



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Intellect Design Arena Ltd Q4FY22 consolidated revenues came in at ₹509.4 Cr, up 28.1% YoY and up 0.2% QoQ.
- EBITDA for Q4FY22 stood at ₹120.6 Cr, up 20.6% YoY and down 9.3% QoQ.
- EBITDA margins for Q4FY22 came at 23.6% as compared to 26.2% in Q3FY22 and 25.1% in Q4FY21.
- PAT for Q4FY22 stood at ₹95.3 Cr, up 16.0% YoY and down 5.8% QoQ.

2. MANAGEMENT COMMENTARY:

- Management also mentioned that they are targeting to reach \$75 Mn quarterly run rate in next 2-3 quarters and \$100 Mn run rate in 2 years from now.
- Management did not give any specific guidance for FY23, but mentioned that they are targeting to achieve EBITDA Margin of 30% in coming years.

3. SEGMENTAL ANALYSIS:

- Q4FY22 Revenue Breakup: License (20%), AMC (16%), Implementation & Customization (43%), Cloud/SaaS (21%).
- Q4FY22 Currency Wise Revenue Mix: USD (30%), GBP (18%), CAD (8%), INR (36%), EURO (3%), Others (5%)

4. CONCALL SUMMARY

- Company reported 25% revenue growth in FY22 vs guidance of 20%.
- Company lost 2 deals because of geopolitical tensions which leads to a loss of ~\$ 4-5 Mn revenue.
- EBITDA in the quarter decline due to increase in employee expense.
- Deal Funnel for the company is at US\$725 Mn, up by 27% YoY.
- Company launched one more platform in Q4FY22, making it a total of 12 products and 5 platforms.
- Number of destiny deals is at 61, which was at 43 in the same quarter last year.
- Company had 6 Go Lives in Q4FY22 as compared to 11 in Q3FY22 majorly due to third wave of COVID.
- Company is positive on SaaS and expects their License Linked revenue to be at 60-65% in medium term which is currently at ~57%.
- Company had added ~400 new addition in Q4FY22 and is not planning to hire aggressively in near term.

5. OTHER DEVELOPMENTS:

- The iGTB vertical has signed 2 new transformative deals in India and 1 in Kenya.
- During Q4FY22, company launched new product iColumbus which is an artificial intelligence powerhouse for trade finance.

6. VALUATION AND OUTLOOK:

We believe company will continue to perform well over next few quarters due to robust demand environment. Company is continuously launching AI based products in the Financial sector due to strong demand. Also the confident commentary from management aim to achieve 30% Operating margins are other positive triggers for stock.

IT Sector companies are facing supply based challenges across the globe and may remain volatile in near term but we believe long term growth drivers of this sector remains intact.

We give a "BUY" rating on the stock and value the stock at 21.5x FY24E earnings to arrive at the target of ₹768.

RECOMMENDATION - BUY

CMP – 669

TARGET – 768 (15%)

Industry	IT - Software
NSE CODE	INTELLECT
BSE CODE	538835
Market Cap (₹ Cr)	9169.52
Shares Outstanding (in Cr)	13.46
52 wk High/Low (₹)	986.65 / 562.65
P/E	26.27
P/BV	5.07
Face Value (₹)	5.00
Book Value (₹)	134.34
EPS (FY22) (₹)	25.94
Dividend Yield (%)	0.00
Debt / Equity	0.04
Interest Coverage	22.69

SHAREHOLDING PATTERN

	Sep 21	Jun 21	Mar 21
Promoters	30.86	30.91	30.96
MF/ DII	1.86	1.41	1.54
FII/FPI	25.42	25.96	26.83
Retail & Others	41.12	41.02	39.88
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2022A	2023E	2024E
Crore			
Sales	1878	2254	2704
Sales Gr. (%)	25	20	20
EBITDA	470	563	676
EBITDA %	25	25	25
PAT	349	391	481
EPS (₹)	25.94	29.03	35.72
EPS Gr. (%)	31.28	11.90	23.07
BV/Sh. (₹)	134	165	204
Ratios			
RoE (%)	21.8	22.1	21.5
RoCE (%)	25.3	25.8	26.2
Payout (%)	0.0	0.0	0.0
Valuation			
P/E (x)	27.5	24	22
P/BV (x)	5.2	4.5	4.0

