



I n v e s t o r U p d a t e

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Issue 3

October – December 2005

- *Infotech's financial performance has been discussed on a consolidated Group basis in this document.*
- *Infotech Group comprises Infotech Enterprises Limited, its three overseas subsidiaries (Infotech Enterprises Europe Ltd., U.K. (IEE); Infotech Software Solutions Inc, USA (ISSI) – along with ISSI's subsidiary VARGIS LLC, USA; and Advanced Graphics Software GmbH (AGS), Germany); and w.e.f. 11 April, 2005 its Indian subsidiary Tele Atlas India Private Limited.*
- *Infotech's standalone financial results have also been provided for reference in the last section of this update.*

Commenting on the third quarter results Mr. BVR Mohan Reddy, Chairman and Managing Director, Infotech Enterprises, said, “The various initiatives undertaken over the last two years are now resulting in the achievement of significant growth at Infotech Enterprises. During the third quarter, both our vertical businesses – UTG and EMI – delivered double digit growth across North America and Europe. Contribution from our largest client Pratt & Whitney also showed expansion and we initiated Centers of Excellence for several of our key customers. The cost base was higher as we hired aggressively with the objective of addressing currently visible revenues and potential growth opportunities. Greater onsite traction has also increased costs. Going forward, we expect to continue delivering significant growth on the back of increased order intake and visibility in both the verticals.”

Key Performance Highlights

Infotech Group: Consolidated Performance

Sequential period analysis (October – December 2005 vs. July – September 2005)

- Operating revenues for the quarter increase by 14.2% to Rs. 940.9 million compared to Rs. 823.9 million.
- Operating profit higher by 11.0% at Rs. 178.0 million compared to Rs. 160.3 million. Operating margin at 18.9% during the quarter under review.
- Net Profit after tax up 22.2% at Rs. 133.0 million as compared to Rs. 108.8 million.
- EPS for the quarter at Rs. 8.77, up 21.6%

Corresponding period analysis (Q3FY2006 vs. Q3FY2005)

- Operating revenues higher by 43.4%, at Rs. 940.9 million compared to Rs. 656.1 million.
- Operating profit higher by 29.2% at Rs. 178.0 million compared to Rs. 137.7 million.
- Net profit after tax higher by 86.7% at Rs. 133.0 million compared to Rs. 71.2 million.
- EPS up 80.8% at Rs. 8.77 compared to Rs. 4.85.

Year-to-date analysis (April – December 2005 vs, April – December 2004)

- Operating revenues increase by 32.7% at Rs. 2,547.0 million compared to Rs. 1,919.6 million in the corresponding period last year.
- Operating profit higher by 39.4% at Rs. 474.5 million compared to Rs. 340.3 million. Operating margins higher at 18.6% compared to 17.7%.
- Net profit after tax higher by 83.6% at Rs. 339.1 million compared to Rs. 184.7 million.

Key business / operating highlights for Q3FY2006

- Infotech inaugurated a 10,000-sq.ft hi-tech Center of Excellence in Engineering Design and Technical Publications for Airbus Platforms.
- SP AusNet, a wholly owned subsidiary of Singapore Power, chose Infotech to provide geospatial data maintenance services for their gas and electricity network assets under a two-year contract.
- Infotech hired over 500 people in its offshore conversion services operations to deliver on contracts awarded by KPN Telecom and a leading U.K.-based environmental risk consultancy.
- Infotech has started participating in the design and development of Pratt & Whitney's new aircraft engines and has also continued to deliver on some key ongoing projects such as component design for Boeing's 787 'Dreamliner' project.
- Infotech launched several new service offerings in both UTG and EMI verticals. It also initiated its marine vertical practice within its engineering services domain and a piping and instrumentation design practice for GIS customers.
- 9 new customers were added during the quarter, 2 in UTG and 7 in EMI

Group Financial Performance Review

(Rs. million)

