GLAUCUS RESEARCH GROUP 格劳克斯研究

"You can fool all of the people some of the time, and some of the people all of the time, but you cannot fool all of the people all of the time." - **Abraham Lincoln**

THIS RESEARCH REPORT EXPRESSES SOLELY OUR OPINIONS. THIS REPORT RELATES SOLELY TO THE VALUATION OF PUBLICLY TRADED BONDS ISSUED BY FOREIGN COMPANIES NOT INCORPORATED IN INDIA (ROLTA'S DELAWARE, USA, SUBSIDIARY) AND TRADED OVER THE COUNTER OUTSIDE OF INDIA, AND DOES NOT EXPRESS ANY OPINION AS TO THE VALUE OF ANY SECURITIES TRADED ON PUBLIC EXCHANGES IN INDIA OR ANY INSTRUMENT OR SECURITY ISSUED BY ANY ENTITY INCORPORATED IN INDIA. We have no investment interest in any security traded on any exchange in India or issued by an entity incorporated or located in India. We have a short interest in Rolta's Delaware issued bonds and therefore stand to realize gains in the event that the price of such credit instruments declines. This report relates solely to our good-faith opinion of the valuation of such bonds and we express no opinion whatsoever as to the value of Rolta's equity. Use Glaucus Research Group California, LLC's research opinions at your own risk. This is not investment advice nor should it be construed as such. You should do your own research and due diligence before making any investment decisions with respect to the securities covered herein. Please refer to our full disclaimer located on the last page of this report.

COMPANY: Rolta India Limited
INVESTMENT IDEA: Short Delaware Issued 2018 and 2019 Corporate Bonds

On April 16, 2015, we published a detailed investment opinion (the "Report") on the 2018 and 2019 US$ bonds (the "Junk Bonds") issued by the Delaware subsidiary of Rolta India Limited ("Rolta" or the "Company"). In our Report, we presented extensive analysis and evidence, which in our opinion, indicate that Rolta has fabricated its reported capital expenditures in order to mask that it has materially overstated its EBITDA. On April 20, 2015, Rolta issued a response (the "First Response") which not only materially contradicted previous statements by the Company (including statements in its 2013 and 2014 bond prospectuses), but was also muddled, riddled with factual errors and deliberately evasive.

Following our Rebuttal on April 23, 2015, Rolta hastily issued a second response (the "Second Response") on April 27, 2015 which attempted to create a he-said-she-said sideshow. Do not be fooled. Rolta is not addressing the major issues raised in our Report. Instead, Rolta has recycled answers, offered false equivalences, and deliberately conflated parts of our analysis, all in a vain attempt to distract from the underlying pattern of capital spending so dubious it appears simply fabricated. In this rebuttal, we focus on the key tenets of our investment thesis, which Rolta has still never addressed in any meaningful way.

- **Rolta's Returns on Capital Investment are Abysmal**. On both an absolute and relative basis, Rolta does not report meaningful returns from its abnormally high levels of capital spending. Its fixed asset turnover ratio from FYs 2012-2014 was an abysmal **0.7x**. Rolta's returns are so poor that it creates a reasonable suspicion that its capital expenditures are not authentic.
    - **Myth of Rolta's Long Gestation Period**. In its Second Response, Rolta tries to excuse its poor returns by arguing that in industries with "*heavy capex such as defense [and] homeland security*, the gestation period for return on capital investments is long." This excuse does not apply to Rolta, because it has already fully depreciated and disposed 63% of the computer systems which would theoretically produce such long-term returns. No returns will be forthcoming if Rolta does not own the assets.
    - **Defense Firms Do Not Have Similarly Terrible Returns**. Rolta claims that its involvement in the defense industry explains its terrible returns on capital expenditures. It doesn't. Rolta's fixed asset coverage ratio is 92% lower than an average of leading defense firms. Just like comparing Rolta to other IT solutions businesses, measured against other firms in the defense and homeland security space, Rolta's returns are still so terrible that its spending appears fabricated.
    - **IT Solutions Peers**. Rolta continues to complain that our group of leading IT solutions companies are not a fair comparison for returns on capital spending. We took this group almost exclusively from Rolta's 2013 and 2014 bond prospectuses, in which the Company states unequivocally that such leading IT solutions firms are its main competitors. The comparison is as fair as it is damming.
    - **Where are the Heavy Assets**? Rolta wants to be compared to heavy asset companies like Tata Power (which builds power stations) and L&T Defense, which builds submarines and warships. If so, where are Rolta's heavy assets? Where are its submarines? Its power stations? Its large infrastructure projects? To call itself a heavy asset company, doesn't Rolta need heavy assets, or meaningful tangible fixed assets other than mysterious computer systems which it purchases, depreciates and disposes?
- **Computer Systems**. Rolta wants to have its cake and eat it too. **It tells investors it spends money on cutting edge computer systems, only to write down the value of such 'cutting-edge' technology faster than a retail laptop**. In our Report, we noted that from FYs 2011-2014, Rolta spent INR 31 billion (US$ 594 mm) on computer systems, representing 64% of the Company's total capital expenditures during this period. Suspiciously, Rolta fell into a predictable pattern of acquiring computer systems, quickly depreciating them (in some cases faster than its depreciation assumptions should allow), and then disposing of such systems at a massive loss shortly after purchase.
    - **The Black Hole**. In two Responses, over 61 cumulative pages, Rolta has failed to provide even a modicum of detail on such purchases despite intense scrutiny from the market. From whom did Rolta purchase **INR 31 billion (US$ 594 mm) of computer systems?** What exactly did Rolta buy? Why were such systems disposed of so quickly? To whom were they disposed? If such purchases were authentic, then why has Rolta (again) **failed to provide any additional detail**?

- **Age of Depreciated Systems**. Rolta claims that its 2-6 year depreciation schedule is reasonable, but fails to address evidence that Rolta appears to have fully depreciated and then disposed systems on an even **quicker timeline** (1 year in some cases). In FY 2013, Rolta appears to have fully depreciated computer systems that it purchased new in FY 2012 for INR 5.9bn (US$ 108.1 mm) and disposed of them for **INR 12.2** million (US$ 222,000). **Retail personal computers from Apple and Lenovo hold their value better than Rolta's supposedly cutting edge technology**. How does US$ 108 million of computer systems become almost worthless by the next year? If Rolta's capital expenditures went to cutting edge computer equipment, why does such equipment lose its value so quickly?

- **Defense Firms Do Not Support Rolta's Claims**. Rolta's capital expenditures on computer equipment also appear fabricated because it supposedly spends vastly more than other firms. Rolta spent 45 times more than other leading IT solutions companies on computer systems. In its Second Response, Rolta claims computer systems for military use are more expensive, and that its spending is in line with defense firms. It's not. Measured per employee, Rolta supposedly spent **2.4x** more on computer systems than the average of the world's leading defense firms spent on computer systems, capitalized software, machinery and equipment! Rolta supposedly even spent more than Northrup Grumman, an industry giant that makes drones, military aircraft, missile defense systems, radars etc… If Rolta spends more than Northrup Grumman, what does it produce?

- **Phantom Prototypes**. In our Report, we questioned the legitimacy of Rolta's claimed US$ 139.4 million in expenditures on prototypes in FY 2014, when it appears that prototypes for Rolta's two most salient prospective contracts would cost (at a maximum) only US$ 23.4 million. On this topic. Rolta's Second Response was as vague and contradictory as its first.

