

## Infotech Enterprises

Engineered for growth

- Initiate coverage with OW and Jun-10 price target of Rs375:** Infotech Enterprises is a differentiated Indian IT mid-cap player focused on the engineering services (ES) space. With a US\$5 billion opportunity, an established track record in ES and a good management team, we believe Infotech is well positioned to deliver sustained multi-year earnings growth, driving our positive view on the stock.
- Engineering services opportunity:** ES is a US\$850B+ global industry with Indian penetration of a mere US\$5B (captives + third party). The Indian ES industry is expected to grow to over \$40B over the next decade given cost pressures, proven offshore model, and India's positive track record in IP protection.
- Infotech positioning—ES will be the growth driver:** Infotech is a leading player in the engineering services space and we expect Infotech's ES revenues (~65% of total) to see a decent growth (~15%) over the coming 2-3 years. Infotech has successfully partnered with clients such as Pratt & Whitney, Boeing and Bombardier with revenue stability even in a tough macro-environment. We believe further penetration in existing clients and new client wins along with potential upside from offset clause offer significant revenue potential.
- Estimates:** We believe that limited competition and mining of existing clients will drive a healthy 12%/26% revenue/EPS over FY09-12E. Our estimates do not factor in the possible upside from the offset clause (details in the note).
- Valuation, price target and risks:** Our Jun-10 price target of Rs375 is based on 12x one-year forward EPS, a ~10% discount to mid-tier companies such as Patni and MindTree. Infotech should command a premium to the peer group, in our view, given its management quality and track record. We believe sustained execution over the next 9-12 months will drive up consensus estimates and a P/E re-rating as investors gain more comfort in the business recovery. Key downside risks to our price target include growing polarization towards large companies, loss of important clients and rupee appreciation.

**Initiation**  
**Overweight**

**INFE.BO, INFTC IN**  
Price: Rs245.00

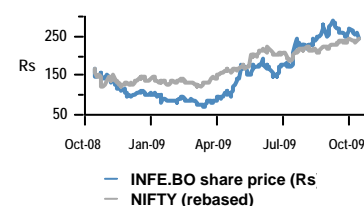
**Price Target: Rs375.00**

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### Price Performance



Reuters: INFE.BO; Bloomberg: INFTC IN

RsMM, year-end Mar	FY09	FY10E	FY11E	FY12E	FY09	FY10E	FY11E	FY12E	52-week range (Rs)	68-298	
Sales	8,898	9,333	10,521	12,663	Y/E BPS (Rs)	142.1	164.5	192.0	225.1	Shares outstg	55MM
Operating profit	1,320	1,593	1,825	2,207	ROE (%)	11.5	16.2	15.2	15.7	Date of price	Oct 14, 2009
EBITDA	1,785	2,067	2,340	2,821	ROIC (%)	21.4	23.1	25.1	26.2	Avg daily volume	0.06MM
Pre-tax profit	985	1,872	2,022	2,442	Qtr EPS (Rs)	1Q	2Q	3Q	4Q	Avg daily value (US\$)	0.2MM
Net profit	925	1,521	1,631	1,942	EPS (FY09)	4.7	6.6	2.8	3.5	Index (Sensex)	17231
EPS (Rs)	17.6	27.5	29.5	35.2	EPS (FY10E)	8.4	6.4	6.3	6.5	Free float	17%
P/E (x)	13.7	8.8	8.2	6.9	EPS (FY10E)	6.4	7.1	7.8	8.3	Div yld (FY08) (%)	0.5
P/Sales(x)	1.5	1.4	1.3	1.1	Local	1M	3M	12M		Exchange rate	Rs46.1/US\$1
P/BV (x)	1.7	1.5	1.3	1.1	Abs. perf.(%)	-10.3	36.0	42.1		Market cap (US\$)	289.8M
Cash	3,320	4,858	5,659	6,879	Rel. perf.(%)	-15.6	9.4	-5.3		PT (Jun-10)	375

Source: Company data, Bloomberg, J.P. Morgan estimates.

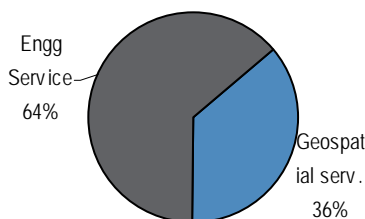
See page 11 for analyst certification and important disclosures, including non-US analyst disclosures.

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### Company description

Infotech Enterprises Limited operates as a total software solutions provider. The group offers services in the areas of CAD/GIS, technical and business software, and in developing Intranet and internet fields. The group supplies its services to the global markets, including those of North America, Asia Pacific, Europe and India.

### Revenue



Source: Company data.

