

August 3, 2009

Rating	Accumulate
Price	Rs155
Target Price	Rs170
Implied Upside	10.1%
Sensex	15,294

(Prices as on August 3, 2009)

Trading Data

Market Cap. (Rs bn)	25.2
Shares o/s (m)	162.9
Free Float	58.0%
3M Avg. Daily Vol ('000)	2,178.0
3M Avg. Daily Value (Rs m)	329.4

Major Shareholders

Promoters	42.0%
Foreign	25.5%
Domestic Inst.	3.9%
Public & Others	28.6%

Stock Performance

(%)	1M	6M	12M
Absolute	22.0	73.3	(53.3)
Relative	15.2	(0.8)	(62.0)

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



Source: Bloomberg

- Results in line with expectations:** Rolta India (Rolta) reported results largely in line with our expectations. Revenue grew by 0.2% QoQ (v/s -1.1% as expected), while PAT grew by 4.0% QoQ (v/s 3.7% QoQ as expected). EBITDA margin expanded by an impressive 170 bps QoQ (ahead of the 40bps expected). The expansion in margins happened essentially due to reduction in manpower (by 312 to 4980) and higher utilization levels. Revenue growth continues to be led by GIS (which grew 2.1% QoQ), while EDA (-4.3% QoQ) and EICT (0.4% QoQ) remain weak.
- Order book shows improvement:** After a decline in Q3FY09, Rolta saw an improvement in the order book in Q4FY09. The order book has gone up from Rs15.52bn in Q3FY09 to Rs16.09bn in Q4FY09. The GIS order book continues to grow at a healthy rate (4.5% QoQ). However, this quarter even the EDA (up 2.2% QoQ) and EICT (up 3.9% QoQ) witnessed a decent growth in the order book. The management reported an up tick in the order signing towards the end of the quarter and expects the momentum to continue, going forward. Of the total order, 75% is executable over the next 12 months.
- Surprisingly strong guidance:** The management has guided to 12-15% growth in revenue and 33-35% EBITDA margin in FY10. In order to achieve the revenue guidance, Rolta will have to grow its revenues at a CAGR of about 6% over the next four quarters. We believe this is a difficult target and would want further clarity on how this is likely to be achieved. EBITDA margin of about 34% on the other hand is likely to be comfortably managed.
- Outlook getting better, valuations attractive:** The outlook for the company's various business segments is clearly getting better. The company's key JVs - Swan Hunter and Thales - are also expected to perform well over the next 2-3 years. We upgrade the rating on the stock to 'Accumulate' on dips from Reduce, with a price target of Rs170.

Key financials (Y/e June)	FY08	FY09	FY10E	FY11E
Revenues (Rs m)	10,722	13,728	14,171	15,875
Growth (%)	50.7	28.0	3.2	12.0
EBITDA (Rs m)	3,897	4,636	4,827	5,410
PAT (Rs m)	1,795	2,406	1,956	2,310
EPS (Rs)	11.0	14.8	12.0	14.2
Growth (%)	4.0	34.0	(18.7)	18.1
Net DPS (Rs)	3.0	4.0	5.0	5.0

Source: Company Data; PL Research

Profitability & valuation	FY08	FY09	FY10E	FY11E
EBITDA margin (%)	36.3	33.8	34.1	34.1
RoE (%)	23.4	21.2	17.0	18.0
RoCE (%)	14.4	14.0	12.0	12.6
EV / sales (x)	2.5	2.2	2.0	1.7
EV / EBITDA (x)	7.0	6.6	6.0	5.0
PE (x)	14.0	10.5	12.9	10.9
P / BV (x)	2.1	1.9	1.7	1.6
Net dividend yield (%)	1.9	2.6	3.2	3.2

Source: Company Data; PL Research

Apurva Shah
 ApurvaShah@PLIndia.com
 +91-22-6632 2214



Q4FY09 Result Overview

(Rs m)

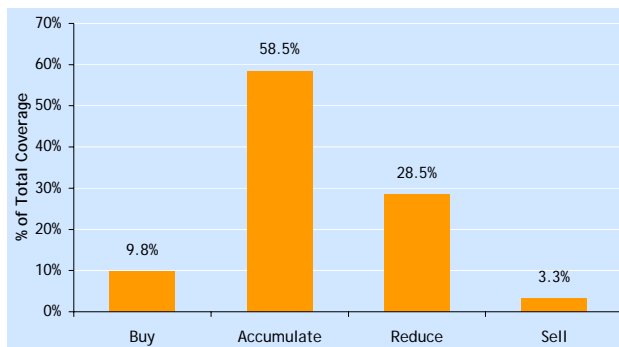
Y/e June	Q4FY09	Q3FY09	QoQ gr. (%)	Q4FY08	FY09	FY08	YoY gr. (%)
Net Sales	3,327	3,320	0.2	3,211	13,728	10,722	28.0
Total Expenses	2,202	2,255	(2.3)	2,089	9,092	6,825	33.2
Software Development	1,743	1,821	(4.3)	1,774	7,454	5,761	29.4
Others	460	433	6.1	315	1,638	1,064	54.0
Operating Profits / EBITDA	1,125	1,066	5.5	1,122	4,636	3,897	19.0
Depreciation	578	498	16.2	378	1,867	1,383	35.0
EBIT	547	568	(3.7)	744	2,769	2,515	10.1
Interest	57	58	(1.6)	-	126	-	-
EBT before Other Income	490	510	(4.0)	744	2,643	2,515	5.1
Other Income	114	81	40.8	168	440	472	(6.7)
PBT	604	592	2.2	911	3,083	2,987	3.2
Tax	94	101	(7.1)	110	402	388	3.6
<i>Tax rate (%)</i>	<i>15.6</i>	<i>17.1</i>		<i>12.1</i>	<i>13.0</i>	<i>13.0</i>	
PAT before Extraordinaries	510	490	4.1	802	2,682	2,599	3.2
Minority Interest	2	2	2.2	(9)	6	(9)	
MTM Losses	-	840	-	302	-	302	
Interest on FCCBs	106	142	(25.5)	128	531	511	
Profit on buy-back of FCCBs	250	-		-	250	-	
PAT after Extraordinaries	657	1,190	(44.8)	381	2,406	1,795	34.0
Key Ratios							
<i>GPM (%)</i>	<i>47.6</i>	<i>45.1</i>	<i>2.5</i>	<i>44.8</i>	<i>45.7</i>	<i>46.3</i>	<i>(0.6)</i>
<i>OPM (%)</i>	<i>33.8</i>	<i>32.1</i>	<i>1.7</i>	<i>34.9</i>	<i>33.8</i>	<i>36.3</i>	<i>(2.6)</i>
<i>NPM (%)</i>	<i>19.7</i>	<i>35.9</i>	<i>(16.1)</i>	<i>11.9</i>	<i>17.5</i>	<i>16.7</i>	<i>0.8</i>
Adjusted EPS (Rs.)	4.0	7.3	(44.8)	2.3	14.8	11.0	34.0

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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

This document has been prepared by the Research Division of Prabhudas Lilladher Pvt. Ltd. Mumbai, India (PL) and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accept any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

We may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

For Clients / Recipients in United States of America:

All materials are furnished courtesy of Direct Access Partners LLC ("DAP") and produced by Prabhudas Lilladher Pvt. Ltd. ("PLI"). This is material is for informational purposes only and provided to Qualified and Accredited Investors. You are under no obligation to DAP or PLI for the information provided herein unless agreed to by all of the parties, Additionally you are prohibited from using the information for any reason or purpose outside its intended use. Any questions should be directed to Gerard Visci at DAP at 212.850.8888.