INDIA

CENTRUM

01 August 2008

Initiating Coverage

Rolta India

BUY

Mapping gains...

CMP: Rs311*

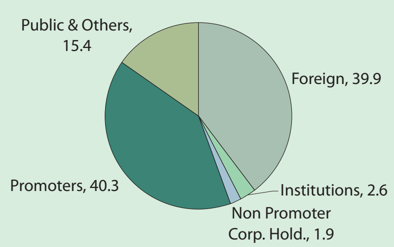
Target Price: Rs367

Key Data	
Bloomberg Code	RLTA IN
Reuters Code	ROLT.BO
O/S Shares (mn)	160.9
Diluted Shares (mn)	179.7
Market Cap (Rs bn/US$ bn)	50.1/1.2
52 Wk H / L (Rs)	396/200
Daily Vol. (3M NSE Avg.)	599,375
Face Value (Rs)	10

1 US$ = Rs42.6

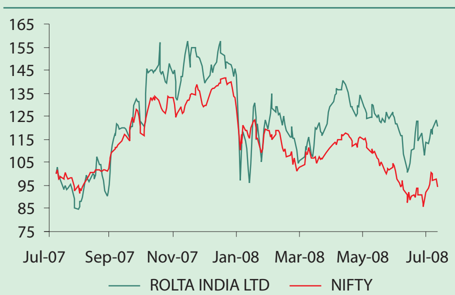
Source: Bloomberg

Shareholding Pattern (%)



As on 30th June 2008

One Year Indexed Stock Performance



Source: Bloomberg, Centrum Research

Price Performance (%)	1M	6 M	1 Yr
Rolta India	26.8	34.4	26.0
Nifty	6.8	(16.0)	(4.8)

Source: Bloomberg, Centrum Research

*As on 31 July 2008

Rolta India's unique proposition rides on two core themes of the India growth story – infrastructure and engineering services. We believe Rolta is shielded from an economic slowdown, given that it caters to clients in critical sectors like defence, refineries, utilities and government agencies. Moreover with its recent acquisitions and strategic JV with Thales (51:49), Rolta is well placed to capture a slice of India's defence modernisation opportunity. Another JV with Stone & Webster (50:50) would enable it to work in areas like nuclear power engineering where opportunities are expected to open up post the signing of the nuclear deal. We initiate coverage on the stock with a BUY and a target price of Rs367 which implies an upside of 18%.

High-growth sectors to propel revenues at 36% CAGR over FY08-10E

We expect Rolta to record robust revenues at 36% CAGR over FY08-10E in all its services: GIS (Geospatial information systems) 29%, EDA (Engineering design and automation) 35% and EICT (Enterprise information and communications technology) 53%. The GIS and EDA businesses would benefit as the company moves up the value chain, while the EICT business would derive higher benefits from the acquisition made last year which would increase profitability with higher offshoring.

Domestic focus and niche business areas insulate it from a slowdown

We believe Rolta's nature of business and clientele would insulate it from any economic slowdown. It derives significant revenues from defence establishments, municipalities and utilities, which are unlikely to be hit in the event of a slowdown as the budgets are tied to government spends. Other major clients in the refining and power sectors continue to make huge investments to fill in the demand-supply gap.

Triggers from acquisitions, JV with Thales to add upsides to our estimates

Rolta has expressed its intention to acquire two businesses in the EDA and EICT space with a budget of $100-$150mn. We expect both these businesses to add significant capabilities and enhance offerings. We see a boost to our estimates from the Thales JV, which was created to tap opportunities emerging in the defence sector. The company estimates this JV to accrue revenues of $500mn in a back ended fashion over the next five years.

Attractive valuations make it a strong Buy

Rolta enjoys industry leading revenues per employee of Rs 2 mn and PAT per employee of Rs 0.4 mn. ROE's are also robust and expected to grow to 27.6% in FY10E. With current valuations at a P/E of 12.6x FY10E and EV/EBIDTA of 7x FY10E, we believe the stock offers good upsides and would remain buoyant based on intermittent triggers in the form of acquisitions and revenue upsides from the Thales JV. We initiate coverage on the stock with a BUY based on our DCF based price target of Rs 367, which discounts our FY10E EPS(diluted) of Rs 24.5 by 15x.

Key Financials

Y/E June (Rs mn)	FY06	FY07	FY08	FY09E	FY10E
Net Sales	5,349	7,114	10,722	14,947	19,724
YoY growth (%)	29.0	33.0	50.7	39.4	32.0
EBIDTA	2,229	2,866	3,898	5,089	6,804
EBIDTA Margin (%)	41.7	40.3	36.4	34.1	34.5
PAT	1,273	1,726	2,306	3,251	4,405
Growth (%)	41.1	35.6	33.6	41.0	35.5
PAT Margin (%)	23.8	24.3	21.5	21.8	22.3
EPS (diluted)	7.8	10.6	12.8	18.1	24.5
P/E (x)	39.7	29.3	24.3	17.1	12.6
RoE (%)	18.2	17.4	20.7	24.9	27.6
RoCE (%)	17.2	13.0	12.7	15.9	18.9

Source: Company, Centrum Research

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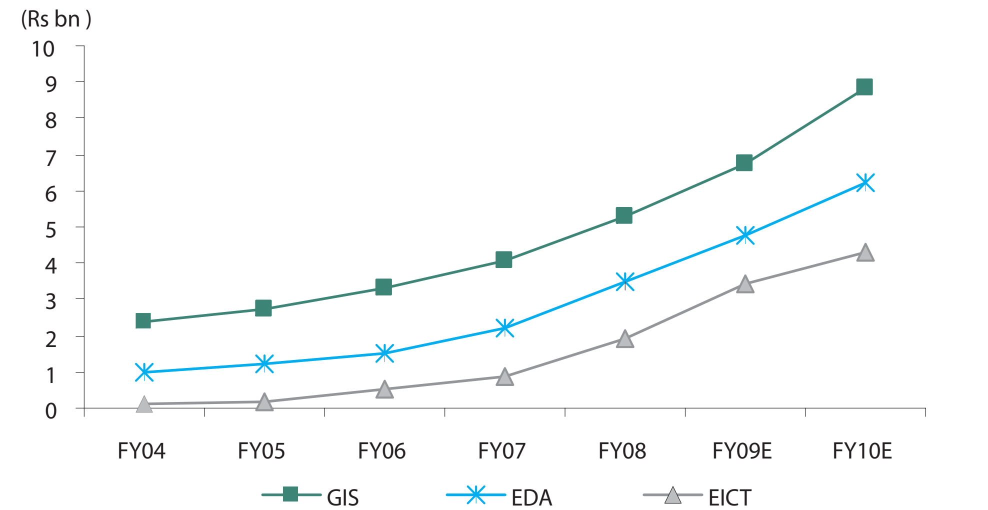
Investment Rationale

High growth phase to continue

Rolta saw the first signs of a higher growth trajectory in FY06 with increasing spends on infrastructure & engineering and higher adoption of GIS and engineering design technologies. We believe this high-growth phase would continue over the foreseeable future as governments and corporations increasingly adopt Rolta's services in an effort to reduce implementation cycle times and address real-time asset management challenges.