  - **The Black Hole (Part II)**. If Rolta disputes our number for its total spending on prototypes, why not provide the 'real' figure? Rolta has again failed to provide any meaningful detail on prototype expenditures. For which projects was such money spent? How much? If such costs are capitalized (as they appear to be), from **whom did Rolta purchase** such prototypes (or components thereof)?

- **Authentic Capital Expenditures Should be Reasonably Foreseeable**. Every year (FYs 2011-2014), Rolta's annual capital expenditures exceeded the Company's guidance for spending in Q1 or Q2 by an annual average of 208%, *even after we remove the effect of M&A activity (which was minimal)*. In its Second Response, Rolta claimed that its capital expenditures routinely and significantly exceeded early guidance **every year** because of "unexpected" increases in spending on cutting edge technology prototypes for government procurement contracts. If it happens every year, is it still unexpected?

  - **Government Procurement Contracts Are Reasonable Foreseeable – Rolta's Capex is Not**. Defense contracts are awarded in India after a long and protracted bidding process. Firms have months after the announcement of a new project to prepare expressions of interest (EOIs). The Indian government takes months (if not years) to then pick a winner (or narrow the field to two). The Indian government announced the BMS project in August 2013. It did not pick the final two bids until February 2015. Does Rolta expect bondholders to believe that each year (FY 2009-2014), unexpected capital expenditures to compete for surprise EOIs from the Indian government can explain why it's spending exceeded ***intra-year guidance***, when such processes are announced far in advance, take years to progress, and are so slow moving that they are by definition reasonably foreseeable?

  - **Duplicitous Guidance**. Rolta claims that its capital expenditures guidance did not include the purchase of certain fixed assets which it categorizes as "acquisitions" under Indian GAAP. Do not be fooled. Rolta is not referring to business combinations or M&A activity, which perhaps a reasonable analyst would exclude from guidance. Instead Rolta is claiming disingenuously that its guidance did not include the purchase of certain assets – which under IFRS would be considered run-of-the-mill capital expenditures and which any analyst, ratings agency or bondholder would consider to be included in guidance. What is the purpose of capital expenditure guidance if such guidance did not include many capital expenditures? **If such capital investments are legitimate, they should be reasonably foreseeable**. If they are **fabricated**, guidance would be useless because such reported expenditures are simply concocted at year end to offset dubious EBITDA reported by the business. Rolta's guidance is useless.

- **Building Expenditures (Still) Do Not Add Up.** We questioned the authenticity of Rolta's reported capital expenditures on buildings. We pointed out that Rolta's figures did not add up, because according to Rolta's First Response, the only active project in FYs 2012 and 2013 (when it spent INR 6.6 billion) was Rolta Tower 1, and its CFO said this redevelopment would only cost INR 1 billion. In its Second Response, Rolta backtracked, claiming that although it spent INR 6.6 billion on the redevelopment of Rolta Tower 1, the project went from FY 2010-2013, even though in the First Response, the Company unambiguously claimed that the project took place from FY 2012-2013. Rolta is directly contradicting itself (again) when faced with evidence that its numbers do not add up.

- **Unfathomable EBITDA Margins**. In our Report, we noted that the standalone EBITDA margins for Rolta's Indian subsidiary (71% in FYs 2013 and 2014) were simply not credible. Rolta responded that only the consolidated EBITDA margins (35%) could be relied upon. We disagree, but the point may be moot, because even such consolidated margins are not credible. In its Second Response, Rolta compared itself to Oracle to justify the reasonableness of its returns. This comparison is laughable. Many of Rolta's IT solutions are based on Oracle IP, so we highly doubt it could match Oracle's profitability.

We continue to firmly believe that the preponderance of the evidence suggests Rolta has fabricated its reported capital expenditures and that both bondholders and ratings agencies have failed to price this evidence into Rolta's Delaware issued bonds. We continued to value the Junk Bonds at the recovery value of Rolta's offshore assets, which we estimate to be **US$ 0.16 on the dollar**.[1]

[1] In this rebuttal, we focus on the core of our investment thesis. We did not address certain points discussed in our Report (and Rolta's responses) because Rolta's Second Response contained nothing new with respect to these issues. Any investor looking to follow our arguments and their continuing validity need only refer to our first Rebuttal.

I. Rolta's Return on Capital Expenditures is Abysmal

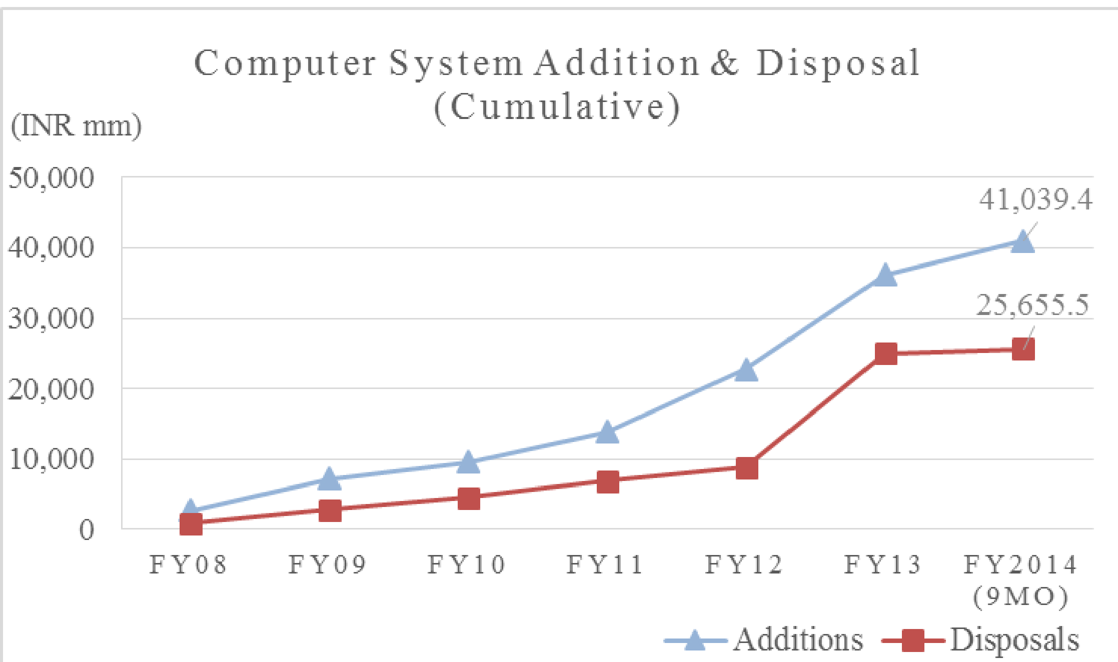
In our Report, we highlighted that from FYs 2008-2014, **Rolta spent INR 70 billion (US$ 1.4 bln) on capital expenditures and acquisitions**, an amount far in excess of the INR 43 billion (US$ 858 mm) in EBITDA that the Company supposedly earned over this period. Yet the return on such spending has been unquestionably **abysmal**. Rolta's fixed asset turnover ratio (a measure of the return on capital investment) is **0.7x** (FYs 2012-2014), which is **92% lower than leading defense firms and 93% lower than an average of leading IT solutions firms**.[2]

1) The Myth of Rolta's Long Gestation Period

In its Second Response, Rolta attempts to excuse its terrible returns on the grounds that "in industries with heavy capex such as defense, homeland security, the gestation period for return on capital investments is **long**. The period for realization of returns is typically not less than 5-7 years for a company investing in R&D, prototypes and other defense solutions."[3]

Such an excuse might hold water, were it not for the fact that Rolta has **already fully depreciated and <u>disposed 63% of the computer systems</u> which would theoretically produce such long-awaited returns**.

