

Rolta India Ltd.



CMP: Rs 102

Target Price: Rs 134

IT / Buy

Rolta India Limited's result has been disappointing with an 8.3% drop in revenues sequentially. The GIS division has managed to grow marginally but the Engineering Design and EICT verticals have de-grown by 17.7% and 12.2% sequentially. The approach remains solution centric but with clients cutting their discretionary spending, Rolta has been affected. Rolta still has a healthy order book of Rs. 15.5bn to be executed over the next 12-18 months. At CMP of Rs 102 the stock trades at 5.4x its FY10E EPS. We maintain our 'BUY' recommendation on Rolta with a target price of Rs. 134 (7x FY10E).

Q3FY09 Result

Particulars (Rs.mn)	Q3FY09	Q2FY09	Q-O-Q (%)	Q3FY08	Y-O-Y (%)
Net Sales	3320	3619	-8.3%	2884	15.1%
Other Income	81	95	-14.7%	105	-22.9%
Total Income	3401.4	3714.5	-8.4%	2988.9	13.8%
Expenditure	2256	2358	-4.4%	1876	20.2%
Operating Profit	1145.9	1356.2	-15.5%	1112.9	3.0%
Profit Before Depreciation and Tax	1146	1356	-15.5%	1113	3.0%
Depreciation	498	413	20.4%	353	40.9%
Profit before Tax	648.4	943.1	-31.2%	759.8	-14.7%
Notional Exchange (Loss)/Gain on Revaluation of FCCB's	-840.1	226.6		0	
Tax	101	101	-0.2%	103	-1.7%
Net Profit after Exceptional Items	1387.3	615.1	125.6%	656.8	111.2%
Adjusted Net Profit	489.6	830.2	-41.0%	657	-25.5%
Equity Capital	1609	1609		1605	
Basic And Diluted EPS after Extraordinary item	3.04	5.16		4.09	
Operating Profit Margin (%)	32.1%	34.8%		34.9%	
Net Profit Margin (%)	14.4%	22.4%		22.0%	

Key Highlights

- Rolta India Limited has delivered a top line of Rs. 3.3bn, a sequential decline of 8.3%. This revenue also includes USD1.8mn through the recent Piocon acquisition. The revenue has been on the back of marginal growth in the GIS division while EDS and EICT divisions have de-grown by 17.7% and 12.2% sequentially.
- Rolta has provided Rs. 840 mn as foreign exchange revaluation loss on the translation of the FCCB liability of USD 150 mn in the balance sheet in the previous two quarters. With the new AS11 norms, Rolta has written back these provisions, which has resulted in a 125.6% jump in the net profits sequentially. Rolta has also amortized these losses as stated in the new AS11 norms. Adjusted for this the net profit has actually dropped by 41% to Rs. 489.6mn.
- Rolta has a strong order book position of Rs. 15.5 bn across the three business domains, with GIS order book of Rs. 7.5bn, EDA order book of Rs. 4.5bn and EICTR order book of Rs. 3.5bn. 65% of the order book is executable over FY10.
- Rolta has set up a new Development Center with 1500 seats in Mumbai. The company is in the process of developing another center in the Delhi-NCR region to facilitate the demonstration of its capabilities in the EDS and the GIS section, but the plans to develop the Kolkata SEZ have been kept on hold for now.
- Rolta has cash and cash equivalents of Rs. 249.67 crores on their books.

Valuations

At CMP the stock trades at 5.4x its FY10E EPS. The healthy order book gives us some comfort regarding Rolta and with lower valuations and higher growth visibility we continue to maintain our 'BUY' recommendation on Rolta. with a target price of Rs.134(7x FY10E).

Financials

Year	Net Sales	% growth	EBITDA	OPM%	PAT	% growth	EPS(Rs.)	% growth	PER(x)	ROANW(%)	ROACE(%)
FY07	7114	33.0	2866	40.3	1726	35.6	10.8	14.9	8.1	18.1	15.0
FY08	10722	50.7	3897	36.3	2608	51.0	16.2	50.2	5.4	24.3	16.9
FY09E	13913	29.8	4578	32.9	2632	0.9	16.4	0.9	5.4	20.4	15.2
FY10E	17040	22.5	5918	32.5	3093	17.5	19.2	17.5	4.6	17.0	16.0

