

4QFY08 Result Update

CMP: INR 289

Target: INR 350

BUY

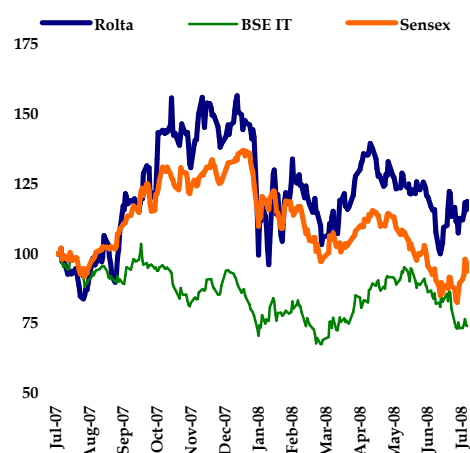
BSE Sensex	14,275
S&P Nifty	4,312
BSE IT	3,611
Bloomberg Consensus	
(BUY/SELL/HOLD)	8/3/0
BSE Code	500366
NSE Code	ROLTA
Bloomberg Code	RLTA IN
Reuters	ROLT.BO
52 Wk High/Low (INR)	390/200
Equity (INR Mn)	1,609
Market Cap. (INR Mn)	46,326

Shareholding Pattern (%):

Foreign	39.85
Institutions	2.62
Corporate	1.90
Promoters	40.26
Public & Others	15.38
Total:	100.00

Returns (%)	Abs Perf	Relative to	
		Sensex	BSE IT
1 Month	2.58	3.60	16.22
3 Months	-12.29	3.82	-1.97
1 Year	18.82	25.12	44.77

Relative Price Performance



Source: Comline Products

Analyst: Dipesh Mehta

Email: dipesh@kslindia.com

Rolta is well positioned to tap opportunities arising from the core infrastructure development and increased usage of geospatial data in the infrastructure development projects.

We believe joint ventures with Stone and Webster and Thales, world leaders in respective areas, would give Rolta an edge over competitors. With experienced and technological sound JV partners, Rolta is in a favorable position to grab opportunities arising from opening up of Indian defense sector for private participation and Indo-US nuclear deal. We expect significant contribution from these joint ventures to the company's growth in medium term.

The management indicated order backlog of Rs ~15 bn (1.2x annualized 4QFY08 revenues) at the end of FY08, which enhances business visibility. The company's order pipeline remains healthy at Rs ~35 bn. We expect revenue and net profit to grow at 33.5% and 33% CAGR respectively over FY 08-10.

Consolidated Results for the quarter ended June 30, 2008

- ✓ Revenue was at Rs 3,211.1 mn as against Rs 2,030.9 mn in Q4FY07, a y-o-y growth of 58.1% and sequential growth of 11.4%.
- ✓ Net Profit has shown y-o-y growth of 4.1% to Rs 508.3 mn, as against Rs 488.5 mn in the Q4FY07, q-o-q decline of 22.7%. The profit was impacted negatively mainly due to MTM foreign exchange loss on FCCBs of Rs 301.8 mn.
- ✓ EPS was Rs 3.2, as against Rs. 3.0 same period last year, y-o-y growth of 3.6%.

Consolidated Results for the year ended June 30, 2008

- ✓ Revenue was at Rs 10,722 mn as against Rs 7,114 mn in FY07, a y-o-y growth of 50.7%.
- ✓ Net Profit has shown y-o-y growth of 33% to Rs 2,306 mn, as against Rs 1,726 mn in the FY07.
- ✓ EPS was Rs 14.3, as against Rs 10.8 last year, y-o-y growth of 33%.

Financial Summary

Descriptions (INR Mn)	FY06	FY07	FY08	FY09E	FY10E
Revenue	5,349	7,114	10,722	15,216	19,120
PBIDTA	2,229	2,866	3,897	5,310	6,365
PAT	1,273	1,726	2,297	3,312	4,065
Adj. EPS (INR)	8.0	10.8	14.3	20.0	23.3

Khandwala Securities Limited

Vikas Building, Green Street, Fort, Mumbai 400 023.

Tel No. +91 22 4076 7373 Fax No. +91 22 4076 7377

For private circulation only

Please read the Important Disclosure at the end of this report.

Our Research Reports can be accessed on: www.bloomberg.net (KHDS<GO>), www.capitaliq.com, www.thomsonreuters.com, www.1firstcall.com, www.kslindia.com, www.moneycontrol.com, www.securities.com

This report is a part of intellectual property of Khandwala Securities Limited; any query on this report may be directed to Head of Research at research@kslindia.com



Result Highlights

- ✓ Healthy Order Book – Rs. 15.1 bn of order book, grew by ~9% sequential, comprises of orders of Rs 6.5 bn, Rs 4.9 bn and Rs 3.7 bn in GIS, EDA and EICT segments respectively.