From FYs 2011-2014, Rolta spent INR 31 billion (US$ 594 mm) on computer systems, representing 64% of the Company's total capital expenditures during this period. Such systems will for the most part not be producing long term returns because Rolta **has already disposed of INR 21.1 billion (US$396 mm) of such assets**.



Source: Company Annual Reports and Bond Prospectuses

[2] Glaucus Rebuttal, p. 5.
[3] Rolta Second Response, p. 9.

Rolta's claim that returns will surely manifest in the future is blatantly misleading because, according to Rolta's own financial statements, it has already disposed of 63% of the fixed assets from which any such returns could be derived.

2) Defense Firms Do Not Have Similarly Terrible Returns

Rolta's excuse that its terrible return on capital expenditures is explained by its participation in the defense and homeland security industries is similarly bunk. Below, we highlight the fixed asset turnover ratios of some of the world's leading defense firms. The numbers could not be clearer.

Fixed Asset Turnover	FY2012	FY2013	FY2014	Average
BAE	7.0	8.0	8.8	7.9
Rockwell Collins	5.5	5.4	5.5	5.5
ELBIT	5.7	6.0	6.4	6.0
Thales	9.4	9.0	9.0	9.1
Ultra Electronics	14.3	12.7	11.7	12.9
Northrop Grumman	8.5	8.7	8.3	8.5
Average of Comps	**8.4**	**8.3**	**8.3**	**8.3**
Rolta	**0.7**	**0.6**	**0.8**	**0.7**
Difference %	**-92%**	**-93%**	**-90%**	**-92%**

Source: Capital IQ; Rolta's Annual Reports

Rolta fixed asset turnover ratio is **92% less than the average of leading defense firms**. Its attempt to distract investors by claiming that returns on capital expenditures in the defense and homeland security space require long gestation periods is simply not true. Nor does a comparison with defense firms in any way justify Rolta's abysmal return on capital spending. Even by this peer group, Rolta's returns on capital expenditures are so terrible they appear fabricated.

3) Measuring Rolta's Returns Relative to Putative IT Peers

Any analyst or bondholder evaluating Rolta's responses must think critically about why Rolta has fought so hard against our fairly non-controversial comparison of Rolta's returns to other leading IT solutions companies.

In our Report, we calculated that Rolta's fixed asset turnover ratio was 93% less than a basket of putative IT solutions peers. In each response, Rolta has cried that such comparisons are misleading, as if we conjured this list of supposed competitors out of thin air in order to make Rolta look bad. In fact, the source for our list of competitors was **Rolta's bond prospectuses, in which Rolta lists such firms as "main competitors**."

Competitors		
Glaucus Report - Fixed Asset Turnover List	2014 Bond Prospectus - List of Main Competitors	2013 Bond Prospectus - List of Main Competitors
Accenture	Accenture	Accenture
Bharat Electronics	BEL	BEL
Capgemini	Capgemini	Capgemini
Cognizant	Cognizant	Cognizant
HCL Technologies	HCL Info Systems	HCL
Honeywell	Honeywell	
IBM	IBM	IBM
Infosys	Infosys	Infosys
NIIT		NIIT
Punj Loyd	Punj Loyd	
Siemens	Siemens	Siemens
Tata Consulting	TCS	TCS
Tech Mahindra	Tech Mahindra	Mahindra Tech
Wipro	Wipro	Wipro

Rolta continues to dismiss any comparison of its business with leading IT solutions firms, even though Rolta stated unequivocally in its bond prospectuses that its "main competitors include" many **of the leading IT solutions that we included in our comp set (and which Rolta now denies are comps)**:

Increasing competition in our business lines

Our results of operations depend on our ability to compete successfully on the basis of our services and solutions, as well as our customer support and cost structure. While we do not face competition from any specific company for our business taken as a whole, we have several competitors depending upon the nature and size of individual projects as well as the industry vertical. In the Enterprise IT, Geospatial and Engineering Information systems space, our main competitors include Accenture, Honeywell, Siemens, Capgemini, IBM, Deloitte, Cognizant, Infosys, and TCS. In the Defense and Homeland Security Solutions sector, we compete with companies like BEL, Bharat Forge, ECIL, HCL Info Systems, Infosys, ITI Ltd, Larsen & Toubro, Punj Loyd, Tata Power Ltd, TCS / CMC, Tech Mahindra and Wipro.

Source: 2014 Bond Prospectus, p. 56

Increasing competition in our business lines

Our results of operations depend on our ability to compete successfully on the basis of our services and solutions, as well as our customer support and cost structure. While we do not face competition from any specific company for our business taken as a whole, we have several competitors depending upon the nature and size of individual projects as well as the industry vertical. Some of the companies we regularly compete with are:

Geospatial Technology, Products and Solutions: Our main competitors include ESRI distributors, Intergraph distributors, and Infotech.

Engineering Design and Enterprise Solutions: Our main competitors include Aveva, Bentely, and Siemens.

Enterprise IT Products and Solutions: Our main competitors include TCS, Wipro, Infosys, Accenture, Cognizant, IBM, HCL, Deloitte, Capgemini and Mahindra Tech.

Defense and Homeland Security Solutions: We compete with companies such as TATA Power SED, L&T, ITI, NIIT, HCL, BEL, Alpha Design, Wipro and Elcom Marine.

Source: 2013 Bond Prospectus, p. 54

Rolta's fixed asset turnover ratio of 0.7x (FYs 2012-2014) was **93% less than an average of leading IT solutions firms**. For Rolta to deny that such firms are reasonable comps when the Company so plainly said the opposite in its recent public filings is emblematic of Rolta's misleading and duplicitous responses.

4) *Where are the Heavy Assets?*

In its Second Response, Rolta also doubles down on its misleading comparisons of its business with a "peer" group of three totally different business (Tata Power, a power utility, L&T, a defense manufacturer of ships and submarines and ITI a telecom equipment manufacturer) and one IT solutions firm (Hexagon), whose fixed asset turnover ratio Rolta manipulated to make it appear as if Hexagon was as poor at capital spending as Rolta.

Backed into a corner because of its undeniably terrible returns from capital spending, now Rolta wants to compare itself to an asset heavy power utility or builder of ships and telecoms equipment.

Obviously, such comparisons are nonsense.

But any rating agency or bondholder taking Rolta's plea at face value should ask itself: **what assets does Rolta produce**? It may be stating the obvious, but **asset heavy companies produce fixed assets or invest in large infrastructure projects**. Where are Rolta's?

Tata Power (among other things) builds thermal power stations, receiving stations, and distribution infrastructure. L&T builds warships and submarines. ITI makes telecommunications equipment. If Rolta is truly an asset heavy company in the vein of Tata Power, L&T or ITI (as Rolta claims), where are its power stations? Its telecommunications infrastructure? Its warships? Its submarines? What assets does Rolta produce? What heavy assets does it own?

