

VISIT UPDATE

Share Data

Reuters code	GEO.M.BO
Bloomberg code	GEO IN
Market cap. (US\$ mn)	16
6M avg. daily turnover (US\$ mn)	0.1
Issued shares (mn)	62
Target price (Rs)	15

Performance (%) 1M 3M 12M

Absolute	(27)	(44)	(79)
Relative	(21)	(39)	(60)

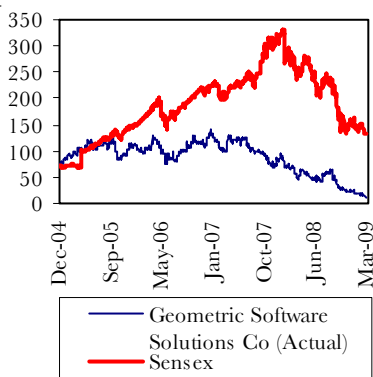
Valuation Ratios

Yr to 31 Mar	FY09E	FY10E
EPS (Rs)	2.8	3.2
+/- (%)	(44.9)	13.8
PER (x)	4.4	3.9
PBV (x)	0.3	0.3
Dividend/Yield (%)	6.3	6.3
EV/Sales (x)	0.2	0.2
EV/EBITDA (x)	1.4	1.6

Major shareholders (%)

Promoters	35
FII's	13
MF's	6
BFSI's	2
Public & Others	44

Relative performance



Geometric

Maintain Outperformer

Price: Rs 13

BSE Index: 8,198

06 March 2009

Engineering business hit...

We met with the management of Geometric Ltd., and the key takeaways are:

Demand environment: The management has pointed that the economic slowdown has impacted them through most of the contracts going for re-negotiation for further business, however, there is not much pricing pressures.

The engineering business (33% contributor to topline) majorly catering to the auto industry is expected to show a decline in both, volumes and pricing. However, the PLM software business will see some new projects. We opine the weak demand and pricing pressures will hinder the company's growth and we are expecting a decline in volumes and pricing both, for FY10E.

Reducing auto exposure: The company has been continuously trying to reduce its auto exposure (currently at 33%) by diversifying into new verticals like, oil and gas, fashion industries. Due to the slowdown which has impacted the Detroit-based auto majors (Ford, GM and Chrysler), the management itself has planned to reduce the Detroit business leading to a reduction in revenues to the extent of US\$ 2 mn. The company will reduce some of its onsite manpower over the next few quarters.

Margin expansion: Following further cost cutting measures through manpower reduction and variable pay cuts (and linking them to performance), the management is of the view to improve the margins by 100 bps every quarter. We believe that the reduction in topline will be negating the margin improvement, and will see margin reduction from the current levels.

No further SEZ plans: Currently, the company has 100-seats SEZ facility in Pune and has called off plans to invest in new SEZs, due to economic slowdown.

The company has outstanding hedges of US\$ 60 mn, hedged at Rs/US\$ rate of 42.5, spread over a period of next three-four quarters. There is a forex loss of Rs 370 mn sitting in the Balance Sheet, at the end of 3QFY09. The management expects to increase EPS marginally in the next one year.

We have upwardly revised our earning estimates by ~11% taking rupee-dollar rates at 51.0 from 48.5 previously, for FY10.

At the current market price of Rs 13, the stock is trading at 4.4x FY09E revised EPS of Rs 2.8 and 3.9x FY10E revised EPS of Rs 3.2. We maintain Outperformer on the stock.

Income Statement

Yr end 31 Mar (Rs mn)	FY07	FY08	FY09E	FY10E
Net sales	3,831	4,858	6,126	5,967
Growth (%)	71.5	26.8	26.1	(2.6)
Operating expenses	(3,189)	(4,365)	(5,166)	(5,107)
Operating profit	642	494	960	860
EBITDA	642	494	960	860
Growth (%)	30.1	(23.1)	94.4	(10.4)
Depreciation	(212)	(198)	(268)	(286)
Other income	112	203	(211)	(80)
EBIT	541	499	481	493
Interest paid	(35)	(57)	(47)	(55)
Pre-tax profit	506	442	435	439
(before non-recurring)				
Non-recurring items	0	0	120	0
Pre-tax profit	506	442	555	439
(after non-recurring)				
Tax (current + deferred)	(68)	(57)	(78)	(79)
Net profit (before Minority)	439	386	477	360
Interest, Pref. Dividend, etc.)				
Prior period adjustments	0	(9)	(11)	0
Minority interests	(64)	(55)	(169)	(158)
Reported PAT	374	321	297	202
Adjusted net profit	374	321	177	202
Growth (%)	45.5	(14.2)	(44.9)	13.8

