

Techno Funda Stock Pick

Accelya Solutions India Ltd.

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Stock	Buying Band	Adding band	Targets	SL *	Time Horizon
Accelya Solutions India Ltd	Rs 1663-1697	Rs 1466-1496	Rs 1851 & 2010	Rs 1395	3 – 4 quarters

Note: * Excluding Freak Trades lasting less than a minute. SL on closing basis

Accelya Solutions India Ltd.



Technical Observations:

- The attached weekly timeframe chart of the Accelya Solutions India Ltd indicates a sustainable uptrend over the last few months.
- The stock price has moved up consistently as per the positive chart pattern like higher tops and bottoms on the weekly timeframe chart.
- The recent price action signals an upside breakout of crucial overhead resistance like down sloping trend line at Rs 1635 levels in last week and the stock price closed higher.
- The said upside breakout has associated with rise in the volume. Previously, such upside breakouts have eventually resulted in a sharp up trended movement for the stock price in the past.
- The stock is trading significantly above its 10 and 20-week EMA, or short- and near-term moving averages. Additionally, the moving average's slope is in a positive direction, which indicates the upswing is still present.
- On the weekly chart, the 14 period RSI has turned above 60 levels, which is indicating strengthening of upside momentum for the stock price.
- With overall positive chart pattern in ACCELYA, we are anticipating significant upside breakout in the near term. One may look to create positional buy as per the levels mentioned above.

Our Take:

Accelya Solutions India Ltd. (ASIL) is a leading global provider of technology platforms, software and services to the travel and transport industry. Accelya delivers world class software products, managed processes, technology and hosting services. In addition, it offers air cargo solutions comprising offer and order management, warehouse management, invoice and settle revenue management, service management, and cargo operations, as well as passenger solutions. ASIL has been delivering business-critical financial, commercial, cargo and analytics solutions for more than 40 years. The company has over 250 airline customers, operations spread across 14 countries, and employs ~3,000 professionals worldwide.



ASIL's acquired Farelogix in FY21 to accelerate the delivery of Accelya's next generation platform. With the acquisition of Farelogix complete, ASIL is focused on delivering an integrated Offer-to-Settlement platform that drives revenue, increases brand loyalty, and reduces costs for airlines worldwide. ASIL is growing its global footprint and capabilities and strengthening leadership team.

Valuation & Recommendation:

Revenue Accounting, Revenue Assurance and Cost Management continue to be ASIL's main solutions. New Distribution Capabilities (NDC) transactions have started flowing through its systems and it is seeing increased adoption of the ancillaries being offered and enabled as a result. IATA expects the demand for air travel to double by 2040 (growing at an annual average rate of 3.4%) and the industry continues to lag others in terms of how advanced it is on the digitization journey. ASIL is proven, established and trusted and is continuing to invest in best-in class solutions, market-leading innovation and a world class team.

ASIL's strong focus on the airlines vertical has helped it gain domain expertise and differentiate itself in the market place. Its non-linear business model, strong focus and established clientele in the airlines vertical, supported by a professional and experienced management team, healthy financial profile, debt-free status and strong liquidity position brings earning visibility going forward.

We think investors could buy in the Rs 1663-1697 band and add more on dips in the Rs. 1466-1496 and maintain Stop loss at Rs 1395. First target of the stock is Rs 1851 and the second target of the stock is Rs 2010 over the next 3-4 quarters. At the CMP of Rs 1680 the stock trades at 19.8x FY23 EPS.

Financial Summary (Consolidated):

Particulars (Rs cr)	Q4FY23	Q4FY22	YoY-%	Q3FY23	QoQ-%	FY21	FY22	FY23
Total Operating Income	122.5	103.1	18.8	119.5	2.5	290	368	469
EBITDA	49.2	42.2	16.5	44.6	10.2	86	134	186
Depreciation	8.4	9.2	-8.2	8.2	2.7	34	35	34
Other Income	3.2	2.0	60.9	1.9	64.6	11	8	9
Interest Cost	0.4	0.7	-36.7	0.5	-11.6	4	3	2
Tax	11.4	9.2	24.5	13.2	-13.6	16	27	44
APAT	32.1	25.2	27.6	36.3	-11.5	42	76	115
Diluted EPS (Rs)						28.3	51.0	84.9
RoE-%						17.5	30.4	46.9
P/E (x)						59.4	32.9	19.8
EV/EBITDA (x)						29.2	18.4	13.3

