

Rolta India Ltd
Result Update
BUY
CMP Rs 170
Target Rs 211
Sensex 18074 **Nifty** 5416

BSE 500366 **NSE** ROLTA **Reuters** ROLT.BO **Bloomberg** RLTA IN

Company Data

Industry: COMPUTER SOFTWARE

Out Standing Eq (No.of Shares) mn: 16.19

Market Cap mn Rs: 27403

52 week High / Low Rs: 210 / 141

Avg Daily Vol (Wkly BSE /NSE): 497798 / 127813

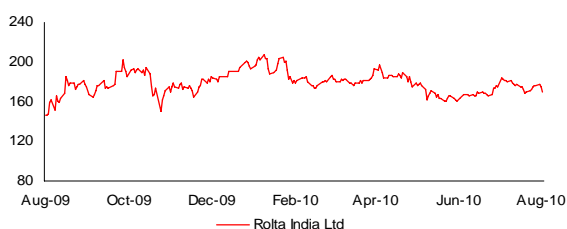
Face Value Rs: 10.00

Share Holding Pattern (%)

	June'10	Mar'10	Dec'09
Promoters	42	42	42
Public	18	18	19
FIs/MFs	3	3	3
FIIIs	34	34	34
Bodies Corporates	3	3	3

Stock Performance (%)

	3 Mth	6 Mth	1 Year
Absolute	(4)	(7)	7
Sensex	6	12	16
BSEIT	(6)	(3)	26

Price Movements

Key Ratio Snapshot

Particulars	FY2009	FY2010	FY2011E	FY2012E
EBITDA (%)	33.8	37.6	37.9	38.2
PAT (%)	21.4	16.6	17.0	17.8
ROCE (%)	15.1	13.2	13.0	14.4
ROE (%)	20.4	15.9	14.9	15.6
EV/EBIDTA x	22.0	24.0	18.9	15.7
P/E x	9.3	10.7	10.1	8.4

Financial Snapshot
(Rs in mn)

Particulars	FY2009	FY2010	FY2011E	FY2012E
Revenue	13728	15327	16018	18362
Growth (%)	28.0	11.6	4.5	14.6
EBITDA	4635	5770	6066	7021
Growth (%)	18.9	24.5	5.1	15.7
PAT	2938	2552	2721	3262
Growth (%)	27.4	(13.2)	6.6	19.9
Diluted EPS	18.2	15.8	16.9	20.2

RTIL's reported an inline Q4FY10 quarter with revenue increasing sequentially 4.4% to Rs 4.12bn. In continuance of the past quarters trend, the revenue growth was mainly led by the EGIS segment (up 5.62%QoQ), contributing nearly 63% of the top line expansion. While the Engineering design segment, as well reported an increase of 5.62%, EICT stood flat for the quarter. For the Full year FY10, RTIL reported an inline topline increase of 12% to Rs 15.34bn (ICMPL estimates 15.33bn) with an operational margin surprise of 70bps to 37.6%.

While the reported numbers stand decent & as per expectations, decline in order intake, mainly due to a "still to recover" engineering segment, makes us downward review our estimates for FY11. Management has guided for a 12-15% revenue increase for the Year.

Key Highlights
June 2010 reported revenue up 4.4% QoQ; EGIS & EDOS up 5.62% QoQ

RTIL reported revenue at Rs 4.12bn, up 4.4% QoQ & 23.9% YoY, mainly led by expanding EGIS segment contributing 2/3rd of the incremental quarterly revenues. Decent performance in the EDOS segment supported 1/3rd of the topline expansion; by growing equal measure to EGIS, while EICT reported a flattish quarter at Rs 968mn.

EBIDTA margins improved nearly 110 bps sequentially

Higher share of IP led solutions / subcontracting revenue at 39% of total revenue (36% in March 2010); rationalizing the employee structure (less 103 employees) & replacing "low value" in house work by increased subcontracting; all together pushed the EBIDTA up by nearly 7.3% QoQ, expanding the margins by 110bps to 38.9%. Operational margins are expected to improve with increased share of IP led revenues.

Source: Company, India Capital Markets Research

Order book at Rs 17.85bn, fresh intake down 6% QoQ

RTIL order book increased 4% sequentially to Rs 17.85 bn, with order intake for the quarter declining 6% QoQ to Rs 4.3bn. The decline in order intake was mainly out of slowing engineering design segment due to slower than expected capex activity in the Oil & Gas segment. However management indicated healthy pipeline visibility of over 75% of its FY12 guidance of 15-20% topline growth.

