



Ratings			
CMP	189	Recommendation	BUY
Target	230	Risk	HIGH

Bloomberg Consensus
(BUY/HOLD/SELL) 15 / 01 / 01

Sensex	Nifty	BSE IT
17,639	5,274	5,526

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

	Sensex	Rohta
52 Wk: Hi/Lo	18,048/10,716	210/73
Life High	21,207-Jan 08	507-Feb 00
P/E	21.48	8.79
P/BV	3.92	1.88
Dividend Yield (%)	1.10	1.52
Mkt Cap (INR Mn)	62,630,018	30,519
Equity (INR Mn)	-	1,612

* - TTM standalone basis Capitaline

Share Holding Pattern %			
	Dec-09	Mar-10	
Foreign	33.53	34.29	
Institutions	3.14	2.65	
Corporate	2.63	2.72	
Promoters	41.97	41.94	
Public & Others	18.74	18.41	

Returns %	Abs	Relative to	
	Perf	Sensex	BSE IT
1 Month	3.39	1.91	2.37
3 Months	-7.70	-8.01	-9.95
1 Year	74.05	17.74	-51.99

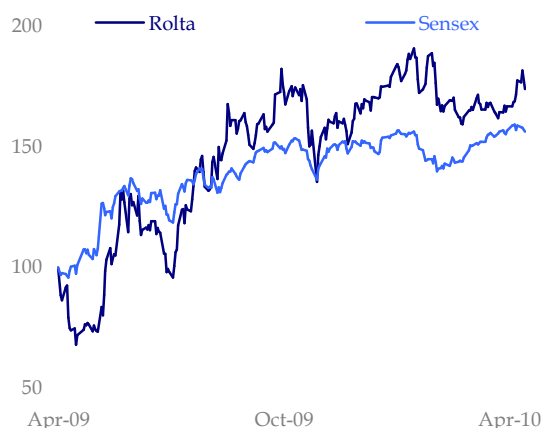
- Revenue grows 5.1% qoq, consecutive third quarter of over 5% growth
- FY10 Revenue growth guidance revised down to ~11%
- FY10 EBIDTA margin guidance revised up to ~37%
- Improved demand environment to support growth momentum

Rolta has reported sequential growth of 5.1% in revenues with stable margins. Order book grew 3.6% sequentially to ~Rs 17.7 bn, driven mainly by EGIS. Order book and revenue grew 2.3% and 3.0% CQGR respectively in last seven quarters. Management revises FY10 revenue guidance and now expects growth of ~11% closer to lower end of earlier guidance primarily due to rupee appreciation. The management guides ~37% EBIDTA margin for FY10, upward revision from earlier expectations of 33-35%.

EDOS business recovers steadily and grew by 7% during the quarter, albeit still remains 7% lower than its previous highest quarterly run rate. EITS new order booking during the quarter grew by 22.8% sequentially suggests improving demand. Comprehensive portfolio of services and solutions and partnership with Thales JV would give competitive advantage and helps company to gain from increased spend on Defense, Homeland and Maritime Security. 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.

We maintain BUY on the stock with a target price of Rs 230 at 12x FY11E earnings.

Relative Price Performance



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Consolidated Results for the Quarter ended Mar 31, 2010

- ✓ Revenue was at Rs 3,946 mn; 18.8% yoy, 5.1% qoq
- ✓ EBIDTA grew by 40.1% yoy to Rs 1,492 mn
- ✓ Net Profit (excl. exceptional items) jumped by 36.6% yoy to Rs 671 mn
- ✓ EPS was Rs 4.2, grew 6.8% qoq.

Financial Summary

INR Mn	FY06	FY07	FY08	FY09	FY10E	FY11E
Revenue	5,349	7,114	10,722	13,728	15,335	17,788
EBIDTA	2,229	2,866	3,897	4,635	5,726	6,688
PBT	1,420	1,943	2,685	3,333	2,951	3,642
Net Profit	1,273	1,726	2,306	2,938	2,555	3,128
Adj. EPS (INR)	8.0	10.8	14.3	18.2	15.9	19.4
P/E	23.7	17.5	13.2	10.4	11.9	9.7

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Key Highlights

- ✓ **Revenue growth:** Revenue grew by 5.1% sequentially to Rs 3,946 mn. EGIS, EDOS and EITS business reported sequential growth of 5.3%, 7.0% and 2.6% respectively.