### EPS: J.P. Morgan vs. consensus

	J. P. Morgan	Consensus
FY10E	27.5	24.6
FY11E	29.5	25.2
FY12E	35.2	27.4

Source: Bloomberg, J. P. Morgan estimates.

### P&L sensitivity metrics

	EBITDA impact (%)	EPS impact (%)
Sales volume growth assumption (FY11E: 7.7 %)		
Impact of each 2%	2.9%	3.4%
Gross margin assumption (FY11E: 29%)		
Impact of each 1%	4.8%	5.6%
Capacity utilization assumption (FY11E: 79 %)		
Impact of each 5%	20.7%	24.2%
Debt/equity assumption (FY11E: 0%)		
Impact of each 10%	0%	1.1%

Source: J. P. Morgan estimates.

### Price target and valuation analysis

We have a Jun-10 price target of Rs375 based on 12x one-year forward Jun-10E EPS. This is at a ~10% discount to mid-tier players such as Patni and MindTree. Our Jun-10 DCF fair value estimate is Rs325 per share. Our long-term assumptions are a 10-year revenue CAGR of 11.5%, EBIT margin of 13.5%, ROIC of 21% and WACC of 13%.

Risk free rate:	6.5%
Market risk premium:	8.0%
Beta:	0.80
Debt/equity:	0.0%
Cost of debt:	10.0%
Terminal "g":	4.0%

Key downside risks to our price target include growing polarization towards large companies, loss of important clients and rupee appreciation.

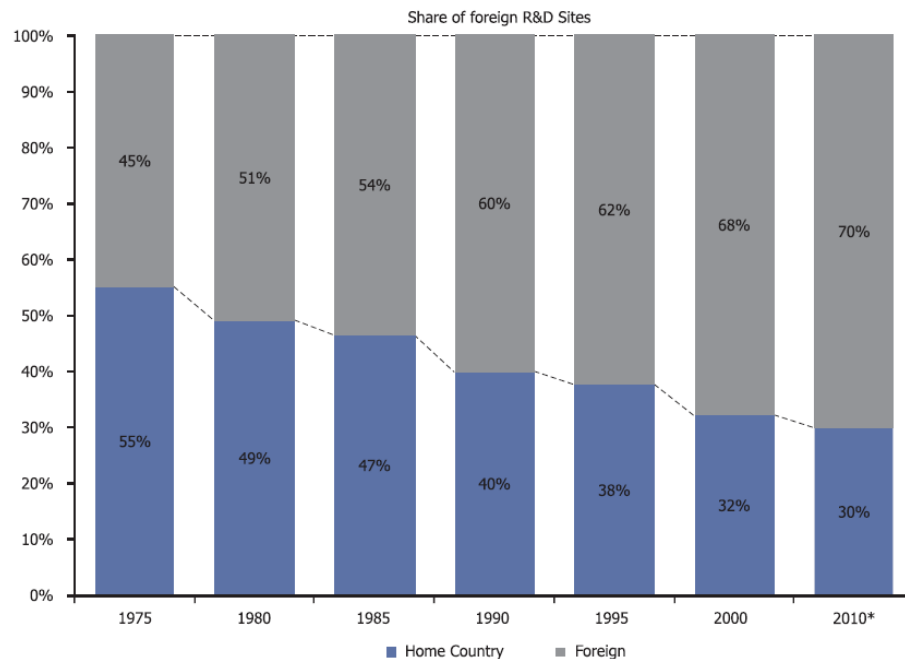
## Investment thesis: Key positives

### Engineering space: A key growth driver for the Indian offshoring industry and Infotech is the leader in the space

Engineering services (ES) refers to design services offered to the industrial, automotive, aerospace, chemicals and telecom industry. Engineering services is a large global industry with spends reaching US\$850 billion. However, given the core nature of engineering services to these industries, Indian companies have taken time to develop mature processes for these services. This is expected to grow at a faster pace over the coming years driven by increasing cost pressures (offshoring to India yields 40-50% cost savings), better track record of Indian companies in protecting the IP assets, growing maturity / acceptance of the offshore model.

Infotech Enterprises is one of the oldest Indian companies in the Engineering services arena with an established execution track record. We expect the company to benefit from the growth in Engineering space in India.

Figure 1: Engineering and R&D space is getting increasingly globalized



Source: Booz Allen, Nasscom.

### Strong long-term client relationships help secure revenue growth and provide pricing stability

Infotech typically has long-term client relationships with contracts of 5-10 years given that its work is core to its clients' product plans. This provides strong revenue visibility, especially in the high growth ES vertical. Management has indicated that over 80% of revenues in the ES vertical are annuity based from long term contracts.