Particulars	Q3 FY 2006	Q2 FY 2006	Q-on-Q Variance	Q3 FY 2005	Y-on-Y Variance	FY 2005
Operating Revenues	940.9	823.9	14.2%	656.1	43.4%	2571.3
Operating Expenditure	762.9	663.6	15.0%	518.4	47.2%	2104.7
- Employee cost	442.9	394.4	12.3%	283.2	56.4%	1,212.7
- Travel expenses	87.7	73.0	20.2%	54.9	59.9%	230.3
- Purchases-Services/Products	110.3	79.1	39.3%	91.7	20.3%	289.5
- Oprtg & admin exp	122.0	117.1	4.2%	88.6	37.8%	362.3
Operating Profit	178.0	160.3	11.0%	137.7	29.2%	466.5
<i>Operating Margins</i>	<i>18.9%</i>	<i>19.5%</i>		<i>21.0%</i>		<i>18.1%</i>
Financial Expenses	1.8	1.4	23.3%	0.3	540.4%	2.5
Dep. & Amortization	48.9	43.7	12.0%	38.1	28.3%	167.3
Other Income	12.1	6.9		(8.9)		42.6
Profit before Tax	139.3	122.0	14.2%	90.4	54.1%	339.3
Provision for Taxation	21.1	25.4	(17.0%)	31.0	(31.8%)	90.1
Profit after Tax	118.2	96.6	22.4%	59.4	99.0%	249.1
Share of IASI profit	14.8	12.2	21.3%	11.8	25.4%	24.6
PAT incl. share of profits from IASI	133.0	108.8	22.3%	71.2	86.7%	273.7
<i>Net Margins</i>	<i>14.0%</i>	<i>13.1%</i>		<i>11.0%</i>		<i>10.5%</i>
Basic EPS	8.77	7.21		4.85		18.69

Infotech's revenues in Q3FY2006 expanded by 14.2% on the back of:

- double-digit growth in both its vertical business offerings – UTG and EMI;
- strong growth across both North America and Europe;
- significant expansion in Pratt & Whitney revenues; and
- 20% expansion in onsite revenues.

Operating expenditure during the quarter under review was higher by 15.0%. The increase in expenditure was largely the result of:

- a significant increase in headcount for some of the key accounts, based on their current visibility, that reduced the overall resource utilization; and
- higher costs attributed to the onsite revenue expansion.

Employee cost was higher by 12.3% compared to the previous sequential quarter. Infotech aggressively hired people during the quarter. This was largely focused on building resources

for its offshore operations in the UTG vertical that hired over 500 people in its conversion services business to deliver on contracts awarded by KPN Telecom and a leading U.K. based environmental risk consultancy. In addition, the EMI vertical added over 100 people, including CAD/CAM and embedded systems professionals in India and a large team of domain experts to address the growth opportunities within the United Technologies relationship. Further, Infotech implemented a compensation hike aimed at benchmarking salaries during the quarter under review.

Travel expenses were higher by 20.2% in Q3FY2006, due to the increase in onsite revenue contribution that entailed more travel to client locations. With the greater focus on creating high-end solutions capabilities and increased overseas movement, travel-related expenses could be expected to increase with the expected growth in the business operations.

During the quarter under review, cost of purchases for resale (largely software products and services purchased for implementation of projects) were higher by 39.3%. This was due to the increased proportion of onsite consulting revenues in Infotech's UTG business, which included photogrammetry projects in the local government sector. Such projects involve onsite outsourcing of services, such as aerial surveillance.

Operating and administrative expenses in Q3FY2006 increased by 4.2%. During the quarter, . Strict management of its indirect expense structure has allowed Infotech to create greater operating leverage from its fixed cost base over the last several quarters. Operating and administrative expenses reduced to 13.0% of revenues during the quarter under review compared to 14.2% in the previous sequential quarter.

