Growing from strength to strength

14th Annual Report 2004-2005

Infotech
Creating Business Impact
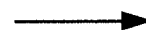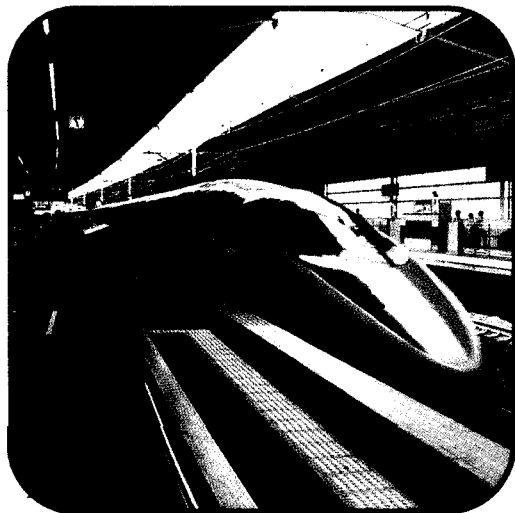
Service Offerings to New Verticals →

> Car Navigation Solutions.
Gliding Smoothly.

Infotech delivers software products and solutions for the transportation, logistics and digital navigation markets which are based on proprietary mapping, routing and navigation technologies. Providing customers with the benefits of rapid development cycles, extensive customization, reduced cost of ownership and reliable support, our proven portable in-car navigation systems and fleet management systems will be one of the accelerated growth areas for Infotech.

1992

Time Line →

> Rail. Powering Public Transport.

With the signing of a long term contract with Bombardier Transportation, (a world leader in rail equipment manufacturing for a global clientele) in mid 2003, Infotech started delivering Engineering Design Services for Rail Transportation.

Infotech's offering in the domain of Rail Transportation Engineering include varied services in the field of Engineering Design, Technical Publications, Software development, Embedded Systems, IT Services and CMMi Consultancy.

> Aerospace. Taking Off.

Infotech, will further increase its presence in the world of Aerospace Engineering. The Infotech Aerospace division offers services in Design and Stress Analysis of advanced composite structures. Based on many years of experience and a sound technical background, Infotech offers a modular service concept that allows its customers and partners to get the services they want - ranging from conceptual to detailed designs.

2005

Rapid Growth
is about facts & figures.

In the year 2004 - 2005, Infotech's

REVENUES grew by

37.2%   Rs. 2571.25 Million

OPERATING PROFIT grew by

59.8%   Rs. 466.54 Million

NET PROFIT grew by

203.8%   Rs. 273.74 Million

EARNINGS PER SHARE grew by

201%   Rs. 18.69

Rapid Growth

The Vision. The Promise.

B.V.R. Mohan Reddy

Dear Shareholder,

The central theme of this year's annual report is GROWTH. The year that has gone by has been extremely satisfying for us. For, the initiatives that I reported in my last message - the likes of verticalization, strategic planning and corporate re-organization, human resource policies and restructuring and redefining Infotech's mission, vision and long term objectives - have all been executed with vigor and have yielded significantly higher performance in all spheres.

Over the last 14 years, Infotech has consistently demonstrated growth above the industry-average, and this, I believe, is due to 'Focus' - Focus on five critical elements:

- Focus on being a customer centric organization
- Focus on building domain expertise
- Focus on a global delivery model
- Focus on developing human capital
- Focus on being a values driven organization

It is our belief that focusing on these five fundamentals will enable us to continue to grow as a world class organization and be recognized as the leader in the areas we operate in.

FY 2004 - 05 performance has reaffirmed our faith in the strength of our Business Model. We have witnessed growth in all verticals and in all geographies. We have had significant wins in all verticals and in all geographies. Our quality journey has been further accentuated by BS 7799 certification and ACE Gold, Silver and Bronze accreditations. We have further strengthened our management and operations teams by inducting high caliber professionals. We have initiated many innovative HR practices. A world-class facility that can house upto 1000 associates has been inaugurated and as you are already aware, we have acquired Tele Atlas India Pvt. Ltd., to further strengthen our position in GeoSpatial Data and Technology Services market.