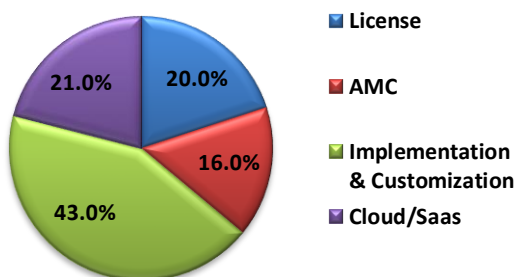
Historical & Industrial Val Ratios

Historical P/E	36.86
Industry P/E	30.44
Historical P/B	3.11
Industry P/B	9.12

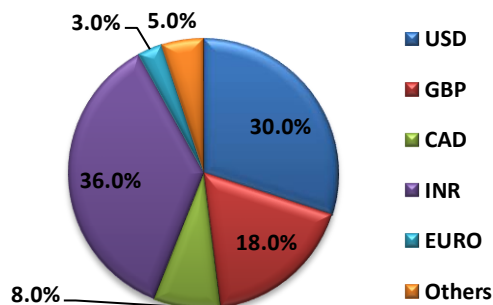


REVENUE SPLIT (Q4FY22)

Vertical Mix (Q4 FY22)



Currency Wise (Q4 FY22)



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY21			FY22			FY23	FY22	FY23E*	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4			Q1E*
Net sales	372	382	398	408	452	508	509	529	1878	2254
YoY change (%)	13.85%	19.63%	11.04%	18.06%	21.61%	32.99%	28.13%	29.75%	25.43%	20%
Total Expenditures	286	286	298	313	337	378	389	397	1406	1690
EBITDA	86	96	100	95	115	130	121	132	472	563
Margins (%)	23%	25%	25%	23%	26%	26%	24%	25%	25%	25%
Depreciation	19	19	20	23	24	25	26	26	98	98
Interest	3	1	1	1	1	1	1	1	4	4
Other income	2	10	11	16	0	11	26	10	43	25
PBT	66	86	90	88	91	115	120	115	413	487
Rate (%)	11%	7%	9%	16%	12%	12%	20%	20%	15%	20%
Adjusted PAT	59	80	81	74	79	101	95	92	349	391
EPS in Rs	4.47	6.06	6.06	5.51	5.91	7.51	7.08	7	25.94	35.72

Key Performance Indicators

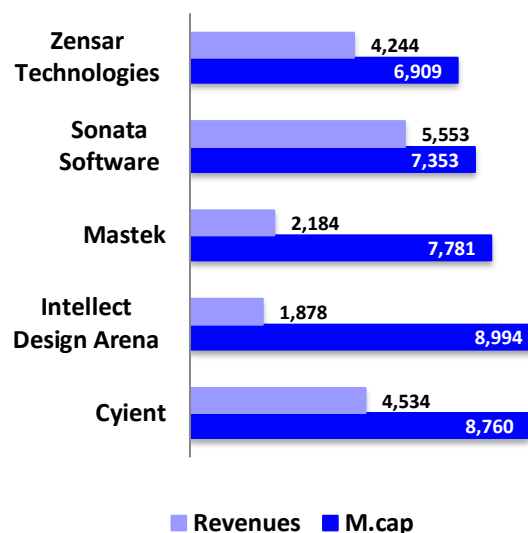
Current Funnel (\$ Mn)	540	564	573	628	649	675	725			
Deal Wins	6	10	12	10	9	10	6			
Large Deal Wins	4	6	4	5	0	0	3			
Implementation Go Lives	13	26	26	11	6	11	6			
Avg Destiny Deal Size (\$ Mn)	6.0	6.1	5.6	5.6	5.6	5.8	6.0			
Inv in Prod Dev (Rs Mn)	284	283	284	287	290	282	297			

Source: Company, Hem Securities Research.

