



INVESTOR UPDATE

APRIL 2006 – JUNE 2006

- *Infotech's financial performance has been discussed on a consolidated Group basis in this document.*
 - *Infotech Group's operations comprise those of Infotech Enterprises Limited, its three overseas subsidiaries (Infotech Enterprises Europe Ltd., U.K. (IEEL); Infotech Enterprises America Inc., (IEAI); and Infotech Enterprises GmbH (IE, GmbH).*
 - *Infotech's Noida-based subsidiary has been merged with the parent Company w.e.f. October 1, 2005 and hence the standalone performance figures include the financials of this operation.*
 - ***For the purpose of like-to-like comparison, Noida financials have been included in standalone financials in all cases.***
 - *Utilities, Transportation & Government (UTG) vertical has been re-named as Geospatial Solutions Division.*
 - *Infotech's standalone financial results have also been provided for reference in the last section of this update.*
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Commenting on the first quarter results Mr. BVR Mohan Reddy, Chairman and Managing Director, Infotech Enterprises, said, *“This quarter has marked the beginning of another fruitful year for Infotech. During the quarter, the Company witnessed growth from marquee customers viz; Pratt & Whitney, Bombardier Transportation and from new customers of last year viz; Alstom Transport, Hamilton Sundstrand etc.*

Infotech group reported operating revenues of Rs. 1170 million, representing a growth of 8.6% over quarter 4, FY 2005-06, on the back of 14.6% growth achieved in quarter 4, FY 05-06. The increase is on account of both volume growth as well as increased rates from customers. Depreciation of rupee against the Dollar and other currencies, contributed 3.0%. Salary and related costs were higher during the quarter on account of revisions across the Company.”

Key Performance Highlights: Infotech Group

Sequential Period Analysis (April – June 2006 Vs. January – March 2006)

- Operating revenues for the quarter delivered growth of 8.6%, increasing from Rs. 1078.0 million to 1170.3 million.
- Operating profits increased by 10.4%, at Rs. 219.3 million compared to Rs. 198.6 million.
- Net Profit after tax up 19.0% at Rs. 197.5 million as compared to Rs. 166.0 million.
- EPS for the quarter at Rs. 12.97, up 17.9%.

Corresponding Period Analysis (April – June 2006 Vs. April – June 2005)

- Operating Revenues higher by 49.6%, at Rs. 1170.3 million as against Rs. 782.2 million.
- Operating profits increased by 62.4% to Rs. 219.3 million as against Rs. 135.0 million.
- Net Profit After Tax higher by 106.3%, at Rs. 197.5 million compared to Rs.95.7 million.

Key Business / Operating Highlights for Quarter 1 FY 2007

- 11 new customers added during the quarter, 4 in GSD vertical and 7 in EMI vertical.
- Price increase from customer's factored-in during the quarter
- Witnessed significant ramp up in business from last year's customers.
- The erstwhile UTG vertical is re-named as Geospatial Solutions Division (GSD) vertical to highlight the service offerings of the Company and make a global presence.
- VARGIS, subsidiary of Infotech Enterprises America Inc., is re-named in line with its parent company and is now fully integrated into Infotech Enterprises America Inc.
- Net addition of 96 associates during the quarter.
- "Bhoomi Pooja" for the construction of new building in Hyderabad was performed and the construction is in progress.