Chart 1: Rolta on a high-growth trajectory



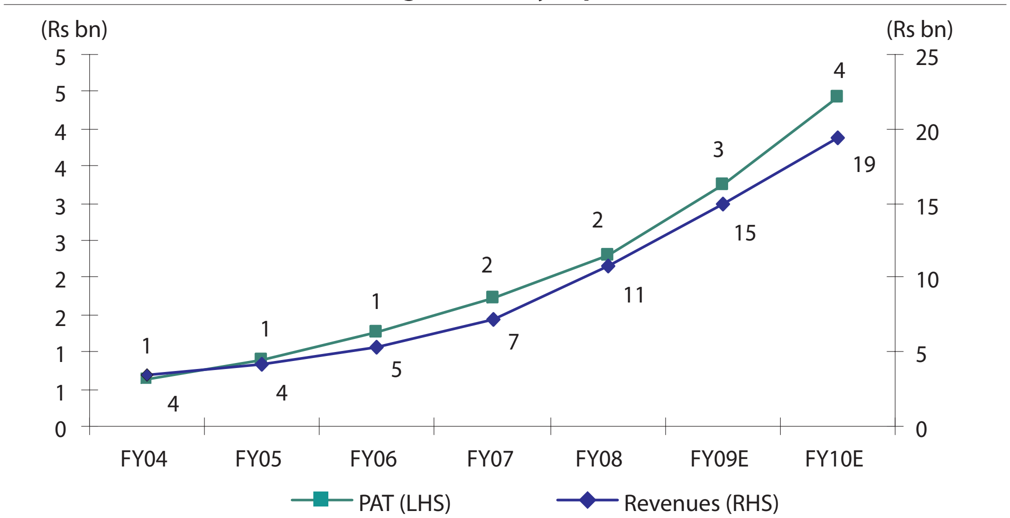
Source: Company, Centrum Research

Revenues to grow at a CAGR of 36% over FY08-10E

Robust growth in revenues & PAT over FY08-10E

We believe Rolta will report robust revenue and profit growth over FY08-10E on the back of strong demand from user industries and higher realisations as it moves up the value chain. We expect Rolta to clock a 36% revenue CAGR at Rs19.72bn and 38% PAT CAGR at Rs4.41bn during this period.

Chart 2: Revenues & PAT increasing at a steady clip



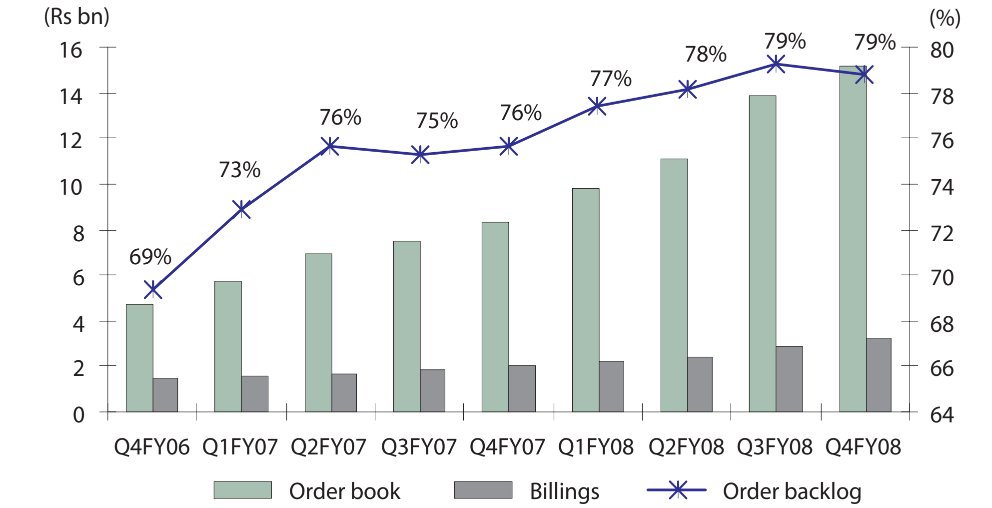
Source: Company, Centrum Research

... backed by strong order-book

The company's robust revenue outlook is backed by a strong Rs15bn order-book with ~75% executable in FY09E. The order-book has been rising at a cumulative quarterly growth rate (CQGR) of 16% over the past nine quarters. The order backlog has also grown from 69% to 79% during the period, indicating a strong traction across all its businesses.

Rs15bn orderbook with ~75% executable in FY09E

Chart 3: Order-book growing at a blistering pace (16% CQGR)



Source: Company, Centrum Research

Employee addition, capex plans reinforce strong outlook

The company plans to add 2,000 employees in FY09 and FY10 against 1,240 in FY08 and 921 in FY07. In our view, this points to a robust earnings visibility across businesses. To support this headcount addition, the company would have to incur a capex of approximately Rs1.5mn per person. This is significantly higher than the average capex of about Rs0.4mn per person for an IT company.

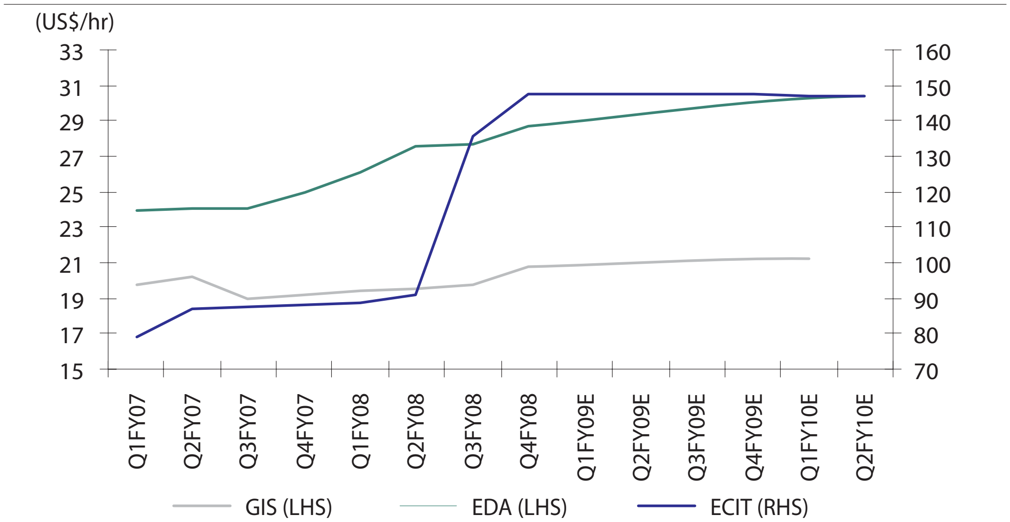
Rolta has acquired 5 acres of land in Kolkata to build a facility that can house 5,000 people. In our view, this would help diversify the source of manpower to another city apart from Mumbai and also at a lower cost. The company is also setting up facilities in an SEZ in Mumbai to add facilities for another 3,000 employees.

The company has proactively mitigated supply-side risks by setting up the Rolta Academy. The academy saw the first batch of 252 pass outs join the billable talent pool in the 1QFY08. Students are given admission to the academy based on merit and are enrolled as employees from day one. However, these students would become billable only after a quarter once the training period is over.

Billing rates to move up as it moves up the value chain

Billing rates to rise as company moves up the value chain
Rolta has seen a continuous improvement in billing rates in the past. Billing rates in the GIS business improved by 1.5% in FY08, while those in the EDA and EICT segment have seen an improvement of 13.3% and 35.3% respectively. The sharp increase in billing rates in EICT are largely because of the acquisition of TUSC which was integrated last quarter. TUSC is a Chicago-headquartered IT consulting company specializing in ERP applications as well as database and business Intelligence solutions, based on Oracle technologies.

