

# Rolta India Ltd.

**CMP: Rs 194**

**Target Price: Rs 229**

**IT / Accumulate**

Rolta has delivered good results with a 7% sequential topline growth and a 12% bottom-line growth. The EGIS division topline has grown by 9% sequentially to Rs. 1868mn, while the EDOS division has grown by 7.8% to Rs. 950mn and the EITS division grew by 2.7% to Rs. 937mn. All the divisions are showing margin improvements as well as healthy order book additions. The solution centric approach is gaining traction and Rolta has received some orders for this in both the EGIS and EDOS segments. Rolta has a healthy order book of Rs. 17.1bn to be executed over a 12-18 months period. We are positive on the stock and recommend an 'Accumulate' with a target price of Rs. 229(12xFY11E EPS)

## Q2FY10 Result

Particulars (Rs.mn)	Q2FY10	Q1FY10	Q-O-Q(%)	Q2FY09	Y-O-Y(%)
Net Sales	3756	3505	7.2	3619	3.8
Expenditure	2333	2250	3.7	2358	-1.1
EBITDA	1423	1255	13.4	1261	12.8
Other Income	80	99	-19.7	95	-16.3
EBITDA incl Other Income	1502	1354	11.0	1356	10.8
Depreciation	670	621	7.8	413	62.1
EBIT	833	733	13.6	943	-11.7
Interest	115	83	37.6	11	
Profit before Tax	718.2	649.7	10.5	931.7	-22.9
Notional Exchange (Loss)/Gain on Revaluation of FCCB's	0.0	0.0		226.6	
Tax	92	90	2.0	101	-9.2
Net Profit after Exceptional Items	626.1	559.4	11.9	603.7	3.7
Adjusted Net Profit	627.9	561.2	11.9	830	-24.4
Equity Capital	1611	1611		1611	
<b>Basic EPS after Extraordinary item</b>	<b>3.9</b>	<b>3.5</b>		<b>5.16</b>	
Operating Profit Margin (%)	37.9%	35.8%		34.8%	
Net Profit Margin (%)	16.7%	16.0%		22.9%	

## Key Highlights

- Rolta India Limited has delivered a top line of Rs. 3.8bn, a sequential growth of 7.2%. This has been on the back of 9.2% growth in the EGIS business as well as a 7.8% and 2.7% growth in the EDOS and EITS business. All the three business units of Rolta have shown good growth with healthy margins.
- The operating margins have shown an improvement of 210bps with lower employee costs and higher contribution from the solutions business. Rolta has recorded operating margins of 37.9% in Q2FY10.
- The number of employees has been stable but the increased utilization coupled with an up tick in the pricing has helped deliver on the margin front. Rolta has 4763 employees on board
- The Net Profit has gone up by 12% sequentially to Rs. 628mn. The tax rate has come down to 12.8% which has also helped the margins.
- Rolta also purchased accreted value of USD 17.8mn of their outstanding FCCB at a discount of 15.25% resulting in a gain of USD 2.80mn in Q2FY10. The outstanding FCCB is USD 96.69mn which is due for redemption in June 2012.
- Rolta has a strong order book position of Rs. 17.1bn across the three business domains, with EGIS order book of Rs.8.3bn, EDOS order book of Rs. 5.1 and EITS order book of Rs. 3.6bn.
- Rolta has Rs. 1550mn cash on books and a debt of Rs. 11bn including the remaining FCCB.
- Rolta has seen an improvement in the working capital cycle and the DSO's are at 134 days. Rolta also indicated that this will come down to ~120 days by the end of FY10.
- Rolta has also inaugurated a delivery facility in Delhi NCR which will help them showcase their solutions for Defense and Government departments.

## Valuations

Rolta has seen a pickup in orders in the GIS and EDS segments. Rolta has been driving a solutions led approach and that is seeing good traction which has resulted in order wins for the IP led solutions. Rolta has a healthy order book of Rs. 17.1bn and this gives us comfort regarding Rolta. At CMP the stock trades at 11.9x FY10E EPS and 10.2x FY11E EPS. We remain positive on the company and recommend an 'Accumulate' rating on the stock with a target price of Rs. 229 (12x FY11E EPS).

## Financials

Year	Net Sales	% growth	EBITDA	OPM%	PAT	% growth	EPS(Rs.)	% growth	PER(x)	ROANW(%)	ROACE(%)
FY08	10722	50.7	3897	36.3	2306	33.6	14.3	33.0	13.5	20.7	14.8
FY09	13728	28.0	4635	33.8	2938	27.4	18.2	27.3	10.6	22.4	15.7
FY10E	15122	10.2	5877	36.6	2629	(10.5)	16.3	(10.5)	11.9	17.0	13.8
FY11E	18008	19.1	6840	38.0	3070	16.8	19.1	16.8	10.2	17.3	15.3

*Figures in Rs mn*



*Intentionally Left Blank*

The ratings are based on the absolute upside of our target price from the current price.