Financial Performance Review

Particulars	Q1 FY 2007	Q4 FY 2006	Q-on-Q Variance (%)	Q1 FY 2006	Y-on-Y Variance (%)	FY 2006
Operating Revenues	1170.3	1078.0	8.6%	782.2	49.6%	3625.0
Operating Expenditure	950.9	879.4	8.1%	647.2	46.9%	2967.3
▪ Employee cost	569.2	494.5	15.1%	364.7	56.1%	1700.6
▪ Travel expenses	103.1	98.1	5.1%	68.6	50.2%	328.3
▪ Purchases-Services/Products	155.7	160.8	(3.2%)	108.6	43.4%	463.4
▪ Oprtg & admin exp	122.9	126.0	(2.5%)	105.2	16.8%	475.1
Operating Profit	219.3	198.6	10.4%	135.0	62.4%	657.7
<i>Operating Margins</i>	<i>18.7%</i>	<i>18.4%</i>		<i>17.3%</i>		<i>18.1%</i>
Dep. & Amortization	53.9	48.1	12.1%	45.0	19.8%	185.6
Financial Expenses	2.5	6.2	(60.3%)	1.6	55.2%	8.9
Other Income	42.9	14.0	205.7%	(11.7)		33.5
Profit before Tax	205.9	158.4	30.0%	76.8	168.1%	496.6
Provision for Taxation	41.8	35.8	16.9%	11.4	268.0%	94.1
Profit after Tax	164.0	122.6	33.9%	65.4	150.7%	402.5
Share of IASI profit	33.5	43.4	(22.9%)	30.3	10.5%	100.7
PAT incl. share of profits from IASI	197.5	166.0	19.0%	95.7	106.3%	503.2
<i>Net Margins</i>	<i>16.3%</i>	<i>15.2%</i>		<i>12.4%</i>		<i>13.8%</i>
<i>Basic EPS</i>	<i>12.97</i>	<i>11.00</i>	<i>17.9%</i>	<i>6.52</i>	<i>98.9%</i>	<i>33.34</i>

Operating Revenues: During the quarter, the Company delivered a growth of 8.6% over the previous quarter and growth of 49.6% over the corresponding quarter of previous year. Apart from the volume growth from the existing customers, the following other factors had contributed to the growth:

- increase in billing rates by one of the Top-5 customer
- depreciation of Rupee against US\$, Euro and GBP
- addition of new customers.

The above factors accounted approximately to 4% of the revenue growth.

Operating Expenditure: The expenditure was higher by 8.1% as against the previous quarter on account of the following:

Employee Costs: The increase of 15.1% in this expenditure is due to following grounds:

- revision of salaries of associates across the company
- change in Accounting Standard 15 relating to retiring benefits of Employees.
- net addition of 96 associates during the quarter

Travel Expenditure: The expenditure was higher by 5.1% as against the previous quarter due to increase in onsite assignments.

Purchases costs and other operating & admin. expenses were lower as compared to the previous quarter. The management is actively involved in keeping the other costs lower and expects to keep the % of these costs to the revenues intact.

Operating Profits & Margins: Considering the above factors, the operating profits of the company were higher by 10.4% and margins improved to 18.7% as against the previous quarter's 18.4%. As against the corresponding quarter of previous year, the operating profits increased by 62.4% and margins increased from 17.3%.

Depreciation & Amortization: Depreciation costs increased on account of increase in the asset base of the Company. Addition of new building, software and hardware contributed largely to the asset base. Amortization costs remained flat.

Financial Expenses: The company had an extra-ordinary item during the last quarter and hence the financial expenses were higher in quarter 4. The expenses were lower by 60%.

Other Income: Other income was significantly higher as dollar appreciated strongly against the rupee. While, the Company incurred loss on the forward contracts, it had gained from the open positions and its receivables. As a policy, the Company hedges 50% - 60% of its receivables and keeps the rest open.

Provision for Taxation: As against PBT, the % is lower at 20.3% as against 22.6% in the previous quarter. The European subsidiary is likely to provide tax from next quarter as the carry-forward losses are expected to be fully set-off. As a result of this, taxation as % of PBT could go up marginally during the next 3 quarters of the year.

Profit After Tax: The PAT before considering the share of profits from IASI is higher by 33.9% sequentially and 150.7% higher on a corresponding period basis.