INDUSTRY OVERVIEW

- India is the world's largest sourcing destination with largest qualified talent pool of technical graduates in the world.
- The IT sector is the largest employer within the private sector.
- The Indian IT industry accounted for 19.2% of the total global IT spend in FY21.
- Indian technology industry contributes ~8% share to the national GDP, with a 52% share of services exports, and a 50% share in total FDI.
- The priority tech spending areas are expected to be augmented reality and virtual reality (AR/VR), mixed reality, Internet of Things (IoT), artificial intelligence (AI), robotics and cloud.
- This push towards cloud services has boosted hyper-scale data centre investments, with global investments estimated to exceed ~US\$ 200 billion annually by 2025.
- The digital transformation deals have seen a 30% jump since the pandemic.
- In Budget 2022-23, the government has allocated Rs. 88,568 crore (US\$ 11.58 billion) to the IT and telecom sector.
- Leading players in Indian IT Industry (Small Cap Space) includes Mastek, Happiest Minds, Cyient, Intellect Design Arena, Birlasoft, Zensar Technologies, Sonata Software etc.

KEY PLAYERS in SmallCap IT



PEER PERFORMANCE

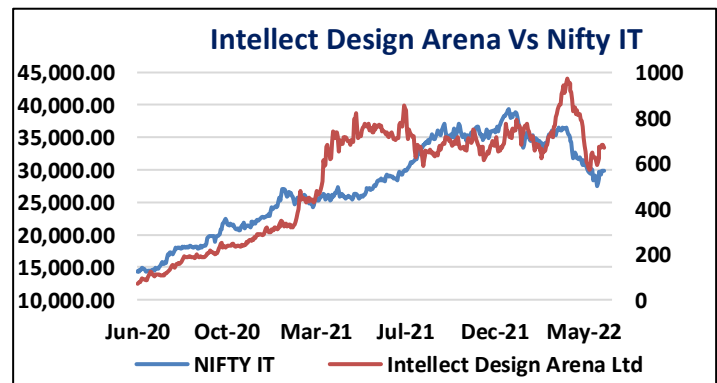
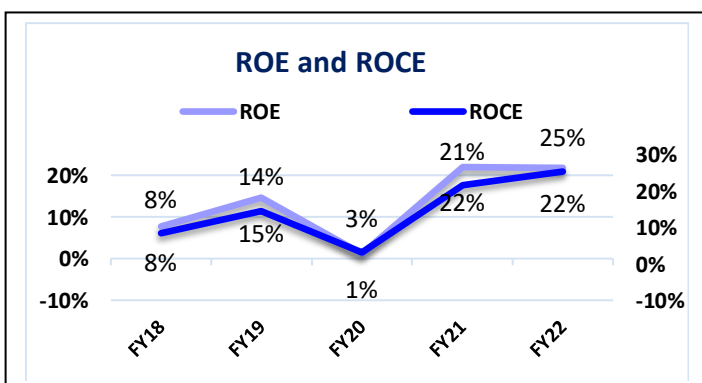
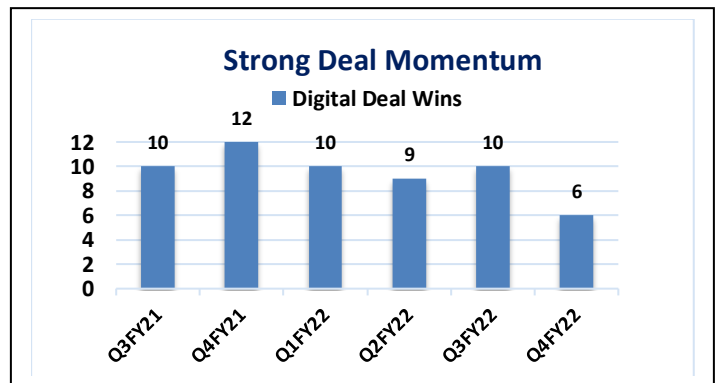
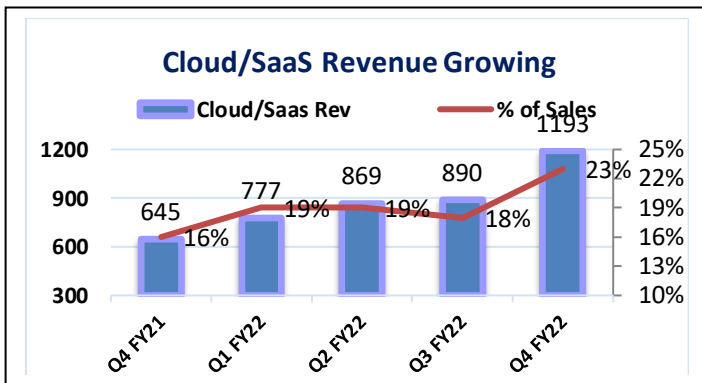
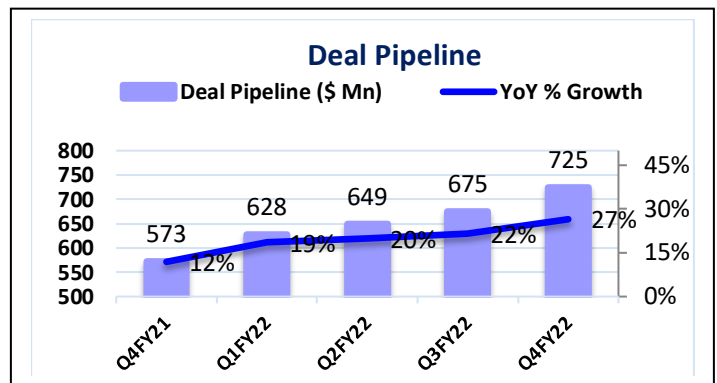
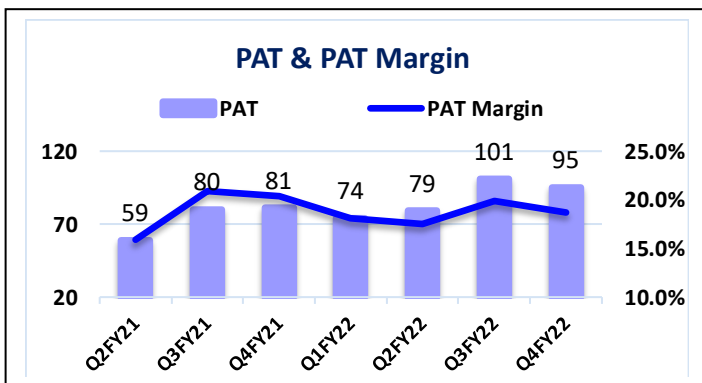
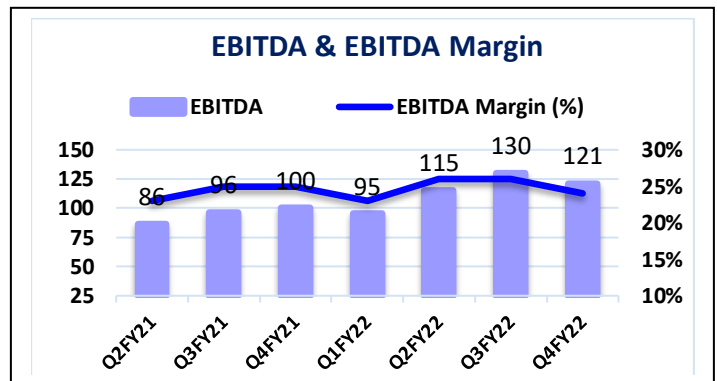
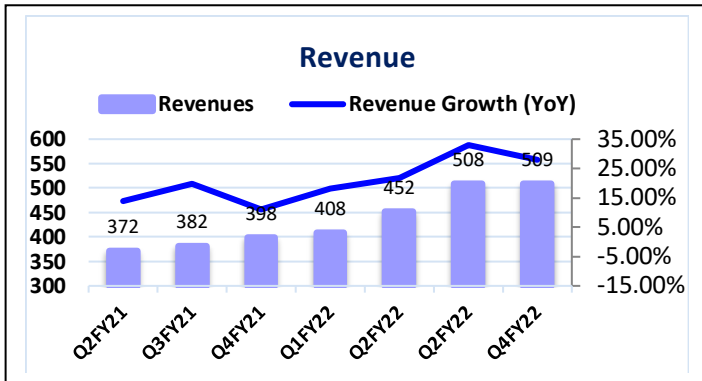
(₹ Cr)