The key difference is that Tata Power, L&T and ITI's returns on capital expenditures are lower because power stations and submarines last for **20-40 years**, and thus returns are accumulated over time. Where are Rolta's projects that will last for 20-40 years and produce a consistent stream of returns? Rolta, as we know from its financial statements, has already depreciated and disposed 63% of its newly acquired technology – meaning that no such returns will be forthcoming.

As for Hexagon, Rolta sheepishly admits that it manipulated Hexagon's fixed asset turnover ratio by including Hexagon's intangible assets, which was self-serving and misleading. Yet Rolta claims in its Second Response that because Hexagon's intangible assets exceed the value of its fixed assets, such doctoring was reasonable.

We are unsure if such dishonesty merits a response, but here we go. The point of comparing fixed asset turnover ratios across companies is that it provides investors with a measure of judging the returns on capital expenditures on *fixed assets*. Not intangible assets. By including both fixed and intangible assets in Hexagon's ratio (and hiding this fact), Rolta mislead investors into believing that Hexagon's fixed asset returns were terrible, when in reality, its ratio was a respectable 9.8x (FYs 2012-2014), compared to 10.1x average for 18 other leading IT solutions firms (FYs 2012-2014).

Rather than doctoring Hexagon's calculation, Rolta could have addressed the point of discussing such ratios: it shows that Rolta's returns on capital expenditures are so poor (on an absolute and relative basis) that it begs the reasonable question of whether such spending was authentic. We think the answer is obvious.

II. Computer Systems

Rolta wants to have its cake and eat it too. **It tells investors it spends money on cutting edge computer systems, only to write down the value of such 'cutting-edge' technology faster than a retail laptop**. In our Report, we noted that from FYs 2011-2014, Rolta spent INR 31 billion (US$ 594 mm) on computer systems, representing 64% of the Company's total capital expenditures during this period. During this period, Rolta **disposed of INR 21.1 billion (US$396 mm) of computer systems and in exchange received only INR 77.2 million (US$ 1.3 mm)**. Because Rolta quickly depreciated many newly purchased computer systems to zero before disposal, Rolta did not record a loss upon sale on the income statement and instead was able to take a non-recurring depreciation charge.

Suspiciously, Rolta fell into a predictable pattern of acquiring computer systems, quickly depreciating them (in some cases faster than its depreciation assumptions should allow), and then disposing of such systems at a massive loss shortly after purchase. If Rolta is truly spending on cutting-edge technology, why does it lose its value so quickly?

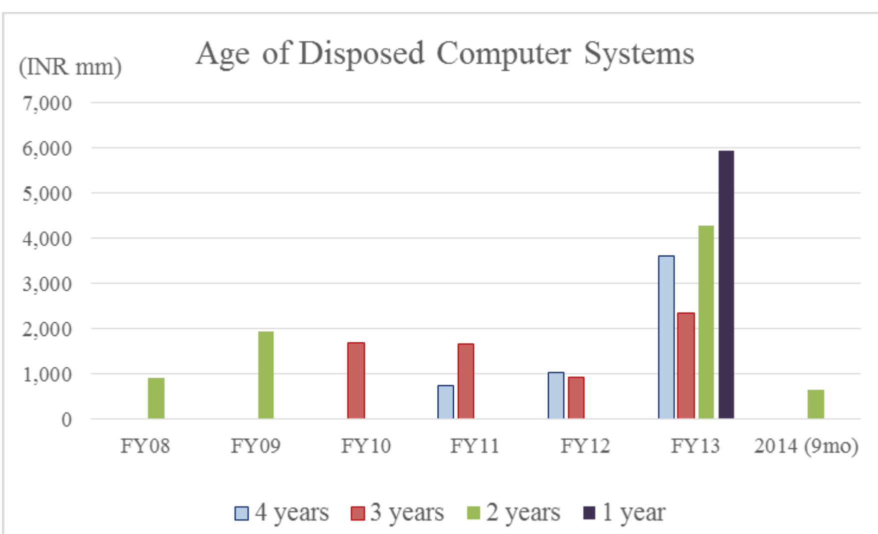
1) The Black Hole

If such purchases were authentic, why, in two responses, over 61 cumulative pages, has Rolta failed to provide even a modicum of detail on its purchase of computer systems? From whom did Rolta purchase **INR 31 billion (US$ 594 mm) on computer systems from FYs 2011-2014**? What exactly did Rolta buy? Why were such systems disposed of so quickly? To whom were they disposed?

Rolta's responses are a thinly-veiled attempt to distract investors. Rather than explaining what it purchased, from whom it made such purchases and why such purchases were so quickly depreciated then disposed, Rolta squabbles with our calculations. We believe that Rolta has not provided any details because such capital expenditures were simply fabricated.

2) Age of Depreciated Systems

One of the reasons that we think such purchases were not authentic is because they were sold or scrapped so soon after Rolta purchased the equipment. By our calculation (assuming a conservative FIFO system), Rolta has fully depreciated and disposed of computer equipment **which it had purchased the previous year**, seemingly sooner than its depreciation schedule should allow.

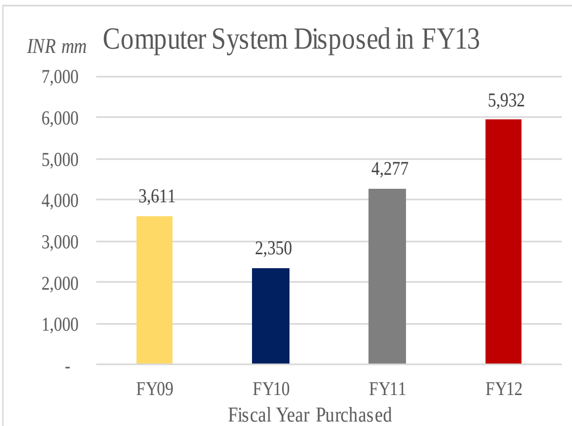


Source: 2014 Bond Prospectus, Rolta Annual Reports, Glaucus calculation

In FY 2014, Rolta fully depreciated then disposed of INR 643 million of computer equipment purchased brand new in just FY 2012.

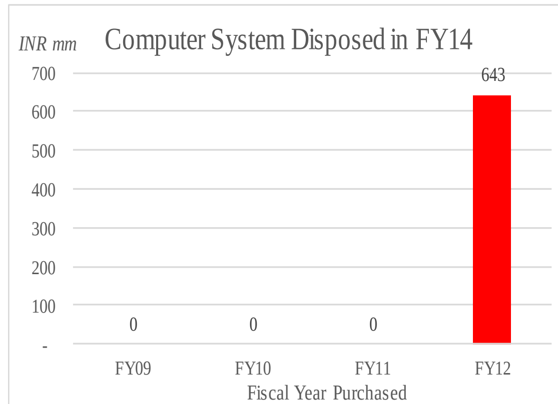
The most egregious example occurred in FY 2013, when Rolta purportedly disposed of INR 16 billion (US$ 294.6 mm) of computer systems including INR 4.3 billion (US$ 77.9 mm) of equipment purchased in FY 2011 and **INR 5.9 billion (US$ 108.1 mm) of equipment that was purchased in FY 2012, the previous year**.

