

CMP: ₹ 535

Target: ₹ 575 (7%)

Target Period: 12 months

September 8, 2022

HOLD

## Turns ex-bonus today...

**About the stock:** Sonata Software (Sonata) offers IT services (30%) and product licensing & deployment (70%).

- The company provides IT services to travel, retail, agri & commodities and manufacturing and software vendors
- Net debt free and healthy double digit return ratio (with RoCE of >30%)

## Turns ex-bonus today:

- The company had made an announcement regarding bonus issue on July 25. The issue of bonus shares is in the ratio of 1:3 i.e. one new bonus equity share each for every three existing equity shares
- Ex-bonus date is today i.e. September 8 and record date for the same is September 10. Accordingly, the share price has been adjusted to opening price of ₹ 535/share against closing price of ₹ 715/share yesterday
- Hence, we revise our target price to ₹ 575/share post this corporate action. We maintain our **HOLD** rating on the stock and value Sonata based on 17x P/E on FY24 EPS

## Key triggers for future price performance:

- Strong digital capabilities helping it in accelerated digital revenue growth enhancing digital revenue mix. i.e. 73% of mix now vs. 68% a year ago
- Upgrades in Microsoft Dynamics and tapping Fortune 1000 clients in the medium to large category bode well for revenue growth
- Robust hiring trend & inorganic growth prompt us to build IT service dollar revenue growth of over 18.5% CAGR over FY22-24E



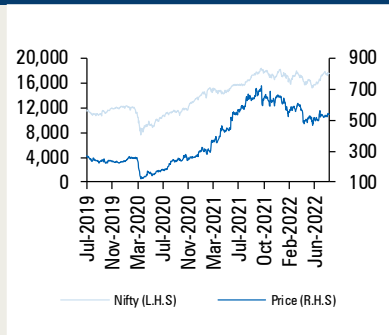
### Particulars

Particular	Amount
Market Capitalization (₹ Crore)	7,428.9
Total Debt(₹ Crore)	38.0
Cash and Investments (₹ Crore)	914.4
EV (₹ Crore)	6,552.5
52 week H/L	772 / 458
Equity capital	13.9
Face value	1.0

### Shareholding pattern

	Sep-21	Dec-21	Mar-22	Jun-22
Promoters	28	28	28	28
FII	16	14	14	13
DII	13	14	15	15
Public	42	44	43	44

### Price Chart



### Recent Event & Key risks

- Bonus issue of equity shares in ratio of 1:3
- Key Risk:** (i) Better-than-expected margins ii) Loss of key clients

### Research Analyst

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## Key Financial Summary

(₹ Crore)	FY20	FY21	FY22	5 year CAGR (FY17-22)	FY23E	FY24E	2 year CAGR (FY22-24E)
Net Sales	3,743	4,228	5,553	18.6%	6,682	7,799	18.5%
EBITDA	373	379	464	19.3%	524	648	18.2%
EBITDA Margin (%)	10.0	9.0	8.4		7.8	8.3	
PAT	277	244	376	19.1%	374	469	11.6%
EPS (₹)	26.7	23.5	36.2		26.7	33.5	
P/E (x)	27	30	20		27	21	
RoNW (%)	41.4	26.9	34.2		29.9	32.6	
RoCE (%)	44.7	33.5	39.8		35.5	39.2	

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Buy: > 15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: < -15%



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