Particulars	Intellect	Zensar	Cyient Ltd.	Mastek Ltd.	Sonata
	Design Arena Ltd.	Technologies Ltd.			
Market Cap	8994	6909	8760	7781	7353
Net Sales	1878	4244	4534	2184	5553
EBITDA	472	656	818	463	464
PAT	349	416	522	295	376
EPS(₹)	25.94	18.40	47.35	98.32	35.80
EBITDA MARGIN %	25%	15%	18%	21%	8%
PAT MARGIN %	19%	10%	12%	14%	7%
ROCE %	25.3	22.7	20.4	38.0	47.6
ROE %	21.8	16.6	17.2	30.6	37.6
P/E TTM	25.8	16.6	16.8	26.4	19.7
P/B TTM	4.98	2.56	2.82	7.27	6.66
EV/EBITDA	17.2	8.04	8.67	14.6	12.0
Dividend Yield %	0.00	1.19	2.14	0.60	2.14

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- Net Profit for FY 22 stood at INR 3491 Mn as against INR 2628 Mn in FY21 registering 33%YoY Growth
- Saas/Cloud revenue of FY22 is INR 3812 Mn as against INR 1796 Mn in FY21- grew 112% YoY.
- FY22 License Revenue is INR 3583 Mn as against INR 3347 Mn in FY21 - grew 7% YoY.
- FY22 AMC Revenue is INR 3299 Mn as against INR 2982 Mn in FY21 - grew 11% YoY. Zero Debt profitable global FinTech Company with cash of INR 5580 Mn at the end of FY22 as against INR 2107 Mn in FY21
- Strategic deal wins from Reserve Bank of India and a leading private sector multinational bank in India in Q4 FY 22
- iGTB partners with Microsoft to establish Corporate Banking transformation on Cloud
- 35 new Customers have chosen Intellect's Digital stack for their Digital transformation in FY22 including 13 large transformational deals.
- Company had witnessed a turnaround in terms of margins from ~6% in FY20 to ~25% in FY22.
- Company is expecting traction from SaaS side and is expecting the License Linked revenues to be at 60-65% from 57% as of now.
- Company is continuously launching new AI based products for the finance industry.
- Company is focusing on transition from product to platform which may increase their margins.

RISK / NEGATIVE FACTORS:

- EBITDA margins of IT companies are under pressure due to supply side challenges.
- Net Days sales outstanding is 141 days at end of Q2FY22 which is on a higher side can negatively impact the working cycle.
- Promoter holding is low at ~31%.
- Foreign exchange risk is also involved with the company as a major part of their revenues comes from outside India.
- Introduction of superior products by their peers or some technology disruption in fintech space may be negative for stock.

COMPANY RECAP

- Intellect Design Arena Ltd. is one of the fastest growing banking software company in the world with wide IP offering across spectrum of banking financial services and insurance sub segments.
- Intellect Design Arena Limited (INDA) de-merged from the BFSI product business unit of Polaris Consulting Services and was listed in India in December 2014.
- Company has 22 (12 direct and 10 step down) Subsidiary Companies and 2 associates as on March 31, 2021.
- Company has a comprehensive portfolio of products across Global Consumer Banking, Central Banking, Risk & Treasury Management, Global Transaction Banking and Insurance and is engaged in the business of software development.
- The four main verticals of the company are : Consumer banking (iGCB), Central Banking, Risk & Treasury (iRTB) Transactional Banking (iGTB) Insurance (SEEC)
- In FY22, company won 35 deals including 13 large deal wins.
- Company has more than 260 customers and serves around 97 countries.
- Company has very experienced and skilled leadership team including Arun Jain (Chairman & MD), Manish Maakan (CEO, Global Transaction Banking), Rajesh Saxena (CEO, Retail & Central Banking), Banesh Prabhu (CEO, Intellect SEEC), TV Sinha (Head, Treasury & Capital Markets) etc.



