Rolta India Ltd.

February.02 , 2009

Mapping Growth.. *Outperformer*

CMP : Rs. 89
Target : Rs. 175

Market Data

52W(H/L)	Rs.300/42
Market .Cap	Rs.1376cr
Free Float	60%
PE (x)	4.7x
Avg. vol (3M)	35 lakh

Rolta is a leading IT services player in three major business segments: Geospatial Services, Engineering Design and eConsulting. It provides integrated solutions for mapping, mechanical designing and ERPs for defense, government, infrastructure and utilities sector. It has tied-up with global giants like Thales, Stone & Webster and CA for various technological alliance and offshoring contracts.

INVESTMENT RATIONALE

Differentiated Business Model

- *Business Leadership*: Rolta is a leading solution provider in GIS and Engineering Design business in domestic markets. It has a market share of 70% & 85% in GIS and EDA business, respectively.
- *Large Order Positions*: It has a large order book of Rs.1,571cr to be executed in next 12 months and sufficiently large order pipeline of Rs.4,000cr spread across various segments ensuring growth visibility.
- *Vast offerings*: The company has a wide range of products and services for Defense and Infrastructure verticals. It has transformed itself from being a service provider to integrated solutions provider.
- *Robust Financial Performance*: It has registered a topline growth of 36% CAGR during FY2005-08 on account of robust demand in defense sector and infrastructure offshoring.
- *Technological Edge:* The company offers high end services in all its business segment. It has a technological edge powered by its large rich depository of IPRs, highly skilled & experienced manpower and domain expertise.
- *Large Clientele:* It has a monopolistic market share in GIS and Infrastructure design business. Its elite clientele includes likes of Indian Defense, Reliance, British Telecom, ONGC, Saudi Telecom, Dubai Municipality, CA and others.

Growth Drivers

- *Stability of Defense & Security Segment*: Increased budget allocation for Defense (C4iSTAR) and Homeland Security in the current five year plan would ensure sustained growth in the defense vertical.
- *Growth in Power & Energy sector* : Large investments announced in the power and energy sector (both public & private) would create robust demand for plant design and planning business.
- *Strategic Alliances*: The biggest USP of the company is its alliances with global giants like Thales and Stone & Webster which would drive its growth in the coming time.
- *Recent Acquisitions*: Series of acquisitions (WHC & Piocon) in the e-consulting space have strengthened its domain expertise in business intelligence and is expected to drive the growth momentum.

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MATA RESEARCH

FINANCIAL PROJECTIONS

	FY08	FY09P	FY10P	FY11P
Total income (Rs.cr)	1072.2	1481.4	1851.8	2259.4
EBIDTA (Rs.cr)	390.2	501.6	624.1	733.9
PAT (Rs.cr) #	230.6	295.4	376.9	457.4
EBIDTA Margin (%)	36.4%	33.9%	33.7%	32.5%
PAT Margin (%)	21.5%	19.9%	20.4%	20.2%
ROCE (%)	15.2%	18.3%	21.5%	22.5%
EPS (Rs.)	14.3	18.3	23.4	28.4
BPS (Rs.)	73.6	71.9	87.1	106.4
DPS (Rs.)	3.0	4.0	4.5	5.0

 # PAT : pro forma for MTM provisions for FCCBs

PRICE VALUATION & OUTLOOK

Mata Research expects high growth in past to continue as ensured by high order book and strong execution record. IT budget in the infrastructure and defense (key verticals for the company) sector are compulsive in nature and are insulated from any economic slowdowns.

Furthermore, the company's rich IPRs depository, strong strategic alliances and specialized domain expertise would help it to maintain its high margins and would give it an edge over its peers. Going forward, large order book, IP-led products and unique business model – infrastructure design & IT would ensure strong earnings visibility; making the growth prospects of the company quite attractive.

Valuation: The valuation of the company's stock is driven by stability of segments catered, expertise of the company, dominant market shares and client relationships are reflected in the high proportion of the repeat business in the total income.

Our target price for the stock is Rs.175, based on the relative valuation method, discounting FY10E EPS of Rs.23.43 at 7.5x. Currently, it is trading on an economical PER of 4.8x on its 12-M trailing EPS of Rs.18.21. *The stock was speculatively beaten in the market based on rumors of promoters pledging its shares, which was vehemently refuted/denied by the promoters on electronic media. The stock recovered substantially from such low, but scare remained.*

Recommendation: *Mata Research* initiates its coverage on Rolta India with an 'Outperformer' rating on the stock with a target price of Rs.175 (96% Upside) with 12 month investment horizon.

COMPANY PROFILE

Leading player in GIS & EDA

Rolta India is the leading IT service provider and developer of digital map based Geospatial services (GIS) for defence, security and utilities sector. The company also specializes in providing IT-engineering services (EDA) for infrastructure companies. It also offers series of customized solution like CRM, Business Intelligence and Data Mining as an integrated solution to its clients.

Worldwide business presence

55% revenue from domestic business

Rolta has established long term strategic business alliance with many global giants to enhance its core competency. It derives about 55% of its revenue from domestic markets. Government (Defence), Municipal Corporations, Oil & Gas, Engineering and Power utilities are its targeted verticals. The company addressed in more than 40 countries worldwide aided by its international subsidiaries (10).

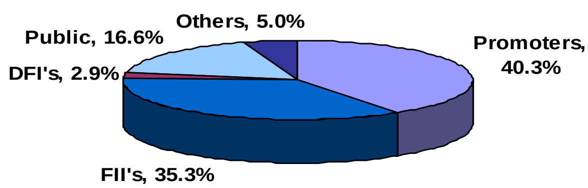
MANAGEMENT: Vibrant & Innovative

Large high skilled technical workforce

Rolta India is Mumbai based mid-size IT company promoted by Technocrat Mr. Kamal Singh. Mr. Singh is a first generation entrepreneur and has pioneered CAD/CAM/GIS services offerings in domestic market. ***Over the years, the company has transformed from being a service provider to an Integrated Solutions Provider.***

It has a mature and stable team of over 5000 professional. It also manages Rolta academy which trains its manpower in-house and help it to develop specialized skill set and lowers attrition rate.

