



Infotech Enterprises Ltd.
12th Annual Report 2002 - 03

Our new corporate identity...

The digital bird represents limitless possibility, speed, ambition and feet on the ground.

The visual identity is business-independent and cross-cultural; it provides flexibility to accommodate our current and future lines of business.

Symbolizing energy, auspiciousness and team work, the Infotech Red colour defines the softer elements of our organization - energetic, ambitious, quality-conscious, professional, and grounded in reality.



Infotech

s Impact



Infote

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Creating Business

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Corporate Info:

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Chartered accountants

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Hyderabad

TEL: 011-011-23011011-11

M/S. G.P. Associates

Chartered accountants

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Anaparthi, Hyderabad, Andhra Pradesh

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Global Trust Bank Ltd

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TEL: 011-011-23011011-11

Andhra Bank

Secunderabad Branch

Hyderabad - 500 003

TEL: 011-011-23011011-11

Karvy Consultants Limited

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TEL: 011-011-23011011-11

Mr. B.V.R. Mohan Reddy
Chairman, Executive Director

Mrs. B. Sucharitha
Executive Director

Mr. K. Rajan Babu
Director

Mr. M.M. Murugappan
Executive Director

Dr. Y.R.K. Reddy
Executive Director

Mr. Charles W. Ayer
Executive Director

Mr. Sudhir Sethi
President, Executive Director

Mr. Joe Adams
Alternate Director for
Mr. Charles W. Ayer

Mr. B.V.F. Mohan Reddy
Executive Director

Mr. K. Rajan Babu
Director

Mr. Sudhir Sethi

Mr. John Richard
Director

Mr. Martin Frostel
Director

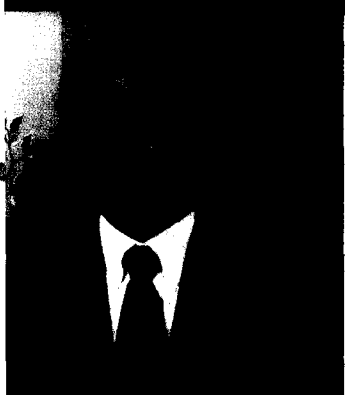
Mr. S. V. Lakshminarayana
Director

Mr. Rajeev Lal
Executive Director, Executive Director

Mr. K. Ashok Kumar
Executive Director

Mr. A. Mohan Krishna Reddy
Executive Director

Mr. B. Ashok Reddy
Executive Director



It gives me great pleasure to share with you Infotech Enterprises' financial performance for the fiscal year 2003. I will also take this opportunity to provide a brief overview of the corporate developments and initiatives, and also our outlook on the business. Let me start by outlining our view of the existing macro-operating environment.

Focused customer value is the key

The year under review has indeed been one of both challenge and opportunity for businesses worldwide. Overall, the year has seen a paradigm shift, with software services becoming increasingly competitive and, to an extent, commoditized. This transition has been accompanied by billing rate pressures, which have curtailed growth rates, especially for generic software service providers. In this scenario, the opportunity lies in creating a niche position, in defining a core competence and providing tangible, persistent customer value around it. And this is exactly what we at Infotech are doing and set out to achieve.

Re-inventing the business proposition

Fiscal year 2003 has thereby been a year of quantum shift for Infotech's business, a year in which the Company has re-invented itself, transitioning the offering to customers, focusing on greater value delivery and stronger, sustained relationships. We have made several strategic initiatives aimed at creating the machinery to achieve sustained growth in our identified business segments. Existing services have been consolidated with the launch of several focused practices that seek to leverage existing strengths. We have also re-defined our value proposition for vertical markets, created focused selling resources, undertaken a corporate re-branding exercise and enhanced our focus on quality systems. The launch of an aggressive global sales drive has already increased business visibility, while operating cost structures across all operating entities have been aligned with Infotech's offshore delivery model.

Financial performance overview

Our consolidated group revenues expanded by 22% to Rs. 1,613 million in FY 2003. The new business initiatives resulted in a 33% increase in consolidated operating expenditure, and as a result operating profit for the Group was lower by 4%. Revenues and net profit are in line with our performance guidance but certainly lower than the numbers we had set out to achieve during the year.

This success is even more notable given the worldwide weakness in the GIS sector, the mainstay of our business until last year. Strong performance in the engineering and software businesses demonstrate the success of Infotech's growth strategy – that of leveraging existing competencies to extend its business offering.

Engineering services revenues have expanded by 111% in FY 2003. We continue to attract world class customers from US and Europe. This would enable us to witness significant growth rates in future.

