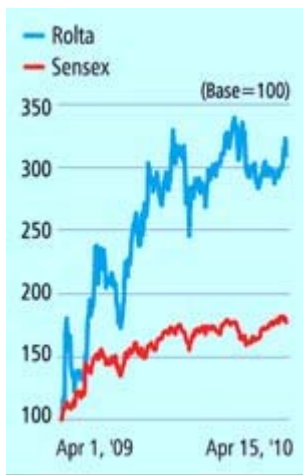


# Rolta India: Results in line with expectations

Vishal Chhabria / Mumbai April 16, 2010, 0:59 IST

Rolta India's stock has been outperforming the broader indices in the last six months on hopes of an upturn in the fortunes of the information technology (IT) sector. For the March 2010 quarter, it delivered results mostly in line with the Street's expectations.



A large part of the improved performance is attributed to the recovery in the Enterprise Geospatial Information Solutions (EGIS) segment, which provides mapping services. EGIS segment contributes around half of the company's revenues and grew 26 per cent year-on-year (5.3 per cent sequentially) compared to the overall consolidated revenue growth of 19 per cent (and 5 per cent sequentially).

Margins in the EGIS business are typically around 600-800 basis points higher (at over 40 per cent) than in other business segments. For the March 2010 quarter, EGIS saw margins improve by nearly 800 basis points year-on-year to 48 per cent, which helped in increasing its contribution to the overall consolidated profits to about three-fifth. Other businesses also reported

a rise in margins, which put together helped earnings before interest, tax, depreciation and amortisation (Ebitda) margins rise 570 basis points year-on-year to 38 per cent.

Margins were also aided by rationalisation of staff costs. While the recent acquisition of OneGIS Inc, which specialises in high-end consulting, may prove to be a minor drag on the company's financials in the short term, Rolta expects to restore any dip in margins in the medium term. The company can also strengthen its base in the growing segments like electric utilities and telecom through this acquisition.

Rolta's engineering design services business, Enterprise design and operation solutions (EDOS), a laggard in the previous quarters, gathered steam in the March quarter, indicating a pickup in the off-shoring of engineering design services. The company has seen greater business being generated from the markets of North America, the Middle East and Africa.

Since Rolta receives around half its revenues from the domestic market, it will act as a natural hedge against any rupee appreciation, which has been a bane for other bigger IT biggies recently. Nevertheless, the ongoing recovery in global markets is positive and will help improve growth rates. At Rs 189.35, the stock trades at 9 times its 2010-11 estimated earnings and is one of the cheaper mid-cap IT stocks.

**With contributions from Puneet Wadhwa & Sarath Chelluri**