



I n v e s t o r U p d a t e

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April – June 2005

- *Infotech's financial performance has been discussed on a consolidated Group basis in this document.*
- *Infotech Group's operations comprise those of Infotech Enterprises Limited, its three overseas subsidiaries (Infotech Enterprises Europe Ltd., U.K. (IEE); Infotech Software Solutions Inc, USA (ISSI) – along with ISSI's subsidiary VARGIS LLC, USA; and Advanced Graphics Software GmbH (AGS), Germany) and w.e.f. April 11, 2005, its Indian subsidiary Tele Atlas India Private Limited.*
- *Infotech's standalone financial results have also been provided for reference in the last section of this update.*

Commenting on the first quarter results Mr. BVR Mohan Reddy, Chairman and Managing Director, Infotech Enterprises, said, “During the quarter, the strong revenue growth delivered by our operations was supplemented by the recently acquired offshore operations of Tele Atlas, one of our leading customers. Profitability of our operations was impacted by a change in revenue and delivery mix as well as by foreign exchange variations. IASI, our strategic investment in Puerto Rico, continued to deliver strong performance expansion.

On the business front, we stabilized and integrated the operations of Tele Atlas India; inaugurated a GIS facility in the U.S. to cater to the local government needs; expanded our presence to Australia, Singapore and U.A.E.; continued to leverage leadership position in UTG vertical space and won significant orders; initiated interventions to further refine our UTG business model to expand the focus areas; grew our relationships within the United Technologies Group; launched new service offerings for EMI Vertical in the Engineering Design and Electronic Design areas; and launched three ODC's for customers in the EMI vertical.

The key objective of these initiatives is to expand customer relationships, deliver superior value and position Infotech as a preferred service provider in our chosen verticals.”

Key Performance Highlights

Infotech Group: Consolidated Performance

Sequential period analysis (April – June 2005 vs. January – March 2005)

- Operating revenues for the quarter higher by 20.0% at Rs. 782.2 million compared to Rs. 651.7 million.
- Operating profit increases by 5.2% at Rs. 136.3 million compared to Rs. 129.5 million.
- Net Profit after tax up 9.2% at Rs. 97.4 million as compared to Rs. 89.2 million.
- EPS for the quarter at Rs. 6.52, up 7.6%

Corresponding period analysis (April – June 2005 vs. April – June 2004)

- Operating revenues grew 35.0% from Rs. 579.2 million to Rs.782.2 million.
- Operating profit higher by 72.5% at Rs. 136.3 million compared to Rs. 79.0 million
- Net profit after tax higher by 105.1% at Rs. 97.4 million compared to Rs. 47.5 million.
- EPS up 100% at Rs. 6.52 compared to Rs. 3.26

Key business / operating highlights for Q1 FY 2006

- Tele Atlas India operations stabilized and integrated with Infotech. This subsidiary has delivered strong results with PAT margin of 19.7% during the quarter.
- Large value GIS orders received from several customers in the U.S. and India.
- U.S. based geospatial production facility inaugurated at Frostburg, Maryland focusing on local government business. Infotech is engaged in several projects in the U.S. that require local execution capabilities.
- Expanded presence in Australia, Singapore and U.A.E. Infotech has already won orders for digitization work in Australia and is successfully targeting business from Pratt & Whitney's JV's located in Singapore. We are witnessing several Indian utility companies are also starting to use using GIS services, which diversifies the business traction in Asia.
- Entered strategic alliance with Ten Sails, UK to jointly offer services on the Smallworld geospatial solutions platform.
- Participated in integrated projects with Pratt & Whitney in the U.S., involving component design improvements and delivering cost reduction objectives.
- Relationship with UTC Group Company Hamilton Sundstrand strengthened through the expansion of technical publication engagements. Infotech has initiated GDC operations for the customer and created strong front-end presence.

- In the Non-UTC space, one engagement was initiated with a high potential Fortune 100 company. During the quarter three ODC agreements were signed – two for engineering design services and one in the technical publication space.
- The Bombardier relationship further expanded and we are also currently working for Bombardier China.
- 701 associates added during the quarter, including 540 at Tele Atlas India operations.
- 10 new clients acquired during the quarter, including 6 in UTG and 4 in EMI.