Moreover, Infotech has a strong competitive positioning in this space with a good execution track record over the past several years. This is evident in the fact that Infotech has been able to get price hikes (offshore prices) with its top clients even in

the current tough macro environment. This underscores the core nature of services provided by Infotech and value/cost proposition that Infotech offers. We expect prices to remain stable over the coming 9-12 months.

### Upside from offset clause benefits (not in our estimates)

As per the offset policy under the Defence Procurement Procedure of the Indian government, foreign suppliers (of aircraft etc) for defense contracts have to source at least 30-50% of the order value from India (through goods or services).

Indian IT players providing engineering design services would benefit from this clause in addition to domestic engineering players and component manufacturers. Infotech is likely to be a key beneficiary of the offset policy in orders for civil aircraft through its association with Boeing, Airbus and Eurocopter. Infotech has also set up a 50:50 JV with Hindustan Aeronautics Limited (HAL)—a public sector enterprise that manufactures and maintains aircraft for defense services. The JV will bid for contracts emerging from the counter-trade commitments in both commercial and defense space. While we have not factored any upside from the JV or offset contracts into our estimates, we believe that the JV could contribute significantly from FY09 onwards.

### Expect good consistent revenue growth backed by margin stability to drive EPS growth

Infotech has been able to expand margins despite declining volume growth due to better pricing, SG&A cost controls and headcount rationalization. We expect margins to remain stable going forward (~16% for FY2010/11) as rising volume growth would help alleviate any cost pressures.

### High cash position could be used for acquisitions

Infotech has a net cash position of Rs2.5B (~US\$50 million). We expect Infotech to use this to acquire smaller companies with domain expertise/clients in the engineering space—including new areas such as automotive and embedded systems. These could provide additional upside to our estimates.

## Key concerns

#### **Hiring talent with specialized skills comes at a cost**

We believe that Infotech could face challenges in hiring talent as it needs specialized aeronautics engineers for its engineering services vertical. The company is resolving the issue by training engineers from other streams. We do not anticipate problems on this count for the next 18-24 months.

#### **Weakness in GIS space**

Growth in the GIS services segment has slowed to 20% in FY09. Further, given the higher ~60% proportion of project-based revenues in GIS, we believe that growth and sustainability will remain volatile in this segment.

#### **Forex position is likely to dampen earnings in near-term**

Infotech has a forex hedging position of ~US\$49 million to cover revenues up to October 2010 - \$40 million is at an average rate of ~Rs40.6/US\$ and remaining at

Rs47.6/\$. These outstanding forex losses will flow through the income statement over the next 4-5 quarters leading to lower profitability.

## Financials

Table 1: Infotech—P&L account

Rs in millions, year-end March

	FY09				FY10E				2006	2007	2008	2009	2010E	2011E	2012E
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE							
Revenue	2,006	2,214	2,328	2,350	2,326	2,374	2,300	2,333	3,625	5,425	6,741	8,898	9,333	10,521	12,663
Gross profit	552	672	658	695	673	719	664	678	957	1,481	1,781	2,577	2,734	3,088	3,727
EBIT	261	343	331	384	406	401	388	398	486	878	852	1,320	1,593	1,825	2,207
EBITDA	369	457	451	509	524	515	510	518	672	1,134	1,218	1,785	2,067	2,340	2,821
Pre tax profit	284	445	152	104	567	443	422	440	497	931	1,042	985	1,872	2,022	2,442
Net profit	225	334	116	170	417	320	312	326	403	744	784	844	1,375	1,496	1,807
EPS (Rs)	4.7	6.6	2.8	3.5	8.4	6.4	6.3	6.5	11.0	18.2	17.4	17.6	27.5	29.5	35.2
<b>Margins (%)</b>															
Gross margin	27.5	30.4	28.3	29.6	28.9	30.3	28.9	29.0	26.4	27.3	26.4	29.0	29.3	29.3	29.4
Operating margin	13.0	15.5	14.2	16.4	17.5	16.9	16.9	17.0	13.4	16.2	12.6	14.8	17.1	17.3	17.4
EBITDA margin	18.4	20.6	19.4	21.7	22.5	21.7	22.2	22.2	18.5	20.9	18.1	20.1	22.1	22.2	22.3
Net margin	11.2	15.1	5.0	7.2	17.9	13.5	13.6	14.0	11.1	13.7	11.6	9.5	14.7	14.2	14.3
<b>Sequential growth (%)</b>															
Revenue	7.1	10.4	5.1	1.0	-1.0	2.1	-3.1	1.4	41.0	49.7	24.3	32.0	4.9	12.7	20.4
Gross profit	1.8	21.8	-2.1	5.6	-3.1	6.7	-7.6	2.0	43.9	54.9	20.2	44.7	6.1	12.9	20.7
EBIT	10.2	31.1	-3.3	15.9	5.7	-1.2	-3.2	2.4	60.7	80.5	(2.9)	54.9	20.7	14.6	21.0
EBITDA	8.5	23.8	-1.3	12.9	2.9	-1.6	-1.0	1.6	43.0	68.7	7.4	46.6	15.8	13.2	20.6
Net profit	-5.6	42.1	-58.5	28.1	149.5	-23.7	-2.0	3.8	83.6	66.3	2.3	8.0	64.5	7.2	19.1
EPS	-6.2	42.1	-58.5	28.2	137.1	-23.7	-2.0	3.8	79.0	66.0	(4.5)	1.4	56.3	7.2	19.1

Source: Company reports, J.P. Morgan estimates.