Redefining the organization

During FY 2004-05, your company has undergone a significant change - Verticalization. Your company was reorganized into customer centric verticals headed by a President. Sales, marketing and global delivery have been brought under this unified leadership. Subsidiaries globally have also been reorganized into these verticals. This has significantly helped us in delighting the customer and in enhancing customer interaction, customer satisfaction, ownership, speed and accountability. This year also brought to surface the importance of 'Global Teams' - as our customers demanded more value, it became clear that we needed to bring our intellectual assets and experiences under one leadership, to maximize value for the customers. This alignment of internal structure and processes and to create 'One Global Unified Company' was an important initiative that we worked on.

Global footprint

FY 04-05 also saw us further expanding our global footprint in line with the business demands. We have opened offices in Melbourne, Australia and in Singapore apart from Noida, India. Today, your company operates out of 17 global locations and has 5 Global Delivery Centers.

Expansion of market coverage

This year, Infotech continued to strengthen its relationship with clients across verticals. We witnessed significant growth in all of our service offerings. Our investments in new services have yielded returns both in terms of revenue and value differentiation. Services like Engineering Design and Electronic Design demonstrated healthy growth, while our technology services continued to help us differentiate and deliver higher value.

We witnessed significant growth in the European market - Two subsidiaries focusing into this territory have reported excellent results and have made profits. Especially, Engineering Services have met with increasing enthusiasm in Europe and have resulted in us winning key contracts which, we believe, have significant potential for growth in the years to come.

To further differentiate ourselves, and in the pursuit of 'End-to-End Business Transformation Player' status, we have invested in defining superior value service offerings in both Geospatial Services and Engineering Services. We are also initiating a study by a leading market research and consulting firm to identify new market opportunities in areas which have future potential and which synergistically fit into our business model. I believe all these will significantly contribute to the growth of Infotech in the years to come.

Financial highlights

Summarizing the reported numbers during FY 2004-05, Infotech's operating revenues were 37.2% higher at Rs. 2571.25 million. Operating profit for the year was Rs. 466.54 million while net profit was Rs. 273.74 million. EPS for the year was Rs. 18.69 and we have recommended a dividend of Rs. 1.50 per share, which is subject to your approval.

The Group's financial performance during the year was accentuated by the improved profitability of the overseas subsidiaries. We witnessed a significant turnaround in our U.K. subsidiary. This is primarily due to increased revenue and various cost control initiatives that were taken in the previous two years.

Business Developments

During FY 2004-05, several progressive business initiatives were made at Infotech. Infotech divested a majority 51% stake in its Puerto Rican subsidiary, Infotech Aerospace Services Inc. (IASI) to United Technologies Group Company UTIC for US$ 550,000. IASI's operations continue to expand following the transaction, and contribute to Infotech's profitability.

Infotech acquired Tele Atlas India Private Limited, the Indian subsidiary of Tele Atlas NV, for Rs 82.9 million (Euro 1.43 million) and entered into a long-term services agreement for providing Database and Software Solutions to Tele Atlas. In April 2005, shareholders of Infotech have approved the allotment of 250,000 equity shares to Tele Atlas at Rs. 278/- per share, a premium of 10% over the price calculated with the prescribed guidelines of SEBI.

HR Initiatives

People have been the single most important asset this company has and we continue to place high importance on aligning our human resources with the evolving profile of the business. The focus was on improving associate contribution in line with higher value addition offered to customers. We have recruited over 400 engineers, apart from 600 people who have joined Infotech family through Tele Atlas India acquisition. This year, we further strengthened our HPC Initiatives to recognize, reward and develop high performers, initiated higher education schemes and entered into MoUs with highly reputed academic institutions like IIT Chennai and JNTU, and improved the overall human resource centricity.

Future

Let me share three key thoughts that I have on what the future holds for us and also touch upon the initiatives that we are taking at Infotech to prepare for the future.

