



Rolta India Ltd.

9 May 2011

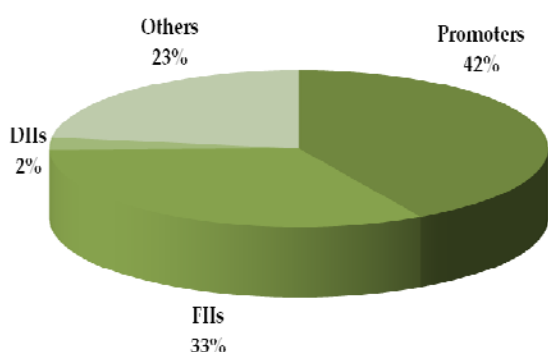
Buy

Industry	IT / ITeS
CMP (INR)	134
Target (INR)	191
Upside / Downside	42%
52 week High / Low (INR)	189 / 128
Market Cap (INR mn)	22,074
3M Avg. Daily Volumes	606,210
P / E (FY12 E)	6.35

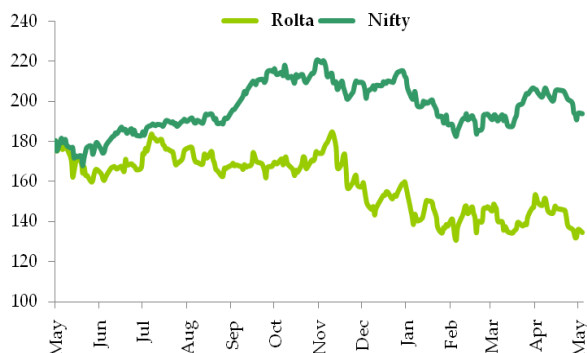
Swelling Order Book and Revised Guidance Upholds Future Growth Momentum

Rolta India Ltd. (Rolta) has come out with a decent set of third quarter results. Revenue and Gross Profit was in-line with our expectations. However the company surpassed our expectations on the Net Profit front. The management has increased its FY11 guidance due to the improvement in order book growth.

Shareholding Pattern (%)



1-Year Stock Chart



Stock Performance

	1 Month	3 Months	1 Year
Rolta	-10.0%	2.9%	-25.4%
NIFTY	-5.0%	6.1%	6.8%

(INR in mn)

Particulars	Actual	Estimates
Total Income	4,603	4,356
EBITDA	1,832	1,795
Reported PAT	840	515

* Source: Bloomberg, Unicon Research

Analyst:

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In-Line Quarter, Improved Margins: Rolta reported top-line and EBITDA numbers which were in-line with our estimates. Revenue at INR 4,603 mn was up 17% and 4% on a YoY and a QoQ basis respectively. EBITDA for the quarter was INR 1,832 mn, up 23% and 5% on a YoY and QoQ basis respectively. Gross Profit (EBITDA) margin at 39.8% saw an improvement of 38 bps sequentially and a whopping 200 bps on an annual basis. Net Profit (PAT) at INR 840 mn surpassed our expectations. However PAT was aided by an unexpected growth of INR 108 mn in other income and lower taxes. PAT Growth on an annual basis was up 25%. Removing the Shaw Rolta JV (SWRL) stake sale from Q2's bottom-line, net profit is up 66% on a QoQ basis this quarter.

Engineering & Design Segment (EDOS) Under Pressure: Among Rolta's revenue segments, the Geospatial Segment (EGDS / GIS) grew by 9% while the IT services segment (EITS) grew by 8% on a sequential basis. However, as the firm's engineering segment was aided by SWRL, revenue from the EDOS segment, post the stake sale, has declined by 8% on a quarterly basis. The management however is confident that this trend will reverse in the coming quarters.

Swelling Order-Book and Improved Management Guidance: Rolta's order book (all segments) has expanded 7% this quarter and currently stands at INR 20.4 bn. The robust order book growth and improving demand outlook has boosted management confidence in delivering better performance for the current fiscal year. Earlier the management had guided revenue growth of 12 – 15% and profit growth of 15%+. This has now been revised to 16 – 18% and 25%+ respectively for FY11. For FY12, the company is expecting their tax rate to be in the range of 14 – 15%.

Slight Pricing Uptick, Utilizations Steady: The billing rates for EGDS, EDOS and EITS segments were USD 23.3, USD 28.9 and USD 147.8 per hour respectively. Pricing was up 4% on a YoY basis on average. Utilization levels for each segment stood at 78.2%, 79.5% and 73.6% respectively more or less steady over the previous quarter.

Rolta India Ltd.

Outlook & Valuation

Improving demand outlook and a strong order book has improved revenue visibility for Rolta. While the firm has revised its revenue and profit guidance, we continue to maintain our estimates which are now in-line with those of the management. The company is also reducing its capital expenditure as expected. At the current market price, the stock is trading at 6.35x its FY12 earnings estimate. We reiterate our BUY rating on this stock with a price target of INR 191.

Consolidated Financials

(INR in mn)

Particulars	Q3 FY11	Q3 FY10	Y-o-Y	Q2 FY11	Q-o-Q
Net Revenue	4,603.4	3,945.6	17%	4,411.5	4%
Operating Exp.	2,771.1	2,454.0	13%	2,672.3	4%
EBITDA	1,832.2	1,491.6	23%	1,739.2	5%
<i>EBITDA Margin</i>	39.8%	37.8%	200 bps	39.4%	38 bps
Depreciation	844.5	672.8	26%	805.8	5%
EBIT	987.7	818.8	21%	933.4	6%
<i>EBIT Margin</i>	21.5%	20.8%	70 bps	21.2%	30 bps
Interest	155.6	100.9	54%	149.9	4%
Other Income	107.5	60.2	79%	21.5	400%
Tax Provision	100.0	108.9	-8%	300.2	-67%
<i>Effective Tax Rate</i>	10.6%	14.0%	-335 bps	37.3%	-2665 bps
PAT	839.6	669.2	25%	504.8	66%
Extraordinary Items	0.0	0.0	N.A.	1,036.5	-100%
Minority Interest	0.8	1.8	-57%	0.5	54%
Reported PAT	840.4	671.0	25%	1,541.8	-45%
<i>PAT Margin</i>	18.3%	17.0%	125 bps	34.9%	-1669 bps
Diluted EPS (INR)	5.20	5.13	1%	4.80	8%

Segments	Q3 FY11	Q3 FY10	Y-o-Y	Q2 FY11	Q-o-Q
Enterprise Geospatial and Defense Solutions (EGDS)					
Revenue	2,440.7	1,967.3	24.1%	2,249.5	8.5%
EBITDA	1,287.1	953.6	35.0%	1,172.4	9.8%
<i>EBITDA Margin</i>	52.7%	48.5%	426 bps	52.1%	62 bps
Enterprise Design and Operation Solutions (EDOS)					
Revenue	1,008.5	1,017.1	-0.8%	1,091.0	-7.6%
EBITDA	403.1	408.7	-1.4%	440.1	-8.4%
<i>EBITDA Margin</i>	40.0%	40.2%	-21 bps	40.3%	-37 bps
Enterprise Information Technology Solutions (EITS)					
Revenue	1,154.2	961.2	20.1%	1,071.0	7.8%
EBITDA	142.1	129.3	9.9%	126.7	12.2%
<i>EBITDA Margin</i>	12.3%	13.5%	-114 bps	11.8%	48 bps

Source: Company, Unicon Research



Rolta India Ltd.

Unicon Investment Ranking Methodology

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

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