19th ANNUAL REPORT 2009-10

Infotech
Creating Business Impact

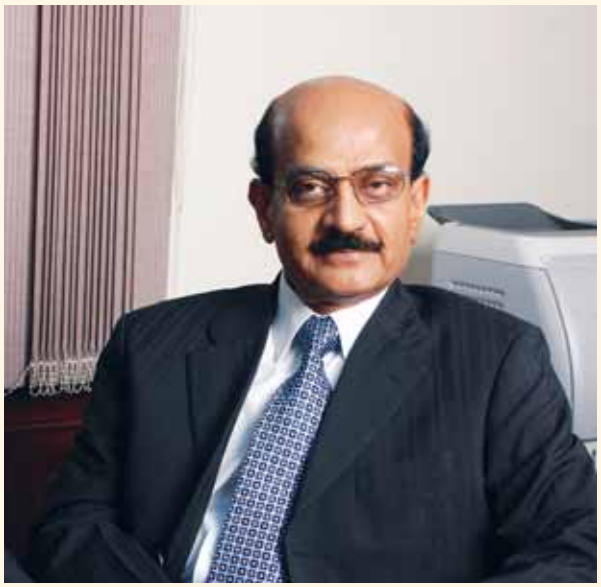
ALL SET TO SCALE NEW HEIGHTS

VIEW FROM THE TOP

It's exhilarating. It's challenging. And it feels as if you're on top of the world. It takes guts of steel to fight against numerous odds and come up on top. The year that passed by was a tough one for everyone. Thankfully, we not only managed to maintain our leadership position during this turbulent time with ease, but also post impressive results. Thanks to our rock solid strategies and the dedication of every associate.

When we look back at the year that went by, it was packed with challenges and triumph. For the very first time in the history of Infotech, we reached an annual total income of Rs. 1,000 Crores. We were able to further bolster our position through strategic acquisitions and contracts. And this year will witness the Infotech flag flying higher than ever before.

FROM THE CHAIRMAN



Dear Shareholders,

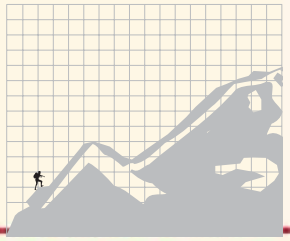
I am happy to share with you my thoughts on the performance of your Company during the financial year (FY) 2009-10, and also on what future holds for all of us.

Without debate, FY '09-10 was a very challenging year for the industry and so was it for your Company. All markets your Company operates in had significant economic challenges, customers worldwide had to confront steep demand fall and cuts in consumer spending which impacted their business in ways not seen in recent times.

However, your Company's strong business model, deep engagement with customers, robust systems and processes, focus on creating value for customers and a strategic business mix provided the resilience required to withstand the rough weather. In fact, not only did we withstand heavy headwinds, we did grow and have crossed some significant milestones too!

Major highlights of our financial performance are:

- Total Income reached Rs. 1,000 Crores - a major milestone
- Operating Revenues at Rs. 953 Crores; growth of 7.1% over FY '09
- Operating Revenues of over $200 million
- Operating Margins at 21.9%, an increase of 180 basis points over FY '09 – a reflection of your Company's sustained efforts on improving efficiencies in all areas of operations



From the Chairman

- Profit before Taxes at Rs. 208 Crores, crossing Rs. 200 Crores for the first time
- Profit after Taxes at Rs. 171 Crores, growth of 84.7% over FY '09
- Strong cash balance of Rs. 383.6 Crores
- Top-10 and Top-5 customers grew healthily (7% and 4% respectively) – a reflection of your Company's continued focus on creating long-term value for its customers
- Business pipeline looks very strong as we close the year – we have signed large long-term contracts with Hamilton Sundstrand, Westinghouse Electric, Seawell Corp., Volker Wessels Telecom (VWT) and many others
- The Board of Directors have proposed a dividend of 40% and also an issue of bonus shares in the ratio of 1:1. The issue of bonus shares has been approved by the members through postal ballot and the payment of dividend is being presented for your approval at the AGM

Not only did your Company grow, but also has made significant investments in FY '10 through acquisitions and investments. Your Company has recently acquired Daxcon Engineering Inc based in Peoria, Illinois, USA. Established in 1996, Daxcon is a pure-play engineering services company focusing on heavy engineering and commercial vehicles industries. This acquisition brings to your Company 150 plus domain experts, another global delivery centre in USA and long-term relationships with key customers in the two industries that Daxcon operates. Your Company has completed the integration of Daxcon into the engineering business and results that we have seen in the first few months post-acquisition have been very encouraging.

As FY '10 ended, I believe your Company is in a very strong position to grow further and consolidate its position as one of the world's best engineering services providers. Let me elaborate further on what your Company is doing for the future.