PAT including Share of Profits from IASI: Including the share of profits from IASI amounting to Rs. 33.5 million, the net profit is higher by 19.0% sequentially and 106.3% on a corresponding quarter basis. The net profit for the quarter is Rs.197.5 million with net margins of 16.3%

Company Wise Analysis:

Group Revenue Analysis	Q1 FY 2007	Q4 FY 2006	Q1 FY 2006	FY 2006
Infotech Enterprises Ltd.	727.3	652.0	495.2	2299.7
Infotech Enterprises Europe Ltd.	182.1	169.8	122.3	552.1
Infotech Enterprises America Inc.,	433.0	401.6	282.3	1355.6
Infotech Enterprises, GmbH	192.9	195.0	84.0	510.2
Gross revenues	1535.3	1418.4	983.8	4717.6
Less: Intra group revenues	(365.0)	(340.4)	(201.6)	(1092.6)
Net Revenues	1170.3	1078.0	782.2	3625.0

Noida operations of the Company are now merged with the parent company and hence all the financials of Infotech Enterprises Limited includes financials of Noida for like to like comparison purpose. The Indian operations contribution to net revenues is 62.2% as against 60.5% in the previous quarter.

Baring IE, GmbH, all the subsidiary companies depicted growth in revenues. This was on account of volume growth in some of the Top-10 customers and addition of new customers. The Company added 11 new customers during the quarter, which contributed to about 1% of the total revenues.

New customers added during the previous year viz; Alstom Transport, GE-Swisscom etc., also contributed significantly to the growth of the Company.

Group Profit Analysis	Q1 FY 2007	Q4 FY 2006	Q1 FY 2006	FY 2006
Infotech Enterprises Ltd.	129.9	106.0	43.9	313.9
Infotech Enterprises Europe Ltd.	18.2	15.6	18.8	65.8
Infotech Enterprises America Inc.,	11.3	(8.4)	5.1	22.5
Infotech Enterprises, GmbH	10.0	12.6	2.9	19.3
Gross Profit	169.3	125.8	70.7	421.5
Less: Goodwill / Others	(5.2)	(3.3)	(5.2)	(19.0)
Profit After Tax	164.0	122.6	65.4	402.5
(+) Share of Profits from IASI	33.5	43.4	30.3	100.7
PAT including Share of Profits	197.5	166.0	95.5	503.2

The increase in the profitability of the parent company was significantly due to increase in other income component which grew by 145%. Due to project overruns Geospatial division of Infotech Enterprises America Inc. had reported losses and the management is working actively to address the shortcomings to turn it profitable.

The European subsidiary continued to deliver substantial results and is expected to write off all the brought forward losses during the year.

Verticals Update

Vertical Segment	Q1 FY 2007	Q4 FY 2006	Q1 FY 2006	FY 2006
Geospatial Solutions Design (GSD)*	483.6	470.2	382.0	1659.1
Engineering, Manufacturing, Industrial Products (EMI)	688.5	606.0	401.0	1967.4
Less: Inter vertical sales	(1.8)	1.8	(0.8)	(1.5)
Total	1170.3	1078.0	782.2	3625.0

* *Erstwhile UTG vertical*

Geospatial Solutions Design (GSD) Vertical Update: Erstwhile UTG, Infotech's offerings under this vertical includes geo-spatial data services (data conversion and photogrammetry services) and geospatial technical services (implementation services on GIS platforms and GIS software development), piping & instrumentation design services etc.

The vertical delivered a growth of 2.9% on a sequential quarter and 26.6% on a corresponding quarter basis. The vertical contribution to total revenues is 41.3% as against previous quarter's 43.6%. While the vertical witnessed growth in accounts like KPN telecom, GE Swisscom etc., the USA division posted loss for the second consecutive quarter due to over-run of projects. The costs for some of the projects were estimated lower and hence these had a negative impact on the profitability. The management is addressing the same on priority.

In Australia, the Company bagged couple of sizeable contracts during the quarter. The vertical was also successful in rolling out a global delivery model across all the geographies in which it has a presence.

Engineering, Manufacturing and Industrial Products (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.

The vertical delivered a growth of 13.6% over the sequential quarter and 20.6% over the corresponding quarter of last year. The vertical contribution to overall revenues increased to 58.8% as against 56.2% in the last quarter. The growth was on account

of expansion of large clients viz; Bombardier Transportation, Alstom Transport, Hamilton Sundstarnd etc.

The vertical is in the process of providing enhanced services to its clients. Service offerings like Avionics, which was recently started for a specific client is now being offered to other companies in this space. Services like Technical Publications, Lighting Systems are provided extensively.

