



17<sup>th</sup> July 2006

## Results for the quarter ended 30<sup>th</sup> June 2006

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Certain statements in this report concerning our future growth prospects are forward looking statements, which involve a number of risks and uncertainties that could cause actual results to differ materially from those in such forward looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed price contracts, client concentration, restrictions on immigration, our ability to manage our international marketing & sales operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks, liability for damages on our service contracts & products warranty, the success of the companies in which the Company has made strategic investments, withdrawal of governmental fiscal incentives, political instability, legal restrictions on acquiring companies outside India and unauthorized use of our intellectual property and general economic conditions affecting our industry. The company may, from time to time, make additional written and oral forward-looking statements and our reports to shareholders. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.

## **From the MD's Desk**

The quarter's results reflect steady progress in executing our business plan. We have been successful in sustaining the momentum we built in the previous quarter.

Our operating revenue grew 10% in US dollar terms Q on Q and 13% in Rupee terms. Total revenue grew only 2% in Rupee terms due to the effect of the notional foreign exchange loss of Rs. 45 million, as compared to a notional foreign exchange gain of Rs. 24 million last quarter, a swing of almost Rs. 70 million! Operating profit on the other hand grew marginally to Rs. 119 million, in what has traditionally been our weak quarter due to the impact of salary revisions. Last year for the comparable quarter, our consolidated operating margins were 10% , this year they are 17%, resulting in a growth of over 100% in the Operating Profit in absolute terms for this period.

Nevertheless the volatility in the foreign exchange markets has had a major impact on our results over the last few quarters. We are therefore reevaluating our approach to these hedges and their accounting treatment. We have taken a less aggressive stance on protecting cash flows, as a result in the last quarter we have reduced our total forward cover from \$48 million to \$43 million over the last three months.

Our ability to sustain the operating profit margin in my view reflects our initiatives to drive and improve our margins, in the face of continuous cost pressure brought about by the soaring demand for skilled programmers here in India. Indeed attrition remains a key concern area. We were unable to start certain engagements due to lack of appropriate resources. We have modified our approach to include local recruitment to meet key on site needs in cases where we are confident there will be follow-on offshore work.

Furthermore we have a number of initiatives in place to address the issues around attrition. They revolve around improving employee attachment through training, setting expectations, sound communications, career growth plans and the like. We believe that attrition can be contained through sustained engagement with employees coupled with a competitive salary structure. We have revised salaries in line with market trends with effect from April 06, the other efforts which are an integral part of HR management, necessarily take time to take effect. On the other hand, we are now bringing in even greater emphasis on performance which we believe will show improvements across the enterprise.

We continue to invest in our go to market approach. Starting towards the end of last quarter, we added to our sales team strength in North America, Europe and India. Our TekSoft unit added a resource with responsibility for renewal revenues and plans to add a channel manager in the next quarter. We now have a dedicated sales team for product development services.

In the area of products we continue to invest in extending old technologies while developing new technologies. Examples of the former include supporting e-Drawings on Google's SketchUp, GeomCaliper on PTC's Pro/Engineer. In new technologies, our Enterprise Products unit began an engagement with a new customer on a different platform and is working on concepts to support the emerging Services Oriented Architecture (SOA).

I believe the re-organisation is bringing greater emphasis on both profitability and growth. The PLM services unit exceeded its goals and while Engineering Services fell short of their target, they grew by over 100% when compared to the same period last year. Industrial customers now account for over 40% of our revenues, a big change from just two years ago. We have added new customers in each of our business areas viz. PLM services, PDS, Engineering Services and Enterprise Products. I believe these facts confirm our approach of steadily but consistently addressing larger markets. Thus we are deliberately building multiple drivers for growth each with

a specific target market and objective, thereby providing an in built mechanism to de-risk the strategy of focusing on the PLM market.

In addition to working on our organisation structure, we continue to invest in building a robust future. The Geometric brand is now recognised by many PLM services customers. The relationships that took months to initiate, are now bearing fruit as Geometric's multi-platform expertise is being recognised and accepted. We are now engaging with large end users with increasing confidence; this we believe will help us increase business in a steady predictable manner. We are taking steps to improve our productivity in programming as we firmly believe this is essential to remain competitive in an environment of escalating costs. We plan to go live early next quarter with our SAP implementation. Indeed the entire organisation is geared up to grow our business in a sustainable scalable manner.

The Engineering Services acquisition is slightly delayed but remains on track. We are planning to close this during this quarter. Thus at this stage we re-iterate our guidance based on organic growth but will re-visit it as and when the acquisition is completed.

The Company has organized an **Analyst Telecon** on **Tuesday, 18<sup>th</sup> July 2006 at 4:00pm.**

Dial in numbers: **022 - 67914400 / 99**

Password: **PLPL**

Kindly contact Sheetal Mehta (6705 6934 / 6500) or Ajit Nafde on 6705 6970 / 6500 in case you require any additional details.

Regards

A handwritten signature in black ink, appearing to read 'Manu Parpia', with a long horizontal stroke extending to the right.

