



Ratings			
LTP	169	Recommendation	BUY
Target	220	Risk	MEDIUM

Bloomberg Consensus
(BUY/HOLD/SELL) 13 / 02 / 01

Sensex	Nifty	BSE IT
20,303	6,106	6,111

Codes			
BSE	NSE	Bloomberg	Reuters
500366	ROLTA	RLTA IB	ROLT.BO

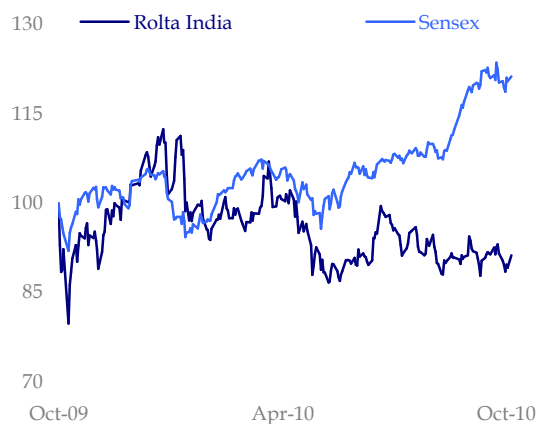
	Sensex	Rolta India
52 Wk: Hi/Lo	20,855/15,331	210/148
Life High	21,207-Jan 08	508-Feb 00
P/E	22.87	7.54
P/BV	3.83	1.43
Dividend Yield (%)	1.04	1.82
Mkt Cap (INR Mn)	73,649,690	27,184
Equity (INR Mn)	-	1,613

* - TTM standalone basis Capitaline

Share Holding Pattern %			
	Jun-10	Sept-10	
Foreign	34.36	34.16	
Institutions	2.71	2.59	
Corporate	2.54	2.86	
Promoters	41.93	41.91	
Public & Others	18.47	18.49	

Returns %	Abs	Relative to	
	Perf	Sensex	BSE IT
1 Month	-0.79	-2.08	-3.10
3 Months	-4.80	-16.78	-16.44
1 Year	-8.74	-30.02	-42.99

Relative Price Performance



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- Revenue growth shows moderation, grew by 3.8% qoq
- Solution-based revenues contribute ~16% in 1QFY11
- Management maintains FY11 revenue growth guidance of 12-15%

Rolta has reported sequential growth of 3.8% in revenues with ~84 bps improvement in EBIDTA margins. Higher contribution of solution-based revenue (~16% from ~10% in 4Q) helped company to improve margins despite salary hike during the quarter. Order book grew 5.5% sequentially to Rs 18.8 bn, driven mainly by EGDS. Order book grew by 3.2% lagging behind revenue growth of 5.1% CQGR in last four quarters.

Management maintains guidance of 12-15% growth in revenues and over 15% growth in net profit for FY11. FY11 guidance implies CQGR of ~2% in revenues and no sequential growth in net profit for next three quarters. Rolta's business recovery lags behind recovery in CAPEX cycle which suggests growth rate to shift to early teens from over 30% earlier.

The company is gaining business momentum from government programs, R-APDRP (Revised Accelerated Power Development and Reforms Programme) and NLRMP (National Land Record Modernization Programme). On-going modernization of defense and security agencies, higher spending on IT with global economic recovery and improved liquidity scenario gives hope of an upturn in CAPEX cycle would augur well for Rolta's growth prospects. The stock has underperformed broader market by ~30% in last 1 year. We maintain BUY on the stock with a target price of INR 220 at 12x FY11E earnings.

Consolidated Results for the Quarter ended Sept 30, 2010

- ✓ Revenue was at Rs 4,276 mn; 22.0% yoy, 3.8% qoq
- ✓ EBIDTA grew by 35.3% yoy to Rs 1,697 mn
- ✓ Net Profit up 33.3% yoy to Rs 748 mn
- ✓ EPS was Rs 4.6, grew 8.1% qoq.