## Valuation and share price analysis

We use DCF-based cash flow and comparative P/E-based metrics to sector peers to value Infotech. Our comparative P/E-based valuation yields a Jun-10 price target of Rs375, based on 12x one-year forward Jun-10E EPS. This at 15% discount to our DCF-based Jun-10 fair value estimate of Rs325, as we expect near-term outperformance and EPS upgrades to drive the stock above its DCF value.

### P/E comparison: Price target of Rs375

Table 2: P/E multiples

	Price (Rs) 14-Oct-09	Shares MM	Mkt cap US\$MM	EPS in LC			P/E			EPS CAGR FY09-11E
				FY09	FY10E	FY11E	FY09	FY10E	FY11E	
TCS	595	1,957	25,246	26.4	31.5	36.3	22.5	18.9	16.4	17.3
Infosys	2,260	573	28,089	102.0	106.0	126.3	22.1	21.3	17.9	11.2
Wipro Limited	580	1,466	18,437	26.8	28.9	32.7	21.7	20.0	17.7	10.6
Satyam	109	1,176	2,778	10.6	4.3	11.7	10.3	25.2	9.3	4.8
HCL Tech	305	671	4,438	18.0	18.1	28.2	17.0	16.8	10.8	25.3
Tech MH	934	122	2,469	77.9	44.3	100.7	12.0	21.1	9.3	13.7
Patni	423	128	1,177	34.1	32.9	36.9	12.4	12.8	11.5	4.0
Mphasis-BFL	632	209	2,870	14.1	42.0	41.3	44.7	15.0	15.3	70.9
Mindtree	572	39	488	7.9	44.6	51.0	72.8	12.8	11.2	154.8
Infotech enterprise	242	55	290	17.6	27.5	29.5	13.7	8.8	8.2	29.5

Source: Company reports, J.P. Morgan estimates. Note: Priced as of October 14, 2009.

## DCF valuation: Jun-10 fair value estimate of Rs325

Our Jun-10 DCF fair value estimate is Rs323 per share. Our long-term assumptions are a 10-year FY09-FY19E revenue CAGR of 11.5%, EBIT margins of 13.5%, ROIC of 21% and WACC at 13%. We expect the stock to trade in line with our DCF fair value estimate.

### Revenue

We have explicit revenue forecasts until FY12. We expect 12% revenue CAGR over FY09-19 and the terminal growth rate assumption is 4%.

### Operating and NOPAT margins

We expect Infotech's operating margins to expand to ~15-16% over the next 2-3 years. Our long term margin forecast for Infotech is at ~13.5%. Our long-term NOPAT margin assumption is 10%.

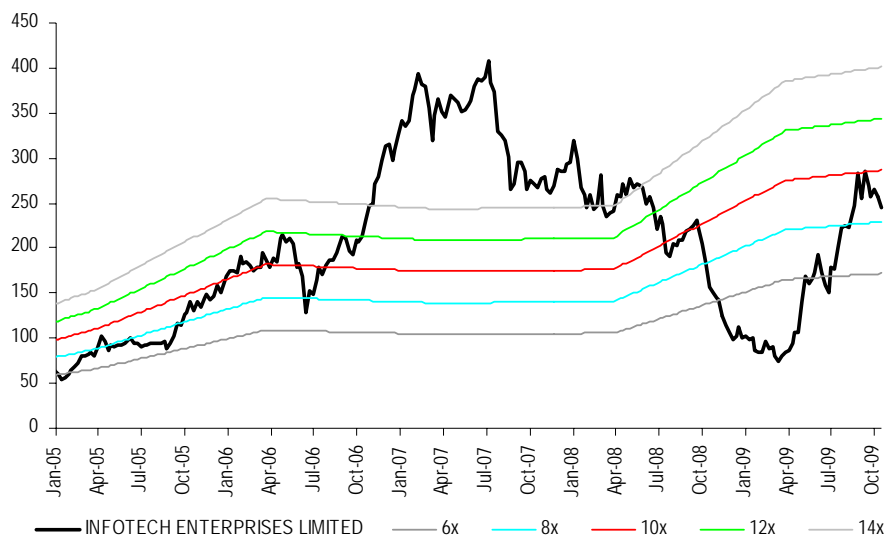
### Cost of capital

We assume a cost of capital of 12.9% - same as cost of equity of 12.9% since this is a zero debt company. The cost of equity is based on a risk-free rate of 6.5%, market risk premium of 8% and beta of 0.8.

