

February 26, 2007

ICICIdirect Code: ROLIND

Company Profile

Registered Office

Rolta Tower, 22nd Street,
MIDC-Marol, Andheri (East),
Mumbai – 400 093
Maharashtra
Tel: 91-22-28326666
Website: www.rolta.com

Chairman: **Kamal K Singh**
Business Group: **NA**

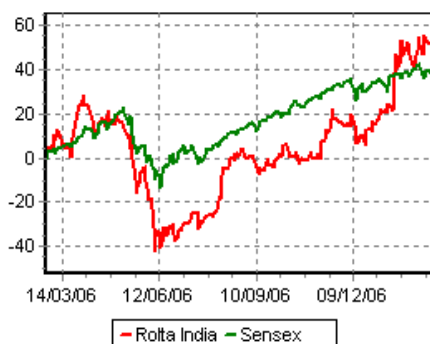
Shareholding Pattern 31/12/2006

Major holders	%
Promoters	40.77
Institutional Investors	24.98
Other Investors	13.76
General Public	20.49

Stock Data

Market Cap (Rs cr)	2473.5
Shares Outstanding (cr)	7.9
52-week High (Rs)	351.8
52-week Low (Rs)	124.0
Average Volume	4,43,649
Absolute Return 3 mth (%)	26.42%
Absolute Return 12 mth (%)	46.86%

Performance Chart



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Rolta India OUTPERFORMER

Current Price Rs 309.50	Target Price Rs 328
Potential Upside 6%	Time Frame 6 months

Rolta India results for the Oct-Dec 2006 quarter (Q2FY07) were in line with our estimates. The company clocked a top line of Rs 168.1 crore and bottom line of Rs 40.9 crore. We remain bullish about the outlook going forward. Our bullishness stems from three key pointers. Firstly, the company has a strong order book of Rs 691 crore against Rs 450 crore a year ago, coupled with an order pipeline of Rs 1,200 crore (Rs 500 crore). Secondly, the company in advanced stages of an acquisition in the geospatial space. Finally, billings for new contracts are 5-7% higher than current rates. We maintain our Outperformer rating on the stock and would revise our earnings estimates going forward.

RESULT HIGHLIGHTS

Strong order book, robust order pipeline

Rolta has a strong order book of Rs 351 crore for GIS, Rs 166 crore for EDA and Rs 174 crore in the e-solutions business. The order pipeline has also grown significantly from Rs 500 crore to Rs 1,200 crore. We believe that the company is on a higher trajectory benefiting from strong domestic and international order inflows.

Joint ventures on track

The company's joint ventures are on track with SWRL continuing to provide offshore support to Stone and Webster globally. SWRL is expected to ramp up head count to 350 by the end of the current fiscal and 550 by the end of June 08. The joint venture with Thales is also on track with revenue inflows expected in FY08E.

All business lines on high gear

The company bagged significant order during the quarter across all its business lines. The GIS business won GIS-based asset management contracts in the infrastructure domain from seaports and airports in India. The company also won large projects involving corridor mapping for municipalities and railroads, asset mapping for telecom and electric companies and high end 3D city mapping in the Middle east, Europe and US. The EDS business witnessed strong demand from process and power sectors while in the E-solutions business Rolta increased its portfolio of offerings to cover a larger portion of the Computer Associates engagement.

Exhibit 1: Financial Highlights

(Rs crore)

	Q2FY07	Q1FY07	y-o-y %	6M FY07	FY06
Sales	168.1	131.2	28.1	322.72	534.9
Other income	2.3	1.4	64.3	4.96	8.48
Total income	170.4	132.6	28.5	327.68	543.38
Expenditure	100.44	77.88	29.0	194.26	312.03
Interest	0.04	3.71	-98.9	0.33	14.68
Depreciation	23.93	16.58	44.3	45.77	74.66
PBT	45.99	34.43	33.6	87.32	142.01
Tax	5.04	3.05	65.2	9.06	14.67
PAT	40.95	31.38	30.5	78.26	127.34

Source: Company, ICICIdirect Research

Rolta India recorded a 28.1% increase in net sales to Rs 168.1 crore for the quarter ended Dec 2006 as compared to Rs 131.2 crore during the same period the previous year. EBIDTA margins declined by 40 bps. However, on a q-o-q basis, the company recorded a 90bps increase in margins. The y-o-y decline in margins were on account of a 39.1% increase in manpower costs while the q-o-q increase was on account of an increase in blended billing rates and productivity. Depreciation costs increase by 44.3% to Rs 23.93 crore on a y-o-y basis, while interest costs declined by 98.9% to Rs 0.04 crore thereby showing a 30bps net improvement in net profit margins. The company recorded a 30.5% increase in net profits to Rs 40.95 crore as compared to Rs 31.38 crore in the previous year.

VALUATIONS

In our detailed report (December 30, 2006), we had arrived at a price target of Rs 328 for the stock. The stock breached our target price during the quarter on the back of higher expectations going forward coupled with possibilities of an acquisition in the near term. We continue to be bullish on the stock and would revise our estimates going forward. We maintain an Outperformer rating on the stock.

Exhibit 2: Valuation

Year	Sales (Rs crore)	PAT (Rs crore)	EPS (Rs)	P/E (x)	RoE (%)
FY05	425.7	90.2	14.2	21.8	19.6
FY06	543.4	127.3	15.9	19.4	13.5
FY07E	685.6	170.1	21.3	14.54	14.4
FY08E	875.9	219.1	27.4	11.29	15.6

Source: ICICIDirect Research

RATING RATIONALE

ICICIDirect endeavours to provide objective opinions and recommendations. ICICIdirect assigns ratings to its stocks according to their notional target price vs current market price and then categorises them as Outperformer, Performer, Hold, and Underperformer. The performance horizon is 2 years unless specified and the notional target price is defined as the analysts' valuation for a stock.

Outperformer: 20% or more;
Performer: Between 10% and 20%
Hold: + 10% return;
Underperformer: -10% or more.

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