(Source: Company HDFC Sec)

Q4FY23 Result Highlights (June Year Ended):

- ASIL reported 2.5% QoQ and 18.8% YoY revenue growth to Rs 122.5 crore in Q4FY23, supported by better order execution in the quarter.
- EBITDA was up by 10.2% QoQ and 16.5% YoY to Rs 49.2 crore, helped by lower employee cost. Employee cost as a percent of sales stood at 29.5% in Q4FY23 vs. 31.7% in Q3FY23 and 32.7% in Q4FY22. EBIT margin stood at 33.3% vs. 30.5% in Q3FY23 and 32% in Q4FY22.
- Net profit was at Rs 32.1 crore, de grew 11.5% QoQ, however it was up by 27.6% YoY. Net profit margin was at 26.2% in Q4FY23 vs. 30.4% in Q3FY23 and 24.4% in Q4FY22. Q3FY23 has large Other Income of Rs.13.57 cr (sale of office premises) vs the normal ~Rs.2-3 cr.

Key Triggers:



Demand recovery in travel industry to derive revenue generation

The global travel and tourism sector's post-pandemic recovery is gaining pace as the world's pent-up desire for travel rekindles. Full recovery to pre-pandemic level is expected by FY24E, continuing to recover with improved operating profitability, supported by cost control measures and healthy liquidity.

ASIL 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. Since majority of its revenues is from the airline vertical, revenues were severely impacted by the Covid crisis and travel restrictions. However, the company is witnessing improving revenue growth on a QoQ basis from Q2FY21 onwards.

ASIL reported 27.4% revenue growth in FY23, witnessed an improvement in revenues mainly led by a recovery in worldwide passenger volumes. We expect travel demand to improve across countries and improved volumes in airline segment. The company has reported 26.9% revenue growth in FY22, post a dip of 30% YoY in FY21, we expect revenue to increase at ~11% CAGR in FY23-25E.

Established market position in the airline & travelling industry with marquee clientele

ASIL is a leading global technology and service provider to the air transport industry, delivering innovative change at speed and scale. The company's market-leading passenger, cargo, and industry platforms support airline retailing from offer to settlement, both above and below the wing. Over 250 airline customers count on Accelya, with operations spread across nine countries and employing over 2,000 professionals worldwide.

For more than 40 years, Accelya has been the industry's partner for change, simplifying airline financial and commercial processes and empowering the air transport community to take better control of the future. The company has operated for more than 30 years in the airlines vertical and has built a strong domain expertise, especially in the passenger revenue accounting (PRA) space, which helps it to compete effectively in the market. It, thus, has a reputed clientele across all major geographies.

Non-linear business model and focused on innovation to generate earnings

ASIL provides a complete end to end airlines commerce platform and its business model is based on its product/intellectual property rights (IPR) platform, which is non-linear and supports higher revenues without commensurate growth in employee numbers. Moreover, the company's business process outsourcing (BPO) model has become more mature with product innovations and enhancements over the years, further contributing to its efficiency gains. Thus, it has been able to maintain its robust operating profitability.

Experienced management

ASIL has experienced management team and strong leadership;

Mr. James Karr Davidson (Chairperson & Director-Non Executive): Mr. James Davidson is the President and Chief Strategy Officer of Accelya Group and is responsible for the organization's commercial and financial solutions portfolio. Prior to its acquisition by Accelya, Mr. Davidson was the CEO of Farelogix Inc., a recognized disruptor and leader in airline distribution and commerce technology. Mr. Davidson has been involved in the travel industry for more than 25 years.

Mr. Gurudas Shenoy (Managing Director and Executive Director): Mr. Gurudas Shenoy, aged 53 years, has been part of the Accelya Group for the last 17 years. He has been a key member of the leadership team and apart from his contribution as subject matter expert in financial decisions, he has closely been engaged with the senior leadership in planning and operational execution, business integration, strategic initiatives, commercial support, performance management and technology initiatives.

Mr. Uttam Kumar Bhati (CFO): Mr. Uttamkumar Bhati is an MBA from IBS Pune. He has been working with the Company since 2004. Mr. Uttamkumar Bhati currently heads the corporate finance and controlling function for the organization.



