

Geometric

HOLD
CMP Rs65
TP Rs75

26 Apr 2011

Rohit Kumar Anand

rohit.anand@pinc.co.in

+91-22-6618 6372

Ronak Bakshi

ronak.bakshi@pinc.co.in

+9122 6618 6411

Geometric reported revenue growth of 4.4%QoQ to USD37.84mn led by volume growth of 2.6%QoQ and aided by positive impact of EUR/USD fluctuation of 0.5%. Engineering Services witnessed good traction with 10.0%QoQ growth.

Robust USD revenue growth – Revenue grew 4.2%QoQ to Rs1,700mn (PINCe – Rs1,721mn) led by volume growth. EBITDA margin improved 96bpsQoQ to 13.3% in-line with our expectation. Forex gain of Rs60.4mn supported the bottom line to grow by 17%QoQ to Rs179mn. EPS for Q4 was Rs2.8 (PINCe Rs2.4). For FY11, revenue increased 26.3%YoY to USD136.5mn and EPS was Rs9.15 (21.8%YoY growth) boosted by forex gains.

Europe and India lead the growth - Europe grew by 9.6%QoQ and is further expected to improve revenue in software services and engineering services; US grew by 3.1%QoQ. Automotive grew 7.7%QoQ and Agri & construction equipment has grown 24.7%QoQ. Others (emerging verticals) grew 19.3%QoQ.

Engineering Services, a major growth driver- Engg. Services grew 12.3%QoQ and there was a decline in Products (IP) by 4.3%QoQ while software services remained flat at 0.4%QoQ.

Growth in new business; non-top 10 clients outperform– Revenue from new business contributed 8.2% of revenue led by robust order book. 5 new clients were added. Top clients revenue was USD9.1mn (4.4%QoQ). Top 10 and Non-Top 10 clients grew 2.9%QoQ and 8%QoQ respectively.

Outlook and Valuations – Growth in engineering services continue to be robust; had a large deal win in this quarter. The new MD & CEO Mr. Manu Parpia has changed the organisation structure and has guided for a flattish revenue growth in Q1FY12 taking a conservative stance. Q1FY12 will also have a margin decline due to salary increase. However, the management has clearly indicated the agenda to expand margin going ahead with strong emphasis on engineering services. The growth momentum is likely to continue in FY12 but we have lowered our earnings estimates due to margin pressure in engineering business. At the CMP of Rs65, the stock trades at 9.9x FY12E and 7.8x FY13E. We have 'HOLD' recommendation on the stock with a target price of Rs75.

QUARTERLY SNAPSHOT (Rs mn)

	Quarter Ended		
	Sep-10	Dec-10	Mar-11
Net sales	1,519	1,632	1,700
YoY Gr.(%)	18.5	28.6	33.8
Op.Profit	207	201	226
OPM(%)	13.6	12.3	13.3
Adj.Net Profit	138	153	179
YoY Gr. (%)	13.6	-15.1	38.8

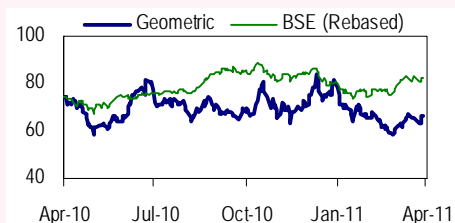
STOCK DATA

Market cap	Rs4,086mn
Book Value per share	Rs35
Shares O/S (F.V. Rs2)	62.9mn
Free Float	65%
Avg Trade Value (6 months)	Rs24mn
52 week High/Low	87/58
Bloomberg Code	GEO IN
Reuters Code	GEOM.BO

PERFORMANCE (%)

	1M	3M	12M
Absolute	7.0	(16.4)	(15.1)
Relative	2.8	(19.0)	(23.3)

RELATIVE PERFORMANCE



Q4 FY2011 Update

KEY FINANCIALS (Rs mn)

	FY09	FY10	FY11	FY12E	FY13E
Net Sales	5,980	5,115	6,206	7,311	8,674
YoY Gr.(%)	23.1	(14.5)	21.3	17.8	18.6
Op. Profit	783	885	752	949	1,143
Op. Marg.(%)	13.1	17.3	12.1	13.0	13.2
Adj. Net Profit	70	482	575	411	525
YoY Gr.(%)	(81.8)	586.7	19.2	(28.5)	27.5