**Manu Parpia**  
**Managing Director**

## **Business Analysis for the Quarter ended 30<sup>th</sup> June 2006**

### **PLM Solutions BU**

#### **Significant Achievements**

In Q1 we saw an excellent growth from our Business Partners in Europe. Our eMatrix and CAA practice witnessed a healthy increase, while Windchill practice also saw a moderate increase. In the eMatrix domain, along with integration services, we witnessed a good growth in application services. Business from the direct Industrial Customers has also shown a moderate growth. We bagged our first major AMS (Application Management Services) contract for a European manufacturing company. Also we successfully delivered a fixed price project for scalability testing for a European auto major.

#### **Challenges/Setbacks in the past quarter**

We have lost some business due to lack of resources and have planned aggressive recruitment and focused training to reduce the impact in future. Also we saw increase in attrition as compared to last quarter and efforts are on bring this back under control.

We witnessed delays from a couple of customers for the projects, which were expected to start in Q1. We are closely working on these and expect these will start in Q2.

#### **Future plan of action**

Many of our new engagements are stabilizing and growing, especially for the Industrial Customers. We are also ensuring travel-ready resources so as to execute increasing number of both short term as well as long term onsite projects. With our objective to move up the value chain, we are building our consulting capability – both in terms of lateral recruitment as well as leveraging the in-house talent by rotation and training. We are also identifying new engagement areas so as to deepen the current level of penetration for our key accounts.

*-Ajit Joshi*

### **Product Development Solutions BU**

#### **Significant Achievements**

We saw a steady growth over the last quarter in the PDS BU. One of our major OEM customers continued to ramp-up the ODC. As the ODC matures, we see an increased confidence from this customer to open new areas in product development. We engaged with one of our leading customers to develop a new product line, and it has been well accepted by their marketing and channel sales. We also initiated relationships with a few new OEMs showing that the approach of focusing on product development was needed. The unit which handles services around UGS has seen growth over the last quarter. Through our partnership with UGS, we started engagements with two large manufacturing end-customers in Asia-Pacific. These engagements are expected to grow in the second quarter. Our Teamcenter practice has been growing through new services engagements which we have begun.

#### **Challenges/Setbacks in the past quarter**

We have seen challenges in the area of resource fulfillment as specialized requirements and requirements of quick ramp-up continue to come up. We have initiated new programs in the PLM institute, which we believe will help us fulfill needs of the future. In a couple of accounts we have seen some temporary slowdown, which is being overcome by focusing on other accounts.

Towards the end of the quarter we have seen an increase in attrition, and we are increasing our engagement with employees through different channels to reduce the same.

#### **Future plan of action**

The BU is geared up to carve a share into the fast growing mid-sized OEM accounts through a dedicated sales and marketing team, which we will leverage through the rest of the year. For our existing OEM accounts- some of the special training programs which we have recently launched in the PLM institute will help us improve our resource fulfillment capability. We will work towards developing new product lines, which we have launched for one of our lead customers. We have a few opportunities on the services front in some large manufacturing accounts in Japan. We will also work towards developing the UK and Nordic regions for services around the Teamcenter practice.

*-Sandeep Kulkarni*

### **Enterprise Products**

#### **Significant Achievements**

The most significant achievement in past quarter was the completion of the initial development of two of the products (viz. V5 -xPDMGateway for Teamcenter Engineering and for Teamcenter Enterprise), and releasing them to market as General Availability (GA). This milestone came after a series of events in last 2 years, starting with initial product concept, developing and demonstrating various prototypes, winning over OEM partners and customers to support the product, signing with global sales partners and finally taking up commercial development of the product.

With the launch of GA release, now our distributors can start on new customer engagements and pre-sale activities for these products.

#### **Challenges/Setbacks in the past quarter**

The progress in past quarter has been satisfactory and in line with our expectations.

#### **Future plan of action**

In coming quarter we plan to work closely with our distributors in their initial engagements and also train their global teams on the product. In addition we want to focus on continuing with product enhancement to provide next level of functionalities expected by customers.

*- Chetan Chauhan*

### **Desktop Products**

#### **Significant Achievements**

In the last quarter we successfully launched two new product initiatives: GeomCaliper for Pro/Engineer (Beta program) and eDrawings Publisher for Google SketchUp (free version). Initial response to both these products has been very good. Final releases of GeomCaliper (on Pro/Engineer), and Google SketchUp (Professional) are on schedule for release early this quarter.

GeomCaliper for CATIA V5 showed encouraging increase in sales and registered highest ever numbers so far in a single quarter. In the context of other products, we signed up several competitors' resellers to sell TekSoft products, and put in place an eDrawings sales strategy involving attachment of USP to each new system sale, and direct sales of eDrawings to end customers – both aimed at improving margins substantially.

New versions of Technology products, Feature Recognition and NestLib, were released as per schedule to existing, active customers.

#### **Challenges/ Setbacks in the past quarter**

Sales of eDrawings and CamWorks were predictably flat last quarter based on seasonal influences. Evaluation of 3DSearchIT by a number of potential partners continues, but not yet converted into significant sales. Our target of hiring a Channel Manager remained un-fulfilled.

#### **Future plan of action**

Hiring of Channel Manager remains a top priority goal for this quarter. Other goals include: running marketing campaigns to support the expected new product launches; and, campaigns to convert competitive installed bases to TekSoft's CamWorks product.

