

Client scalability is key...

About the stock: Latent View Analytics is the leading pure play data analytics services companies in India. It provides expertise on the entire value chain of data analytics from data and analytics consulting to business analytics and insights, advanced predictive analytics, data engineering and digital solutions.

- It engages to provide services to blue chip companies in technology, BFSI, CPG & retail, industrials and other industries
- Some of the key clients it works include Adobe, Uber Technology & 7-Eleven

Company Highlights

- **Total 63.3% revenue mix (FY21) comes from technology companies:** SaaS model is leading to a wealth of information about customers. Customer analytics is being used to uncover insights from usage data. **Key clients:** Adobe (US based software player), Uber (US based ride hailing player), US based software giant
- **Total 17.5% revenue mix (FY21) comes from industrial:** Forecasting demand & supply chain solutions. Predictive maintenance of machines & equipment **Key clients:** US home appliance manufacturer, European luxury car manufacturer, leading home appliance provider
- **Total 9.6% revenue mix (FY21) comes from CPG & Retail:** High volumes of data are being generated across both online & traditional offline channels. Product assortment, channel strategy & marketing spend **Key clients:** US based cosmetic company, leading snack company in US, 7-Eleven – Leading US retail player
- **Total 9.6% revenue mix (FY21) comes from BFSI:** Fraud & risk analytics. Customer analytics supporting new products **Key clients:** Leading payments solutions provider

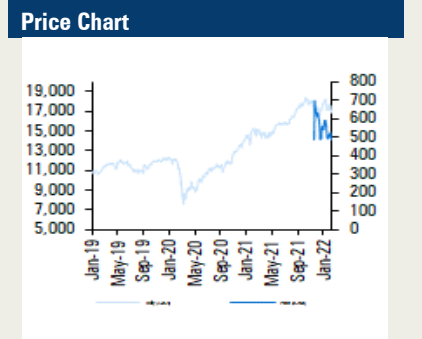
Key triggers for future price performance:

- Data & Analytics market was at US\$174 billion (bn) in 2020 globally and is expected to grow at 18.8% CAGR over 2020-24 to US\$332.6 bn
- North America to remain the largest region for D&A market, expected to grow at 19% CAGR over 2020-24 to reach US\$79 bn. Also, 95% of the revenue of the company comes from the US market
- The company has reserved ₹ 148 crore for inorganic opportunities
- Strong logo additions



Particulars	
Particular	Amount
Market Cap (₹ Crore)	9,227
Total Debt	22.6
Cash and Invest (₹ Crore)	269
EV (₹ Crore)	8,981
52 week H/L	755/462
Equity capital	0.8
Face value	1.0

Shareholding pattern	
	Mar-21 Jun-21 Sep-21 Dec-21
Promoter	68.1
FII	2.0
DII	3.3
Public	26.6



Recent event & key risks

- Stock listed at ~170% premium to the issue price
- **Key Risks:** i) Client & vertical concentration risk ii) Lower than guided margins

Research Analyst

Sameer Pardikar
sameer.pardikar@icicisecurities.com

Key Financial Summary

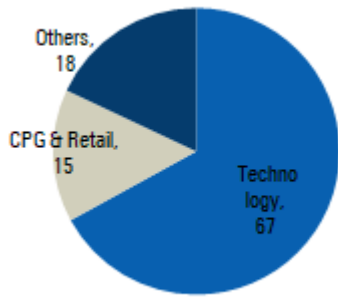
₹ Crore	FY19	FY20	FY21	3 Year CAGR (FY18-21)	9MFY22
Net Sales	288	310	306	3.1%	290
EBITDA	73	80	105	20.0%	86
EBITDA Margins (%)	25.2	25.9	34.2		29.6
Net Profit*	60	73	91	23.8%	71
EPS (₹)	3.3	4.0	5.1		5.3
P/E	134.9	111.0	88.8		
RoNW (%)	22.2	20.9	20.9		
RoCE (%)	24.5	24.7	24.3		

Source: Company, ICICI Direct Research, *PAT adjusted for exceptional gain of ₹22.6 crore for Q3FY22