I believe offshoring is here to stay and will continue to be a 'strategic matter' for customers world over. As much as offshoring is here to stay, I believe, there are certain shifts that we are witnessing and one of the prominent shift is that customers are increasingly interested in partnering with 'Total Solution Providers' with 'Global Delivery' and 'Deep Domain Knowledge'. The implication it has on Infotech is to deepen the domain & technology expertise with the ability to deliver from 'offshore, near shore, onshore-low cost and onshore', provide superior value solutions, and expand service offerings - all of which are already initiated and are very high priority agenda items on our list.

The other discernible shift is that customers are looking for a long-term, strategic partnership with IT vendors. We are witnessing many decisions on offshoring being taken in the 'board rooms' and by CXOs now as opposed to being taken by Vice Presidents and Directors earlier. The implication it has on Infotech is to deepen the relationships with the customer and to provide a measured business impact through our solutions & services.

The third shift that I notice starting to happen is that 'Scale' and 'Scalability' - on offerings, people, facilities and relationships - will be very critical to success. Moving towards a partnership role, scale & scalability also would mean flexibility. This would mean aligning our business model and internal structure tightly with customer's business requirements. By scale, I'm not inferring that every IT vendor needs to employ 40000 people but to be recognized as a vendor who has the scale & scalability in his chosen verticals. The implication it has on Infotech is to further strengthen its resource base and also to continually look for expansion of global footprint. I believe China and Russia have huge potential to be locations for offshore delivery, given the knowledge base available in those countries in the areas that Infotech focuses on. We have always been alert on expanding our footprint to provide higher return to our customers and will continue to do so.

Lastly, in May 2004, we have revised our Mission and Vision; and set ourselves the goal of being a $100 Million organization by end March 2006. No different to what we have done over the last 14 years, we are pursuing this goal with the same fervor. Last year, we strove hard to put in growth-oriented strategies in place and now with a resilient and renewed Infotech, we are confident of achieving the $100 Million dream.

B.V.R. Mohan Reddy
Chairman & Managing Director

Signing of the Tele Atlas deal

Partnering with Airbus

Rapid growth
is about adapting to
constantly changing markets.

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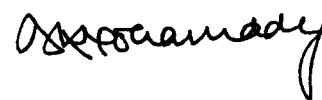
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B.V.R. Mohan Reddy
Chairman & Managing Director

Change, they say is constant. And also constant is the purpose of us remaining in business – to deliver quality products and services to our customers ensuring steady growth.

To achieve that purpose, every healthy forward looking organization undergoes change so that it can deliver what the customers have always expected of it – better quality, better service and better turnaround time.

Infotech has been undergoing that change. Constantly.

We have realigned our organization on vertical lines; integrated our Group operations completely; improved profitability of our subsidiaries; strengthened the relationships with our key customers; initiated several high potential engagements; reduced client concentration by divesting part stake in our Puerto Rican operations; and enhanced our offshore capability by adding infrastructure at Hyderabad and by acquiring the offshore operations of Tele Atlas.

Infotech acquired Tele Atlas India (P)Ltd., a Subsidiary of Tele Atlas NV, Netherlands and entered into a long term agreement for providing Database and Software Solutions to Tele Atlas. Tele Atlas has also invested in Infotech's Equity and became a Strategic Investor.

Infotech announced the Airbus Platform Engineering Center where we now have over 100 person years of experience working in the area of Engineering Design, Technical Publication, Validation and Verification services as well as Design Automation and PDM/PLM applications. Infotech has successfully completed the work of Interiors and Seating, Technical Publications, Structures on various Airbus aircraft including the prestigious Airbus 380 by working with partners worldwide.

All in the pursuit of one constant – Achieving Rapid Growth

"I appreciate & recognise the efforts being made by the Infotech management in streamlining the Noida operations & keeping no stone unturned in order to keep the employees motivated. The transition process was well organised and smoothly implemented. Several open house meetings were held to answer each and every individual's question. New set of policies, processes and ideas have come in like a wave inspiring everyone to deliver enhanced value through sustained customer focus. The transition Team always focussed on sharing good practices by introducing processes and technology and by training people."

Rajandra V Dayal
Sr. Project Manager, Production
Line Management, Europe Sector
North East (PL-NE), Noida,
India.