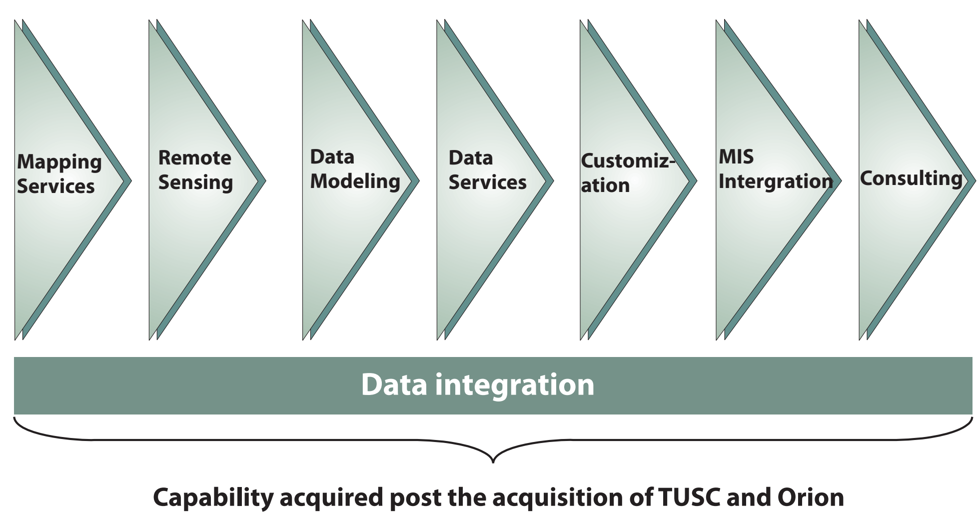
Chart 4: Billing rates on an uptrend



Source: Centrum Research

We forecast billing rates to continue to move up as the company moves up the value chain in GIS, and builds niche capabilities in EDA. EICT is expected to see a gradual decline in billing rates as the company increasingly off-shores work from TUSC to India. However, margins would increase over time as offshoring inherently enjoys higher margins (We have not assumed the benefits of offshoring from TUSC).

Chart 5: GIS – moving up the value chain



Source: Company, Centrum Research

Domestic focus and niche business areas insulate it from a slowdown

Rolta derives a bulk of its revenues from defence establishments, refineries, utilities, telecom service providers, municipalities, power projects, etc. The very nature of its clients insulates the company from any significant economic slowdown. Rolta currently derives revenues from three business lines: GIS (50%), EDA (33%) and EICT (17%).

GIS - nature of clientele a key positive

Rolta derives most of its business in the GIS business (50% of revenues) from three sectors – Defence, Utilities & telecom and Core infra.

GIS - a hedge against an economic slowdown

Table 1: Nature of clientele - a hedge against an economic slowdown

Business lines	Contribution to GIS revenues (%)	Remarks
Defence	26	Defence expenditure is not affected by a slowdown. Capex in excess of $50bn over the next 5 years.
Utilities & telecom	45	GIS is a robust planning and cost cutting tool. Of the total Rs 1,633bn capex spends in telecom, we estimate the opportunity for GIS at Rs 7bn. Utilities continue to invest aggressively in GIS to map consumers and reduce distribution losses. Hence, unlikely to be hit by any economic slowdown for capex already under implementation.
Core infra	29	Rolta's key clientele in this space include police departments, municipalities, airports, etc.

Source: Company, CMIE, Centrum Research

Well-positioned to tap opportunities in India's defence modernisation

Rolta derives 26% of its GIS revenues from defence establishments (13% of overall revenues). We believe India's defence spending would grow in excess of $50bn over the next five years. India's defence spending is expected to increase at 9.5% CAGR over Fy06– 10E. Rolta's share of defence capex has also been rising and we believe this is a very assuring trend signifying the company's stronghold among defence establishments.

Chart 6: Rolta's share of defence capex rising

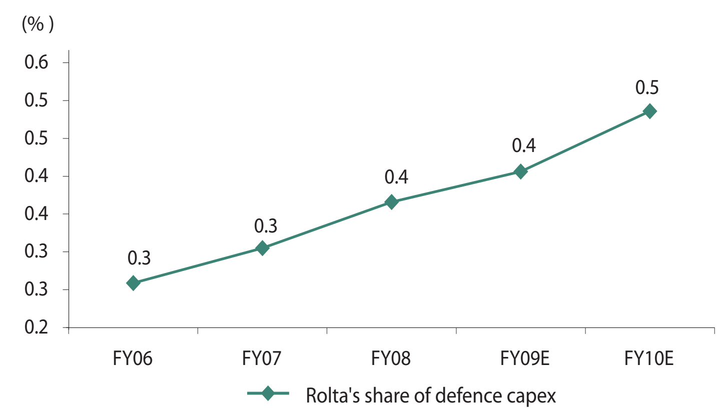
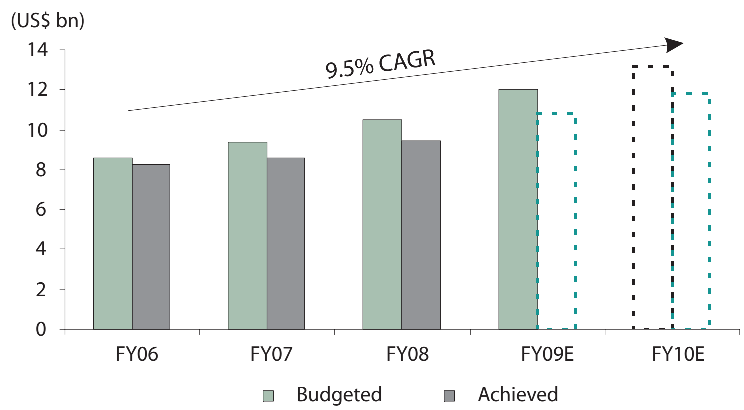


Chart 7: Defence capex growing at a rapid pace



Source: indiabudget.nic.in, Centrum Research

We believe this segment offers significant scope and the nature of work would help showcase Rolta's capabilities. The nature of work largely involves cross-border mapping and GIS-based asset management. The company has number of showcase projects -- the most recent disclosed one being the development of the missile guidance system for the Brahmos cruise missile.

Utilities and telecom - high spends to aid growth

Utilities and telecom together account for 45% of Rolta's GIS revenues (23% of overall revenues). Both provide a strong hedge against any economic slowdown. In the utilities space, the company caters to power distribution and water utilities among others. Both are increasingly aiming to cut down on distribution losses and map consumers.

In the telecom space, Rolta provides GIS mapping and asset management solutions to telecom companies. The value of projects under implementation in the telecom space is estimated at Rs 1,633bn according to CMIE. We estimate a potential of Rs 7 billion for GIS-based services in this space in the domestic market. The global market for these services would be significantly larger.

Core infra - clientele on a sound footing

Rolta derives 29% of its revenues from core infra (15% of overall revenues). Its clients in this space largely cover the likes of the Airports Authority of India (AAI), police departments, municipalities, etc. and similar clients globally. The spending by these clients would continue as their budgets are tied to government spends and are in place to drive efficiencies and rapid response times.

- Rolta is currently implementing GIS-based asset management solutions for 17 airports managed by AAI. In the next phase, similar solutions could be implemented across all other airports.
- Rolta implemented the "Dial 100" solution for Mumbai police. This is similar to the "Dial 911" solution used by the police departments in the US. A similar implementation is expected across 32 police departments across the country.

