



Rolta India Ltd..

Result Update

Information Technology

16th April, 2010

Recommendation:	REDUCE
CMP:	183
Target :	200
Stock Return:	9 %

BSE code :	500366
NSE Symbol :	ROLTA
Bloomberg :	RLTA IN
Reuters :	ROLT.BO

#### Key Data :

Sensex :	14,980
52 week H/L	780/105
Outstanding Shares (mn) :	160.9
Avg. Daily Volumes (shrs) :	0.923mn
Market Cap (Rs Mn.) :	54931.26
Face Value :	Rs. 10

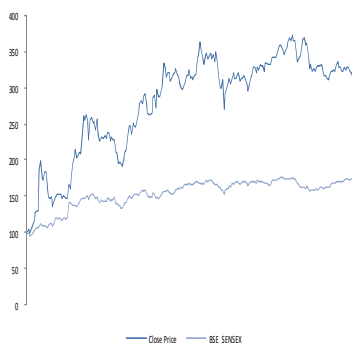
(Source : Prowess)

#### Share Holding Pattern (%):

Promoters :	40.26
Institutions :	41.40
Non-Institutions :	17.94
Depository receipts:	0.41

(Source : Company)

#### Price Volume Analysis:



#### Research Desk:

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#### Key Highlights:

##### Quarterly Results:

⇒ Income was Rs. 3,945 Mn for the quarter ended March, 2010; QoQ growth of 5.0% and YoY growth of 18.83%.

⇒ Net profit was Rs. 671 Mn for the quarter ended March, 2010; QoQ growth of 6.9% and YoY de growth of 21.8% (including Revaluation of FCCB's). Whereas PAT has grown by 31% on YoY basis excluding the revaluation of FCCB's.

⇒ Net profit was Rs. 671 Mn for the quarter ended March, 2010; QoQ growth of 6.9% and YoY de growth of 21.8% (including Revaluation of FCCB's).

⇒ EPS (Basic) was Rs. 4.19 for the quarter ended March, 2010; QoQ growth of 6.9% and YoY de growth of 21.8%.

⇒ EPS is expected to be in the range of Rs.3.9 for the quarter ending June 2010 and Rs. 15.48 for the Year ended June 2010.

#### Order Book increased by 3.61%, still not under recovery:

Company has improved its order book by only 3.61% which we feel the company is not still in the recovery path. The EDOS (Enterprise Design and operating solutions), has not shown any great recovery which recorded a CQGR of only 0.6% in the past 6 quarters. This segment contributes nearly 30% of the total order book and maintains an operating margins of 40%. We expect the order book to increase at a CQGR of 3.41% for FY'11.

#### Revenues are expected to increase at a CAGR of 12.23% for FY(09-12):

Revenues are expected to grow at a CAGR of 12.23% for FY (09-12) recording FY'10 and FY'11 revenues of Rs. 15,053 Mn and Rs. 17,018 Mn. We expect the company to have a hit on the revenues for FY'10 & FY'11 on the back of appreciating currency besides order book position. For FY'11 the company is going to record a growth rate of 13.05% on YoY basis.

#### Financial Summary

	2008	2009	2010(E)	2011(E)	2012(E)
<b>Revenues</b>	10722.10	13728.10	15053.61	17018.20	19404.29
<b>YoY growth (%)</b>	-	28.04%	9.66%	13.05%	14.02%
<b>EBITDA</b>	3897.28	4635.30	5592.83	6436.78	7396.27
<b>EBITDA Margins(%)</b>	36.35%	33.77%	37.15%	37.82%	38.12%
<b>PAT</b>	2296.79	2930.94	2474.35	2934.94	3560.63
<b>PAT Margins(%)</b>	21.42%	21.35%	16.44%	17.25%	18.35%
<b>EPS</b>	14.39	18.33	15.48	18.36	22.26
<b>PE</b>	12.72	9.98	11.82	9.97	8.22

(Source : Company, ULJK research)

#### Targeting to increase solution business: to 20-25% of revenues:

Rolta is targeting its solutions business to increase up to 20-25% of its revenues in next three years. Presently, solutions business contributes nearly 6% of the revenues out of which 15-16% are from GIS segment. Usually solution led business generates nearly 80-85% of the operating margins. The increase in the solution business generates higher margins for the company for which Rolta yearly investment nearly Rs.15-20 Mn. Presently, company has working strength of 350 people in this segment of business.

#### Margins to increase to 38% levels from 34%:

We expect the Company to improve its operating margins by nearly 97 bps. For FY'12. the margins are going to increase from 33.77% for FY'09 to 38.12% for FY'12. we expect company to record an EPS of Rs. 15.48, Rs. 18.36 and Rs. 22.26 for FY'10, FY'11 and FY'12 respectively.

#### Valuation and Outlook

With an improvement of 12.23% of top liner for Rolta, we don't expect the bottom line to get affected directly even if the margins are going to increase by 97 bps. The high increase in the interest cost and increase in the depreciation as a result of capex would remain the main cost driver's for the company to have an increase of just 6.7% CAGR (FY09-12) in its bottom line.