Balance Sheet

Yr end 31 Mar (Rs mn)	FY07	FY08	FY09E	FY10E
Cash and Marketable sec.	147	234	242	342
Other current assets	1,436	1,400	2,005	2,413
Investments	120	179	179	179
Net fixed assets	2,209	2,196	2,131	1,929
Total assets	3,913	4,009	4,557	4,864
Current liabilities	635	640	897	901
Total debt	919	794	887	887
Other non-current liabilities	44	41	41	41
Total liabilities	1,598	1,475	1,824	1,829
Share capital	124	124	124	124
Reserves & surplus	2,113	2,344	2,374	2,518
Shareholders' funds	2,237	2,468	2,498	2,642
Minorities interests	78	66	235	393
Total equity & liabilities	3,913	4,009	4,557	4,864
Capital employed	3,278	3,369	3,661	3,963

Cash Flow Statement

Yr end 31 Mar (Rs mn)	FY07	FY08	FY09E	FY10E
Pre-tax profit	506	442	555	439
Depreciation	212	198	268	286
Change in working capital	(481)	41	(449)	(409)
Total tax paid	(199)	(60)	22	(74)
Other operating activities	0	(9)	(11)	0
Cash flow from oper. (a)	39	612	385	243
Capital expenditure	(1,397)	(67)	(204)	(84)
Change in investments	93	(59)	0	0
Others	44	(117)	0	(0)
Cash flow from inv. (b) (1,280)	(262)	(433)	(84)	(84)
Free cash flow (a+b)	(1,241)	350	(48)	158
Equity raised/(repaid)	516	9	0	0
Debt raised/(repaid)	919	(125)	93	0
Dividend (incl. tax)	(52)	(59)	(58)	(58)
Cash flow from fin. (c)	1,331	(263)	55	(58)
Net change in cash (a+b+c)	90	87	7	100

Key Ratios

Yr end 31 Mar (%)	FY07	FY08	FY09E	FY10E
Adjusted EPS (Rs)	6.0	5.2	2.8	3.2
Growth	33.1	(14.4)	(44.9)	13.8
Book NAV/share (Rs)	37.4	40.8	44.0	48.9
Dividend/share (Rs)	0.8	0.8	0.8	0.8
Dividend payout ratio	15.5	18.4	32.8	28.8
Tax	13.4	12.8	14.1	18.0
EBITDA margin	16.7	10.2	15.7	14.4
EBIT margin	14.1	10.3	7.9	8.3
RoCE	22.5	15.0	13.7	12.9
Net debt/Equity	33.3	22.1	23.6	18.0

Valuations

Yr end 31 Mar (x)	FY07	FY08	FY09E	FY10E
PER	2.1	2.4	4.4	3.9
PCE	1.3	1.5	1.8	1.6
Price/Book	0.3	0.3	0.3	0.3
Yield (%)	6.3	6.3	6.3	6.3
EV/Net sales	0.4	0.3	0.2	0.2
EV/EBITDA	2.1	2.7	1.4	1.6

Du Pont Analysis – ROE

Yr end 31 Mar (x)	FY07	FY08	FY09E	FY10E
Net margin (%)	9.8	6.6	2.9	3.4
Asset turnover	1.3	1.2	1.4	1.3
Leverage factor	1.6	1.6	1.6	1.6
Return on equity (%)	19.7	13.3	6.7	7.0

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 2. **OUTPERFORMER:** 0 to +25%
 3. **UNDERPERFORMER:** 0 to -25%
 4. **SELL:** Potential downside of < -25% (absolute returns)
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