Full Year FY10 revenue up 12% YoY

For the full year, RTIL reported a top line of Rs 15.33 bn, up 12% YoY, with EGIS reporting over 23% YoY increase to Rs 7.6bn and EGIS ending flat at Rs 3.9bn. ECIT reported Rs 3.8bn up 4% YoY. Consolidated operational margins improved by 380 bps to 38 %, mainly due to increased solution share in the revenues, rationalization of employee base & higher subcontracting lower value business. However higher depreciation of newer facilities and increased interest cost dragged profitability to 19% (22% FY09). Excluding extraordinary items, PAT reported a decline of nearly 5% YoY.

Marking down estimates for FY11; Introducing FY12

We revise our revenue estimates downward for FY11 & introduce our FY12 estimates to Rs 17.47 bn & 20.02 bn respectively, factoring management commentary of slower than anticipated capex in the Oil & Gas space & slower addition of newer orders. We have also factored higher subcontracting & margin expansion to our estimates. Resultant of our revised projections, we expect RTIL to report an EPS of Rs 18.4 & Rs 22.1 in FY11 (E) & FY12 (E) respectively.

Outlook & Valuations

With a present order book more than our FY11E projections and managements pipeline visibility of over 75% of the guided 12-15% YoY growth, gives us comfort with our current expectations of RTIL's revenue performance for the coming financial years.

We have revised our estimates; factoring the slower pace of project additions, margin improvement etc. We expect RTIL to post revenue CAGR of 9% over FY10-FY12E. At the CMP of Rs 170, the stock trades at a P/E of 10.1x on FY11E earnings, providing decent head room for price improvement. We recommend a BUY on the stock with a Target price of Rs 211 (Previous Rs 235).

Operational Details	Q4		YoY	FY10	YoY
	FY10	QoQ			
Order Book (Rs in mn)				-	-
Enterprise Geospatial Information Services (EGIS)	8895	2.1	14.2	-	-
Engineering Design & Operation Solutions (EDOS)	5126	(1.7)	11.1	-	-
Enterprise IT Solutions (EITS)	3829	1.7	3.7	-	-
Total	17850	0.9	10.9	-	-
Billing Rate (USD /hr)					
Enterprise Geospatial Information Services (EGIS)	23	0.4	4.2	22	5.3
Engineering Design & Operation Solutions (EDOS)	28	(0.4)	3.7	27	(2.9)
Enterprise IT Solutions (EITS)	147	(0.5)	1.1	147	(1.3)
Revenue (Rs in mn)					
Enterprise Geospatial Information Services (EGIS)	2078	5.6	30.3	7623	23.0
Engineering Design & Operation Solutions (EDOS)	1074	5.6	24.7	3925	0.2
Enterprise IT Solutions (EITS)	968	0.8	11.2	3779	4.5
Employees					
Enterprise Geospatial Information Services (EGIS)	2127	(61)	(79)	-	-
Engineering Design & Operation Solutions (EDOS)	1118	(56)	(205)	-	-
Enterprise IT Solutions (EITS)	868	22	15	-	-
Sales, Mktg. & others	593	(8)	(5)	-	-
Total	4706	(103)	(274)	-	-
Average Utilization (%)					
Enterprise Geospatial Information Services (EGIS)	79.1	(0)	0	79.6	0.87
Engineering Design & Operation Solutions (EDOS)	79.6	2	17	72.8	5.5
Enterprise IT Solutions (EITS)	70.6	(1)	(1)	70.9	(2.6)

Source: Company, India Capital Markets Research

Quarterly analysis – Consolidated

Consolidated	Rs in mn							
	Q4 FY10	Q4 FY09	Y-o-Y%	Q3 FY10	Q-o-Q %	FY10	FY09	Y-o-Y%
Income from Operations	4121	3327	23.9	3946	4.4	15327	13728	12
EBIDTA	1601	1125	42.4	1492	7.3	5770	4635	24
Depreciation	716	578	23.8	673	6.4	2679	1867	43
Interest	120	57	112.1	101	19.3	419	126	233
Other Income	40	114	(64.6)	60	(32.9)	279	440	(37)
PBT	805	604	33.4	778	3.5	2951	3083	(4)
Exceptional Gain	0	250	-	0	-	0	250	-
PBT (After Exceptional Item)	805	854	(5.7)	778	3.5	2951	3333	(11)
Tax	114	94	21.4	109	4.9	405	402	1
PAT	691	760	(9.0)	669	3.3	2546	2931	(13)
Minority Interest (Loss)	0	2	-	2	-	(5)	(7)	(27)
PAT (After Minority Interest)	691	762	(9.3)	671	3.0	2552	2938	(13)
PAT (Excluding Exceptional item)	691	512	35.1	671	3.0	2552	2688	(5)
EBIDTA margins (%)	38.9	33.8		37.8		37.6	33.8	
PBT margins(%)	19.5	25.7		19.7		19.3	24.3	
PAT margins (%) (Excl. Exceptional item)	16.8	15.4		17.0		16.6	19.6	
Tax Rate (%)	14.2	11.0		14.0		13.7	12.1	

Source: Company, India Capital Markets Research

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