

CMP: ₹ 1450

Target: ₹ 1700 (17%)

Target Period: 12 months

August 6, 2021

BUY

Improving travel demand to drive growth...

About the stock: Accelya Solutions (Accelya) is a global provider of technology platforms, software and services to the travel and transport industry

- The company generates 32% revenues from Americas, 18% from Europe, 36% Asia Pacific and rest from Middle East & Africa
- Healthy dividend payout, debt free, four year average RoCE of 66%

Q1FY22 Results: Accelya reported robust Q1FY22 results.

- Revenues increased 15.6% QoQ to ₹ 85.7 crore
- EBITDA margin margins increased from 27.1% to 37.3% in Q4FY21
- PAT increased 68.6% QoQ to ₹18.4 crore

What should investors do? Accelya share price has grown by ~1.2x over the past five years (from ~₹ 1,203 in August 2016 to ~₹ 1,450 levels in August 2021).

- We remain positive and retain our BUY rating on the stock

Target Price and Valuation: We value Accelya at ₹ 1700 i.e. 23x P/E on FY23E EPS

Key triggers for future price performance:

- Improving travel demand led by vaccination drive across countries, improved volumes in airline segment and easing of lockdowns across countries to drive revenues
- We expect revenues to increase at ~29% CAGR in FY21E-23E
- Pick-up in revenues and operating efficiencies will help the company in improving its margin from 29% in FY21 to 39% in FY23E

Alternate Stock Idea: Apart from Accelya, in our IT coverage we also like Mastek.

- Growth in new logo acquisition, increasing deal size, expansion of sales & marketing and market share gains to drive revenues
- BUY with a target price of ₹ 2,900

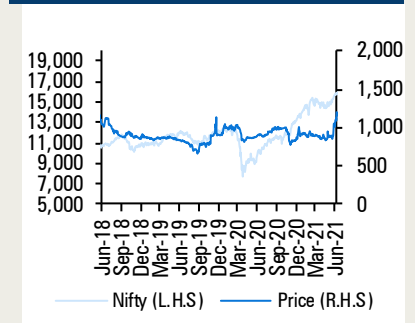
Particulars

Particulars	Amount
Market Capitalisation (₹ Crore)	2,164.6
Debt (₹ Crore)	0.0
Cash and Equivalent (₹ Crore)	77.3
Enterprise Value (₹ Crore)	2,087.3
52 Week High / Low (₹)	1535/ 800
Equity Capital (₹ Crore)	15
Face Value	₹ 10

Shareholding pattern

	Sep-20	Dec-20	Mar-21	Jun-21
Promoters	75	89	89	75
FII	1	0.2	0.2	1
DII	2	0.0	0.0	0.3
Public	22	10	10	25

Price Chart



Recent event & key risks

- Q1FY22 results were healthy
- Key Risk:** (i) Deceleration in travel demand, (ii) Inability to sustain margins.

Research Analyst

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Key Financial Summary

Key Financials	FY19	FY20	FY21	5 Year CAGR (FY16-21)	FY22E	FY23E	2 year CAGR (FY21-23E)
Net Sales	433	412	290	-3.2%	400	485	29.3%
EBITDA	170	152	86	-8.4%	150	192	49.7%
Margins (%)	39.2	37.0	29.5		37.5	39.5	
Net Profit	106	87	42	-12.0%	84	113	63.7%
EPS (₹)	71.3	58.2	28.3		56.6	75.7	
P/E	20.3	24.9	51.3		25.6	19.2	
RoNW (%)	53.8	35.5	17.7		34.2	43.8	
RoCE (%)	80.3	43.5	22.8		42.8	54.5	

Source: Company, ICICI Direct Research

Peer comparison

Exhibit 1: Peer Comparison

Company	Cmp (₹)	TP (₹)	Rating	Mcap (₹ Cr)	Revenue growth				Margins				P/E		
					FY20	FY21	FY22E	FY23E	FY19	FY20	FY21	FY20	FY21	FY22E	FY23E
Sonata Software*	828	915	Hold	8,707	13.6	(7.0)	29.1	20	26	27	26	41	47	32	26
Accelya	1,450	1,700	Buy	2,165	(4.8)	(29.5)	37.9	21	39	37	29	25	51	25	19
Mastek	2,486	2,900	Buy	6,316	4.0	61.0	24.0	15	13	15	21	47	30	26	22

Source: Company, ICICI Direct Research, *IT services

Accelya is a key beneficiary of recovery in travel demand. Hence, we have a positive view on the stock.