### ROIC

With invested capital turns of ~2.2x and above assumptions, our long-term ROIC is at 21%.

Figure 2: Infotech—Forward one-year P/E



Source: Company reports, J.P. Morgan estimates.

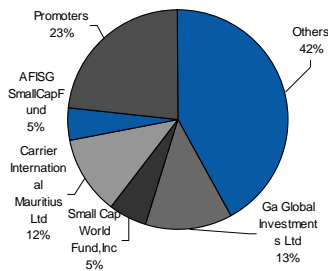
Figure 3: Infotech—Trailing one-year P/E



Source: Company reports, J.P. Morgan estimates.

## Infotech: Company profile

Figure 4: Shareholding Pattern



Source: NSE.

Founded in 1991, Infotech is a US \$193.4 million (Rs. 8.9B for FY09) IT services company with 7500+ people. Infotech has two main service lines—engineering services (65% of revenues) and services related to Geospatial Information Systems GIS (35% of revenues).

In engineering design, it has strong expertise in the aerospace vertical and offers services throughout the development lifecycle of an aircraft. IEL has an enviable client list with established, long-term relationships with some of the most prestigious names in the aerospace, rail, telecommunication and utility industries. The company has aligned its operations into two verticals: UTG (utilities, transport and government) and EMI (engineering, manufacturing and industrial products).

### Engineering Services vertical

Infotech services clients in aerospace, auto, rail and industrial products segments in this vertical. Infotech has developed significant expertise in the aerospace segment with clients like Pratt & Whitney, Boeing, Airbus and Hamilton Sundstrand. Infotech is one of the key offshore vendors for Bombardier and Alstom Transport.

### GIS vertical

This vertical services customers in power, gas, telecom and transportation. The company's solutions are primarily related to Geospatial information services (GIS), and include data conversion, data maintenance, photogrammetry and IT services. The company has over 4,000 employees dedicated to GIS servicing clients like Tele Atlas, GE Swisscom, KPN Telecom, British Telecom and US / European government agencies.

## Management

Table 3: Management team

Name	Designation	Profile
B.V.R. Mohan Reddy	Chairman/Founder/MD	Mr. Mohan Reddy has over thirty years of engineering and management experience, most of it in the IT industry. He began his career with DCM Group; then moved to MICO BOSCH and later joined Hindustan Computers Ltd (now HCL). Later, Mohan Reddy worked as the Managing Director of OMC Computers which was promoted by Voltas Ltd and Dr Raj Reddy - the world renowned computer scientist from Carnegie Mellon University, Pittsburg who brought in the futurist technology for India (CAD/CAM). Mr. Mohan Reddy is acknowledged to have pioneered the CAD/CAM culture in India. Prior to joining Infotech in April 2001 he was working with Voltas Ltd as their finance head for Allwyn division , Kirloskar Electric Mysore as their head finance and commercial divisions , Voltas Ltd - Chemicals plant at Hyderabad and Wipro Ltd - Fluid power division . During the tenure with various companies he has introduced and implemented costing systems , managed large funds , brought in internal controls , MIS , materials management , treasury management and Tax planning
S. Nataraja	Senior Vice President - Finance & Accounts	He joined Infotech in 1995 as Vice President of our Conversion Services Division. He has played a vital role in Infotech's growth and recognition as one of the Top-5 GIS services companies in Asia. He has successfully managed our entire GIS team to moving GIS up the value chain of service offerings and helped position Infotech as end-to-end GIS Solutions providers.
S A Lakshminarayanan	Chief Operating Officer - UTG	John Renard has over 10 years commercial and management experience in the GIS arena. As well as a formal consultancy background, he has worked at all levels with clients to deliver business applications. Prior to Infotech he ran his own consultancy practice working with companies such as Andersen Consulting and Total. His European experience has been gained from living and working in France for 6 years (1989-1995).
John Renard	President, UTG and Managing Director, IEEL, Europe	Ashok Kumar has a very diverse working experience. He started his career with ITI, Bangalore where he was working on Computer and Telecommunications equipment design. Ashok Kumar, prior to joining Infotech, was Vice President - Engineering Services with Satyam Computer Services. He was instrumental in setting up the Engineering Services department and growing it to become one of the largest engineering services groups in India.
K. Ashok Kumar	Chief Technology Officer	Prior to joining Infotech Ashok Reddy was with Voltas Ltd. He handled several functions in Voltas starting as a Management Trainee in one of their subsidiaries. Starting as a Head of Time Office, he went through several steps in the organizational hierarchy before being designated as Chief Manager- HR, responsible for entire HR function for their Home Appliances Business Division, which employs more than 3000 employees. His experience includes Personnel, Human Resource Development, Legal, Factory Administration and Government Liaison.
Ashok Reddy	President - Global Human Resources and Corporate Affairs	

Source: Company website, BusinessWeek.