KEY RATIOS

Dil. EPS (Rs)	1.1	7.5	9.2	6.5	8.3
ROCE (%)	23.7	27.4	2.2	20.7	32.2
RoE (%)	6.8	27.1	4.9	15.4	16.9
PER (x)	61.3	8.7	7.1	9.9	7.8
EV/ Net Sales (x)	0.9	1.0	0.8	0.6	0.4
EV/EBDITA (x)	6.7	5.5	6.3	4.3	3.2

Exhibit 1 - Quarterly performance

(Rs mn, except EPS)	Q4FY10	Q3FY11	Consensus	Q4FY11 (PINCe)	Q4FY11	QoQ	YoY	Variance (PINC VS ACTUAL)
Revenues (USD mn)	27.8	36.3	-		37.84	4.4%	36.1%	
Revenues	1,271	1,632	1,675	1,721	1,700	4.2%	33.8%	-1.2%
EBITDA	186	201	209	231	226	12.4%	21.4%	-2.4%
EBITDA Margin	14.6%	12.3%	12.5%	13.4%	13.3%	96 bps	-136 bps	-17 bps
Pre Tax Income	155	184	-	184	221	19.7%	42.5%	19.7%
Tax	5	1	-	2	13	805.7%	153.6%	464.8%
Tax Rate	3%	1%	-	1%	6%	498 bps	252 bps	453 bps
PAT	118	153	150	153	179	17.0%	51.9%	16.9%
EPS	1.9	2.4	2.4	2.4	2.8	16.9%	48.7%	16.7%

Source: PINC Research, Bloomberg, Company

Exhibit 2 - India leads with 22.7%QoQ, Europe shows strength with 9.6%QoQ growth

By Geography (USD mn)	Q4FY10	Q3FY11	Q4FY11	QoQ	YoY
USA	18	26	27	3.1%	54.1%
Europe	7	6	6	9.6%	-10.7%
APAC	1	3	2	-4.4%	152.8%
India	2	1	2	22.7%	-12.4%
Total	28	36	38	4.4%	36.1%

as % of Total

USA	63.6%	72.9%	72.0%	-90 bps	840 bps
Europe	25.6%	16.0%	16.8%	80 bps	-880 bps
APAC	3.5%	7.1%	6.5%	-60 bps	300 bps
India	7.3%	4.0%	4.7%	70 bps	-260 bps

Source: PINC Research, Company

Exhibit 3 - Automotive grew strongly 7.7%QoQ

By Verticals (USD mn)	Q4FY10	Q3FY11	Q4FY11	QoQ	YoY
Software ISV & Partners	13	14	12	-12.5%	-3.5%
Automotive	9	13	13	7.7%	52.4%
Agri and construction equipment	4	5	6	24.7%	71.2%
Industrial and Marine Engg	2	3	3	23.8%	98.2%
Others	1	2	3	19.3%	151.3%
Total	28	36	38	4.4%	36.1%

as % of Total

Software ISV & Partners	45.4%	38.4%	32.2%	-620 bps	-1320 bps
Automotive	31.8%	34.5%	35.6%	110 bps	380 bps
Agri and construction equipment	13.2%	13.9%	16.6%	270 bps	340 bps
Industrial and Marine Engg	5.7%	7.0%	8.3%	130 bps	260 bps
Others	3.9%	6.3%	7.2%	90 bps	330 bps

Source: PINC Research, Company

US steady now with 54%YoY growth...

Other verticals are showing good traction with Agri & construction equipment, Industrial & marine engg exhibiting 24.7%QoQ and 23.8%QoQ growth, respectively...