EDA - exposure to refining and power bode well

Exposure to refining and power sectors bodes well for EDA

The company's EDA business (33% of revenues) derives its revenues largely from the refining and power sectors. We believe both these sectors are insulated based on the demand-supply gap that exists. The power sector for instance envisages capacity additions of 78,000MW by 2012. Based on our internal estimates we believe 56,000MW should be achievable. This alone is 2x the addition in the previous five years.

Table 2: Sectors like refining and power driven by demand supply gap

Business	Contribution to EDA revenues (%)	Remarks
Refining	65	Refining sector on an up-cycle.
Power	30	Huge power deficit in the country. Even if 50% of the 11th plan estimates were to fructify, it would be 2x the 10th plan.
Shipping	5	Shipbuilding industry sitting on huge order-books spread over the next few years.

Source: Company, Centrum Research

EICT - expanding scope and acquiring capabilities

Rolta currently derives 17% of its revenues from the EICT business. The EICT business has largely been driven by the company's definitive agreement with CA (Computer Associates) to implement and provide services to CA's customers across North America, Europe and the Middle East. The scope of this agreement initially covered Canada and UK, but was expanded to cover North America, Europe and Middle East last year. Being the No.1 partner for CA's security solutions with an expanded market space, we believe the company would be insulated from any slowdown.

Table 3: Expanded geographic scope and increasing profitability of acquisition

Business	Contribution to revenues (%)	Remarks
EICT	17	To continue to grow on the back of an expanded geographic scope for implementation of CA's (Computer Associates) security solutions. Acquisition of TUSC to further add to revenues and higher off-shoring of TUSC's business to drive margins

Source: Company, Centrum Research

TUSC presents a significant buffer against any slowdown

More recently, the company acquired TUSC (The Ultimate Software Consultants) for $45mn. This acquisition is reported under EICT and reported revenues of $48mn last year. TUSC is acknowledged as an Oracle specialist and adds significant integration capabilities for Oracle-based databases. TUSC also brings with it a product called "Periscope" that allows pulling up and putting in data across 100 disparate databases (Oracle, SQL Server, Sybase, MS Access, DB2 etc.)

This business is growing in excess of 30% and was largely restricted to the US market. Post the acquisition Rolta will take TUSC to its customers globally thereby increasing its market space. We believe this again would present a significant buffer against any slowdown.

Rolta has a broad customer base insulating it from client specific risks

Limited client concentration - a further bonus

Rolta also has a limited client concentration risk with its top five clients contributing not more than 20% to revenues. This is significantly lower than its closest peer – Infotech Enterprises.

Table 4: Widespread customer base viz-a-viz peer a further bonus

Concentration (%)	Top 5	Top 10	Others
Rolta	20	26	74
Infotech Enterprises	42	58	42

Source: Company, Centrum Research

Acquisitions and JVs - making of an engineering consulting power house

We believe Rolta has successfully filled gaps in its portfolio through acquisitions and JVs. The two acquisitions that are to follow would give it significant capabilities in providing engineering design services to core infrastructure areas like bridges, high-rise buildings, etc and also business intelligence that would help its customers extract more value from their spatial and engineering databases. We believe these are extremely niche capabilities and unique as a combined portfolio which comfortably places the company as a key player in the engineering consulting space. With GIS as a planning tool for infrastructure projects, the company's portfolio is quite unmatched by any player in the industry.

Table 5: JVs and alliances build an unbeatable business portfolio

Strategic alliance partners	Domain expertise	Remarks
Stone & Webster (JV)	Nuclear, fossil fuel and geothermal power plants and process plants for polymers, commodity chemicals, olefins and refining.	With the projected addition of 78,000MW of power by 2012 and oil refining capacities expected to grow at a CAGR of 28% by 2012 the addressable opportunity for the joint venture is enormous
Intergraph	GIS and CAD/CAM applications in various verticals like plant design and engineering, ship building etc.	Intergraph has a significant market share in India for GIS systems.
Computer Associates	IT management software provider. Partnership with Rolta for E-security solutions	Definitive agreement for three years with assured revenues
Thales (JV)	Defence, aerospace and security	To address Command, Control, Communications, Computers, Intelligence, Surveillance, Target Acquisition and Reconnaissance (C4ISTAR) information systems, for domestic and international markets

Source: Company, Centrum Research

Rolta-Thales poised to capture a slice of India's defence modernisation opportunity

JV with Thales to add upsides to our estimates

Rolta's JV with Thales (51:49) brings with it significant revenue potential. Thales is a €10bn French defence company. Rolta has invested Rs50mn in the JV and would only need to use its existing infrastructure and manpower to exploit the JV's revenue potential. The management has guided to revenues of US$500mn for the JV over the next five years starting FY09 and this has been corroborated by a similar statement from Thales to its shareholders. We believe these revenues would flow in a J-curve with the first two years being used for small pilots and proof of concept.

The JV was formed to target opportunities in the defence establishment. More specifically, it aims to address the C4ISTAR (Command, Control, Communication, Computers, Intelligence, Surveillance, Target Acquisition, Reconnaissance) requirements of the three armed forces. C4ISTAR adds command control capabilities integrating all assets on the battlefield and the soldier to a central command control (essentially an ERP for the battle field).

Rolta recently acquired defense industrial licenses for the manufacture of Maritime Aerospace, Electronic Warfare, Optronics and Communications equipments and systems. This will help capture business that would come as an offset requirement of the Indian defence establishment.

Stone & Webster JV to benefit if India signs the nuclear deal

Rolta's JV with Stone & Webster would become a significant beneficiary if the Indo-US nuclear deal goes through. Stone & Webster is a major player in engineering and construction of nuclear, fossil fuel, hydro and petrochemical plants globally. Stone & Webster's parent, the Shaw group has revenues of over $5bn with an order backlog of $16.4bn. The Shaw group acquired a 20% stake (October 2006) in a nuclear reactor maker – Westinghouse Electric Co, a leading supplier of nuclear power plants and technologies globally. Signing the nuclear deal would open doors for technology transfer to India thereby benefiting the JV, which would bid for these nuclear power projects. The JV currently acts as an offshore base for Stone & Webster's global design requirements. The JV's revenues have grown at CAGR of 122% over FY06-08 grossing revenues of $17mn in FY08.

Recent acquisitions have added significant capabilities

Adding significant capabilities through acquisitions

Rolta acquired two companies in FY08 – Orion and TUSC (The Ultimate Software Consultants). We believe these two acquisitions add significant capabilities in data integration from disparate databases, a key gap in Rolta's portfolio. Post the acquisition, Rolta can now take these capabilities across its customers globally to help integrate data from across disparate spatial and engineering databases.

The integration projects for Orion's "Onpoint" solution fetch billing rates in excess of US$100 per hour reflecting strong value in the acquisition. TUSC was acquired for US$45mn (revenue of US$48mn), which is acknowledged as an Oracle specialist and adds significant integration capabilities for Oracle- based databases. TUSC also brings with it a product called "Periscope" that allows pulling up and putting in data across 100 disparate databases (Oracle, SQL Server, Sybase, MS Access, DB2 etc.)