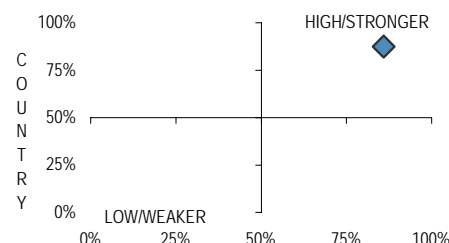
All Data As Of 13-Oct-09

## Q-Snapshot: Infotech Enterprises Ltd.

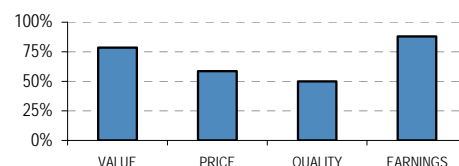
Quant Return Drivers (a Score >50% indicates company ranks 'above average')

Score 0% (worst) to 100% (best)	vs Country	vs Industry	Raw Value
<b>Value</b>			
P/E Vs Market (12mth fwd EPS)	72%	79%	0.6x
P/E Vs Sector (12mth fwd EPS)	82%	77%	0.5x
EPS Growth (forecast)	62%	67%	25.3%
<b>Value Score</b>	<b>79%</b>	<b>84%</b>	
<b>Price Momentum</b>			
12 Month Price Momentum	31%	42%	38.9%
1 Month Price Reversion	97%	96%	-11.3%
<b>Momentum Score</b>	<b>59%</b>	<b>64%</b>	
<b>Quality</b>			
Return On Equity (forecast)	39%	42%	14.7%
Earnings Risk (Variation in Consensus)	67%	44%	0.09
<b>Quality Score</b>	<b>50%</b>	<b>41%</b>	
<b>Earnings &amp; Sentiment</b>			
Earnings Momentum 3mth (risk adjusted)	89%	89%	261.3
1 Mth Change in Avg Recom.	36%	47%	0.00
Net Revisions FY2 EPS	95%	92%	100%
<b>Earnings &amp; Sentiment Score</b>	<b>88%</b>	<b>85%</b>	
<b>COMPOSITE Q-SCORE* (0% To 100%)</b>	<b>88%</b>	<b>86%</b>	

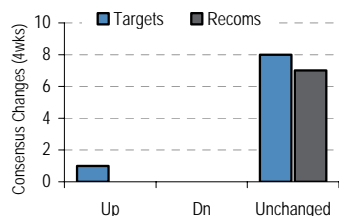
J.P. Morgan Composite Q-Score



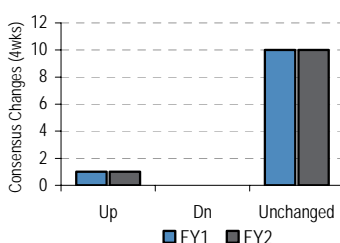
Quant Return Drivers Summary (vs Country)



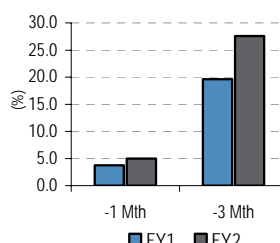
Targets & Recommendations\*\*



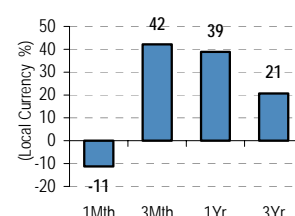
EPS Revisions\*\*



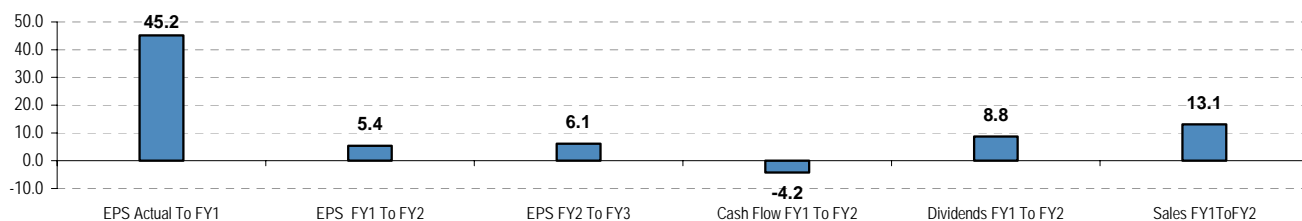
EPS Momentum (%)



