

# Making winning a habit.

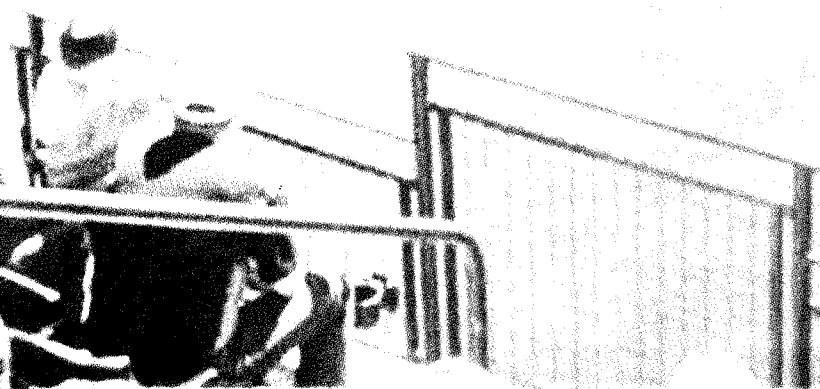
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# Making winning a habit....

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“

Victory always starts in the head. It's a state of mind. It then spreads with such radiance and such affirmations that destiny can do nothing but obey. Habit is what keeps it going.

”







# CHAIRMAN'S MESSAGE



Dear Shareholders,

2006-2007 has been a defining year in the history of our company. In addition to significant financial growth, our company has evolved as a world class services organization as a result of our initiatives implemented over the last two years. Our strong fundamentals - being a customer centric organization, deep domain expertise, global delivery model, building on human capital and being a values driven organization - enabled us to reach the milestone of being \$120 Million in revenues. I am pleased to report that a strong demand in the global market for Engineering Design Services (EDS) and Geospatial Information Services (GIS) drove our revenues.

We added new customers in both EDS and GIS. Especially gratifying to me is the growth in the GIS market, which appears to have rebounded from a temporary stagnation during 2003 - 2006. During the year, we established direct business relationships with major manufacturing organizations globally. Our subsidiaries in Europe have grown and added substantially to our revenues and paid us dividends to the tune of Rs. 50.6 million. We established a new development centre at Kakinada, and two global development centers at Sydney, Australia and Auckland, New Zealand. As a result, we added 31 new clients during the year.

We showcased our strength in EDS and GIS by participating in many international events such as Farnborough Airshow, Inntrans, Map India Forum and Aero India. I am pleased to report that the Editor in chief of Directions Magazine rated our company as one of the largest GIS solutions provider in the world during his visit to the Map India Forum.

A fundamental building block of our company's success is our focus on quality. I am pleased to report that our quality journey has been further accentuated by upgrading the BS 7799 security standard with an ISO 27001 information security management certification from BVQI. As a glowing tribute to our quality practices, we have received the prestigious IMC Ramakrishna Bajaj National Quality Award Criteria (RBNQA) commendation certificate 2006. I am glad to inform you that Infotech achieved this landmark in the first ever attempt. We have further strengthened our management and operations by inducting high caliber professionals. The first phase of our new facility in Manikonda, Hyderabad was completed this April with a capacity to house 1,500 associates. This facility features world class architectural standards, infrastructure, facilities and working space. The new facility in Bangalore is also nearing completion. This facility is designed to accommodate over 1,100 professionals to support the growth plans for key clients.



## One Global Entity

The 'Rightshore Model' is a manifestation of our interest to service customers from various global locations, ensuring we do work from where we can create the most value for a customer. It combines extensive delivery capability based in India with global delivery through offices in the US, Europe and Asia Pacific that provide domain expertise, local customer interface and project management. Delivery structures too have been reorganized and brought under unified leadership to facilitate the Rightshore Model.

## Global Footprint

2006-2007 saw us further expanding our global footprint in line with business demands. We opened offices in Australia, New Zealand and France. I am proud to report that today our company operates out of 27 global locations and has 6 Global Delivery Centers. As a part of our commitment to the development of Tier-2 cities we opened a development center at Kakinada, Andhra Pradesh. This has helped us attract a great deal of talent locally and improve cost efficiency. I take this opportunity to reiterate our company's commitment to the development of Tier-2 cities which not only makes a strong business case, but also ties in to our responsibility as a corporate to ensure that development reaches all parts of our country.

