



Earnings Call– Q1 FY'14



18 July, 2013

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) 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.

Quarter that was - Summary

Financial Highlights

- ✓ **Revenue Growth**
 - In INR at ₹4,839 Mn; Up 6.0% YoY and 4.2% QoQ
 - In US\$ at \$86 mn; Up 2.2% YoY and 0.1% QoQ
 - Constant Currency revenue up by 0.7% QoQ
- ✓ **Operating Margin** at 16.6% as against 17.0% in Q4
- ✓ **Operating Profit** at ₹802 Mn; Up 1.4% QoQ
- ✓ **Net Profit** at ₹543 Mn; Up 0.2% QoQ

Financial Metrics

- ✓ Cash Balance, including liquid investments, is ₹6,099 Mn; **Highest ever**
- ✓ Free Cash Flow generated ₹503 Mn vs. ₹412 Mn last quarter. FCF as % of EBITDA up from 46% to 52% this quarter
- ✓ Billed DSO for Q1 stands at 75 days, as compared to 78 days in Q4. **Best in last 8 quarters**

Business Highlights

- ✓ Employee gross addition for the quarter at 763. **2nd consecutive quarter of 750+ gross additions**

Revenue at a Glance

Company Revenue	30-Jun-13	31-Mar-13	31-Dec-12	30-Sep-12	30-Jun-12	Growth %	
						QoQ	YoY
Revenue (in US\$ mn)	86.0	85.9	87.6	87.2	84.2	0.1%	2.2%
Revenue (in INR mn)	4,839.3	4,644.5	4,751.1	4,771.3	4,563.8	4.2%	6.0%

Growth by Segments (in US\$)

Business Units	QoQ	YoY
Aero	(0.4)%	(2.1)%
HTH	(1.2)%	(4.7)%
Utilities & Telecom	0.8%	12.2%
Content	4.1%	13.3%

Geographies	QoQ	YoY
Americas	1.0%	-7.3%
Europe	-1.9%	2.7%
APAC and Others	-0.1%	56.1%

Drivers

- NAM and APAC (excluding India) had a strong growth in Q1
- UT and D&A growth driven by Australia projects ramp up
- HTH – showed growth in C&M and Rail while Hi-tech project closures in few customers
- Aero has flat revenues in few key customers.

Profit and Loss Statement

<i>(in INR millions)</i>	30-Jun-13	31-Mar-13	30-Jun-12
Operating Revenues	4,839.3	4,644.5	4,563.8
Operating Expenditure	4037.4	3,853.4	3,172.0
Operating Profits	801.9	791.1	851.8
Depreciation & Amortization	180.8	195.4	134.2
Financial Expenses	6.9	3.9	0.5
Other Income	182.1	100.4	178.8
Profit Before Tax	796.3	692.2	895.9
Exceptional Item			18.1
Tax	294.5	170.6	292.3
Share of Profits - IASI	41.3	20.5	61.6
PAT after Share of Profits	543.1	542.1	647.1
Basic EPS (INR)	4.9	4.9	5.8

Operating Margin	16.6%	17.0%	18.7%
Effective Tax Rate	37.0%*	24.6%	32.6%
Net Income Margin	11.2%	11.7%	13.6%

**Effective Tax Rate for the quarter is 28.4% excluding one off*

QoQ Variance

Operating Profit Movement

- Headwinds
 - Annual Wage Hike
- Tailwinds
 - Better Operational Efficiencies
 - Exchange Benefit

Profit After Tax Movement

- Other Income : Mainly Forex gains on account of balance sheet translation.
- Tax Rate : The effective tax rate for the quarter excluding one off is 28.4 %. The one off during the quarter is due to dividend tax of ₹68 mn on receipt of dividend of ₹400 mn from the overseas subsidiaries during the quarter. The tax on intercompany dividend is eligible for setoff against dividend distribution tax to be paid by Infotech India on dividend declared in the financial year and hence will have no cash flow impact.

Working Capital Management

Cash Generation

₹ in Mn

	30-Jun-13	FY'13
Cash Position (including liquid investments)	6,099	5,591
Free Cash Flow	503	1,126
<i>as % of EBITDA</i>	52%	30%
Cash from Operations	641	2,050
Capital Expenditure	138	924
<i>as % of Sales</i>	2.8%	5%

Highest ever absolute cash position at ₹ 6,099 Mn

Days Sales Outstanding

In Days

	30-Jun-13	31-Mar-13	30-Jun-12
DSO (including Unbilled)	95	95	99
- Billed	75	78	82
- Unbilled	20	17	17

Billed DSO at 75 days is lowest in last 8 quarters. Overall DSO for the quarter is higher by 2 days due to exchange impact.

