

Geometric's US unit to break even by April

Sets up reserve account to protect investments

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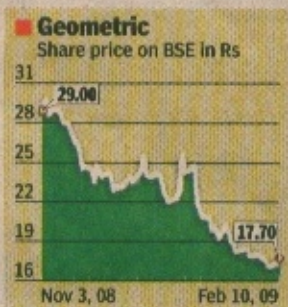
Modern Engineering, Geometric Ltd's US acquisition, will break even by April, said Ravishankar G, the company's newly appointed managing director and CEO.

Geometric acquired Detroit-based Modern Engineering, a supplier of engineering design services to manufacturing firms, for \$23.75 million in November 2006. It expected the company, which was running into losses, to break even in the December quarter of financial year 2008-09. This was delayed due to postponement of project closures and lower capital expenditure in the automotive sector in the US.

"Our objective is to ensure that from April 1, 2009, the operations in the US (the Modern Engineering acquisition) are at least at the break-even level," said Ravishankar. "In the fourth quarter of FY09, we are definitely seeing lower losses there." To bolster margins at Modern Engineering, the company would increase offshoring as "clients there have started realising this as a reality", Ravishankar said. He added that the company was pruning the number of projects in the US. "We are looking at reducing revenues from the US in FY09-10... but the profitability will improve."

Recently, Geometric announced its plan to consolidate its three entities in the US. "We merged two of our US subsidiaries - Geometric Americas and Geometric Engineering Services - and are now folding those two entities into the third, Geometric Technologies, our technology services company," Ravishankar said.

Meanwhile, Geometric has set up a reserve account of Rs 130 crore to protect its investments in the US. "We have invested in our subsidiaries in the US, but do not know the valuation of those investments as we have not done any valuation exercise. If there is going to be any impairment to those investments, those will be adjusted against the reserve," Ravishankar said.



At Geometric, revenues stood at \$33.31 million and profit after tax at \$18.27 million in Q3 FY09. The company sees some pressure on the collections front, as collections were delayed by '15 to 20 days in Q3', Ravishankar said. The company's day's sales outstanding (receivables) went up by three days. The CEO admitted that financial year 2009-10 growth would be muted. The new CEO plans to carry out cost reduction measures by maintaining an 85% utilisation rate of its existing manpower of 3,300. Geometric does not plan to cut jobs. "We are not going to reduce manpower... Whoever have left us on their will, they were open to do so. We are not replacing heavily like we would have done in normal times," said Ravishankar.

Speaking of expansion plans, Ravishankar added that in FY10 the company would continue with its expertise in automotive sector in addition to new sectors like oil & gas and apparel design.

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