Group Financial Performance Review

(Rs. million)

Particulars	Q1 FY 2006	Q4 FY 2005	Q-on-Q Variance (%)	Q1 FY 2005	Y-on-Y Variance (%)	FY 2005
Operating Revenues	782.2	651.7	20.0	579.2	35.0	2571.3
Operating Expenditure	646.0	522.1	23.7	500.3	29.1	2101.5
- Employee cost	364.6	323.3	12.8	302.3	20.6	1223.9
- Travel expenses	68.7	54.6	25.8	58.0	18.4	230.3
- Purchases-Services/Products	108.6	55.0	97.4	59.7	81.9	285.0
- Oprtng & admin exp	104.1	89.2	16.7	80.4	29.5	362.3
Operating Profit	136.3	129.5	5.2	79.0	72.5	469.7
<i>Operating Margins</i>	<i>17.4%</i>	<i>19.9%</i>		<i>13.6%</i>		<i>18.3%</i>
Financial Expenses	1.6	0.4	300.0	0.6	166.7	2.5
Dep. & Amortization	45.0	38.9	15.7	45.0	-	167.3
Other Income	(11.6)	4.9	(336.7)	29.1	(139.9)	39.4
Profit before Tax	78.1	95.3	(18.0)	62.4	25.2	339.3
Provision for Taxation	11.1	18.9	(41.3)	14.9	(25.5)	90.1
Profit after Tax	67.0	76.4	(12.3)	47.5	41.1	249.2
Share of IASI profit	30.3	12.8	136.7	-		24.6
PAT incl. share of profits from IASI	97.4	89.2	9.2	47.5	105.1	273.8
<i>Net Margins</i>	<i>12.6%</i>	<i>13.6%</i>		<i>7.8%</i>		<i>10.5%</i>
<i>Basic EPS</i>	<i>6.52</i>	<i>6.06</i>	<i>7.6</i>	<i>3.26</i>	<i>100.0</i>	<i>18.69</i>

During the quarter, Infotech delivered 20.0% sequential growth. This includes revenues from the recently acquired operations of Tele Atlas India, which contributed Rs. 77.6 million during the quarter. On an organic basis, revenues were higher by 8.1%. This was achieved largely on the back of strong expansion in the revenues of VARGIS (included in U.S. subsidiary ISSI's financials). VARGIS's revenues had been subdued in the preceding quarter due to weather-related temporary bottlenecks.

Operating expenditure during the quarter under review increased by 23.7% sequentially. Excluding Tele Atlas India, operating expenditure was higher by 14.0%.

Employee cost increased by 12.8% sequentially as Tele Atlas India's employee base was integrated with Infotech and following revisions in senior management remuneration & addition of 161 to the head count. New additions were largely at lower experience levels.

Travel expenses were higher by 25.8% in Q1 FY 2006 as employee movement to client locations increased in line with higher onsite business contribution. In addition, expansion of the geographical presence resulted in more overseas travel.

During the quarter, cost of purchases for resale (mostly software products and services purchases for implementation of projects) increased by 97.4%. Contribution from projects involving bundling of third party software / aerial surveillance costs was higher in Q1 FY 2006. Such projects were executed by Infotech's overseas subsidiaries.

Operating and administrative expenses were higher by 16.7% in Q1 FY 2006. The incremental expenses were almost entirely contributed by Tele Atlas India's operations. Infotech has maintained strict control over its indirect expense structure. As a result, on a continuing operations basis, such expenses have been maintained at the same level over the last three quarters.

During Q1 FY 2006, operating profit was higher by 5.2% at Rs. 136.3 million. Operating margins were lower at 17.4% compared to 19.9% in Q4. Margins were influenced by the following reasons during the quarter:

- Higher proportion of revenues involving purchases for re-sale.
- Increased travel cost due to more onsite business.
- Positive influence of Tele Atlas India's revenues, which have higher margins.

Financial expenses were higher at Rs. 1.6 million during the quarter under review, mostly due to an increase in foreign exchange remittance charges. Infotech maintains a debt-free, cash-surplus status in its business. Financial expenses are incurred on short-term working capital requirements.

Depreciation and amortization was higher by 15.7% in Q1 FY 2006 as Tele Atlas India's asset base was added to that of Infotech. Excluding Tele Atlas, India's depreciation, the charge was lower than the preceding quarter as there was a reduction in the amortized goodwill component.

There was an impact of Rs. 16.5 million from lower other income, largely due to adverse foreign exchange movements. While Infotech's net U.S. dollar receivables were covered to a large extent, the sharp reduction in currency values in Europe impacted profitability. Receivables denominated in these currencies had a lower level of forward coverage.

Profit before tax (PBT) decreased by 18.0% in Q1 FY 2006 at Rs. 78.1 million.

