

# Rolta to use ECB credit, internal cash to cut debt

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New Delhi

MID-SIZED IT firm Rolta is exploring a combination of ECB credit and cash to pay off \$135 million debt in foreign currency convertible bonds (FCCBs) that will mature in June 2012, a top official said on Monday.

Rolta has around Rs 1,450 crore debt on its books and \$97 million FCCBs outstanding with interest payable at 6.75 per cent. The outflow will work out to \$135/\$140 million when repaid. The Rs 480 crore Rolta is already talking with bankers to line up ECB credit line to meet the FCCB conversion deadline.

At current market price, the FCCBs of Rs 550 crore (debt and interest) will be roughly one-third of its market capitalisation. If the company chooses to go through the ECB route and cash, it will not lead to any dilution of shares.

"The modalities will be decided before January 2012, which is six months from the redemption date. It is likely to be syndication. We are talking to multiple bankers and whoever gives the best rate, gets it. ECBs will be used to repay a certain portion of the debt. We also have Rs 140 crore of cash and cash



## Financial burden

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equivalents, a portion of which will be taken to make up for the shortfall. Though we have the option of raising equity, it may be difficult to do that in this environment," Rolta CFO Hiranya Ashar said.

The Reserve Bank of India in a July 2011 circular laid down the guidelines to consider applications for refinancing of FCCBs by Indian companies under the automatic route. This was done keeping in mind the need to provide a window to facilitate refinancing of FCCBs by Indian companies, which may be facing difficulty in meeting redemption obligations.

Ashar sounded confident about business fundamentals of the 4,000-employee company even though the IT business en-

vironment appears weak. "This is because over 60 per cent of our revenues come from the domestic market. Right now, we have an order book of Rs 2,000 crore to be executed over the next 16 months. The exposure to the US dollar does not matter much because it is minimal at the net level. This is different from other tier-1 or tier-II IT companies," he said.

Rolta specialises in enterprise geospatial and defence solutions, enterprise design and operation solutions and enterprise IT solutions. Its full year ended consolidated revenues till June 30 grew by 15.7 per cent while consolidated profit after taxes rose 28.1 per cent.

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