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Shashi Bhusan
shashibhusan@plindia.com
+91-22-66322300

Pratik Shah
pratikshah@plindia.com
+91-22-66322256

Rating	Accumulate
Price	Rs103
Target Price	Rs140
Implied Upside	35.9%
Sensex	19,765
Nifty	6,010

(Prices as on January 03, 2013)

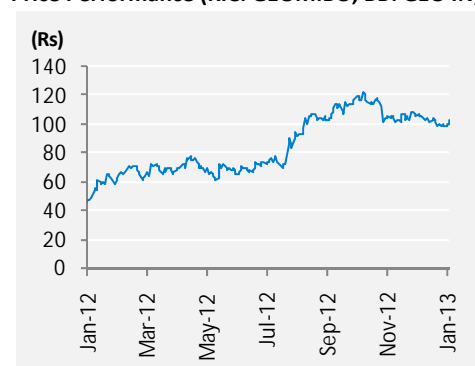
Trading data	
Market Cap. (Rs bn)	6.5
Shares o/s (m)	62.7
3M Avg. Daily value (Rs m)	86.1

Major shareholders	
Promoters	37.36%
Foreign	4.41%
Domestic Inst.	1.76%
Public & Other	56.47%

Stock Performance			
(%)	1M	6M	12M
Absolute	(4.1)	40.0	117.7
Relative	(6.4)	26.5	93.7

How we differ from Consensus			
EPS (Rs)	PL	Cons.	% Diff.
2013	14.0	13.5	3.6
2014	17.5	16.5	6.1

Price Performance (RIC: GEOM.BO, BB: GEO IN)



Source: Bloomberg

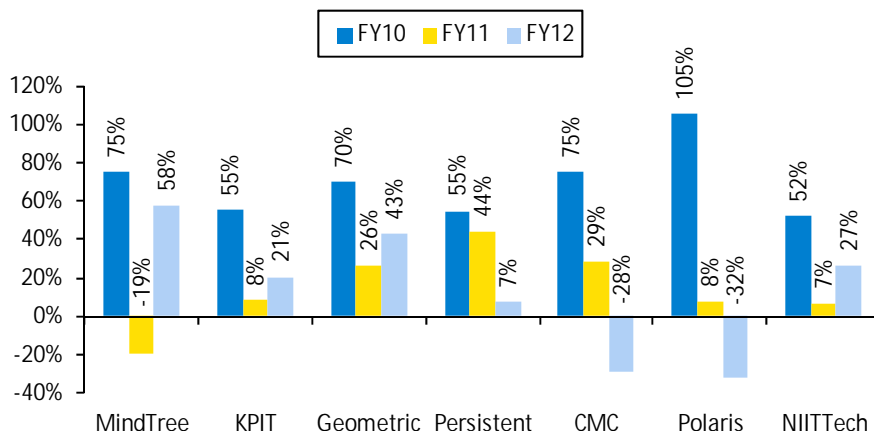
Geometric has acquired 100% stake in Munich (Germany) based '3Cap Technologies GmbH', a specialist in automotive embedded system for ~€11m. The acquisition is in-line with the company's stated objective of strengthening revenues from Europe, Automotive vertical and Embedded System. We retain our "Accumulate" rating.

- **About 3Cap:** 3Cap founded in 2004 by Mr. Henri Sadoune (French national) has 110 employees. He has entered into a long-term agreement with Geometric to take responsibility for all embedded systems activities, including Geometric's existing embedded systems projects. In CY12, 3Cap delivered revenue of €11m (CY11 ~€9.16m) with an EBITDA margin of ~10%. It has seven clients (no overlap with Geometric), predominantly based out of Germany. ~80% and 95% revenue contribution is from the top two clients and automotive vertical, respectively.
- **The deal – 1x Trailing revenue:** Geometric will pay €11m (1x CY12 revenue), of which, €7.5m will be paid upfront and balance payments will be subject to earn-out under mutually agreed terms and conditions over a period of three years. The deal is EPS accretive and would be integrated in Q4FY13.
- **Opportunities to cross-sell:** a) Use 3Cap expertise to deliver embedded system solution to existing automotive OEM clients of Geometric b) Cross-sell Geometric's offerings to 3Cap's existing client base & consider offshoring the same in the near-to-medium term c) Value-added electronics contributes ~30-40% of the overall IT spend for automotive OEMs.
- **FCF for Geometric on recovery path:** FCF generation for Geometric has steadily improved over last three-years (average at ~46%). Cash & cash equivalents + Investments as on Q2FY13 stand at Rs1,136.2m which is sufficient enough to fund the upfront payment of €7.5m (Rs540m). We expect 50% of the earn-outs to be financed by 3Cap cash flow.
- **Valuation and Recommendation – 'Accumulate', with TP of Rs140:** Geometric has steadily improved both its revenue momentum and margin profile. The acquisition will strengthen its service offerings and geographical mix. We reiterate 'Accumulate' rating with a TP of Rs140, 8x FY14E earnings estimates.

