



Ratings			
CMP	187	Recommendation	ADD
Target	215	Risk	MEDIUM

Bloomberg Consensus
(BUY/HOLD/SELL) 11 / 0 / 2

Sensex	Nifty	BSE IT
16,790	4,989	4,438

Codes

BSE	NSE	Bloomberg	Reuters
500366	ROLTA	RLTA IB	ROLT.BO

	Sensex	Rolta
52 Wk: Hi/Lo	17,196/7,697	206/40
Life High	21,207-Jan 08	502-Feb 00
P/E	21.57	8.09
P/BV	4.06	1.85
Dividend Yield (%)	1.14	1.58
Mkt Cap (INR Mn)	57,108,876	30,135
Equity (INR Mn)	-	1,610

* - TTM standalone basis Capitaline

Share Holding Pattern %	Jun-09	Sept-09
Foreign	26.71	30.40
Institutions	3.71	3.35
Corporate	5.11	4.18
Promoters	41.97	41.97
Public & Others	22.50	20.10

Returns %	Abs	Relative to	
	Perf	Sensex	BSE IT
1 Month	7.43	7.01	10.18
3 Months	34.35	24.12	14.64
1 Year	10.88	-60.94	-51.09

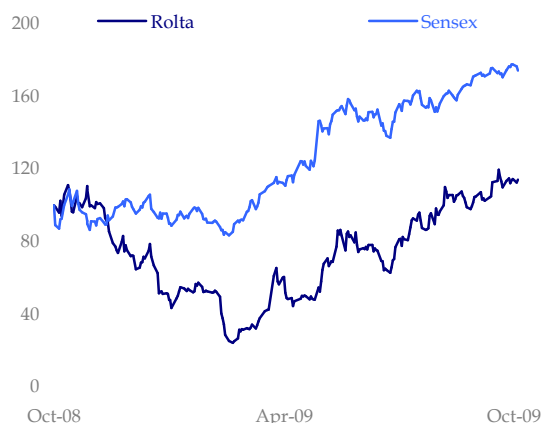
- Revenue grows 5.3% sequentially after two quarters of poor performance
- FY10 Revenue growth guidance maintained 11.4%-14.4%
- EBIDTA margin expanded ~200 bps sequentially
- Expect demand recovery to translate in better growth numbers next calendar

Rolta has reported sequential growth of 5.3% in revenues with ~200 bps expansion in EBIDTA margins. Order book grew 3% sequentially to ~ Rs 16.6 bn, driven mainly by EGIS. Order intakes and revenue grew ~1.4% and ~0.3% CQGR respectively in last four quarters. Management maintains FY10 revenue guidance of 11.4%-14.4% with higher than FY09 EBIDTA margins. FY10 guidance implies 5.9%-7.7% CQGR for remaining three quarters.

The qualified order pipeline showed steady improvement and stood at Rs ~50 bn. EDOS business recovery lags behind recovery in CAPEX cycle which suggests growth rate to shift to ~10% in near terms from earlier ~30+%. Increased spend on defense and homeland security, early signs of global economic recovery and improved liquidity scenario raise hope of an upturn in CAPEX cycle and augur well for Rolta's growth prospects.

We maintain ADD on the stock with a revised target price of Rs 215 at 12x FY11E earnings.

Relative Price Performance



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Consolidated results for the quarter ended September 30, 2009

- ✓ Revenue was at Rs 3,505; 1.3% yoy, 5.3% qoq
- ✓ Net Profit jumped by 134.7% yoy to Rs 561 mn
- ✓ EPS was Rs 3.5, grew 134.6% yoy.

Financial Summary

INR Mn	FY07	FY08	FY09	FY10E	FY11E
Revenue	7,114	10,722	13,728	14,923	17,116
EBIDTA	2,866	3,897	4,635	5,223	6,042
PBT	1,943	2,685	3,333	2,806	3,372
Net Profit	1,726	2,306	2,938	2,428	2,910
Adj. EPS (INR)	10.8	14.3	18.2	15.1	18.1
P/E	17.4	13.1	10.3	13.0	10.8

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Result Highlights

- ✓ **Revenue growth:** Revenue grew by 5.3% sequentially to Rs 3,505 mn. EGIS, EDOS and EITS business reported sequential growth of 7.2%, 2.5% and 4.8% respectively.

(INR Mn)	FY2007				FY2008				FY2009			FY2010	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
EGIS	890	969	1,066	1,118	1,204	1,306	1,370	1,425	1,490	1,549	1,563	1,595	1,710
EDOS	472	505	563	665	745	830	916	987	1,060	1,094	900	861	882
EITS	184	207	227	248	262	282	598	798	912	977	858	871	913
Total	1,546	1,681	1,856	2,031	2,210	2,417	2,884	3,211	3,461	3,619	3,320	3,327	3,505

- ✓ **Demand outlook appears to have bottomed out and likely to improve gradually:** Growth momentum seems to have returned somewhat; which has been severely impacted due to global economic slowdown and credit crunch that resulted into lower capex by clients. However, improved liquidity scenario and early signs of revival in global economy gives hope of modest growth in coming quarters. Growing demand from EGIS mainly from defense, homeland security supported during tough business environment. We believe continued weakness in CAPEX linked business would shift growth trajectory to ~10% in near term, however likely revival in CAPEX cycle and reduced dependency over few troubled segments augur well for growth in medium to long term.
- ✓ **Order Book grows at modest pace:** Order book grew by 3% sequential. EGIS order book growth (qoq) remained more or less stable at around 4-5% from last 5 quarters. EITS order book grew by 0.4% after showing impressive 3.9% sequential growth in previous quarter. EDOS order intakes continues to show steady improvement, order book grew by 2.5%. Management suggested that EDOS business would stabilize and improve from current levels. The qualified order pipeline shows steady improvement and increased to Rs ~50 bn comprising of EGIS ~30 bn, EDOS ~12 bn, and EITS ~8 bn.

