

# Q1 FY10 Results

July 24, 2009



# Disclaimer

Certain statements in this presentation 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 and engineering 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 & product 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 forward to time by or on behalf of the company.

# Summary of the Quarter

- 5.4% decrease in sequential operating revenue in US Dollar terms and 8.9% in Rupee terms. Operating revenue decreased by 20.3% in US Dollar terms and 7.9% in INR terms, as compared to Q1 09
- Sequential OP increased from INR 61.42 MM in Q4 09 to INR 171.01 MM
- PAT before extraordinary item improved from loss of INR 209.94 MM to profit of INR 85.23 MM sequentially
- Total order closure for Q1 was USD 3.94 MM as compared to USD 4.56 MM in Q4 09
- Geometric Engineering (erstwhile Modern Engineering) posted 3.14% PAT margin in Q1 vis-à-vis a loss of 13.21% in the previous quarter

# Business Environment

- Full impact of client ramp downs due to adverse economic environment and conscious reduction in low profitability projects has resulted in sequential reduction of operating revenues (in USD terms) and number of active clients
- Though the total size of the pipeline has increased, impact of this increase on new deal closures is expected to be seen only after a clear shift in the global economic outlook
  - Ramp downs in existing customers, especially strategic partners, and reduction in billing rates have significantly impacted revenues in Q1
  - Movement of business from onsite to offshore for PLM and Engineering services has positively impacted the margins but lowered the revenues in Q1
- PAT and operating margin have significantly improved in Q1 largely due to continuous prudent cost saving measures
  - Initiatives for right sizing of our cost structure have resulted in significant savings of manpower and facility costs
  - Loss on FX movement was significantly lower due to reduction in average FX rates
  - We continue to be prepared to respond to market situation in order to protect the margins

INDIAN GAAP

**FINANCIAL PERFORMANCE Q1 10**



# Consolidated P&L Statement

(figures in INR millions)

Income Statement	Q1 10	Q4 09	Q1 09	Var (PQ)	Var (PY)
Operating Revenue (in USD millions)	26.61	28.13	33.38	-5.4%	-20.3%
<i>Exchange Rate</i>	<i>48.61</i>	<i>50.47</i>	<i>42.07</i>	<i>-3.7%</i>	<i>15.5%</i>
Operating Revenue	1293.23	1,419.65	1,404.41	-8.9%	-7.9%
Cost Of Revenue	765.14	827.13	912.68	-7.5%	-16.2%
Contribution	528.09	592.53	491.73	-10.9%	7.4%
<b>Contribution as % of Operating Revenue</b>	<b>40.8%</b>	<b>41.7%</b>	<b>35.0%</b>		
SG&A Expense	281.94	441.01	347.03	-36.1%	-18.8%
Interest	12.20	15.61	9.52	-21.8%	28.1%
Depreciation and Lease Rentals	62.94	74.48	64.41	-15.5%	-2.3%
Operating Profit	171.01	61.42	70.77	178.4%	141.6%
<b>Operating Profit as % of Operating Revenue</b>	<b>13.2%</b>	<b>4.3%</b>	<b>5.0%</b>		
Other Income	(51.97)	(245.22)	14.14	78.8%	-467.5%
Profit Before Tax	119.04	(183.80)	84.90	164.8%	40.2%
<b>PBT as % of Total Revenue</b>	<b>9.6%</b>	<b>-15.6%</b>	<b>6.0%</b>		
EBITDA (PBT + Interest + Depreciation)	194.18	(93.70)	158.83	307.2%	22.3%
<b>EBITDA as % of Total Revenue</b>	<b>15.6%</b>	<b>-8.0%</b>	<b>11.2%</b>		
Tax & MI	33.81	26.14	47.26	29.3%	-28.5%
Profit After Tax (for the period)	85.23	(209.94)	37.65	140.6%	126.4%
<b>PAT as % of Total Revenue</b>	<b>6.9%</b>	<b>-17.9%</b>	<b>2.7%</b>		
Extraordinary Item + Prior Period Adjustment	(1.75)	4.73	124.23	-137.1%	-101.4%
Adjusted Profit After Tax	83.48	(205.21)	161.88	140.7%	-48.4%
<b>PAT as % of Total Revenue</b>	<b>6.7%</b>	<b>-17.5%</b>	<b>11.4%</b>		