During Q3FY2006, operating profit was higher by 11.0% at Rs. 177.9 million compared to the preceding quarter. Operating margins, although in the range, reduced to 18.9% from 19.5% due to:

- increased onsite contribution;
- lower utilization of recent employee additions; and
- investments in creating greater domain-centric capabilities.

Financial expenses were higher at Rs. 1.8 million in Q3FY2006 compared to Rs. 1.4 million in the previous quarter. Infotech is debt-free and has a cash-surplus. Its financial expenses pertain to miscellaneous bank charges and short-term working capital requirements.

Provision for depreciation and amortization was higher by 12.0% at Rs. 48.9 million as the front-end and delivery asset base expanded in line with business growth.

Infotech's other income during the quarter under review increased from Rs. 6.9 million to Rs. 12.1 million. On the forex side, while there was a loss on dollar-denominated forward contracts, this was compensated by gains on the valuation of Infotech's receivables position at the close of the quarter.

Profit before tax (PBT) moved up by 14.2% in Q3FY2006 at Rs. 139.3 million. PBT margin was stable at 14.8% of revenues over Q3 and Q2 after increasing from 10.0% in Q1FY2006.

Infotech's provision for tax during Q3FY2006 was Rs. 21.1 million, a decrease of 17.0% from the previous sequential quarter. The tax rate reduced to 15.2% from 20.8%. The Indian operations have derived some benefit due to an increase in client delivery from some tax efficient units.

The contribution from Infotech's share of profits in its investment in IASI (Puerto Rico-based near shore facility) increased to Rs. 14.8 million in Q3FY2006 from Rs. 12.2 million in Q2FY2006 in Q2FY2006.

Net profit for Q3FY2006 was higher by 22.2% at Rs. 132.9 million.

Group Financial Performance

During Q3FY2006, revenues of the Indian holding company grew by 13.0% compared to the previous sequential quarter. Revenues from Infotech's subsidiaries increased by 17.3%, each of the overseas subsidiaries achieved around 20% growth.

(Rs. million)

Group Revenue Analysis	Q3 FY 2006	Q2 FY 2006	Q3 FY 2005	FY 2005
Infotech Enterprises Ltd.	521.4	461.3	393.1	1538.0
Infotech Enterprises Europe Ltd.	142.2	117.8	113.8	446.4
Infotech Software Solutions Inc.*	367.1	304.5	254.6	885.0
Advanced Graphics Software GmbH	125.2	106.1	80.6	278.3
Infotech Aerospace Services Inc.	-	-	-	109.6
Tele Atlas India	84.9	84.9	-	-
Gross revenues	1,240.8	1,074.6	842.1	3257.3
Less: Intra group revenues	(299.9)	(250.7)	(186.0)	(686.0)
Net revenues	940.9	823.9	656.1	2571.3

* Includes VARGIS

(Rs. million)

Group Profit Analysis	Q3 FY 2006	Q2 FY 2006	Q3 FY 2005	FY 2005
Infotech Enterprises Ltd.	71.3	61.9	49.4	223.1
Infotech Enterprises Europe Ltd.	16.6	14.8	11.1	28.7
Infotech Software Solutions Inc.*	19.4	6.4	2.4	17.1
Advanced Graphics Software GmbH	1.6	2.2	3.8	6.6
Infotech Aerospace Services Inc.	-	-	-	16.6
Tele Atlas, NOIDA	14.5	16.5	-	-
Gross Profit	123.5	101.5	66.7	292.2
Less: Goodwill / Others	(5.2)	(5.2)	(7.4)	(43.0)
Profit After Tax	118.2	96.2	59.4	249.2
(+) Share of Profits from IASI	14.8	12.2	11.8	24.6
PAT including Share of Profits	133.0	108.4	71.2	273.8

Revenue Analysis

9 new clients were added during Q3FY2006: 2 in UTG and 7 in EMI. In the first nine months of the current fiscal year, Infotech has added 30 clients while expanding its relationships with many of the existing ones.