Revenues (INR Bn)	FY2007				FY2008				FY2009				FY2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
EGIS	0.89	0.97	1.07	1.12	1.20	1.31	1.37	1.43	1.49	1.55	1.56	1.59	1.71	1.87	1.97
EDOS	0.47	0.51	0.56	0.67	0.74	0.83	0.92	0.99	1.06	1.09	0.90	0.86	0.88	0.95	1.02
EITS	0.18	0.21	0.23	0.25	0.26	0.28	0.60	0.80	0.91	0.98	0.86	0.87	0.91	0.94	0.96
Total	1.55	1.68	1.86	2.03	2.21	2.42	2.88	3.21	3.46	3.62	3.32	3.33	3.50	3.76	3.95

- ✓ **Demand grows at steady place:** 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. EGIS 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.

New Order Booking

New Wins (INR Bn)	FY2007				FY2008				FY2009				FY2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
EGIS	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
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
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
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

- ✓ **Order Book grows at modest pace:** Order book grew by 3.6% sequential. EGIS order book grew by 4.7% sequentially, returning back to 4-5% growth rates after showing some slowness in previous quarter. EITS order book grew by 3.2% after two quarters of dismal performance. EDOS business shows some sluggishness again and grew by 2.1% during the quarter.

Order Book (INR Bn)	FY2007				FY2008				FY2009				FY2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
EGIS	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
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
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
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

- ✓ **EBIDTA Margin** dips by ~10 bps sequentially mainly due to lower utilization and billing rates. EGIS margin decline by ~50 bps sequentially to 48.5% mainly on account of lower utilization and decline in billing rates. EDOS margin improved by 10 bps sequentially due to higher utilization, better realization and cost rationalization.

EBIDTAM (%)	FY2007				FY2008				FY2009				FY2010		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
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	49.0	48.5
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
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
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



- ✓ Total headcount increased by 46 to 4,809 in Q3. EGIS business head count increases by 16, after declining for four quarter in a row. EDOS, EITS and sales and marketing headcount grew by 18, 3 and 9 respectively.
- ✓ DSO stays around 130 days and management expects DSO to come down to below 120 days by FY10-end.
- ✓ **FY10 guidance:** The management revises FY10 guidance considering rupee appreciation against other currencies including USD. Management expects ~11% growth in revenues for FY10 with EBIDTA margin of ~37%. Earlier, management guided Rs 15.3 - 15.7 bn of revenues with 33-35% EBIDTA margin for FY10.
- ✓ **OneGIS acquisition:** Rolta recently announced the acquisition of OneGIS, Inc. of Atlanta, GA, USA. OneGIS is a consulting, development and systems integration firm implementing geospatial and IT solutions. OneGIS's client lists include electric, gas and water utilities, telecommunications companies and local and regional governments. With this acquisition, Rolta has acquired the company's intellectual property, including the OneView Mobile solution. OneView Mobile, asset-centric mobile GIS application, allows field personnel to apply specific work-related actions to help automate their daily work assignments through its unique, user configurable, Action Framework. The technical expertise of OneGIS will expand Rolta's current Geospatial Fusion service offerings by adding consulting and domain experience in utilities and telecommunications.