SHARE HOLDING PATTERN (as on Dec 31, 2008)



FII increasing their stake in the company.

Total share equity capital of the company is 160.8cr, with a face value of Rs.10 per share. The promoter's holds about 40% stakes in the company. FIIs has been continuously increasing their stake in the company and hold about 35.3% (as against 23% as on 31 Dec 2006). Equity capital is expected to further dilute post conversion of FCCBs due in FY12. Total equity would expand by 14.18% and outstanding number of shares would increase to 18.34cr (currently 16.08cr).

BUSINESS ANALYSIS

Rolta is the market leader in GIS and EDA segment for well over a decade. It has garnered large market share in the domestic market and has undisputed leadership in the defense and homeland security verticals. It has a unique business model as it offers niche and high value added services in the geospatial and engineering design space to large players in the Oil & Gas, Infrastructure and Defence sectors.

Cross business synergy exist

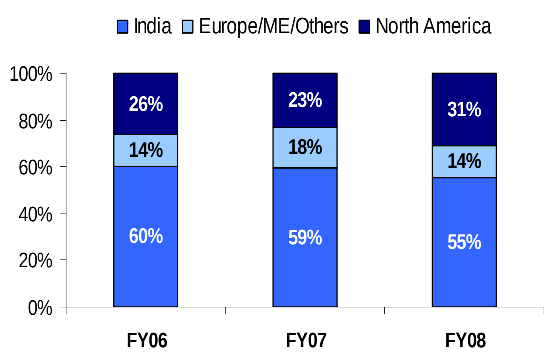
The three major business lines – GIS, EDA and e-Consulting have large cross synergy and offer unified relevance to its targeted clients. Its large variety of high skilled expertise in mapping and designing gives it an edge over its peers. ***Mata Research expects the growth to be robust in coming years driven by growth of individual business segment and also from opportunities emerged from combined solution offering.***

GROWTH STRATEGY

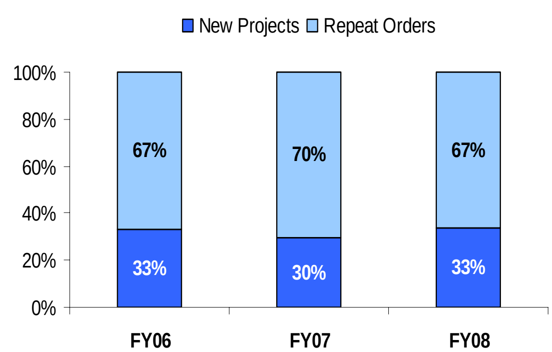
- Focuses on high growth (Infrastructure) and stable (Defense) verticals.
- Continued focus on Indian (to serve growing demand) market.
- Offer comprehensive and unique solutions in the catered segments to reduce competition.
- Maintaining its edge by developing/acquiring technologies.
- In-house training to optimize high domain expertise.
- Acquiring businesses to expand geographically and to move up the value chain.

REVENUE MIX

Revenue by Geography



Revenue Distribution (New/Repeat)



Large domestic market exposure

Geographical Mix: Rolta has large domestic revenues base which reduces its currency risk, in addition to lesser exposure to global slowdown in terms of business growth. The contribution from N. America has increased in recent years on account of couple of acquisition in the E-Consulting space. It has been able to increase its market share overseas despite tough competition from global giants like ESRI & Fugro.

High proportion of repeat order business

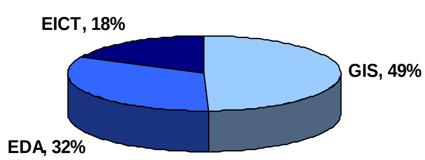
Project Distribution: About two-third of the revenues accrue from the repeat orders from the existing clients. Repeat orders are in form of projects, maintenance, upgrades and updates to existing clients. High proportion of repeat business provides visibility for revenues, highlights the long-lasting association with the clients and reflects the high quality of products and services the company offers.

Segmental Contribution

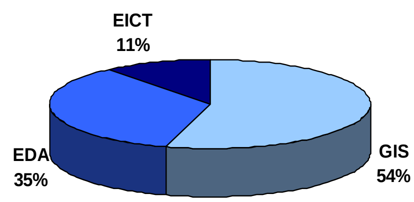
The company's revenue can be broadly classified into three main business streams:

a) GIS b) EDA c) EICT

Sales Mix FY08



Operating Profit Mix FY08



a) **Geospatial Information Services or GIS:**

Expertise to execute large projects

Rolta is one of the leading provider of map-based GIS services and Photogrammetry solutions provider to the defense, security, utilities and infrastructure sectors. It has executed large projects like creating digital networks for telecom, power, gas and utilities companies. It has used its high end technology to facilitate carrying out town planning and city modeling. The company has a highly skilled manpower of 2,236 professionals working on GIS projects spread over 25 countries. It is well placed for deployment, customization, integration and providing life-cycle support across the remotest of locations in India.

Rolta has acquired technology through long-standing strategic alliances with global leaders in the GIS business (Intergraph, Thales). These alliances enables it for ready technical pre qualification to bid for large projects and request for proposals. These alliances, efficient operational resources and high technological strength have helped the company to bag multi million dollar projects from across the globe.