# Consolidated Cost Analysis

(figures in INR millions)

Cost of Revenue	Q1 09	% of OPR	Q4 08	% of OPR
Manpower	673.57	52%	720.87	51%
Travel	25.21	2%	30.49	2%
Software	52.24	4%	61.84	4%
Staff Welfare	9.25	1%	7.82	1%
Others	4.87	0%	6.11	0%
<b>Total</b>	<b>765.14</b>	<b>59%</b>	<b>827.13</b>	<b>58%</b>

(figures in INR millions)

Sales, General & Admin Expenses	Q1 09	% of OPR	Q4 08	% of OPR
Manpower	118.83	9%	141.88	10%
Travel	17.30	1%	7.78	1%
Facility	75.94	6%	128.52	9%
Recruitment & Training	2.66	0%	4.96	0%
Information Systems	6.27	0%	1.35	0%
Others	60.95	5%	156.52	11%
<b>Total</b>	<b>281.94</b>	<b>22%</b>	<b>441.01</b>	<b>31%</b>

# Key Financial Data

Financial Parameter	Status as of 30 <sup>th</sup> June 2009
CAPEX	INR 99.97 MM of CAPEX in Q1 10
Cash & Bank Balance	INR 290 MM of cash and bank balance
Liquid Investments	INR 270 MM of liquid and short-term investments
Loans O/S	USD 12.5 MM of FCY loan o/s valued at INR 599 MM. Total loan o/s at INR 749 MM
Forward Contracts O/S	USD 99 MM of o/s forward contracts at an average rate of around 48.7
% Tax	Average tax rate was 8.8% including FBT
DSO	72

# Performance Analysis

## 5.4% decrease in operating revenue in dollar terms

- Services revenue decreased by 4.8% vis-à-vis previous quarter
  - Offshore revenue decreased by 3.6%, offsite revenue decreased by 0.6% and onsite revenue came down by 9.0%
  - Software services revenues decreased by 0.7% due to reduction in revenues from business partners
  - Overall engineering services revenue decreased by 12.9% while US engineering revenue decreased by 18.5% on account of conscious reduction of non-profitable projects and initiation of bankruptcy proceedings by GM & Chrysler
- Products revenue decreased 12.8% sequentially

## Operating profit margin increased to 13.2% from 4.3% in the previous quarter

- Positive Impact
  - Increase in contribution of offshore and offsite to services revenue from 59.8% in Q4 09 to 64.0% in Q1 10
  - Savings in manpower, software and facility costs due to initiatives taken in Q4
  - One time provisioning for accounts like GM & Chrysler in Q4
  - Decrease in interest cost and depreciation
- Negative Impact
  - Decrease in average exchange rate from 50.47 to 48.61 and in billed rate by 1.6%
  - Decrease in utilization (excluding trainees) from 86.3% to 85.5%
  - Decrease in the Products revenue contribution to total revenue from 7.4% in Q4 09 to 6.8%

**Loss of INR 51.97 MM vis-à-vis loss of INR 245.22 MM in Q4 09 at Other Income level. Loss of INR 1.75 MM from prior period adjustment in service tax account**

# Business Highlights

- Alliance with Gerber Technology to tap the fashion and apparel industry
- Addition of Mr. Ajay Mehra, Partner, BMR Consultants to the Geometric Board
- Appointment of Ms. Priya Jadhav as a Vice President to head the finance function of the company

**8 new customers were added during Q1, taking the total number of active customers to 101. Total value of new business closed in Q1 was USD 3.94 million.**

