

CMP: ₹ 1207

Target: ₹ 1300 (8%)

Target Period: 12 months

November 2, 2021

HOLD

Recovery taking longer...

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 34% revenues from Americas, 24% from Europe, 26% Asia Pacific and rest from Middle East & Africa
- Healthy dividend payout, debt free, four-year average RoCE of 54%

Q2FY22 Results: Accelya reported weak Q2FY22 results.

- Revenues were flat QoQ at ₹ 85.3 crore
- EBITDA declined 16% QoQ to ₹ 26.8 crore while margin declined ~600 bps QoQ to 31.4% in Q2FY22
- PAT declined 22.5% QoQ to ₹ 14.2 crore

What should investors do? Accelya's share price has grown by ~1.1x over the past five years (from ~₹ 1,203 in August 2016 to ~₹ 1,362 levels in October 2021).

- We now assign HOLD rating on the stock (vs BUY earlier).

Target Price and Valuation: We value Accelya at ₹ 1300 i.e. 22x 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 ~23% CAGR in FY21E-23E
- Pick-up in revenues and operating efficiencies will help the company in improving its EBITDA margin from 29% in FY21 to 36% in FY23E

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

- LTI expected to register industry leading growth
- BUY with a target price of ₹ 7,650

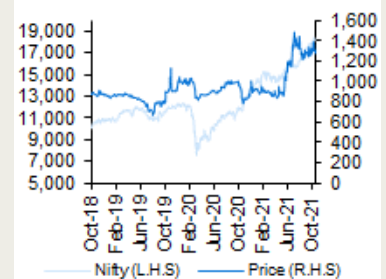
Particulars

Particulars	Amount
Market Capitalisation (₹ Crore)	1,802
Debt (₹ Crore)	-
Cash and Equivalent (₹ Crore)	77
Enterprise Value (₹ Crore)	1,725
52 Week High / Low (₹)	1535/ 800
Equity Capital (₹ Crore)	15
Face Value	₹ 10

Shareholding pattern

	Dec-20	Mar-21	Jun-21	Sep-21
Promoters	89	89	75	75
FII	0.2	0.2	0.5	0.5
DII	0.0	0.0	0.3	1.2
Public	10	10	25	24

Price Chart



Recent event & key risks

- Q2FY22 results were muted
- Key Risk:** (i) Deceleration in travel demand, (ii) lower than expected costs enhancing 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%	379	441	23.2%
EBITDA	170	152	86	-8.4%	127	161	37.1%
Margins (%)	39.2	37.0	29.5		33.5	36.5	
Net Profit	106	87	42	-12.0%	68	89	45.0%
EPS (₹)	71.3	58.2	28.3		45.3	59.4	
P/E	17	21	43		27	20	
RoNW (%)	54	35	18		28	35	
RoCE (%)	80	43	23		35	44	

Exhibit 1: Change in estimates

(₹ Crore)	FY22E			FY23E			
	Old	New	% Change	Old	New	% Change	
Revenue	400	379	(5.3)	485	441	(9.1)	Revenue cut on slower than expected recovery in airlines and travel industry as H1 was weak
EBITDA	150	127	(15.4)	192	161	(16.2)	Employee costs and other expenses will rise as demand picks up
EBITDA Margin (%)	37.5	33.5	-400 bps	39.6	36.5	-309 bps	
PAT	84	68	(20.6)	113	89	(21.5)	
EPS (₹)	57.0	45.3	(20.6)	75.7	59.4	(21.5)	

Source: Company, ICICI Direct Research

Financial summary

Exhibit 2: Profit and loss statement					₹ crore
(Year-end June)	FY20	FY21	FY22E	FY23E	
Total Revenues	412	290	379	441	
Growth (%)	(4.8)	(29.5)	30.4	16.4	
Total Operating Expenditure	260	205	252	280	
EBITDA	152	86	127	161	
Growth (%)	(10.2)	(43.9)	48.3	26.8	
Depreciation & Amortization	32	34	38	42	
Other Income	6	11	8	7	
Interest	(6)	(4)	(4)	(4)	
PBT before Exceptional Items	120	58	93	122	
Growth (%)	(25.7)	(52.0)	60.2	31.3	
Tax	34	16	25	33	
PAT before Exceptional Items	87	42	68	89	
Exceptional items	-	-	-	-	
PAT before MI	87	42	68	89	
Minority Int & Pft. from associates	-	-	-	-	
PAT	87	42	68	89	
Growth (%)	(18)	(51)	60	31	
EPS	58	28	45	59	
EPS (Growth %)	(18.4)	(51.4)	60.1	31.3	

Source: Company, ICICI Direct Research

Exhibit 3: Cash flow statement					₹ crore
(Year-end June)	FY20	FY21	FY22E	FY23E	
Net profit before Tax	120	58	93	122	
Depreciation & Amortization	32	34	38	42	
WC changes	7	9	(15)	(18)	
Other non cash adju.	(28)	(14)	(21)	(28)	
CF from operations	131	87	95	118	
Capital expenditure	(47)	(19)	(23)	(27)	
Δ in investments	2	(12)	12	-	
Other investing cash flow	(16)	20	-	-	
CF from investing Activities	(61)	(11)	(12)	(27)	
Issue of equity	-	-	-	-	
Δ in debt funds	(5)	-	-	-	
Dividends paid	(43)	(52)	(61)	(80)	
Other financing cash flow	(6)	(14)	(19)	(19)	
CF from Financial Activities	(53)	(66)	(80)	(99)	
Δ in cash and cash bank	17	10	3	(9)	
Effect of exchange rate	1	(1)	-	-	
Opening cash	26	60	51	53	
Closing cash & Bank	60	51	53	45	

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	230	239	
Networth	245	239	245	254	
Minority Interest	-	-	-	-	
Liabilities & provisions	45	34	34	34	
Source of funds	289	272	279	288	
Net fixed assets + CWIP	74	72	73	73	
Goodwill	30	33	33	33	
Other non current assets	62	47	61	71	
Loans and advances	0	0	0	0	
Current Investments	15	27	15	15	
Debtors	88	72	94	110	
Cash & Cash equivalents	60	51	53	45	
Other current assets	41	41	40	46	
Current liabilities	73	67	85	98	
Provisions	7	4	6	6	
Application of funds	289	272	279	288	

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	45.3	59.4	
Cash per share	40.5	34.0	35.7	29.8	
BV	164.0	159.7	164.4	170.2	
DPS	-	52.3	40.7	53.5	
Operating Ratios (%)					
EBITDA Margin	37.0	29.5	33.5	36.5	
PBT Margin	29.2	19.9	24.4	27.6	
PAT Margin	21.1	14.5	17.8	20.1	
Return Ratios (%)					
RoNW	35.5	17.7	27.5	34.9	
RoCE	43.5	22.8	34.7	43.7	
RoIC	56.1	26.4	42.2	52.1	
Valuation Ratios (x)					
P/E	20.8	42.7	26.7	20.3	
EV / EBITDA	11.3	20.2	13.7	10.8	
Price to Book Value	7.4	7.6	7.3	7.1	
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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