Future acquisitions to drive further upsides

Rolta had raised US$150mn through a zero coupon FCCB (YTM: 6.75%) on 28 June 2007 to fund acquisitions and capex. The company has already made two acquisitions fand plans to make two more with a budget of US$100 - 150mn. Of the two Rolta has already signed an agreement to acquire one namely - Whittman Hart Consulting (Chicago based). Although the size of the acquisition has not been announced we believe it would be a small one as it was acquired with the intent of only adding capabilities in the business intelligence space. We believe these acquisitions would add significant capabilities transforming Rolta into an engineering consulting power house.

Key concerns

Integration of acquisitions

Rolta has adopted an inorganic growth strategy to enhance its service offerings and build a unique business model. Rolta has already made two acquisitions – Orion and TUSC ($45 mn). The company plans to make two more acquisitions with a budget of $100-$150 mn. Rolta has put in key management personnel in place however acquisitions of this scale have not been undertaken by the company in the past. The company's ability to successfully manage these acquisitions would be a cause for concern.

Non conversion of FCCB and unfavourable exchange movement

Rolta had raised a $150 mn FCCB for acquisitions and capital expenditures. These are zero coupon bonds convertible into equity shares till 2012. The continued depreciation in the rupee and non conversion into equity could entail losses on account of currency.

Supply of quality manpower

Rolta requires highly skilled manpower for the kind of services that it offers. Although we believe the company has mitigated this risk with the Rolta academy, inability to source quality talent could be a key concern.

TUSC acquisition

Rolta plans to increase TUSC's margins from its current levels (11% EBIDTA margin) to company level margins over the next three to five years. The company plans to do this through higher offshoring. We have not assumed the benefits of this in our estimates and would be an upside risk to our estimate if the company achieves its target.

RoE decretive acquisition

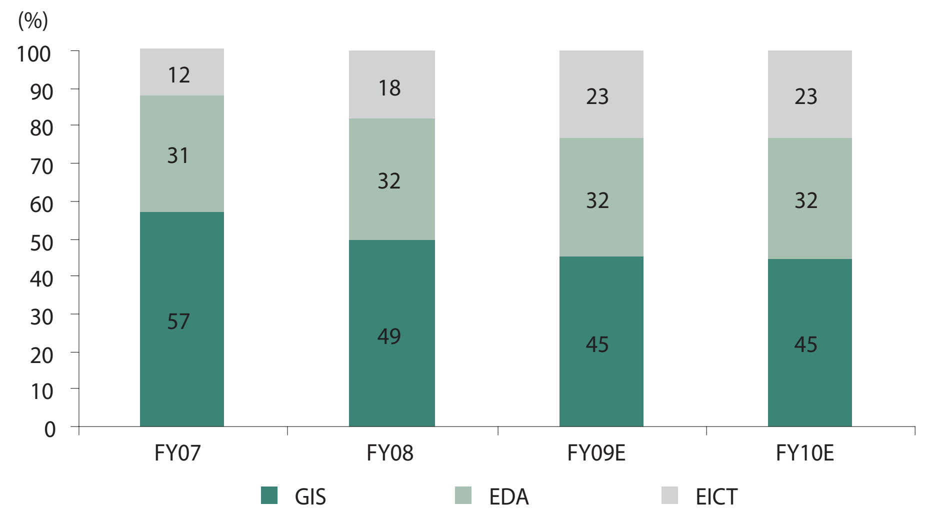
Rolta plans to make a large acquisition in the current financial year. An RoE decretive acquisition could be a downside risk to our estimates.

Financial Analysis

Business lines to demonstrate robust revenue growth

Rolta is expected to demonstrate robust revenue growth across all its business segments on the back of a strong order-book and emerging opportunities across its lines of businesses. While GIS would account for a significant portion of revenues, we believe EDA and EICT would increase contribution to revenues. We expect the GIS, EDA and EICT businesses to register a CAGR of 29%, 35% and 53% respectively over FY08-10E.

Chart 8: Revenue contribution from EDA and EICT to increase

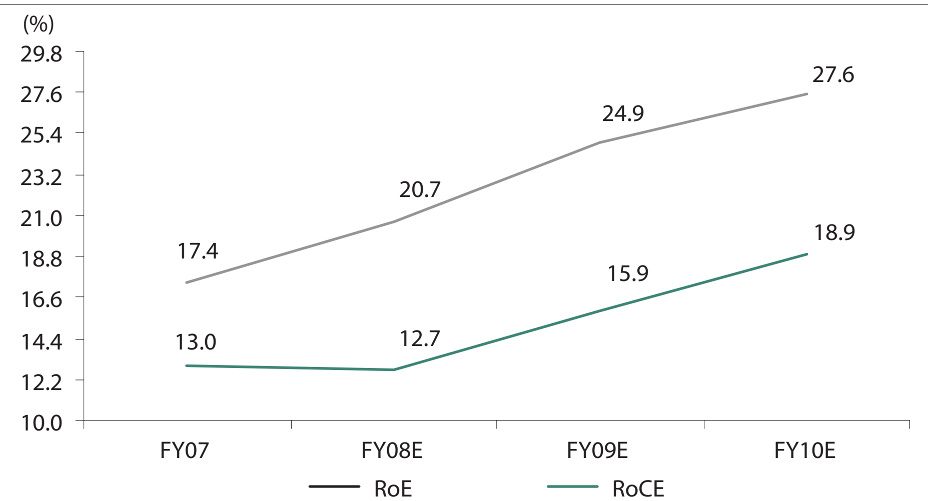


Source: Company, Centrum Research

Return ratios to improve

We expect return ratios to improve over the next two years with the company growing at a robust pace. Moreover with over $100mn of cash being used for acquisitions, we believe there could be a further uptick to our estimates.

Chart 9: Return ratios on an uptick

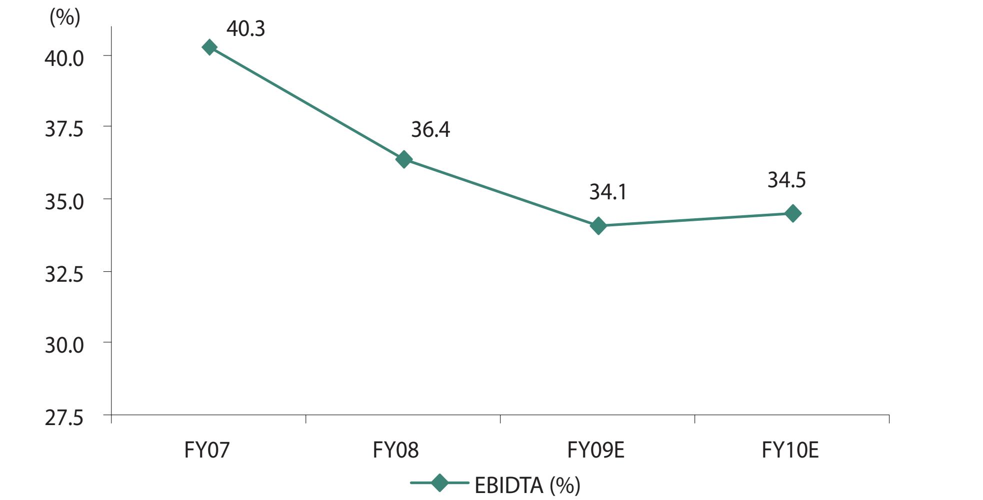


Source: Company, Centrum Research

EBIDTA margins to remain robust

We believe Rolta's existing businesses would continue to garner robust margins, however the company's average margins post the acquisition of TUSC would see it decline by 185bp over the next two years. Even post this decline margins would be amongst the highest in the industry. TUSC has EBIDTA margins of about 11%. The company plans to increase TUSC's margins by off-shoring upto 40% over the next 2-3 years. We would wait for the company's efforts in off-shoring to fructify before we take a call on this front.

