

April 17, 2008

Rating	BUY
Price	Rs312
Target Price	Rs417
Implied Upside	33.8%
Sensex	16,481

(Prices as on April 17, 2008)

### Trading Data

Market Cap. (Rs bn)	49.9
Shares o/s (m)	160.2
Free Float	59.4%
Avg. Daily Vol ('000)	1,241.2
Avg. Daily Value (Rs m)	358.9

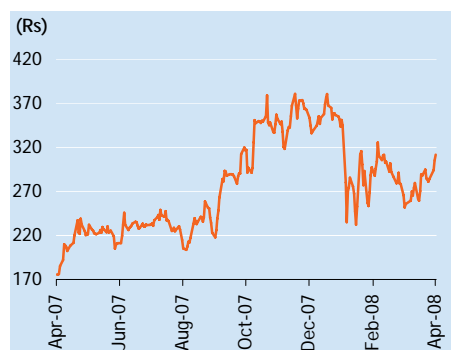
### Major Shareholders

Promoters	40.6%
Foreign	38.0%
Domestic Inst.	3.2%
Public & Others	18.2%

### Stock Performance

(%)	1M	6M	12M
Absolute	17.4	(1.7)	77.3
Relative	6.2	10.2	56.2

### Price Performance (RIC: ROLT.BO, BB: RLTA IN)



Source: Bloomberg

■ **Results:** Rolta India reported its Q3FY08 results in line with estimates. Consolidated revenue for the quarter (including two-month revenue of TUSC, acquired in January 2008) stood at Rs2,884m growing 19.3% QoQ (and at 7% excluding TUSC) and 55.4% YoY. EBITDA for the quarter grew by 8.6% QoQ to Rs1,008m, while EBITDA margin declined sequentially by 340bps. Dilution in margins was mainly on account of lower margins of TUSC, which depressed consolidated margin. Net profit for the quarter grew by 9.1% sequentially to Rs657m, while net margin declined 210bps to 22.8%.

■ **Other highlights:** Revenue from TUSC (two-month revenue was US\$8m) has been reported under the ESolutions segment, which explains the 112% growth in revenue and decline in segmental margin (from 29.1% to 19.7%). Excluding TUSC revenue, the segment grew by 4-5% QoQ. Rolta's order book stands at Rs14bn; to be executed over the next 1-2 years. This quarter Rolta has inducted several senior management personnel to beef-up its sales team. It has also set-up a subsidiary in Australia. Significant wins this quarter include a defence deal in India and ship design services for European shipyards.

■ **Valuation:** We expect Rolta to report 46.30% and 35.2% revenue growth in FY09 and FY10 respectively. We expect its earnings to grow by 34.2% and 41.7% over the same period. We maintain BUY rating on the stock with a target price of Rs417 (14x FY10E earnings).

Key financials (Y/e Jun)	FY07	FY08E	FY09E	FY10E
Revenue (Rs m)	7,114	10,810	15,810	21,370
Growth (%)	33.0	51.9	46.3	35.2
EBITDA (Rs m)	2,866	3,928	5,613	8,067
PAT (Rs m)	1,726	2,509	3,540	5,016
EPS (Rs)	10.8	15.7	21.0	29.8
Growth (%)	35.6	45.4	34.2	41.7
Net DPS (Rs)	2.5	3.3	4.0	5.0

Source: Company Data; PL Research

Profitability & valuation	FY07	FY08E	FY09E	FY10E
EBITDA margin (%)	40.3	36.3	35.5	37.8
RoE (%)	17.4	21.4	19.9	20.0
RoCE (%)	12.9	13.8	16.7	19.7
EV / sales (x)	6.9	4.3	2.5	1.7
EV / EBITDA (x)	17.1	11.9	7.0	4.4
PE (x)	28.9	19.9	14.8	10.5
P / BV (x)	4.8	3.8	2.2	1.8
Net dividend yield (%)	0.8	1.0	1.3	1.6

Source: Company Data; PL Research

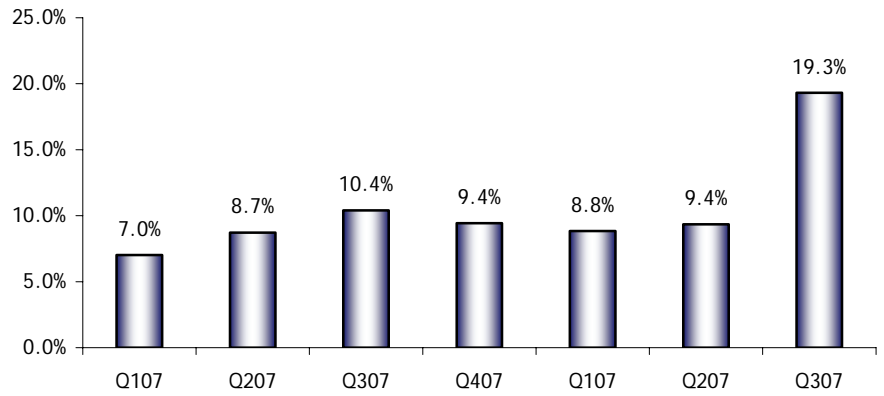
Jaspreet Chhabra  
JaspreetChhabra@PLIndia.com  
+91-22-6632 2256