Exhibit 4 - Engineering services continue to be robust with 12%QoQ growth

By Service Offerings (USD mn)	Q4FY10	Q3FY11	Q4FY11	QoQ	YoY
Software services	17	21	21	0.4%	19.9%
Engineering services	8	13	15	12.3%	79.6%
Products (IP)	2	2	2	-4.3%	3.0%
Total	28	36	38	4.4%	36.1%

as % of Total

Software services	62.3%	57.1%	54.9%	-217 bps	-743 bps
Engineering services	29.5%	36.2%	38.9%	274 bps	942 bps
Products (IP)	8.2%	6.8%	6.2%	-57 bps	-200 bps

Source: PINC Research, Company

Exhibit 5 - Non-top 10 clients grew 8%QoQ

Client Concentration	Q4FY10	Q3FY11	Q4FY11	QoQ	YoY
>10mn	2	3	2	-33.3%	0.0%
\$5-10mn	4	3	5	66.7%	25.0%
\$1-5mn	13	12	17	41.7%	30.8%
<\$1mn	81	93	76	-18.3%	-6.2%

(USD mn)

Top client	7	9	9	4.4%	25.6%
Top 5 clients	14	20	20	0.7%	41.4%
Top 10 clients	19	26	26	2.9%	42.2%
Non Top 10	9	11	11	8.0%	23.7%
Total	28	36	38	4.4%	36.1%

Contribution

Top client	26.0%	24.0%	24.0%	0 bps	-200 bps
Top 5 clients	52.0%	56.0%	54.0%	-200 bps	200 bps
Top 10 clients	67.0%	71.0%	70.0%	-100 bps	300 bps

Source: PINC Research, Company

Exhibit 6 - Decline in new deals won

	Q4FY10	Q3FY11	Q4FY11	QoQ	YoY
Total Number of clients	100	111	100	-9.9%	0.0%
New clients added	7	10	5	-50.0%	-28.6%

Existing customer - Existing business	85.4%	85.8%	81.2%	-460 bps	-420 bps
Existing customer - New business	12.3%	9.2%	9.8%	60 bps	-250 bps
New Business (%)	2.3%	5.0%	8.2%	320 bps	590 bps
New Business (USDmn)	1	2	3	71.2%	385.3%

Order book

New deals won (USD mn)	13.4	9.4	7.3	-23.0%	-45.8%
-------------------------	------	-----	-----	--------	--------

Source: PINC Research, Company

Software services flattish with 0.4%QoQ growth...

Movement of clients from sub USD1mn range to USD1-5mn range...

New business revenue grew 71%QoQ...

Exhibit 7 - Fixed priced projects increased 18.4%QoQ

Revenue by Project Type (USD mn)	Q4FY10	Q3FY11	Q4FY11	QoQ	YoY
<i>Fixed Price</i>	5.7	7.0	8.3	18.4%	45.4%
<i>Time & Material</i>	22.1	29.2	29.5	1.0%	33.7%
Total	27.8	36.3	37.8	4.4%	36.1%

% of Total Revenue

<i>Fixed Price</i>	21%	19%	22%	260 bps	140 bps
<i>Time & Material</i>	79%	81%	78%	-260 bps	-140 bps

Source: PINC Research, Company

Exhibit 8 - Healthy net employee addition

Employee metrics	Q4FY10	Q3FY11	Q4FY11	QoQ	YoY
Billed	2,410	2,960	3,052	3.1%	26.6%
Unbilled + trainee	198	320	479	49.7%	141.9%
Operations Support	63	60	49	-18.3%	-22.2%
Sales & Support	23	31	26	-16.1%	13.0%
Corporate Functions	262	288	299	3.8%	14.1%
Overall Headcount	2,956	3,659	3,905	6.7%	32.1%
Net Addition	87	212	246	16.0%	182.8%

Attrition

Software services	14.6%	21.9%	14.4%	-750 bps	-20 bps
Engineering services	6.0%	14.7%	15.1%	40 bps	910 bps
Products	0.0%	14.6%	4.7%	-990 bps	470 bps
Overall annualised attrition	12.5%	19.8%	14.2%	-560 bps	170 bps

Utilization

<i>Include Trainees</i>	89.6%	89.6%	86.2%	-340 bps	-340 bps
<i>Exclude Trainees</i>	90.0%	92.2%	90.8%	-140 bps	80 bps