Age of Computer System Disposed in **FY13** - Fiscal Year Purchased



Source: Rolta's 2014 Bond Prospectus and Annual Reports

Age of Computer System Disposed in **FY14** - Fiscal Year Purchased



Source: Rolta's 2014 Bond Prospectus and Annual Reports

Because Rolta took an extra depreciation charge, most of the disposed systems in the charts above were 99% depreciated at the time of their disposal. Rolta would like investors to believe its capital expenditures go to sophisticated computer systems. But an off-the-shelf desktop from Lenovo or Apple holds its value longer than Rolta's purported cutting-edge computer systems. Moreover, Rolta does not just depreciate such systems, it disposes them for next to nothing. What could Rolta possibly be purchasing which loses 99% of its value by the next year?

In Rolta's Second Response, the Company lamely claims that "an asset purchased at the beginning of one year and sold at the end of the subsequent financial year will have been used for almost two years."[4] First of all, this fails to address the pressing question of how US$ 108 million in supposedly cutting edge computer systems lost all value so quickly. Second, Rolta's capital spending mostly comes in the second half of fiscal years. In FY 2013 for example, over half of Rolta's capital expenditures came in the last three months (March to June). So it is reasonable to assume that the computer equipment depreciated, scrapped or sold in one fiscal year was purchased in the second half (or near the end) of the previous fiscal year.

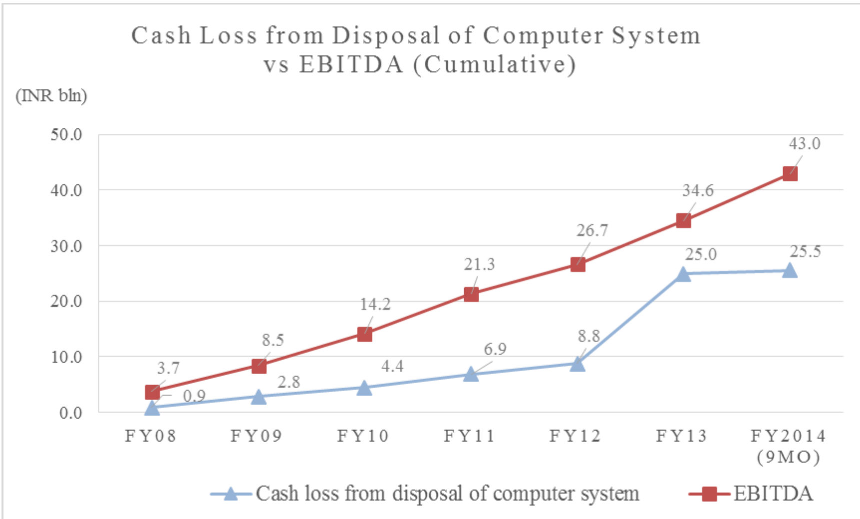
Next, Rolta says that the weighted average age of disposed computer systems was 3.4 years (not 2 years), suggesting such assets were not depreciated too quickly. This is irrelevant and misleading. The point, which Rolta time and again fails to address, is for bondholders and ratings agencies to ask themselves what authentic computer systems or equipment could lose value so quickly. How does US$ 108 million worth of computer equipment go from new to worthless from FY 2012 to FY 2013?

Rolta goes on to say that it does not agree "with any of these assumptions."[5] If so, why does Rolta not present a detailed ledger of the systems it purchased, the depreciation taken on such systems, and the value

[4] Rolta Second Response, p. 15.
[5] Rolta Second Response, p. 15.

of such systems upon sale? Strange to disagree with our assumptions (which by the way were conservative), and yet not provide any information to suggest that such assumptions are mistaken. Shouldn't Rolta already know the exact age of its systems at time of disposal? Not if they are fabricated.

Whether such losses are recognized on the income statement or balance sheet, it does not change the fact that Rolta has recognized cumulative cash losses of **INR 25,548.7 million by engaging in a pattern of purchasing, depreciating, then quickly disposing of computer equipment.**



Source: 2014 Bond Prospectus, Rolta Annual Reports, Glaucus calculation

Such losses are so staggering that we question the authenticity of the capital expenditures and suspect that the function of such dispositions is simply to provide a black hole on paper to mask the overstatement of the Company's EBITDA.

Here we again find it instructive to raise the question, unanswered throughout all of the back and forth. **Why does Rolta continue to spend money on such computer equipment**, **if the value of such equipment erodes so quickly and the returns on such equipment are so poor**? If Rolta is to be believed, bondholders must believe that Rolta's management continues to make the same mistake, quarter over quarter, year over year.

Is it more likely that management is so incompetent that it cannot free itself from a cycle of wasting all of its profits, time and again, on computer systems that generate almost no returns? Or is it more likely that such expenditures are fabricated, simply invented by management as a bottomless balance sheet pit to provide a convenient explanation for why profits supposedly generated by an opaque business model never seem to find their way to investors and for why a Company that is so consistently and fabulously profitable **is a serial capital raiser?** We believe the latter.

3) Defense Firms Do Not Support Rolta's Claims

Another reason that we believe such purchases were not authentic is because on a gross basis, as of FYE 2014, Rolta's balance sheet shows US$ 99,873 (INR 6 million) worth of computer systems per employee, which is as least **45 times more than leading IT solutions firms, its putative peers** (also measured on a gross basis). Our list of putative competitors was compiled from Rolta's list of its purported competitors in its bond prospectuses, so such comparisons are eminently reasonable.

In its Second Response, Rolta changed tactics. Now, it claims that its suspicious capital expenditures on computer systems is because it is spending on "military systems," and the "capex required for purchasing these military computer systems vis-à-vis civilian computer systems is exponentially higher."[6]

But the numbers disagree. Rolta claims that its spending is in line with defense firms. It's not. At last FYE, Rolta's reported spending on computer equipment and systems per employee is **2.4 times greater** the average spending of leading defense firms on computer equipment and systems, capitalized software and all other types of instruments, **machinery and equipment**!

Rolta's spending on Computer Systems per Employee vs. Defense Industry spending per employee on computer equipment and systems, capitlized software, and instruments, machinery and equipment at FYE - Gross

Figures are in US Dallor	Industry	Contry	Sampled Defense Product	FY14
Rockwell Collins	Defense	U.S.	Flight Controls, Communication Radios	75,200
ELBIT	Defense	Israel	F-16 Avionics Systems	59,877
Thales	Defense	France	Air Forces Communications, Tactical Radios	1,373
Ultra Electronics	Defense	U.K.	Land Battlespace System, Maritime Battlespace System, Radio Systems	32,519
BAE	Defense	U.K.	Tactical Communications Systems, Combat Aircraft, Geospatial Databases	51,270
Northrop Grumman	Defense	U.S.	Unmanned Systems, Battlespace Command	75,101
Bharat Electronics	Defense	India	Army Communication Systems, Electronic Warfare Systems	15,007
ITI Limited	Defense	India	Voice Calls Encryptor , Data Encryptor	18,780
Average of Comps	Defense			41,141
Rolta	?	India	?	99,873
Difference				2.4 x

Source: Companies' FY14 Annual Reports and official websites
Note: Included all the line items that could possibly have computer system

Measured per employee, Rolta supposedly spent **2.4x** more on computer systems than the average of the world's leading defense firms spent on computer systems, capitalized software, machinery and equipment!

Such leading firms employ technology exponentially more sophisticated than Rolta's. Indeed, one of the only firm with even close to Rolta's reported spending on computer systems per employee is Northrop Grumman, a defense industry giant and unquestionably the global leader in unmanned systems (such as drones).

