Update to "Analysis of Geodesic Ltd and a few observations"

Background:

I published a note on Nov 26 2012 concluding that Geodesic Ltd, a listed firm in India, had irreconcilable cash over Rs 3 billion and that the business was much weaker than shown; outlining my analysis for this conclusion. The key event to substantiate my findings was the redemption of convertible bonds of $ 113 million due 18 January 2013.

Subsequent events are as follows:

17 January 2013 - Geodesic Ltd's Independent Director resigned after an unscheduled Board Meeting, the bonds were not redeemed on 18 January but Management said it will redeem it soon

11 February 2013 – Annual General Meeting held where Management conveyed that funds were lying in overseas subsidiaries and they were working to redeem it and it is likely to be done in 45 days.

22 February 2013 – Another Independent Director re-appointed only 11 days earlier resigns. There are no resident Indian Independent Directors left in the firm.

05 March 2013 – Geodesic announces that "*Company is in the process of group restructuring to facilitate FCCB Redemption and the Company is in talks with the Bond holders regarding the same. Geodesic expects to complete the redemption process by March 31, 2013 subject to regulatory clearances which are expected around the same time.*"

22 March 2013 – Geodesic announces that "*restructuring was in its last legs*" and that "*steps for FCCB redemption would be taken soon after that.*"

No announcements from the firm subsequently. The FCCB (convertible debt) is still to be redeemed despite holding "cash" 150% of the redeemable value.

<u>The subsequent FY 2012 accounts of Geodesic as a whole is inexplicable and irreconcilable with the businesses it is undertaking.</u>

Key highlights below:

1. On the one hand Receivables due to Geodesic Ltd from its lead subsidiary are ballooning even as Geodesic Ltd continues to provide Loans to it while recovery of its earlier Loans is pending.
2. Audit qualifications were made on non-repayment of domestic loans and statutory dues.
3. Increase in trade payables as of Dec 2012 were up 3 times that of June 2012 indicating a high possibility that routine business expenses (including salaries) may have been held back.
4. There was a restraint via a court injunction from paying dividends by a local lender. What is surprising is that this was approved as a resolution by shareholders in the Annual General Meeting (AGM) without any mention of the above suit in the Notice of AGM!

Krishnaraj
Bangalore
15 April 2013