Chart 10: EBIDTA margins to remain robust



Source: Company, Centrum Research

Amongst the highest PAT margins and PAT per employee in the industry

Rolta has amongst the highest PAT margins in the industry, next only to Infosys. However in terms of revenue per employee and PAT per employee it outclasses all its near and distant domestic peers. "Fugro NV", a Netherland based GIS service provider is the only company with significantly higher revenues per employee and PAT per employee. This can be attributed to the company's business model of offering equipment for company's in offshore oil exploration and hence not a direct comparable on this parameter.

Table 6: Amongst the most profitable in the industry

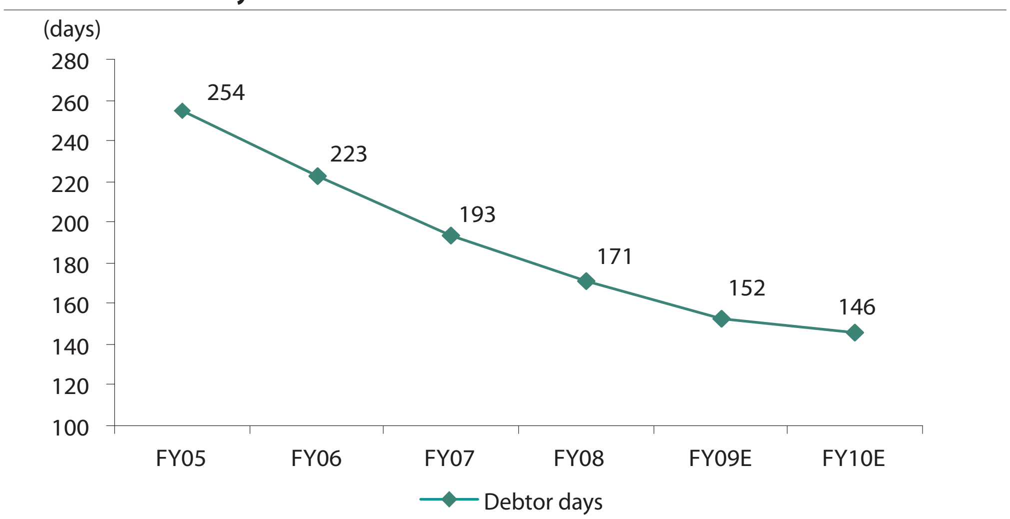
Rs mn FY08	Rolta	Infotech Enterprises	Fugro NV	Infosys	HCL Tech	Satyam
Revenue per employee	2.1	1.0	10.1	1.6	1.5	1.8
PAT per employee	0.4	0.1	1.2	0.4	0.3	0.4
PAT margins (%)	21.4	12.7	12.0	27.9	17.6	20.8

Source: Company, Centrum Research

Debtor days declining

Rolta historically had high debtor days (254 days in FY05) because of its high exposure to government contracts. This has declined over the years (171 days in FY08) as the EDA and EICT businesses increased their share of revenues. Post the acquisition we expect this to decline further in FY09 to 152 days and FY10 to 146 days.

Chart 11: Debtor days on a downward trend



Source: Company, Centrum Research

Valuation

Growth not in the price

We believe Rolta is among the few companies insulated from a slowdown and foreign exchange fluctuations. The company has net dollar inflows of only 3%-4% as it derives over 55% of its revenues from the domestic market while a large portion of dollar revenues have a natural hedge. This coupled with the high growth trajectory and multiple triggers in the form of acquisitions, upsides from the Thales JV and further enhancement of opportunities for the Stone and Webster JV post the signing of the nuclear deal are set to keep the stock buoyant.

Moreover Rolta's value proposition to its customers is unique, quite unmatched by its competitors. The value the company commands is visible in its margins. The company enjoys amongst the highest revenue per employee and PAT per employee in the industry. Return ratio's are also on an uptick. We arrive at a DCF based price target of Rs 367, which discounts our FY10E EPS(diluted) of Rs 24.5 by 15x giving us an upside of 18% from current levels.

Table 7: DCF Valuation

DCF Valuations (Rs mn)	
WACC (%)	14.4
PV of cashflow till FY24	27,517
Terminal growth rate (%)	3.0
Terminal cash flow +1	2,251
PV of terminal cash flow	21,168
Total PV	48,686
Less Debt	6,938
PV cash (Add)	5,414
Per share value (Rs)	367
Assumptions	
Beta	1.04
Risk free rate (%)	9.0
Market return (%)	16.0

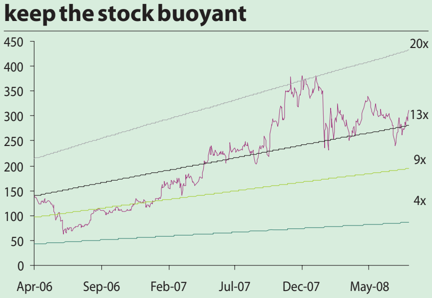
Source: Company, Centrum Research

Table 8: Sensitivity analysis

WACC %	11	12	13	14	15	16	17
Terminal growth rate %	472	422	381	345	314	287	264
	494	439	394	355	322	294	269
	521	459	409	367	332	301	275
	555	484	427	381	342	310	282
	600	516	450	398	356	320	290
	662	557	480	419	371	332	299

Source: Company, Centrum Research

Chart 12 : P/E Band – Multiple triggers to keep the stock buoyant



Source: Bloomberg, Centrum Research

Table 9: Premium to peers justified

		Fugro	Infotech Enterprises	Rolta	
Revenue growth (%)	FY09E	18.3	30.6	39.4	
	FY10E	11.8	26.4	32.0	Higher than peers
EBIDTA (%)	FY09E	19.1	18.7	34.1	
	FY10E	19.3	18.6	34.5	Almost double the industry
RONW (%)	FY09E	34.1	18.1	24.7	
	FY10E	30.4	17.9	27.3	On an uptrend
Dividend yield (x)	FY09E	3.5	0.7	1.2	
	FY10E	3.9	0.9	1.6	
EV/EBIDTA (x)	FY09E	6.6	6.6	9.3	
	FY10E	5.7	5.5	7.0	
P/E (x)	FY09E	11.6	10.0	17.1	
	FY10E	10.3	8.6	12.6	

Source Consensus estimates, Centrum Research

Financial Statements

Profit & Loss Account

Y/E June (Rs mn)	FY06	FY07	FY08	FY09E	FY10E
Net Sales	5,349	7,114	10,722	14,947	19,724
-Growth (%)	*29.0*	*33.0*	*50.7*	*39.4*	*32.0*
Personnel cost	1,393	1,928	3,200	5,458	7,204
% of sales	*26.0*	*27.1*	*29.8*	*36.5*	*36.5*
Materials & subcontracting costs	1,221	1,690	2,560	2,933	3,870
% of sales	*22.8*	*23.8*	*23.9*	*19.6*	*19.6*
Other expenses	506	630	1,064	1,466	1,845
% of sales	*9.5*	*8.9*	*9.9*	*9.8*	*9.4*
EBIDTA	2,229	2,866	3,898	5,089	6,804
-EBIDTA margin (%)	*41.7*	*40.3*	*36.4*	*34.1*	*34.5*
Depreciation	747	1,018	1,383	1,755	2,124
EBIT	1,482	1,848	2,515	3,334	4,681
Interest expenses	147	7	-	-	-
PBT from operations	1,335	1,841	2,515	3,334	4,681
Other non operating income	85	103	170	446	441
PBT	1,420	1,943	2,685	3,780	5,122
-PBT margin (%)	*26.5*	*27.3*	*25.0*	*25.3*	*26.0*
Provision for tax	147	217	388	529	717
Effective tax rate (%)	*10.3*	*11.1*	*14.4*	*14.0*	*14.0*
Net profit	1,273	1,726	2,297	3,251	4,405
-Growth (%)	*41.1*	*35.6*	*33.1*	*41.5*	*35.5*
-Net profit margin (%)	*23.8*	*24.3*	*21.4*	*21.8*	*22.3*

