

## Exposure to travel vertical impacts Q3...

Accelya Solution (Accelya) reported poor results on profitability front. Revenues were flat at ₹ 113.8 crore while EBITDA margins declined 336 bps QoQ to 36.5% leading to an overall decline of 8.1% QoQ in rupee terms. In addition, profit before tax declined 12.2% QoQ, 20.6% YoY to ₹ 32.2 crore. PAT declined 12.4% QoQ, 10.6% YoY to ₹ 23.7 crore. We believe the key reason for this poor profitability performance is the company's exposure to travel vertical (especially exposure to airlines) that has been severely impacted due to Covid-19 crisis. The company expects Q4FY20E (June ending) to be significantly hit by ongoing travel restrictions.

## Revenues to stay subdued due to exposure to impacted vertical

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. The major product offering of the company is revenue accounting & assurance, which forms the largest portion of overall revenue and has a niche product offering called 'Revera'. Since majority of its revenues is from airline vertical (that has been severely impacted by the ongoing crisis), we believe revenues will be under pressure in the medium term. The company works on pay per model on cloud, which has certain revenue commitment even in a no volume scenario. Hence, we do expect the company to generate revenues in coming quarters. However, the extent of revenue destruction is uncertain and could be severe in coming quarters. We build in a revenue decline of 20% QoQ in Q4FY20E and 15% YoY decline in FY21E. We introduce FY22E financials and assume a modest growth in revenues in FY22E.

## Margins to remain subdued, cashflow may be impacted

Considering the pressure on revenue, we expect margins to stay under pressure in the medium term. Hence, we expect EBITDA margins in Q4FY20E to decline 650 bps QoQ, 830 bps YoY in FY21E. We expect margins to recover in FY22E. Considering the company's key clients are in stress, we expect Accelya to see higher DSO days. In addition, if one of its clients goes bankrupt, this could severely impact the company's cashflows.

## Valuation & Outlook

The company reported a subdued Q3FY20 performance. Further, considering its exposure to the troubled verticals, we expect FY21E revenues & margins to remain under pressure. Although Accelya is expecting a recovery from Q3 of this calendar year, we remain sceptical on the same. Further, we believe the company's cash flow could be impacted due to higher DSO days and in the event of a client going bankrupt. We believe the company will conserve cash and may not pay dividend. We lower our EPS estimates for FY21E, prompting a downgrade of the stock from HOLD to **REDUCE** with a revised target price of ₹ 820/share.

### Key Financial Summary

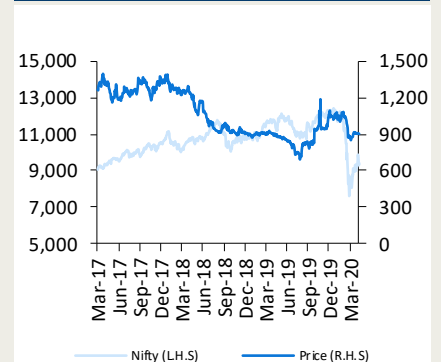
Key Financials	FY18	FY19	FY20E	FY21E	FY22E	FY(19-22E)
Net Sales	381	433	437	375	382	-4.1%
EBITDA	148	170	168	112	144	-5.3%
Margins (%)	38.9	39.2	38.3	30.0	37.7	
Net Profit	89	106	96	57	80	-9.2%
EPS (₹)	59.7	71.3	64.1	37.9	53.4	
P/E	15.2	12.7	14.1	23.9	17.0	
RoNW (%)	49.6	53.8	32.6	16.2	20.4	
RoCE (%)	71.8	75.9	45.4	22.6	28.3	

Source: Company, ICICI Direct Research

### Particulars

Particulars	Amount
Market Capitalization (₹Crore)	1,352.5
Debt (₹Crore)	0.0
Cash and Cash Equivalent (₹ Crore)	42.3
Enterprise Value (₹Crore)	1,310.2
52 Week High / Low (₹)	1247 / 699
Equity Capital (₹Crore)	15
Face Value	₹10

### Price Performance



### Key Highlights

- We expect the company to face multiple headwinds in revenues due to exposure to troubled vertical
- We expect margins and cashflows to be impacted due to ongoing crisis
- Downgrade from HOLD to REDUCE rating with target price of ₹ 820