*- Mike Coleman*

### **Engineering Services Division**

#### **Significant Achievements**

Engineering Services has gone one level ahead in customer engagements and customer satisfaction. Towards the end of the quarter a large automotive OEM confirmed our selection as a migration services supplier. We have started several high-end design activities for two of our customers. These products derived from our services will be launched soon in US and Europe. We are also involved in NC – Code generation for a leading tire manufacturer. On the CAE front, we have started initial engagement in aerospace activity at our customer location.

#### **Challenges / Setbacks in the past quarter**

Delay in booking of a large order:

We had anticipated that few large orders would be booked in Q1. One of the orders from Europe was delayed due to changes in design program at the end client. We expect it to be booked in the next quarter.

We are also faced with the challenge of meeting the specialized skills for offsite assignments at short notice from some of the clients. This is being alleviated by having transparent discussions with them on future projects and expectations.

#### **Future plan of action**

To increase our profitability we are tracking project revenues, realisation and utilization very closely. This analysis is helping us to fine tune and understand the process for further improvements. To increase prospects pipeline we are closely working with lead generation team and sales team to converge the sales leads to closures. Senior members from the ESD are directly involved in initial engagement calls. We are also implementing multi skill training program to keep a tab on our utilization. To meet the growing demand for Engineering Services, we will be moving to a new location in Bangalore.

*-Munirathnam Javaji*

### **Sales & Marketing**

#### **Significant Achievements**

The emphasis during this quarter was to strengthen the sales organization for FY 2007. We added to the sales force in Europe, US and India, so as to sustain the momentum gained over the last few quarters. The marketing team was reorganized into corporate marketing, lead generation and marketing support. Special emphasis has been given to the lead generation team which will

increase the pipeline which has resulted in improvement to the pipeline. The activity has begun to bear fruit.

We decided to dedicate a sales team for the Product development services market which will lead to growth in this sector. The engagements in this field play to our strengths and are typically long term and ongoing.

We increased our business with existing customers /partners, both in terms of depth of offering as well as the spread. We have been successful in expanding our reach to other divisions of our customer base, as well as providing complementary services to our existing engagements. We have added 4 new customers. In overall terms our revenues and pipeline from Industrial Customers and Business Partners continued to show a healthy growth.

**Challenges/Setbacks in the past quarter**

As we continue to close business aggressively, resource fulfillment is becoming the major challenge, which has resulted in loss of potential revenue.

**Future Plan of Action**

We will continue to strengthen our lead generation team, through means of tools, processes and aggressive campaigns.

***-Rajiv Salkar***

## Financial Analysis for the Quarter ended 30th June 2006 (Q1 FY07) (Consolidated)

(NB: The mailer has been prepared using the MIS sheets as the basis. The MIS sheets have been enclosed in the attachment for your perusal)

### Analysis of Revenue:

- Operating revenues for the quarter increased by 10% in dollar terms and 13% in Rupee term compared to previous quarter. As compared to Q1FY06, operating revenues increased by 41% in dollar terms and 48% in Rupee terms.
- Total revenue (including other income) increased by 2% compared to previous quarter. The foreign exchange loss was Rs 45.18 million, principally due to losses in the mark-to-market valuation of outstanding forward contracts as a result of the depreciation of the Rupee by more than 3% in this quarter.
- Analysis of revenue by business segments:

Particulars	Q1FY07		Q4FY06		Growth	Q1FY06		Growth
	Rs Mil.	%	Rs Mil.	%		Rs Mil.	%	
Projects	619.15	86	544.54	85	14 %	416.67	86	49%
Products	101.70	14	94.67	15	7%	69.25	14	47 %
Total	720.84	100	639.20	100	13 %	485.92	100	48 %

### Analysis of revenue by geographical segments:

Particulars	Q1FY07	Q4FY06	Q1FY06
	%	%	%
USA	60	58	62
Europe	33	33	24
Rest of the World	7	9	14
Total	100	100	100

### Analysis of revenue by contract types:

Particulars	Q1FY07	Q4FY06	Q1FY06
	%	%	%
Fixed Price	4	5	4
Time and Material	82	80	81
Products	14	15	15
Total	100	100	100

- Analysis of revenue by customer type:

Particulars	Q1FY07	Q4FY06	Q1FY06
	%	%	%
Software OEMs	41	42	51
Industrial customers/ Business Partners	45	43	35
Products	14	15	14
Total	100	100	100

- Revenue Distribution by Business Units (BU):

	Q1FY07	
Business Unit	Revenue (USD Mn.)	% to Total Revenue
PLM Solutions	4.51	29%
Product Development Services & 3DPLM	7.70	49%
Engineering Services	1.33	8%
Desktop Tech. & Solutions	1.60	10%
Enterprise Products	0.24	2%
Miscellaneous Products	0.39	2%
Total	15.77	100%

\* Product Development Business Unit handles some of the industrial customers

#### Foreign exchange gain/ loss:

Following is the status of forward exchange contracts taken by the Company:

Particular	Unit	June 30, 2006	March 31, 2006
Value of outstanding Forward Contracts	USD Million	43.38	48.54
Average Mark to Market Rate	Rs. Per USD	46.44	44.99
Average Forward Cover Rate	Rs. Per USD	44.95	44.55
Net Foreign Exchange Gain/ (Loss) for the quarter	Rs. Million	(45.18)	24.45

We review the Forex exposure every fortnight and take appropriate hedging decisions. The Company's approach is to set a target Forex rate and then seek to protect its cash flows relative to this rate with minimizing the impact on the quarterly earnings as a secondary goal. In view of the volatile exchange situation and the weakening of the Rupee, the Company has decided to be less aggressive in its forward cover policy. Hence the value of outstanding contracts declined by USD 5.16 million.