In addition, the contribution from software development grew by 73.1% during the year. Infotech offers highly specialized services in areas such as engineering software, GIS software, SAP implementation, e-Business and mainframe maintenance. These have been bolstered by the success recorded in embedded software, adding another earning stream towards sustained growth. In addition, we have added a software product development services practice within which an offshore development centre (ODC) was recently initiated.

We believe that the performance in the GIS business has now bottomed out and recent business developments point towards improving prospects for growth. As you are possibly aware, Infotech has expanded its GIS portfolio from traditional conversion services to include digital conversion, software development, strategic and implementation consulting and photogrammetry. We have also launched the data maintenance services practice, for which a partner has been signed recently in the European region.

Poised for significant upsides

The phase of internal change has in-turn coincided with continued softness in global IT markets that have been further impacted by a weak global economic environment and a precarious geo-political situation. In view of this, Infotech has shown sustained business performance and encouraging progress across various operating and financial parameters. We believe that we have now created a diversified growth opportunity that limits our reliance on specific markets and customers while opening new vistas.

Investments in a stronger customer interface

To enhance the sales bandwidth and customer interface across geographies we hired senior level sales people in the U.K. and U.S. offices. As part of this customer reach strategy, we have also reorganised U.K. infrastructure, opened an office in Netherlands, enhanced focus on the German market and targeted Australia and Middle East as new territories.

The Company has clearly defined its value differentiators and customer proposition as part of a focused brand building exercise aimed at enhancing visibility in key markets. The exercise has reinforced Infotech's leadership position within target verticals.

World Class Quality systems

Your company has been successfully appraised at level 5 of the Capability Maturity Model Integration (CMMi) Version 1.1. The CMMi appraisal was completed within just one year of achieving SEI CMM Level 5. The appraisal covers Infotech's software divisions of GIS, Engineering, Embedded & IT services (E-SOL, E-CAD, GSD). The CMMi assessment is yet another landmark in Infotech's pursuit of continuous process improvement.

This is the world's highest level of quality certification available in software and systems integration. Only 10 companies worldwide have reached this level of certification and of these only five companies were reassessed for more than one discipline. Infotech has been assessed for three disciplines - Software Engineering, System Engineering and Supplier Sourcing in the very first appraisal.

Having achieved the highest quality standards, me and my associates will not relax but only continue to maintain and enhance the quality standards.

HR aligned with growth avenues

We have always maintained that people are the most critical component of a services business and pride ourselves over the quality of our people across all levels and functional responsibilities. In FY 2003, Infotech continued to realign its human resources to deliver on the changing profile of its business. The focus was on improving employee contribution in line with higher value addition offered to its customers, resulting in increased business revenues on a stable resource base. Our recruitment gained momentum in recent months, with additional resources coming on board to service the increased visibility of offshore business.

Infotech is also focused on increasing the utilisation of its existing resource base. The Company retains its focus on higher productivity by encouraging development of new competencies by re-training existing resources.

Endnote

The Financial year 2003 was very challenging year for the IT industry and so for Infotech Enterprises. The revenue numbers grew when compared to the previous year despite the challenges we faced. We believe that the year 2003 was an year of consolidation. Looking forward I am confident that the investments that we made and the efforts that we put in will ensure a strong and robust organization for future. The Company also made itself much more robust in terms of de-risking itself, as our three lines of business each contribute between 30% to 40% of Revenues.

The above initiatives have been instrumental in creating a renewed Infotech, an organisation representing enhanced customer value and capable of delivering long-term growth for its shareholders.

Last but not the least, I am confident that the years ahead will bring much more success to infotech. My confidence in our continued success stems from the unstinting support of all our stakeholders - customers, associates, bankers, the government and you, our shareholders. I also wish to thank the Board of Directors for their guidance. I look forward to their continued support and trust.