**Some of the significant contracts are with:**

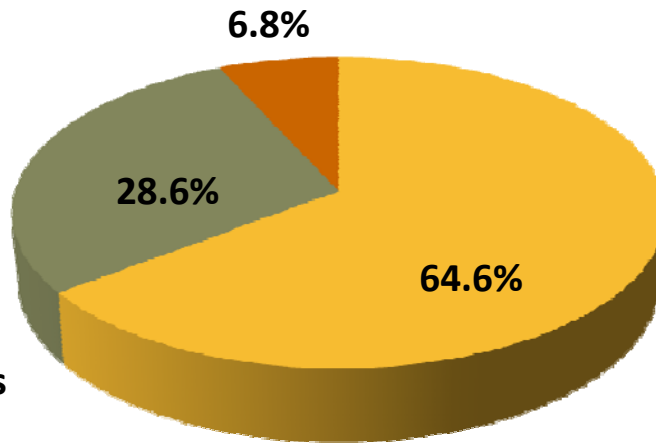
- A QA and support engagement for a Software OEM major, for an end customer funded program
- Embedded product development support for a global Auto OEM major
- Program planning engagement for a European industrial major, indicating continuing success in diversification of verticals for our SPE business.
- A product engineering contract from a global agricultural and construction equipment major for its European operations
- First major order of DFMPro™, our Design for manufacturing product, to a European consumer goods major
- Geometric's first Agile PLM implementation engagement in India for an industrial major