Apurva Shah  
ApurvaShah@PLIndia.com  
+91-22-6632 2214



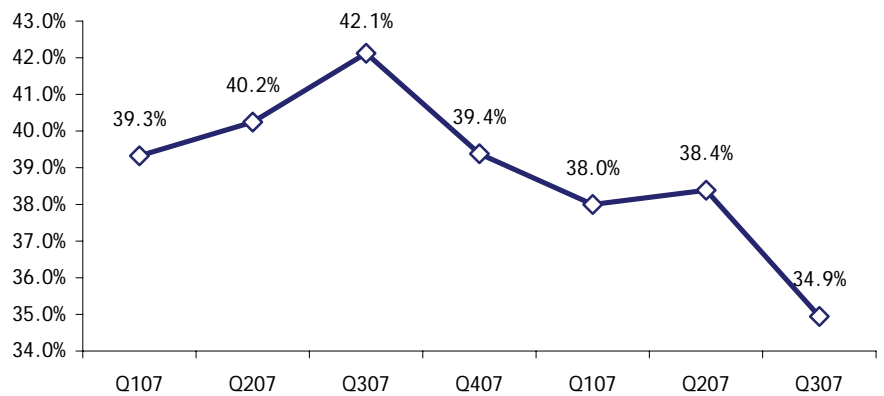
## Highlights

Revenue witnesses good sequential growth of 19.3% (inorganic) and 7.0% (organic growth),



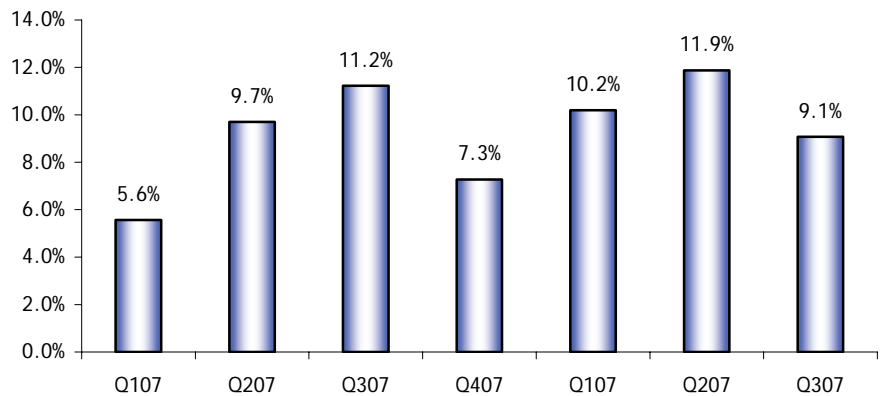
Source: Company Data, PL Research

However EBITDA margin declined by 350bps (due to TUSC)



Source: Company Data, PL Research

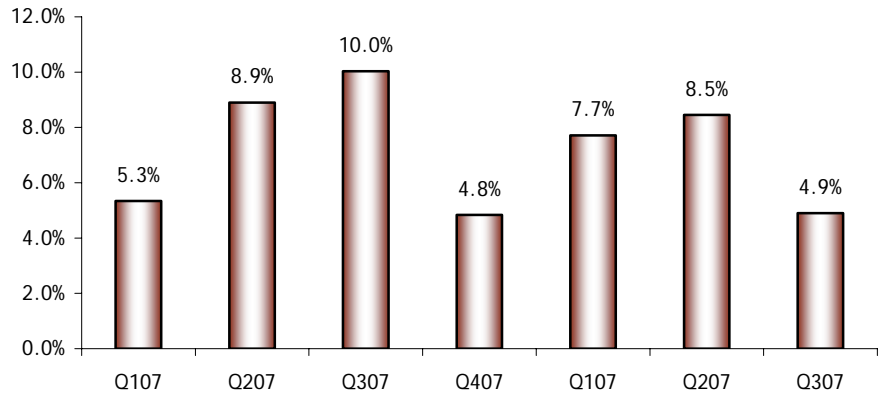
Net profit reflected good sequential growth of 9.1% (even though NPM declined 210bps due to TUSC)