Any bondholder who seriously believes that Northrup Grumman is a legitimate comparable to Rolta should browse Northrup Grumman's website: it produces hundreds of high technology military systems for deployment over land, air, sea and space. These include drones, radars, anti-submarine warfare systems, missile defense (in outer space), satellites, military aircraft etc…

If Rolta points to defense firms such as Northrup Grumman as a serious explanation for its reported spending on computer systems, what does it produce?

It is simply laughable to compare Rolta to such leading firms of the defense industry. But such a comparison does undermine Rolta's latest poor excuse: that defense firms building military systems report similarly large investments in computer equipment. They don't. Rolta is running out of answers.

[6] Rolta Second Response, p. 15-17.

III. Phantom Prototypes

In our Report, we noted that in FY 2014, Rolta reported INR 8.4 billion (US$ 139.4 mm) of capital expenditures on the development of prototypes for defense and homeland security. Given that Rolta's maximum future expenditure for the prototypes for its two largest *prospective* contracts is a combined US$ 23.4 million, **we are highly suspicious that Rolta spent US$ 139.4 million** on prototypes in FY 2014.

1) The Black Hole (Part II)

Oddly, Rolta disputes whether our figure is correct, yet fails to correct it. Doesn't it know? In two responses, over 61 cumulative pages, Rolta has failed to provide even a modicum of detail on its phantom prototypes.

If Rolta truly spent so much on prototypes, why has Rolta (again) failed to provide **any additional information on these expenditures**? For which projects was such money spent? If Rolta disputes our figure for its spending on prototypes, why does it not provide a figure? If such costs are capitalized (which they appear to be), then Rolta must be acquiring the prototypes (or at least the components thereof) from third parties. From whom did Rolta make such purchases? Why does it fail to provide details that other bondholders or ratings agencies could verify? We think the answer is obvious.

Rolta also complains that we ignore the difference between "marketing and R&D prototypes (before bid) and project prototypes (after procuring bid). If so, what marketing and R&D prototypes did Rolta build or buy? When? For which projects? How much did each cost?

We know that no prototypes have been built for Rolta's two most salient contracts: the TCS and BMS projects. On the Q1 2015 conference call, Rolta even admitted that **it would not need significant capital expenditures on prototypes for the BMS, its largest and most salient prospective contract, because the government pays the vast majority of such costs:**

Mudit Painuly	And the other thing is on the $50 million CAPEX guidance. This would not include the eventually that you would win the BMS, right?
Atul D. Tayal:	See in BMS there is hardly any capital expenditure anyway required.
Mudit Painuly	Okay, so you would not need any CAPEX in case you do win because you are saying you will have to build prototypes etcetera but that would be paid by the government is it, sir?
Atul D. Tayal:	Yeah, that is what is expected.

Source: Q1 2015 Conference Call

So if Rolta is not spending money to construct prototypes for its two most salient (and largest) prospective contracts, which prototypes did it construct?

There is also a deeper problem. Rolta's argument is that the Indian government reimburses companies for the cost of prototypes developed in the final stage, but requires massive outlays of capital expenditures early in the bidding process to develop 'marketing' prototypes, the expenses for which are not reimbursed.

Wouldn't this arrangement condemn Rolta to a cycle of negative cash flows and unprofitability? For successful bids, costs are covered. For unsuccessful bids, it requires massive outlays of capital.

Considering most firms presumably lose more contracts than they win, wouldn't this spending arrangement result in a cycle of perpetual loses?

If it truly costs Rolta substantially more in capital expenditures simply to enter the bidding process for procurement contracts than it does to build a functioning prototype once a bid is selected or short listed, Rolta's business model is doomed.

2) Rolta Materially Contradicts Pervious Statements

Rolta also argues that the figure we quoted above (US$ 139.4 million) represents Rolta's total capital expenditure for the FY 2014 and not just its expenditures on prototypes alone.[7] Rolta reiterated this excuse in its Second Response, stating that we took its statements on total prototype spending out of context.

It is worth repeating, because bondholders and ratings agencies are free to decide for themselves whether the following statements are taken out of context.

> **Investing Activities**
>
> *Nine-month period ended March 31, 2014*
>
> Net cash used in investing activities for the nine-month period ended March 31, 2014 was Rs. 8,398.5 million (US$139.7 million), primarily comprising purchases of fixed assets and intangibles, principally for our new facility in our headquarters in Mumbai, as well as expenditures of Rs. 8,379.2 million (US$139.4 million) on the development of prototypes for defense, homeland security and other sectors.

Source: 2014 Bond Prospectus, p. 70.

This statement is repeated almost verbatim in Rolta's 2014 annual report:

> Net cash outflow from investment activities for the financial year ended 31st March, 2014 amounted to Rs. 839.85 crore. primarily comprising purchases of fixed assets and intangibles, principally for our new facility in our headquarters in Mumbai, as well as expenditures of Rs. 837.91 crore. on the development of prototypes for defence, homeland security and other sectors. This represents

Source: FY14 Annual Report p.160-161

Both the 2014 bond prospectus and the 2014 annual report are unambiguous. Both documents clearly state that Rolta supposedly spent INR 8.4 billion (US$ 139.4 mm) on "the development of **prototypes for defense, homeland security and other sectors…**" in FY 2014.[8]

Yet Rolta rejects this plain reading of its previous statements. But we are not fooled, and bondholders should not be fooled either.

[7] Rolta Response, p. 13.
[8] Rolta 2014 Bond Prospectus, p. 70.

IV. Capital Expenditures Significantly Exceeds Guidance

Authentic capital expenditures are reasonably foreseeable, especially in the near term. If capital expenditures are fabricated, **guidance** would be **useless** because such reported expenditures are simply concocted at year end to offset dubious EBITDA reported by the business. Since 2009, Rolta has spent an average of 167% more on capital expenditures each year than it guided to analysts in Q1 or Q2, even after we remove the effect of M&A activity (*which was minimal*), suggesting that Rolta is simply making up capital expenditures at year end.

1) Government Procurement Contracts Do Not Work Like That

The only meek explanation offered by Rolta's Second Response to this highly suspicious and unusual spending pattern is that it has to "unexpectedly" increase its capital expenditures during the year for "investments in **cutting edge technology prototypes** to compete for EOIs (Expressions of Interest) issued by the [Indian] government."[9] If such increases in spending were truly unexpected, why wouldn't Rolta get smarter the next year and guide higher? It is baffling that for Rolta to claim that such expenses were unexpected if they truly occur each year.

Rolta Capital Expenditures Ex Acquisitions: Spending Exceeds Q1/Q2 Guidance

Figures are in INRmm

Year	Earliest Q guided	Guidance	CapEx per AR	Difference	% Increase in Spending vs. Guidance	Acquisition
2009	Q2	4,800	8,128	3,328	69.3%	909
2010	Q1	3,000	6,629	3,629	121.0%	24
2011	Q2	3,000	8,393	5,393	179.8%	-
2012	Q2	3,000	13,932	10,932	364.4%	-
2013	Q1	3,000	16,013	13,013	433.8%	1,470
2014 (9m)	Q1	6,199*	8,462	2,263	36.5%	-
Total		**22,999**	**61,558**	**38,559**	**167.7%**	**2,403**

** During Q1 2014 conference call, Rolta disclosed target CapEx was US$ 100 mm so we used the average exchange rate on FY14 AR p. 107 to convert it to INR million.*

Source: Company Conference Calls and public filings

Furthermore, which prototypes required such unexpected expenditures? **If Rolta is telling the truth, then it should have no problem disclosing the details.**

- On which prototypes did Rolta spend an additional US$ 207 million **between March and June 2013,** which was not reasonably foreseeable in March 2013?
- On which prototypes did Rolta spend an additional **INR 10.9 billion** in the second half of FY 2012, causing Rolta's capital spending to exceed guidance by 364%?
- On which prototypes did Rolta spend an additional **INR 13 billion** in the second half of FY 2013, causing the Company's capital expenditures to exceed guidance by 434%?