Source: Company, Centrum Research

Balance Sheet

Y/E June (Rs mn)	FY06	FY07	FY08	FY09E	FY10E
Share capital	799	801	1,609	1,609	1,609
Reserves & surplus	8,615	9,665	10,232	12,704	16,052
Total shareholder's fund	9,414	10,466	11,841	14,313	17,661
Loan fund	98	6,177	6,938	6,938	6,938
Deferred tax liability	253	346	395	395	395
Minority interest	-	-	15	15	15
Total capital employed	**9,765**	**16,988**	**19,190**	**21,661**	**25,010**
Gross block	6,695	8,283	10,583	14,533	18,033
Accumulated depreciation	2,852	3,619	4,090	6,105	8,228
Net Block	3,843	4,664	6,493	8,429	9,805
Capital WIP	682	1,463	1,729	1,300	1,000
Net fixed assets	4,524	6,127	8,222	9,729	10,805
Investments	1,124	976	2,816	2,816	2,816
Goodwill on consolidation	67	60	2,000	2,000	2,000
Cash and bank	887	6,390	2,598	2,263	3,142
Inventories	234	206	215	433	572
Debtors	3,262	3,770	5,018	6,228	7,890
Other current assets and loans and advances	745	885	1,160	2,054	2,642
Total current assets and loans and advances	5,128	11,251	8,991	10,978	14,245
Current liabilities and provisions	1,078	1,426	2,839	3,862	4,856
Net current assets	4,050	9,825	6,152	7,116	9,389
Deferred tax assets	-	-	-	-	-
Total assets	**9,765**	**16,988**	**19,190**	**21,661**	**25,010**

Source: Company, Centrum Research

Cash flows Statement

Y/E June (Rs mn)	FY06	FY07	FY08	FY09E	FY10E
Cash flow from operating activities					
Pre tax profit from operations	1,335	1,841	2,515	3,334	4,681
Depreciation	747	1,018	1,383	1,755	2,124
Interest expenses	147	7	-	-	-
Other non cash charges	14	100	65	-	-
Operating profit before working capital change	2,242	2,967	3,963	5,089	6,804
Working capital adjustments	(591)	(273)	(118)	(1,299)	(1,394)
Direct tax paid	(147)	(217)	(388)	(529)	(717)
Net cash generated from operating activities	**1,504**	**2,477**	**3,457**	**3,261**	**4,693**
Cashflow from investing activities					
Capex	(1,637)	(2,621)	(3,477)	(3,262)	(3,200)
Investments	(1,059)	148	(1,840)	-	-
Acquisition	-	-	(1,940)	-	-
Interest/dividends received/sale of securities	85	103	179	446	441
Net cash generated from investing activities	**(2,612)**	**(2,371)**	**(7,079)**	**(2,816)**	**(2,759)**
Cash flow from financing activities					
Proceeds from share capital and premium	4,365	(110)	808	-	-
Borrowings/(Repayments)	(1,764)	6,079	761	-	-
Interest paid	(147)	(7)	-	-	-
Dividend paid	(365)	(470)	(473)	(780)	(1,057)
Addition to reserves on amalgamation	(426)	(95)	(1,266)	-	-
Net cashflow from financing activities	**1,664**	**5,397**	**(170)**	**(780)**	**(1,057)**
Net cash increase/(decrease)	**556**	**5,502**	**(3,792)**	**(335)**	**878**
Cash at the start of the year	331	887	6,390	2,598	2,263
Cash at the end of the year	887	6,390	2,598	2,263	3,142

Source: Company, Centrum Research

Ratio Analysis

Y/E June	FY06	FY07	FY08	FY09E	FY10E
Profitability ratios (%)					
EBIDTA margin	41.7	40.3	36.4	34.1	34.5
PBIT margin	27.7	26.0	23.5	22.3	23.7
PBT margin	26.5	27.3	25.0	25.3	26.0
PAT margin	23.8	24.3	21.4	21.8	22.3
Growth (%)					
Revenue	29.0	33.0	50.7	39.4	32.0
EBIDTA	51.0	28.6	36.0	30.6	33.7
Net profit	41.1	35.6	33.1	41.5	35.5
Return ratios (%)					
ROCE	17.2	13.0	12.7	15.9	18.9
ROIC	19.0	18.9	18.4	18.9	22.6
ROE	18.2	17.4	20.7	24.9	27.6
Turnover Ratios					
Asset turnover ratio (x)	0.5	0.4	0.6	0.7	0.8
Working capital cycle (days)	237.2	355.9	271.9	162.0	152.7
Average collection period (days)	222.6	193.4	170.8	152.1	146.0
Average payment period (days)	76.4	68.0	228.6	228.6	228.6
Per share (Rs)					
Basic EPS	15.9	21.6	14.3	20.2	27.4
Fully diluted EPS	7.8	10.6	12.8	18.1	24.5
Book value	58.5	65.0	73.6	89.0	109.8
Solvency Ratio					
Debt-equity	0.0	0.6	0.6	0.5	0.4
Interest coverage ratio	10.7	264.8	0.0	0.0	0.0
Valuation					
P/E	39.7	29.3	24.3	17.1	12.6
P/BV	5.3	4.8	4.2	3.5	2.8
EV/EBIDTA	20.7	16.4	12.6	9.3	7.0
EV/Sales	9.0	6.8	4.8	3.5	2.6
M-cap/Sales	9.3	7.0	4.7	3.3	2.5

