

CMP: ₹ 950

Target: ₹ 1100 (16%)

Target Period: 12 months

February 1, 2021

BUY

Operating performance improves...

Accelya reported Q2FY21 results (June ending). Revenues registered healthy improvement of 19.6% QoQ to ₹ 71.1 crore mainly led by recovery in airline industry. EBITDA margins improved from 18.4% in Q1FY21 to 31.7% in Q2FY21. PAT increased from ₹ 2 crore in Q1FY21 to ₹ 10.9 crore in Q2FY21 mainly due to expansion in operating margins. The company has declared a special interim dividend of ₹ 35/share. The company's CFO Gurudas Shenoy will be moving to a new role within the Accelya group (Farelogix Inc., (US)) and has stepped down as the CFO of the company. Uttamkumar Bhati, who is currently the Vice President – Finance reporting to Mr Shenoy, has been appointed as the CFO of the Company. Mr Bhati has been with the company for 16 years.

Recovery in travel to drive revenues

Accelya partners with airlines right from the time a ticket or an airway bill is issued, all the way through its entire life cycle, until the data is converted into actionable decision support. Since majority of its revenues is from the airline vertical, revenues were severely impacted by the ongoing crisis and travel restrictions. However, Accelya is witnessing improved revenues (up 19.6% QoQ in Q2FY21) mainly led by easing of lockdowns across countries and improved volumes in airline industry. Going forward, we expect Accelya to register improving revenues in coming quarters led by recovery of economy, vaccination and improved volumes in airline segment. Hence, post a dip of 22% YoY in FY21E (due to sharp dip in revenues in H1FY21), we expect revenues to increase at a CAGR of ~20% over FY21E-23E.

Margins to improve over FY22E, FY23E

Accelya has registered EBITDA increase from 18.4% in Q1FY21 to 31.7% in Q2FY2. We believe this is mainly due to lower travel cost, less discretionary spend, lower marketing cost and less facility cost. While some costs are expected to return, we expect some cost rationalisation benefits to stay with the company. Coupled with a gradual improvement in revenues, we expect Accelya to register a 480 bps rise in EBITDA margins to 37.0% in FY21E-23E.

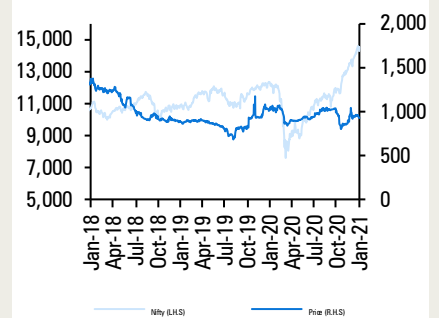
Valuation & Outlook

Accelya has been witnessing improved revenues (up 19.6% QoQ in Q2FY21) mainly led by easing of lockdowns across countries and improved volumes in the airline industry. Going forward, we expect improving trend in revenues to continue in coming quarters led by recovery of economy and improved volumes in airline segment. Hence, we upgrade the stock from **HOLD** to **BUY** with a revised target price of ₹ 1100 (17x PE on FY23E EPS) (earlier target price ₹ 1070).

Particulars

Particulars	Amount
Market Capitalisation (₹ Crore)	1,418.2
Debt (₹ Crore)	0.0
Cash and Equivalent (₹ Crore)	75.3
Enterprise Value (₹ Crore)	1,375.9
52 Week High / Low (₹)	1092 / 800
Equity Capital (₹ Crore)	15
Face Value	₹ 10

Price Performance



Key Risk

- Lower than expected growth in aerospace could lead to downside in revenue growth
- Lower than expected cost rationalisation could adversely impact margins