Tax provision during the quarter was lower by 41.3% at Rs. 11.1 million. The tax rate was lower at 14.2% compared to 19.8% in Q4 FY 2005. Revenues of Tele Atlas India, added to Infotech's operations this quarter, enjoy full tax advantages. In addition, the reduced tax liability was a factor of lower profitability of Infotech's Indian operations, which have a higher tax rate. Going forward, Infotech's new development facility at Hyderabad would provide added tax efficiencies as the volume of business delivered from there moves up.

Net profit for Q1 FY 2006 was higher by 9.2% at Rs. 97.4 million. This included significantly higher contribution from Infotech's share of IASI's profit, in line with the expansion of its operations.

Group Financial Performance

During Q1 FY 2006, revenues of Infotech Enterprises Limited (Indian holding company), were marginally lower on a sequential quarter basis. EMI revenues in this operation showed strong growth while UTG revenues were marginally lower. There was also some impact of the foreign exchange movements.

Revenues of Infotech Enterprises Europe (IEE) were influenced by timing of project starts. Revenues of Infotech Software Solutions Inc. (ISSI), Infotech's U.S. subsidiary, got the incremental contribution from the operations of VARGIS, which had previously faced some temporary bottlenecks due to inclement weather. In Q1 FY 2006, the contribution of VARGIS to ISSI's revenues increased substantially.

(Rs. million)

Group Revenue Analysis	Q1 FY 2006	Q4 FY 2005	Q1 FY 2005	FY 2005
Infotech Enterprises Ltd.	417.6	421.9	340.0	1538.0
Infotech Enterprises Europe Ltd.	122.3	150.7	87.3	446.4
Infotech Software Solutions Inc.*	282.3	191.5	197.2	885.0
Advanced Graphics Software GmbH	84.0	98.4	31.8	278.3
Infotech Aerospace Services Inc.	-	-	39.7	109.6
Tele Atlas India	77.6	-	-	-
Gross revenues	983.8	862.5	696.0	3257.3
Less: Intra group revenues	(201.6)	(210.8)	(116.8)	(686.0)
Net revenues	782.2	651.7	579.2	2571.3

* Includes VARGIS

During Q1 FY 2006, Infotech's Indian operations generated lower profitability due to the increased operating expenditure and forex-related impact. IEE's operations showed higher profitability as against previous quarter. The increased profitability of ISSI's operations was the result of its business volumes that were boosted by growth in VARGIS. Contribution to profits also increased from Tele Atlas India and Infotech's share of profits from IASI, Puerto Rico.

(Rs. million)

Group Profit Analysis	Q1 FY 2006	Q4 FY 2005	Q1 FY 2005	FY 2005
Infotech Enterprises Ltd.	30.3	71.9	40.5	223.1
Infotech Enterprises Europe Ltd.	18.8	15.8	0.5	28.7
Infotech Software Solutions Inc.*	5.1	(9.5)	12.0	17.1
Advanced Graphics Software GmbH	2.9	2.3	(3.4)	6.6
Infotech Aerospace Services Inc.	-	-	4.4	16.6
Tele Atlas, NOIDA	15.3	-	-	-
Gross Profit	72.3	80.5	54.0	292.2
Less: Goodwill / Others	(5.2)	(4.2)	(6.4)	(43.0)
Profit After Tax	67.0	76.3	47.6	249.2
(+) Share of Profits from IASI	30.3	12.8	-	24.6
PAT including Share of Profits	97.4	89.2	47.6	273.8

Revenue Analysis

10 new clients were added during Q1 FY 2006: 6 in UTG and 4 in EMI.

(Rs. million)

Vertical Segment	Q1 FY 2006	Q4 FY 2005	Q1 FY 2005	FY 2005
Utilities, Transportation & Government (UTG)	382.0	271.8	241.5	1024.4
Engineering, Manufacturing, Industrial Products (EMI)	401.0	380.3	337.7	1557.1
Less: Inter vertical sales	(0.8)	(0.4)	-	(10.3)
Total	782.2	651.7	579.2	2571.3

UTG Vertical Update

In the UTG vertical, Infotech's offerings include geo-spatial data services (data conversion and photogrammetry services) and geospatial technical services (implementation services on GIS platforms and GIS software development). During the quarter:

- The recently acquired India-based operations of Infotech's leading client Tele Atlas have been stabilized and integrated with Infotech's systems and processes. Financial integration of Tele Atlas India with Infotech's consolidated operations is effective April 11, 2005. Tele Atlas India delivered strong results in Q1 FY 2006 with PAT margin of 19.7%.
- Large value orders were received from several customers in the U.S. and India. Infotech expanded its geographical sales & marketing and global delivery presence and also used the alliances route to strengthen some specific offerings.
- Infotech inaugurated its U.S. based geospatial production facility at Frostburg, Maryland managed by Infotech's U.S. subsidiary VARGIS. It is focused on local government geospatial market business. Several of Infotech's engagements in the U.S. need local execution capabilities, a need that would now get serviced from the new facility.
- Infotech registered its business in Australia and opened a branch office at Melbourne. The Company has already won orders for digitization work in Australia through its local sales initiatives.
- Several Indian Utility Companies have started using GIS services, which has increased business traction for Infotech.
- Infotech and Ten Sails entered into a strategic alliance to offer services, solutions and technology expertise to the global user community of the GE Smallworld software. The combined expertise and experience of the two partners allows existing and new users of the Smallworld geospatial solutions platform to obtain superior value and optimize their ROI on technology.

EMI Vertical Update

In the EMI vertical, Infotech offers engineering services, such as CAD / CAM / CAE services, to several leading global players. It also provides IT services, such as SAP implementation, and engages customers in the areas of embedded systems and technical publications. During the quarter:

- Infotech participated in integrated projects with Pratt & Whitney in the U.S. Recent projects include those involving multi-disciplinary teams from Infotech focused on aeronautical component design improvements and reduction of development costs.
- The business relationship with Hamilton Sundstrand, part of the United Technologies Group, was strengthened further with the enhancement of engagements in the technical publications area. Employing its Global Delivery Model, Infotech has set up a Hamilton Design Center at Hyderabad and highly experienced locals were employed in the U.S. with training and quality control responsibilities supporting the offshore delivery of projects.
- A senior manager was appointed at Singapore with the mandate to develop new opportunities within Pratt & Whitney's joint ventures there. Infotech already has live projects running through this initiative.
- The operations of Infotech Aerospace Services Inc., Puerto Rico, in which the Company holds a 49% stake, have ramped up substantially. Over the last nine months, this business has increased its employee base from 90 to 350 people.
- In the Non-UTC space, business traction was strong with one engagement being initiated with a high potential Fortune 100 company. Infotech signed agreements to establish ODC's for two engineering design customers and another ODC for a 3-year technical publications engagement.
- The relationship with Bombardier, one of Infotech's top 10 customers, expanded further. Infotech is now also delivering to Bombardier in China.
- Aggressive sales and marketing activities continued during the quarter. Infotech participated in the Paris Air Show. It also launched a spate of new service offerings, such as interiors and seating, signaling and interlocking, aerospace structures and validation and verification services. These offerings are expected to strengthen Infotech's position further in the aerospace, rail systems and automotive verticals.

Geography Wise Revenues

(Rs. million)

Geography	Q1 FY 2006	Q4 FY 2005	Q1 FY 2005	FY 2005
North America	421.8 (53.9%)	343.4 (52.7%)	428.5 (74.0%)	1691.0 (65.8%)
Europe	321.3 (41.1%)	280.2 (43.0%)	129.7 (22.4%)	760.2 (29.6%)
Asia/ Australia	39.1 (5.0%)	28.1 (4.3%)	21.0 (3.6%)	120.0 (4.7%)
Total	782.2 (100.0%)	651.7 (100.0%)	579.2 (100.0%)	2,571.3 (100.0%)

Revenues from North America grew by 22.8% in Q1 FY 2006 due to the strong growth in VARGIS. Growth in the European geography was driven by Tele Atlas India's operations that deliver to the Netherlands-based Tele Atlas BV. Revenues from the Asia / Australia region grew following Infotech's business expansion to Australia, Singapore and U.A.E. Overall, Infotech's revenues have a significantly higher level of geographical diversification.

Client Concentration

Concentration	Q1 FY 2006	Q4 FY 2005	Q1 FY 2005	FY 2005
Top 5	54.7%	53.2%	57.0%	49.3%
Top 10	64.3%	64.7%	67.0%	60.2%
Others	35.7%	36.4%	33.0%	39.8%

Top 5 contribution was higher during the quarter as business delivered from Tele Atlas India's operations consolidated Tele Atlas BV's position as one of Infotech's leading customers.

Human resources

Infotech's HR count moved past the 3,000 mark during the quarter following the coming on board of 540 people with Tele Atlas India's operations. Infotech's India operations also employed over 100 trainees in the EMI vertical. ISSI in the U.S. added over 50 people, of which about 40 formed part of its EMI operations, while about 10 were employed by VARGIS's UTG business.