## OPERATIONAL PERFORMANCE

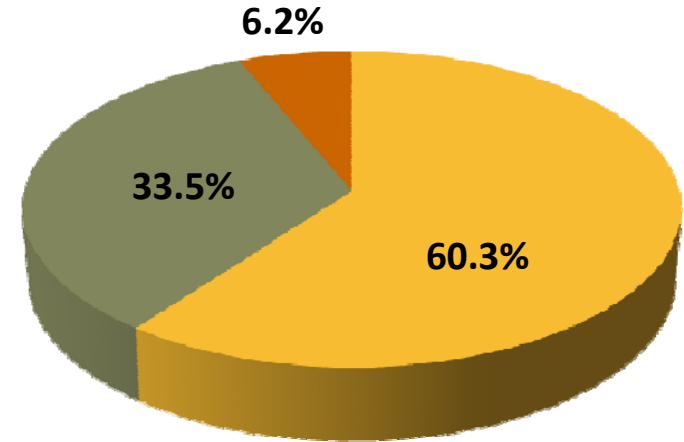


# Service Lines

Q1 10



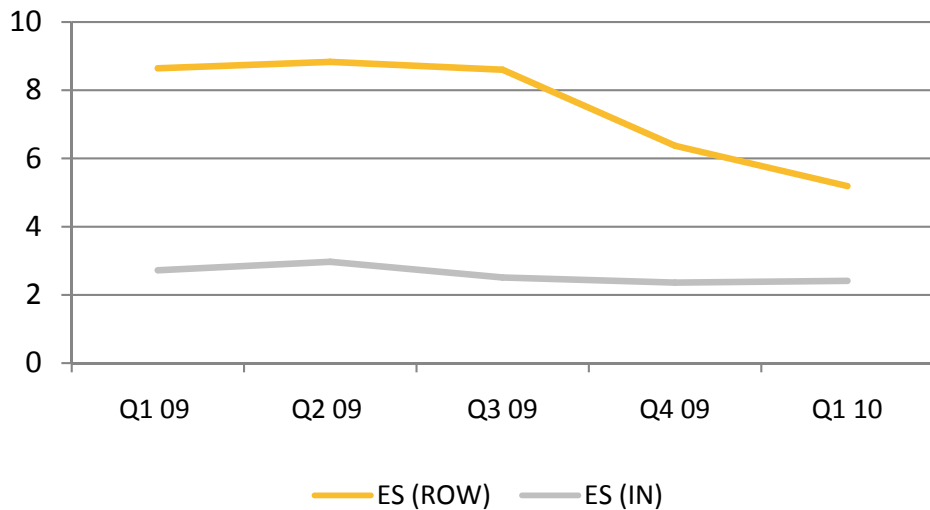
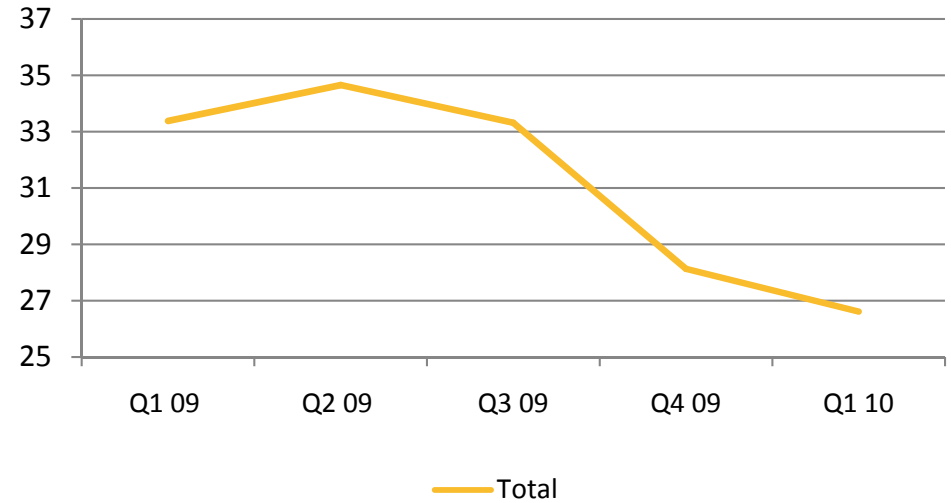
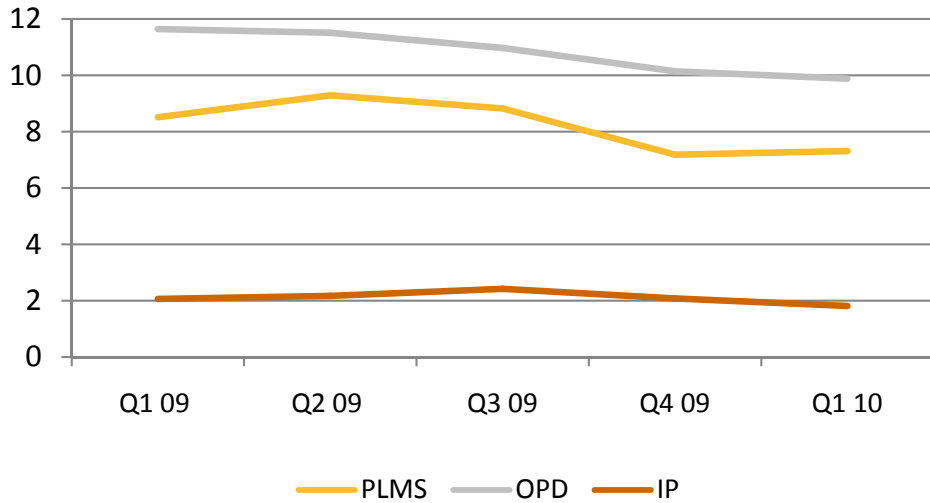
Q1 09



- Software Services
- Engineering Services
- Products

Service Line	Q1 10	Q4 09	Q1 09	FY09
Software Services	64.6%	61.6%	60.3%	60.3%
Engineering Services	28.6%	31.0%	33.5%	33.0%
Products	6.8%	7.4%	6.2%	6.7%