(Rs. million)

Vertical Segment	Q3 FY 2006	Q2 FY 2006	Q3 FY 2005	FY 2005
Utilities, Transportation & Government (UTG)	423.2	383.7	277.1	1024.4
Engineering, Manufacturing, Industrial Products (EMI)	519.2	441.2	381.0	1557.1
Less: Inter vertical sales	(1.5)	(1.0)	1.9	(10.3)
Total	940.9	823.9	656.1	2571.3

UTG Vertical Update

In the UTG vertical, Infotech's offerings include geo-spatial data services (data conversion and photogrammetry services) and geospatial technical services (implementation services on GIS platforms and GIS software development). During the quarter:

- Infotech hired over 500 people in its offshore conversion services operations during the quarter. These resources will primarily service the requirements of two significant deals signed by Infotech recently. The GIS contract awarded by Dutch telecom services provider KPN Telecom is valued at several million euros and will be executed over 18 months. The other contract was awarded to Infotech by one of the U.K.'s leading environmental risk consultancies.
- SP AusNet, a wholly owned subsidiary of Singapore Power, chose Infotech to provide geospatial data maintenance services for their gas and electricity network assets under a two-year contract.
- Infotech's geo-spatial data services business also won contracts from British Telecom and several other utilities customers across several regions globally, including the U.S., Australia and Germany.
- Infotech's geospatial technical services business won Network rail project in the U.K. and an engagement in the environmental sciences space.

EMI Vertical Update

In the EMI vertical, Infotech offers engineering services, such as CAD / CAM / CAE services, to several leading global players. It also provides IT services, such as SAP implementation, and engages customers in the areas of embedded systems and technical publications. During the quarter:

- The momentum of new orders continued to increase throughout the year and was sequentially higher in Q3FY2006, driven by engagements in the rail systems and aerospace segments. Infotech has a dominant presence in both these segments.
- Overall, the traction was oriented towards onsite projects and there was an improvement in both realized rates and margins. Infotech continued to see faster growth in Europe, both from the existing client base and new additions.
- Infotech announced the set-up of a state-of-the-art center of excellence for Airbus platforms. The 10,000 sq ft hi-tech center has professionals in the areas of design engineering, technical publications and validation & verification and will cater to the enhanced interest from several Tier-I suppliers of Airbus, many of which Infotech has had relationships for two years. Infotech sees the potential to execute services of over \$ 5 million in calendar 2006 within this space. The CoE will also allow Infotech expand its competencies in the standards, processes, tools, technologies and best practices within this domain.
- Infotech's key relationships in the EMI space, Pratt & Whitney showed strong growth while Bombardier Transportation improved further visibility. Infotech has started participating in the design and development of Pratt & Whitney's new aircraft engines and the overall order intake has increased following some major customer wins struck by the customer. Infotech has expanded the Bombardier relationship, which now extends across development, maintenance, embedded systems, engineering design and technical publications.

- Infotech also continued to deliver on its ongoing projects such as component design for Boeing's 787 'Dreamliner' project, through the engagement with Hamilton Sundstrand; repair engagements with Pratt & Whitney's units located in Singapore, Norway and other countries; technical publications in the aerospace domain; and global SAP implementation projects, amongst others.
- In the retail segment, Infotech delivered on an e-catalog project for German company Metro Cash & Carry

Geography-wise Revenues

During the quarter, revenues from the North American region grew by 21.3% on the back of the strong expansion of the Pratt & Whitney relationship and some key wins in the local government sector. Revenues from Europe were higher by 8.0% with potential for increased traction in future from some of the key relationships like Bombardier, Alstom and KPN Telecom – are showing increased traction in the region at present. Business in the Asia Pacific region is stable following more than 20% growth in the preceding quarter.

