

Geodesic Limited

CMP Rs. 112.0
BUY

Q2 FY2009
Result Update

The Robust Growth Continues !!

Geodesic is an innovative technology company making software products focused on Information, communication and entertainment for mobile phones and desktop computers. The products include Instant messenger, Mobile VoIP (Voice over Internet Protocol) and Internet radio. The company has plans to launch a VoIP product soon. The company has tied with up with leading online & offline marketing companies to globally launch its new product.

The quarter gone by Q2 09

Geodesic Ltd continues to be an outperformer, reporting a robust Y-Y revenue growth of 125.1%. The operating profit has shoot up by 143.9% and the EBITDA is up by 145%. The PAT has also gone up by 126.5%. The company has over the years shown an impressive growth and it still continues to have high operating and PAT margins.

The growth has continued in the first two quarters of FY09 as well. The company has grown by 24.5% quarter on quarter with revenue growing to Rs. 1,542.31Mn in Q2 from Rs. 1,238.78Mn in Q1. The company still maintains high operating margins of 62.3% and PAT margins of 48.7%. The company has been a zero debt company until 2007, in 2008 the company has acquired debt of Rs. 5,067.9mn for possible acquisitions changing the debt equity ratio to 1:1.

Key Developments

- The company name is changed from 'Geodesic information Systems Limited' to '**Geodesic Limited**' as it was not representing the true nature of the business.
- The company has closed licensing deal with Medion AG, Leading European electronics manufacturer to provide award winning Mundu IM service on a new mobile device
- Geodesic has signed six new Enterprise customers across USA, Europe and Asia during 2nd quarter 09. Three include handset manufacturers, Telecom providers, BFSI and Value Added Service Providers.
- Geodesic has added 3,97,000 new retail users up from 2,78,000 which were added in 1st quarter 09.
- Geodesic has increased its staff by around 50 software engineers to Mumbai and Bangalore office.
- Geodesic has signed deals with leading digital and offline media agencies to handle the global marketing for the launch of their new product.
- During the quarter one of the subsidiaries Chandamama India Limited conducted 'Children's Day Out' an event in Chennai, Coimbatore and hydrabad. The event saw over 4000 children in each city participating in activities such as Painting, story telling, single-wicket cricket and others.

Outlook & Valuation

This new age technology company has grown at 94% topline & 102% bottomline CAGR over FY05-08 period. We believe that Geodesic is still in its early lifecycle stage & expect the growth momentum to remain very strong in the foreseeable future. The company has enjoyed & sustained very healthy profit margins and the attractive return ratios have been consistent. We perceive Geodesic as a high-growth innovative-technology company trading at very modest valuations. With the launch of its highly cost efficient VOIP services in 40 countries, and a possible launch in India in the near future, Geodesic is poised for some exciting growth ahead. We are optimistic for Geodesic's prospects as a company and as an investment proposition. Considering the consistent growth performance in line with the current market conditions we recommend a BUY on the scrip. The company is available at cheap valuations of 6.9x FY08 earnings.