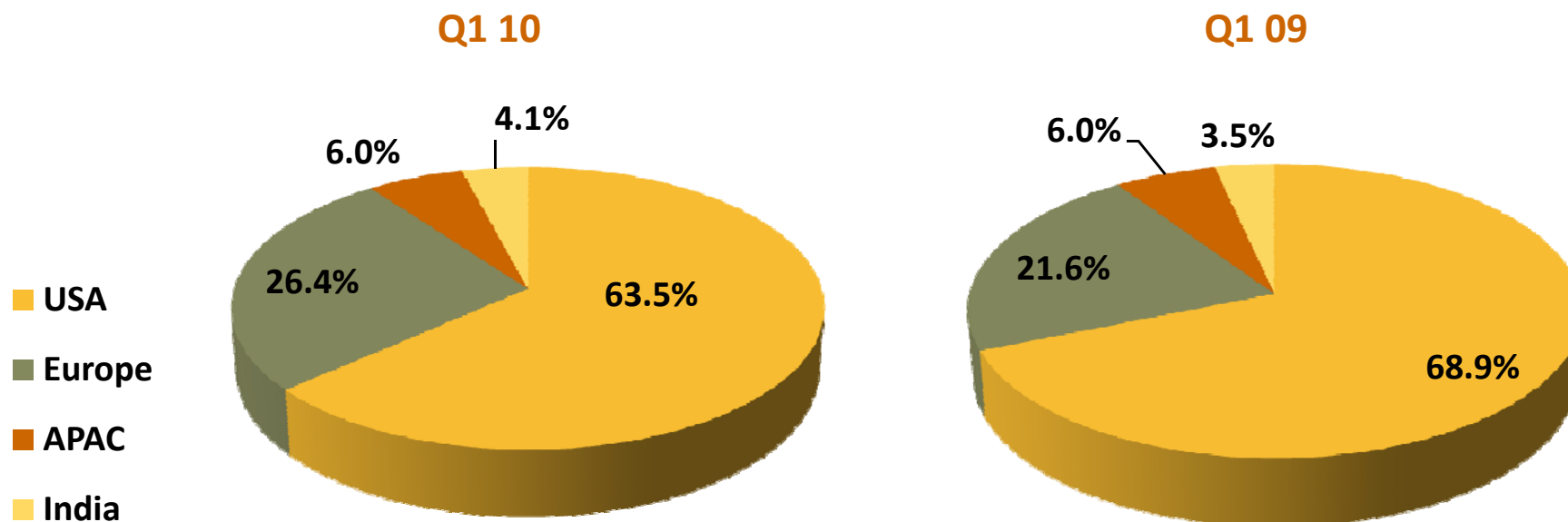
# BU-wise Revenue Trend



Business Unit	Q1 09	Q2 09	Q3 09	Q4 09	Q1 09
PLM Solutions	8.51	9.29	8.82	7.18	7.31
Outsourced Product Development	11.64	11.51	10.97	10.14	9.88
Products (IP)	2.06	2.17	2.42	2.08	1.81
Engineering Services (ROW)	8.64	8.83	8.60	6.37	5.19
Engineering Services (India)	2.72	2.97	2.51	2.36	2.41
<b>Total</b>	<b>33.38</b>	<b>34.65</b>	<b>33.31</b>	<b>28.13</b>	<b>26.61</b>