We recommend a REDUCE on the stock with a target price of Rs.200, which discounts the FY'11 and FY'12 EPS of Rs.18.36 and Rs.22.26 by 10.89(x) and 8.98(x). The stock trades at Rs.183, discounting the forward EPS of Rs. 18.36 and Rs. 22.26 for a PE of 9.96(x) and 8.24(x). Even if the stock is trading at very low forward PE's of just 9.97(x) for CMP of Rs.183, we find the other MIDCAP IT stock like INFOTECH ENTERPRISES LTD. are firmly placed with a greater visibility in the business.

**Financials:**

Rs. in Mn

	2008	2009	2010(E)	2011(E)	2012(E)	CAGR FY (09-12)
<b>Operating Revenues</b>	10722.10	13728.10	15053.61	17018.20	19404.29	12.23%
<b>YoY growth (%)</b>	NA	28.04%	9.66%	13.05%	14.02%	
<b>Raw Material Consumed</b>	2572.40	1858.30	2578.85	2941.59	3353.08	
<b>Stock Adjustment</b>	-11.97	109.60	138.12	167.10	192.53	
<b>Employee Expenses</b>	3200.78	5486.60	5159.76	5688.03	6425.00	
<b>Other Expenses</b>	1063.61	1638.30	1584.06	1784.69	2037.43	
<b>Total Expenditure</b>	6824.82	9092.80	9460.79	10581.42	12008.03	
<b>EBITDA</b>	3897.28	4635.30	5592.83	6436.78	7396.27	16.85%
<b>EBITDA Margins (%)</b>	36.35%	33.77%	37.15%	37.82%	38.12%	
<b>Other Income</b>	169.75	690.44	269.51	122.4	122.4	
<b>Interest</b>	0.00	125.90	387.40	355.36	355.36	
<b>Depreciation</b>	1382.46	1867.10	2617.27	2817.07	3055.10	
<b>EBT</b>	2684.57	3332.74	2857.67	3386.75	4108.20	
<b>Tax Provision</b>	387.78	401.80	383.32	451.81	547.57	
<b>PAT</b>	2296.79	2930.94	2474.35	2934.94	3560.63	6.70%
<b>Minority Share</b>	9.14	7.38	7.38	7.38	7.38	
<b>EPS</b>	14.39	18.33	15.48	18.36	22.26	
<b>YoY Growth (%)</b>	NA	27.42%	-15.54%	18.56%	21.26%	
<b>PE</b>	12.72	9.98	11.82	9.97	8.22	

(Source : Company, ULJK research)

**QoQ Financials:**

	Mar-09	Jun-09	Sep-09	Dec-09	Mar-10
<b>Revenues</b>	3320.3	3327	3504.9	3755.60	3945.60
<b>QoQ (%)</b>	-8.26%	0.20%	5.35%	7.15%	5.06%
<b>Other Income</b>	921.2	364.4	99.1	79.64	60.17
<b>Total Income</b>	4241.5	3691.4	3604.0	3835.2	4005.8
<b>Raw Material Consumed</b>	310.5	374.3	526.3	679.79	760.58
<b>Stock Adjustment</b>	25.3	24.7	19.8	24.95	59.82
<b>Employee Expenses</b>	1486.5	1343.5	1299.4	1268.87	1244.24
<b>Other Expenses</b>	433.2	459.7	404.6	359.23	389.36
<b>TOTAL EXPENDITURE</b>	2255.5	2202.2	2250.10	2332.84	2454.00
<b>PBIDT</b>	1986	1489.2	1353.9	1502.4	1551.8
<b>EBITDA Margins (%)</b>	46.82%	40.34%	37.57%	39.17%	38.74%
<b>Interest</b>	57.7	56.8	83.2	114.5	100.86
<b>PBDT</b>	1928.3	1432.4	1270.7	1387.9	1450.9
<b>Depreciation</b>	497.5	577.9	621	669.67	672.8
<b>PBT</b>	1430.8	854.5	649.7	718.23	778.11
<b>Tax</b>	101.2	94.1	90.3	92.1	108.89
<b>Reported Profit After Tax</b>	1329.6	760.4	559.4	626.13	669.22
<b>EPS (Unit Curr.)</b>	3.44	4.76	3.50	3.92	4.19

(Source : Company, ULJK research)



Research Desk

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Institutional Sales Desk

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## Disclaimer Appendix

### ULJK Group investment rankings: (Time range– 12 months)

**BUY** (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks and 30% or more for High-Risk stocks); **ACCUMULATE** (expected total return of 5%-15% for Low- Risk stocks, 10%-20% for Medium-Risk stocks and 15%-30% for High-Risk stocks, ); **REDUCE** ( expected total return of less than 5% for Low Risk stocks, less than 10% for Medium Risk stocks and less than 15% for High Risk stocks) and **SELL** (expected total return of -5% or less for Low-Risk stocks, -10% or less for Medium-Risk stocks, -15% or less for High-Risk stocks, and -20% or less for Speculative stocks).

**Analyst (s) holding in the Stock :** Nil

### Analyst Certification

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