Market share of over 70% in GIS

Rolta is market leader in GIS space in the domestic market with a market share of over 70% (order book position of Rs.689.2cr to be executed in 12-15 months). The blended billing rate ($20.9 per hour) in the segment is increasing with increasing proportion of high end services. It enjoys high EBIDTA margins of 40%, as it provides end to end integrated solutions (GeoSpatial Fusion).

b) Engineering Design and Automation (EDA or EDS):

Expertise to execute large projects

Rolta provides 'Design Automation Services' to various sectors such as Power, Oil & Gas and Petrochemical sectors. It has emerged as a dominant player with a market share of over 85% in India. It has strength of providing high end engineering services under its 'concept to completion' model. Services include CAD/CAM/PDA processes to design plants.

The company has joined hand with global giant Stone & Webster (S&WL) Inc, USA to move up the value chain in the engineering design technology. Evenly held JV with S&WL has given company access to latter's technological experience of 115 years, numerous patents and gateway to nuclear power sector.

Order book of above Rs.500cr

It has executed prestigious projects for its global clients and has large orders worth Rs.507cr in its kitty. It has large opportunities as many companies (private & government) has announced major expansion plans in refinery, power, nuclear and telecom sectors. Typically, plant design (engineering) costs approximately 3-5% of total project cost. *Considering the large proposed investments, technical alliance and leadership position, the company is expected to maintain the growth momentum in the segment.*

c) Enterprise Information & Communications Technology:

Alliance with Computer Associates

Rolta provides ***e-security implementation services***, rapid application development and ***business analytics solutions*** to its customers worldwide. The company has an alliance with a firm Computer Associates (CA) a technology leader in network security domain. The company has evolved from a mere support & maintenance enabler to full fledged network security service group.

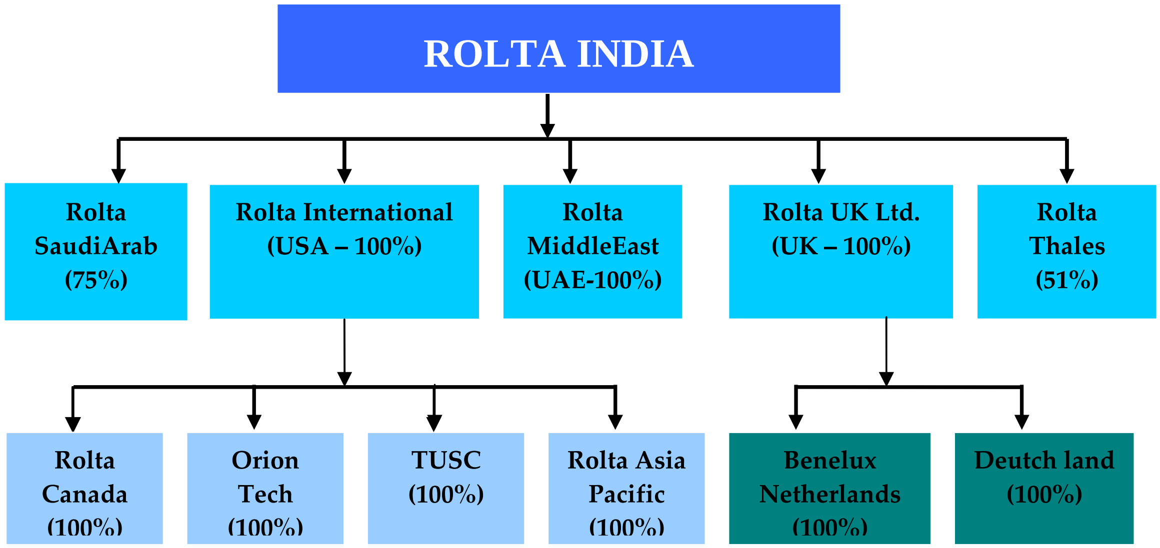
Developed expertise in ERP & Business Analytics with recurrent acquisitions

The company has strengthened its position in the segment through recurrent acquisitions to boost technical expertise, ready business and larger geographical foothold. Post the acquisition of these consulting companies (Orion, Broech, Whittman Hart and Piocon Technology), The company has added many technical tools such as Multi point data access, data mining and business intelligence to its wide spectrum of services/solutions offerings.

High billing rate of $115 per manly hours.

The segment contribution in total revenue has increased in recent years and has reached 18% (as against 5% in FY05) at Rs.193cr as on year ending Jun'08. It is focusing on high end consulting and earns high billing revenues of $115 per manly hours. *Mata Research expects going forward, the company is expected to sustain upbeat growth in the segment due to increased geographical & technical positions, positive industry dynamics for infrastructure out-sourcing and inter segmental synergy.*

COMPANY GROUP STRUCTURE (Subsidiaries)



STRATEGIC ALLIANCES & JOINT VENTURE

Rolta's biggest attribute to success its ability to partner (alliances) with key global players in various domains, thus offering it with ready market and technology. The company enters a perpetual exclusive alliance for selective services and target markets.

JV with global giant Stone & Webster

Stone & Webster (JV 50:50): The equally held Joint Venture has executed projects for petroleum & refineries and is providing engineering design services for global projects (infrastructure offshoring) of Shaw Group.

Stone & Webster is a part of Shaw group with 115+ year experience in Engineering Design and has expertise in setting up Nuclear power plant projects. The JV has empowered Rolta with crucial process technology know-how and has executed projects for Reliance, Essar, IPCL and IOC in India.

Rolta Thales (JV 51:49): The company has JV with French defence and aerospace leader Thales. JV with Thales would provide technology for developing state of the art **'C4ISTAR'** information system to service Indian and international civil & military defence operations. Rolta is leading solution provider to Indian defense sector and expects large uptick in the revenue contribution from this venture.

Agreement with CA for data security & network management

CA (Computer Associates): Rolta India has entered into a definitive agreement with CA to provide onsite & offsite resources to service full spectrum of latters' data security and network management.

Integraph: Rolta has established long term strategic business partnership with Integraph to obtain core technology in high end mapping and GIS solutions. The company has a perpetual exclusive partnership contract with Integraph in India.

RECENT ACQUISITIONS

Acquired companies to strengthen its eConsulting business.