## Expansion of Service Offerings

I am pleased to report a marked increase in revenue from new service offerings both in EDS and GIS. Our focus on new service offering such as electronic design and lifecycle management services in EDS have contributed significantly to the new revenue. We will continue to make investments to improve the breadth of our service offerings in our existing verticals to maximize the value we deliver to our customers.

## Financial Highlights

During 2006-2007, Infotech's operating revenues were 49.7% higher at Rs. 5,425.40 Million. Operating profit for the year was at Rs. 1,133.70 Million while net profit was at Rs. 836.60 Million. Earnings Per Share (EPS) for the year was Rs. 18.22 and we have recommended a dividend of Rs. 1.13 per share (22.5% @ Rs.5 per share), subject to your approval.

## Business Developments

Engineering, Manufacturing and Industrial Products (EMI) vertical has emerged as the growth engine for the company with a significant growth of 69% over the last fiscal. During the year, the management concentrated on building domain expertise in several new domains, practices and verticals to further strengthen our leadership position and garner a meaningful share in the huge engineering services market. Aerospace and Rail verticals continue to show strong traction and the new practices that we have started last year like Marine and Avionics have gained momentum. Utilities Telecom & Government (UTG) Vertical posted a growth of 27% over the last fiscal. The company has made a concerted effort to provide higher value services in this group and now engages in providing IT application development, system integration and consulting services. Large road data network projects were performed for Tele Atlas which includes cutting edge mobile mapping services.

## HR Initiatives

People have been the single most important asset we have and we continue to place high importance to align 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. In the last year we have recruited a little over 1,150 engineers.

## Future

The future of our business depends on our orientation and adaptation to the dynamic growth in the industry and strengthening our position as a dominant leader in our chosen fields of activity.

We will continue to form business arrangements with complementary organizations in both EDS and GIS, which will help us strengthen our leadership further. Our strategic initiative to foray into IT services will mark the emergence of Infotech Enterprises Limited as a 'Total solutions provider'.

We will provide the infrastructure required to sustain the speed of this growth. We are already in the process of completing the construction of our facilities at Hyderabad and Bangalore. We will soon have our own facilities in Kakinada and Visakhapatnam in Andhra Pradesh.

We have to keep adding to our existing base of skill sets and acquire new ones as determined by the demands of the global markets we serve. Preliminary market reports indicate that the market size of EDS will be \$35-40 Billion by 2020 and the GIS market is estimated to be a \$10 Billion opportunity.

Lastly, we are confident of achieving the goal of being a \$250 Million organization by end March 2009. The central theme of this year's annual report is the 'Habit of Winning'. Our performance last year reinforces our belief that Winning is not a matter of chance, rather, it is an Attitude.

Warm Regards,



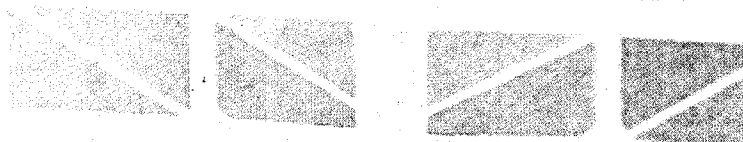
**B.V.R. Mohan Reddy**

Chairman & Managing Director



## KEY PERFORMANCE HIGHLIGHTS:

INFOTECH GROUP



- Revenue growth of 49.7% at Rs.5425.40 Million (\$120 Million)
- Engineering services business grew at 69% and Geospatial Services grew at 27%
- Operating Profits higher by 72.4% at Rs. 1133.70 Million
- Net Profit after tax (before share of Joint Venture profits) up 84.9%, at Rs. 744.10 Million
- Net Profit after tax (after share of Joint Venture profits) at Rs. 836.60 Million, an increase of 66.3%