Sound financial profile

- ASIL's financial profile remained comfortable in FY23 and the company enjoys high financial flexibility, strong revenue growth and healthy operating margin over the past decade. However, financial performance has been stagnant in FY20 and FY21 due to significant decline in airline passenger traffic volumes because of pandemic induced restrictions across the globe.
- The Company has shown good recovery post the COVID-19 pandemic, supported by healthy demand environment in the industry and better cost rationalization efforts. The company reported revenue grew by 27.4% YoY to Rs 469.4 crore and net profit grew by 66.3% YoY to Rs 126.7 crore in FY23.
- The company reported EBIT margin at 32.32% in FY23 vs. 26.8% in FY22 and PAT margin stood at 27% in FY23 vs. 20.7% in FY22.
- We expect the company could report ~11% and ~12% revenue and PAT CAGR over the FY23 to FY25E, respectively.
- ASIL is debt free company. It has also sufficient liquidity with healthy cash and bank balance of about Rs 116 crore as on June 30, 2023. The company does not have any debt repayment obligation and major capex plans over the short to medium term.
- The company has been regular in paying dividend over the last 19 years. The company paid dividend at Rs 65 per share to the shareholders in FY23, dividend yield stood at 3.9%. We expect Rs 67 and Rs 70 dividend per share to shareholders in FY24E and FY25E, respectively.

Key Risks & Concerns:

- INR appreciation against the USD, pricing pressure, retention of the skilled headcount, immigration norms and costs in various countries are key concerns. The changing macro-economic scenario can have an impact on the growth plans of the company.
- Historically, the company has mainly grown on the back of standalone business. The financial performance of subsidiaries has been volatile over the past.
- A large part of the company's revenue is principally based on per transaction pricing, the revenue linked to airline passenger transaction. Fall in per transaction pricing could impact its revenue.
- ASIL's client concentration risk is high, top 5 clients contributed ~44% to the revenue. However, the company enjoys domain expertise and an established clientele in the airlines vertical.
- Any change in the contract terms from large clients like non-renewal of contracts (Air India contract expiring Dec 31, 2023 - ~10% of revenues) or higher discounts due to aggressive competition intensity can impact the sustainability and scalability from such clients.
- Any reputation loss on account of breach in compliance can impact the growth prospects and new order inflows of the company.
- The company faces delivery and execution risk arising out of changing customer requirements, comprehension of those requirements, and timeliness of the response.
- Operating performance remains susceptible to cyclicity in the travel industry, and any adverse economic conditions.

Company Background

Accelya Solutions India Ltd. (ASIL) is an India-based software solutions provider to the global airline and travel industry. The company operates through travel and transportation vertical and provides software products, managed processes, technology and hosting services. It is involved in computer programming, consultancy and related activities. The company offers business process outsourcing, software application hosting and support and software licenses and maintenance. Its solutions include passenger solutions, cargo solutions and airline industry solutions. Its passenger, cargo, and industry platforms support airline retailing from offer to settlement. Its integrated cargo platform digitizes cargo processes from offer to settlement. The company has approximately 250 airline customers and operations spread across approximately nine countries.

ASIL's subsidiaries include Accelya Solutions Americas Inc., USA and Accelya Solutions UK Limited, UK. Accelya Solutions India Limited is a subsidiary of Accelya Holding World S.L.U. Accelya acquired Kale Consultants in 2010, Warburg Pincus acquired