Financial Summary

INR Mn	FY07	FY08	FY09	FY10	FY11E	FY12E
Revenue	7,114	10,722	13,728	15,327	17,623	20,450
EBIDTA	2,866	3,897	4,635	5,770	6,670	7,771
PBT	1,943	2,685	3,333	2,951	3,423	4,201
Net Profit	1,726	2,306	2,938	2,551	2,939	3,437
Adj. EPS (INR)	10.8	14.3	18.2	15.8	18.2	21.4
P/E	15.7	11.8	9.3	10.7	9.3	7.9

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Key Highlights

- ✓ **Revenue growth:** Revenue grew by 3.8% sequentially to Rs 4,276 mn. EGDS, EDOS and EITS business reported sequential growth of 3.7%, 0.7% and 7.4% respectively.

INR Bn	FY2007				FY2008				FY2009				FY2010				FY11
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
EGDS	0.9	1.0	1.1	1.1	1.2	1.3	1.4	1.4	1.5	1.6	1.6	1.6	1.7	1.9	2.0	2.1	2.2
EDOS	0.5	0.5	0.6	0.7	0.7	0.8	0.9	1.0	1.1	1.1	0.9	0.9	0.9	1.0	1.0	1.1	1.1
EITS	0.2	0.2	0.2	0.3	0.3	0.3	0.6	0.8	0.9	1.0	0.9	0.9	0.9	0.9	1.0	1.0	1.0
Total	1.6	1.7	1.9	2.0	2.2	2.4	2.9	3.2	3.5	3.6	3.3	3.3	3.5	3.8	4.0	4.1	4.3

- ✓ **Demand environment improves:** The Company is gaining strong growth momentum from government programs, R-APDRP (Revised Accelerated Power Development and Reforms Programme) and NLRMP (National Land Record Modernization Programme). 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. Improved liquidity scenario and signs of revival in global economy gives hope of better growth in coming quarters. EGDS segment has seen growing demand from defense, home land security coupled with recovery in other segments as global economy recovers, higher IT spending and upturn in CAPEX cycle would accelerate growth further. EDOS order book grew modestly 1.8% sequentially in-line with management expectation of moderate growth from EDOS for FY11. EITS grew by 7.4% in 1QFY11.

New Order Booking

INR Bn	FY2007				FY2008				FY2009				FY2010				FY11
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
EGDS	1.4	1.6	1.2	1.5	1.7	1.9	2.2	2.1	1.8	1.8	1.9	1.9	2.1	2.0	2.4	2.3	2.9
EDOS	0.7	0.9	0.9	1.1	1.6	1.4	1.5	1.5	1.2	1.0	0.4	1.0	1.0	1.3	1.1	1.0	1.2
EITS	0.4	0.4	0.3	0.3	0.4	0.4	2.0	0.9	1.0	1.0	0.7	1.0	0.9	0.9	1.1	1.0	1.2
Total	2.5	2.9	2.5	2.9	3.7	3.7	5.7	4.5	4.0	3.8	2.9	3.9	4.0	4.2	4.6	4.3	5.2

- ✓ **Order Book showing healthy addition:** Order book grew by 5.5% sequentially. EGDS, EDOS and EITS order book sequentially grew by 8.1%, 1.8% and 4.2% respectively. EGDS continue to drive growth, while EITS and EDOS remain sluggish for quite some time now.

INR Bn	FY2007				FY2008				FY2009				FY2010				FY11
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
EGDS	2.9	3.5	3.7	4.0	4.5	5.1	5.9	6.5	6.9	7.1	7.5	7.8	8.2	8.3	8.7	8.9	9.6
EDOS	1.2	1.7	2.0	2.4	3.3	3.8	4.4	4.9	5.1	5.0	4.5	4.6	4.7	5.1	5.2	5.1	5.2
EITS	1.6	1.8	1.8	1.9	2.1	2.2	3.6	3.7	3.7	3.8	3.6	3.7	3.7	3.6	3.8	3.8	4.0
Total	5.7	6.9	7.5	8.4	9.8	11.1	13.9	15.1	15.7	15.9	15.5	16.1	16.6	17.1	17.7	17.9	18.2



- ✓ **EBIDTA Margin** improved by ~84 bps sequentially mainly due to higher revenues from solution-based offerings. EGDS margin improved by ~140 bps sequentially to 52.9% mainly on account of higher contribution from solutions. EDOS margin improved by 130 bps sequentially due to higher utilization and better realization.

