

## Annexure 'X' – Board's Report

### MANAGEMENT'S DISCUSSION AND ANALYSIS REPORT

#### Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 2013, and Generally Accepted Accounting Principles (GAAP) in India. The management of Geometric Limited (Geometric) accepts responsibility for the integrity and objectivity of these financial statements, as well as for various estimates and judgments used in preparing the financial statements.

#### A. Business Environment and Outlook:

Geometric serves the manufacturing industries – especially automotive, aerospace and industrial equipment sectors. Our services, solutions and technologies cover product realization services and solutions, such as Product Lifecycle Management, Software Product Development, Embedded Systems and Global Engineering services. These services help our customers to improve their design efficiencies and time to build their products.

The economic uncertainties and slower global business activity in core industries like mining continued to hamper growth in the equipment thereby resulting in continued sluggish growth. The oil and gas sector suffered the effects of low crude prices and thereby impacting the investments in tools and technologies. The agricultural sector in the US, under the pressure of low commodity and food prices was very conservative for new investments. However, this was offset by stronger growth in other opportunities in other industries such as automotive and aerospace. The trend for increased outsourcing for global engineering in Europe and Asia continue to provide increased demand for our key offerings going into the new Financial Year. Another noticeable trend in FY16 was the investment in new technologies such as the IIOT.

#### *Automotive Industry*

The automotive industry will continue to be the largest industry market for Geometric. The automotive industry is poised for new R&D investments especially in the area of autonomous vehicle, improvement in engine performance and new business models for revenue growth using the technological advances in connected cars. New vehicle program launches around the globe provide opportunities for Geometric to expand the global footprint for its Manufacturing Engineering and Tool Design business. The increasing trend of collaboration with other OEM's will help in use of PLM systems, thereby increasing the growth potential for Geometric. With the advent of Industry 4.0, there is a heavy demand for system integration of disparate engineering systems. Geometric is well poised to provide system integration services. Electronics and embedded systems will continue to be the biggest area of R&D and new development for the industry. The automotive industry is certainly promising with opportunities for Geometric. Our growth will be dependent on our ability to scale our competencies and capacity to serve the growing global needs of this industry.

#### *Industrial Industry*

FY16 continued to be a challenging year for the off-highway equipment industry as a whole. There was continuing weakness in the mining industry with commodity prices for iron ore and gold reaching record lows forcing many companies to cut costs and postpone projects. The impact of this was reflected in sluggish sales and lower revenues in mining dependent sectors. However, the sector is looking at investments in new product developments especially in the area of embedded systems and connected vehicles. The sector is also looking at various technologies and tools to improve productivity and reduce costs of design. Geometric is well poised to support this initiative using some of our tools as part of our engineering services.

The dramatic drop in the price of oil in the second half of FY15 created new challenges for this sector with reduced budgets and postponement of various projects. Geometric has been able to maintain its revenue share, however growth in this sector was a challenge.

For this market segment, sales are projected to be relatively flat through 2017 due to a combination of slowing economic growth and widespread availability of quality used equipment.

#### *Aerospace Industry*

The Aerospace industry represents Geometric's key growth market. In FY16, the commercial aircraft sector continued to trend upwards in building upon its production momentum and is expected to continue its healthy revenue growth for OEMs and their suppliers. The major investment in the aerospace industry is to improve the production capacities and reduce the manufacturing costs. Our three flagship aerospace customer groups have also shown positive business performance and embarked on programs that open

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up long term opportunities for Geometric. The increasing use of IIOT technologies for maintenance and repair activities opens up new opportunities for Geometric. Geometric will continue to help the industry in its need for speed and efficient engineering through our specific offerings aimed at modernizing their IT landscapes and key product and manufacturing engineering processes. Geometric is well positioned to address the market needs emerging from our focus accounts and is looking at possibilities of partnerships and collaboration with niche partners to cater to various opportunities in the segment.