Source: Company Data, PL Research

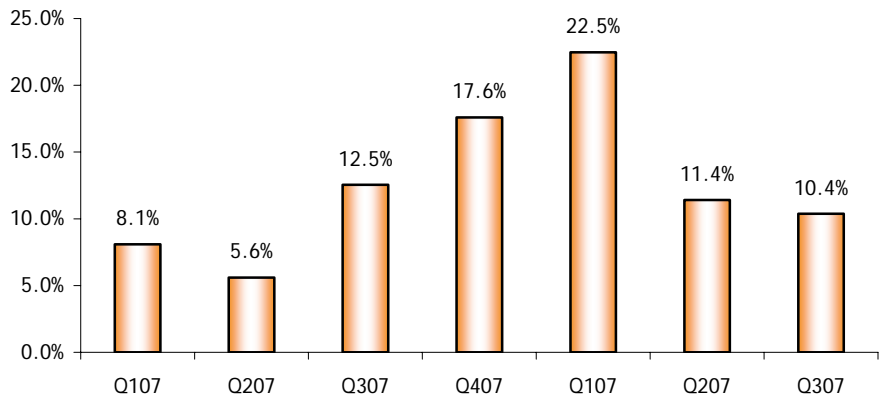


**While GIS growth moderated to 4.9%**



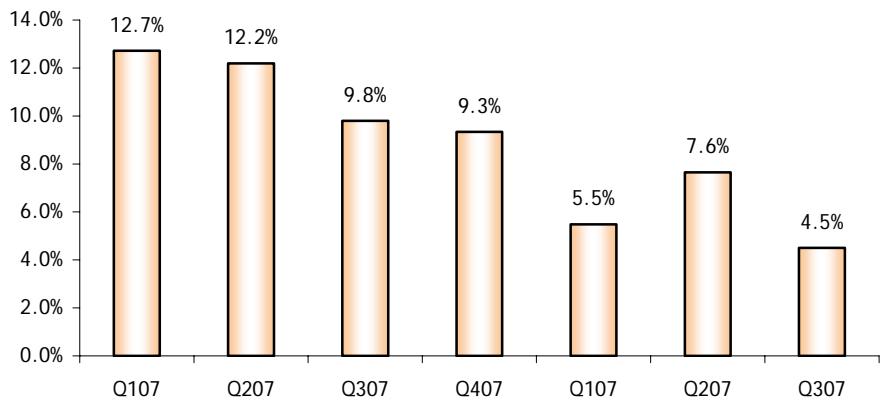
Source: Company Data, PL Research

**Engineering grew a decent 10.4%**



Source: Company Data, PL Research

**E-Solutions grew 112% (4.5% organic, 107.5% due to TUSC)**



Source: Company Data, PL Research



## Q2FY08 result overview

(Rs m)

Y/e June	Q3FY08	Q2FY08	QoQ gr. (%)	Q3FY07	9MFY08	9MFY07	YoY gr. (%)
Net Sales	2,884	2,417	19.3	1,856	7,511	5,083	47.8
Total Expenses	1,876	1,489	26.0	1,074	4,736	3,017	57.0
Software Development	1,571	1,247	26.0	930	3,987	2,561	55.7
Others	305	243	25.6	144	748.5	455.7	64.3
Operating Profits / EBITDA	1,008	928	8.6	782	2,775	2,066	34.3
Depreciation	353	335	5.3	279	1,004.3	737.2	36.2
EBIT	655	592	10.5	502	1,771	1,329	33.2
Interest	-	-		1	-	4.1	
EBT before Other Income	655	592	10.5	502	1,771	1,325	33.7
Other Income	105	102	2.8	9	304.0	58.7	417.7
PBT	760	695	9.4	511	2,075	1,384	50.0
Tax	103	93	11.3	55	277.9	145.9	90.5
<i>Tax rate (%)</i>	<i>13.6</i>	<i>13.3</i>		<i>10.8</i>	<i>13.4</i>	<i>10.5</i>	
PAT	657	602	9.1	455	1,797	1,238	45.2
<b>Key Ratios</b>							
<i>GPM (%)</i>	<i>45.5</i>	<i>48.4</i>	<i>(2.9)</i>	<i>49.9</i>	<i>46.9</i>	<i>49.6</i>	<i>(2.7)</i>
<i>OPM (%)</i>	<i>34.9</i>	<i>38.4</i>	<i>(3.4)</i>	<i>42.1</i>	<i>37.0</i>	<i>40.7</i>	<i>(3.7)</i>
<i>NPM (%)</i>	<i>22.8</i>	<i>24.9</i>	<i>(2.1)</i>	<i>24.5</i>	<i>23.9</i>	<i>24.4</i>	<i>(0.4)</i>
Adjusted EPS (Rs.)	4.1	3.8	9.1	2.8	11.2	7.7	45.2



Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India.

Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

#### PL's Recommendation Nomenclature

<b>BUY</b>	: > 15% Outperformance to BSE Sensex	<b>Outperformer (OP)</b>	: 5 to 15% Outperformance to Sensex
<b>Market Performer (MP)</b>	: -5 to 5% of Sensex Movement	<b>Underperformer (UP)</b>	: -5 to -15% of Underperformance to Sensex
<b>Sell</b>	: <-15% Relative to Sensex		
<b>Not Rated (NR)</b>	: No specific call on the stock	<b>Under Review (UR)</b>	: Rating likely to change shortly

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