Geography Wise Revenues

Geography	Q1 FY 2007	Q4 FY 2006	Q1 FY 2006	FY 2006
North America	620.0 (53.0%)	553.2 (51.3%)	421.8 (53.9%)	1935.7 (53.4%)
Europe	489.8 (41.8%)	470.6 (43.6%)	321.3 (41.1%)	1502.0 (41.4%)
Asia/ Australia	60.5 (5.2%)	54.3 (5.0%)	39.1 (5.0%)	187.3 (5.2%)
Total	1170.3 (100.0%)	1078.0 (100.0%)	782.2 (100.0%)	3625.0 (100.0%)

Percentage of revenues from North American operations was higher during the quarter on account of ramp up in some customers and positive impact of increase in billing rates.

Client Concentration

Concentration	Q1 FY 2007	Q4 FY 2006	Q1 FY 2006	FY 2006
Top 5	52.0%	49.5%	54.7%	52.9%
Top 10	66.5%	63.2%	64.3%	62.8%
Others	33.5%	36.8%	35.7%	37.2%

Revenues from the top 5 customers increased to 52% from 49.5% in the last quarter. Also, increased traction from other customers contributed to the increase. A change

in mix is noticed among the top 10 customers, though the % from the next 5 customers remains the same.

Human Resources

Vertical-wise Breakup	30 June 2006	31 March 2006	30 June 2005
Geospatial Solutions Design (GSD)	2112	2175	1685
Engineering, Manufacturing, Industrial Products (EMI)	1842	1694	1361
Support Functions	120	109	87
Total	4074	3978	3133

Group Distribution Analysis	30 June 2006	31 March 2006	30 June 2005
Infotech Enterprises Limited	3755	3684	2916
Infotech Enterprises Europe Ltd., UK	25	23	20
Infotech Enterprises America Inc., USA	260	248	179
Infotech Enterprises, GmbH	34	23	18
Total	4074	3978	3133

The net addition during the quarter was 96 associates mostly attributable to the EMI vertical of the Company. The GSD vertical witnessed higher attrition (largely at the Noida operations) and the same is being addressed on priority.

India Standalone Performance

(Rs. Millions)

Particulars	Q1 FY 2007	Q4 FY 2006	Q-on-Q Variance (%)	Q1 FY 2006	Y-on-Y Variance (%)	FY 2006
Operating Revenues	727.3	652.0	11.6%	417.6	74.2%	2136.9
Operating Expenditure	559.2	493.3	13.4%	338.4	65.3%	1656.7
▪ Employee cost	327.6	27.4	22.5%	176.3	85.8%	880.0
▪ Travel expenses	88.7	83.7	6.0%	58.2	52.4%	277.3
▪ Oprtg & admin exp	142.9	142.2	0.5%	103.8	37.5%	499.4
Operating Profit	168.1	158.7	5.9%	79.2	112.3%	480.2
<i>Operating Margins</i>	<i>23.1%</i>	<i>24.3%</i>		<i>19.0%</i>		<i>22.5%</i>
Dep. & Amortization	46.1	43.9	5.1%	27.6	67.1%	139.3
Financial Expenses	0.6	0.6	(3.7%)	0.6	6.7%	3.0
Other Income	34.4	14.2	142.8%	(11.4)		13.6
Profit before Tax	155.7	128.3	21.3%	39.6	293.0%	351.4
Provision for Taxation	25.9	22.3	15.9%	9.4	176.2%	67.6
Profit after Tax	129.9	106.0	22.5%	30.3	329.1%	283.8

About Infotech Enterprises

Infotech Enterprises is a 4000+ employee software services company with core competencies in the areas of Geospatial Data & Technology services, engineering design and IT services. The company specializes in software services and solutions for manufacturing, utilities, telecommunications, transportation, retail, financial services, geotechnical and local government markets.

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 (Infotech Enterprises GmbH) and USA (Infotech Enterprises America, Inc.). 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 Level 5 company and is also 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 Pratt & Whitney and Tele Atlas.

For more information, please visit www.infotechsw.com

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