Key highlights of quarter and key takeaways from management meet

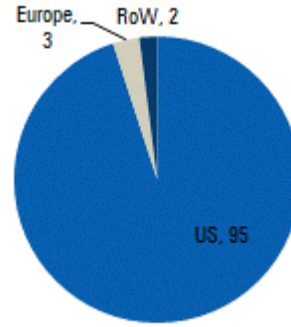
- The company reported revenues of ₹ 107.8 crore for Q3FY22, which was up 37.7% YoY. EBITDA grew 19.1% YoY to ₹ 32.2 crore while margins were down 466 bps YoY to 29.9%, (up 199 bps QoQ). Reported PAT was ₹ 49.9 crore. However, it had one-time gain of ₹ 22.6 crore. Adjusted PAT came in at ₹ 22.4 crore, up 22% YoY
- For 9MFY22, revenue was up 28.2% YoY to ₹ 290 crore. EBITDA grew 12.7% YoY to ₹ 86 crore while margins were down 400 bps YoY to 29.6%. Reported PAT was ₹ 93.9 crore, however, it had one time gain of ₹ 22.6 crore. Adjusted PAT came in at ₹ 71.3 crore, up 5.4% YoY
- Sector wise, technology contributes 67% of the revenue for Q3FY22 while CPG & Retail and others contribute 15% and 18% of the mix, respectively. Geography wise, US contributed 95% of revenue while Europe and RoW contributed 3% and 2%, respectively
- Top five clients contributed 61% of revenue for Q3FY22 while Top 10 and Top 20 clients contributed 75% and 90%, respectively
- The company has 729 employees as on June 2021 with the count at 864 as on December 2021
- The company has a strong presence in the US and is looking to expand their presence in Europe and APAC region. They have a presence in three countries in Europe namely Netherlands, Germany and UK and are planning to hire Head of Europe and looking to build up sales & marketing team there. They currently have five clients in the region and indicated that there are 20 more engagements being under active discussions. The company has hired net 243 employees in 9MFY22
- They are also planning an expansion in APAC and are looking to hire Head of APAC and some sales person to strengthen the team there
- Vertical wise they have hired BFSI head to focus on new age clients in the fintech space while they are also planning to hire Retail head soon. Both these heads would report to the CEO of the company
- The company's client count has come down in FY19-21. As per management, it was part of their strategy to take a re-look at their client portfolio when the new CEO took charge. They let go a few accounts, which were characterised by low margins while some accounts were impacted by the pandemic. The company also let go a few accounts, where it did not find scalability
- Latent View reported EBITDA margin of 30% for 9MFY22. However, the company has guided for EBITDA margin band of 25-28% on steady state basis since the company is on expansion mode in Europe and APAC in terms of strengthening their presence and also looking to continue their investments in technology. It has given two wage hikes, one in April 2021 and another in November 2021 as attrition continues to be at elevated levels at 30% as on Q2FY22. The company indicated that attrition number has come down in Q3FY22
- The company indicated that as far pricing is concerned, it has following attributes i) Skillset or capability they are bringing in ii) The level of complexity of the work being carried out iii) business impact. Latent View indicated that they have the flexibility in terms how many efforts which needs to be involved into projects. The company also indicated that onshore: offshore efforts mix which was earlier at 1:3.5 level, is now skewed towards offshore level at 1:5.5

Exhibit 1: Q3FY22 revenue mix (%) – Sector wise



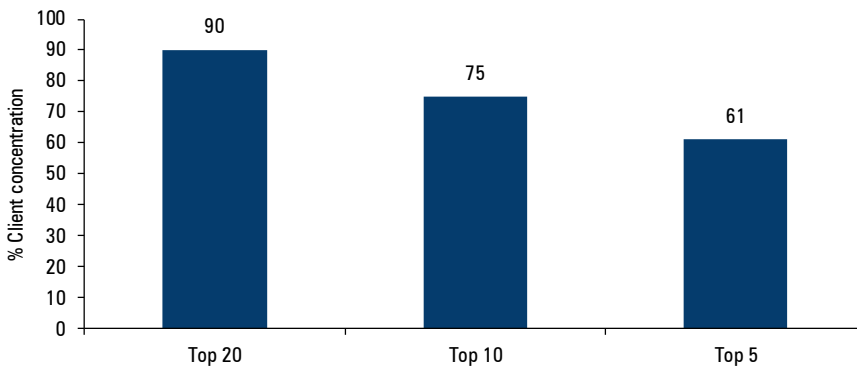
Source: ICICI Direct Research, Company

Exhibit 2: Q3FY22 revenue mix (%) – Geography wise



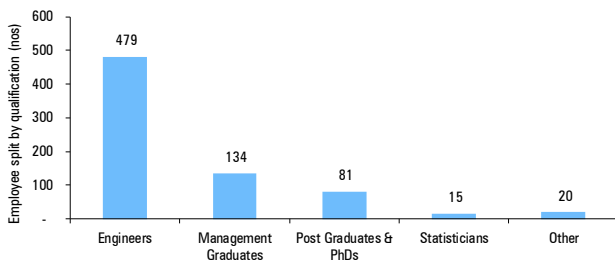
Source: ICICI Direct Research, Company

Exhibit 3: Revenue by client (%) – Q3FY22



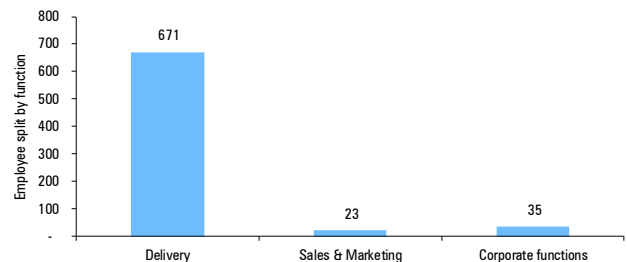
Source: Company, ICICI Direct Research

Exhibit 4: Employee mix by qualification (numbers) as on June 2021



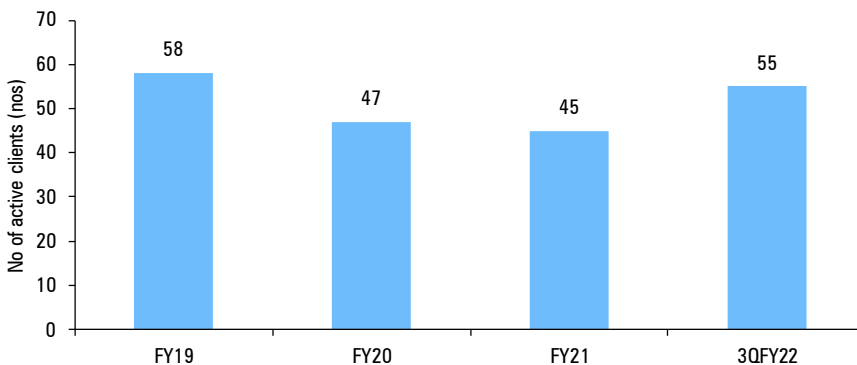
Source: ICICI Direct Research, Company

Exhibit 5: Employee mix by function (numbers) as on June 2021



Source: ICICI Direct Research, Company

Exhibit 6: Number of clients



Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, AkruTI Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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