Historical Total Return (%)



Consensus Growth Outlook (%)



Closest in Country by Size (Consensus. ADV = average daily value traded in US\$m over the last 3 mths)

Code	Name	Industry	USD MCAP	ADV	PE FY1	Q-Score*
500193-IN	Hotel Leela Venture Ltd.	Hotels/Resorts/Cruiselines	312	0.36	18.2	21%
532218-IN	South Indian Bank Ltd.	Regional Banks	312	0.25	6.3	
532809-IN	Firstsource Solutions Ltd.	Miscellaneous Commercial Services	311	4.24	20.6	30%
505400-IN	Texmaco Ltd.	Industrial Machinery	309	0.35	17.0	
532254-IN	Polaris Software Lab Ltd.	Information Technology Services	307	1.07	11.1	83%
<b>532175-IN</b>	<b>Infotech Enterprises Ltd.</b>	<b>Packaged Software</b>	<b>301</b>	<b>0.04</b>	<b>10.4</b>	<b>88%</b>
500097-IN	Dalmia Cement (Bharat) Ltd.	Construction Materials	301	0.24	5.0	
532313-IN	Mahindra Lifespace Developers Ltd.	Homebuilding	298	0.28	15.9	24%
532343-IN	TVS Motor Co. Ltd.	Motor Vehicles	288	0.58	19.1	73%
500031-IN	Bajaj Electricals Ltd.	Electronics/Appliances	272	0.11	11.7	
532628-IN	3I Infotech Ltd.	Information Technology Services	266	2.29	6.7	89%

Source: Factset, Thomson and J.P. Morgan Quantitative Research. For an explanation of the Q-Snapshot, please visit <http://jpmorgan.hk.acrobat.com/qsnapshot/>. Q-Snapshots are a product of J.P. Morgan's Global Quantitative Analysis team and provide quantitative metrics summarized in an overall company 'Q-Score.'

Q-Snapshots are based on consensus data and should not be considered as having a direct relationship with the J.P. Morgan analysts' recommendation.

\* The Composite Q-Score is calculated by weighting and combining the 10 Quant return drivers shown. The higher the Q-Score the higher the one month expected return. On a 14 Year back-test the stocks with the highest Q-Scores have been shown (on average) to significantly outperform those stocks with the lowest Q-Scores in this universe. \*\* The number of up, down and unchanged target prices, recommendations or EPS forecasts that make up consensus.