Financial summary

Exhibit 2: Profit and loss statement				
	₹ crore			
(Year-end June)	FY20	FY21	FY22E	FY23E
Total Revenues	412	290	400	485
Growth (%)	(4.8)	(29.5)	37.9	21.1
Total Operating Expenditure	260	205	250	294
EBITDA	152	86	150	192
Growth (%)	(10.2)	(43.9)	75.6	27.6
Depreciation & Amortization	32	34	38	39
Other Income	6	11	8	7
Interest	(6)	(4)	(4)	(4)
PBT before Exceptional Items	120	58	116	155
Growth (%)	(25.7)	(52.0)	100.2	33.9
Tax	34	16	31	42
PAT before Exceptional Items	87	42	84	113
Exceptional items	-	-	-	-
PAT before MI	87	42	84	113
Minority Int & Pft. from associa	-	-	-	-
PAT	87	42	84	113
Growth (%)	(18)	(51)	100	34
EPS	58	28	57	76
EPS (Growth %)	(18.4)	(51.4)	100.1	33.9

Source: Company, ICICI Direct Research

Exhibit 4: Balance sheet				
	₹ crore			
(Year-end June)	FY20	FY21	FY22E	FY23E
Equity	15	15	15	15
Reserves & Surplus	230	224	232	243
Networth	245	239	247	258
Minority Interest	-	-	-	-
Liabilities & provisions	45	34	34	34
Source of funds	289	272	281	292
Net fixed assets + CWIP	74	72	74	80
Goodwill	30	33	33	33
Other non current assets	62	47	64	78
Loans and advances	0	0	0	0
Current Investments	15	27	15	15
Debtors	88	72	100	121
Cash & Cash equivalents	60	51	48	30
Other current assets	41	41	43	51
Current liabilities	73	67	90	108
Provisions	7	4	6	7
Application of funds	289	272	281	292

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement				
	₹ crore			
(Year-end June)	FY20	FY21	FY22E	FY22E
Net profit before Tax	120	58	116	155
Depreciation & Amortization	32	34	38	39
WC changes	7	9	(21)	(24)
Other non cash adju.	(28)	(14)	(27)	(37)
CF from operations	131	87	106	133
Capital expenditure	(47)	(19)	(25)	(30)
Δ in investments	2	(12)	12	-
Other investing cash flow	(16)	20	-	-
CF from investing Activities	(61)	(11)	(13)	(30)
Issue of equity	-	-	-	-
Δ in debt funds	(5)	-	-	-
Dividends paid	(43)	(52)	(76)	(102)
Other financing cash flow	(6)	(14)	(19)	(19)
CF from Financial Activities	(53)	(66)	(95)	(121)
Δ in cash and cash bank	17	10	(3)	(18)
Effect of exchange rate	1	(1)	-	-
Opening cash	26	60	51	48
Closing cash & Bank	60	51	48	30

Source: Company, ICICI Direct Research

Exhibit 5: Key ratios				
	₹ crore			
(Year-end June)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
EPS-diluted	58.2	28.3	56.6	75.7
Cash per share	40.5	34.0	32.0	19.8
BV	164.0	159.7	165.5	173.0
DPS	-	52.3	50.9	68.2
Operating Ratios (%)				
EBITDA Margin	37.0	29.5	37.5	39.5
PBT Margin	29.2	19.9	28.9	31.9
PAT Margin	21.1	14.5	21.1	23.3
Return Ratios (%)				
RoNW	35.5	17.7	34.2	43.8
RoCE	43.5	22.8	42.8	54.5
RoIC	56.1	26.4	51.4	61.5
Valuation Ratios (x)				
P/E	24.9	51.3	25.6	19.2
EV / EBITDA	13.7	24.4	14.0	11.1
Price to Book Value	8.8	9.1	8.8	8.4
Turnover Ratios				
Debtor days	78	91	91	91
Creditors days	31	22	22	22
Solvency Ratios				
Total Debt / Equity	-	-	-	-
Current Ratio	2.4	2.3	2.2	2.2
Quick Ratio	2.4	2.3	2.2	2.2

Source: Company, ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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