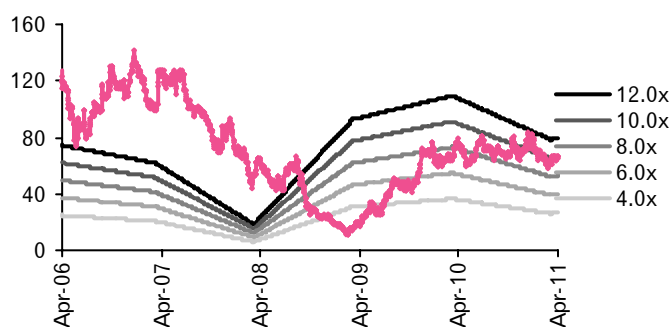
Source: PINC Research, Company

The attrition rate declined 560bpsQoQ to 14.2% but, the utilisation rate also declined 340bpsQoQ to 86.2%

Income Statement					
Year ended 31 Mar (Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Net Sales	5,980	5,115	6,206	7,311	8,674
Growth (%)	23.1	(14.5)	21.3	17.8	18.6
Gross profit	2,147	2,085	2,104	2,401	2,824
Other operating charges	1,364	1,200	1,352	1,452	1,681
EBITDA	783	885	752	949	1,143
Growth (%)	40.5	13.0	(15.1)	26.3	20.4
Depreciation	209	247	260	302	354
Other income	29	34	23	36	46
EBIT	574	638	492	647	789
Interest paid	48	37	10	11	11
Pre-tax profit (before E/o items)	71	616	701	702	844
Tax Provision	41	4	17	183	211
E/o loss / (Income)	134	-2	-1	0	0
Net profit	31	612	684	520	633
Adjusted net profit	70	482	575	411	525
Growth (%)	(81.8)	586.7	19.2	(28.5)	27.5
Diluted EPS (Rs)	1.1	7.5	9.2	6.5	8.3
Diluted EPS Growth (%)	(79.5)	608.8	21.8	(28.5)	27.5

Balance Sheet					
Year ended 31 Mar (Rs mn)	FY09	FY10	FY11	FY12E	FY13E
Equity Share capital	124	124	125	125	125
Reserves & surplus	914	1,655	2,053	2,544	2,978
Shareholders' funds	1,038	1,779	2,178	2,670	3,103
Minorities interests	211	368	414	414	414
Total Debt (incl FCCB)	1,169	185	45	45	45
Capital Employed	2,418	2,333	2,637	3,129	3,562
Net fixed assets	832	857	851	888	975
Net Other Current Assets	739	1,135	1,538	1,466	1,429
Cash & Cash Eq.	587	174	109	636	1,019
Investments	200	167	139	139	139
Net Deferred Tax Assets	0	0	0	0	0
Total assets	2,357	2,333	2,637	3,129	3,562

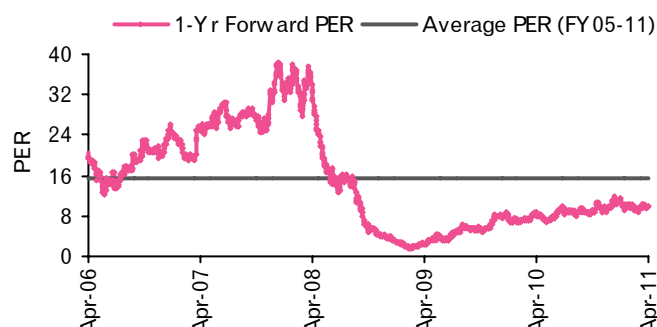
P/E Band



Cash Flow Statement					
Year ended 31 Mar (Rs mn)	FY09	FY10	FY11P	FY12E	FY13E
Pre-tax profit	70	600	701	702	844
Depreciation	210	232	260	302	354
Total tax paid	(87)	(126)	(17)	(183)	(211)
Chg in working capital	(82)	103	(403)	36	30
Other operating activities	14	(26)	0	0	0
Cash flow from oper. (a)	124	784	541	858	1,017
Capital expenditure	(807)	(218)	(241)	(315)	(434)
Chg in investments	(3,879)	0	0	0	0
Other investing activities	4,683	69	0	0	0
Cash flow from inv. (b)	(3)	(149)	(241)	(315)	(434)
Free cash flow (a+b)	121	634	300	543	583
Equity raised/(repaid)	4	0	0	0	0
Debt raised/(repaid)	374	(983)	0	0	0
Change in Minorities Interest	0	0	0	0	0
Dividend (incl. tax)	0	(64)	(187)	(199)	(199)
Other financing activities	(48)	(37)	0	0	0
Cash flow from fin. (c)	330	(1,084)	(187)	(199)	(199)
Net chg in cash (a+b+c)	451	(449)	113	344	384

