

## Revenue trajectory continues to improve...

Accelya's revenues increased 4.4% QoQ to ₹ 74.1 crore. However, EBITDA margins declined from 31.7% to 27.1% in Q3FY21 (financial year is June ending) mainly led by higher other expenses. However, PAT was flat QoQ at ₹ 10.9 crore, mainly led by lower tax expenses.

## Recovery in travel demand to drive growth

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. Since majority of its revenues is from the airline vertical, revenues were severely impacted by the ongoing crisis and travel restrictions. However, the company is witnessing improving revenue growth on a QoQ basis from Q2FY21 onwards. In the current quarter also, Accelya witnessed an improvement in revenues mainly led by a recovery in worldwide passenger volumes. Going forward, we expect travel demand to improve led by vaccination drive across countries, improved volumes in airline segment and easing of lockdowns across countries. Hence, post a dip of 29% YoY in FY21E, we expect revenues to increase at ~25% CAGR in FY21E-23E.

## Improvement in revenues, operational efficiencies to drive margins

The slowdown in revenues has impacted margins in the near term. Hence, we expect EBITDA margins to dip ~800 bps YoY in FY21E to 29%. However, we believe a pick-up in revenues coupled with operating efficiencies will help the company in improving its margin trajectory in longer run. Hence, we expect the company to register an improvement of 700 bps YoY in EBITDA margin to 36% in FY22E and another 100 bps YoY in FY23E to 37%.

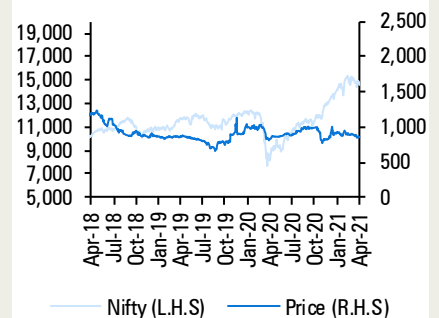
## Valuation & Outlook

Accelya has witnessed an improvement in revenues in the current quarter mainly led by recovery in worldwide passenger volumes. The improvement in revenues of 4.4% QoQ was on the back of 19.6% QoQ growth in the previous quarter. Q4 being a seasonally strong quarter for travel demand, we expect Q4 revenues to further improve. Going forward, we expect improving trend in revenues to continue in coming quarters led by recovery of economy, vaccination drives and improved volumes in airline segment. Hence, we maintain our **BUY** rating on the stock with a revised target price of ₹ 1,070 (17x FY23E EPS) (earlier target price ₹ 1,100).

### Particulars

Particulars	Amount
Market Capitalisation (₹ Crore)	1,354.0
Debt (₹ Crore)	0.0
Cash and Equivalent (₹ Crore)	75.3
Enterprise Value (₹ Crore)	1,311.7
52 Week High / Low (₹)	1069 / 800
Equity Capital (₹ Crore)	15
Face Value	₹ 10

### Price Performance



### Key Risk

- Lower-than-expected growth in aerospace may lead to downside in revenue growth
- Lower-than-expected cost rationalisation could adversely impact margins

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## Key Financial Summary

Key Financials	FY19	FY20	FY21E	FY22E	FY23E	(FY20-23E)
Net Sales	433	412	291	374	453	3.2%
EBITDA	170	152	84	135	168	3.2%
Margins (%)	39.2	37.0	29.0	36.0	37.0	
Net Profit	106	87	40	72	93	2.5%
EPS (₹)	71.3	58.2	26.9	48.1	62.6	
P/E	12.7	15.6	33.8	18.8	14.5	
RoNW (%)	53.8	35.5	17.2	29.9	37.5	
RoCE (%)	80.3	43.5	21.7	37.6	47.0	