Warm Regards,



B.V.R.Mohan Reddy

Chairman & Managing Director

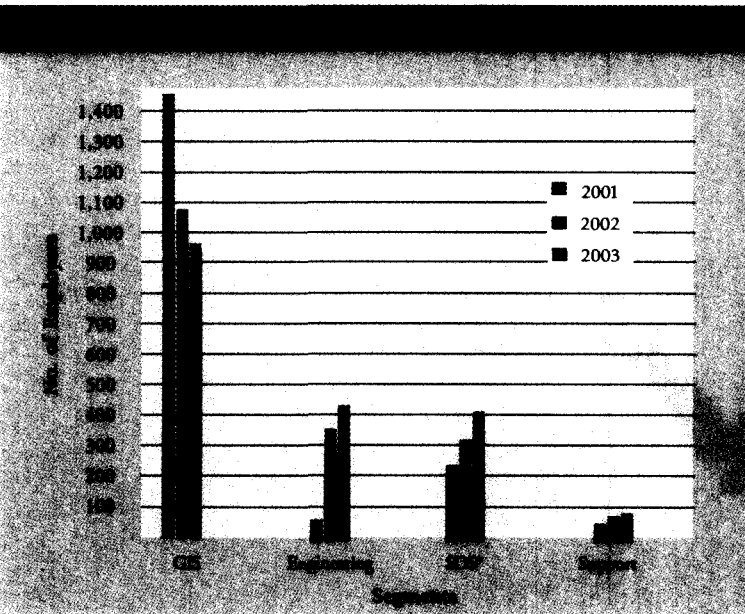
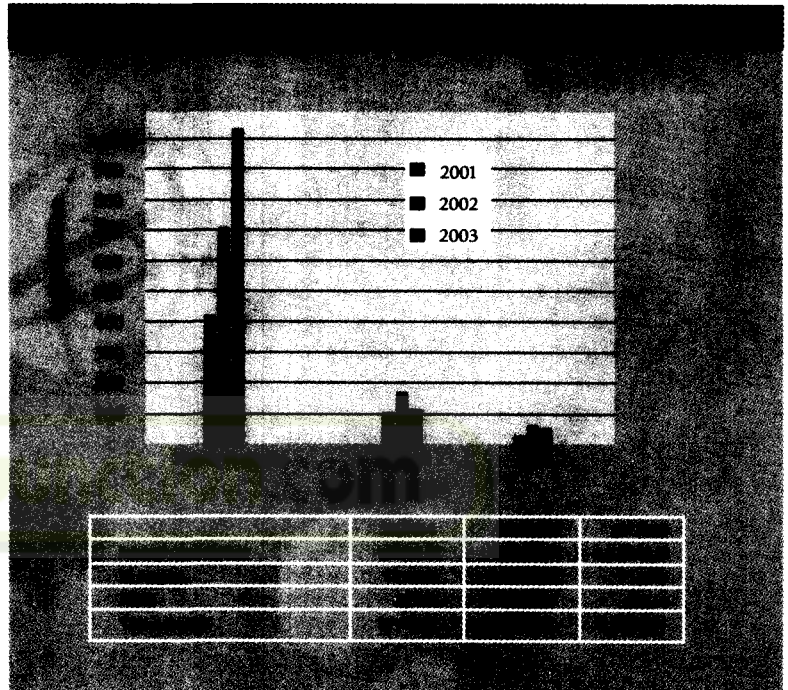
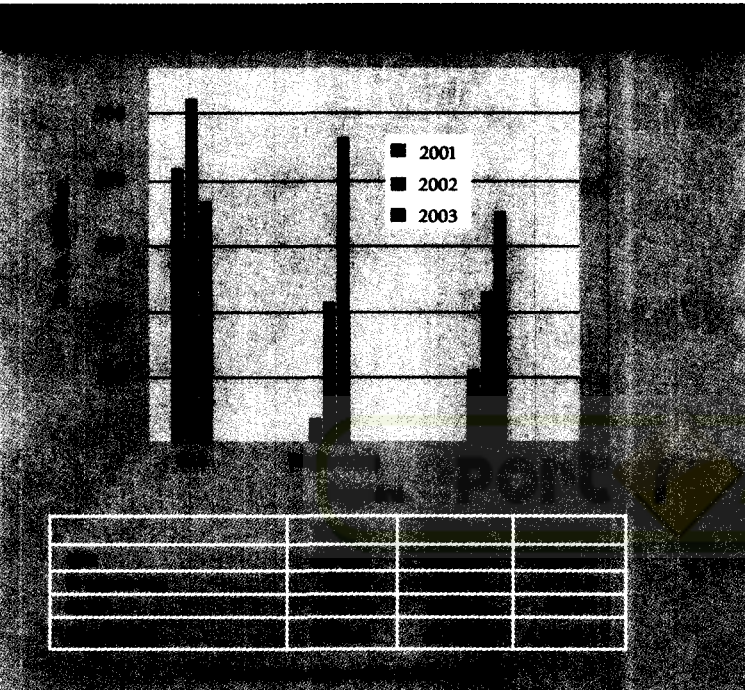
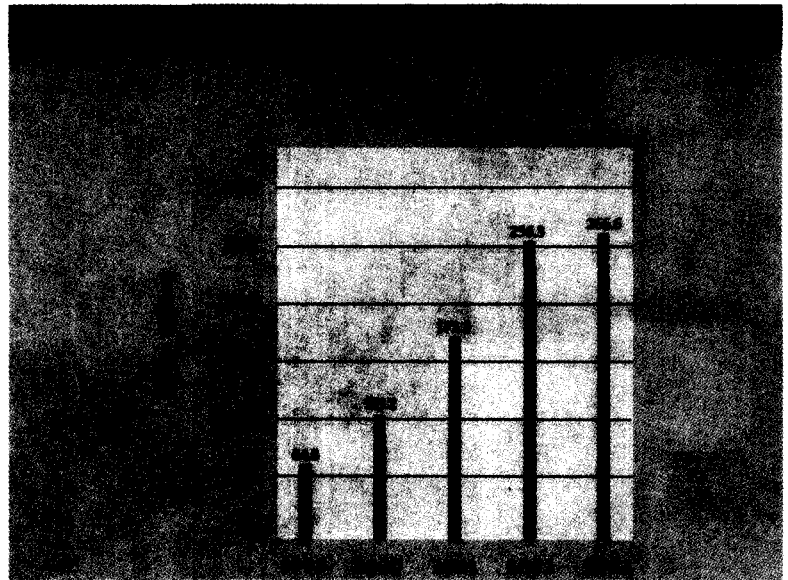
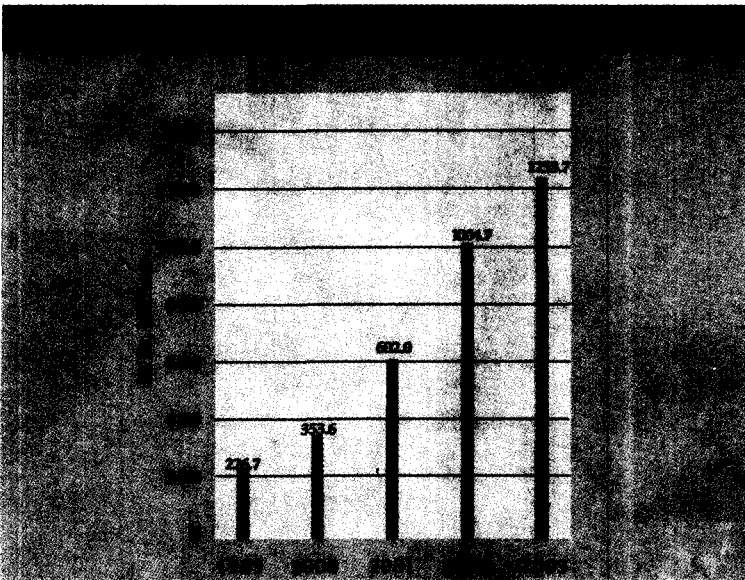