It has a strategy to acquire companies having a synergy with its line of business to move up the value chain. It focuses on targets with cutting-edge IPRs, established track record, and domain expertise. Some recent acquisitions by the company are :

Orion Technology (July'07): It is a Canada based company specializing in enterprise web GIS solutions. The acquisition helped Rolta to distinctively position itself in spatial integration and consulting.

Broech (TUSC) (Jan'08): US based company engaged in high-end consulting for ERP applications, Fusion Middleware based on Oracle Applications. Acquisition has facilitated Rolta with data mining, visualization and intant SOA capabilities.

Whittman Hart Consulting (July'08): By getting hold on WHC, Rolta has positioned itself strategically in the high end business consulting.

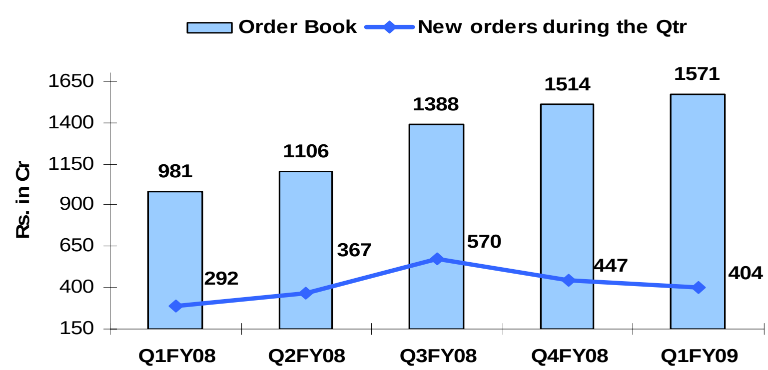
Piocon Technology (Dec'08): This US based company addresses critical operational needs of Oil & Gas refineries. Rolta has gained a significant client base, high skilled workforce, unique methodologies and profitable revenue stream.

STRONG ORDER BOOK POSITION

Order pipeline of over Rs.40billion.

Rolta has widened its spectrum of offering by partnering the global giants (to get access of technology) and acquiring companies in the overseas markets. The company has been successfully adding up its order pipeline despite high sales growth recorded in past three years. Its total order pipeline is approx. Rs.40billion to be executed in next four years.

Current order position ensures topline growth of 40% CAGR over FY08-10



The run-rate for fresh order intake has slowed down in last two quarters. But the total order book position of Rs.1571cr ensures fair earning visibility and a growth of about 32% CAGR over FY08-FY10.

PRODUCTS OFFERING

Segment	Vertical	Product/Service/Solution
Geospatial/ GIS Landscape	❖ **Infrastructure** ❖ **Telecom** ❖ **Government** ❖ **Defense Utilities**	❖ Geospatial/GIS Consulting ❖ Homeland Security & Communications ❖ High-end Photogrammetry & Imaging ❖ C4ISTAR ❖ Geospatial Fusion
Engineering & Design Services	❖ **Oil & Gas** ❖ **Petrochemical** ❖ **Refining** ❖ **Conventional Power** ❖ **Nuclear Power**	❖ Conceptual Engineering & Design ❖ Project Management & Procurement ❖ Construction Management ❖ Operations & Maintenance ❖ Technology Services Consulting ❖ Rolta Specialized Services for As-Built
E-ICT	❖ **Healthcare & Finance** ❖ **Communication & Utilities** ❖ **Defense & Government**	❖ Rolta e-Fusion ❖ Business Intelligence ❖ Enterprise Applications - ERP ❖ Data Security & Service Management ❖ Consulting Services

Enriching Billing Rates

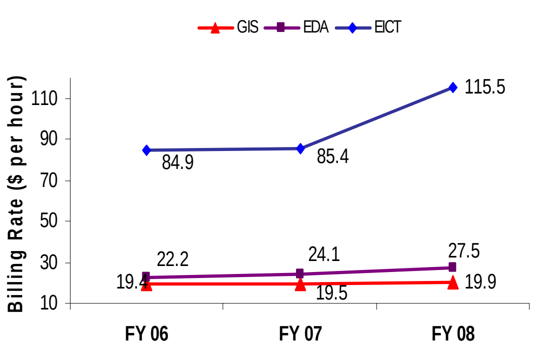
Moving up the value chain and hence rising billing rates

The company has consistently strengthened the competencies of its professionals and quality of its intellectual property to move up the value chain, to address challenging needs of customers.

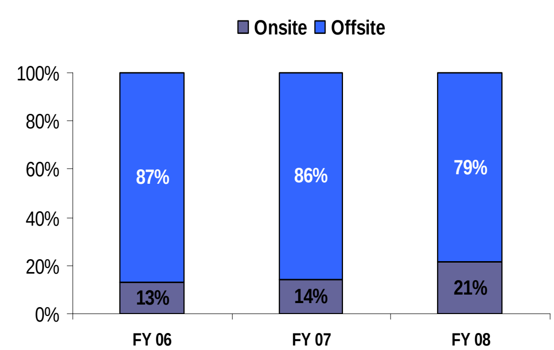
The increased focus on providing end to end solutions and deployment of high end services has aided the company to increase its billing rates. The blended average billing rates has increased in all three business segments.

EICT or eConsulting business has seen significant jump in the billing rate on account of introduction of oracle based, SOA (Service Oriented Architecture) and ERP services by the company.

Hourly Billing Rate



Effort Mix



Higher on-site deployment of employees to improve billings

The high billing rate has been achieved as the effort mix of the company has been favoring towards onsite deployment of employees. The employee deployment onsite has increased from 13% in FY06 to 21% in FY08. The onsite strength has increased after consolidating with its acquisition made by its overseas subsidiaries.