3QFY10 Financial Results

Description (Y/E June) (INR Mn)	Q3FY10 Mar-10	Q2FY10 Dec-09	Q-o-Q % Chg.	Q3FY09 Mar-09	Y-o-Y % Chg.	9MFY10 Mar-10	9MFY09 Mar-09	Y-o-Y % Chg.
Enterprise Geospatial Info. System (EGIS)	1,967	1,868	5.3	1,562	25.9	5,545	4,601	20.5
Enterprise Design and Operation Sol (EDOS)	1,017	951	7.0	900	13.0	2,850	3,054	-6.7
Enterprise IT Solutions (EITS)	961	937	2.6	858	12.1	2,810	2,747	2.3
Net Sales	3,946	3,756	5.1	3,320	18.8	11,206	10,401	7.7
Expenditure								
Material Cost	821	705	16.4	336	144.3	2,071	1,569	32.0
Manpower Cost	1,244	1,269	-1.9	1,487	-16.3	3,813	4,143	-8.0
	2,065	1,974	4.6	1,822	13.3	5,884	5,712	3.0
Gross Profit	1,881	1,782	5.5	1,498	25.6	5,322	4,689	13.5
	<i>GPM (%)</i>	<i>47.4</i>	<i>47.4</i>	<i>45.1</i>		<i>47.5</i>	<i>45.1</i>	
Other Expenses	389	359	8.3	433	-10.2	1,153	1,179	-2.2
EBIDTA	1,492	1,423	4.8	1,065	40.1	4,169	3,511	18.8
	<i>EBIDTM (%)</i>	<i>37.8</i>	<i>37.9</i>	<i>32.1</i>		<i>37.2</i>	<i>33.8</i>	
Depreciation	673	670	0.5	498	35.2	1,963	1,289	52.3
EBIT	819	753	8.7	567	44.4	2,206	2,221	-0.7
	<i>EBITM (%)</i>	<i>20.8</i>	<i>20.1</i>	<i>17.1</i>		<i>19.7</i>	<i>21.4</i>	
Interest	101	115		58		299	69	332.0
Other Income	60	80		921		239	326	-26.7
PBT	778	718	8.3	1,431	-45.6	2,146	2,478	-13.4
	<i>PBTM (%)</i>	<i>19.7</i>	<i>19.1</i>	<i>43.1</i>		<i>19.1</i>	<i>23.8</i>	
Provision for Tax	109	92	18.2	101	7.6	291	308	-5.3
PAT	669	626	6.9	1,329	-49.7	1,855	2,170	-14.6
	<i>PATM (%)</i>	<i>17.0</i>	<i>16.7</i>	<i>40.0</i>		<i>16.5</i>	<i>20.9</i>	
Minority Interest	2	2		2		5	6	
Net Profit	671	628	6.9	1,331	-49.6	1,860	2,176	-14.5
	<i>NPM (%)</i>	<i>17.0</i>	<i>16.7</i>	<i>40.1</i>		<i>16.6</i>	<i>20.9</i>	
Adj. EPS (INR)	4.2	3.9	6.8	8.3	-49.7	11.5	13.5	-14.6



Segmental Results

Description (Y/E June) (INR Mn)	Q3FY10 Mar-10	Q2FY10 Dec-09	Q-o-Q % Chg.	Q3FY09 Mar-09	Y-o-Y % Chg.	9MFY10 Mar-10	9MFY09 Mar-09	Y-o-Y % Chg.
Enterprise Geospatial Info. System (EGIS)	1,967	1,868	5.3	1,562	25.9	5,545	4,601	20.5
Enterprise Design and Operation Sol (EDOS)	1,017	951	7.0	900	13.0	2,850	3,054	-6.7
Enterprise IT Solutions (EITS)	961	937	2.6	858	12.1	2,810	2,747	2.3
Net Sales	3,946	3,756	5.1	3,320	18.8	11,206	10,401	7.7
EBIDTA								
Enterprise Geospatial Info. System (EGIS)	954	915	4.3	637	49.7	2,668	1,921	38.9
Enterprise Design and Operation Sol (EDOS)	409	381	7.2	319	28.2	1,128	1,172	-3.8
Enterprise IT Solutions (EITS)	129	127	1.8	109	18.5	373	417	-10.7
EBIDTA	1,492	1,423	4.8	1,065	40.1	4,169	3,511	18.8
EBIDTA Margin (%)								
Enterprise Geospatial Info System (EGIS)	48.5	49.0		40.8		48.1	41.8	
Enterprise Design and Operation Sol (EDOS)	40.2	40.1		35.4		39.6	38.4	
Enterprise IT Solutions (EITS)	13.5	13.6		12.7		13.3	15.2	
EBIDTA Margin	37.8	37.9		32.1		37.2	33.8	



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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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