(INR Mn)	FY2007				FY2008				FY2009			FY2010	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
EGIS	2,895	3,510	3,677	4,032	4,498	5,093	5,913	6,538	6,892	7,144	7,458	7,792	8,152
EDOS	1,235	1,650	2,024	2,442	3,251	3,780	4,387	4,903	5,073	5,018	4,513	4,613	4,727
EITS	1,565	1,750	1,821	1,877	2,056	2,187	3,580	3,695	3,748	3,756	3,552	3,692	3,708
Total	5,695	6,910	7,522	8,351	9,805	11,060	13,880	15,136	15,713	15,918	15,523	16,097	16,587

- ✓ **EBIDTA margin improve** by ~200 bps sequentially (after showing ~170 bps improvement in previous quarter) mainly due to higher utilization, cost rationalization and higher proportion of revenues from solutions. Management expects contribution from solutions to increase going forward (10-12% of revenues in FY10 from current 8-9%) which would have positive impact on margins. EGIS margin improved by ~290 bps sequentially to 46.8% mainly on account of higher revenues from solutions and cost rationalization.

EBIDTAM (%)	FY2007				FY2008				FY2009			FY2010	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
EGIS	40.2	41.0	45.2	41.6	39.6	40.0	39.2	41.1	41.4	43.1	40.8	43.9	46.8
EDOS	38.9	39.7	40.2	39.5	38.6	39.1	38.5	39.9	39.4	39.8	35.4	36.6	38.3
EITS	36.0	38.1	32.4	29.0	28.9	29.1	19.7	17.9	16.4	16.2	12.7	12.6	12.8
Total	39.3	40.2	42.1	39.4	38.0	38.4	34.9	34.9	34.2	34.8	32.1	33.8	35.8

- ✓ Total headcount declined by 224 to 4,756 in Q1. All business segments have seen third sequential decline in headcount. EGIS, EDOS and EITS business headcount declined sequentially by 22, 176 and 15 respectively.
- ✓ DSO declined to 133 days and management expects DSO to come down to below 120 days by FY10-end.



- ✓ **FY10 guidance:** The management guided Rs 15.3 - 15.7 bn of revenues, 11.4%-14.4% growth over FY09. EBIDTA margin is likely to be in the range of 33-35%. Guidance assumes back-ended growth with H2FY10 being stronger than H1FY10.
- ✓ **Plans to raise up to USD 250 mn equity funding:** The Board of Directors has passed an enabling resolution, subject to approval of shareholders' at the AGM under Section 81(1A) of the Companies Act, 1956, to raise funds upto USD 250 mn or its Indian rupee equivalent from domestic or international market, through instruments like ADRs / GDRs / FCCBs / QIPs / Warrants or Private Placements of any other form of securities convertible into equity shares. Though the management has suggested that it has no immediate plan to raise capital, we believe it could be used to de-leverage balance sheet and/or for inorganic initiatives.

1QFY10 Financial Results

Descriptions (Y/E June) (INR Mn)	Q1FY10 Sep-09	Q4FY09 Jun-09	QoQ % Chg	Q1FY09 Sep-08	YoY % Chg
Enterprise Geospatial Information System (EGIS)	1,710	1,595	7.2	1,490	14.8
Enterprise Design and Operation Solutions (EDOS)	882	861	2.5	1,060	-16.8
Enterprise IT Solutions (EITS)	913	871	4.8	912	0.1
Net Sales	3,505	3,327	5.3	3,461	1.3
Expenditure					
Material Cost	546	399	36.9	611	-10.6
Manpower Cost	1,299	1,344	-3.3	1,299	0.0
Total Expenditure	1,846	1,743	5.9	1,910	-3.4
Gross Profit	1,659	1,585	4.7	1,552	6.9
	<i>GPM (%)</i>	<i>47.3</i>	<i>47.6</i>	<i>44.8</i>	
Other Expenses	405	460	-12.0	367	10.3
EBIDTA	1,255	1,125	11.6	1,185	5.9
	<i>EBIDTM (%)</i>	<i>35.8</i>	<i>33.8</i>	<i>34.2</i>	
Depreciation	621	578	7.5	379	64.0
EBIT	634	547	15.9	806	-21.4
	<i>EBITM (%)</i>	<i>18.1</i>	<i>16.4</i>	<i>23.3</i>	
Other Income	16	308	-94.9	-464	
PBT	650	855	-24.0	342	89.7
	<i>PBTM (%)</i>	<i>18.5</i>	<i>25.7</i>	<i>9.9</i>	
Provision for Tax	90	94	-4.0	105	-14.1
PAT	559	760	-26.4	237	135.7
	<i>PATM (%)</i>	<i>16.0</i>	<i>22.9</i>	<i>6.9</i>	
Minority Interest	2	2	1.7	2	2.2
Net Profit	561	762	-26.4	239	134.7
	<i>NPM (%)</i>	<i>16.0</i>	<i>22.9</i>	<i>6.9</i>	
Adj. EPS (INR)	3.5	4.7	-26.4	1.5	134.6



Analyst Certification

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KSL Ratings

Target Price refers to one year unless specified; CMP: Last closing price

BUY: Expected return >15%

ADD: Expected return 0-15%

REDUCE: Expected decline 0-15%

SELL: Expected decline >15%

Company Risk is based on the systematic risk of the stock. (1-year Beta)

HIGH: >1.2

MEDIUM: 0.8-1.2

LOW: < 0.8

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