(INR Mn)	1QFY07	2QFY07	3QFY07	4QFY07	1QFY08	2QFY08	3QFY08	4QFY08	
GIS	2,895	3,510	3,677	4,032	4,498	5,093	5,913	6,538	
EDA	1,235	1,650	2,024	2,442	3,251	3,780	4,387	4,903	
EICT	1,565	1,750	1,821	1,877	2,056	2,187	3,580	3,695	← including TUSC
Total	5,695	6,910	7,522	8,351	9,805	11,060	13,880	15,136	

- ✓ EBIDTA Margin declined by ~444 bps, primarily due to integration of low margin TUSC acquisition. The management expects ~300 bps improvements in TUSC margin as off-shoring and cost control kicks in.

	1QFY07	2QFY07	3QFY07	4QFY07	1QFY08	2QFY08	3QFY08	4QFY08	
GIS	40.2%	41.0%	45.2%	41.6%	39.6%	40.0%	39.2%	41.1%	
EDA	38.9%	39.7%	40.2%	39.5%	38.6%	39.1%	38.5%	39.9%	
EICT	36.0%	38.1%	32.4%	29.0%	28.9%	29.1%	19.7%	17.9%	← including TUSC
Total	39.3%	40.2%	42.1%	39.4%	38.0%	38.4%	34.9%	34.9%	

- ✓ RTL (JV with Thales) has signed an MoU with Thales for the “offset” program of Indian defence. RTL has also received defence industrial licenses for manufacturing of maritime, aerospace, electronic warfare, optronics and communication equipments and systems.
- ✓ Declared a dividend of Rs 3 per share for FY08
- ✓ During the quarter, the company has added 243 professionals raising the total employee strength to 5,269.
- ✓ **FY09 guidance:** The management guided Rs 14.8-15 bn of revenues, Rs 3.25 – 3.3 bn of PAT and EPS of Rs ~20.

Valuation

We believe change in business mix, moving up in the value chain that leads to higher blended billing rate, gains arising from improvement in employees’ productivity and redeployment of IPRs would offset margin erosion due to wage inflation and integration of low margin acquisitions. We expect revenue and net profit to grow at 33.5% and 33% CAGR respectively over FY 08-10. The stock is currently traded at 14.5x FY09E earnings. **We maintain BUY on the stock with a target price of Rs. 350 at 15x FY10E earnings.**



Q4 FY08 and FY08 Financial Results

Descriptions (Y/E June) (INR Mn)	Q4FY08 Jun-08	Q3FY08 Mar-08	QoQ Growth	Q4FY07 Jun-07	YoY Growth	FY08 Jun-08	FY07 Jun-07	YoY Growth
GIS	1,425	1,370	4.0%	1,118	27.5%	5,306	4,043	31.2%
Engineering Design	987	916	7.8%	665	48.5%	3,477	2,205	57.7%
Enterprise Info & Comm Tech	798	598	33.5%	248	222.0%	1,940	865	124.2%
Net Sales	3,211	2,884	11.4%	2,031	58.1%	10,722	7,114	50.7%
Expenditure								
Material Cost	620	681	-8.9%	578	7.2%	2,560	1,928	32.8%
Manpower Cost	1,154	890	29.6%	478	141.2%	3,201	1,690	89.4%
	1,774	1,571	12.9%	1,057	67.9%	5,761	3,618	59.2%
Gross Profit	1,437	1,312	9.5%	974	47.5%	4,961	3,496	41.9%
	<i>GPM</i>	<i>44.8%</i>	<i>45.5%</i>	<i>48.0%</i>		<i>46.3%</i>	<i>49.1%</i>	
Other Expenses	315	305	3.5%	174	80.7%	1,064	630	68.8%
EBIDTA	1,122	1,008	11.3%	800	40.3%	3,897	2,866	36.0%
	<i>EBIDTM</i>	<i>34.9%</i>	<i>34.9%</i>	<i>39.4%</i>		<i>36.3%</i>	<i>40.3%</i>	
Depreciation	378	353	7.1%	281	34.5%	1,383	1,018	35.8%
EBIT	744	655	13.6%	519	43.4%	2,515	1,848	36.1%
	<i>EBITM</i>	<i>23.2%</i>	<i>22.7%</i>	<i>25.5%</i>		<i>23.5%</i>	<i>26.0%</i>	
Interest	0	0		3		0	7	
Other Income	-134	105		44		170	103	65.6%
PBT	609	760	-19.8%	559	9.0%	2,685	1,943	38.2%
	<i>PBTM</i>	<i>19.0%</i>	<i>26.3%</i>	<i>27.5%</i>		<i>25.0%</i>	<i>27.3%</i>	
Provision for Tax	110	103	6.7%	71	55.4%	388	217	79.0%
PAT	500	657	-23.9%	488	2.3%	2,297	1,726	33.0%
	<i>PATM</i>	<i>15.6%</i>	<i>22.8%</i>	<i>24.1%</i>		<i>21.4%</i>	<i>24.3%</i>	
Minority interest	9	0		0		9	0	
Net Profit	508	657	-22.7%	488	4.1%	2,306	1,726	33.6%
Equity	1,609	1,605		801		1,609	801	
Adj. EPS (INR)	3.2	4.1	-22.8%	3.0	3.6%	14.3	10.8	33.0%



