



Geometric Limited

Regd. office: Plant 6, Pirojshanagar
Vikhroli (West), Mumbai 400 079,
India

Note from the MD's Desk

21st October 2011

The quarter's results show that our initiatives are beginning to show results both in terms of margins as well as in revenue growth

Our revenues on a consolidated basis grew 7.3% in USD terms over the previous quarter and 26.2 % in Rupee terms over the previous year Q2. The profit after tax before extraordinary item rose to Rs 3.20, an increase of 70.2% over previous quarter and after extraordinary items PAT was higher by 14% over previous quarter.

The outcome of our drive to address our margins is very encouraging. The contribution margin for Geometric excluding our subsidiary 3DPLM rose from 27.3% of revenue in the previous quarter to 29.9%. The improvement in margins on a constant rupee basis (Rs. 45.6 /USD) rose from 27.8% in the previous quarter to 29.4%; confirming that the improvement in margin was not solely as a result of Rupee depreciation. Furthermore our SGA (Geometric excluding 3DPLM) as a percentage of sales declined from 23.3% in the previous quarter to 20.8%.

Turning to revenues, we are seeing continued demand for our offerings. We gained entry into several large accounts in the US and Europe in the last 6 months which will lead to revenues in the coming quarters and certainly add to our base next financial year. While one has to remain cautious due the economic turbulence in global markets, it would appear that the demand for our services has not been adversely affected. In my view the engineering services outsourcing business is close to an inflection point, which will see demand accelerate. I believe Geometric as a company is well positioned to take advantage of the demand for global engineering support. Our investment in our delivery centers in the US, China and Romania – in addition to India are now beginning to pay off.

We are taking several additional steps to secure our future. We have entered into an agreement with a leading consulting company to help us transform Geometric. While some of the benefits will be seen over the next few quarters, the real benefit will be felt in FY 13 as for the next three quarters the cost savings will be more or less offset by the consulting fees. Streamlining our operations will help us free up cash, which we will use judiciously to reward our shareholders while increasing our investment to help us accelerate growth.

We are emphasizing and investing in our ability to create intellectual property. This we believe will help us create technologies, which will enhance our productivity as well as help us offer our clients unique solutions to their engineering problems. We are also investing in integrating our operations especially Geometric Americas, our US subsidiary. We have improved our cash flow by streamlining our collection process, although much remains to be done. We are also in the process of revamping our subsidiary structure and operations which will be rolled out in the course of the next two quarters.

Our subsidiary 3DPLM completed the acquisition of DELMIA Solutions Private Limited on 1st July 2011. 3DPLM also acquired a building from Geometric Ltd in Pune (earlier it leased the space from Geometric), thus creating a significant cash pool in Geometric

As a result of the transaction, Geometric Ltd. realized an extraordinary gain on which it had to pay tax. Thus while the actual transaction was neutral on a consolidated basis, the tax element has a negative impact of approximately Re 1/ share. On the other hand the depreciation of the Rupee resulted in a gain of approximately Re 1 / share mainly due to revaluation of current assets of our subsidiaries. These two transactions broadly cancel each other which means the profit from operations for Geometric was approximately Rs. 133.9 Mn this quarter equivalent to approximately Rs. 2.14/ share.

Finally looking ahead to the rest of the year, I believe on a consolidated basis revenues will grow by 22 to 25% year on year in USD terms and we should see an EPS better than the previous year before extraordinary item. One caveat on the earnings is the behavior of the Rupee and extreme volatility will affect the outcome.

The Company has scheduled an Analyst Conference today, 21st October at 5.00 pm.

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Kindly contact Santosh Gambhire on 6705 6935 / 67056500 to ensure you are included in the arrangements.

Regards,



Manu Parpia
Managing Director & CEO