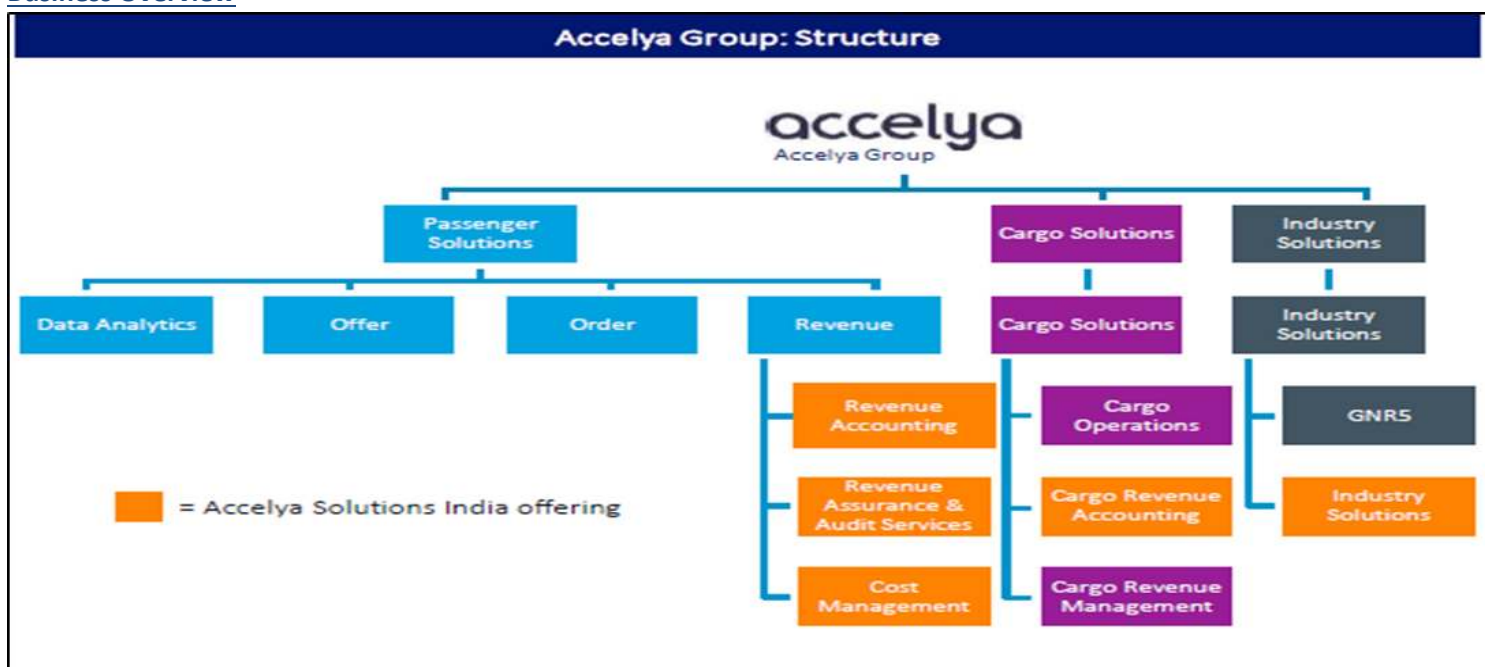
Accelya Solutions India Ltd



Accelya in 2017, Accelya acquired Anari in 2018, Vista Equity Partners acquired Accelya in 2019 and in 2020, Accelya acquired Farelogix.

Accelya has Development Center and Accelya Managed Services Center at Mumbai and Pune and Managed Services Center at Goa. In addition, it has global offices in US and UK.

Business Overview



Subsidiaries:

Rs in Cr	FY18	FY19	FY20	FY21	FY22	FY23
Revenue						
Accelya Solutions Uk Ltd	33.87	34.62	33.7	20.93	17.34	29.33
Accelya Solutions Americas Inc	103.8	124.04	117.99	83.82	109.17	128.21
Total	137.67	158.66	151.69	104.75	126.51	157.54
PAT						
Accelya Solutions Uk Ltd	2.75	3.83	2.56	0.97	1.33	2.52
Accelya Solutions Americas Inc	4.9	6.16	6.15	4.59	6.42	3.48
Total	7.65	9.99	8.71	5.56	7.75	6.0



Financials (Consolidated):

Income Statement

(Rs Cr)	FY21	FY22	FY23
Net Revenues	290	368	469
Growth (%)	-29.5	26.9	27.4
Operating Expenses	205	234	284
EBITDA	86	134	186
Growth (%)	-44.2	56.9	38.2
EBITDA Margin (%)	29.5	36.4	39.5
Depreciation	34	35	34
EBIT	52	99	152
Other Income	11	8	9
Interest expenses	4	3	2
PBT	58	103	159
Tax	16	27	44
RPAT	42	76	115
APAT	42	76	127
Growth (%)	-51.4	80.5	66.3
EPS	28.3	51.0	84.9

Balance Sheet

As at March	FY21	FY22	FY23
SOURCE OF FUNDS			
Share Capital	15	15	15
Reserves	224	248	255
Shareholders' Funds	239	263	270
Long Term Debt	29	14	4
Net Deferred Taxes	-8	-9	-10
Long Term Provisions & Others	5	5	7
Minority Interest	0	0	0
Total Source of Funds	265	273	270
APPLICATION OF FUNDS			
Net Block & Goodwill	125	103	89
CWIP	9	1	2
Other Non-Current Assets	11	13	13
Total Non Current Assets	145	116	104
Inventories	0	0	0
Trade Receivables	64	68	77
Cash & Equivalents	77	117	116
Other Current Assets	50	45	62
Total Current Assets	191	230	255
Short-Term Borrowings	10	11	11
Trade Payables	18	20	31
Other Current Liab & Provisions	44	42	47
Total Current Liabilities	71	73	89
Net Current Assets	120	157	166
Total Application of Funds	265	273	270