### Products & ISV Relationships

Innovation delivered in partnership with software products providers for the engineering domain continues to be strength for Geometric. Focus to reinforce and formalize our systems integration relationships for services and establishing a strong governance model with our partners to serve the end-customer together will be key. Geometric with 3D PLM Global Services Pvt. Ltd., has contributed significantly to the deployment of global services and will continue to be the major growth engine for Geometric.

### B. Opportunities and Threats:



The significant opportunities that Geometric sees for growth and the achievement of its near term and long term goals are based on the following:



1. The continued focus across all industry segments for reducing time and cost of product development provides us significant opportunity to provide our technologies and tools enabled solutions.

2. Increasing focus of Automotive industry on the adoption of systems engineering presents opportunities for Geometric across all elements of our solutions portfolio -PLM, consulting and engineering services.

3. Transition of the PLM market to the next generation of PLM technology platforms represents significant opportunities for Geometric as our customers develop their strategies and plans to implement these new platforms over the next several years.

4. The continued focus, across all industry segments on Smart Products and the Internet of Things represents an opportunity for Geometric. Providing integrated solutions using our PLM, embedded and engineering capabilities, positions us to take advantage of this global trend..

5. With global OEM's continuing to invest in new vehicle launches in the US, it presents opportunities for our automotive vertical.

The main threats to the growth of the Company will come from:

1. Uncertainties in economic, business and geo-political conditions continue to affect the industrial sector – a key market for Geometric. Geometric attempts to minimize the risk through diversification across different verticals.

2. Foreign exchange rate fluctuations. As the company uses India as a major source of manpower, the exchange rate of the Rupee vis-à-vis the US Dollar and other currencies could affect its ability to compete, the movement in Rupee exchange rate vis-à-vis US dollar could also result in fluctuation in our operating margins and have short term impact on profitability. Geometric attempts to minimize the risk by building sales opportunities in diverse regions, diversifying the currency in which it invoices its customers and by taking forward covers where appropriate.

3. Increased emphasis by customers on low cost captive centers, motivated by IP. Geometric's strategy to minimize this risk is to provide integrated solutions using our tools and technologies and thereby provide differentiated cost-effective solutions.

4. Increasing competition from larger global systems integrators in the engineering and manufacturing space is a threat. Geometric, with its technologies and tool enabled engineering services provides a differentiated value proposition to our customers.

### C. Segment-wise Reporting:

Geometric has organized its service offerings in three distinct areas:

- (i) Software Solutions and Services
- (ii) Engineering Solutions and Services
- (iii) Products

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### Software Solutions and Services:

In FY16, we won deals for software services that have helped us improve customer intimacy and get top management visibility at our customers. Some of our existing accounts, especially in Europe grew significantly and will lead to major contribution to growth in the coming years. Our expertise in CAD and PLM integrations helped us win new marquee customers, market leaders in the automotive sector and we hope to extend these into million dollar engagements. Our Consulting Group helped us win new accounts in Automotive Tier-1 segments. Geometric truly believes that this can generate significant business in the coming years. In China particularly, our Consulting led approach has ensured that we maintain steady revenue growth. Our strengths in defining and deploying process solutions have further strengthened our engagements in the industrial equipment sectors resulting in long term contracts.

We are confident of healthy growth in FY17 through our initiatives on offering-led business development with the focus to further reinforce our differentiation in software services. We are continuing to strengthen our competency based organization structure to improve our offerings, provide a career path for technical experts and to improve our capability to provide integrated solutions along with our tools and technologies.

### Engineering Solutions and Services:

Geometric provides engineering solutions and services for product engineering, manufacturing engineering and industrial engineering to customers across all our target industries. FY16 was a difficult year for the Engineering solutions and Services segment. The slowdown in the off-road equipment industry segment, which is one of Geometric's largest segment for engineering services affected our growth. We were able to offset some of the slowdown by ramping up services in China and new customers in Europe. The delay in launch of new vehicle programs by the automotive companies in the US also affected some of our projects in the manufacturing engineering arena. However, we believe that these projects will start in FY17 thereby giving us good impetus in growth.

