

BUY

Industry	IT
CMP	INR 187
52 week High/Low	INR 206/40
Market Cap	INR 30132 Mn
Avg Daily Volumes (last one month)	1459950
Industry P/E (TTM)	20
Rollta P/E (TTM)	11.2

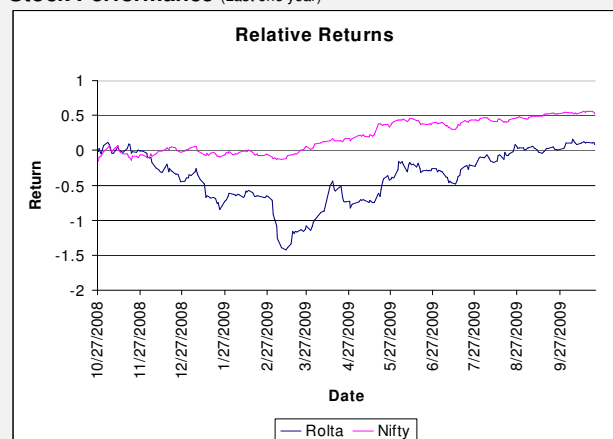
Source: NSE Data

Shareholding Pattern

	Q2 FY10 (%)	Q1 FY 10 (%)
Promoters	41.97	41.97
FII	29.18	25.47
FI / MF / Others	3.35	3.72
Others	25.5	28.84

Source: NSE Data

Stock Performance (Last one year)



Source: Capitaline

Performance (Absolute)

	1M	3 M	12 M
Rollta	3.40%	36.00%	9.00%
NIFTY	-0.63%	11.62%	69.50%

Source: NSE Data

Analyst

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* Rollta has Financial Year July - June

Laying the ground work for growth...

- Rollta India has reported good numbers this quarter. The revenues have improved by 5.3% sequentially and 1.3% on yoy basis on the back of stable domestic business. The EGIS (Enterprise Geospatial Information Solutions) business has grown by 7.2% on qoq basis. This segment is finding traction from the Defence focus of the company and its solution - Rollta Fusion, has been doing well in India, North America, Middle East and Africa. Also, its JV Rollta Thames Ltd has been contributing to the Defence, Maritime and Homeland security systems.
- The EDOS (Enterprise Design and Operation Solutions) business has grown by a modest 2.5% sequentially and the flagship solution of this business Rollta OneView has been doing well with implementations across some of the big corporations in Engineering, Utilities and Oil & Gas etc. Its JV with the Shaw group of US, which has expertise in this field, has contributed to the strengthening of this vertical of Rollta.
- The EITS (Enterprise IT solutions) business has grown by 4.8% sequentially.
- The EBITDA margins have expanded by 160 bps qoq and 200 bps on yoy basis due to better cost management. Also, the 35% operating margin levels are one of the highest in industry, especially in the mid cap space.
- The PAT level has taken a hit contracting by 26% qoq and 34% yoy. This is on account of the company not recording other income due to repurchase of FCCB's. Excluding this, the company recorded PAT growth of 9.6% sequentially.

Business model transformation for moving up the value chain

- Rollta has been moving away from services led model to solutions based model with the solutions being based on the in house IP of Rollta. This IP led solutions model would help Rollta address the client's need for end to end service as also moving up the value chain. As an offshoot, Rollta would be better placed in terms of pricing with these kinds of products and solutions which should help its margins going forward
- Rollta has renamed its three business units this quarter to position the company's offerings as Enterprise oriented.

Valuation & Outlook

- The outlook for Rollta's business remains strong with the Government of India expected to ramp up spending on modernization and computerisation of the Defence forces. This segment would also see ramp ups with other governments. The EDOS segment would see uptick once the manufacturing industry is fully recovered. With good prospects, we expect the company to record strong growth in the last two quarters of FY 10. Trading at a CMP of 187, the company is discounted at 11.2 times its FY 09 EPS. We feel that the company would have an upside going forward as we expect a multiple of 14x accruing to Rollta. Recommend BUY.

(INR in mn, except EPS)

	Q1 FY 10	Q1 FY 09	Y-o-Y	Q4 FY 10	Q-o-Q	Remarks
Net Sales	3504.9	3461.4	1.3%	3327	5.3%	Good revenue growth in difficult times
Expenditure	2250.1	2276.4	-1.2%	2202.2	2.2%	
EBITDA	1254.8	1185	5.9%	1124.8	11.6%	
EBITDA %	35.8%	34.2%	1.6%	33.8%	2.0%	Margin expansion a positive
Depreciation	621	378.6	64.0%	577.9	7.5%	
EBIT	633.8	806.4	-21.4%	546.9	15.9%	
Other Income	99.1	149.8	-33.8%	364.4	-72.8%	
Interest	83.2	0		56.8		
Tax Provision	90.3	105.1	-14.1%	94.1	-4.0%	
PAT	559.4	851.1	-34.3%	760.4	-26.4%	
Extraordinary Income	0	613.5		0		No revaluation of FCCB's
Adj PAT	561.2	239.4	134.4%	762.2	-26.4%	

Unicon Investment Ranking Methodology

Rating	Buy	Accumulate	Hold	Reduce	Sell
Return Range	>= 20%	10% to 20%	-10% to 10%	-10% to -20%	<= -20%

NOTES

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