**Upside**

> 25 %  
15% - 25%  
0% - 15%  
< 0 %

**Ratings**

Buy  
Accumulate  
Reduce  
Sell

**DOLAT TEAM**

	Sector / Tel. No.	Tel. No.
<b>Principal</b>		
<b>Purvag Shah</b> <a href="mailto:purvag@dolatcapital.com">purvag@dolatcapital.com</a>	+9122 4096 9747	
<b>Research</b> <a href="mailto:research@dolatcapital.com">research@dolatcapital.com</a>		
<b>Ankit Babel</b> <a href="mailto:ankit@dolatcapital.com">ankit@dolatcapital.com</a>	<i>Textile, Capital Goods, Engineering</i> +9122 4096 9732	
<b>Bhavin Shah</b> <a href="mailto:bhavin@dolatcapital.com">bhavin@dolatcapital.com</a>	<i>Pharma, Healthcare, Agro Chemical</i> +9122 4096 9731	
<b>Indrajeet Kelkar</b> <a href="mailto:indrajeet@dolatcapital.com">indrajeet@dolatcapital.com</a>	<i>IT, Retail</i> +9122 4096 9751	
<b>Kapil Yadav</b> <a href="mailto:kapil@dolatcapital.com">kapil@dolatcapital.com</a>	<i>Hospitality, Maritime, Rail, Politics</i> +9122 4096 9735	
<b>Nadeem Parkar</b> <a href="mailto:nadeem@dolatcapital.com">nadeem@dolatcapital.com</a>	<i>Logistics, Aviation</i> +9122 4096 9736	
<b>Priyank S. Chandra</b> <a href="mailto:priyank@dolatcapital.com">priyank@dolatcapital.com</a>	<i>Telecom, Oil &amp; Gas, Cables</i> +9122 4096 9737	
<b>Ram Modi</b> <a href="mailto:ram@dolatcapital.com">ram@dolatcapital.com</a>	<i>Metals, Mining, Cement</i> +9122 4096 9756	
<b>Ritesh Poladia</b> <a href="mailto:ritesh@dolatcapital.com">ritesh@dolatcapital.com</a>	<i>Media, Entertainment, Consumer</i> +9122 4096 9753	
<b>Sameer Panke</b> <a href="mailto:sameer@dolatcapital.com">sameer@dolatcapital.com</a>	<i>Real Estate, Construction, Engineering</i> +9122 4096 9757	
<b>Associates</b>		
<b>Binoy Jariwala</b> <a href="mailto:binoy@dolatcapital.com">binoy@dolatcapital.com</a>	+9122 4096 9722	
<b>Jaynee Shah</b> <a href="mailto:jaynee@dolatcapital.com">jaynee@dolatcapital.com</a>	+9122 4096 9723	
<b>Manpreet Singh Sandhu</b> <a href="mailto:manpreet@dolatcapital.com">manpreet@dolatcapital.com</a>	+9122 4096 9720	
<b>Namrata Sharma</b> <a href="mailto:namrata@dolatcapital.com">namrata@dolatcapital.com</a>	+9122 4096 9726	
<b>Neha Sarwal</b> <a href="mailto:neha@dolatcapital.com">neha@dolatcapital.com</a>	+9122 4096 9740	
<b>Support Staff</b>		
<b>Paresh Girkar</b> <a href="mailto:pareshgirkar@dolatcapital.com">pareshgirkar@dolatcapital.com</a>	+9122 4096 9742	
<b>Rajesh Shinde</b> <a href="mailto:rajesh@dolatcapital.com">rajesh@dolatcapital.com</a>	+9122 4096 9743	
<b>Sales</b> <a href="mailto:sales@dolatcapital.com">sales@dolatcapital.com</a>		
<b>Mayur Shah</b> <a href="mailto:mayur@dolatcapital.com">mayur@dolatcapital.com</a>	+9122 4096 9796	
<b>R. Sriram</b> <a href="mailto:rsriram@dolatcapital.com">rsriram@dolatcapital.com</a>	+9122 4096 9706	
<b>Vikram Babulkar</b> <a href="mailto:vikram@dolatcapital.com">vikram@dolatcapital.com</a>	+9122 4096 9746	
<b>Equity Sales Traders</b> <a href="mailto:salestrading@dolatcapital.com">salestrading@dolatcapital.com</a>		
<b>Chandrakant Ware</b> <a href="mailto:chandrakant@dolatcapital.com">chandrakant@dolatcapital.com</a>	+9122 4096 9707	
<b>Jignesh Shahukar</b> <a href="mailto:jignesh@dolatcapital.com">jignesh@dolatcapital.com</a>	+9122 4096 9727	
<b>P. Sridhar</b> <a href="mailto:sridhar@dolatcapital.com">sridhar@dolatcapital.com</a>	+9122 4096 9728	
<b>Parthiv Dalal</b> <a href="mailto:parthiv@dolatcapital.com">parthiv@dolatcapital.com</a>	+9122 4096 9705	
<b>Derivatives Team</b>		
<b>Vijay Kanchan</b> <a href="mailto:vijayk@dolatcapital.com">vijayk@dolatcapital.com</a>	+9122 4096 9704	
<b>Derivatives Sales Traders</b>		
<b>Chirag Makati</b> <a href="mailto:chiragm@dolatcapital.com">chiragm@dolatcapital.com</a>	+9122 4096 9702-03	
<b>Mihir Thakar</b> <a href="mailto:mihir@dolatcapital.com">mihir@dolatcapital.com</a>	+9122 4096 9701	
<b>Quantitative Research</b> <a href="mailto:derivativesinfo@dolatcapital.com">derivativesinfo@dolatcapital.com</a>		
<b>Prachi Save</b> <a href="mailto:prachi@dolatcapital.com">prachi@dolatcapital.com</a>	<i>Derivatives Research</i> +9122 4096 9733	
<b>Sachin Mulay</b> <a href="mailto:sachin@dolatcapital.com">sachin@dolatcapital.com</a>	<i>Technicals</i> +9122 4096 9720	
<b>Bloomberg Id</b> <a href="mailto:dolatcapital@bloomberg.net">dolatcapital@bloomberg.net</a>		
<b>Board Lines</b>	+9122 4096 9700	
	+9122 2265 9200	
<b>Fax Lines</b>	+9122 2265 0410	
	+9122 2265 1278	

**Dolat Capital Market Pvt. Ltd.**

20, Rajabhadur Mansion, 1st Floor, Ambalal Doshi Marg, Fort, Mumbai - 400 001