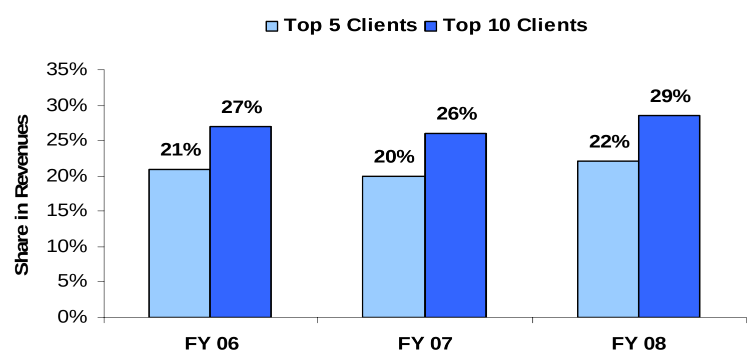
CLIENT PROFILE & CONCENTRATION

Low client concentration risk

The company has been serving large Industrial Corporations and Government Bodies across the globe. The company has extensive relationships from its clients as reflected from high proportion of repeat business orders (67%) in total revenues.

High proportion of repeat business

The company's business is characterized by project based Capex and annuity based revenue model. It services its clients through its own independent solutions/products as well as in combination with third party solutions. *It has a low client concentration risk with its Top-5 clients and Top-10 clients contributing 22.1% and 28.6% of total revenues earned.*



Following are few of the top clients in different business segments:

BUSINESS SEGMENT	MAJOR BUSINESS CLIENTS
GIS	Airport Authority India, British Telecom, BSNL, CESC, Civil aviation (Abu Dhabi), Fiji Telecom, Georgio Power, Indian Ministry of Defense, Mumbai Police, National Grid, ONGC, Qatar Water, Saudi Telecom, Verizon.
EDA	3M, ABB, Alsthom Power, BASF, Bayer, BHEL, Essar, Exxon Mobil, HPCL, L&T, Petrobras, Reliance, Rolls Royce, Saudi Aramco, Shell, Siemens, Tata Chemicals, Thermax, Toyo Engineering, Webasto, York International, etc.
ECIT	American Express, Deloitte, Eurobank, Exim bank, Fujitsu, Hitachi, RBI, Saudi Electricity, Schneider, SITA, State of Alabama, Suntrust, TD Bank, Time Warner Telecom, United Airlines, Vodafone, WalMart etc.

Source: Company

INDUSTRY ANALYSIS

Rolta India Ltd. largely serves four verticals viz. Defense (including security), Government, Infrastructure and Others. The increased spends in the above sector has widened the Industry size.

GeoSpatial Information Services

Defense sector forms major part (approx 12%) of the company's revenues. Services in these sectors include digital mapping, photogrammetry and C4ISTAR (ERP solution for military). With the Government spend in the defense increasing at a brisk pace the opportunities for service provider have increased significantly. IT budgets forms 4-5% of total spend by Defense (reached 1 trillion mark in 2008). Rolta being the preferred vendor for Indian Defense is likely to benefit from increased focus on defense and homeland security.

Also, National Map Policy (2005) has opened opportunities by allowing access to National Topographic Database of the Survey of India to promote use of geospatial knowledge and intelligence. The policy has envisaged an idea to classify the Open Series Map (OSM) to utilize them for the development activites (Town planning & plant designing).

Engineering Services Outsourcing (ESO): Next Leap of Success

Year	ESO Opportunity
2007	$4 bn
2020	$50 bn

India's skill in the software services outsourcing space in an established fact, but off late India is emerging as a potential outsourcing destination in the engineering design segment. In general IT-Infrastructure spends are compulsive in nature and are largely served onsite but a recent study conducted by Booz, Allen & Hamilton and NASSCOM has indicated high potential for Indian Engineering Outsourcing. The study highlights the strength of developing countries like India with huge talent pool, availability of critical resources and that too in a cost effective manner. The study expects ESO to grow at a CAGR of 25% to reach $50bn in 2020 from $4bn in FY07 (*Source: Booz Allen & Hamilton and NASSCOM).*

INFRASTRUCTURE BOOM

Engineering Design Automation business has huge potential as reflected from huge capacity expansion in the Oil & Gas and Power Sector. Engineering Design forms 4 to 5% of the total project cost. The huge creation of infrastructure planned by Govt in eleventh plan would form large domestic market opportunity.

- Refining capacity to grow from 146 MMTPA (present) to 212 MMTPA by 2012.
- Power generation capacity in India to increase from 115,000MW to 285,000 MW by 2016.
- Additional opportunity in Nuclear power (40,000MW plan by 2020).

Source: Government of India.

STRATEGIC ANALYSIS

In the current challenging environment it is important to analyze a company on SWOT basis. Rolta with integrated business model, large order book, preferred vendor status, domain expertise and high end technology & IPR are capable to overcome tough times.

4 points

Strength

- Large order book of Rs.1567cr and an order pipeline of Rs.4000cr.
- Preferred Vendor status with large Government and Infrastructure companies.
- Technical Alliance with global giants such as Thales and Stone & Websters to add significant bidding strength.
- Consolidation with the acquired companies (TUSC, Broech, Piocon & WHC) has added to domain expertise.
- High billing rates ensuring high operating margins.

4 points

Weakness

- Low in-house technology or over dependence on technological alliances.
- Large exposure to Government sector has lead to high debtor days.
- Low annuity revenues in total sales.

4 points

Opportunities

- Large capacity expansion in domestic Power and Energy sector.
- Implementation of Nuclear power project in India holds huge potential.
- Deployment of Geospatial e-Fusion (Sensor to shooter) solution in Defense sector would give big thrust to GIS segment.

3 points

Threats

- Increased competition from local and international players post announcement of National Map Policy.
- Challenges to retain high skilled talent in a highly competitive environment.
- Technological Obsolesce as achieving and sustaining high growth depends on ability to adopt emerging technologies.

