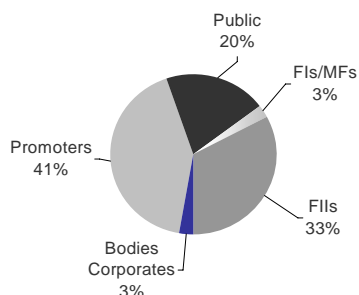
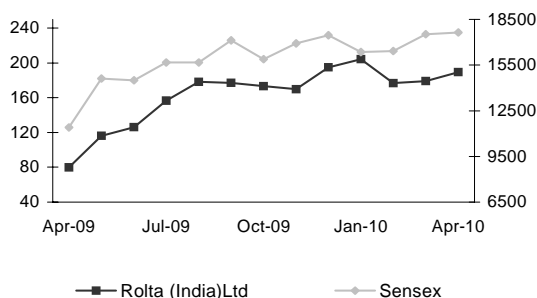


CMP Rs 189
BUY
Target Rs 235

Sensex	17639
Nifty	5274
BSE Code	500366
NSE Code	ROLTA
Bloomberg Code	RLTA IN
Reuters Code	ROLT.BO
Out Standing Eq (No.of Shares)	161.18 mn
Mkt Cap	Rs.30519 mn
52 wk Hi / Low	Rs.210 / 75
Avg Daily Vol(Wkly)	462920
Face Value	Rs. 10

Share Holding Pattern

Stock Performance (%)

	3Mths	6Mths	1Year
Absolute	-6.7	61	71
Relative	-7.1	37	15

Price Movements


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The Q3FY10 numbers, reported by RTIL were in line with our estimates, with revenue up 5.1% sequentially to Rs 3.95bn. In continuance of the past quarters trend, the revenue growth was mainly led by the EGIS segment, contributing nearly 52% of the top line expansion. Though the sequential growth in segments looks timid, finding EICT & EDOS segment posting sequential revenue expansion, after last quarter's out-performance was heartening. Operational margins were flat, with a minor sequential contraction of 8bps to 37.80%; mainly due to the forex movement, being partly offset by increasing solution share in the business. However decline in financial cost due to debt repayment, led to net improvement in margins, prior taxation by nearly 60bp.

Management has indicated towards witnessing early signs of turn-around in the capex cycle, with the pipeline looking healthier with projects across sectors. In addition, the recently introduced solutions led offerings seems to be further improving the prospects of garnering additional business, in the growing capex scenario. The revival in the business outlook is being reflected in RTIL's consistently growing order book. We continue to believe that EGIS will be the growth leader for RTIL in the coming quarters; however growing momentum in the capex cycle can lead to EDOS's contribution to the incremental numbers, being higher than currently anticipated.

- RTIL's order intake for the quarter stood at Rs 4.56bn, up 7.4% sequentially increasing the order book size to Rs 17.69bn. Order intake in EGIS rose by 15.9%, while the EDOS's intake contracted by 15.6%. The contraction in the intake can be partly contributed to forex movement; to the extent of 5 -6%.
- In the quarter, RTIL acquired a US based firm - OneGIS, specializing in high end consulting with capabilities across most utilities & asset management areas. This acquisition has added an IP, "One View Mobile" to the company's existing portfolio of IP, which is currently deployed across large utilities & Telcos. With this acquisition, RTIL intends to enhance its GIS solution suite, for further customization of its solution for the utility vertical.
- RTIL has passed an enabling resolution to raise USD 250 mn via equity, to build up its cash base for further expansions, acquisition as well as bringing down its debt levels.

Financial Snapshot

Particulars	(Rs in mn)			
	FY2008	FY2009	FY2010E	FY2011E
Revenue	10722	13728	15344	18286
EBIDTA (%)	36.3	33.8	36.9	36.8
PAT	2306	2938	2566	3204
PAT(%)	21.5	21.4	16.7	17.5
EPS	14.3	18.3	15.9	19.9
ROCE (%)	20.9	15.1	14.3	16.9
ROE (%)	19.5	20.4	15.5	16.7
P/E x	13	10	12	10
EV/EBIDTA x	33	24	23	19