Business segments

Engineering - Effective Apr. 01, 2010, your Company has reorganised its internal structure and has brought all engineering businesses under the unified leadership of Mr. Krishna Bodanapu. While the practice-based focus continues, I believe that this reorganisation will help your Company serve customers better with the sharing of best practices, and more importantly, attain economies of scale, and build large, long-term engagements with key customers. This reorganisation also helps bring different competencies under one roof and thus help engage with customers on multiple service lines.

Utilities, Telecom and Government (UTG) – In this vertical, your Company has continued its strategy of widening its service offerings into adjacent areas beyond Geospatial data and Software services. In the context of transforming its UTG business into an "Engineering Solutions" provider, the Company has developed a range of end-to-end solutions that focus on the design, planning, operation, optimisation and support of Utilities, Telecom and large Government networks. Examples of new business lines in these verticals include Network Engineering and Operational Support Services, which will underpin the rollout of new fiber broadband networks in various geographies, as well as Smart Metering and Smart Data Solutions to support the deployment of next generation Smart Grids.

To support this transformation, I am pleased to report that significant investments have been made in building the skills and expertise in both our Utilities and Telecom Practice groups. At the delivery level, the Company now has both onshore and offshore delivery capability to support its ability to deliver engineering solutions to Utility, Telecom and Government clients worldwide. For example, with the opening of Delivery Centre in Dallas, Georgia, the Company has a dedicated Telecom Delivery Centre in each of its core markets – one in the US, one in the UK and one in Australia.

As you would see from the above, your Company is taking the path of Engineering Solutions – Product Development Engineering (PDE) and Infrastructure Management and Networking Engineering (INE) - in the major vertical segments it operates in. This, we believe will definitely help us become the Engineering partner of choice.

Innovation

Your Company always has accorded high priority to innovation along multiple lines – product, process and business. In FY '09-10 we have made significant progress along these. Innovation along these three lines will continue to be the centerpiece of growth:

- Product innovation along with customers (many of the products that your Company has designed and developed have been path-breaking and led to IP creation)
- Process innovation – Optimising internal business processes and project execution methodologies has been central to our financial performance during FY '09. Your Company will continue to focus on

minimising operational inefficiencies and bring in process innovation in all facets of operations

- Business Innovation – Your Company already has leadership position in business model innovation (ODC, BOT, JV, Equity, Co-location, etc.) in the industry. During FY '09-10, we have adopted innovative pricing models, which have significantly helped us in winning business. Associate profit sharing models should motivate our Associates. Going forward, I believe, innovation around business models and pricing models will be critical as customers' expectations from vendors are increasing. Having had a headstart over competition, your Company will continue to focus on these areas and strengthen its leadership position.

Global Collaborative Engineering

Your Company believes form and factor of product development will undergo a major change in years to come. Customers the world over are looking for partners (not just vendors) who can help them conceive-design-develop-deploy great products in a global environment. Realising this, your Company has already started transforming itself into becoming a world leader in Global Collaborative Engineering. We are leveraging the existing building blocks and putting together an overarching framework around these blocks aimed at:

- Reducing total cost of Engineering
- Improving Engineering and R&D efficiency by leveraging domain expertise, product knowledge and global delivery models
- Help customers localise products for various market segments and geographies

People

People have been the single most competitive resource for your Company over the years, and will continue to be so for years to come. It is this strong belief that has led your Company to adopt some of the industry-best people practices. People development is a major focus area for your Company and thus we continuously invest in building domain, process, and technology expertise.

Given the fast-paced growth in India, the war for talent is getting intense every day. In these times, talent development/ retention becomes even more critical than talent acquisition. Recognising this trend, your Company has enhanced its focus on leadership development multifold in the last two years. Our robust leadership development framework lays requisite emphasis on each of the three layers of management - strategic, middle and the frontline leadership. We have defined the unique blend of leadership competencies for our businesses and have put in place an in-depth process to develop the same using the 270 degree feedback mechanism, psychometric profiling, internal and external training programmes, coaching, mentoring, job shadowing and on-the-job learning for developing specific individual needs. We lay additional emphasis on the development of soft skills as Associates move up the ladder.

I believe leadership development at all levels will be critical to your Company realising its vision of 'Being a $1 Billion Enterprise'.

Processes

Process excellence has been a major contributor to your Company's success ever since its inception. As your Company embarks on a journey of rapid growth, we realise that 'scalable process excellence' is going to be very critical and hence have increased our thrust on building robust,

From the Chairman

integrated and scalable processes and systems. A slew of systems aimed at internal process excellence like SAP, standard costing, project profitability, asset tracking and utilisation have been rolled out.