Average SWOT Score # : 4 points

 # Scoring Range is 1-5 (higher score is better)

FINANCIAL PERFORMANCE

Rolta India is one of the most consistent performers in the Indian IT space with a differentiated business model. The company is capitalizing on its market leadership, strong order book and niche expertise.

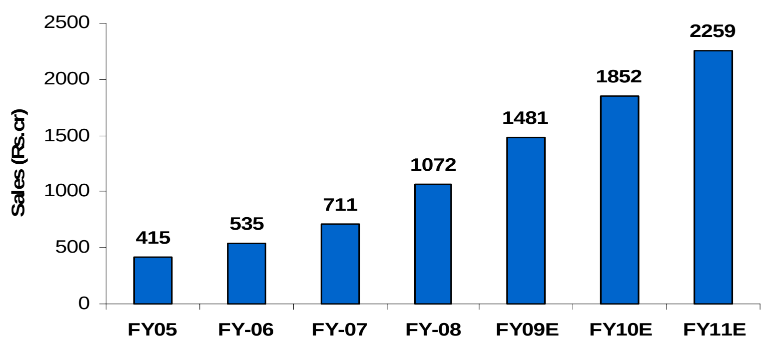
Mapping high revenue growth

Rolta is operating in three business verticals and has a market leadership in GIS (market share 70%) and Engineering design business (market share 85%). The company revenue grew at a CAGR of 36% during FY04-FY08. The growth momentum picked up in recent years as most of its JV and acquisitions have started bearing the fruits.

Topline to grow at a CAGR of 28% during FY08-10.

The company is serving verticals like Government, Defense, Utilities and Healthcare which are less sensitive to economic slowdown or slowdown fears. It has high order book pipeline (Rs.40bn) to ensure a growth visibility of 28% CAGR over next three years.

The company derives large chunk of its revenue from domestic market (55%) where the thrust on infrastructure projects would provide enough opportunities. Also, the company has not received any cancellation in order from its major clients. *Mata Research expects Rolta's consulting business would act as a front wheel of its growth vehicle in coming years.*

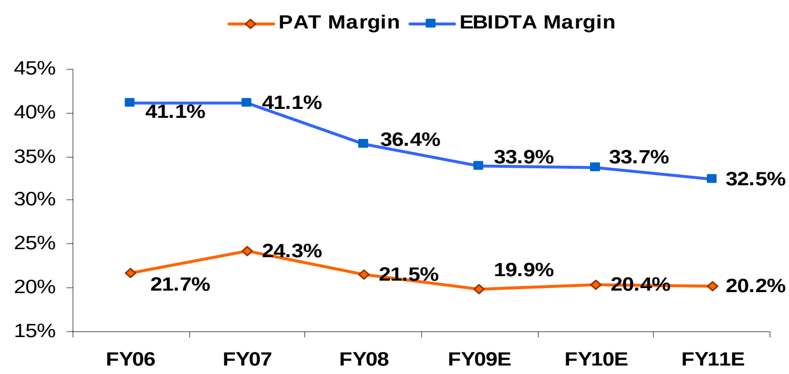


Margins to remain high

Operating Margins to stabilize in 32-34% range

The company offers high value added solutions in the GIS and Engineering Design segment. The operating margins in these segments are high at 58% and 39%, respectively. But, overall margins have been diluted with decrease in the contribution of GIS segment from 62% in FY06 to 49% in FY08. Also, the margins in the consulting business are low due to its high employee cost and large onsite expenditure. *Mata Research* expects increased utilization level, lower attrition level and lower hike in employee cost would help it sustain its operating margin.

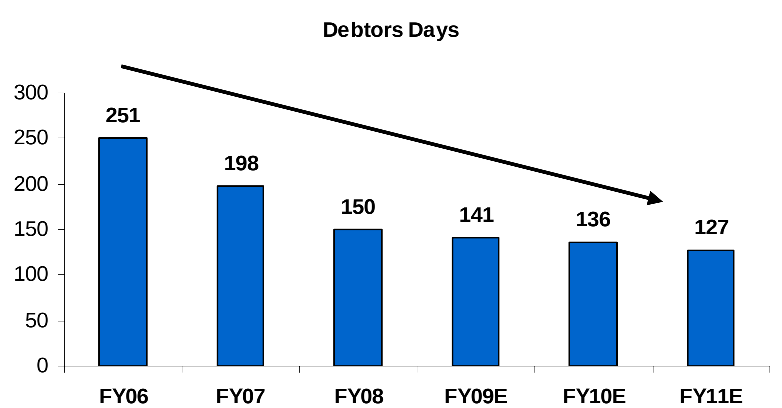
Net Profit margin was high in a range of 21% to 24% during FY06-FY08. Going forward, we expect slower cash conversion and dilution in revenue mix would slate down its profitability by 100-150 bps.



High Debtor Outstanding Days

The high exposure in the Government vertical has resulted in high debtor outstanding days. Though the debtor cycle is long, the quality of receivable is high and secured. It has considerably improved its receivable days from 316 days in FY05 to 150 days in FY08. This would further improve on account of increased proportion of consulting and onsite business.

Debtor days improving at a brisk pace.



Adequate liquidity and low gearing position

Overall Gearing low at 0.59x.

The company has a comfortable liquidity as indicated by its current ratio of 2.78x as on June 30, 2008. It has low solvency risk as reflected in its overall gearing of 0.59x as on March 31, 2008. The only debt in the books are unconverted zero coupon FCCBs aggregating Rs.600cr due for repayment in FY'12. FCCBs are convertible at Rs.368 per share and carry an aggregate premium of 39% in case on non-conversion.

The company has been following prudent accounting policy and is providing for yearly premium as a contingency measure for the yields on FCCBs as might payable at the time of redemption in case of their non-conversion.

Booming First Half (H1FY09)

Robust first half growth

The company has continued its robust growth momentum in first half of current fiscal ending Jun'09. Total income grew by 53% backed by huge traction added by EICT segment. EICT or eConsulting business grew by about 248% supported by series of acquisition and added business expertise in the ERP domain.