Key ratios					
Year ended 31 Mar	FY09	FY10	FY11	FY12E	FY13E
OPM (%)	13.1	17.3	12.1	13.0	13.2
Net margin (%)	1.2	9.4	9.3	5.6	6.0
Yield (%)	0.0	0.0	4.6	4.9	4.9
Debt/Equity (x)	1.1	0.1	0.0	0.0	0.0
Net Working Capital (days)	49	81	90	75	62
Asset turnover (x)	2.5	2.4	2.5	2.3	2.2
ROCE (%)	23.7	27.4	2.2	20.7	32.2
RoE (%)	6.8	27.1	4.9	15.4	16.9
EV/Net sales (x)	0.9	1.0	0.8	0.6	0.4
EV/EBITDA (x)	6.7	5.5	6.3	4.3	3.2
PER (x)	61.3	8.7	7.1	9.9	7.8
Price/Book (x)	3.9	2.3	1.9	1.5	1.3

Avg PER



T E A M

EQUITY DESK

Sadanand Raje	Head - Institutional Sales Technical Analyst	sadanand.raje@pinc.co.in	91-22-6618 6366
---------------	---	--	-----------------

RESEARCH

Vineet Hetamasaria, CFA	Head of Research, Auto, Cement	vineet.hetamasaria@pinc.co.in	91-22-6618 6388
Nikhil Deshpande	<i>Auto, Auto Ancillary, Cement</i>	nikhil.deshpande@pinc.co.in	91-22-6618 6339
Tasmai Anil Merchant	<i>Auto, Auto Ancillary, Cement</i>	tasmai.merchant@pinc.co.in	91-22-6618 6377
Vinod Nair	<i>Construction, Power, Capital Goods</i>	vinod.nair@pinc.co.in	91-22-6618 6379
Ankit Babel	<i>Capital Goods</i>	ankit.b@pinc.co.in	91-22-6618 6551
Hitul Gutka	<i>Power</i>	hitul.gutka@pinc.co.in	91-22-6618 6410
Subramaniam Yadav	<i>Construction</i>	subramaniam.yadav@pinc.co.in	91-22-6618 6371
Madhura Joshi	<i>Power</i>	madhura.joshi@pinc.co.in	91-22-6618 6395
Satish Mishra	<i>Fertiliser, Natural Gas, Engineering</i>	satish.mishra@pinc.co.in	91-22-6618 6488
Urvashi Biyani	<i>Fertiliser, Natural Gas, Engineering</i>	urvashi.biyani@pinc.co.in	91-22-6618 6334
Naveen Trivedi	<i>FMCG</i>	naveent@pinc.co.in	91-22-6618 6384
Rohit Kumar Anand	<i>IT Services</i>	rohit.anand@pinc.co.in	91-22-6618 6372
Ronak Bakshi	<i>IT Services</i>	ronak.bakshi@pinc.co.in	91-22-6618 6411
Namrata Sharma	<i>Media</i>	namrata.sharma@pinc.co.in	91-22-6618 6412
Sakshee Chhabra	<i>Media</i>	sakshee.chhabra@pinc.co.in	91-22-6618 6633
Bikash Bhalotia	<i>Metals, Mining</i>	bikash.bhalotia@pinc.co.in	91-22-6618 6387
Harleen Babber	<i>Metals, Mining</i>	harleen.babber@pinc.co.in	91-22-6618 6389
Dipti Vijaywargi	<i>Metals, Mining</i>	dipti.vijaywargi@pinc.co.in	91-22-6618 6393
Sushant Dalmia, CFA	<i>Pharma</i>	sushant.dalmia@pinc.co.in	91-22-6618 6462
Suman Memani	<i>Real Estate, Mid caps</i>	suman.memani@pinc.co.in	91-22-6618 6479
Abhishek Kumar	<i>Real Estate, Mid caps</i>	abhishek.kumar@pinc.co.in	91-22-6618 6398
C Krishnamurthy	<i>Technical Analyst</i>	krishnamurthy.c@pinc.co.in	91-22-6618 6747