### Research Analyst

Devang Bhatt  
devang.bhatt@icicisecurities.com

## Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end June)	FY19	FY20E	FY21E	FY22E
<b>Total Revenues</b>	<b>433</b>	<b>437</b>	<b>375</b>	<b>382</b>
Growth (%)	13.5	1.0	(14.3)	1.9
Total Operating Expenditure	263	270	262	238
<b>EBITDA</b>	<b>170</b>	<b>168</b>	<b>112</b>	<b>144</b>
Growth (%)	14.5	(1.3)	(32.9)	28.0
Depreciation & Amortization	17	33	32	32
Other Income	-	-	-	-
Interest	-	(6)	(6)	(6)
PBT before Exceptional Items	162	133	78	109
Growth (%)	17.1	(18.2)	(41.5)	40.7
Tax	56	37	21	29
PAT before Exceptional Items	106	96	57	80
Exceptional items	-	-	-	-
PAT before MI	106	96	57	80
Minority Int & Pft. from assoc	-	-	-	-
<b>PAT</b>	<b>106</b>	<b>96</b>	<b>57</b>	<b>80</b>
Growth (%)	19	(10)	(41)	41
EPS	71	64	38	53
EPS (Growth %)	19.3	(10.0)	(40.9)	40.7

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end June)	FY19	FY20E	FY21E	FY22E
<b>Net profit before Tax</b>	<b>162</b>	<b>133</b>	<b>78</b>	<b>109</b>
Depreciation & Amortization	17	33	32	32
WC changes	(26)	1	(4)	6
Other non cash adju.	(7)	6	6	6
<b>CF from operations</b>	<b>87</b>	<b>135</b>	<b>91</b>	<b>124</b>
Capital expenditure	(25)	(50)	(37)	(38)
Δ in investments	20	7	(5)	-
Other investing cash flow	22	7	(5)	-
<b>CF from investing Activities</b>	<b>(3)</b>	<b>(43)</b>	<b>(42)</b>	<b>(38)</b>
Issue of equity	-	-	-	-
Δ in debt funds	-	-	-	-
Dividends paid	(86)	-	-	(40)
Other financing cash flow	-	(6)	(6)	(6)
<b>CF from Financial Activities</b>	<b>(86)</b>	<b>(6)</b>	<b>(6)</b>	<b>(45)</b>
Δ in cash and cash bank bal	(3)	87	43	41
Effect of exchange rate change	0	-	-	-
Opening cash	28	26	112	155
<b>Closing cash</b>	<b>26</b>	<b>112</b>	<b>155</b>	<b>195</b>

Source: Company, ICICI Direct Research

Exhibit 3: Balance sheet				
	₹ crore			
(Year-end June)	FY19	FY20E	FY21E	FY22E
Equity	15	15	15	15
Reserves & Surplus	183	278	335	375
Networth	198	293	350	390
Minority Interest	-	-	-	-
Liabilities & provisions	4	4	4	4
<b>Source of funds</b>	<b>202</b>	<b>297</b>	<b>354</b>	<b>394</b>
Net fixed assets + CWIP	44	61	66	71
Goodwill	28	28	28	28
Other non current assets	20	20	18	18
Loans and advances	2	2	2	2
Current Investments	17	10	15	15
Debtors	88	89	87	81
Cash & Cash equivalents	26	112	155	195
Other current assets	49	46	39	40
Current liabilities	68	66	52	53
Provisions	4	4	4	4
<b>Application of funds</b>	<b>202</b>	<b>297</b>	<b>354</b>	<b>394</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	₹ crore			
(Year-end June)	FY19	FY20E	FY21E	FY22E
<b>Per share data (₹)</b>				
EPS-diluted	71.3	64.1	37.9	53.4
Cash per share	17.1	75.1	103.8	131.0
BV	132.3	196.5	234.4	261.1
DPS	32.0	-	-	26.7
<b>Operating Ratios (%)</b>				
EBITDA Margin	39.2	38.3	30.0	37.7
PBT Margin	37.4	30.3	20.7	28.6
PAT Margin	24.6	21.9	15.1	20.9
<b>Return Ratios (%)</b>				
RoNW	53.8	32.6	16.2	20.4
RoCE	75.9	45.4	22.6	28.3
RoIC	96.7	77.0	43.5	60.9
<b>Valuation Ratios (x)</b>				
P/E	12.7	14.1	23.9	17.0
EV / EBITDA	7.7	7.3	10.5	7.9
Price to Book Value	6.8	4.6	3.9	3.5
<b>Turnover Ratios</b>				
Debtor days	75	74	85	78
Creditors days	23	22	22	22
<b>Solvency Ratios</b>				
Total Debt / Equity	-	-	-	-
Current Ratio	2.2	2.2	2.6	2.5
Quick Ratio	2.2	2.2	2.6	2.5

Source: Company, ICICI Direct Research

## RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

[pankaj.pandey@icicisecurities.com](mailto:pankaj.pandey@icicisecurities.com)

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

## ANALYST CERTIFICATION

I/We, Devang Bhatt, PGDBM, Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

## Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a SEBI registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on [www.icicibank.com](http://www.icicibank.com)

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit [icicidirect.com](http://icicidirect.com) to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.