## Analysis of Expenses

- Manpower numbers:

Particulars	June 30, 2006	March 31, 2006	Growth	June 30, 2005	Growth
Number of developers					
Offshore	1343	1261	6.50%	1175	14.30%
Onsite	181	180	0.56%	108	67.59%
<b>Total</b>	<b>1524</b>	<b>1,441</b>	<b>5.76%</b>	<b>1283</b>	<b>18.78%</b>

- Utilization and Attrition Ratios:

Particulars	Q1FY07	Q4Y06	Q1FY06
	%	%	%
<b>Utilization</b>			
Including Trainees	91	88	80
Excluding Trainees	92	89	87
<b>Attrition (Annualized)</b>	<b>23.8*</b>	<b>19.4</b>	<b>23.4</b>

\*Of the above, 5.67% (annualized) is the desired attrition

Currently in the market place, there is scarcity of developers with 2-4 years of experience, leading to attrition related to better offers. We have also seen attrition due to people going for higher studies. To counter this, we have undertaken specific initiatives such as identification of employee expectations, initiation of corrective measures, mentoring, enhancement of employment engagement process and focused retention plans. We have also identified the need for a process of setting expectations right at the time of recruitment.

- Analysis of expenses compared to Q1 FY06
  - The Software Development Expenses have increased by 43%
    - The offshore and product development manpower cost has increased by 25%. The increase in cost reflects manpower growth of 14% over the previous year and the salary increase effective April 2006.
    - Onsite cost has increased by 73%, reflecting a 68% growth in the number of onsite consultants and salary revision over the previous year.
    - Increase in number of trips for pre-sales activity and software development assignments abroad has led to higher spending on Foreign Travel

- Data Communication costs have increased due to deployment of additional data links compared to Q1FY06
  - Software tools, packages and royalty cost increased due to (a) higher royalty payable on licenses towards desktop products revenue, (b) CAD tools usage for Engineering Services as well as (c) royalties paid for usage of 3<sup>rd</sup> party tools for project execution.
- Selling & Marketing expenses were 31% higher due to the following:
    - Substantially strengthening the Marketing team as compared to Q1 FY06. We have added 4 people to the team for increased focus in the European, American and Indian markets.
    - Increased travel expenses of the sales and marketing team. This included participation in PLM conferences in USA and Europe.
- General & Administration Expenses have increased by 19% due to the following:
    - Increase in manpower costs by 23% due to new recruitments and salary revision in April, 2006
    - Rent expenses have increased by 17% due to acquisition of additional rented space for expansion of Mumbai office
    - Training costs have increased due to increased focus on technical and behavioral training.
- Depreciation & computer lease expenses increased by 52% due to the following
    - During last one year, there was a significant investment in training facilities, including establishment of the PLM Institute.
    - New initiatives and projects have required us to add new server clusters
    - We have observed that per employee computer allocation has risen. We are critically looking in to the same and expect to bring it down to our internal norms set based on business requirements.
- Analysis of expenses compared to Q4 FY06
    - The Software Development Expenses have increased by 15% over Q4 FY06.
      - Offshore developers manpower cost increased by 15% over the last quarter due to a combination of revision in salary effective April and a 7% increase in offshore developers.
      - Increase in Data Communication costs by 39% due to additional data link installed this quarter.
      - Software tools and packages expenses increased due to increase in license fees and royalties on sales.
      - Better expenditure control has resulted in reduction in foreign travel expense and staff welfare expenses.

- Selling & Marketing expenses have increased by 17%. This is due to strengthening of the sales and marketing team by adding 4 people for increased focus. The company also participated in shows abroad in USA and Europe.
- General & Administration expenses have increased by 23% compared to Q4 FY06
  - Increase in corporate manpower cost is in line with salary revision and provision for top management bonus. Also, there was a reversal of the bonus provision in the previous quarter due to underachievement of objectives, which had lowered the corporate manpower costs.
  - Training costs have increased due to increased focus on behavioral and technical training.
- Computer Depreciation and lease has increased by 5% over Q4 FY06
  - This is primarily due to purchase of computers during the previous quarter which were partially depreciated/ leased for last quarter but which have had a full impact on depreciation & lease this quarter.

▪ **Analysis of tax provision:**

Particulars	Q1FY07	Q4FY06	Q1FY06	FY06
	% of PBT	% of PBT	% of PBT	% of PBT
Current Tax	10	16	16	15
Deferred Tax	0	1	0	1
Fringe Benefit Tax	1	1	1	2
Other		1		
<b>Total</b>	<b>11</b>	<b>19</b>	<b>17</b>	<b>18</b>

Compared to the previous year, the current tax expense for the quarter has declined due to following two reasons:

- Revenue from the tax-exempt units has grown.
- Impact of certain amounts under Sec 43B, which were disallowed in tax computation in previous years, but have become tax deductible upon payment during this quarter.