Another set of processes aimed at performance excellence like project management methodologies, automation through technology deployment, and developing reusable solutions are increasingly being thrust upon in every customer engagement. Investments in industry/customer specific standards, certifications continue to be a focus area, and I believe these are going to be critical differentiating factors as we seek and deliver more system/ sub-system level engineering.

Customer Centricity

Your Company has a great track record of acquiring-engaging-scaling relationships with some of the world's best companies. All of this has been attributed to the customer-centric philosophy that your Company has adopted over the years. The same philosophy has been our biggest boon in the challenging times that we had last year – every single important engagement that your Company had has grown healthily during the FY '09-10.

The recent reorganisation we have done is another initiative in increasing customer centricity in the Organisation even further. Your Company has embarked upon a strategy of 'Must-Own' customers in each practice we focus on, and has developed detailed plans on owning these customers by adopting a multi-pronged strategy centered on customer centricity.

Mergers and Acquisitions

M&A is an integral part of our business strategy. The year 2009 was relatively a quiet year due to the global economic turbulence. During this period, we focused on improving our processes and incorporate the learnings from the previous acquisitions to establish a robust integration process that has resulted in a flawless integration of Daxcon earlier this year.

We also integrated our previous acquisition of TTM Inc. in 2008 through the extremely turbulent times in the semiconductor markets, demonstrating both resilience and the strategic focus your Company has in these markets. I am pleased to inform that it is one of the fastest growing divisions of your Company.

We continue to follow a disciplined M&A process to accelerate our business strategy. Keeping in line with our desire and our customer expectations of being a strategic engineering partner to meet their future engineering needs, our M&A is focused on:

- Strengthening domain expertise in new market segments within existing verticals – to address either adjacencies or deep-diving
- Establishing a global network of design engineering centres that offer our customers the right mix of proximity, skill and price
- Forging strategic, long-term relationships with large engineering companies

This year, we saw tremendous amount of team effort to surpass market expectations, in spite of economic challenges. On your behalf, I would like to place on record the contribution made by the associates and congratulate them for creating value for our customers, which in turn has helped your Company grow even stronger.

I also thank you for supporting us through this difficult year and standing by us. All of us greatly appreciate it and without your continued support, it would not have been possible for us to deliver results.

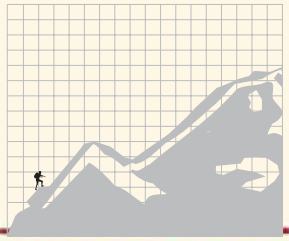
Warm regards,

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

INTRODUCTION

When you dream big and work towards it, the entire universe conspires to make it happen. We at Infotech believe in this philosophy to the core. The year that passed by has helped us take pride in our strengths and trust in our capabilities. We're on the path to scale new heights this year. Thanks to the commitment of our associates, our pursuit of excellence and our passion to create value to all stakeholders.

We all are geared up to take on 2010 with a never before fervour and strategic focus. We are set to scale greater heights in the coming months. To create new landmarks and take Infotech to the next level.



The year at a glance 2009-10

THE YEAR AT A GLANCE - CONSOLIDATED

(In millions, except as otherwise stated)

Particulars	March 31, 2010		March 31, 2009	
	Rs.	USD	Rs.	USD
For the Year				
Operating Revenue	9,531.21	201.04	8,897.50	193.42
Total Income	9,994.91	210.82	8,603.00	187.02
Operating Profit (EBIDTA)	2,083.09	43.94	1,785.04	38.81
Net Profit After Tax (PAT)	1,708.76	36.04	924.84	20.11
EBIDTA as a percentage of Operating Revenue	21.86%	21.86%	20.06%	20.06%
PAT as percentage of Total Income	17.10%	17.10%	10.75%	10.75%
Basic Earnings per Share (Rs.)	30.88	0.65	17.36	0.38
Dividend per Share (Rs.)	2.00	0.04	1.50	0.03
Dividend Amount	111.00	2.34	82.84	1.80
Fixed Assets - Addition (Net)	393.31	8.34	1,109.81	24.13
At the end of the Year				
Total Assets	11,270.10	237.72	10,509.50	228.47
Fixed Assets (Net)	3,154.40	66.53	3,008.56	65.40
Cash and Bank Balance	2,337.23	49.30	3,333.50	72.47
Working Capital	3,901.09	82.28	4,325.58	94.03
Total Debt	43.99	0.93	194.72	4.23
Net Worth	9,063.45	191.17	7,703.31	167.46
Equity	277.50	5.85	276.15	6.00
Market Capitalisation	20,471.00	431.79	4,527.30	98.42
USD Exchange Rate (Rs.)	--------	47.41	--------	46.00

Market Capitalisation is calculated by considering the share price at the National Stock Exchange of India Limited on March 31 of the respective years on the shares outstanding as on the date.

* Figures are regrouped and reclassified wherever necessary