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 1: Profit and loss statement				
	₹ crore			
(Year-end June)	FY20	FY21E	FY22E	FY23E
<b>Total Revenues</b>	<b>412</b>	<b>291</b>	<b>374</b>	<b>453</b>
Growth (%)	(4.8)	(29.4)	28.6	21.2
Total Operating Expenditure	260	206	239	286
<b>EBITDA</b>	<b>152</b>	<b>84</b>	<b>135</b>	<b>168</b>
Growth (%)	(10.2)	(44.6)	59.5	24.6
Depreciation & Amortization	32	34	36	37
Other Income	6	10	8	7
Interest	(6)	(4)	(4)	(4)
PBT before Exceptional Items	120	56	103	134
Growth (%)	(25.7)	(53.7)	84.4	30.1
Tax	34	16	31	40
PAT before Exceptional Items	87	40	72	93
Exceptional items	-	-	-	-
PAT before MI	87	40	72	93
Minority Int & Pft. from associa	-	-	-	-
<b>PAT</b>	<b>87</b>	<b>40</b>	<b>72</b>	<b>93</b>
Growth (%)	(18)	(54)	79	30
EPS	58	27	48	63
EPS (Growth %)	(18.4)	(53.8)	79.0	30.1

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	218	225	234
Networth	245	233	240	249
Minority Interest	-	-	-	-
Liabilities & provisions	45	45	45	45
<b>Source of funds</b>	<b>289</b>	<b>277</b>	<b>285</b>	<b>294</b>
Net fixed assets + CWIP	74	72	72	75
Goodwill	30	30	30	30
Other non current assets	62	47	57	67
Loans and advances	0	0	0	0
Current Investments	15	15	15	15
Debtors	88	63	79	95
Cash & Cash equivalents	60	78	65	52
Other current assets	41	32	40	48
Current liabilities	73	53	66	80
Provisions	7	5	7	8
<b>Application of funds</b>	<b>289</b>	<b>277</b>	<b>285</b>	<b>294</b>

Source: Company, ICICI Direct Research

Exhibit 2: Cash flow statement				
	₹ crore			
(Year-end June)	FY20	FY21E	FY22E	FY22E
<b>Net profit before Tax</b>	<b>120</b>	<b>56</b>	<b>103</b>	<b>134</b>
Depreciation & Amortization	32	34	36	37
WC changes	7	27	(19)	(19)
Other non cash adju.	(28)	(11)	(26)	(36)
<b>CF from operations</b>	<b>131</b>	<b>106</b>	<b>92</b>	<b>116</b>
Capital expenditure	(47)	(17)	(21)	(25)
Δ in investments	2	(0)	-	-
Other investing cash flow	(16)	-	-	-
<b>CF from investing Activities</b>	<b>(61)</b>	<b>(17)</b>	<b>(21)</b>	<b>(25)</b>
Issue of equity	-	-	-	-
Δ in debt funds	(5)	-	-	-
Dividends paid	(43)	(52)	(65)	(84)
Other financing cash flow	(6)	(19)	(19)	(19)
<b>CF from Financial Activities</b>	<b>(53)</b>	<b>(72)</b>	<b>(84)</b>	<b>(104)</b>
Δ in cash and cash bank	17	17	(13)	(13)
Effect of exchange rate	1	-	-	-
Opening cash	26	60	78	65
<b>Closing cash &amp; Bank</b>	<b>60</b>	<b>78</b>	<b>65</b>	<b>52</b>

Source: Company, ICICI Direct Research

Exhibit 4: Key ratios				
	₹ crore			
(Year-end June)	FY20	FY21E	FY22E	FY23E
<b>Per share data (₹)</b>				
EPS-diluted	58.2	26.9	48.1	62.6
Cash per share	40.5	51.9	43.4	34.6
BV	164.0	155.8	160.8	166.9
DPS	-	34.9	43.3	56.4
<b>Operating Ratios (%)</b>				
EBITDA Margin	37.0	29.0	36.0	37.0
PBT Margin	29.2	19.1	27.4	29.5
PAT Margin	21.1	13.8	19.2	20.6
<b>Return Ratios (%)</b>				
RoNW	35.5	17.2	29.9	37.5
RoCE	43.5	21.7	37.6	47.0
RoIC	56.1	27.2	48.4	57.6
<b>Valuation Ratios (x)</b>				
P/E	15.6	33.8	18.8	14.5
EV / EBITDA	8.4	14.9	9.5	7.7
Price to Book Value	5.5	5.8	5.6	5.4
<b>Turnover Ratios</b>				
Debtor days	78	80	77	77
Creditors days	31	32	31	31
<b>Solvency Ratios</b>				
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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Reduce: -15% to -5%;

Sell: <-15%



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