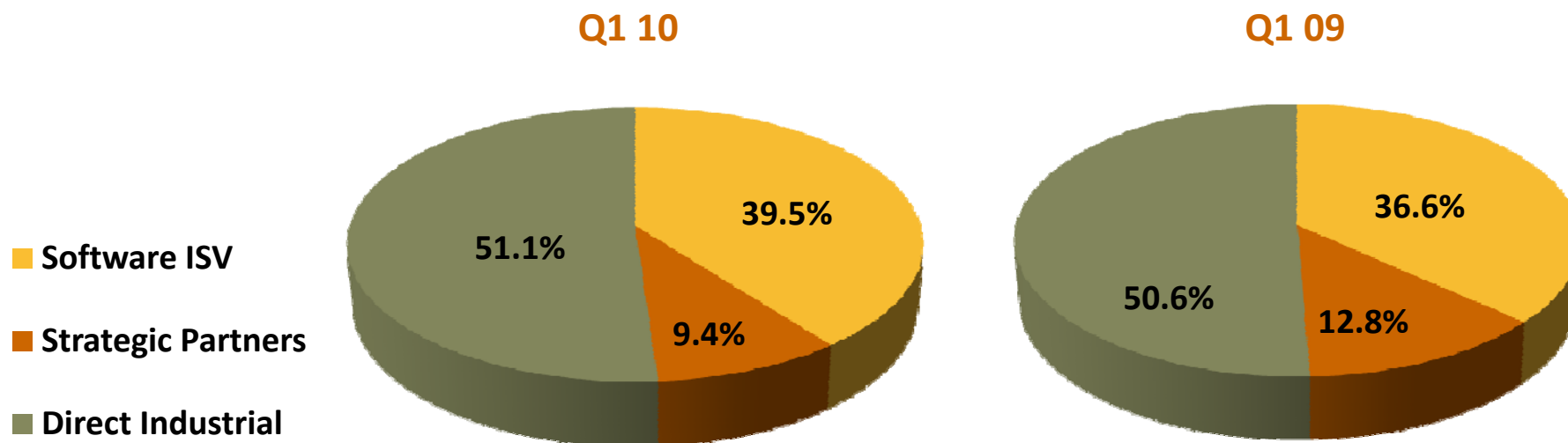
All numbers in USD MM

# Regions



Region	Q1 10	Q4 09	Q1 09	FY09
USA	63.5%	64.9%	68.9%	67.1%
Europe	26.4%	23.3%	21.6%	22.5%
APAC	6.0%	7.7%	6.0%	6.7%
India	4.1%	4.1%	3.5%	3.7%

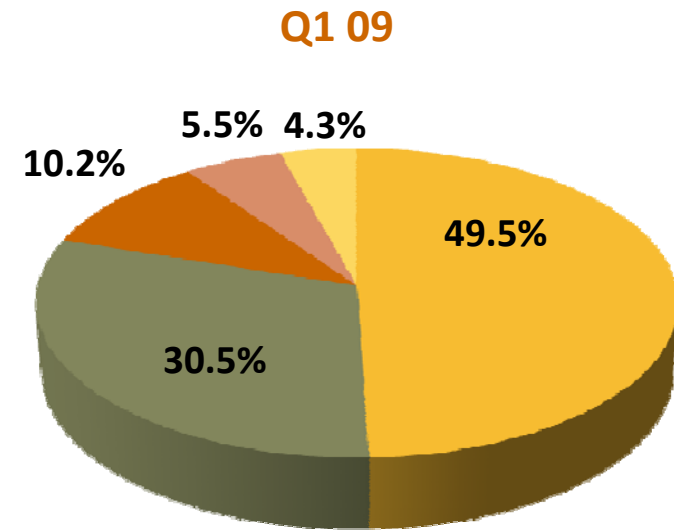
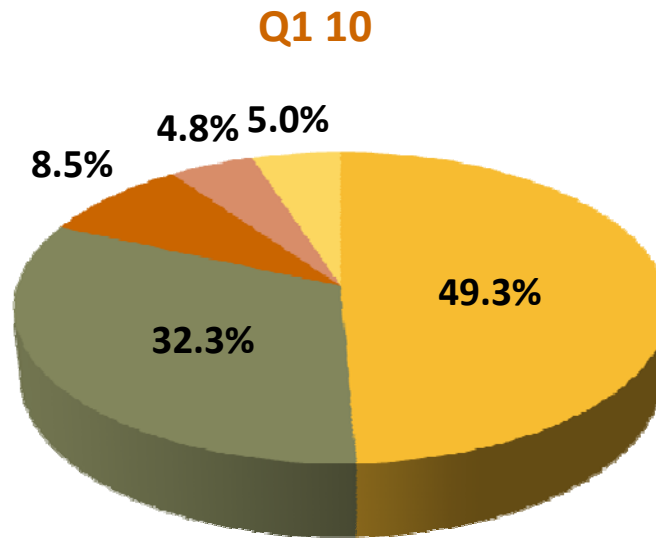
# Customer Segments



Customer Profile	Q1 10	Q4 09	Q1 09	FY09
Software ISV	39.5%	38.2%	36.6%	35.7%
Strategic Partners	9.4%	10.3%	12.8%	11.9%
Direct Industrial	51.1%	51.6%	50.6%	52.4%

# Industry Verticals

- Software ISV and Partners
- Automotive
- Agri and Construction Equip
- Industrial and Marine Eng
- Others



Vertical	Q1 10	Q4 09	Q1 09	FY09
Software ISV and Partners	49.3%	48.5%	49.5%	47.7%
Automotive	32.3%	31.7%	30.5%	31.5%
Agricultural and Construction Equipment	8.5%	9.7%	10.2%	11.0%
Industrial and Marine Engineering	4.8%	4.2%	5.5%	4.6%
Others	5.0%	5.9%	4.3%	5.3%

# Operational Parameters

## Delivery Location Distribution

Service Revenue (%)	Q1 10	Q4 09	Q1 09	FY09
Offshore	55.0%	52.1%	46.0%	48.8%
Onsite	36.0%	40.2%	46.5%	43.2%
Offsite	9.0%	7.7%	7.5%	7.9%