Figure in Rs mn

Analyst: Indrajeet Kelkar

Tel : +91-22-4096 9751

E-mail: indrajeet@dolatcapital.com

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.
Research		
research@dolatcapital.com		
Sanjeev Patkar	<i>Head of Research, Strategy</i>	
sanjeev@dolatcapital.com	+9122 4096 9745	
Ritesh Poladia	<i>Media, Entertainment, Consumer</i>	
ritesh@dolatcapital.com	+9122 4096 9753	
Darpin Shah	<i>Banking, Finance, Insurance</i>	
darpin@dolatcapital.com	+9122 4096 9754	
Navin Matta	<i>Auto, Auto Comp, Engineering</i>	
navin@dolatcapital.com	+9122 4096 9752	
Sameer Panke	<i>Real Estate, Construction, Engineering</i>	
sameer@dolatcapital.com	+9122 4096 9757	
Indrajeet Kelkar	<i>IT, Retail</i>	
indrajeet@dolatcapital.com	+9122 4096 9751	
Bhavin Shah	<i>Pharma, Healthcare, Agro Chemical</i>	
bhavin@dolatcapital.com	+9122 4096 9731	
Ram Modi	<i>Metals, Mining, Cement</i>	
ram@dolatcapital.com	+9122 4096 9756	
Kapil Yadav	<i>Hospitality, Maritime, Rail, Politics</i>	
kapil@dolatcapital.com	+9122 4096 9735	
Priyank S. Chandra	<i>Telecom, Oil & Gas, Cables</i>	
priyank@dolatcapital.com	+9122 4096 9737	
Nadeem Parkar	<i>Logistics, Aviation</i>	
nadeem@dolatcapital.com	+9122 4096 9736	
Ankit Babel	<i>Textile, Capital Goods, Engineering</i>	
ankit@dolatcapital.com	+9122 4096 9732	
Associates		
Bindal J. Totlani		
bindal@dolatcapital.com	+9122 4096 9724	
Jaynee Shah		
jaynee@dolatcapital.com	+9122 4096 9723	
Harshal Patil		
harshal@dolatcapital.com	+9122 4096 9725	
Namrata Sharma		
namrata@dolatcapital.com	+9122 4096 9726	
Gracy Mittal		
gracy@dolatcapital.com	+9122 4096 9722	
Neha Sarwal		
neha@dolatcapital.com	+9122 4096 9740	
Manpreet Singh Sandhu		
manpreet@dolatcapital.com	+9122 4096 9720	
Support Staff		
Rajesh Shinde		
rajeshshinde@dolatcapital.com	+9122 4096 9743	
Paresh Girkar		
pareshgirkar@dolatcapital.com	+9122 4096 9742	
Sales		
sales@dolatcapital.com		
Mayur Shah		
mayur@dolatcapital.com	+9122 4096 9796	
Vikram Babulkar		
vikram@dolatcapital.com	+9122 4096 9746	
Equity Sales Traders		
salestrading@dolatcapital.com	+9122 4096 9797	
Chandrakant Ware		
chandrakant@dolatcapital.com	+9122 4096 9707	
Jignesh Shahukar		
jignesh@dolatcapital.com	+9122 4096 9727	
P. Sridhar		
sridhar@dolatcapital.com	+9122 4096 9728	
Parthiv Dalal		
parthiv@dolatcapital.com	+9122 4096 9705	
R. Sriram		
rsriram@dolatcapital.com	+9122 4096 9706	
Saurabh Shah		
saurabh@dolatcapital.com	+9122 4096 9718	
Derivatives Team		
Vijay Kanchan		
vijayk@dolatcapital.com	+9122 4096 9704	
Derivatives Sales Traders		
Chirag Makati		
chiragm@dolatcapital.com	+9122 4096 9702-03	
Mihir Thakar		
mihir@dolatcapital.com	+9122 4096 9701	
Quantitative Research		
derivativesinfo@dolatcapital.com		
Prachi Save		<i>Derivatives Research</i>
prachi@dolatcapital.com	+9122 4096 9733	
Sachin Mulay		<i>Technicals</i>
sachin@dolatcapital.com	+9122 4096 9720	
Bloomberg Id		
dolatcapital@bloomberg.net		
Board Lines		+9122 4096 9700
		+9122 2265 9200
Fax Lines		+9122 2265 0410
		+9122 2265 1278

Dolat Capital Market Pvt. Ltd.

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