

<b>Ratings</b>			
LTP	175	Recommendation	BUY
Target	220	Risk	MEDIUM

<b>Bloomberg Consensus</b>		
(BUY/HOLD/SELL)		17 / 01 / 01

<b>Sensex</b>	<b>Nifty</b>	<b>BSE IT</b>
18,220	5,461	5,592

<b>Codes</b>			
<b>BSE</b>	<b>NSE</b>	<b>Bloomberg</b>	<b>Reuters</b>
500366	ROLTA	RLTA IB	ROLT.BO

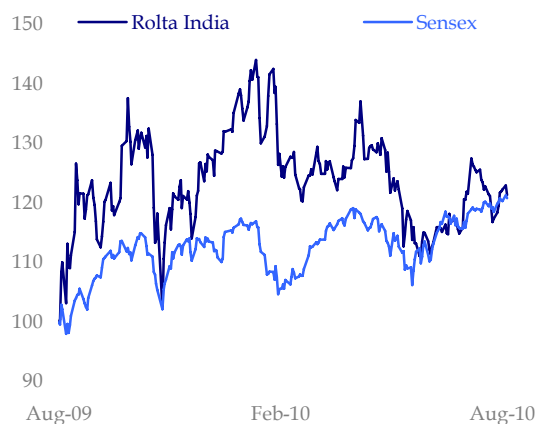
	<b>Sensex</b>	<b>Rolta India</b>
52 Wk: Hi/Lo	18,309/14,684	210/141
Life High	21,207-Jan 08	507-Feb 00
P/E	21.58	7.74
P/BV	3.45	1.73
Dividend Yield (%)	1.15	1.69
Mkt Cap (INR Mn)	66,298,083	28,316
Equity (INR Mn)	-	1,613

\* - TTM standalone basis Capitaline

<b>Share Holding Pattern %</b>		<b>Mar-10</b>	<b>Jun-10</b>
Foreign		34.29	34.36
Institutions		2.65	2.71
Corporate		2.72	2.54
Promoters		41.94	41.93
Public & Others		18.41	18.47

<b>Returns %</b>	<b>Abs</b>	<b>Relative to</b>	
	<b>Perf</b>	<b>Sensex</b>	<b>BSE IT</b>
1 Month	-4.82	-6.39	-5.62
3 Months	-0.62	-6.92	-7.58
1 Year	21.38	0.51	-17.35

### Relative Price Performance



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- Management guides 12-15% growth in revenues for FY11 with stable margins
- Revenue growth slows down, grew by 4.4% qoq
- Solution-based revenues contribute ~12% in FY10

Rolta has reported sequential growth of 4.4% in revenues with ~110 bps improvement in margins. Order book grew 0.9% sequentially to ~ Rs 17.9 bn, driven mainly by EGIS. Order book grew by 2.6% lagging behind revenue growth of 5.5% CQGR in last four quarters.

Management guides 12-15% growth in revenues for FY11 with stable EBIDTA margins. Net profit is expected to grow over 15% in FY11. Rolta's business recovery lags behind recovery in CAPEX cycle which suggests growth rate to shift to early teens from over 30% earlier.

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 have revised our FY11 EPS estimates lower by ~6% primarily due to higher interest out go. We maintain BUY on the stock with a revised target price of Rs 220 at 12x FY11E earnings.

### Consolidated Results for the Quarter ended June 30, 2010

- ✓ Revenue was at Rs 4,121 mn; 23.9% yoy, 4.4% qoq
- ✓ EBIDTA grew by 42.3% yoy to Rs 1,601 mn
- ✓ Profit (excl exceptional item) up 39.3% yoy to Rs 691 mn
- ✓ EPS was Rs 4.3, grew 3.0% qoq.

### Consolidated Results for the Year ended June 30, 2010

- ✓ Revenue was at Rs 15,327 mn; 11.6% yoy
- ✓ EBIDTA grew by 24.5% yoy to Rs 5,770 mn
- ✓ Profit (excl exceptional item) dip 4.7% yoy to Rs 2,551 mn
- ✓ Declared dividend of Rs 3.25 per share

### 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	16.2	12.2	9.6	11.1	9.6	8.2

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## Key Highlights

- ✓ **Revenue growth:** Revenue grew by 4.4% sequentially to Rs 4,121 mn. EGIS, EDOS and EITS business reported sequential growth of 5.6%, 5.6% and 0.7% respectively.