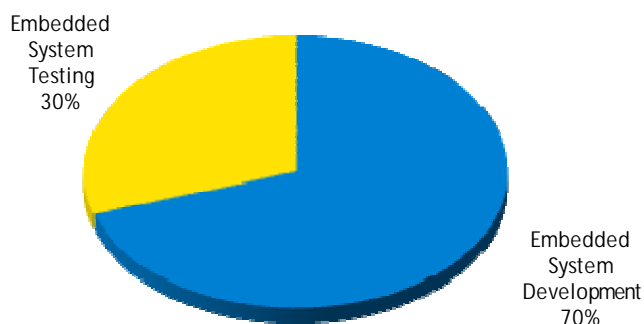
Key financials (Y/e March)	2011	2012	2013E	2014E
Revenues (Rs m)	6,206	8,079	10,568	11,718
Growth (%)	21.3	30.2	30.8	10.9
EBITDA (Rs m)	750	1,116	2,175	2,214
PAT (Rs m)	575	592	875	1,094
EPS (Rs)	9.2	9.4	14.0	17.5
Growth (%)	22.7	2.4	47.9	25.0
Net DPS (Rs)	1.0	2.5	2.1	3.2

Profitability & Valuation	2011	2012	2013E	2014E
EBITDA margin (%)	12.1	13.8	20.6	18.9
RoE (%)	29.1	29.3	38.5	34.5
RoCE (%)	28.1	27.2	31.1	29.6
EV / sales (x)	1.0	0.8	0.6	0.4
EV / EBITDA (x)	8.5	5.7	2.7	2.4
PE (x)	11.2	10.9	7.4	5.9
P / BV (x)	3.0	3.5	2.4	1.8
Net dividend yield (%)	1.0	2.4	2.0	3.2

Source: Company Data; PL Research

Exhibit 1: FCF/EBITDA: Geometric has seen better conversion compared to peers


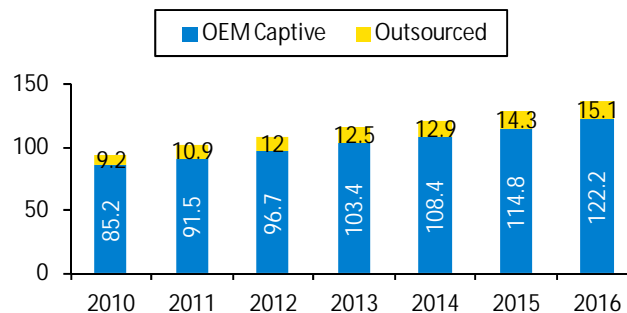
Source: Company Data, PL Research

Exhibit 2: Higher contribution from Development


Source: Company Data, PL Research

Exhibit 3: Outsourced IT Spend likely to grow at CAGR of 8.2%

Automotive Industry - R&D Spend (\$bn)



Source: Thomson Financials, Roland Berger Analysis, PL Research

Income Statement (Rs m)

Y/e March	2011	2012	2013E	2014E
Net Revenue	6,206	8,079	10,568	11,718
Raw Material Expenses	4,103	5,297	6,312	7,358
Gross Profit	2,103	2,782	4,255	4,361
Employee Cost	—	—	—	—
Other Expenses	1,352	1,666	2,081	2,146
EBITDA	750	1,116	2,175	2,214
Depr. & Amortization	260	288	321	374
Net Interest	9	18	—	—
Other Income	219	205	(359)	(75)
Profit before Tax	701	1,015	1,495	1,765
Total Tax	17	212	479	530
Profit after Tax	684	803	1,017	1,236
Ex-Od items / Min. Int.	108	72	142	142
Adj. PAT	575	592	875	1,094
Avg. Shares O/S (m)	62.4	62.7	62.7	62.7
EPS (Rs.)	9.2	9.4	14.0	17.5

Cash Flow Abstract (Rs m)

