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Rating	Accumulate
Price	Rs68
Target Price	Rs85
Implied Upside	25.0%
Sensex	17,847
Nifty	5,413

(Prices as on August 22, 2012)

Trading data

Market Cap. (Rs bn)	11.0
Shares o/s (m)	161.2
3M Avg. Daily value (Rs m)	53.7

Major shareholders

Promoters	44.15%
Foreign	27.25%
Domestic Inst.	2.50%
Public & Other	26.10%

Stock Performance

(%)	1M	6M	12M
Absolute	(8.9)	(26.5)	(28.5)
Relative	(12.9)	(24.9)	(37.7)

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2013	14.7	16.9	-13.0
2014	15.1	17.6	-14.0

Price Performance (RIC: ROLT.BO, BB: RLTA IN)



Source: Bloomberg

Rolta reported another quarter of revenue below expectation with margin ahead of expectation. The currency depreciation resulted in higher interest cost and MTM losses eroding bottom-line. As Rolta moves away from the services business to solution business, we continue to see likelihood of volatile earnings performance in H1FY13. The company has managed to honor its FCCB commitment by raising debt at 7.75% interest cost. High interest cost in a challenging demand environment makes the outlook for the company cautious. We retain our 'Accumulate' rating.

- Another quarter of low revenue but margins ahead:** Rolta reported revenue growth of 4.4% QoQ to Rs4.45bn (PLe: Rs4.90bn, Cons: Rs4.60bn). EBITDA margin expanded by 886bps QoQ to 54.6% (PLe: 45.9%, Cons:42.4%), driven by margin expansion in EGIS, EDOS and EICT segments by 977bps, 1557bps and 604bps QoQ, respectively. EPS de-grew by 29% QoQ to Rs2.97 (PLe: Rs4.22, Cons: Rs3.72), due to higher MTM forex losses and interest cost.
- Order book grew steadily in the quarter:** Order book grew by 3.5% QoQ to Rs21.42bn, strongest growth in the last five quarters. EICT order book grew by 8.3% QoQ, the sharpest growth among all the segments, whereas EGIS and EDOS grew by 1.8% and 2.7% QoQ, respectively. Book-to-Bill (LTM) overall moved to high teens for the first time in the last five quarters. Q4FY12 book-to-bill remains at 1.17, highest level since Q3FY11. The company's decision to move away from low-end services business to solution offering could put additional pressure on order book. We expect order book to remain volatile.
- Other highlights: 1)** FY13 Revenue growth guidance of 10-15% YoY **2)** Total Capex in FY13: Rs500-2000m **3)** Tax Rate FY13: 18-20% **4)** Total Debt: Rs23.5bn **5)** Avg. interest rate on debt: 7.75% (Quarterly int. cost Rs420-450m @ Rs55/\$)
- Valuation and Recommendation – 'Accumulate', target price of Rs85:** We believe that the decline in the revenue is a matter of concern. We believe that a high interest cost in depreciating currency and a weak business environment could result in decline at the bottom-line. We retain our 'Accumulate' rating, with a target price of Rs85, 6x FY13e earnings estimates.

Key financials (Y/e June)	2011	2012	2013E	2014E
Revenues (Rs m)	18,056	18,288	19,842	21,430
Growth (%)	17.8	1.3	8.5	8.0
EBITDA (Rs m)	7,203	8,068	7,739	8,358
PAT (Rs m)	2,989	2,664	2,364	2,442
EPS (Rs)	18.5	16.5	14.7	15.1
Growth (%)	17.1	(10.9)	(11.3)	3.3
Net DPS (Rs)	6.2	3.6	3.5	3.3

Profitability & Valuation	2011	2012	2013E	2014E
EBITDA margin (%)	39.9	44.1	39.0	39.0
RoE (%)	17.0	11.5	8.4	8.2
RoCE (%)	10.4	8.9	7.1	6.9
EV / sales (x)	1.4	0.9	0.8	0.7
EV / EBITDA (x)	3.5	2.1	2.1	1.8
PE (x)	3.7	4.1	4.6	4.5
P / BV (x)	0.6	0.4	0.4	0.4
Net dividend yield (%)	9.2	5.3	5.2	4.9

Source: Company Data; PL Research

Exhibit 1: Q4FY12 results: Another quarter of revenue below expectation, whereas margins ahead - 7th consecutive quarter of same trend