Geodesic : Quarterly Financials

Earnings Statement								
YE March (Rs. Mn.)	Q209	Q109	Q-Q(%)	Q208	Y-Y(%)	H109	H108	Y-Y(%)
Net Revenues	1,542.3	1,238.8	24.5%	685.20	125.1%	2,781.1	1,264.5	119.9%
Total Expenditure	581.0	458.8	26.6%	291.09	99.6%	1,039.8	523.1	98.8%
Loss: Exch Fluctuation	(49.9)	(13.3)	274.3%	(0.0)	-	(63.2)	51.6	-
Software Development exp	473.3	271.6	74.2%	15.55	2943.4%	744.9	307.9	141.9%
Marketing Expenses	44.0	62.8	-30.0%	173.87	-74.7%	106.8	26.9	297.1%
Utilities	3.6	3.4	6.7%	26.89	-86.7%	6.9	4.6	49.8%
Staff Costs	58.4	56.7	3.0%	2.91	1906.6%	115.1	85.0	35.3%
Exch Loss on Forward Contract	(4.2)	30.0	-	46.60	-	25.8	0.0	-
Other Expenses	55.9	47.6	17.3%	0.00	-	103.5	47.1	119.9%
Operating Profit	961.3	780.0	23.3%	394.11	143.9%	1,741.3	741.3	134.9%
Other Income	70.2	57.8	21.6%	26.95	160.6%	128.0	57.6	122.3%
EBITDA	1,031.6	837.7	23.1%	421.06	145.0%	1,869.3	798.9	134.0%
Misc Write off	0.0	0.0	-	0.07	-	0.0	0.1	-
Depreciation	87.4	84.9	3.0%	60.76	43.9%	172.3	0.1	246087.1%
PBIT	944.1	752.8	25.4%	360.20	162.1%	1,697.0	687.5	146.8%
Interest	104.8	93.3	12.4%	0.04	-	198.1	0.1	282941.4%
PBT	839.3	659.6	27.2%	360.16	133.0%	1,498.8	847.0	77.0%
Tax	91.3	75.1	21.6%	25.56	257.2%	166.4	65.4	154.3%
PAT before MI	748.0	584.5	28.0%	334.63	123.5%	1,332.5	622.0	114.2%
Extraordinary Item	(3.6)	0.0	-	(2.9)	-	(3.6)	(3.1)	17.3%
Minority Interest	0.0	0.0	-	0.11	-	0.0	0.2	-
Share of P&L of Associates	0.0	0.1	-	0.00	-	0.1	0.0	-
Reported PAT	751.6	584.6	28.6%	331.83	126.5%	1,336.2	619.1	115.8%
Equity	184.4	184.3	0.0%	182.34	1.1%	184.4	182.34	1.1%
EPS	8.2	6.3	28.5%	3.64	124.0%	14.5	6.8	113.4%
Ratio Analysis								
Profitability								
YE March	Q209	Q109	Q-Q(bps)	Q108	Y-Y(bps)	H108	H107	Y-Y(bps)
OPM (%)	62.3%	63.0%	-63.2	57.5%	481.3	62.6%	58.6%	398.5
EBITDA (%)	66.9%	67.6%	-74.1	61.5%	543.4	67.2%	63.2%	403.3
EBIT (%)	61.2%	60.8%	44.2	52.6%	864.6	61.0%	54.4%	664.8
PAT (%)	48.7%	47.2%	153.7	48.4%	30.3	48.0%	49.0%	(91.9)
Operational Parameters								
YE March	Q209	Q109	Q-Q(bps)	Q208	Y-Y(bps)	H108	H107	Y-Y(bps)
Software Development exp	30.7%	21.9%	875.8	2.3%	2,841.5	26.8%	24.4%	243.1
Marketing Expenses	2.9%	5.1%	(222.1)	25.4%	(2,252.5)	3.8%	2.1%	171.3
Staff Cost	3.8%	4.6%	(79.0)	0.4%	336.1	4.1%	6.7%	(258.7)
Utilities	0.2%	0.3%	(3.9)	3.9%	(369.3)	0.2%	0.4%	(11.7)
Other Expenditure	3.6%	3.8%	(22.4)	0.0%	362.2	3.7%	3.7%	(0.1)
Effective Tax Rate	5.9%	6.1%	(14.0)	3.7%	218.9	6.0%	5.2%	80.8

Geodesic : Financials

Earnings Statement				
Particulars (Rs Mn)	FY05	FY06	FY07	FY08
Total Revenues	432.2	967.8	1,680.5	3,164.3
- Growth (%)	147.4%	123.9%	73.6%	88.3%
Total Expenditure	195.7	429.1	644.3	1,249.2
Operational Exp	165.6	283.7	396.3	833.0
Staff Cost	0.0	72.1	106.3	184.2
Other Admin Exp	30.0	67.7	136.0	220.0
Exp W/O	0.1	5.6	5.7	11.9
Operating Profit	236.4	538.7	1,036.3	1,915.2
Other Income	7.3	36.3	76.1	138.4
EBITDA	243.7	575.1	1,112.4	2,053.6
Depreciation	55.1	138.1	207.5	336.2
EBIT	188.6	437.0	904.9	1,717.4
Interest	0.2	1.5	1.2	74.3
PBT	188.4	435.5	903.7	1,643.1
Tax	7.8	23.0	(8.0)	157.1
PAT Before MI	180.6	412.6	911.6	1,486.1
Minority Interest	0.0	0.0	0.0	0.0
PAT after MI	180.6	412.6	911.6	1,486.1
- Growth (%)	129.4%	128.5%	121.0%	63.0%
Extraordinary Items	(1.4)	(10.1)	(13.4)	(0.6)
Reported PAT	179.1	402.5	898.2	1,485.5