## Project Type Distribution

Revenue* (%)	Q1 10	Q4 09	Q1 09	FY09
Time & Material	83.4%	80.8%	83.7%	81.4%
Fixed Price	16.6%	19.2%	16.3%	18.6%

\* Revenue is operating revenue less product revenues and hardware reimbursements

## Utilization

%	Q1 10	Q4 09	Q1 09	FY09
Including Trainees	85.5%	86.1%	84.2%	85.8%
Excluding Trainees	85.5%	86.3%	86.8%	87.1%

# Customer Analysis

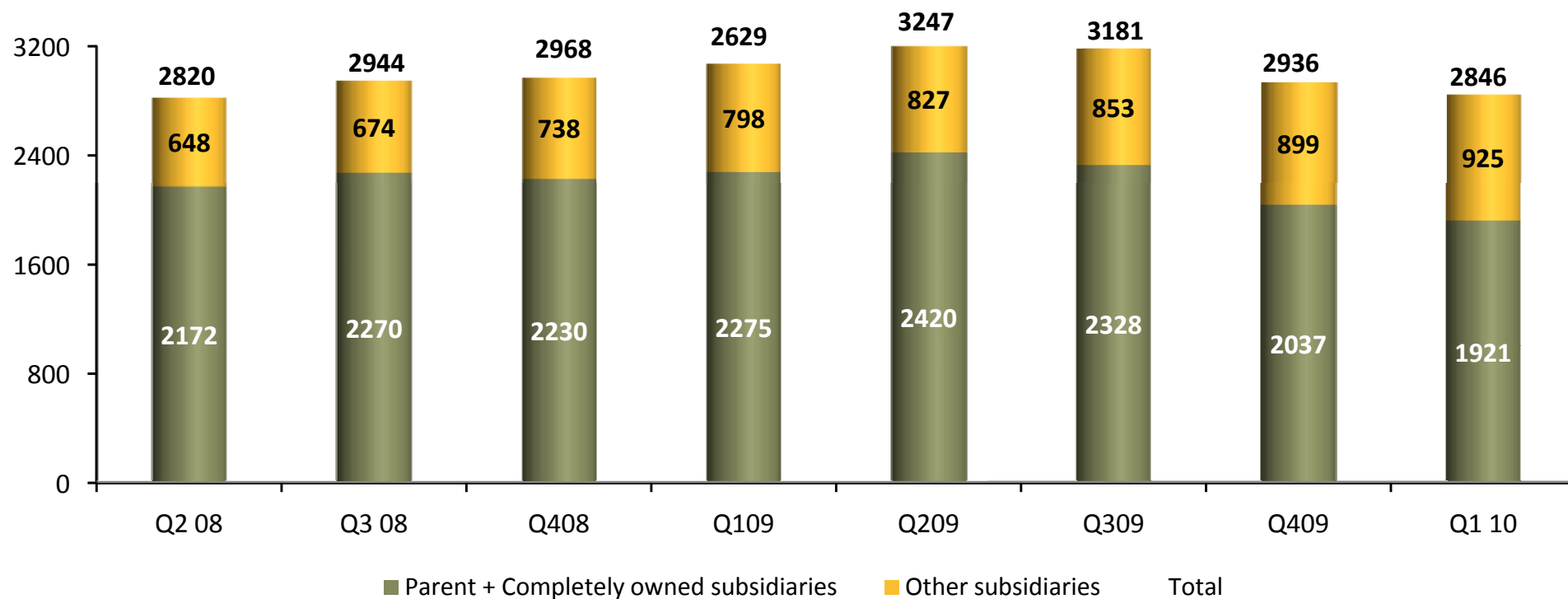
Revenue (%)	Q1 10	Q4 09	Q1 09	FY09
Top 1	30%	26%	25%	25%
Top 5	53%	50%	52%	50%
Top 10	68%	64%	69%	65%