Forward Contracts

<i>(in Millions – Respective currency)</i>	30-Jun-13	31-Mar-13
USD / INR	72.7	58.1
EURO / INR	17.7	16.4
GBP / INR	2.9	5.1
AUD / INR	5.4	3.6

Booked Rates (in `)

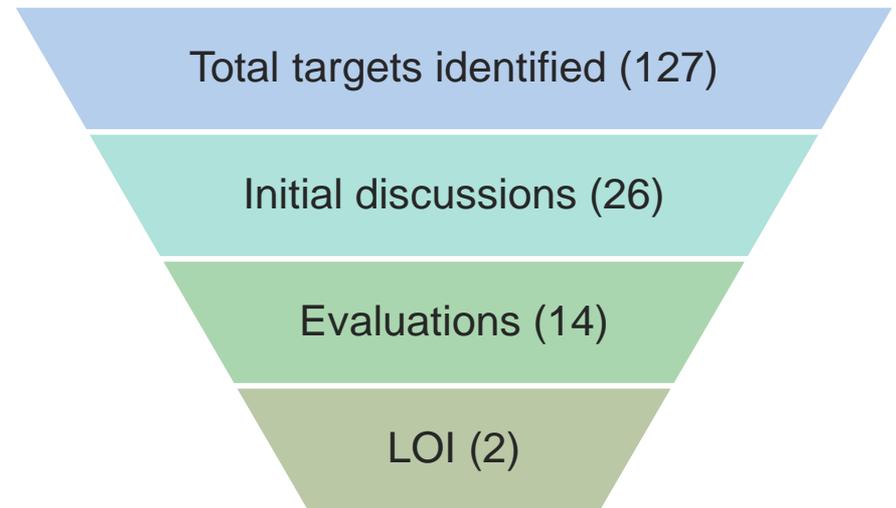
Currency	Next 12 Months
INR/USD	57.3
INR/GBP	86.0
INR/EURO	75.2
INR/AUD	57.1

The company continues to hedge 70% of net inflows for next 12 months.

Other Income - Details

	` in Mn.	
	30-Jun-13	31-Mar-13
Income from Treasury: -		
Interest on Investments / deposits	83.7	94.4
Dividend on mutual funds	14.3	5.2
Subtotal (A)	97.9	99.6
Foreign Exchange Gain/(Loss): -		
Gain/(Loss) on Forward Contracts	(42.8)	29.8
Gain/(Loss) on Restatement	122.4	(44.4)
Subtotal (B)	79.6	(14.6)
Others	4.6	15.4
Subtotal (C)	4.6	15.4
GRAND TOTAL (A+B+C)	182.1	100.4

- Our acquisition strategy is 3-dimensional
 - Bridging gaps in service lines
 - Embedded systems in Engineering
 - Operations in Telecom
 - Operations Technology in Utilities
 - Strengthening the verticals
 - Medical devices
 - Industrial automation
 - Expanding geographical reach
 - Europe & Japan



■ **Engineering (Aerospace & HTH)**

- Aerospace – We see good growth in Aerospace based on acquisition of new customers and new aircraft programs in place for this Financial Year.
- Hi-tech – We are witnessing stability in our Top 3 customers but continue to see market volatility impacting our customers as they are cutting spends in one area and increasing them in other.
- Rail Transportation – The outlook is good and we will witness growth across existing strategic customers as well as new customers.
- Heavy Engineering – The outlook is stable in the Energy and Oil & Gas market but the Off-Highway equipment market, especially in Mining continues to be weak.

