Europe Ltd	-1.3	1.8	13.1
Infotech Enterprises America Inc.	58.5	56.3	12.0
Infotech Enterprises, GmbH	71.4	57.0	15.5
Infotech Geospatial (India) Ltd	-0.5	1.8	2.3
Infotech HAL Limited	-1.8	-2.7	-0.4
Infotech Enterprises Japan KK	-0.6	-5.2	-1.5
Infotech Enterprises IT Services Pvt. Ltd.	-0.7	-0.5	-3.8
Gross Profit	331.9	298.7	403.1
Less: Others (Elimination)	-22.7	-8.1	-29.5
Profit After Tax	309.2	290.6	373.6
Share of Profits from IASI	29.7	17.3	-4.6
Minority Interest of IGIL	0.7	-0.5	-0.6
<b>Profit after Minority Interest</b>	<b>339.6</b>	<b>307.4</b>	<b>368.4</b>

(In ` Million)

### Manpower by Vertical

Vertical	31-Dec-11	30-Sep-11*	31-Dec-10
N&CE	4,131	3,952	3,747
ENGG	4,415	4,510	4,007
IT services	73	67	59
Support Functions	578	584	571
<b>TOTAL</b>	<b>9,197</b>	<b>9,113</b>	<b>8,384</b>

\* There was an error in Sept 30, 2011 numbers, since corrected. Error regretted

Manpower by Company

Company	30-Dec-11	30-Sep-11*	31-Dec-10
Infotech Enterprises Ltd.,	7,659	7,582	6,914
Infotech Enterprises Europe Ltd	105	75	128
Infotech Enterprises America Inc.	1,058	1,067	999
Infotech Enterprises, GmbH	281	296	249
Infotech Geospatial (India) Ltd.	23	23	25
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Infotech Enterprises IT Services Pvt. Ltd.	69	67	61
Infotech Enterprises Japan KK	2	3	5
<b>TOTAL</b>	<b>9,197</b>	<b>9,113</b>	<b>8,384</b>

\*\*Merged with Infotech Enterprises Limited w.e.f April 1, 2011

\*There was an error in Sept 30, 2011 numbers, since corrected. Error regretted

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## Company Overview

Infotech Enterprises Limited (IEL) is a global Engineering Services company. Over the last 20+ years Infotech has excelled in gaining expertise in Engineering Services in – Aerospace, Locomotives, Marine, Automobiles and other Industrial products, Network & Content engineering solutions for Telecommunication, Utilities and Government and Software Services.

Over +9100 highly skilled professionals in Infotech work onsite, offshore and near shores to provide high quality and value added services and solutions for companies in several industry sectors. Infotech Enterprises is an SEI CMMi Level 5 company, and certified to ISO 9001:2000, ISO 27001 and AS 9100 standards. Infotech Enterprises is a public listed company and has attracted globally reputed equity investors like UTC and General Atlantic Partners.

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

## Contacts

### **Shishir Gahoi**

#### **Investor Relations**

Tel: +91 40 23110357 Ext: 1698

Fax: +91 40 66624368

Email: [Shishir.Gahoi@infotech-enterprises.com](mailto:Shishir.Gahoi@infotech-enterprises.com)

### **K.S. Susindar**

#### **Corporate Communication**

Tel: +91 40 23112501 Ext: 1684

Fax: +91 40 66624368

Email: [Susindar.Subramanian@infotech-enterprises.com](mailto:Susindar.Subramanian@infotech-enterprises.com)

## 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 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) 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 in terms of grouping of cost elements. Previous period numbers are regrouped / reclassified, wherever necessary.