New Clients	Q1 10	Q4 09	Q1 09	FY09
Number of new clients added	8	13	20	55

Order Book	Q1 10	Q4 09	Q1 09	FY09
New deals won (USD million)	3.9	4.6	12.8	29.5

Order Book Analysis – Q1 10	US	Europe	APAC	India	Total
Engineering	1.26	0.59	0.13	0.02	2.00
PLMS	0.85	0.30	0.01	0.03	1.19
SPLS	0.61	0.07	0.00	0.06	0.74
Products (through Geometric sales force)	0.00	0.00	0.01	0.00	0.01
<b>Total</b>	<b>2.72</b>	<b>0.96</b>	<b>0.15</b>	<b>0.11</b>	<b>3.94</b>

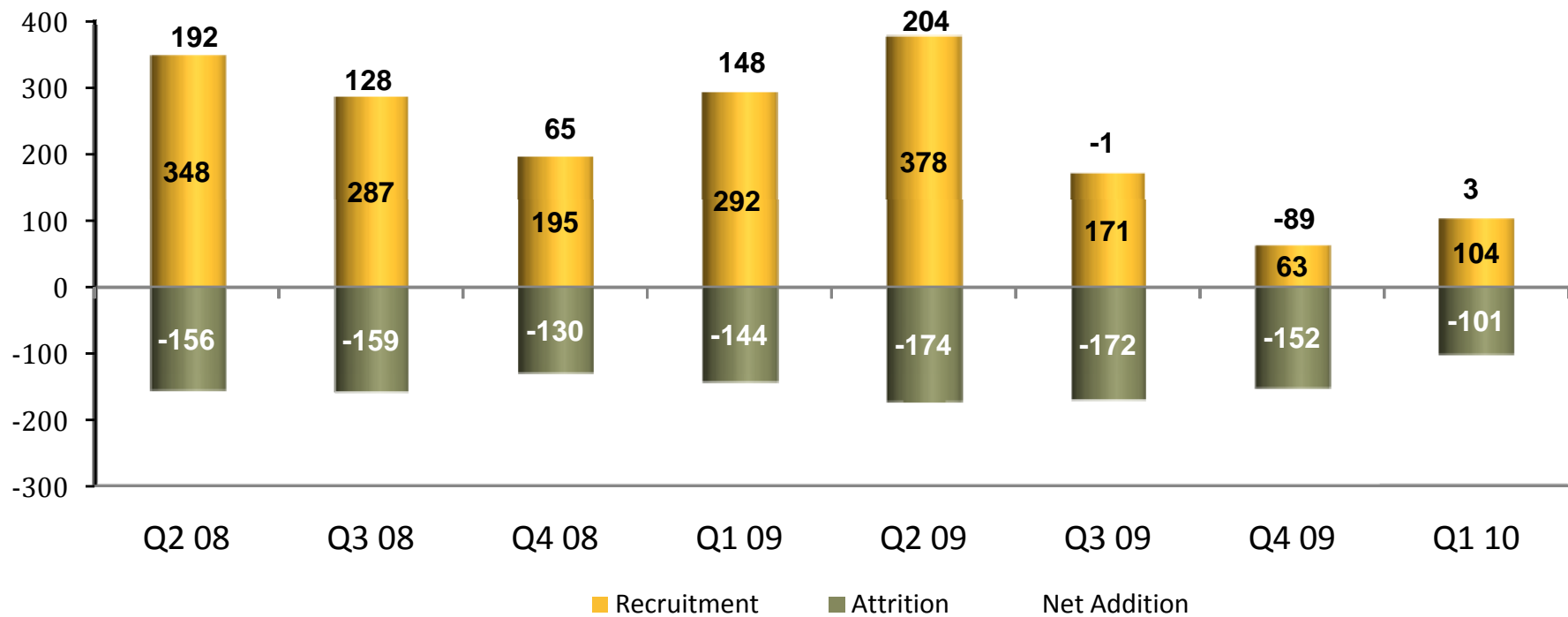
# Employee Base



*All numbers as of end of period*

# Recruitment and Attrition Analysis

- Total recruitment for the quarter was 104
- Annualized attrition for the quarter was 8.2% as compared to 9.2% in Q4 09



*All numbers as of end of period*

**END OF PRESENTATION**