Y/e June (Rs m)	Q4FY12	Q3FY12	QoQ gr.	Q4FY11	YoY gr.	Cons.	PLe Q3FY12	Variance
Sales	4,451	4,261	4.4%	4,766	-6.6%	4,597	4,490.1	-0.9%
EBITDA	2,431	1,950	24.7%	1,934	25.7%	1,949	2,060	18.0%
<i>EBITDA Margin</i>	<i>54.6%</i>	<i>45.7%</i>	<i>886 bps</i>	<i>40.6%</i>	<i>1402 bps</i>	<i>42.4%</i>	<i>45.9%</i>	<i>873 bps</i>
PBT	599	774	-22.7%	996	-39.9%	NA	839	-28.6%
Tax	121	102	19.2%	100	21.3%	NA	159	-23.9%
<i>Tax Rate</i>	<i>20.3%</i>	<i>13.1%</i>	<i>712 bps</i>	<i>10.0%</i>	<i>1023 bps</i>	<i>NA</i>	<i>19.0%</i>	<i>128 bps</i>
Net Income	477	673	-29.0%	896	-46.7%	599	733	-34.9%
<i>Net Income Margin</i>	<i>10.7%</i>	<i>15.8%</i>	<i>-506 bps</i>	<i>18.8%</i>	<i>-807 bps</i>	<i>13.0%</i>	<i>16.3%</i>	<i>-559 bps</i>
EPS Basic (Rs)	2.97	4.18	-29.0%	5.57	-46.8%	3.72	4.22	-29.8%

Source: Company Data, PL Research

Exhibit 2: Book-to-Bill bounced back

Book to Bill Ratio	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
EGIS	1.27	1.24	1.22	1.17	1.19	1.20	1.25	1.19	1.14	1.05	1.13	1.23
EDOS	1.26	1.42	1.40	1.31	1.26	1.11	1.14	1.16	1.20	1.21	1.24	1.28
EICT	1.02	1.02	1.02	1.01	1.02	1.03	1.03	0.98	0.99	0.96	0.97	0.99
Total	1.20	1.23	1.22	1.16	1.17	1.14	1.17	1.13	1.11	1.06	1.11	1.17

Source: Company Data, PL Research

Exhibit 3: Order book witnessed strong growth led by EICT

Order Book gr. (QoQ)	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12
EGIS	4.6%	2.1%	4.7%	2.1%	8.1%	5.0%	10.6%	0.5%	-0.4%	-5.7%	2.2%	1.8%
EDOS	2.5%	8.0%	2.1%	-1.7%	1.8%	-8.9%	2.1%	0.5%	2.4%	0.4%	1.5%	2.7%
EICT	0.4%	-1.6%	3.2%	1.7%	4.2%	4.5%	4.8%	0.3%	4.7%	0.5%	4.5%	8.3%
Total	3.0%	3.0%	3.6%	0.9%	5.5%	1.1%	7.2%	0.4%	1.4%	-2.9%	2.6%	3.5%

Source: Company Data, PL Research

Exhibit 4: Negative surprise across the segments, except EICT

By Segments	Q4FY12	Q3FY12	QoQ gr.	Q4FY11	YoY gr.	PLe Q4FY12	Variance
Enterprise Geospatial Information System (EGIS)	1,956	1,952	0.2%	2,551	-23.3%	2,033.3	-3.8%
Enterprise Design and Operation Solutions (EDOS)	1,003	985	1.8%	1,027	-2.3%	1,069.8	-6.2%
Enterprise IT Solutions (EICT)	1,492	1,324	12.7%	1,188	25.6%	1,387.0	7.6%
Total	4,451	4,261	4.4%	4,766	-6.6%	4,490	-0.9%
as % of Total							
Enterprise Geospatial Information System	43.9%	45.8%	-187 bps	53.5%	-958 bps	45.3%	-134 bps
Enterprise Design and Operation Solutions	22.5%	23.1%	-58 bps	21.6%	99 bps	23.8%	-128 bps
Enterprise IT Solutions	33.5%	31.1%	245 bps	24.9%	859 bps	30.9%	263 bps

Source: Company Data, PL Research

Exhibit 5: Margin expansion in EGIS, EDOS and EICT drove positive surprise at EBITDA level