(%)	FY2007				FY2008				FY2009				FY2010				FY11
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
EGDS	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	49.0	48.5	51.5	52.9
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	40.1	40.2	38.9	40.2
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	13.6	13.5	11.7	11.9
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	37.9	37.8	38.9	39.7

- ✓ Total headcount decreased by 55 to 4,651 in 1Q. EGDS and EDOS head count decreases by 44 and 29 respectively. EITS and sales and marketing headcount grew by 8 and 10 respectively during the quarter.
- ✓ **Salary hike:** The company has effected salary hike of ~10% for India-based employee (wef July) and ~2.5% for other employees.
- ✓ DSO declined to 144 days from 148 days in 4Q.
- ✓ **FY11 guidance:** The management guides 12%-15% growth in revenues for FY11. Net profit is expected to grow over 15% for FY11.



1QFY11 Financial Results

Description (Y/E June) (INR Mn)	1QFY11 Sept-10	4QFY10 Jun-10	Q-o-Q % Chg.	1QFY10 Sept-09	Y-o-Y % Chg.
EGDS	2,154	2,078	3.7	1,710	26.0
EDOS	1,082	1,074	0.7	882	22.6
EITS	1,040	968	7.4	913	14.0
Net Sales	4,276	4,121	3.8	3,505	22.0
Expenditure					
Material Cost	815	849	-4.0	546	49.3
Manpower Cost	1,272	1,181	7.7	1,299	-2.1
	2,087	2,030	2.8	1,846	13.1
Gross Profit	2,189	2,091	4.7	1,659	31.9
	<i>GPM (%)</i>	<i>51.2</i>	<i>50.7</i>	<i>47.3</i>	
Other Expenses	492	490	0.4	405	21.5
EBIDTA	1,697	1,601	6.0	1,255	35.3
	<i>EBIDTM (%)</i>	<i>39.7</i>	<i>38.9</i>	<i>35.8</i>	
Depreciation	763	716	6.7	621	22.9
EBIT	934	886	5.4	634	47.3
	<i>EBITM (%)</i>	<i>21.8</i>	<i>21.5</i>	<i>18.1</i>	
Interest	127	120	5.4	83	52.4
Other Income	55	40	36.6	99	-44.3
PBT	862	806	7.0	650	32.7
	<i>PBTM (%)</i>	<i>20.2</i>	<i>19.5</i>	<i>18.5</i>	
Provision for Tax	115	114	0.7	90	27.4
PAT	747	691	8.1	559	33.6
	<i>PATM (%)</i>	<i>17.5</i>	<i>16.8</i>	<i>16.0</i>	
Minority interest	1	-		2	-59.0
Net Profit	748	691	8.2	561	33.3
	<i>NPM (%)</i>	<i>17.5</i>	<i>16.8</i>	<i>16.0</i>	
Adj. EPS (INR)	4.6	4.3	8.1	3.5	33.0



Segmental Results

Description (Y/E June) (INR Mn)	1QFY11 Sept-10	4QFY10 Jun-10	Q-o-Q % Chg.	1QFY10 Sept-09	Y-o-Y % Chg.
EGDS	2,154	2,078	3.7	1,710	26.0
EDOS	1,082	1,074	0.7	882	22.6
EITS	1,040	968	7.4	913	14.0
Net Sales	4,276	4,121	3.8	3,505	22.0

EBIDTA

EGDS	1,139	1,070	6.5	800	42.3
EDOS	435	418	4.0	338	28.6
EITS	124	113	9.1	116	6.1
EBIDTA	1,697	1,601	6.0	1,255	35.3

EBIDTA Margin (%)

EGDS	52.9	51.5		46.8	
EDOS	40.2	38.9		38.3	
EITS	11.9	11.7		12.8	
EBIDTA Margin	39.7	38.9		35.8	

Note: Enterprise Geospatial and Defense Solutions (EGDS); Enterprise Design and Operation Solutions (EDOS); Enterprise IT Solutions (EITS)



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Target Price refers to one year unless specified; LTP: Last Trading 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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