(Rs. million)

Geography	Q3 FY 2006	Q2 FY 2006	Q3 FY 2005	FY 2005
North America	526.5 (56.0%)	434.2 (52.7%)	422.6 (64.4%)	1691.0 (65.8%)
Europe	368.7 (39.2%)	341.5 (41.5%)	205.7 (31.4%)	760.2 (29.6%)
Asia/ Australia	45.7 (4.9%)	48.2 (5.9%)	27.9 (4.2%)	120.0 (4.7%)
Total	940.9 (100.0%)	823.9 (100.0%)	656.1 (100.0%)	2571.3 (100.0%)

Client Concentration

Concentration	Q3 FY 2006	Q2 FY 2006	Q3FY 2005	FY 2005
Top 5	52.7%	55.7%	49%	49.3%
Top 10	65.8%	64.8%	61%	60.2%
Others	34.2%	35.2%	39%	39.8%

Human resources

During the quarter under review, Infotech added 679 associates. Infotech aggressive hiring was focused on adding offshore resources in the UTG vertical. In the EMI vertical, over 100 people were added, including CAD/CAM and embedded systems professionals in India and a large team of domain experts to address the growth opportunities within the United Technologies relationship.

Vertical-wise Breakup	31 Dec 2005	30 Sept 2005	31 Dec 2004
Utilities, Transportation & Government (UTG)	2228	1669	1188
Engineering, Manufacturing, Industrial, Products (EMI)	1500	1392	1131
Support Functions	104	92	81
Total	3832	3153	2400

Group Distribution Analysis	31 Dec 2005	30 Sept 2005	31 Dec 2004
Infotech Enterprises Limited, India	2925	2375	2240
Infotech Enterprises Europe Ltd, U.K.	22	20	22
Infotech Software Solutions Inc., U.S.A.	234	190	125
Advanced Graphics Software GmbH, Germany	19	19	13
Tele Atlas India	632	549	-
Total	3832	3153	2400

Infotech Enterprises Limited: Standalone Performance

Sequential period analysis (Q3FY2006 2005 vs. Q2FY2006)

- Operating revenues for the quarter up 13.0% at Rs. 521.5 million compared to Rs. 461.3 million in the previous sequential quarter.
- Net Profit after tax at Rs. 71.3 million compared to Rs. 61.9 million.

Corresponding period analysis (Q3FY2006 2005 vs. Q3FY2005)

- Operating revenues for the quarter up 32.7% at Rs. 521.5 million.
- Net profit after tax higher by 44.6% at Rs. 71.3 million.

INFOTECH ENTERPRISES LIMITED						
Standalone Indian Company Performance						
<i>(Rs. million)</i>						
Particulars	Q3 FY 2006	Q2 FY 2006	QoQ Variance	Q3 FY 2005	YoY Variance	FY 2005
Operating Revenues	521.5	461.3	13.0%	393.1	32.7%	1538.0
Operating Expenditure	406.7	354.6	14.7%	282.8	43.8%	1155.1
- Employee cost	206.0	182.4	12.9%	153.1	34.5%	619.8
- Travel expenses	74.0	60.6	22.1%	43.7	69.4%	189.5
- Oprtg & admin exp	126.7	111.6	13.5%	86.0	47.3%	345.8
Operating Profit	114.7	106.7	7.5%	110.3	4.0%	382.9
<i>Operating Margins</i>	<i>22.0%</i>	<i>23.1%</i>		<i>28.1%</i>		<i>24.9%</i>
Financial Charges	0.9	0.8	11.9%	0.2	315.8%	1.1
Depreciation & Amortization	34.0	27.7	22.6%	27.9	21.8%	124.1
Other Income	8.7	2.4		(12.8)		35.4
Profit before Tax	88.6	80.6	9.9%	69.4	27.7%	293.1
Provision for Taxation	17.2	18.7	(7.7%)	20.0	(13.8%)	70.1
Profit after Tax	71.3	61.9	15.2%	49.4	44.6%	223.1

