

Poor performance continues...

Accelya reported dismal Q1FY21 (June ending) results mainly led by exposure to airline sector. Revenues fell 5.1% QoQ, 46.7% YoY to ₹ 59.2 crore mainly led by higher refund income in previous quarter. EBIT margins were at 3.4% vs. 4.5% in Q4FY20. Employee cost increased in the quarter due to restoration of salaries (compared to salary cuts in previous quarter). PAT declined 42.5% QoQ to ₹ 2.0 crore mainly led by higher tax expenses. We have introduced FY23E estimates in the current quarter.

Revenue revival expected to be elongated

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 that forms the largest portion of overall revenue and has a niche product offering called 'Revera'. Since majority of its revenues is from the airline vertical (that was severely impacted by the ongoing crisis), we expect revenues to dip 25.0% YoY in FY21E. Further, we believe the company's ability to reach pre-Covid levels may be further elongated by a few quarters due to fresh lockdowns announced by many countries and Covid related challenges. Hence, we taper down our FY21E and FY22E revenue estimates.

Margins to improve over FY22E, FY23E

Accelya has rationalised its cost in the current quarter through lower travel cost, less discretionary spend, lower marketing cost and less facility cost. While some of the 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 the company to register a 750 bps increase in EBITDA margins to 37.0% in FY21E-23E.

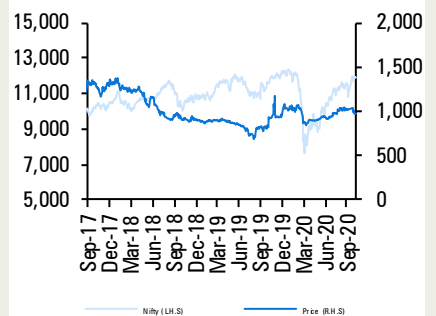
Valuation & Outlook

The company reported a subdued Q1FY21 performance. Further, we expect its ability to reach pre-Covid levels to be further elongated by a few quarters due to fresh lockdowns announced in many countries and Covid related challenges in airline sector. As a result, we taper down our FY21E and FY22E revenue and EPS estimates. Hence, we revise our target price downwards to ₹ 1070/share (17x FY23E EPS, 3.5x FY23E sales) and downgrade the stock from BUY to **HOLD** recommendation.

Particulars

Particulars	Amount
Market Cap (₹ Crore)	1,431.9
Debt (₹ Crore)	0.0
Cash and Equi (₹ Crore)	75.3
Enterprise Value (₹ Crore)	1,389.6
52 Week High / Low (₹)	1247 / 811
Equity Capital (₹ Crore)	15
Face Value	₹ 10

Price Performance



Key Highlights

- Expect FY21E revenues to dip by 25.0% YoY
- Expect FY22E, FY23E to witness improved margins led by cost rationalisation
- Downgrade from BUY to HOLD rating with target price of ₹ 1070

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Key Financial Summary

Key Financials	FY19	FY20	FY21E	FY22E	FY23E	(FY20-23E)
Net Sales	433	412	304	380	454	3.3%
EBITDA	170	152	90	126	168	3.2%
Margins (%)	39.2	37.0	29.5	33.0	37.0	
Net Profit	106	87	37	64	94	2.8%
EPS (₹)	71.3	58.2	24.5	42.6	63.1	
P/E	13.5	16.5	39.1	22.5	15.2	
RoNW (%)	53.8	35.5	14.0	23.5	33.1	
RoCE (%)	80.3	43.5	20.0	29.7	41.4	

Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end June)	FY20	FY21E	FY22E	FY23E
Total Revenues	412	304	380	454
Growth (%)	(4.8)	(26.3)	25.2	19.3
Total Operating Expenditure	260	214	255	286
EBITDA	152	90	126	168
Growth (%)	(10.2)	(41.3)	40.1	33.7
Depreciation & Amortization	32	36	39	39
Other Income	6	8	7	7
Interest	(6)	(6)	(6)	(6)
PBT before Exceptional Items	120	55	88	131
Growth (%)	(25.7)	(53.9)	59.1	48.2
Tax	34	19	25	37
PAT before Exceptional Items	87	37	64	94
Exceptional items	-	-	-	-
PAT before MI	87	37	64	94
Minority Int & Pft. from associe	-	-	-	-
PAT	87	37	64	94
Growth (%)	(18)	(58)	74	48
EPS	58	25	43	63
EPS (Growth %)	(18.4)	(57.8)	73.5	48.2

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end June)	FY20	FY21E	FY22E	FY22E
Net profit before Tax	120	55	88	131
Depreciation & Amortization	32	36	39	39
WC changes	7	25	(17)	(17)
Other non cash adju.	(28)	(13)	(19)	(31)
CF from operations	131	103	91	121
Capital expenditure	(47)	(17)	(21)	(25)
Δ in investments	2	(0)	-	-
Other investing cash flow	(16)	-	-	-
CF from investing Activities	(61)	(17)	(21)	(25)
Issue of equity	-	-	-	-
Δ in debt funds	(5)	-	-	-
Dividends paid	(43)	(20)	(54)	(80)
Other financing cash flow	(6)	(21)	(21)	(21)
CF from Financial Activities	(53)	(41)	(75)	(101)
Δ in cash and cash bank	17	45	(5)	(5)
Effect of exchange rate	1	-	-	-
Opening cash	26	60	106	101
Closing cash & Bank	60	106	101	96

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	246	256	270
Networth	245	261	271	285
Minority Interest	-	-	-	-
Liabilities & provisions	45	45	45	45
Source of funds	289	306	315	330
Net fixed assets + CWIP	74	70	67	69
Goodwill	30	30	30	30
Other non current assets	62	48	58	67
Loans and advances	0	0	0	0
Current Investments	15	15	15	15
Debtors	88	65	80	94
Cash & Cash equivalents	60	106	101	96
Other current assets	41	32	41	48
Current liabilities	73	55	68	81
Provisions	7	6	7	8
Application of funds	289	306	315	330

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	₹ crore			
(Year-end June)	FY20	FY21E	FY22E	FY23E
Per share data (₹)				
EPS-diluted	58.2	24.5	42.6	63.2
Cash per share	40.5	70.8	67.5	64.5
BV	164.0	174.9	181.3	191.2
DPS	-	13.5	36.2	53.6
Operating Ratios (%)				
EBITDA Margin	37.0	29.5	33.0	37.0
PBT Margin	29.2	18.3	23.2	28.8
PAT Margin	21.1	12.1	16.7	20.8
Return Ratios (%)				
RoNW	35.5	14.0	23.5	33.1
RoCE	43.5	20.0	29.7	41.4
RoIC	56.1	28.7	43.4	59.2
Valuation Ratios (x)				
P/E	16.5	39.1	22.5	15.2
EV / EBITDA	8.9	14.6	10.5	7.9
Price to Book Value	5.8	5.5	5.3	5.0
Turnover Ratios				
Debtor days	78	79	77	76
Creditors days	31	32	32	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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