In the current year (FY07) we expect the current tax rate to stabilize around 14%.

▪ **Analysis of minority interest:**

Compared to Q4FY06, minority interest went down due to lower PAT in 3DPLM and TekSoft.

▪ **Profitability Ratios:**

Particulars	Q1FY07	Q4FY06	Q1FY06
	%	%	%
Operating Profit Margin	17	18	10
EBITDA / Total Revenue	19	29	27
PBT / Total Revenue	12	23	21
PAT / Total Revenue	9	16	14

Operating Profit Margins have increased by 7% in comparison with Q1 FY06. This is due to:

- Increase in operating revenue by 48% Q1 FY06
- Increase in manpower utilization from 80% to 91% over Q1 FY06

Compared to Q406, operating margin has declined by 1% mainly due increased cost base due to salary revision. EBITDA margins have reduced by 10% mainly on account of loss in foreign fluctuation of Rs 45 million this quarter compared to a gain of Rs 24 million last quarter.

**Key operating parameters:**

Particulars	Q1FY07	Q4FY06	Q1FY06
Days Sales Outstanding (DSO)	59	69	78
Number of Clients Added	8	10	4
Top 10 customers % to Revenue	73	72	72

The Days Sales Outstanding has shown a substantial decline due to a focused approach on receivables management. We have constituted an Accounts Receivable cell to monitor and track our receivables.

**Quarterly Performance for 3D PLM:**

- At the end of this quarter 3DPLM has over 475 software developers. As of last quarter, 3DPLM had over 460 software developers. Last quarter, we had erroneously stated that 3DPLM has over 475 developers.

**Quarterly Performance for TekSoft:**

- Compared to the previous quarter, TekSoft revenue declined by 9%. This partly explained by seasonal factors and partly by a delay in strengthening the sales channel. We added to the sales team in TekSoft, as a result of which the sales expenses increased by 17%. The combined effect of these factors resulted in the Profit before Tax declining by 52% over the last quarter. There was also a change in the inter-company

transactions model between parent company and TekSoft. We expect our measures to strengthen the sales team to lead to improved revenues over the next few quarters.

**Update on Building Sale:**

While we took steps to sell our oldest facility the response was not in line with our expectations. We are reviewing our approach with a view to concluding the transactions.

**Update on inorganic growth:**

As announced during our last quarterly results and at the AGM, we have signed the term sheet to acquire Engineering Services Company. As disclosed, we have also issued the shares to ICICI Venture Capital, the monies being used towards funding the acquisition. The due diligence & structuring discussions have made significant progress. We hope to announce more details later in the current quarter. Due to the sensitive nature of such transactions we are not in a position to reveal more details at this stage.

Geometric Software Solutions Co. Ltd (Including Teksoft)  
Consolidated Income Statement in Recasted MIS format for the Quarter ended 30th June, 2006