INDIA

EQUITY RESEARCH

TEL. NO. +91 22 4076 7373

FAX +91 22 4076 7378

Name	Designation	Sectors	E-mail
Ashok Jainani	VP, Head Research	Market Strategy	ashokjainani@kslindia.com
Dipesh Mehta	Research Analyst	IT , Telecom	dipesh@kslindia.com
Hatim K Broachwala	Research Analyst	BFSI	hatim@kslindia.com
Vinay Nair	Research Analyst	Energy	vinay.nair@kslindia.com
Giriraj Daga	Research Analyst	Metals, Cement	giriraj@kslindia.com
Vivek Patil	Research Analyst	FMCG, Retail	vivek.patil@kslindia.com
Harshul Verma	Research Associate	Automobiles, Capital Goods	harshul.verma@kslindia.com
Sandeep Bhatkhande	Research Associate	Publishing	sandeep@kslindia.com
Lydia Rodrigues	Research Executive	Data Mining	lydia@kslindia.com

INSTITUTIONAL DEALING

TEL NO. +91 22 4076 7342-47/56

FAX NO. +91 22 4076 73 77-78

Biranchi Sahu	Head	Institutional Equity	bsahu@kslindia.com
Gopi Doshi	Senior Dealer	Institutional Equity	gopi.doshi@kslindia.com
Sweedel A Colaco	Dealer	Institutional Equity	sweedel@kslindia.com
Mayank Patwardhan	Dealer	Institutional Equity	mayank.patwardhan@kslindia.com

PRIVATE CLIENT GROUP

TEL No. +91 22 4076 7317-21

FAX NO. +91 22 4076 73 77

Sanjay K Thakur	President	Sales & Marketing	thakursk@kslindia.com
Subroto Duttaroy	General Manager	Equity & Portfolio Mgmt. Service	subroto@kslindia.com
Jagdish R Modi	Manager	Equity & Portfolio Mgmt. Service	jrmodi@kslindia.com

BRANCH OFFICE (PUNE)

TEL NO. +91 20 2567 1404/06

FAX NO. +91 20 2567 1405

Ajay G Laddha	Vice President	ajay@kslindia.com
---------------	----------------	-------------------

Corporate Office:

Vikas Building, Ground Floor,
Green Street, Fort,
MUMBAI 400 023.

Tel. No. (91) (22) 4076 7373

Fax No. (91) (22) 4076 7377/78

E-mail: research@kslindia.com

Web site: www.kslindia.com

Branch Office:

C8/9, Dr. Herekar Park,
Off. Bhandarkar Road,
PUNE 411 004

Tel. No. (91) (20) 2567 1404/06

Fax. No. (91) (20) 2567 1405

Email: pune@kslindia.com

Important Disclosure:

The Research team of Khandwala Securities Limited on behalf of itself has prepared the information given and opinions expressed in this report. The information contained has been obtained from sources believed to be reliable and in good faith, but which may not be verified independently. While utmost care has been taken in preparing the above report, KSL or its group companies make no guarantee, representation or warranty, whether express or implied and accepts no responsibility or liability as to its accuracy or completeness of the data being provided. All investment information and opinion are subject to change without notice. Also, not all customers may receive the material at the same time.

This document is for private circulation and information purposes only. It does not and should not be construed as an offer to buy or sell securities mentioned herein. KSL shall not be liable for any direct or indirect losses arising from the use thereof and the investors are expected to use the information contained herein at their own risk. KSL and its affiliates and / or their officers, directors and employees may own or have positions in any investment mentioned herein or any investment related thereto and from time to time add to or dispose of any such investment. KSL and its affiliates may act as market maker or have assumed an underwriting position in the securities of companies discussed herein (or investments related thereto) and may sell them to or buy them from customers on a principal basis and may also perform or seek to perform investment banking or underwriting services for or relating to those companies.

The investments discussed or recommended in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors, as they believe necessary. Income from investments may fluctuate. The price or value of the investments, to which this report relates, either directly or indirectly, may fall or rise against the interest of investors. The value of or income from any investment may be adversely affected by changes in the rates of currency exchange.

The recipient means this document strictly for use only. None of the material provided herein may be reproduced, published, resold or distributed in any manner whatsoever without the prior explicit written permission of KSL.