SALES

Rajeev Gupta	<i>Equities</i>	rajeev.gupta@pinc.co.in	91-22-6618 6486
Ankur Varman	<i>Equities</i>	ankur.varman@pinc.co.in	91-22-6618 6380
Himanshu Varia	<i>Equities</i>	himanshu.varia@pinc.co.in	91-22-6618 6342
Shailesh Kadam	<i>Derivatives</i>	shaileshk@pinc.co.in	91-22-6618 6349
Ganesh Gokhale	<i>Derivatives</i>	ganeshg@pinc.co.in	91-22-6618 6347

DEALING

Mehul Desai	<i>Head - Sales Trading</i>	mehul.desai@pinc.co.in	91-22-6618 6303
Naresh Panjnani	<i>Co-Head - Sales Trading</i>	naresh.panjnani@pinc.co.in	91-22-6618 6333
Amar Margaje		amar.margaje@pinc.co.in	91-22-6618 6327
Ashok Savla		ashok.savla@pinc.co.in	91-22-6618 6321
Sajjid Lala		sajjid.lala@pinc.co.in	91-22-6618 6337
Raju Bhavsar		rajub@pinc.co.in	91-22-6618 6322
Kinjal Mehta		kinjal.mehta@pinc.co.in	91-22-6618 6333
Chandani Bhatia		chandani.bhatia@pinc.co.in	91-22-6618 6324
Hasmukh D. Prajapati		hasmukhp@pinc.co.in	91-22-6618 6325
Kamlesh Purohit		kamlesh.purohit@pinc.co.in	91-22-6618 6357

SINGAPORE DESK

Amul Shah		amul.shah@sg.pinc.co.in	65-6327 0626
-----------	--	--	--------------

DIRECTORS

Gaurang Gandhi		gaurangg@pinc.co.in	91-22-6618 6400
Hemang Gandhi		hemangg@pinc.co.in	91-22-6618 6400
Ketan Gandhi		ketang@pinc.co.in	91-22-6618 6400

COMPLIANCE

Rakesh Bhatia	Head Compliance	rakeshb@pinc.co.in	91-22-6618 6400
---------------	-----------------	--	-----------------

PINC bright thinking

Infinity.com

Financial Securities Ltd

SMALL WORLD, INFINITE OPPORTUNITIES

Member : Bombay Stock Exchange & National Stock Exchange of India Ltd. : Sebi Reg No: INB 010989331. Clearing No : 211
1216, Maker Chambers V, Nariman Point, Mumbai - 400 021; Tel.: 91-22-66186633/6400 Fax : 91-22-22049195

Disclaimer: This document has been prepared by the Research Desk of M/s Infinity.com Financial Securities Ltd. (PINC) and is meant for use of the recipient only and is not for public circulation. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors

The information contained herein is obtained and collated from sources believed reliable and PINC has not independently verified all the information given in this document. Accordingly, no representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document.

The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. The opinion expressed or estimates made are as per the best judgement as applicable at that point of time and PINC reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval

PINC, its affiliates, their directors, employees and their dependant family members may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document

This report has been prepared on the basis of information, which is already available in publicly accessible media or developed through analysis of PINC. The views expressed are those of analyst and the PINC may or may not subscribe to all the views expressed therein

This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. Neither this document nor any copy of it may be taken or transmitted into the United State (to U.S.Persons), Canada, or Japan or distributed, directly or indirectly, in the United States or Canada or distributed or redistributed in Japan or to any resident thereof. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions

Neither PINC, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information.

Copyright in this document vests exclusively with PINC and this document is not to be reported or circulated or copied or made available to others.

Our reports are also available on Reuters, Thomson Publishers and Bloomberg PINV <GO>