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Key Financial Summary

Key Financials	FY19	FY20	FY21E	FY22E	FY23E	(FY20-23E)
Net Sales	433	412	313	395	460	3.7%
EBITDA	170	152	101	142	170	3.7%
Margins (%)	39.2	37.0	32.2	36.0	37.0	
Net Profit	106	87	49	76	95	3.2%
EPS (₹)	71.3	58.2	33.0	50.9	63.9	
P/E	13.3	16.3	28.8	18.6	14.8	
RoNW (%)	53.8	35.5	20.8	31.0	37.5	
RoCE (%)	80.3	43.5	26.9	39.6	47.6	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end June)	FY20	FY21E	FY22E	FY23E
Total Revenues	412	313	395	460
Growth (%)	(4.8)	(23.9)	26.0	16.3
Total Operating Expenditure	260	213	253	290
EBITDA	152	101	142	170
Growth (%)	(10.2)	(33.8)	40.9	19.5
Depreciation & Amortization	32	37	38	37
Other Income	6	12	10	9
Interest	(6)	(5)	(5)	(5)
PBT before Exceptional Items	120	71	110	138
Growth (%)	(25.7)	(40.6)	54.2	25.0
Tax	34	22	34	42
PAT before Exceptional Items	87	49	76	95
Exceptional items	-	-	-	-
PAT before MI	87	49	76	95
Minority Int & Pft. from associa	-	-	-	-
PAT	87	49	76	95
Growth (%)	(18)	(43)	54	25
EPS	58	33	51	64
EPS (Growth %)	(18.4)	(43.2)	54.2	25.4

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet				
	₹ crore			
(Year-end June)	FY20	FY21E	FY22E	FY23E
Equity	15	15	15	15
Reserves & Surplus	230	222	230	240
Networth	245	237	245	254
Minority Interest	-	-	-	-
Liabilities & provisions	45	45	45	45
Source of funds	289	282	290	299
Net fixed assets + CWIP	74	70	69	73
Goodwill	30	30	30	30
Other non current assets	62	50	60	68
Loans and advances	0	0	0	0
Current Investments	15	15	15	15
Debtors	88	67	84	97
Cash & Cash equivalents	60	79	67	58
Other current assets	41	34	42	48
Current liabilities	73	56	70	81
Provisions	7	6	7	8
Application of funds	289	282	290	299

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end June)	FY20	FY21E	FY22E	FY22E
Net profit before Tax	120	71	110	138
Depreciation & Amortization	32	37	38	37
WC changes	7	22	(20)	(15)
Other non cash adju.	(28)	(18)	(30)	(38)
CF from operations	131	113	98	121
Capital expenditure	(47)	(18)	(22)	(26)
Δ in investments	2	(0)	-	-
Other investing cash flow	(16)	-	-	-
CF from investing Activities	(61)	(18)	(22)	(26)
Issue of equity	-	-	-	-
Δ in debt funds	(5)	-	-	-
Dividends paid	(43)	(57)	(68)	(86)
Other financing cash flow	(6)	(20)	(20)	(20)
CF from Financial Activities	(53)	(76)	(88)	(105)
Δ in cash and cash bank	17	19	(12)	(10)
Effect of exchange rate	1	-	-	-
Opening cash	26	60	79	67
Closing cash & Bank	60	79	67	58

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	₹ crore			
(Year-end June)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS-diluted	58.2	33.0	51.0	64.0
Cash per share	40.5	53.0	45.0	38.7
BV	164.0	158.9	164.2	170.8
DPS	-	38.0	45.8	57.5
Operating Ratios (%)				
EBITDA Margin	37.0	32.2	36.0	37.0
PBT Margin	29.2	22.8	27.9	30.0
PAT Margin	21.1	15.7	19.2	20.7
Return Ratios (%)				
RoNW	35.5	20.8	31.0	37.5
RoCE	43.5	26.9	39.6	47.6
RoIC	56.1	34.0	50.5	58.8
Valuation Ratios (x)				
P/E	16.3	28.8	18.6	14.8
EV / EBITDA	8.8	13.1	9.4	7.9
Price to Book Value	5.8	6.0	5.8	5.6
Turnover Ratios				
Debtor days	78	78	78	77
Creditors days	31	31	31	31
Solvency Ratios				
Total Debt / Equity	-	-	-	-
Current Ratio	2.4	2.4	2.4	2.4
Quick Ratio	2.4	2.4	2.4	2.4

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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