Ratio Analysis				
Particulars	FY05	FY06	FY07	FY08
OPM (%)	54.7%	55.7%	61.7%	60.5%
EBITDA (%)	56.4%	59.4%	66.2%	64.9%
PBIT (%)	43.6%	45.0%	53.8%	51.9%
PAT (%)	41.8%	42.6%	54.2%	47.0%
Interest Cover (x)	1,047.6	296.7	772.1	23.1
EPS (Rs.)	3.5	7.0	15.4	16.1
P/E (x)	32.1	15.9	7.3	6.9
P/BV (x)	10.8	3.2	2.1	2.2
BVPS (Rs.)	10.4	34.6	52.9	50.0
Market Cap (Rs. Mn.)	5,791.9	6,565.0	6,629.5	10,325.7
M Cap/Sales (x)	13.4	6.8	3.9	3.3
EV (Rs. Mn.)	5,433.1	5,665.6	5,443.2	8,800.2
EV/EBITDA (x)	22.3	9.9	4.9	4.3
EV/Sales (x)	12.6	5.9	3.2	2.8
ROCE (%)	31.3%	20.9%	28.6%	17.5%
RONW (%)	33.7%	20.4%	29.1%	32.2%
Debt/Equity Ratio (x)	0.1	0.0	0.0	1.1
Debtors T/o Days	132.1	88.1	134.0	120.3
Advances T/o Days	29.1	76.8	59.6	108.9
Creditors T/o Days	140.2	6.6	20.4	40.3
Wrkg Cap (Ex Cash) T/o Days	28.1	153.0	164.1	160.4
Fixed Assets T/o (Gross)	1.7	1.4	1.7	1.9
DPS (Rs.)	0.3	0.4	0.4	0.6
Dividend Payout (%)	8.5%	5.7%	2.6%	3.7%
Dividend Yield (%)	0.3%	0.4%	0.4%	0.5%

Balance Sheet				
Particulars (Rs Mn)	FY05	FY06	FY07	FY08
Equity Capital	103.4	117.2	118.3	184.3
5% Redeemable Pref. Sh.	16.5	16.5	16.5	0.0
Share Application Money	19.3	39.9	193.1	18.4
Reserves	398.1	1,875.3	2,821.7	4,556.9
Shareholders Funds	537.3	2,048.8	3,149.6	4,759.6
Borrowed Funds	52.8	21.6	15.2	5,067.9
Deferred Tax Liability	12.8	25.2	1.5	(17.9)
Minority Interest	0.0	0.1	0.2	2.8
Total Liabilities	602.8	2,095.8	3,166.5	9,812.4
Goodwill	0.0	247.8	247.8	134.1
Fixed Assets	157.0	498.7	944.2	1,546.0
Investments	46.7	522.6	138.6	232.8
Current Assets				
Inventory	2.9	1.0	0.1	0.3
Sundry Debtors	156.5	233.6	616.7	1,042.8
Loans & Advances	34.5	203.7	274.2	943.8
Cash & Bank Balance	364.9	398.5	1,062.9	6,360.7
Other C.A. (Deposits)	5.5	0.0	0.0	0.0
Current Liabilities				
Sundry Creditors	166.0	17.5	94.0	349.2
Provisions	0.0	15.2	41.2	247.2
Net Current Assets	398.2	804.2	1,818.6	7,751.2
Miscellaneous Exp	1.0	22.6	17.3	148.2
Total Assets	602.8	2,095.8	3,166.5	9,812.4

Cash Flow				
Particulars (Rs Mn)	FY05	FY06	FY07	FY08
Opening Cash & Bank	81.6	364.9	398.5	1,062.9
Profit After Tax	179.1	402.5	898.2	1,485.5
Invt Income	(7.3)	(36.3)	(76.1)	(138.4)
Interest Paid	0.2	1.5	1.2	74.3
Miscellaneous Exp W/Off	0.0	0.0	0.0	0.0
Depreciation	55.1	138.1	207.5	336.2
Deferred Taxation	2.2	12.1	(23.7)	(19.2)
Others	(4.9)	(303.9)	(17.9)	(18.3)
Change in Working Cap	79.2	(372.4)	(350.1)	(634.8)
CF - Operating Activities	303.7	(158.5)	639.2	1,085.2
Change in Fixed Assets	(112.5)	(444.8)	(629.8)	(934.6)
Change in Investments	72.9	(475.9)	384.0	(94.2)
Investment Income	7.3	36.3	76.1	138.4
CF - Investing Activities	(32.4)	(884.4)	(169.8)	(890.4)
Increase in Equity	(22.8)	1,135.8	230.0	205.8
Changes in Pref Cap	0.0	0.0	0.0	(16.5)
Changes in Borrowings	52.4	(31.1)	(6.4)	5,052.7
Interest Paid	(0.2)	(1.5)	(1.2)	(74.3)
Dividend Paid	(17.4)	(26.7)	(27.5)	(64.8)
CF - Financing Activities	11.9	1,076.4	194.9	5,103.0
Net Change in Cash	283.3	33.6	664.4	5,297.8
Closing Cash & Bank Bal	364.9	398.5	1,062.9	6,360.7

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