## Infotech Enterprises: Summary of financials

Rs in millions, year-end March

Income statement					Ratio analysis						
	FY08	FY09	FY10E	FY11E	FY12E	%_year-end March	FY08A	FY09	FY10E	FY11E	FY12E
Revenues	6,741	8,898	9,333	10,521	12,663	Gross Margin	26.4	29.0	29.3	29.3	29.4
Cost of Goods Sold	4,960	6,320	6,599	7,434	8,936	EBITDA margin	18.1	20.1	22.1	22.2	22.3
Gross Profit	1,781	2,577	2,734	3,088	3,727	Operating Margin	12.6	14.8	17.1	17.3	17.4
						Net Margin	11.6	9.5	14.7	14.2	14.3
SG&A	929	1,258	1,141	1,263	1,520						
Operating Profit (EBIT)	852	1,320	1,593	1,825	2,207	SG&A/Sales	13.8	14.1	12.2	12.0	12.0
EBITDA	1218	1785	2067	2340	2821						
Interest Income	0.0	0.0	81.3	207.2	245.5	Sales growth	24.3	32.0	4.9	12.7	20.4
Interest Expense	-37.3	-40.4	-9.8	-10.1	-10.5	Operating Profit Growth	-2.9	54.9	20.7	14.6	21.0
Investment Income (Exp.)	226.8	-294.6	207.6	0.0	0.0	Net profit growth	2.3	8.0	64.5	7.2	19.1
Non-Operating Income (Exp.)	0.0	0.0	0.0	0.0	0.0	EPS (Reported) growth	-4.5	1.4	56.3	7.2	19.1
Earnings before tax	1,042	985	1,872	2,022	2,442						
Tax	-258	-140	-497	-526	-635	Interest coverage (x)	22.8	32.7	162.3	180.1	210.9
Net Income (Reported)	784	844	1,375	1,496	1,807	Net debt to total capital	n.m.	n.m.	n.m.	n.m.	n.m.
Net Income (Incl IASI)	856	925	1,521	1,631	1,942	Net debt to equity	n.m.	n.m.	n.m.	n.m.	n.m.
INR											
EPS (Reported)	17.4	17.6	27.5	29.5	35.2	Asset Turnover	78.2	87.1	81.6	78.6	78.9
EPS (Adjusted)	17.4	17.6	27.5	29.5	35.2						
BPS	130.6	142.1	164.5	192.0	225.1	ROE	16.1	11.5	16.2	15.2	15.7
DPS	1.2	1.5	1.8	1.8	1.8	ROIC	17.9	21.4	23.1	25.1	26.2
Shares Outstanding (bn)	52.1	55.2	55.2	55.2	55.2	ROCE	12.4	13.6	13.6	13.5	13.8
Balance sheet					Cash flow statement						
	FY08	FY09	FY10E	FY11E	FY12E		FY08	FY09	FY10E	FY11E	FY12E
Cash and cash equivalents	3,154	3,320	4,858	5,659	6,879	Net Income	784	844	1,375	1,496	1,807
Accounts receivable	1,845	2,370	2,429	2,961	3,511	Depr. & Amortization	366	466	474	515	613
Loans and Advances	761	1,066	1,467	1,788	2,121	Change in working capital	-780	167	-461	-460	-447
Others	0	0	0	0	0	Other	0	0	0	0	0
Current assets	5,760	6,756	8,754	10,408	12,512	Cash flow from operations	370	1,477	1,387	1,551	1,974
LT investments	598	598	598	598	967	Capex	-1,321	-1,067	249	-800	-800
Net fixed assets	2,212	2,813	2,090	2,376	2,562	Disposal/ (purchase)	-363	-2	48	0	-369
Others	46	48	0	0	0	Cash flow from investing	-1,684	-1,069	297	-800	-1,169
Total assets	8,617	10,215	11,443	13,382	16,041	Free cash flow	-951	411	1,636	751	1,174
Liabilities						Equity raised/ (repaid)	3,155	199	-26	134	134
ST loans	219	195	186	215	241	Debt raised/ (repaid)	649	-70	-9	29	26
Provisions	411	718	713	868	1,030	Other	0	0	0	0	0
Other Current Liabilities	489	1,179	1,183	1,420	1,695	Dividends paid	-72	0	-114	-114	-114
Total current liabilities	1,119	2,092	2,082	2,503	2,965	Cash flow from financing	3,732	129	-148	50	46
Long term debt	691	645	645	645	645						
Other liabilities	0	0	0	0	0	Net change in cash	2,418	537	1,536	801	851
Total liabilities	1,810	2,736	2,726	3,148	3,610	Beginning cash	736	3,154	3,320	4,858	5,659
Shareholders' equity	6,807	7,851	9,086	10,603	12,431	Ending cash	3,154	3,691	4,856	5,659	6,510

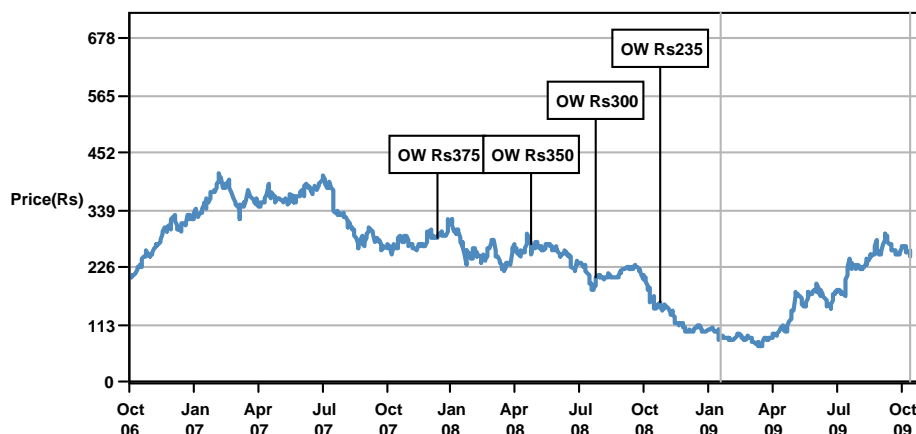
Source: Company reports, J.P. Morgan estimates.

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**Infotech Enterprises (INFE.BO) Price Chart**



Date	Rating	Share Price (Rs)	Price Target (Rs)
13-Dec-07	OW	285.55	375.00
23-Apr-08	OW	269.45	350.00
25-Jul-08	OW	204.30	300.00
24-Oct-08	OW	155.80	235.00

Source: Bloomberg and J.P. Morgan; price data adjusted for stock splits and dividends.  
 Initiated coverage Dec 13, 2007. Break in coverage Jan 16, 2009 - Oct 14, 2009. This chart shows J.P. Morgan's continuing coverage of this stock; the current analyst may or may not have covered it over the entire period.  
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