## Key Performance Highlights for 2006-2007

- Infotech Enterprises Europe Ltd. and Infotech Enterprises GmbH have paid dividends during financial year 2007 to the tune of Rs. 50.6 Million.
- Infotech established local development center at Kakinada, Hyderabad and two global development centers at Sydney, Australia and in Auckland, New Zealand.
- The Company has inaugurated its new facility at Hyderabad. This facility will house more than 1500 associates.
- Construction of new premises at Bangalore is in progress. This facility will result in vacation of all the leased premises in Bangalore.
- Participated in the Aero India at Bangalore and in Map World Forum at Hyderabad. At the Map World Forum, Editor-in-Chief of Directions Magazine rated Infotech as one of the largest GIS solutions provider during his visit to Map World Forum.
- The Company also participated in other global conferences during the year viz., the International Aero show, the AGI conference etc.
- 1153 associates were added during the year under review, 477 in UTG vertical, 661 in EMI and 15 in support functions.
- Strong business traction in the European market as compared to USA in both the EMI and UTG verticals. Current geographical revenue split places the company in a strong position to mitigate economy related risks.
- Direct business relationships with Aircraft manufacturers Boeing and Airbus established during the year.
- Existing customers emerge as key growth drivers while new customers look for larger engagements in the forthcoming financial.
- Successful rolling out of Global Delivery model for UTG vertical across all its geographies.
- Associate Company IASI opened a new facility to cater to the increasing demand, achieves revenues of US\$ 25 Million for the year 2006.
- 31 new clients added during the year.
- Management proposes to declare dividend of 22.5% for the year 2006-2007.

# AND AGAIN

## Highlights from SBI for 2006 - 2007

Infotech was awarded "2006 Key Supplier Award" by UTC Supply Chain Management. It was the first year of the institution of the award, and we were chosen from amongst thousands of UTC suppliers, including well known engineering services companies in USA. Quality of work delivered by Infotech through use of ACE (Achieving Competitive Excellence) tools, and high savings generated for UTC companies through our services were the main criteria which enabled us to get this recognition.

A number of new services were added during last year - Aftermarket Commercial Services, Test Documentation, Process Certification, First Article Inspection, Supply Chain Support, Field Management Program Costing etc. Our engineers contributed to the latest programs in the Aircraft industry - through services for Boeing 787 subsystems to Hamilton Sundstrand (HS), GP7000 engine for Airbus A380, PW6000 new engine etc. We took up product improvement projects for aero engine components and weight reduction for Boeing 787

components through HS.

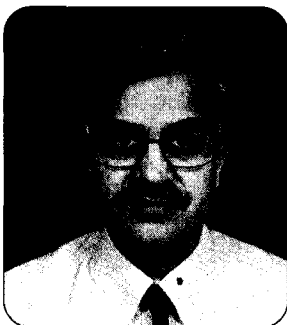
Beginning was made in Avionics projects at Hamilton Sundstrand. We also started work with Sikorsky on their S76 D helicopter. We completed two SAP upgrade projects.

Our engineers won awards for their technical papers in conferences in India, and were invited for presenting papers in conferences overseas. Infotech engineers were included in an international patent filed by Otis for a new technology that we helped in developing. A number of productivity tools were developed and implemented within Infotech and some jointly with customers.

**Rajeev Lal**  
President - SBI



## Highlights from UTG for 2006 - 2007



Infotech's UTG business saw appreciable growth in fiscal 2007 on the back of strong performance in the global telecom and utility markets, and increased traction in government and commercial accounts. These included consulting engagements with US electric utilities, the delivery of an enterprise-wide geospatial solution for a domestic power distribution company, establishing an onsite data management facility for Australia's leading telecom operator, renewal of a multi-year US statewide mapping program, completing one of the largest data projects outsourced by the European telecom market, and delivering applications for UK - central government agencies to modernise public services and improve citizen interfaces. UTG also broadened its service offerings into areas like position accuracy improvement and mobile GIS solutions. By reinforcing its partnerships with key geospatial technology vendors, UTG moved into a stronger position to collaborate on new service and market opportunities. Enhancements to the global delivery model led to improved project execution that reflected positively in customer satisfaction audits. During the year, UTG also formulated a new strategic direction for the business that will strengthen its focus on the Utility, Telecom and Government verticals and enable the delivery of a broader set of solutions including IT, engineering and infrastructure management services.

**A.V. Ram Mohan**  
President - UTG