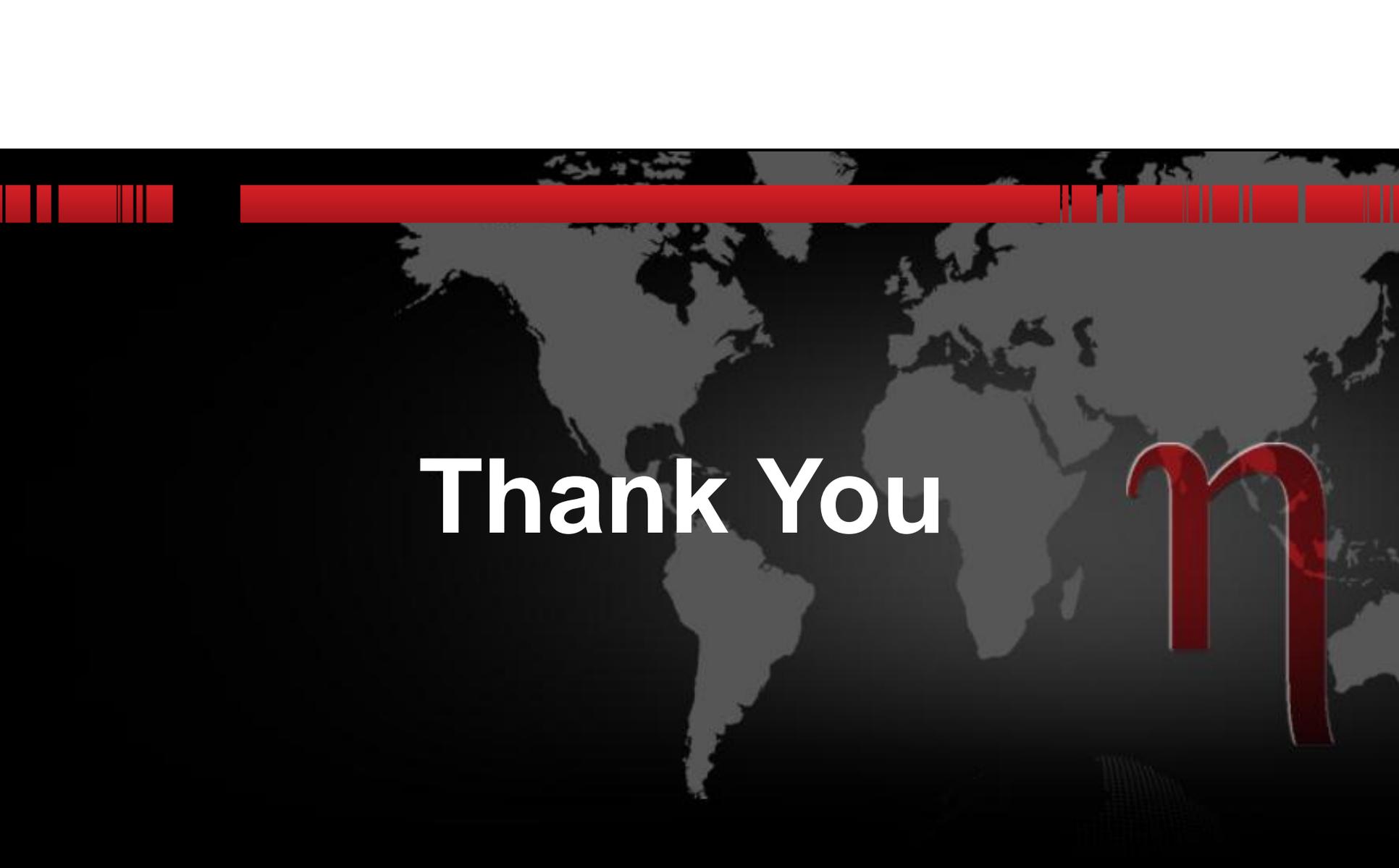
■ **Network & Operations (Utilities & Telecom)**

- Telecom – The outlook looks reasonable with potential growth in the engineering (Plan & Design) and mobile domains, and signs of increased traction in the OSS space. While we foresee a solid pipeline and revenues from the developed markets, we are also actively pursuing some key opportunities in the emerging markets as per our strategy to expand into these markets.

- Utilities – Continued spend by Utilities worldwide on business process improvement activities in the IT/OT convergence area, and implementation of DMS systems by North American Utilities is reflected in a good pipeline and order intake, and some key wins from the North American market.

- **Data Transformation and Analytics (D&A)**
 - Navigation: We see a normal outlook for the second quarter. We foresee a good pipeline of new opportunities being created before end 2013.
 - Commercial geospatial: The industry outlook in the segment we are working in holds out promise. There are opportunities emerging for advanced imagery comparison in disaster management and we are working towards establishing our value proposition in this area.
 - Energy & Natural Resources: We see some re-prioritization by our customers of their budgetary outlay on outsourced IT and related services which could have an impact on our revenues.

- **Manpower outlook**
 - With the positive outlook for FY'14, we are geared up for growth with a plan to have ~2,500 gross additions assuming ~15% planned attrition.



Thank You



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We deliver Global Engineering Solutions. **Efficiently.**