[9] Rolta Second Response, p. 8.

Furthermore, Rolta's highly dubious explanation seems to directly contradict what we know about defense procurement. Defense contracts are awarded after a long and arduous bidding process. First, new projects are announced **months in advance of soliciting EOIs**. In India, potential bidders have months to form a consortium and submit detailed proposals. Then, the Indian government spends months (if not years) considering the proposals and narrowing down the EOIs to two finalists. **Only then**, each finalist is asked to develop prototypes for prospective contracts (most of the cost of which is born by the Indian government), and even this step is protracted.

Take Rolta's most prominent *prospective* contract: the battlefield management system ("BMS") for the Indian army. In **August 2013**, the Indian government announced that it was **planning to solicit expressions of interest (EOIs)** for the development of a BMS. The Indian government did not narrow down the bidding to two consortiums until **February 2015**, at which time the two finalists were asked to develop prototypes. It has yet to award the contract.

Rolta's other prominent *prospective contract*, for the Indian Army's tactical communication systems ("TCS"), has taken even longer. First announced in 2000, in 2012 the ministry of defense reportedly solicited expressions of interest. In 2014, it shortlisted two rival development consortiums, but as of April 2015, no headway has been made in the development of a TCS prototype.[10]

The process for awarding defense procurement contracts is so protracted that progress is measured in years, not months. Does Rolta expect bondholders to believe that each year (FY 2009-2014), unexpected capital expenditures to compete for surprise EOIs from the Indian government can explain why it's spending exceeded ***intra-year guidance***, when such processes are announced far in advance, take years to progress, and are so slow moving that they are by definition reasonably foreseeable?

2) Duplicitous Guidance

Rolta's only other answer is to nitpick the degree to which its spending has exceeded guidance. In the First Response, Rolta claimed that our analysis was incorrect, because acquisition costs and foreign currency variance were not included by management in capital expenditure guidance. We pointed out that this is **irrelevant**. In our Rebuttal we showed that without M&A activity, Rolta's capital expenditures exceeded early quarter guidance by an average of **168% per year** from FY 2009 – 2014. Measured from FY 2011 – 2014, spending exceeded guidance by **208%**! Thus even if we **remove the effect of acquisitions (as defined under the IFRS)**, t**he same damning pattern is clear**.[11]

In Rolta's Second Response, it claims that its capital expenditures guidance did not include the purchase of certain fixed assets, which Rolta categorizes as "acquisitions" under Indian GAAP.[12] Do not be fooled. Rolta is **not referring to business acquisitions or M&A activity**, which perhaps a reasonable analyst would exclude from guidance.

Instead, Rolta is claiming that its capital expenditures guidance did not include the purchase of a number of assets – which are vanilla capital expenditures under IFRS or any plain understanding of the term.

[10] http://www.defensenews.com/story/defense/land/army/2015/04/25/india-communication-tcs-prototype-private-sector-make-india/26125087/

[11] In Rolta's Second Response, Rolta accused us of "changing our stance" on our calculation of capital spending exceeding guidance and that we "implicitly accepted" Rolta's position that acquisitions should be included. We didn't and we don't. There was absolutely no change of stance – we included updated calculations in our first rebuttal, just like we include updated calculations in this rebuttal, to show that even if bondholders accept Rolta's excuse that M*A activity should not be included in guidance, the same pattern is clear. Our calculation was correct the first time. We included updated figures simply to show that regardless of whose numbers you choose, the suspicious pattern is the same.

[12] Rolta Second Response, p. 7-8.

Rolta's argument here is disingenuous and misleading. After all, what is the purpose of capital expenditures guidance if such guidance does not include many capital expenditures?

In two responses totaling 61 pages, Rolta has nitpicked the degree of the problem rather than address the glaring, fundamental issue. Why did expenditures exceed Q2 guidance by **364% in FY 2012? Why did capital spending exceed early guidance by a staggering 434% in FY 2013**?

Rolta has **also failed to address perhaps the most prominent example**. In Rolta's 2013 bond prospectus, the Company stated that its **budgeted capital expenditures for FY 2013 (ending June) were US$ 200 million**, of which Rolta had already spent US$ 143 million as of March 2013.[13] However, in Rolta's subsequent filings, the Company reported that capital expenditures for FY 2013 were **US$ 350 million**.[14] In just three months, the Company supposedly spent an additional **US$ 207 million**, more than doubling its capital investment for the year and bringing its total expenditures for FY 2013 to **75%** over budget.

How could management, in March 2013, not have foreseen such large capital expenditures over the next three months? If Rolta's guidance is truly made in good faith, then the Company should explain which projects arose between March 2013 and June 2013 that required an extra US$ 207 million in capital expenditures and were not reasonably foreseeable in March.

Capital expenditures should be reasonably foreseeable. Rolta's are not. In our opinion, this indicates that management is either incompetent and does not remotely understand its business or it is simply fabricating capital expenditures in Q3 and Q4 in order to mask overstated EBITDA by inappropriately capitalizing costs. We believe the latter.

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[13] Rolta 2013 Bond Prospectus, p. 65.
[14] Rolta 2014 Bond Prospectus, p. F-137.

VI. Building Expenditures (Still) Do Not Add Up

In our Report, we noted that Rolta's reported capital expenditure on buildings is highly suspicious because between FYs 2006 and 2014, Rolta claims to have spent **INR 12 billion (US$ 241 mm) on buildings**, yet Rolta did not appear to add any owned real property during that period except for office suites acquired in 2009. This begs the question of whether such capital expenditures were authentic.

In's Rolta's First Response, it listed a number of projects that supposedly accounted for its capital expenditures in buildings:[15]

- Rolta Tower 1 which was demolished and rebuilt in FY 2012 and FY 2013
- Rolta Tower "C" which was demolished and rebuilt in FY 2008
- SEEPZ SEZ Unit nos. 201-204 completed in FY09; and
- SEEPZ SEZ Unit nos. 501-504 completed in FY10

In our Rebuttal, we pointed out that such figures do not even come close to adding up. In FYs 2012 and FY 2013, Rolta reportedly spent a total of **INR 6.6 billion** on buildings (not fixtures or fittings). According to Rolta's First Response, the only building redevelopment project which took place during those two fiscal years was the demolition and reconstruction of Rolta Tower 1. But on Rolta's FY 2011 conference call, Rolta CFO Hiranya Ashar told analysts that the redevelopment of Rolta Tower 1 would only cost a total of **INR 1 billion**. If only INR 1 billion of building capital expenditures went towards the redevelopment of Rolta Tower 1, where did the other **INR 5.6 billion go that Rolta supposedly spent on buildings in FYs 2012 and 2013**? **INR 5.6 billion is missing**.