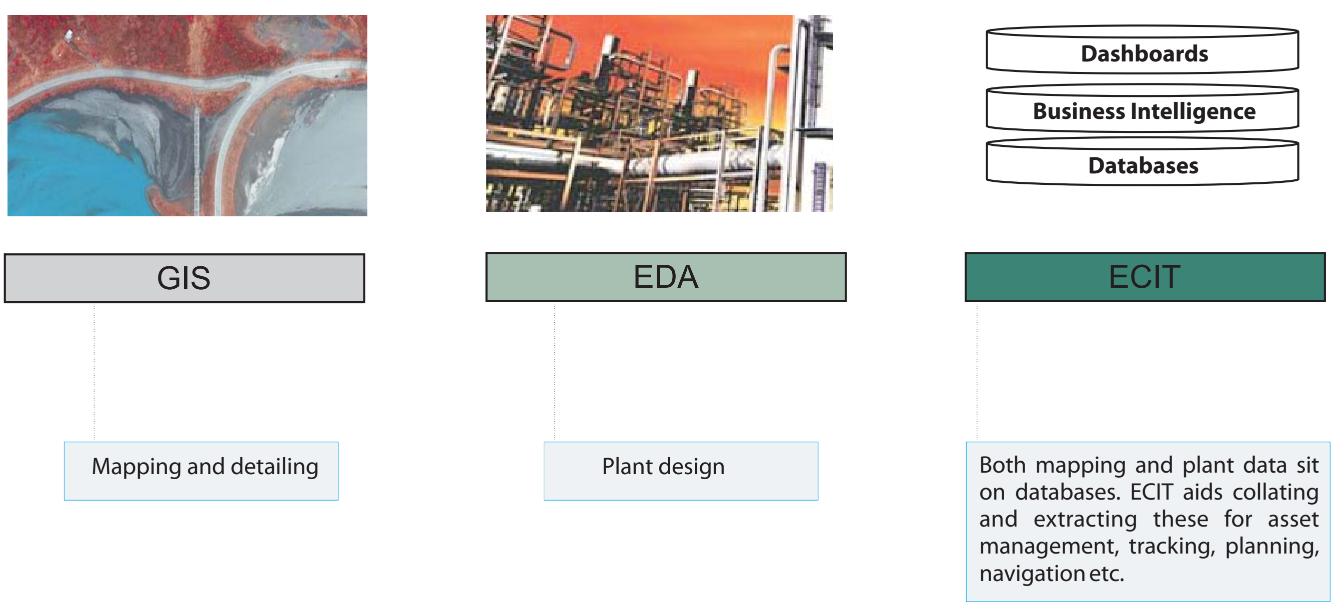
Source: Company, Centrum Research

Annexure

Company Background

Incorporated in 1989, Rolta derives its revenues from three segments viz GIS (Geospatial Information Systems), EDA (Engineering Design & Automation) and EICT (Enterprise Information & Communication Technology). The company has a dominant position in the GIS market in India while the defence establishment is a large customer. The company claims to have a 95% wallet share of the defence spends in GIS India. In the EDA segment the company has a dominant share and has enhanced its expertise to increase its breadth and depth of offerings. In the EDA segment, Rolta formed a 50:50 joint venture with Stone & Webster to capture emerging opportunities in the power and refining sectors in the country. The company also initiated a 51:49 JV with Thales to cater to the growing requirements of India's defence establishments. The company's EICT business, which began as a services provider for CA's (Computer Associates) e-security solutions is evolving as a third layer that weaves database management and business intelligence with the company's GIS and EDA businesses thereby creating a value proposition quite unmatched by competitors. The company has alliances with Intergraph and Computer associates to provide Geospatial/digital mapping services and e-business related security solutions respectively. Rolta has 5269 employees and over 500,000 sq ft of facilities. Rolta is expanding its facilities in SEZ zones in Mumbai and Kolkata. The company is certified for ISO 9001:2000, BS7799, SEI CMM Level 5 and BS 15000. Rolta also has an impressive client list that includes the likes of British Telecom, Exxon, Saudi Telecom, Canadian Hydrographic Service, Cingular, Shell and many others.

Chart 13: Rolta's tri-layer value proposition



Source: Company, Centrum Research

Strong management bandwidth
Rolta has a strong management with vast experience. We believe the quality of the company's manpower is a key to its niche offerings.

Name	Designation	Remarks
Mr Kamal.K Singh	Chairman & Managing Director	He is the founder of Rolta and is recognised as a pioneer in the CAD/CAM/GIS field in India
Mr. Atul Dev Tayal	Joint Managing Director	He has been with Rolta for the past 21 years. His primary responsibility is to drive sales and marketing in the domestic market. He is also the Managing Director of the Rolta-Thales JV and the Director incharge for the Stone and Webster JV
Dr Aditya K Singh	Joint Managing Director	He is responsible for overall administration and infractructure
Mr. A.P Singh	Joint Managing Director	He is responsible for delivery and operations of the GIS and EDA business. He has been with the company for over 25 years. Has over 35 years of experience and has worked with Seimens, IBM and Metal Box in the past
Mr. Ben Eazzetta	President International operations	Ben is responsible for sales and marketing in the international markets. He also drives the company's M&A activities and is responsible for the integration of acquisitions as well. Prior to joining Rolta, Mr Eazzetta was President of the Security Government & Infrastructure division of Intergraph corporation. He also worked with Exxon for 12 years with extensive experience in plant economics, refinery operations and maintenance
Mr. Hiranya Ashar	Director finance and Chief financial officer	Hiranya has over 10 years of experience in managing corporate finance, project management and fund raising
Ms Preetha Pulusani	Joint Managing Director	She has over 25 years of experience with Intergraph corporation at various senior management levels. She heads the EICT business and is also incharge of the Rolta Academy and the HR function

Immediate peers

In our view Infotech Enterprises and Fugro NV are the closest peers that are listed on stock exchanges. Although both these companies have strong GIS capabilities the portfolio of offerings varies.

Infotech Enterprises
Infotech Enterprises was founded in 1991 and derives its revenues from three segments. GIS, Engineering services and IT services. The engineering services part of the business is different from Rolta as it caters more to aerospace and automotive industries. The company has recently entered plant design however revenues are still insignificant. The company recorded revenues of Rs6741mn and a net profit of Rs856 mn in FY08.

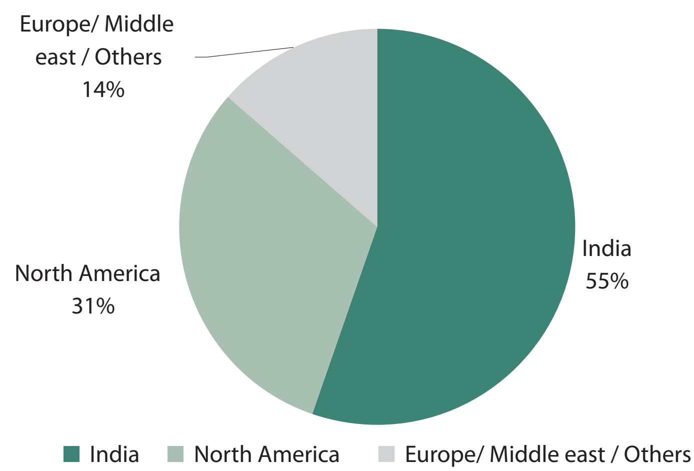
Fugro NV
Fugro is a Netherland based GIS player. The company operates in a niche segment focussing on geospatial offshore surveys for oil exploration companies. The company provides acquisition, processing and interpretation services for geophysical and geological data, reservoir modelling and estimation of the presence of oil and other gases and minerals. The company also provides seismic equipment and vessels. The company recorded revenues of Eur1803 mn and a net profit of Eur273 mn in CY2007.

Table 10: Assumption sheet

	FY07	FY08	FY09E	FY10E
Employee (nos)				
Net additions	921	1,240	1,324	1,793
Total employees	4,029	5,269	6,593	8,386
Billing rates (US$/hr)				
GIS	19.6	19.9	21.1	21.4
Growth (%)		*1.6*	*6.1*	*1.4*
EDA	24.3	27.5	29.6	30.5
Growth (%)		*13.4*	*7.5*	*3.1*
EICT	85.4	115.5	147.3	147.1
Growth (%)		*35.3*	*27.6*	*(0.2)*
Growth (%)				
GIS	22.8	31.2	26.7	31.7
EDA	43.6	57.7	37.2	32.4
EICT	65.3	124.0	78.1	31.8

Source: Company, Centrum Research

Chart 14: Geographic Mix - FY08



Source: Company, Centrum Research

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