EBITDA (By Segments)	Q4FY12	Q3FY12	QoQ gr.	Q4FY11	YoY gr. PLe	Q4FY12	Variance
Enterprise Geospatial Information System	1,360	1,167	16.6%	1,369	-0.6%	1,119.6	21.5%
Enterprise Design and Operation Solutions	700	533	31.1%	422	65.8%	520.4	34.4%
Enterprise IT Solutions	371	249	48.9%	144	157.9%	419.9	-11.7%
Total	2,431	1,950	24.7%	1,934	25.6%	2,060	18.0%
EBITDA Margin (By Segments)							
Enterprise Geospatial Information System	69.5%	59.8%	977 bps	53.7%	1589 bps	55.1%	1449 bps
Enterprise Design and Operation Solutions	69.7%	54.2%	1557 bps	41.1%	2863 bps	48.6%	2108 bps
Enterprise IT Solutions	24.9%	18.8%	604 bps	12.1%	1276 bps	30.3%	-541 bps
Total	54.6%	45.7%	886 bps	40.6%	1402 bps	45.9%	873 bps

Source: Company Data, PL Research

Exhibit 6: Non-linear revenue continues to drive top-line growth

Employee Details	Q4FY12	Q3FY12	QoQ gr.	Q4FY11	YoY gr.
Enterprise Geospatial Information System	1,882	1,923	-2.1%	2,264	-16.9%
Enterprise Design and Operation Solutions	513	506	1.4%	581	-11.7%
Enterprise IT Solutions	258	241	7.1%	298	-13.4%
Sales, mktg. & others	314	336	-6.5%	348	-9.8%
TOTAL	2,967	3,006	-1.3%	3,491	-15.0%
<i>Addition / (Reduction)</i>	(39)	(166)	-76.5%	(165)	-76.4%

Source: Company Data, PL Research, *excluding Shaw group

Exhibit 7: Utilization under tight control

Historical Utilisation Rate	Q4FY12	Q3FY12	QoQ gr.	Q4FY11	YoY gr.
Enterprise Geospatial Information System	71.6%	71.4%	20 bps	78.6%	-700 bps
Enterprise Design and Operation Solutions	76.3%	76.2%	10 bps	76.8%	-50 bps
Enterprise IT Solutions	77.9%	77.5%	40 bps	73.9%	400 bps

Source: Company Data, PL Research

Exhibit 8: Billing rate stable

Average Blended Billing Rate (US \$ per hour)	Q4FY12	Q3FY12	QoQ	4Q11	YoY
Enterprise Geospatial Information System	24.8	24.6	0.8%	25.6	-3.1%
Enterprise Design and Operation Solutions	31.2	30.3	3.0%	30.2	3.3%
Enterprise IT Solutions	147.8	147.8	0.0%	143.6	2.9%

Source: Company Data, PL Research

Income Statement(Rs m)

Y/e June	2011	2012	2013E	2014E
Net Revenue	18,056	18,288	19,842	21,430
Raw Material Expenses	3,693	2,663	2,927	3,161
Gross Profit	14,363	15,625	16,916	18,269
Employee Cost	5,237	5,427	7,689	8,304
Other Expenses	1,923	2,130	1,488	1,607
EBITDA	7,203	8,068	7,739	8,358
Depr. & Amortization	3,300	4,433	4,499	5,084
Net Interest	608	915	520	520
Other Income	308	412	234	298
Profit before Tax	3,603	3,133	2,953	3,051
Total Tax	615	470	591	610
Profit after Tax	2,988	2,663	2,362	2,441
Ex-Od items / Min. Int.	(1)	(1)	(1)	(1)
Adj. PAT	2,989	2,664	2,364	2,442
Avg. Shares O/S (m)	161.3	161.3	161.3	161.3
EPS (Rs.)	18.5	16.5	14.7	15.1

Cash Flow Abstract(Rs m)

Y/e June	2011	2012	2013E	2014E
C/F from Operations	6,927	5,850	5,434	6,197
C/F from Investing	(7,470)	(3,658)	(3,968)	(4,500)
C/F from Financing	491	(686)	(664)	(629)
Inc. / Dec. in Cash	(52)	1,507	802	1,068
Opening Cash	503	451	1,958	2,760
Closing Cash	451	1,958	2,760	3,828
FCFF	234	2,581	1,466	1,697
FCFE	2,282	(3,732)	1,466	1,697