Business mix shifting towards consulting business

The business mix has been getting skewed in favour of booming consulting business, with its contribution increased to 27% in first half from 18% for FY08. The billing rate has improved with increasing contribution of integrated solution based offering. The company has been able to add up Rs.78cr in the order book apart from burning Rs.708cr in first half.

The operating margins has dipped due to dilution in the revenue mix and increased onsite deployment. It has charged Rs.84.01cr on account of translation losses on FCCBs due to rupee depreciation. The company has also expressed its interest to buyback some portion of its FCCBs (trading at big discount) by its unutilized cash & equivalents of Rs.252cr as on 31st Dec.,08.

	H1FY09	H1FY08	Growth
Total Income	708.1	462.7	53.0%
EBIDTA	244.5	176.7	38.3%
Depreciation	79.1	65.1	21.6%
PAT	84.4	114.0	(25.9)%
PAT (w/o exceptional item)#	168.1	114.0	47.4%
EBIDTA Margin	34.5%	38.2%	
PAT Margin	11.9%	24.6%	
PAT Margin (w/o excp item)	23.7%	24.6%	

** figures in Rs.cr unless otherwise stated*

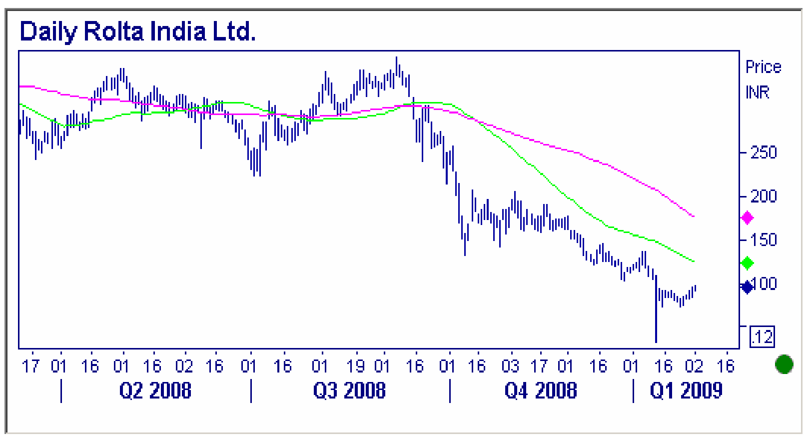
 # MTM losses (translation) on reinstatement of FCCB liabilities

STOCK VALUATION & RECOMMENDATIONS

Rolta, with its acquisition and alliance strategy, has been widening the service offering and geographical reach & opportunities. It has diversified business model and healthy client relationships. The company has technological edge in its business domain and enjoys leadership status with a dominant market share.

Mata Research expects following factors to drive the growth prospects of the company in coming quarters:

- Liberalised National Map Policy.
- Growing demand for GIS in town planning and utilities management.
- Large opportunities in IT Infrastructure Outsourcing.
- Large capacity expansion in the Power & Energy sector.
- Swelling defense budgets.
- Increased importance of homeland safety.
- Huge demand for Data & Network Security.
- Huge potential demand in view of Country's Nuclear Power plans.
- Added armory post acquisition of companies in eConsulting segment.



Relative fair price : Rs.175

Relative Valuation: The stock is currently trading at a compelling PE multiple of 4.7x on its 12M trailing EPS of 18.21. Our Target Price of Rs.175 discounts 7.5x on its FY10E EPS of Rs.23.43.

DCF target price : Rs.220

DCF Valuation: Based on the DCF methodology the fair price of the Stock is Rs.221. The high valuation is due to internally funding of CAPEX, improving working capital position and strong earning visibility.

Initiating Coverage with an 'Out performer' rating.

Conservatively, Mata Research has considered moderate growth and stable margins in coming quarters. ***Mata Research initiate coverage on Rolta India Ltd. with an 'Outperformer' rating with one year target price of Rs.175, with an investment upside of 100%.***

CONSOLIDATED NUMBERS

Operational Performance

Particulars	FY' 05	FY' 06	FY' 07	FY'08
				(Rs. cr)
Net Sales	414.6	534.9	711.4	1072.2
Other Income	2.1	2.8	0.0	0.0
Total Income	416.7	537.7	711.4	1072.2
Cost of Sales	262.5	316.8	419.0	682.0
PBDILT	154.2	220.9	292.4	390.2
Depreciation	48.9	74.7	101.9	138.3
PBILT	105.4	146.2	190.5	251.9
Finance charges	11.6	14.7	0.7	0.0
Op. Profit bfr Tax	93.8	131.5	189.8	251.9
Extraord. Items	4.2	-0.1	4.5	16.5
PBT	98.0	131.4	194.3	268.5
Less: Tax	8.6	14.7	21.7	38.8
PAT	89.4	116.7	172.6	229.7

Balance sheet

Yr Ending Mar.31	FY' 05	FY' 06	FY' 07	FY'08
Assets				(Rs. cr)
Fixed Assets	297.0	369.8	459.2	618.7
Investments	6.3	0.0	112.4	97.6
NCA/NWC	387.0	273.1	379.7	948.0
Current Assets	489.5	398.9	512.8	1125.1
Current Liabilities	102.5	125.9	133.1	177.1
Total Cap. Empld	690.3	642.9	951.2	1664.3
Liabilities				
Share Capital	63.7	63.7	79.9	80.1
Reserves	391.8	392.9	861.5	966.5
Misc exp w/o	0.0	0.0	0.0	0.0
Net Worth	455.4	456.6	941.4	1046.6
Term Liabilities	234.9	186.3	9.8	617.7
Total Cap. Empld	690.3	642.9	951.2	1664.3

