

Geodesic kicks off re-engineering effort.

2013 Q3 results show first signs of impact.

Summary:

Mumbai –

Geodesic Ltd kicked off its re-engineering and corporate turnaround effort by shuttering some verticals and increasing focus on others as part of its Geodesic 2.0 vision. As expected from this effort, the company reported a loss of ₹64.8-million in the quarter ended March 31, 2013, it's first-ever loss.

We are changing our focus in tune with both changes in the global technology scene as well as the weak global environment. We believe our new focus will build a leaner but a more profitable company in the long run. To go through this process, we need to go through a short period of financial pain, before the positive results of turnaround can be seen.

This was the first “impact quarter” for the changes. While revenues were affected: going down to ₹1478 million in this quarter from ₹2300 million in the corresponding quarter last year, the company has also moved to bring down inventories, work-in-progress and stock-in-trade levels from ₹2150 million to ₹1190 million.

As a result of the re-organization, the company posted lower earnings in financial products, content management solutions and web services, while improving its performance in new-focus businesses of Communication - Collaboration stack and Electronic products.

The company's business, which enjoyed several years of steady improvement, has been hurt in the last few quarters by weak economic conditions, and global technology changes. The company is driving a product-service consolidation and also was hurt by the lower uptake of electronic products in the wake of delayed project deployments.

The important thing to recognize is that this is a short-term impact – it is transitory and something we expect to undergo as we move our way out of weaker sectors of the global economy and re-align our products and services to cater to faster-growth opportunities.

The loss came as sales during the quarter fell to ₹1478-million from ₹2300-million in the corresponding 2012 quarter, or

₹2223-million in the last quarter. The loss for the quarter included writing off of bad debts to the extent of ₹63-million and exchange fluctuation loss of ₹159-million. We expect our total bad debts to be in the range of ₹1000-million from our receivables as listed during the last financial year. We have till date, written off ₹422-million in bad debt in this financial year and ₹428-million during the last financial year.

We are hopeful of recovering our payments during the next two quarters and are hopeful of writing back some of them. We have also initiated legal action against a few



companies to recover our payments. However, the global situation is dynamic and this may warrant a re-look at bad debts on a regular basis.

Our strategy should succeed in the longer term. Over the past four years we have managed to maintain EBITDA margins as a result of product innovation and customer-friendly business models. We expect to continue to expand our EBITDA margins through 2014.

Geodesic's Enterprise customer base for its core business has grown and its mobile products now reach out to over 20 million users across 100 countries.

"We believe the impact of our changes will be seen in our balance sheet for just one or two more quarters – and the board took the call to build the company for the longer run rather than just focus on quarter-to-quarter numbers. Technology is always an interesting business – great growth is often followed by period of re-adjustment. We believe we are going through one, and will come out of it stronger, and that Geodesic 2.0 will be as compelling a prospect as we always were in the past."

Adjusted earnings per share stands at ₹4.32

FY 2013 III Quarter Operational Highlights:

Geodesic, during the said quarter has embarked upon consolidating its product line across our core offerings. This consolidation will help Geodesic realign its manpower, expand our management bandwidth and consolidate resources to focus on growth. Geodesic, over the years has built several successful software products/ services. However, we have taken a conscious decision of selling non-core products (IPR) or enter into a joint venture with global companies to capitalize on growth opportunities for our products/ services outside of our core offerings.

In continuation of our bid to make the company financially stronger, Geodesic, has been reducing its exposure to customers whose payment cycles have been affected/ stretched due to the prevailing economic crisis. Besides reducing our exposure to clients with delayed payment cycles. We have pre-closed agreements with some of our financial services clients to reduce our exposure to high-cost, low-margin business. The fall in sales during the said quarter is also a reflection of this reduced billing.

We have pruned our non-core/ non-growth financial services team to better focus on our core areas of communication/ collaboration and electronic products. Our core products including communication/ collaboration and are being re-engineered to address a wider segment of customers and geographies.

As part of this strategy to build a leaner organization, we have been aligning with global partners to consolidate business and ensure overall growth.

Geodesic, during the FY 2013 III quarter added three new enterprise customers for the communication and collaboration stack besides adding four new customers for the electronic products offering. These contracts are long-term contracts and include recurring revenues. Each of these above contracts will generate revenues between ₹30-million to ₹100-million a year.



Geodesic extended its pre-bundling deal with a prominent handset vendor to load five million handsets with Mundu products.

Geodesic added 750,000+ new users across Mundu TV, Spokn and Mundu Radio during this quarter. However, the ratio of downloading users to paying users is low at this stage. We are working on off-line payment options to increase this ratio.

FY 2013 III Quarter Financial Highlights:

Revenues - On a consolidated basis, Geodesic Ltd revenues for the quarter ended March 31, 2013 were ₹1478-million, a decrease of 36% compared to the quarter ending March 2012.

Operating Expenses – Operating expenses were ₹1431-million in the third quarter of 2013, compared to ₹1518-million in quarter ending March 2012.

Depreciation & Amortization Expenses – Depreciation and Amortization expenses were ₹247-million for the third quarter of 2013, compared to ₹341-million in quarter ending March 2012.

Operating Income – On a consolidated basis, Geodesic's operating income in the third quarter of FY 2013 was ₹1478 million. This compares to operating income of ₹2300 million, in quarter ending March 2012.

Interest and Other Income, Net – Interest and other income, net, was ₹43 million in the third quarter of 2013, compared to ₹32 million in quarter ending March 2012

Geodesic's cash flow coupled with subsidiary restructuring and foreign exchange losses resulted in delayed payments across our corporate system including statutory obligations. However, we are aggressively working on resolving these issues and are hopeful of resolving them by the end of this month.

Dividend:

Based on our AGM held on Feb 11 2013, the FY 2012 dividend of ₹2.00 per share will be distributed to shareholders as soon as we repay the bondholder / banks

Buyback:

We are committed to implementing the share buyback plan announced in the month of November 2012. The dates of implementing the buyback will be announced post the repayment of convertible bonds and other bank borrowings. We sincerely wish to thank shareholders/ investors for their patience and support.

FCCB:

We are confident of repaying convertible bonds at the earliest and are in the process of completing all regulatory and restructuring formalities. We plan to make Geodesic a debt free company by the end of FY2013.

Geodesic's consolidation plan, a significant portion of which will be implemented during the next three quarters, will include resource realignment/ workforce reduction



in areas of non-core business areas, business line consolidation and management bandwidth expansion. Geodesic hopes to return to its winning ways in the fourth quarter of FY 2014.

About Geodesic:

Geodesic Limited is an innovator of software products focused in the areas of Content Management, Unified Communication, CRM and Collaboration Solutions for the enterprise and the retail segments. Headquartered in Mumbai, India. Geodesic offers its solutions across smart phones, tablets and desktop computers. Geodesic has successfully launched e-governance solutions using GeoAmida – a handheld terminal used largely for Financial Inclusion, Public Distribution Systems, NREGA and Law Enforcement.

The Company is listed on the National Stock Exchange and the Bombay Stock Exchange in India. Geodesic has offices in Mumbai, Bangalore and Chennai in India, USA, Uruguay, UK, UAE, Hong Kong and Mauritius.