In FY16 we successfully launched the manufacturing engineering practice in China and were able to truly leverage our global engineering capability. We have deep competencies and differentiated proposition in should costing, which we are taking ahead to sharpen our Value Analysis/Value Engineering offering as we help customers engineer products for new growth markets.

We have redefined our major offerings with a view to win larger deals and ensure long term annuity contracts with our customers. We have integrated our tools and technologies in our engineering services, thereby providing comprehensive services for design automation. We will focus on taking our new offerings to our marquee clients.

### Products:

Products and Technology portfolio of Geometric includes products for design, manufacturing, visualization and collaboration. The portfolio also includes interoperability solutions that integrate engineering and manufacturing applications within and across PLM and other enterprise systems. Our DFX product continues to expand its success through the value delivered to some of the world's most innovative organizations. CAMWorks, our CAM solution that has traditionally been a retail product sold through distributor network, also expanded this year on newer CAD platform to increase its addressable market size. Our visualization solutions, continues to get good interest in many enterprises and we were able to sell to one of large industrial OEMS in Europe. This was achieved through partnership with a local product company.

This year we were able to position our DFX offering as a strategic technology for some of the large global enterprises in the consumer and electronic segment. We have started our initial engagements and plan to expand it into significant opportunities in FY17.

### D. Outlook:

The Company had launched a number of strategic initiatives in the year and plans to build on these to achieve continuous improvement and steady business performance in the coming year.

### E. Risks and Concerns:

The risks and uncertainties include, but are not limited to, risks and uncertainties regarding fluctuations in earnings and exchange rates, the Company's ability to successfully manage growth, intense competition in IT services including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professionals in the global markets we serve, time and cost overruns on fixed price contracts, client concentration, restrictions on immigration, our ability to manage our international marketing & sales operations, our ability to invest in development of next-generation offerings and solutions, 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 and our customers' intellectual property, the latter

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when in our possession as well as general economic conditions affecting our industry and repayment capability of customers in current market scenario. 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 to time by or on behalf of the Company.

### F. Internal Control Systems and their Adequacy:

The Company has adequate internal control systems and procedures commensurate with its size and nature of business. All areas of the Company's operations are covered by such internal control systems including sale of software, purchase of fixed assets and equipments, other purchases, fixed assets accounting, personnel expenditure related processes etc. An independent firm of Chartered Accountants has been appointed as the Internal Auditors of the Company and the Audit Committee has accepted their reports and the recommendations, where feasible, have been implemented. The Company has re-implemented SAP- a world class ERP system to serve as the information backbone and to further strengthen internal controls in the company.

### G. Discussion on financial performance with respect to operational performance:

#### (i) Financial condition

##### Equity and Liabilities

#### 1. Share Capital:

At present, we have only one class of shares – Equity Shares of par value ₹ 2 each. Our authorized share capital is ₹ 160 Mn, divided into 80 Mn equity shares of ₹ 2 each.

During the year 602,447 equity shares of ₹ 2 each have been issued under various Employee Stock Option Plans. Consequently, the issued, subscribed and outstanding shares increased from 64,427,967 to 65,030,414 and share capital increased from ₹ 128.86 Mn to ₹ 130.06 Mn.

#### 2. Reserves and Surplus:

A summary of reserves and surplus is provided in the table below:

(₹ in Millions)

Particulars	Standalone		Consolidated	
	31-Mar-2016	31-Mar-2015	31-Mar-2016	31-Mar-2015
Securities Premium Account	141	99	317	275
Hedging Reserve	14	53	19	280
General Reserve	286	286	440	407
Foreign currency translation Reserve	(14)	(64)	172	109
Capital Redemption Reserve	-	-	1	1
Capital Reserve	-	-	1	1
Investment Reorganization Reserve	756	756	49	49
Surplus in the Statement of Profit and Loss	3,362	2,545	3,613	2,828

We use foreign currency forward contracts to hedge risk associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecast transactions. We designate these as Cash Flow Hedges. Foreign currency forward contracts are initially measured at fair value and are re-measured at subsequent reporting dates. Changes in the fair value of these derivatives that are designated and effective as hedges of the future cash flows are recognized directly under Shareholder's Funds in the Hedging Reserve.