Revenues (INR Bn)	FY2007				FY2008				FY2009				FY2010			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
EGIS	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
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
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
<b>Total</b>	<b>1.6</b>	<b>1.7</b>	<b>1.9</b>	<b>2.0</b>	<b>2.2</b>	<b>2.4</b>	<b>2.9</b>	<b>3.2</b>	<b>3.5</b>	<b>3.6</b>	<b>3.3</b>	<b>3.3</b>	<b>3.5</b>	<b>3.8</b>	<b>4.0</b>	<b>4.1</b>

- ✓ **Demand environment improves:** 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. EDOS order book declined sequentially however management guides stable outlook and expects improvement by end of 2010. EITS grew by 4.5% in FY10 and likely to remain soft.

## New Order Booking

New Wins (INR Bn)	FY2007				FY2008				FY2009				FY2010			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
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	2.3
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
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
<b>Total</b>	<b>2.5</b>	<b>2.9</b>	<b>2.5</b>	<b>2.9</b>	<b>3.7</b>	<b>3.7</b>	<b>5.7</b>	<b>4.5</b>	<b>4.0</b>	<b>3.8</b>	<b>2.9</b>	<b>3.9</b>	<b>4.0</b>	<b>4.2</b>	<b>4.6</b>	<b>4.3</b>

- ✓ **Order Book grows at modest pace:** Order book grew by 0.9% sequential. EGIS order book grew by 2.1% sequentially. EITS order book grew by 1.7%. EDOS business shows some sluggishness again and decline by 1.7% during the quarter.

(INR Bn)	FY2007				FY2008				FY2009				FY2010			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
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	8.9
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
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
<b>Total</b>	<b>5.7</b>	<b>6.9</b>	<b>7.5</b>	<b>8.4</b>	<b>9.8</b>	<b>11.1</b>	<b>13.9</b>	<b>15.1</b>	<b>15.7</b>	<b>15.9</b>	<b>15.5</b>	<b>16.1</b>	<b>16.6</b>	<b>17.1</b>	<b>17.7</b>	<b>17.9</b>

- ✓ **EBIDTA Margin** improved by ~110 bps sequentially mainly due to change in mix and cost control. EGIS margin improved by ~300 bps sequentially to 51.5% mainly on account of higher contribution from solutions and better billing rates. EDOS margin declined by 130 bps sequentially due to lower utilization and decline in realization.

EBITDAM (%)	FY2007				FY2008				FY2009				FY2010			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
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	51.5
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	38.9
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
<b>Total</b>	<b>39.3</b>	<b>40.2</b>	<b>42.1</b>	<b>39.4</b>	<b>38.0</b>	<b>38.4</b>	<b>34.9</b>	<b>34.9</b>	<b>34.2</b>	<b>34.8</b>	<b>32.1</b>	<b>33.8</b>	<b>35.8</b>	<b>37.9</b>	<b>37.8</b>	<b>38.9</b>



- ✓ Total headcount decreased by 103 to 4,706 in Q4. EGIS, EDOS and sales and marketing head count decreases by 61, 56 and 8 respectively. EITS headcount grew by 22 during the quarter. EDOS headcount declined by 205 in FY10 which led to decline in total headcount by 274 during FY10.
- ✓ **Salary hike:** The company has effected salary hike of ~10% for India-based employee (wef July) and 3-5% for onsite employees. Salary hike is likely to impact operating margins by 150-200 bps.
- ✓ DSO stays around 148 days and management expects DSO to come down to 130-135 days by FY11-end.
- ✓ **FY11 guidance:** The management guides 12%-15% growth in revenues for FY11. EBIDTA margin is likely to be in the range of 37-38%. Net profit is expected to grow over 15% for FY11.