In its Second Response, Rolta claims that the amount INR 6.6 billion was actually spent on Rolta Tower 1 between **FY 2010 through FY 2013** (over 4 years).[16] If that was the case, **then why did Rolta's First Response state unambiguously that** Rolta Tower 1 was "constructed after complete demolition of old building in FY 2012 and 2013."

Sr. No.	Particulars of the Property	Status in 2006	Status in 2014
1.	Rolta Centre, 5865 North Point Parkway, Alpharetta, Georgia 30022, USA	Existing	Unchanged
2.	Rolta Tower 1, plot 39, MIDC, Andheri (East), Mumbai	Old Building called Rolta Centre I (*Please refer to the Photograph in Annexure A-1*)	New building constructed after complete demolition of old building in FY 2012 & FY 2013 (*Please refer to the Photograph in Annexure A-2*)

Source: Rolta First Response, p. 12.

Rolta is simply changing its story after we pointed out that its numbers did not add up.

Furthermore, INR 6.6 billion seems a suspiciously large amount to spend on just one building, considering it represents 50% of the Company's total gross buildings assets. Rolta fails to disclose the overall square footage of the newly constructed building, but based on plot size of 32,764 square feet, and the disclosed stories (8), we can estimate the implied construction cost per square foot of Rolta Tower 1.

[15] Rolta Response p. 12-13.
[16] Rolta Second Response, p. 13.

For an ultra-conservative case, assuming that Rolta constructed an eight story building on the entire plot of land (that is, the building occupied 100% of the plot), Rolta's implied construction cost is a staggering **INR 25,180 per square foot**.

Rolta Tower 1 Cost per Square Footage Calculation

Scenario	Plot SQ Footage	Building Stories	Estimated Building Size as a % of Land Plot	Estimated Building Square Footage	Reported Building Cost (INR)	Implied Cost per SQ feet
Ultra Conservative	32,764	8	100%	262,112	6,600,000,000	25,180
Base	32,764	8	66%	172,994	6,600,000,000	38,152

Source: Rolta 2006 Bond Prospectus, p. 57, Rolta' s 1st Response, Rolta FY 2011 Conference Call.

But the ultra-conservative case is probably too generous, because it is highly unlikely that Rolta's new building occupies 100% of the plot. If we assume that Rolta Tower 1 occupies 66% of the land space, Rolta's implied construction cost per square foot was INR 38,152 per square foot.

Anyway we slice it, Rolta's supposed cost of redeveloping Rolta Tower 1 looks incredibly high. Assuming the ultra-conservative case, Rolta's implied construction cost per square foot is **double the average construction cost for commercial buildings in New York and San Francisco**, cities which have some of the world's most expensive commercial real estate. Rolta's implied construction cost of INR 25,180 per square foot is even higher than an architectural firm's estimate for the cost to build a corporate headquarters in Central London. It is also higher (per square foot) than the construction cost of the World Financial Center in Shanghai!

Building Cost per Square Footage

Item	Location	Type	Cost per SQ Footage USD	Cost per SQ Footage INR
Headquarters in Central London (Estamate) [1]	London	Commercial	353	21,204
Shanghai World Financial Center[2]	Shanghai	Commercial	292	17,529
Office Building 5-10 story	New York City	Commercial	222	13,328
Office Building 5-10 story	San Francisco	Commercial	205	12,304
Average			268	16,091
Rolta Tower 1 (Ultra Conservative)	India	Commercial	420	25,180
Difference				**1.6 x**
Rolta Tower 1 (Base)	India	Commercial	636	38,152
Difference				**2.4 x**

Note:
1. The rates are based on average costs anticipated during 2011.
2. Shanghai World Financial Center was selected 25 great skyscrapers by CNN in 2013.
3. USD : INR = 1 : 60

Source:
1. *Headquarters in Central London (Estamate): Arcadis NV Publication (a global design, engineering and management consulting company based in the Zuidas, Amsterdam, Netherlands.)*
2. *Shanghai World Financial Center: CNN News; Wikipedia*
3. *Office Building 5-10 story in New York City and San Francisco: Price Per Square Foot Construction Cost for Multi Story Office Buildings by Evstudio*

Using the base case estimates, Rolta's implied construction cost per square foot appears **three times as expensive as the construction cost of** commercial real estate in New York and San Francisco, nearly **double the cost of a corporate headquarters in Central London**, and more than double the construction cost of Shanghai's World Financial Center. Rolta's reported spending on Rolta Tower 1 appears ludicrous by any commercial real estate benchmark.

Rolta's Second Response accuses us of a "shift in stance." In our Report, we noted that Rolta's capital expenditures on buildings were highly suspicious because the Company claimed US$ 241 million in spending on buildings but its list of owned real properties did not materially change (with the exception of office suites added in 2009). In our Rebuttal, we zeroed in on Rolta's explanation, because it was such a clear gotcha: the Company's answer directly contradicted the figures and statements previously issued to the market. Our stance did not change. We did not abandon our skepticism. In fact, Rolta's answers only compound our suspicions because each answer seems to contradict the Company's previous statements. The Second Response only offered more of the same.

VII. Reported EBITDA Margins Not Credible

In our Report, we noted that the standalone EBITDA margins for Rolta's Indian subsidiary (71% in FYs 2013 and 2014) were simply not credible. Rolta responded that only the consolidated EBITDA margins (35%) could be relied upon.

We disagree, because standalone financials for Rolta International Inc., the primary U.S. subsidiary, and its direct American, Canadian and Australian show only minimal related-party transactions (services and sales) between such offshore entities and the Indian parent company. If cross-border transactions are minimal, we are safer in assuming that the standalone's Indian entity's profitability is due to its domestic performance and not the interplay of profitability and costs over borders.

But the point may be moot, because in our Rebuttal we pointed out that even such consolidated margins are not credible. After all, a group of leading IT solutions companies (many of whom were mentioned as direct competitors to Rolta in its bond prospectus), show an average EBITDA margin of just **19.1%**, and no other leading IT solutions firm in this group reported a 35% EBITDA margin in any of the last five years.

In its Second Response, Rolta claimed that it "is not uncommon for companies which have an extensive IP and product portfolio (such as Oracle)… to have high EBITDA margins."

Does any bondholder, rating agency or market participant think that Oracle is a credible basis of comparison for Rolta? We think this comparison is laughable, especially considering that many of Rolta's IT solutions are based on Oracle IP. Does anyone really believe that a Company that licenses Oracle software as the basis for many customized IT solutions can match Oracle's profitability?

Is it just a coincidence that such staggering profits are "spent" on capital expenditures of dubious authenticity, ensuring that despite supposedly world-class EBITDA margins, Rolta is a serial capital raiser?

Ultimately, we believe that the simplest explanation is usually the truth. In this case, we continue to firmly believe that the preponderance of the evidence suggests Rolta has fabricated its reported capital expenditures to mask overstated EBITDA margins, and that both bondholders and ratings agencies have failed to price this into Rolta's Delaware issued bonds.[17]

[17] In this rebuttal, we focused on the core of our investment thesis. We did not address certain points discussed in our Report (and Rolta's responses) because Rolta's Second Response contained nothing new with respect to these issues. Any investor looking to follow our arguments and their continuing validity need only refer to our first Rebuttal.

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