(In Million, except per equity share data)

PARTICULARS	March 31, 2003		March 31, 2002		
	Rs.	US \$	Rs.	US \$	Growth %
FOR THE YEAR					
Total Revenue	1253.68	25.85	1004.70	21.05	25
Exports	1107.50	24.38	907.74	19.02	29
Operating Profit (PBIDT)	468.76	9.67	439.04	9.20	7
Extraordinary /Non recurring Item	-	-	31.34	0.66	-
Net Profit after tax (PAT)	266.37	5.50	256.29	5.37	4
PBIDT as a percentage of total revenue	37.4%	-	43.7%	-	-
PAT as percentage of total Revenues	21.3%	-	25.5%	-	-
Basic Earnings per share (Rs.)	18.47	0.38	20.45	0.43	(10)
Dividend per share (Rs.)	1.25	0.03	2.40	0.05	(48)
Dividend Amount	18.09	0.37	15.04	0.32	20
Fixed Assets -Addition	120.27	2.48	236.09	4.95	(49)
PAT as a percentage of average net worth	20.5%	-	42.9%	-	-
AT THE END OF THE YEAR					
Total assets	1641.93	33.86	1510.46	31.65	9
Fixed assets - net	391.48	8.07	433.12	9.07	(10)
Cash and cash equivalents	442.89	9.13	386.39	8.10	15
Working Capital	709.95	14.64	664.38	13.92	7
Total debt	2.25	0.05	141.63	2.97	(98)
Net worth	1425.82	29.38	1175.18	24.62	21
Equity	144.70	2.98	72.00	1.51	101
Market Capitalization	1298.66	26.78	4249.22	89.03	(69)
US\$ Exchange rate (Rs.)	48.49	-	47.73	-	-

Market capitalization is calculated by considering the share price at the National Stock Exchange on March 31 of the respective years on the share outstanding as that date.

* Figures are regrouped and reclassified where ever necessary.



	2001	2002	2003
GIS	1,475	1,394	875
Engineering	55	205	400
R&D	65	55	411
Support	75	91	97
Total	1,665	1,655	1,783

Software Development Division