ANNUAL PERFORMANCE

Financials & Valuations

Income Statement							(₹ Cr)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Revenue from operations	1,087.29	1,449.57	1,346.88	1,497.46	1,878.18	2253.82	2704.58
Growth YoY (%)	19.01	33.32	-7.08	11.18	25.4	20.0	20.0
Total Expenditure	1,012.18	1,317.48	1,271.42	1,138.84	1,406.0	1690.36	2028.43
(%) of sales	93.09	90.89	94.40	76.05	74.86	75.00	75.00
EBITDA	75.11	132.09	75.46	358.62	470.2	563.45	676.14
EBITDA Growth (%)	849.54	91.40	-47.68	264.27	31.11	19.83	20.00
EBITDA Margin (%)	9.36	13.44	7.57	24.80	25.03	25	25
Depreciation	26.53	41.56	68.96	76.71	97.56	97.56	97.56
EBIT	75.26	153.27	38.52	294.59	372.6	465.89	578.58
EBIT Growth (%)	660.78	103.67	-74.87	664.79	26.48	25.04	24.19
Net Interest Expenses	16.56	16.03	21.99	12.98	4.27	4.27	4.27
Other Income	26.68	62.74	26.47	12.68	40.50	25	25
Earnings before Taxes	58.70	137.24	16.53	281.61	410.73	486.62	599.31
EBT Margin (%)	5.40	9.47	1.23	18.81	21.87	21.59	22.16
Tax-Total	7.03	8.95	5.09	25.45	60.29	97.32	119.86
Rate of tax (%)	11.98	6.52	30.80	9.04	14.68	20	20
Net Profit	51.67	128.30	11.44	256.16	350.44	389.30	479.45
PAT Growth (%)	278.49	148.30	-91.09	2,140.11	36.81	11.09	23.16
PAT Margin (%)	4.75	8.85	0.85	17.11	18.66	17.27	17.73
Minority Interest	-9.98	0.00	-1.66	-1.87	-1.4	-1.4	-1.4
Adjusted PAT	46.73	131.26	15.99	262.77	349.08	390.70	480.85
EPS	3.72	9.96	1.21	19.76	25.94	29.03	35.72
EPS Growth (%)	280.55	167.61	-87.87	1,535.36	31.28	11.90	23.07

Balance Sheet

Y/E March	2018	2019	2020	2021	2022
Share Capital	63	66	66	66	67
Reserves	739	954	979	1,326	1,741
Net Worth	802	1020	1045	1392	1808
Borrowings	159	133	300	82	20
Other Liabilities	400	478	525	567	764
Total Liabilities & Equity	1,361	1,631	1,869	2,042	2,594
Fixed Assets	274	334	368	397	775
CWIP	196	228	312	349	4
Investments	69	68	77	146	416
Other Assets	822	1,001	1,113	1,150	1,398
Total Assets	1,361	1,631	1,869	2,042	2,594

Source: Company, Hem Securities Research.



Ratios

Y/E March (Basic (INR))	2018	2019	2020	2021	2022
Profitability and return ratios					
Net profit margin (%)	4.75	8.85	0.85	17.11	18.66
EBITDA margin (%)	9.36	13.44	7.57	24.80	25.03
EBIT margin (%)	6.92	10.57	2.86	19.67	19.83
ROE (%)	7.66	14.53	1.15	21.97	21.8
ROCE (%)	8.40	14.50	3.14	21.46	25.3
Working Capital & liquidity ratios					
Payables (Days)	47.21	0.00	73.30	41	50
Inventory (Days)	0.00	0.00	0.00	0.00	0.00
Receivables (Days)	74.86	55.89	66.05	57.46	37
Current Ratio (x)	1.52	1.54	1.30	1.71	1.40
Valuations Ratios					
EV/sales (x)	1.92	1.89	0.65	6.50	4.90
EV/EBITDA (x)	20.52	14.03	8.57	26.21	19.5
P/E (x)	44.29	20.44	45.27	37.43	27.5
P/BV (x)	2.68	2.70	0.72	7.39	5.2
Dividend Yield (%)	0.00	0.00	0.00	0.00	0.00
Leverage Ratio					
Debt/Equity (x)	0.21	0.13	0.26	0.04	0.01

Cash Flow Statement

Y/E March	2018	2019	2020	2021	2022
CF from Operating activities (A)	49	-50	44	463	453
CF from Investing Activities (B)	-154	1	-99	-193	-399
CF from Financing Activities (C)	143	63	80	-225	-52
Net Cash Flow	38	14	24	45	2
Add: Opening Bal.	23	61	75	100	145
Closing Balance	61	75	100	145	146

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
27 Dec 2021	Buy	813
6 June 2022	Buy	768

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Name of the Research Analyst: ABHISHEK SHARDA

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2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
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