PARTICULARS	Quarter IV 2005-06	% to Total Quarter IV Revenue	Quarter I 2006-07	% to Total Quarter I Revenue	Sequential Growth over previous Quarter F=(D-B)/B	Quarter I 2005-06	% to Quarter I Revenue 2005-06	Q-O-Q Growth compared to Last Year I = (D-G)/G
A	B	C	D	E		G	H	I
Projects- Offshore (US\$ Millions)	8.37	58%	9.19	58%	10%	6.61	59%	39%
Projects- On site (US\$ Millions)	3.83	27%	4.36	28%	14%	2.94	26%	49%
Products (US\$ Millions)	2.14	15%	2.22	14%	4%	1.60	14%	39%
<b>Total Revenue (US\$ Millions)</b>	<b>14.34</b>	<b>100%</b>	<b>15.77</b>	<b>100%</b>	<b>10%</b>	<b>11.15</b>	<b>100%</b>	<b>41%</b>
Sales - Software Packages & Services								
Offshore Projects	374.07	59%	418.77	58%	12%	286.55	59%	46%
Onsite Projects	170.34	27%	200.37	28%	18%	130.12	27%	54%
Products (Components & Technologies)	94.67	15%	101.70	14%	7%	69.25	14%	47%
<b>Total Operating Revenue</b>	<b>639.08</b>	<b>100%</b>	<b>720.84</b>	<b>100%</b>	<b>13%</b>	<b>485.92</b>	<b>100%</b>	<b>48%</b>
Foreign Exchange gain / (loss)	24.45		(45.18)		-285%	60.29		-175%
Other Revenue	9.79		10.81		10%	6.91		56%
<b>TOTAL REVENUE</b>	<b>673.32</b>	<b>100%</b>	<b>686.46</b>	<b>100%</b>	<b>2%</b>	<b>553.12</b>	<b>100%</b>	<b>24%</b>
<b>EXPENSES</b>								
<b>SOFTWARE DEVELOPMENT EXPENSES</b>								
Manpower Expenses	178.68	27%	206.35	30%	15%	165.68	30%	25%
Staff Welfare	6.33	1%	4.88	1%	-23%	4.87	1%	0%
Foreign Travel exps	17.31	3%	14.09	2%	-19%	7.50	1%	88%
Local travel & conveyance	4.69	1%	4.58	1%	-2%	4.50	1%	2%
Data Communication costs	1.37	0%	1.90	0%	39%	1.00	0%	89%
Software Tools & Packages/ Royalties	22.66	3%	24.77	4%	9%	15.43	3%	60%
(b) On-site consultants cost	<b>130.47</b>	<b>19%</b>	<b>158.96</b>	<b>23%</b>	<b>22%</b>	<b>91.62</b>	<b>17%</b>	<b>73%</b>
% to on site consultant's revenue	77%		79%			70%		
<b>Total Software Development Expenses</b>	<b>361.52</b>	<b>54%</b>	<b>415.54</b>	<b>61%</b>	<b>15%</b>	<b>290.62</b>	<b>53%</b>	<b>43%</b>
% to Operating Revenue	57%		58%			60%		
<b>Contribution</b>	<b>277.56</b>	<b>41%</b>	<b>305.29</b>	<b>44%</b>	<b>10%</b>	<b>195.30</b>	<b>35%</b>	<b>56%</b>
% to Operating Revenue	43%		42%			40%		
<b>SELLING &amp; MARKETING EXPENSES</b>	<b>34.70</b>	<b>5%</b>	<b>40.76</b>	<b>6%</b>	<b>17%</b>	<b>31.15</b>	<b>6%</b>	<b>31%</b>
% to Operating Revenue	5%		6%			6%		
<b>GENERAL &amp; ADMINISTRATION EXPENSES</b>								
Central Services, Corporate & VPs offices	26.56	4%	37.21	5%	40%	30.36	5%	23%
Tel, Fax & Courier	4.82	1%	4.67	1%	-3%	3.14	1%	49%
Rent	13.53	2%	13.29	2%	-2%	11.39	2%	17%
Power, Fuel & Electricity	8.41	1%	8.71	1%	3%	8.74	2%	0%
Recruitment costs	3.48	1%	3.46	1%	-1%	4.06	1%	-15%
Training	2.67	0%	4.49	1%	68%	2.40	0%	87%
Miscellaneous Expenses	19.70	3%	28.60	4%	45%	22.40	4%	28%
Provision for doubtful debts	1.30	0%	(1.59)	0%	-222%	0.62	0%	-358%
<b>Total General &amp; Administration Expenses</b>	<b>80.49</b>	<b>12%</b>	<b>98.83</b>	<b>14%</b>	<b>23%</b>	<b>83.10</b>	<b>15%</b>	<b>19%</b>
% to Operating Revenue	13%		14%			17%		
<b>Total Expenses</b>	<b>476.70</b>	<b>71%</b>	<b>555.13</b>	<b>81%</b>	<b>16%</b>	<b>404.87</b>	<b>73%</b>	<b>37%</b>
% to Operating Revenue	75%		77%			83%		
<b>PBIDT</b>	<b>196.61</b>	<b>29%</b>	<b>131.33</b>	<b>19%</b>	<b>-33%</b>	<b>148.26</b>	<b>27%</b>	<b>-11%</b>
% to Total Revenue	29%		19%			27%		
Interest								
Depreciation (Non Computer)	9.42	1%	10.45	2%	11%	5.96	1%	76%
Depreciation (Computers)	30.73	5%	31.40	5%	2%	24.69	4%	27%
Lease Rentals Computers	3.65		4.75		30%	-		
<b>Depreciation</b>	<b>43.80</b>	<b>7%</b>	<b>46.60</b>	<b>7%</b>	<b>6%</b>	<b>30.65</b>	<b>6%</b>	<b>52%</b>
<b>Profit Before Tax</b>	<b>152.82</b>	<b>23%</b>	<b>84.73</b>	<b>12%</b>	<b>-45%</b>	<b>117.61</b>	<b>21%</b>	<b>-28%</b>
% to Total Revenue	23%		12%			21%		
<b>Operating Profit (PBT Less Other Income)</b>	<b>118.58</b>	<b>18%</b>	<b>119.11</b>	<b>17%</b>	<b>0%</b>	<b>50.41</b>	<b>9%</b>	<b>136%</b>
% to Operating Revenue	19%		17%			10%		
Tax	25.40	4%	8.84	1%	-65%	19.39	4%	-54%
Fringe Benefit Tax	1.90		1.16		-39%	1.09		
Minority Interest	17.97	3%	11.29	2%	-37%	19.18	3%	-41%
Tax Sharing Expenses	0.85							
<b>Profit After Tax &amp; Minority Interest</b>	<b>106.71</b>	<b>16%</b>	<b>63.45</b>	<b>9%</b>	<b>-41%</b>	<b>77.95</b>	<b>14%</b>	<b>-19%</b>
% to Total Revenue	16%		9%			14%		

Note: Impact of premises leased to a customer is excluded from Other Income and Depreciation (Non Computer) amounting to Rs. 5.1 Million for Qtr 1 FY07 (Rs. 3.79 Million for Qtr 1 FY06, Rs. 5.10 Million for Qtr 4 FY06) for calculation of Operating Profit. PBT remains unaffected. To this extent other income and depreciation in the quarterly advertisement will be higher.