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### 3. Deferred tax Liability & Asset:

Deferred tax asset represents timing differences in the financial and tax books arising from depreciation on assets and provision for Bonus and others (causing deferred tax asset).

(₹ in Millions)

Particulars	Standalone		Consolidated	
	31-Mar-2016	31-Mar-2015	31-Mar-2016	31-Mar-2015
Deferred Tax Asset	56.00	57.00	128.00	91.00

### 4. Other Long term Liabilities:

(₹ in Millions)

Particulars	Standalone		Consolidated	
	31-Mar-2016	31-Mar-2015	31-Mar-2016	31-Mar-2015
Deferred Revenue	-	-	57.42	60.59

### 5. Long term Provisions:

Long term provisions of ₹79.52 Mn as of March 31, 2016 and ₹ 109.77 Mn (Consolidated) as of March 31, 2015 represent provision towards employee benefits due after 12 months.

### 6. Short Term Borrowings:

(₹ in Millions)

Particulars	Standalone		Subsidiaries abroad	
	31-Mar-2016	31-Mar-2015	31-Mar-2016	31-Mar-2015
Loan from Citi Bank	198.00	187.14	589.43	505.93
Loan from ING Bank	-	-	-	81.38

### 7. Trade Payables:

Sundry creditors represent the amount payable to vendors for the supply of goods and services. The Consolidated amount of trade payables includes ₹ 1.41 Mn due to Small and Medium Scale Enterprises.

### 8. Other Current Liabilities:

Other current liabilities consist of advance billing to customer & deferred revenue, accrued salaries & benefits payable to the staff, various statutory liabilities and amounts accrued for various other operational expenses. Unclaimed dividends represent dividends paid but not en-cashed by shareholders.

### 9. Provisions:

Provision for Compensated absences represents amount calculated as per Company's leave encashment policy and provision for Gratuity represents additional provision over gratuity fund made based on actuarial valuation. Provision for mark to market loss on derivative contracts represents the amount of loss on mark-to-market valuation of the forward covers taken by the Company

### Application of funds

#### 10. Fixed Assets:

##### Capital expenditure:

We commissioned our new software development centre at Phase 1, Rajiv Gandhi Infotech Park, Hinjewadi, Pune. We incurred an amount of ₹121.02 Mn (₹147 Mn in the previous year) on Computer equipment as capital expenditure.

The Company has verified the assets and where required the technology assets have been replaced.

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### 11. Current & Non-Current Investments:

(₹ in Millions)

Particulars	Standalone		Consolidated	
	31-Mar-2016	31-Mar-2015	31-Mar-2016	31-Mar-2015
<b><u>Current Investments:</u></b>				
Investments in Mutual Funds	1,133.06	590.06	1,622.10	1,187.43
<b><u>Non-Current Investments:</u></b>				
Investments in Subsidiaries	809.62	809.62	-	-

We have made investments in units of various debt-based liquid or floater mutual funds. This represents surplus funds of the organization parked with these mutual fund schemes, which can be recalled at very short notice.

Other trade investments represent investment made in Powerway Inc. However, as the company has been administratively dissolved in 2010, we have created provision for the diminution in value of investment with full investment amount.

### 12. Long term Loans & Advances:

Long term loans & advances include expenses paid in advance. The benefit of these expenses is expected to be utilized after expiry of twelve months. Sundry deposits represent deposit towards telephone, rent, electricity, lease and other deposits.

Total loans outstanding from Geometric Europe GmbH, as on March 31, 2016 were ₹497.75 Mn.