Key Ratios

Particulars	FY' 05	FY' 06	FY' 07	FY'08
Growth in Total Inc.	17%	29%	32%	51%
Growth in PAT	43%	31%	48%	34%
PBDIT Margin	37.0%	41.1%	41.1%	36.4%
PAT Margin	21.5%	21.7%	24.3%	21.5%
ROCE	17.2%	19.1%	15.4%	15.2%
RONW	19.6%	16.7%	17.4%	20.7%
Gearing (x)	0.4	0.0	0.6	0.6
Overall Gearing (x)	0.4	0.0	0.6	0.6
Interest Cover (x)	910%	996%	2574%	-
Current Ratio (x)	3.2	3.9	6.1	2.8
Sales Per Share *	65.4	67.3	88.8	66.6
EPS (Rs.) *	14.0	14.6	21.5	14.3
DPS (Rs.) *	3.5	4.0	5.0	3.1

** Bonus Issue 1:1* (Rs. cr)

Cash flows

Yr Ending Mar.31	FY' 05	FY' 06	FY' 07	FY'08
Profit After Tax	89.4	116.7	172.6	230.6
Depreciation	48.9	74.7	101.9	138.3
Change in WC	96.2	-51.0	-18.1	-6.8
Opg. Cash Flow	234.5	140.4	256.5	362.1
Inc/Dec-Gro.Block	180.1	-40.9	158.9	230.0
Inc/Dec in CWIP	5.7	26.0	78.1	26.6
Inc/Dec in Inv.	-6.3	112.4	-14.8	184.0
C.F.Investing	179.4	97.5	222.2	440.6
Dividend paid	22.3	32.0	40.1	49.8
Tax Payment	3.1	4.5	6.8	8.6
Inc. in T. Liab.	-48.6	-176.5	607.9	76.1
Inc. in S.Capital	0.0	392.5	-11.0	-46.2
C.F.Financing	-74.0	179.6	550.1	-28.5
Op. Cash Balance	50.8	33.1	88.7	639.0
Cl.. Cash Balance	33.1	88.7	639.0	259.8

Financial Projections

Operational Performance

Particulars	FY' 08A	FY'09P	FY'10P	FY'11P
				(Rs.cr)
Net Sales	1072.2	1481.4	1851.8	2259.4
Other Income	0.0	0.0	0.0	0.0
Total Income	1072.2	1481.4	1851.8	2259.4
Cost of Sales	682.0	979.8	1227.7	1525.5
PBDILT	390.2	501.6	624.1	733.9
Depreciation	138.3	176.6	210.7	236.9
PBILT	251.9	325.1	413.4	497.0
Finance charges	0.0	0.0	0.0	0.0
Op. Profit bfr Tax	251.9	325.1	413.4	497.0
Extraord. Items	16.5	20.5	27.5	38.0
PBT	268.5	345.5	440.8	535.0
Less: Tax	38.8	50.1	63.9	77.6
PAT #	229.7	295.4	376.9	457.4

 # PAT : pro forma for MTM provisions for FCCBs

Balance sheet

Yr Ending Mar.31	FY' 08A	FY'09P	FY'10P	FY'11P
Assets				(Rs.cr)
Fixed Assets	618.7	1022.2	800.6	824.9
Investments	97.6	281.6	331.6	431.6
NCA/NWC	948.0	575.6	769.3	939.3
Current Assets	1125.1	899.1	1132.8	1342.8
Current Liabilities	177.1	323.5	363.5	403.5
Total Cap. Empld	1664.3	1879.5	1901.5	2195.9
Liabilities				
Share Capital	80.1	160.9	160.9	160.9
Reserves	966.5	1024.8	1196.7	1441.0
Misc Exp. Not w/o	0.0	0.0	200.0	200.0
Net Worth	1046.6	1185.7	1157.6	1401.9
Term Liabilities	617.7	693.8	743.9	794.1
Total Cap. Empld	1664.3	1879.5	1901.5	2195.9

Projected Ratios

Particulars	FY' 08A	FY'09P	FY'10P	FY'11P
Growth in To Inc.	51%	38%	25%	22%
Growth in PAT	34%	28%	28%	21%
PBDIT Margin	36.4%	33.9%	33.7%	32.5%
PAT Margin	21.5%	19.9%	20.4%	20.2%
ROCE	15.2%	18.3%	21.5%	22.5%
RONW	20.7%	25.2%	29.5%	29.3%
Gearing (x)	0.6	0.6	0.6	0.5
Overall Gearing	0.6	0.6	0.6	0.5
Interest Cover(x)	-	-	-	-
Current Ratio (x)	2.8	3.1	3.3	3.7
Sales Per Share	66.6	92.1	115.1	140.4
EPS (Rs.)	14.3	18.4	23.4	28.4
DPS (Rs.)	3.1	4.0	4.5	5.0

Projected Cash Flows

Yr Ending Mar.31	FY'08A	FY'09P	FY'10P	FY'11P
Profit After Tax	230.6	295.4	376.9	457.4
Depreciation	138.3	176.6	210.7	236.9
Change in WC	-6.8	-128.0	-77.0	-92.0
Opg. Cash Flow	362.1	344.0	510.6	602.3
Inc/Dec-Gro.Block	230.0	300.0	250.0	200.0
Inc/(Dec in CWIP	26.6	-145.0	-15.0	0.0
Inc/Dec in Inv.	184.0	50.0	100.0	150.0
C.F.Investing	440.6	205.0	335.0	350.0
Dividend paid	49.8	64.4	72.4	80.4
Dividend tax	8.6	9.0	10.1	11.3
Inc. in T. Liab.	76.1	50.1	50.1	50.1
Inc. in S.Capital	-46.2	0.0	0.0	0.0
C.F.Financing	-28.5	-23.2	-32.4	-41.6
Op. Cash Balance	639.0	259.8	325.5	418.6
Cl. Cash Balance	259.8	325.5	418.6	579.1

(Rs.cr)

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