Vertical-wise Breakup	30 June 2005	31 Mar 2005	30 June 2004
Utilities, Transportation & Government (UTG)	1685	1138	1066
Engineering, Manufacturing, Industrial, Products (EMI)	1361	1209	1036
Support Functions	87	85	63
Total	3133	2432	2165

Group Distribution Analysis	30 June 2005	31 Mar 2005	30 Jun 2004
Infotech Enterprises Limited, India	2376	2269	1969
Infotech Enterprises Europe Ltd., U.K.	20	21	23
Infotech Software Solutions Inc., U.S.A.	179	125	119
Advanced Graphics Software GmbH, Germany	18	17	13
Infotech Aerospace Services Inc., Puerto Rico	-	-	41
Tele Atlas India	540	-	-
Total	3133	2432	2165

Infotech Enterprises Limited: Standalone Performance

Sequential period analysis (April – June 2005 vs. January – March 2005)

- Operating revenues for the quarter at Rs. 417.6 million compared to Rs. 421.9 million in the previous sequential quarter.
- Operating profit at Rs. 79.2 million compared to Rs. 106.2 million.
- Net Profit after tax at Rs. 30.3 million compared to Rs. 71.7 million.

Corresponding period analysis (April – June 2005 vs. April – June 2004)

- Operating revenues for the quarter up 22.8% at Rs. 417.6 million compared to Rs. 340.1 million in Q1 last year.
- Operating profit higher by 15.5% at Rs. 79.2 million compared to Rs. 68.6 million.
- Net profit after tax at Rs. 30.3 million compared to Rs. 40.5 million.

INFOTECH ENTERPRISES LIMITED
Standalone Indian Company Performance

(Rs. million)

Particulars	Q1 FY 2006	Q4 FY 2005	QoQ Variance (%)	Q1 FY 2005	YoY Variance (%)	FY 2005
Operating Revenues	417.6	421.9	(1.0)	340.1	22.8	1538.0
Operating Expenditure	338.4	315.7	7.2	271.5	24.7	1155.1
- Employee cost	176.3	170.1	3.7	149.7	16.6	619.8
- Travel expenses	58.2	45.3	28.5	49.9	16.8	189.5
- Oprtg & admin exp	103.8	100.3	3.5	71.9	44.4	345.8
Operating Profit	79.2	106.2	(25.4)	68.6	15.5	382.9
<i>Operating Margins</i>	<i>19.0%</i>	<i>25.2%</i>		<i>20.2%</i>		<i>24.9%</i>
Financial Charges	0.6	0.6	-	0.1	500.0	1.1
Depreciation & Amortization	27.6	27.6	-	34.2	(19.3)	124.1
Other Income	(11.4)	6.1	(286.7)	21.1	(154.0)	35.4
Profit before Tax	39.6	84.1	(52.9)	55.4	(28.5)	293.1
Provision for Taxation	9.4	12.4	(24.2)	14.9	(36.9)	70.1
Profit after Tax	30.3	71.7	(57.7)	40.5	(25.2)	223.0

About Infotech Enterprises Ltd.

Infotech Enterprises (BSE: INFOTECENT, NSE: INFOTECENT) is a fourteen-year old leading Indian software services company with core competencies in the areas of GIS, engineering design and IT services. Its range of services includes Digitization of drawings and maps, Photogrammetry, CAD / CAE, Design and Modeling, Repair Development engineering, Reverse engineering, Application Software Development, Software Products Development, Consulting and Implementation. The company specializes in software services and solutions for the manufacturing, utilities, telecommunications, transportation & logistics, local government and financial services markets with over 3100 software professionals globally.

The company has its headquarters and development facilities in India and serves a global customer base through subsidiaries in the UK (Infotech Enterprises Europe), Germany (Advanced Graphics Software GmbH), USA (Infotech Software Solutions, Inc.), Noida, India (Tele Atlas). Infotech has also developed a strategic partner network to serve markets in Europe, Japan, Australia, the Middle East and the Asia-Pacific region.

Infotech Enterprises is an SEI CMMi Maturity Level 5 company and is also certified to ISO 9001:2000 & BS 7799 quality standards. It is a public listed company and has attracted globally reputed strategic investors like Pratt & Whitney & Tele Atlas.

Forward Looking Statement

Some of the statements contained within this report may be forward-looking in nature and may involve risks and uncertainties. Actual results and outcomes in future may vary materially from those discussed herein. Factors that may cause such variances include, but are not limited to, management of growth, market acceptance of Company's products and services, risks associated with new product versions, dependence on third party relationships and the activities of competitors.

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