**GEOMETRIC SOFTWARE SOLUTIONS CO. LTD.**

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Website: www.geometricsoftware.com

**AUDITED FINANCIAL RESULTS**

**FOR THE QUARTER ENDED 30TH JUNE, 2006 (CONSOLIDATED)**

(Rs. in Million)

Sr. No.	Particulars	Quarter Ended 30-6-2006	Quarter Ended 30-6-2005	Year Ended 31-3-2006
1.	Net Sales - Software and Services	<b>720.84</b>	485.92	2,234.31
2.	Other Income:			
	(a) Gain/ (Loss) on Exchange Fluctuations (Net)	<b>(45.18)</b>	60.29	18.17
	(b) Others	<b>15.91</b>	10.70	50.12
3.	Total Income	<b>691.56</b>	556.91	2,302.60
4.	Expenditure:			
	(a) Personnel Expenses	<b>407.59</b>	297.96	1,251.00
	(b) Travelling Expenses	<b>32.01</b>	20.52	119.08
	(c) Other Expenses	<b>118.06</b>	84.09	370.84
	(d) Total Expenditure	<b>557.65</b>	402.57	1,740.92
5.	Profit before Interest, Depreciation and Taxes	<b>133.91</b>	154.34	561.68
6.	Interest	-	0.16	0.40
7.	Depreciation	<b>49.18</b>	36.58	171.73
8.	Profit before Taxes	<b>84.73</b>	117.60	389.55
9.	Provision for Taxation:			
	(a) Current Taxes	<b>8.84</b>	19.39	56.83
	(b) Deferred Taxes	-	-	4.17
	(c) Fringe Benefit Tax	<b>1.16</b>	1.09	7.05
	(d) Prior Year's Tax Adjustments	-	-	-
10.	Net Profit after Taxes before Minority Interest	<b>74.73</b>	97.12	321.50
11.	Less: Minority Interest in Net Profit of the Subsidiary Companies	<b>11.29</b>	19.18	63.64
12.	Net Profit	<b>63.45</b>	77.94	257.86
<b>12.A</b>	<b>Operating Profit ^</b>	<b>119.11</b>	<b>50.41</b>	<b>340.89</b>
13.	Paid-up Equity Share Capital	<b>121.42</b>	112.04	113.32
14.	Reserves and Surplus	<b>1,823.51</b>	1,172.47	1,311.12
15.	Basic Earnings per Share ( Rs.) *	<b>1.09</b>	1.39	4.59
16.	Diluted Earnings per Share ( Rs.) *	<b>1.07</b>	1.38	4.53

^ Operating Profit is computed as Profit Before Tax Less Other Income (Net of Depreciation on leased property)

\* Previous Year's figures have been adjusted for the sub-division of Equity Shares of Rs. 10 each into five Equity Shares of Rs. 2 each.

The above consolidated results include the results of the following subsidiary companies:

Sr.No.	Company	Type of result	% Holding
1.	Geometric Software Solutions, Inc., USA	Unaudited	100.00%
2.	Geometric Software Solutions Pte. Ltd., Singapore	Unaudited	100.00%
3.	Teksoft, Inc., USA	Audited	82.26%
4.	3D PLM Software Solutions Ltd., India	Audited	70.00%

**AUDITED FINANCIAL RESULTS  
FOR THE QUARTER ENDED 30TH JUNE, 2006 (UNCONSOLIDATED)**

(Rs. in Million)

Sr. No.	Particulars	Quarter Ended 30-6-2006	Quarter Ended 30-6-2005	Year Ended 31-3-2006
1.	Net Sales - Software and Services	<b>390.57</b>	248.90	1,181.03
2.	Other Income:			
	(a) Gain/ (Loss) on Exchange Fluctuations (Net)	<b>(34.00)</b>	35.46	1.69
	(b) Others	<b>56.27</b>	32.12	147.89
3.	Total Income	<b>412.85</b>	316.48	1,330.61
4.	Expenditure:			
	(a) Personnel Expenses	<b>217.85</b>	151.61	631.86
	(b) Travelling Expenses	<b>22.39</b>	14.16	92.14
	(c) Other Expenses	<b>74.70</b>	63.47	283.65
	(d) Total Expenditure	<b>314.94</b>	229.24	1,007.65
5.	Profit before Interest, Depreciation and Taxes	<b>97.91</b>	87.24	322.96
6.	Interest	-	-	-
7.	Depreciation	<b>28.34</b>	20.47	98.17
8.	Profit before Taxes	<b>69.57</b>	66.77	224.79
9.	Provision for Taxation:			
	(a) Current Taxes	<b>5.58</b>	15.24	38.80
	(b) Deferred Taxes	-	-	4.04
	(c) Fringe Benefit Tax	<b>0.94</b>	0.81	5.32
	(d) Prior Year's Tax Adjustments	-	-	-
10.	Net Profit after Taxes	<b>63.05</b>	50.72	176.63
11.	Paid-up Equity Share Capital	<b>121.42</b>	112.04	113.32
12.	Reserves and Surplus	<b>1,619.91</b>	1,008.84	1,102.87
13.	Basic Earnings per Share ( Rs.) *	<b>1.09</b>	0.91	3.14
14.	Diluted Earnings per Share ( Rs.) *	<b>1.06</b>	0.90	3.10
15.	Aggregate of non-promoter shareholding			
	- Number of Shares *	43,413,785	38,663,320	39,331,295
	- Percentage of shareholding	71.51	69.02	69.42

\* Previous Year's figures have been adjusted for the sub-division of Equity Shares of Rs. 10 each into five Equity Shares of Rs. 2 each.