#### 4QFY10 and FY10 Financial Results

Description (Y/E June) (INR Mn)	4QFY10 Jun-10	3QFY10 Mar-10	Q-o-Q % Chg.	4QFY09 Jun-09	Y-o-Y % Chg.	FY2010 Jun-10	FY2009 Jun-09	Y-o-Y % Chg.
EGIS	2,078	1,967	5.6	1,595	30.3	7,623	6,195	23.0
EDOS	1,074	1,017	5.6	861	24.7	3,925	3,915	0.2
EITS	968	961	0.7	871	11.2	3,779	3,617	4.5
<b>Net Sales</b>	<b>4,121</b>	<b>3,946</b>	<b>4.4</b>	<b>3,327</b>	<b>23.9</b>	<b>15,327</b>	<b>13,728</b>	<b>11.6</b>
<b>Expenditure</b>								
Material Cost	849	821	3.4	399	112.7	2,920	1,968	48.4
Manpower Cost	1,181	1,244	-5.1	1,344	-12.1	4,994	5,487	-9.0
	<b>2,030</b>	<b>2,065</b>	<b>-1.7</b>	<b>1,743</b>	<b>16.5</b>	<b>7,914</b>	<b>7,454</b>	<b>6.2</b>
<b>Gross Profit</b>	<b>2,091</b>	<b>1,881</b>	<b>11.2</b>	<b>1,585</b>	<b>31.9</b>	<b>7,413</b>	<b>6,274</b>	<b>18.2</b>
	<i>GPM (%)</i>	<i>47.7</i>		<i>47.6</i>		<i>48.4</i>	<i>45.7</i>	
Other Expenses	490	389	25.8	460	6.5	1,643	1,638	0.3
<b>EBIDTA</b>	<b>1,601</b>	<b>1,492</b>	<b>7.3</b>	<b>1,125</b>	<b>42.3</b>	<b>5,770</b>	<b>4,635</b>	<b>24.5</b>
	<i>EBIDTM (%)</i>	<i>37.8</i>		<i>33.8</i>		<i>37.6</i>	<i>33.8</i>	
Depreciation	716	673	6.4	578	23.8	2,679	1,867	43.5
<b>EBIT</b>	<b>886</b>	<b>819</b>	<b>8.1</b>	<b>547</b>	<b>61.9</b>	<b>3,091</b>	<b>2,768</b>	<b>11.7</b>
	<i>EBITM (%)</i>	<i>20.8</i>		<i>16.4</i>		<i>20.2</i>	<i>20.2</i>	
Interest	120	101	19.3	57	112.0	419	126	232.8
Other Income	40	60	-32.9	364	-88.9	279	690	-59.5
<b>PBT</b>	<b>806</b>	<b>778</b>	<b>3.5</b>	<b>855</b>	<b>-5.7</b>	<b>2,951</b>	<b>3,333</b>	<b>-11.4</b>
	<i>PBTM (%)</i>	<i>19.7</i>		<i>25.7</i>		<i>19.3</i>	<i>24.3</i>	
Provision for Tax	114	109	4.9	94	21.4	405	402	0.9
<b>PAT</b>	<b>691</b>	<b>669</b>	<b>3.3</b>	<b>760</b>	<b>-9.1</b>	<b>2,546</b>	<b>2,931</b>	<b>-13.1</b>
	<i>PATM (%)</i>	<i>17.0</i>		<i>22.9</i>		<i>16.6</i>	<i>21.3</i>	
Minority interest	0	2	-100.0	2	-100.0	5	7	-25.7
<b>Net Profit</b>	<b>691</b>	<b>671</b>	<b>3.0</b>	<b>762</b>	<b>-9.3</b>	<b>2,551</b>	<b>2,938</b>	<b>-13.2</b>
	<i>NPM (%)</i>	<i>17.0</i>		<i>22.9</i>		<i>16.6</i>	<i>21.4</i>	
<b>Adj. EPS (INR)</b>	<b>4.3</b>	<b>4.2</b>	<b>3.0</b>	<b>4.7</b>	<b>-9.4</b>	<b>15.8</b>	<b>18.2</b>	<b>-13.3</b>



## Segmental Results

Description (Y/E June) (INR Mn)	4QFY10 Jun-10	3QFY10 Mar-10	Q-o-Q % Chg.	4QFY09 Jun-09	Y-o-Y % Chg.	FY2010 Jun-10	FY2009 Jun-09	Y-o-Y % Chg.
EGIS	2,078	1,967	5.6	1,595	30.3	7,623	6,195	23.0
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<b>EBIDTA</b>								
EGIS	1,070	954	12.2	700	52.9	3,738	2,621	42.6
EDOS	418	409	2.3	315	32.7	1,546	1,487	3.9
EITS	113	129	-12.5	110	3.1	486	527	-7.8
<b>EBIDTA</b>	<b>1,601</b>	<b>1,492</b>	<b>7.3</b>	<b>1,125</b>	<b>42.3</b>	<b>5,770</b>	<b>4,635</b>	<b>24.5</b>
<b>EBIDTA Margin (%)</b>								
EGIS	51.5	48.5		43.9		49.0	42.3	
EDOS	38.9	40.2		36.6		39.4	38.0	
EITS	11.7	13.5		12.6		12.9	14.6	
<b>EBIDTA Margin</b>	<b>38.9</b>	<b>37.8</b>		<b>33.8</b>		<b>37.6</b>	<b>33.8</b>	

Note: Enterprise Geospatial Information System (EGIS); Enterprise Design and Operation Solutions (EDOS); Enterprise IT Solutions (EITS)



## Analyst Certification

Each of the analyst(s) named certify, with respect to the companies or securities they analyse that: (1) all the views expressed in this report accurately reflect his/her/their personal views about any and all of the subject companies and securities; and (2) no part of his/her/their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

## KSL Ratings

**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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