Source: Company, India Capital Markets Research

Quarterly Results - Consolidated

Consolidated	Rs mn							
	Q3 FY10	Q3 FY09	Y-o-Y%	Q2 FY10	Q-o-Q %	9mFY10	9mFY09	Y-o-Y%
Income from Operations	3946	3320	18.8	3756	5.1	11206	10401	7.7
EBIDTA	1492	1064	40.1	1423	4.8	4169	3511	18.8
Depreciation	673	498	35.2	670	0.5	1964	1289	52.3
Interest	101	58	74.9	115	(11.9)	299	69	332.2
Other Income	60	81	(25.8)	80	(24.4)	239	326	(26.7)
PBT	778	590	31.8	718	8.3	2146	2478	(13.4)
Exceptional cost	0	(840)	-	0	-	0	0	-
PBT (After Exceptional Item)	778	1430	(45.6)	718	8.3	2146	2478	(13.4)
Tax	109	101	7.6	92	18.2	291	308	(5.4)
PAT	669	1329	(49.7)	626	6.9	1855	2170	(14.5)
Minority Interest (Loss)	2	2	(1.1)	2	0.0	3	6	(38.3)
PAT (After Minority Interest)	671	1331	(49.6)	628	6.9	1858	2176	(14.6)
EBIDTA margins (%)	37.8	32.1		37.9		37.2	33.8	
PBT margins(%)	19.7	43.1		19.1		19.2	23.8	
PAT margins (%)	17.0	40.1		16.7		16.6	20.9	
Tax Rate (%)	14.0	7.1		12.8		13.6	12.4	

Source: Company, India Capital Markets Research

Employee Details

	Q3FY10	Q2FY10	Q1FY10	Q4FY09	Q3FY09	Q2FY09
Enterprise Geospatial Information Services	2188	2172	2184	2206	2248	2287
Engineering Design & Operation Solutions	1174	1156	1147	1323	1548	1723
Enterprise IT Solutions	846	843	838	853	889	932
Sales, mktg. & others	601	592	587	598	607	616
Increase in employee count						
Enterprise Geospatial Information Services	16	(12)	(22)	(42)	(39)	51
Engineering Design & Operation Solutions	18	9	(176)	(225)	(175)	(55)
Enterprise IT Solutions	3	5	(15)	(36)	(43)	3
Sales, Mktg. & others	9	5	(11)	(9)	(9)	37
Average Utilization (%)						
Enterprise Geospatial Information Services	79.3	81.0	81.4	79.1	76.8	81.8
Engineering Design & Operation Solutions	78.4	76.8	73.6	68.3	63.2	74.4
Enterprise IT Solutions	71.2	72.2	73.1	71.2	66.7	75.8

Source: Company, India Capital Markets Research

Segmental Details

	Q3FY10	Q2FY10	Q1FY10	Q4FY09	Q3FY09	Q2FY09
Order Book (Rs mn)						
Enterprise Geospatial Information Services	8716	8322	8152	7792	7458	7144
Engineering Design & Operation Solutions	5213	5107	4727	4613	4513	5018
Enterprise IT Solutions	3764	3648	3708	3692	3552	3756
Billing Rate (\$/hr)						
Enterprise Geospatial Information Services	22	23	22	22	21	22
Engineering Design & Operation Solutions	28	28	26	27	27	29
Enterprise IT Solutions	148	146	146	146	146	152
Revenue (Rs mn)						
Enterprise Geospatial Information Services	1967	1868	1710	1595	1563	1548
Engineering Design & Operation Solutions	1017	951	883	862	900	1094
Enterprise IT Solutions	961	937	913	871	858	977
Change in Revenue - QoQ (%)						
Enterprise Geospatial Information Services	5.3	9.2	7.2	2.1	0.9	3.9
Engineering Design & Operation Solutions	7.0	7.8	2.4	(4.2)	(17.7)	3.2
Enterprise IT Solutions	2.6	2.7	4.8	1.5	(12.2)	3.6
Operational margins (%)						
Enterprise Geospatial Information Services	48.5	49.0	46.8	43.9	40.8	43.1
Engineering Design & Operation Solutions	40.2	40.1	38.3	36.6	35.4	39.8
Enterprise IT Solutions	13.4	13.6	12.8	12.6	12.7	16.2

Source: Company, India Capital Markets Research

Outlook & Valuation

After a conscious effort to build up its solution capabilities & series of steps undertaken to enhance the same, RTIL seems to be well placed with its IP led solutions, to address the expanding markets in the Infrastructure, Defense space. However despite its readiness to address the market, the momentum from this line of business will completely depend on greater economic confidence, given the capex dependent nature of its business. However apparently, improvement in the business outlook has led to the initiation of the capex cycle being set in motion and with the increasing oil prices & higher PMI index; business sentiments for capex oriented companies like RTIL seems to be improving. In the interim, we believe GIS would lead the growth momentum for the company, given its relatively defensive nature of business.

We believe RTIL is a differentiated player in its niche business segment and its consistent improvement in its service offerings reaffirms its performance capability. However its impending debt redemption & possible dilution from its fund raising plans will act as a dampener on the stock, till the company cushions itself with additional cash flows from faster than anticipated business momentum. At CMP of Rs 189 the stock trades at a P/E of 10x its FY11E earnings. We maintain our BUY recommendation with a price target of Rs 235.

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