(Source: Company, HDFC sec)



Cash Flow Statement

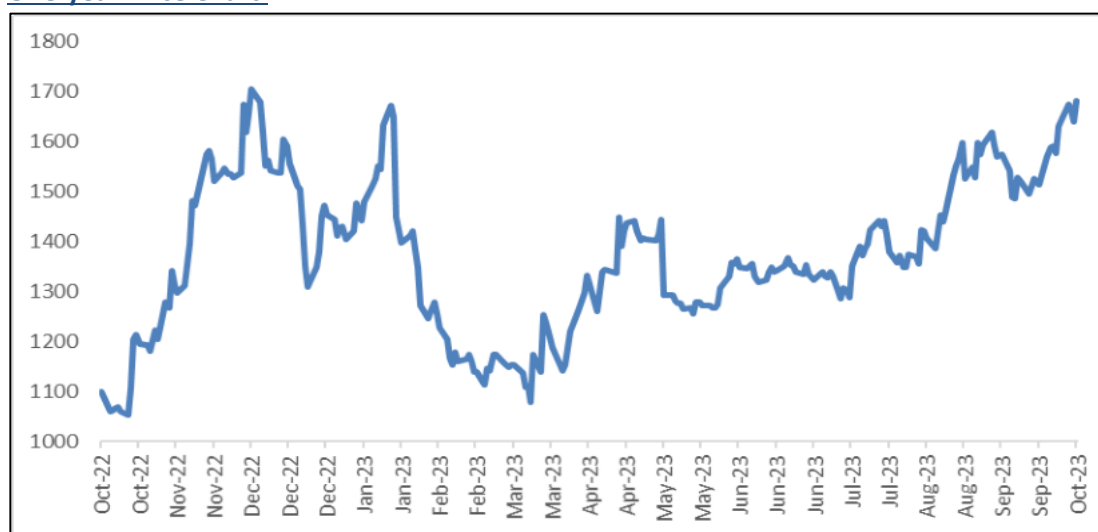
(Rs Cr)	FY21	FY22	FY23
Reported PBT	42	76	127
Non-operating & EO items	15	31	27
Interest Expenses	3	2	1
Depreciation	34	35	34
Working Capital Change	9	2	-8
Tax Paid	-16	-27	-46
OPERATING CASH FLOW (a)	86	120	134
Capex	-19	-17	-6
Free Cash Flow	68	102	128
Investments	-12	-25	-7
Non-operating income	20	-30	26
INVESTING CASH FLOW (b)	-11	-73	13
Debt Issuance / (Repaid)	-19	-20	-22
Interest Expenses	-3	-2	-1
FCFE	45	80	105
Share Capital Issuance	0	0	0
Dividend	0	0	-121
FINANCING CASH FLOW (c)	-22	-22	-143
NET CASH FLOW (a+b+c)	53	24	4

Key Ratios

(Rs Cr)	FY21	FY22	FY23
Profitability Ratio (%)			
EBITDA Margin	29.5	36.4	39.5
EBIT Margin	17.8	26.8	32.3
APAT Margin	14.5	20.7	27.0
RoE	17.5	30.4	46.9
RoCE	15.9	27.9	41.0
Solvency Ratio (x)			
Net Debt/EBITDA	0.5	0.2	0.1
Net D/E	0.2	0.1	0.1
PER SHARE DATA (Rs)			
EPS	28.3	51.1	84.9
CEPS	51.0	74.8	107.5
BV	159.8	176.0	180.9
Dividend	52.0	62.0	65.0
Turnover Ratios (days)			
Debtor days	80	67	60
Inventory days	0	0	0
Creditors days	22	20	24
VALUATION (x)			
P/E	59.4	32.9	19.8
P/BV	10.5	9.5	9.3
EV/EBITDA	29.2	18.4	13.3
EV / Revenues	8.6	6.7	5.3
Dividend Yield (%)	3.1	3.7	3.9
Dividend Payout (%)	183.9	121.4	76.6

(Source: Company, HDFC sec)

One-year Price Chart:



(Source: Company, HDFC sec)



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