### 13. Other Non-Current Assets:

Other Non-current assets include the amount of Long term deposits with banks with original maturity period more than 12 months.

### 14. Trade Receivables:

(₹ in Millions)

Particulars	Standalone (Excluding Intercompany)		Consolidated	
	31-Mar-2016	31-Mar-2015	31-Mar-2016	31-Mar-2015
Sundry Debtors	276	285	1,747	1,551
Days sales Outstanding (DSO)	68	60	52	51
Debtors as a % of revenue	18.67%	16.45%	14.16%	14.03%

These debtors are considered good and realizable, and provision has been made for all doubtful debts.

Provisions are generally made for all debtors outstanding for more than 180 days as also for others, depending on the management's perception of the risk. The need for provisions is assessed based on various factors including collectability of specific dues, risk perceptions of the industry in which the customer operates and general economic factors which could affect the customer's ability to settle. As on March 31, 2016, provision for doubtful debts stands at ₹ 6 Mn (Standalone) and ₹6 Mn (Consolidated). The provision has been made for debtors outstanding for more than 180 days and also includes debtors which we foresee unrealizable.

### 15. Cash & Bank Balances:

The bank balances in India include both Rupee accounts and foreign currency accounts. The bank balances in overseas current accounts are maintained to meet the expenditure of the overseas branches and project-related overseas expenditure.

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(₹ in Millions)

Particulars	Standalone		Consolidated	
	31-Mar-2016	31-Mar-2015	31-Mar-2016	31-Mar-2015
Cash balances	-	-	0.25	0.33
Remittance in Transit	-	-	23.00	13.92
Current Accounts (including foreign currency accounts)	56.16	30.36	624.31	518.80
Deposit Accounts	3.00	3.00	3.00	3.00
Unclaimed dividend account	6.00	3.52	6.46	3.52
Investment in liquid mutual funds reported under investments	1,133.06	590.06	1,622.10	1,187.43
<b>Total cash &amp; cash equivalent</b>	<b>1,198.22</b>	<b>626.95</b>	<b>2,279.02</b>	<b>1,727.00</b>
Cash & cash equivalent /revenues	28.32%	15.00%	18.48%	15.62%

### 16. Short term Loans and Advances:

Loans and Advances are primarily towards amounts paid in advance for value and services to be received in future. Advance payment of taxes represents payments made towards tax liability, tax deducted at source and refunds due; for years where assessment is yet to start or under progress.

Loans to employees are made to enable the purchase of assets by employees and to meet any emergency requirements.

### 17. Other Current Assets:

Other current assets include Interest accrued and unbilled revenues

## (II) Financial Review

### 1. Income:

The Company derives its income mainly from software services and the sale of software products. Other income consists of dividends from mutual funds, rent, gains on foreign exchange fluctuations and income from investment of surplus funds.

Details of the business segmentation and geographical segmentation of income are given below. This segmentation is based on the Consolidated Financial Statements of the Company and its subsidiaries.

#### a. Business segmentation of total sales (Consolidated):

(₹ in Millions)

Particulars	31-Mar-2016		31-Mar-2015	
	₹	%	₹	%
Products	935.74	7.59	769.30	6.96
Services	11,398.84	92.41	10,283.70	93.04
<b>Total</b>	<b>12,334.58</b>	<b>100.00</b>	<b>11,053.00</b>	<b>100.00</b>

#### b. Geographical Segmentation of total sales (Consolidated):

(₹ in Millions)

Particulars	31-Mar-2016		31-Mar-2015	
	₹	%	₹	%
USA	7,256.0	58.8	6,466.4	58.5
Europe	3,528.1	28.6	3,276.6	29.6
Asia Pacific	757.8	6.1	613.2	5.5
India	792.7	6.5	696.8	6.4
<b>Total</b>	<b>12,334.6</b>	<b>100.0</b>	<b>11,053.0</b>	<b>100.0</b>

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### 2. Expenditure:

#### 2.1 Operating and Other Expenses (Standalone):

(₹ in Millions)