Key Financial Metrics

Y/e June	2011	2012	2013E	2014E
Growth				
Revenue (%)	17.8	1.3	8.5	8.0
EBITDA (%)	24.8	12.0	(4.1)	8.0
PAT (%)	17.2	(10.9)	(11.3)	3.3
EPS (%)	17.1	(10.9)	(11.3)	3.3
Profitability				
EBITDA Margin (%)	39.9	44.1	39.0	39.0
PAT Margin (%)	16.6	14.6	11.9	11.4
RoCE (%)	10.4	8.9	7.1	6.9
RoE (%)	17.0	11.5	8.4	8.2
Balance Sheet				
Net Debt : Equity	0.7	0.2	0.2	0.1
Net Wrkng Cap. (days)	—	—	—	—
Valuation				
PER (x)	3.7	4.1	4.6	4.5
P / B (x)	0.6	0.4	0.4	0.4
EV / EBITDA (x)	3.5	2.1	2.1	1.8
EV / Sales (x)	1.4	0.9	0.8	0.7
Earnings Quality				
Eff. Tax Rate	17.1	15.0	20.0	20.0
Other Inc / PBT	8.5	13.2	7.9	9.8
Eff. Depr. Rate (%)	12.2	14.4	13.0	13.0
FCFE / PAT	76.3	(140.1)	62.0	69.5

Source: Company Data, PL Research.

Balance Sheet Abstract(Rs m)

Y/e June	2011	2012	2013E	2014E
Shareholder's Funds	18,990	27,281	28,981	30,795
Total Debt	14,636	8,323	8,323	8,323
Other Liabilities	448	448	448	448
Total Liabilities	34,073	36,052	37,752	39,565
Net Fixed Assets	23,541	23,154	22,624	22,040
Goodwill	2,849	2,849	2,849	2,849
Investments	—	—	—	—
Net Current Assets	7,683	10,049	12,279	14,676
Cash & Equivalents	451	1,958	2,760	3,828
Other Current Assets	9,645	9,987	11,125	12,339
Current Liabilities	2,413	1,896	1,606	1,491
Other Assets	—	—	—	—
Total Assets	34,073	36,052	37,752	39,565

Quarterly Financials(Rs m)

Y/e June	Q1FY12	Q2FY12	Q3FY12	Q4FY12
Net Revenue	4,858	4,717	4,261	4,451
EBITDA	1,790	1,898	1,950	2,431
% of revenue	36.8	40.2	45.7	54.6
Depr. & Amortization	948	1,010	1,037	1,438
Net Interest	192	242	283	423
Other Income	82	107	144	29
Profit before Tax	731	753	774	599
Total Tax	110	101	102	121
Profit after Tax	622	652	673	477
Adj. PAT	622	652	673	477

Key Operating Metrics

Y/e June	2011	2012	2013E	2014E
EGIS Rev.	9,395	8,941	10,551	12,450
EDOS Rev.	4,208	4,079	4,568	5,116
EITS Rev.	4,454	5,268	4,724	3,864
SW Devp. Cost (% of sales)	29.0	29.7	38.8	38.8
EBITDA Margin Expansion/(Erosion) (bps)	224	423	(512)	—
Tax Rate (%)	13.3	15.0	20.0	20.0

Source: Company Data, PL Research.

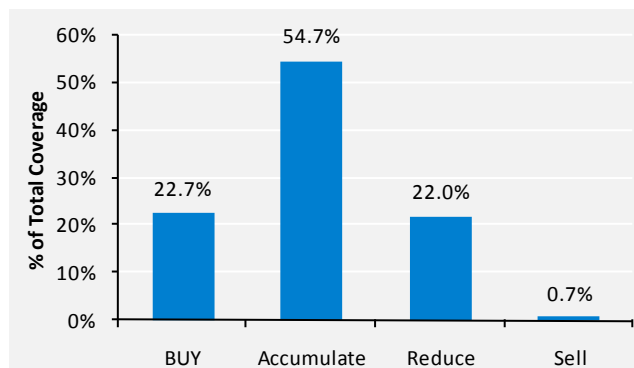


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Rating Distribution of Research Coverage



PL's Recommendation Nomenclature

BUY	: Over 15% Outperformance to Sensex over 12-months	Accumulate	: Outperformance to Sensex over 12-months
Reduce	: Underperformance to Sensex over 12-months	Sell	: Over 15% underperformance to Sensex over 12-months
Trading Buy	: Over 10% absolute upside in 1-month	Trading Sell	: Over 10% absolute decline in 1-month
Not Rated (NR)	: No specific call on the stock	Under Review (UR)	: Rating likely to change shortly

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