INFOTECH ENTERPRISES
UNAUDITED CONSOLIDATED FINANCIAL RESULTS UNDER INDIAN GAAP FOR THE QUARTER

(Rs. In

Sl. No.	Particular	Three Ended 31-Dec-05 (Unaudited)	Three Ended 31-Dec-04 (Unaudited)	Nine Ended 31-Dec-05 (Unaudited)	Nine Ended 31-Dec-04 (Unaudited)	Year Ended 31-Mar- (Audited)
1	Sales	9,409	6,561	25,470	19,196	25,713
2	Other	121	(89)	74	345	426
3	Total	9,530	6,472	25,544	19,541	26,138
4	Total Expenditure (a + b + c +	7,630	5,184	20,725	15,794	21,047
a	Staff Cost	4,429	2,832	12,019	9,006	12,127
b	Travel	877	549	2,293	1,757	2,303
c	Purchases -	1,103	917	2,980	2,300	2,895
d	Operating & Administrative	1,221	886	3,433	2,731	3,721
5	Profit before interest, depreciation & tax	1,900	1,288	4,819	3,747	5,092
6	Financial	18	3	48	22	25
7	Depreciation &	489	381	1,376	1,285	1,673
8	Profit before	1,393	904	3,395	2,441	3,393
9	Provision for	184	375	543	876	1,091
10	Deferred	(5)	(65)	(35)	(163)	(189)
11	Fringe benefit	32	-	67	-	-
12	Profit after	1,182	594	2,819	1,728	2,491
13	Share of Profit from JV	148	118	572	118	246
14	Profit After Share of Profit from	1,330	712	3,391	1,846	2,737
15	EPS -	8.77	4.85	22.37	12.63	18.69
	EPS -	8.60	4.79	21.92	12.55	18.53
	(On par value of Rs. 10 per					

Notes

- The above Consolidated Financial Results have been prepared in accordance with Accounting Standard 21 The Institute of Chartered Accountants of
- The consolidated Financial Results represent those of Infotech Enterprises Limited and its subsidiaries viz. M/s Infotech Enterprises Europe Limited, UK; Infotech Software Solutions Advanced Graphics Software GmbH, Germany and Tele Atlas (India)
- W.e.f. 11th April, 2005 the company acquired 100% share holding of Tele Atlas India (P) Ltd and hence the are not strictly
- Consequent to divestment of 51% equity in Infotech Aerospace Inc., (IASI) w.e.f. 1st October 2004, the Company's share of profits from IASI have been disclosed separately as per
- Corresponding previous period figures have been regrouped / reclassified wherever

About Infotech Enterprises Ltd.

Infotech Enterprises (BSE: INFOTECENT, NSE: INFOTECENT) is a fourteen-year old leading Indian software services company with core competencies in the areas of GIS, engineering design and IT services. Its range of services includes Digitization of drawings and maps, Photogrammetry, CAD / CAE, Design and Modeling, Repair Development engineering, Reverse engineering, Application Software Development, Software Products Development, Consulting and Implementation. The company specializes in software services and solutions for the manufacturing, utilities, telecommunications, transportation & logistics, local government and financial services markets with over 3800 software professionals globally.

The company has its headquarters and development facilities in India and serves a global customer base through subsidiaries in the UK (Infotech Enterprises Europe), Germany (Advanced Graphics Software GmbH), USA (Infotech Software Solutions, Inc.), Noida, India (Tele Atlas). Infotech has also developed a strategic partner network to serve markets in Europe, Japan, Australia, the Middle East and the Asia-Pacific region.

Infotech Enterprises is an SEI CMMi Maturity Level 5 company and is also certified to ISO 9001:2000 & BS 7799 quality standards. It is a public listed company and has attracted globally reputed strategic investors like Pratt & Whitney & Tele Atlas.

Forward Looking Statements Disclaimer

Some of the statements contained within this report may be forward-looking in nature and may involve risks and uncertainties. Actual results and outcomes in future may vary materially from those discussed herein. Factors that may cause such variances include, but are not limited to, management of growth, market acceptance of Company's products and services, risks associated with new product versions, dependence on third party relationships and the activities of competitors.

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