## Audited Segment Financial Results (Consolidated)

(Rs. in Million)

	Particulars	Quarter Ended 30-6-2006	Quarter Ended 30-6-2005	Year Ended 31-3-2006
A	<b>Segment Revenue</b>			
	Products	101.69	69.48	345.26
	Projects	619.15	416.44	1,889.05
	Total	720.84	485.92	2,234.31
	Less : Inter Segment Revenue	-	-	-
	Net Sales/ Income from Operations	720.84	485.92	2,234.31
B	<b>Segment Results</b>			
	Profit before Interest and Taxes			
	Products	52.60	25.90	170.38
	Projects	238.30	152.32	703.90
	Total	290.90	178.22	874.28
	Less : (a) Interest	-	0.16	0.40
	(b) Other unallocable expenditure net of unallocable income	206.17	60.46	484.33
	Profit Before Taxes	84.73	117.60	389.55
C	<b>Capital Employed</b> (Segment Assets - Segment Liabilities) (See Note 2)			

**Notes:**

1. The above results have been approved and taken on record by the Board of Directors at its meeting held on 17th July, 2006.
2. Fixed assets and other assets used in the Company's operations or liabilities contracted have not been identified to any of the reportable segments, as the assets are used interchangeably between segments; hence, it is not practicable to provide segment disclosures relating to total assets and liabilities.
3. Pursuant to the approval of shareholders at the Extraordinary General Meeting of the Company held on 17th May, 2006, the Company has made a preferential allotment of 3,867,075 Equity Shares of Rs 2 each at a premium of Rs. 115.66 per share to The Western India Trustee and Executor Company Limited (India Advantage Fund - V ) on 31st May, 2006.

Pending deployment of the proceeds of the preferential issue for the stated objects of the issue, the funds have been invested in liquid schemes of debt mutual funds.

4. Pursuant to the exercise of vested stock options by employees and directors of the Company under various Stock Option Schemes, the Company allotted 185,415 Equity Shares of Rs.2 each during the quarter ended 30th June, 2006.
5. Information on investor complaints for the quarter ended 30th June, 2006:

	Opening Balance	Additions	Disposals	Closing Balance
Number of Complaints	Nil	10	10	Nil

**For Geometric Software Solutions Co. Ltd.**

Mumbai  
17th July, 2006

**Manu Parpia**  
Managing Director & CEO

**GEOMETRIC SOFTWARE SOLUTIONS CO. LTD. ( Consolidated)**

**Growth in Sales over Last Year**

**Figures in US\$ Million**

	FY 2006					FY 2007
	Q1	Q2	Q3	Q4	Total	Q1
Projects - Offshore	5.35	5.89	6.28	7.07	24.59	8.15
Fixed Price Projects	0.47	0.54	0.65	0.69	2.34	0.57
Projects - Onsite	2.94	3.03	3.29	3.83	13.08	4.36
Software (Products)	1.60	1.68	2.34	2.14	7.76	2.22
Domestic	0.80	0.52	0.65	0.61	2.57	0.47
<b>Total</b>	<b>11.15</b>	<b>11.66</b>	<b>13.20</b>	<b>14.34</b>	<b>50.35</b>	<b>15.77</b>

**Product R & D Expenses (Consolidated)**

(Rs. In Million)

	Particulars	Quarter Ended 30-06-2006	Quarter Ended 30-06-2005	Year Ended 31-3-2006
A	Product Revenue	101.69	69.48	345.26
B	Product Costs	49.09	43.58	174.88
C	Product Contribution	52.60	25.90	170.38
D	Total Revenue (Product + Project)	720.84	485.92	2,234.31
E	<b>Product Costs as % of Total Revenue (B / D)</b>	<b>6.8%</b>	<b>9.0%</b>	<b>7.8%</b>

Product Contribution as % of Product Revenue                      51.7%                      37.3%                      49.3%

**Quarterly Trend in Revenues and Profitability**

<b>Growth Trends</b>	<b>F'06 Q1</b>	<b>F'06 Q2</b>	<b>F'06 Q3</b>	<b>F'06 Q4</b>	<b>F'07 Q1</b>
QoQ Growth in Operating Revenue	-3%	5%	17%	7%	13%
QoQ Growth in Operating Profit	-48%	23%	79%	7%	1%
QoQ Growth in PBT	-2%	-53%	19%	135%	-45%
QoQ Growth in PAT	-4%	-57%	16%	171%	-41%

<b>Margin Trends</b>	<b>F'06 Q1</b>	<b>F'06 Q2</b>	<b>F'06 Q3</b>	<b>F'06 Q4</b>	<b>F'07 Q1</b>
Operating Profit Margin	10%	12%	18%	18%	17%
PBT Margin	21%	11%	12%	23%	12%
PAT Margin	14%	7%	7%	16%	9%

