

Infotech Enterprises Ltd.

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OUTPERFORM

Price	369
Recommendation	Hold
52 - week Range	447 / 126

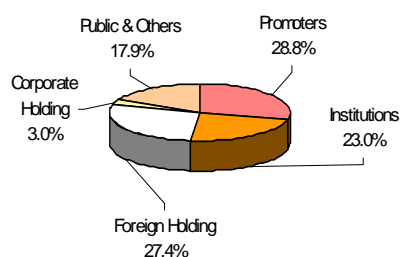
Key Highlights

Particulars	Q4FY07	Q3FY07	Q-o-Q
Net Sales	1511.9	1430.4	5.7
PAT	248.8	187.7	32.6
EPS	5.4	4.1	

Key Share Data - FY07

Market Cap	Rs. 16.9 BN / \$ 376.2 MN
EV / Sales	3.13
EV / EBIDTA	14.16
Volume	65900
No. of Shares o/s (mn.)	45.88
Book Value	61.6
BSE / NSE	532175 / INFOTECENT
Bloomberg	INFTEC@IN

Shareholding Pattern



The Q4FY07 results of Infotech Enterprises were below our expectations on the back of lower operating margins.

- The operating revenues of the company showed a growth of 5.7% on a q-o-q basis from Rs. 1.4 bn to Rs. 1.5 bn. This was on account of 7.3% increase in the revenues from the GSD business and a 4.5% growth in the revenues of the EMI business.
- The operating margins of the business stood at 20.4% against 22.6%. This was on account of increase in staff cost, impact of strengthening of the dollar and increased rent on leased premises. The operating profit of the company showed a growth 1.2% on a q-o-q basis from Rs. 322.6 mn to Rs. 326.7 mn.
- Depreciation increased from Rs.65.8 mn to Rs. 73.5 mn on account of additions to the gross block.
- PBT stood at Rs.250.9 mn. Profit after tax showed a growth of 3.7% from Rs. 200 mn to Rs. 207.4 mn.
- Share in the profits of IASI stood at Rs. 41.4 mn. This was due to the a \$ 2.2 mn grant received by the joint venture. The average quarterly run rate of share of profits from IASI is expected to be around Rs. 20 mn going forward.
- Due to increased share of profits from IASI the net profit of the company showed a growth of 32.6 % on a q-o-q basis from Rs. 187.7 mn to Rs. 248.8. EPS for the period stood at Rs. 5.4.
- For FY07, the topline of the company stood at Rs. 5.4 bn, a growth of 49.7% and net the net profit of the company stood at Rs. 836.6 mn, a growth of 66.3%. EPS for the year stood at Rs. 18.2.



Other operational comments.

- GSD business is expected to grow at 25% for the next year, where as the EMI business expected to grow at 45 - 50%.
- The company added around 188 employees at net level during the quarter, 71 in the GSD vertical, 107 in the EMI vertical and 10 in the support functions of company.
- The utilization levels of the GSD vertical are around 75% and EMI vertical are around 76%.

Conclusion

We believe that the company will continue to show a good performance going forward and expect it to post a topline of Rs. 7.5 bn and a bottomline of around Rs. 1.12 bn in FY08. The company currently trades at 15 x FY08 E EPS of Rs. 24.7.

We continue to hold a positive outlook on the stock of the company and maintain that the stock will be a market outperforer for a period of 12 -18 months.

Particulars (Rs. mn)	Q4FY07	Q3FY07	Q-o-Q	Q4FY06	Y-o-Y	FY07	FY06	Y-o-Y
Sales	1511.9	1430.4	5.7	1078.0	40.3	5425.4	3625.0	49.7
Other Income	18.5	0.2	9150.0	14.0	32.1	66.8	33.5	99.4
Total Income	1530.4	1430.6	7.0	1092.0	40.1	5492.2	3658.5	50.1
Staff Cost	(743.6)	(656.0)	13.4	(494.5)	50.4	(2589.5)	(1700.6)	52.3
Travel Expenses	(136.9)	(125.5)	9.1	(98.1)	39.6	(481.8)	(328.3)	46.8
Purchases- Services/Products	(145.6)	(168.2)	(13.4)	(160.8)	(9.5)	(616.8)	(463.4)	33.1
Operating & Administrative Expenses	(177.6)	(158.1)	12.3	(126.0)	41.0	(603.6)	(475.1)	27.0
Total Expenditure	(1203.7)	(1107.8)	8.7	(879.4)	36.9	(4291.7)	(2967.4)	44.6
PBIDT	326.7	322.8	1.2	212.6	53.7	1200.5	691.1	73.7
Interest	(2.3)	(4.8)	(52.1)	(6.2)	(62.9)	(13.9)	(8.9)	56.2
Depreciation	(73.5)	(65.8)	11.7	(48.1)	52.8	(256.0)	(185.6)	37.9
PBT	250.9	252.2	(0.5)	158.3	58.5	930.6	496.6	87.4
Provision for Tax	(43.5)	(52.2)	(16.7)	(35.8)	21.5	(186.5)	(94.1)	98.2
PAT	207.4	200.0	3.7	122.5	69.3	744.1	402.5	84.9
Share of Profit from JV (IASI)	41.4	(12.3)	(436.6)	43.4	(4.6)	92.5	100.7	(8.1)
Profit after Share of Profit from IASI	248.8	187.7	32.6	165.9	50.0	836.6	503.2	66.3
Equity	229.4	229.4	0.0	151.8	51.1	229.4	151.8	51.1
EPS	5.4	4.1	32.6	10.9	(50.4)	18.2	33.1	(45.0)
OPM	20.4	22.6	(9.6)	18.4	10.6	20.9	18.1	15.2
NPM	16.3	13.1	23.9	15.2	7.0	15.2	13.8	10.7