Y/e March	2011	2012	2013E	2014E
C/F from Operations	420	727	1,017	1,321
C/F from Investing	(190)	(801)	(370)	(410)
C/F from Financing	(295)	528	(203)	(250)
Inc. / Dec. in Cash	(65)	453	444	661
Opening Cash	174	109	562	1,005
Closing Cash	109	562	1,005	1,666
FCFF	517	1,528	505	770
FCFE	373	1,931	505	770

Key Financial Metrics

Y/e March	2011	2012	2013E	2014E
Growth				
Revenue (%)	21.3	30.2	30.8	10.9
EBITDA (%)	(15.5)	48.8	94.8	1.8
PAT (%)	23.3	2.8	47.9	25.0
EPS (%)	22.7	2.4	47.9	25.0
Profitability				
EBITDA Margin (%)	12.1	13.8	20.6	18.9
PAT Margin (%)	9.3	7.3	8.3	9.3
RoCE (%)	28.1	27.2	31.1	29.6
RoE (%)	29.1	29.3	38.5	34.5
Balance Sheet				
Net Debt : Equity	—	(0.1)	(0.2)	(0.3)
Net Wrkng Cap. (days)	—	—	—	—
Valuation				
PER (x)	11.2	10.9	7.4	5.9
P / B (x)	3.0	3.5	2.4	1.8
EV / EBITDA (x)	8.5	5.7	2.7	2.4
EV / Sales (x)	1.0	0.8	0.6	0.4
Earnings Quality				
Eff. Tax Rate	2.4	20.9	32.0	30.0
Other Inc / PBT	31.2	20.2	(24.0)	(4.2)
Eff. Depr. Rate (%)	12.5	12.3	11.9	12.0
FCFE / PAT	64.8	326.4	57.7	70.3

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2011	2012	2013E	2014E
Shareholder's Funds	2,178	1,866	2,679	3,664
Total Debt	41	444	444	444
Other Liabilities	423	555	555	555
Total Liabilities	2,642	2,865	3,678	4,663
Net Fixed Assets	847	891	940	976
Goodwill	—	—	—	—
Investments	139	696	696	696
Net Current Assets	1,493	1,032	1,797	2,746
<i>Cash & Equivalents</i>	<i>109</i>	<i>562</i>	<i>1,005</i>	<i>1,666</i>
<i>Other Current Assets</i>	<i>2,224</i>	<i>2,521</i>	<i>3,486</i>	<i>4,049</i>
<i>Current Liabilities</i>	<i>840</i>	<i>2,050</i>	<i>2,694</i>	<i>2,969</i>
Other Assets	163	246	246	246
Total Assets	2,642	2,865	3,678	4,663

Quarterly Financials (Rs m)

Y/e March	Q1FY13	Q2CY12	Q2FY13	Q3FY13E
Net Revenue	2,608	1,912	2,616	2,655
EBITDA	527	276	564	544
% of revenue	20.2	14.4	21.6	20.5
Depr. & Amortization	74	74	78	84
Net Interest	8	—	8	—
Other Income	(70)	117	(140)	(80)
Profit before Tax	374	319	337	380
Total Tax	133	85	103	114
Profit after Tax	207	267	179	226
Adj. PAT	207	267	179	226

Key Operating Metrics

Y/e March	2011	2012	2013E	2014E
Total Technical Billed (Headcount)	3,052	3,832	4,522	5,245
Utilization (excl. Trainees)	1	1	1	1
Currency (Re/\$)	45	48	54	53
Software Dev. Exp. (% of Sales)	66	66	60	63
Sales & Mktg. (% of Sales)	21.8	20.6	19.7	18.3

Source: Company Data, PL Research.

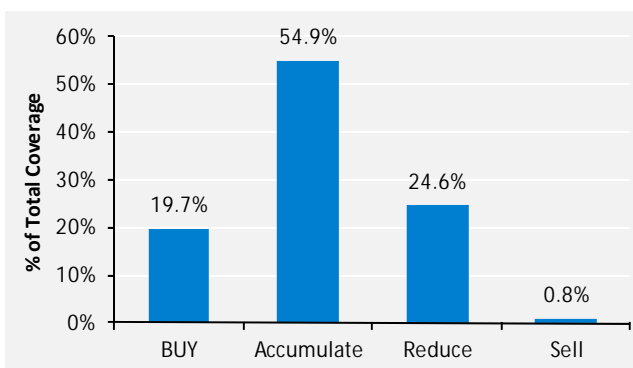


Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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