Particulars	31-Mar-2016	% to Total Income	31-Mar-2015	% to Total Income	Growth %
Personnel Expenses	2,173	45.58%	2,138	51.30%	2%
Travelling and Conveyance Expenses	130	2.73%	177	4.25%	-27%
Software Tools and Packages	97	2.03%	60	1.44%	62%
Royalty	48	1.01%	31	0.74%	55%
Legal and Professional Charges	237	4.97%	52	1.25%	356%
Rent and Service Charges	76	1.59%	94	2.26%	-19%
Repairs and Maintenance	66	1.38%	75	1.80%	-12%
Electricity Expenses	49	1.03%	50	1.20%	-2%
Computer Rental Charges	120	2.52%	101	2.42%	19%
Sales and Marketing Expenses	13	0.27%	28	0.67%	-54%
Other Expenses	132	2.77%	114	2.74%	16%
Sub-contracting Expenses	278	5.83%	246	5.90%	13%
<b>Total Operating and Other Expenses</b>	<b>3,419</b>	<b>71.72%</b>	<b>3,166</b>	<b>75.96%</b>	
<b>Total Income</b>	<b>4,767</b>		<b>4,168</b>		

#### 2.2 Operating and Other Expenses (Consolidated):

(₹ in Millions)

Particulars	31-Mar-2016	% to Total Income	31-Mar-2015	% to Total Income	Growth %
Personnel Expenses	8,264	67.00%	7,552	67.14%	9%
Travelling and Conveyance Expenses	290	2.35%	369	3.28%	-21%
Software Tools and Packages	201	1.63%	138	1.23%	46%
Royalty	126	1.02%	93	0.83%	35%
Legal and Professional Charges	402	3.26%	277	2.46%	45%
Rent and Service Charges	220	1.78%	206	1.83%	7%
Repairs and Maintenance	76	0.62%	78	0.69%	-3%
Electricity Expenses	132	1.07%	120	1.07%	10%
Lease Rental Charges	133	1.08%	78	0.69%	71%
Sales and Marketing Expenses	44	0.36%	65	0.58%	-32%
Other Expenses	373	3.02%	389	3.46%	-4%
Sub-contracting expenses	307	2.49%	357	3.17%	-14%
<b>Total Operating and Other Expenses</b>	<b>10,568</b>	<b>85.68%</b>	<b>9,722</b>	<b>86.43%</b>	
<b>Total Income</b>	<b>12,335</b>		<b>11,248</b>		

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### 2.3 Depreciation:

(₹ in Millions)

Particulars	Standalone		Consolidated	
	31-Mar-2016	31-Mar-2015	31-Mar-2016	31-Mar-2015
Depreciation	86	120	318	303
% to gross block of assets	7%	10%	8%	9%
% to Sales: Software Packages & Services	2%	3%	3%	3%

### 3. Operating Profit:

(₹ in Millions)

Particulars	Standalone		Consolidated	
	31-Mar-2016	31-Mar-2015	31-Mar-2016	31-Mar-2015
Operating Profit (Profit Before Tax Less non-operating Income/(Loss))*	712	520	-	995
Sales: Software Packages & Services	4,013	3,815	12,335	11,053
Operating Margin	17.74%	13.63%	11%	9%

\*Includes Forex Gain / (Loss)

### 4. Provision for Tax:

Provision for deferred tax liability has been made in accordance with the Accounting Standard (AS- 22) issued by the Institute of Chartered Accountants of India.

### H. Material Developments in Human Resources:

The Company continues its focus on attracting and retaining the best talent in the industry. Several technical and behavioral training programs were organized during the year.

#### Number of people employed (Consolidated):

Particulars	31-Mar-2016	31-Mar-2015
Production	4,440	4,460
Support	332	347
<b>Total</b>	<b>4772</b>	<b>4,807</b>

### I. General:

Figures for the previous year have been regrouped / restated wherever necessary to conform to current period's presentation.