



ALPHA

28 DEC 2022
Latent View Analytics Ltd. – Pure Analytics Player

Market Data	
CMP	Rs. 365
Date	28-Dec-22
Target Price	Rs. 430
Upside Potential	18.00%
52 Week High/Low	618/305
Market Cap	Small Cap
NSE Code	LATENTVIEW
Sector	IT - Analytics
Rating	Buy

Latent View Analytics Ltd (LVAL) is among the leading pure-play data analytics services companies in India based on its expertise of the entire value chain of data analytics from data and analytics consulting to business analytics and insights, advanced predictive analytics, data engineering and digital solutions. Across industries, data and analytics are being leveraged by enterprises to guide business strategy and optimize spending decisions amid growing financial uncertainties. It engages and provide services to blue chip companies in Technology, BFSI, CPG & Retail, Industrials and other industries. It has emerged as one of the most trusted partners to several Fortune 500 companies in recent years and has worked with over 30 Fortune 500 companies in the last three Fiscals. Some of the key clients that it works include Adobe, Uber Technology and 7-Eleven.

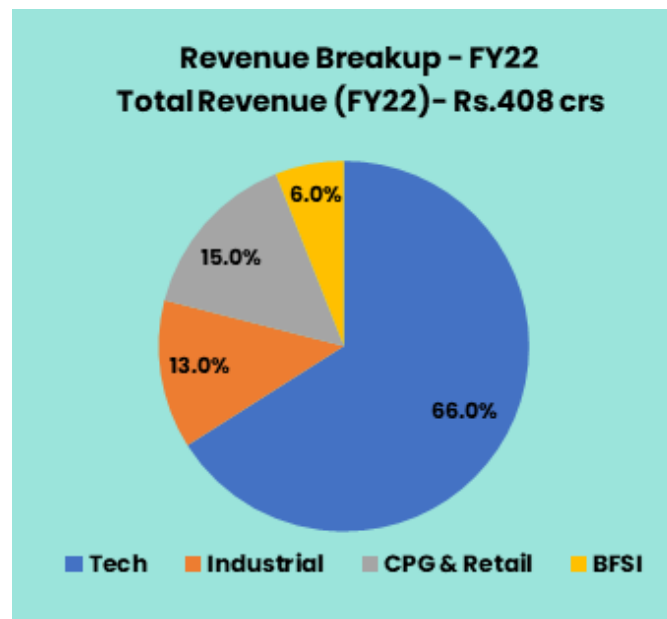




Products & Services: Latent View provides services to blue-chip companies in Technology, BFSI, CPG & Retail, Industrials and others under 4 business divisions namely Consulting services, Data Engineering, Business Analytics and Digital Solutions.

SHP	Sep - 22 (%)	Jun - 22 (%)	Change
Promoters	67.21	67.21	0.00
FPI	1.01	0.93	0.08
DII	1.83	1.90	-0.07
Public & Others	29.95	29.96	-0.01
Pledged	0.00	0.00	0.00

Subsidiaries: As on March 31, 2022, the company has four overseas subsidiaries and one overseas step-down subsidiary.



Margins - FY22	
EBITDA	30%
EBIT	28%
PAT	32%



Key Rationale

- **Scalable Business Model** – LVAL’s business model is supported by stable and recurring revenues, significant operating leverage and low capital requirements that contribute to a healthy free cash flow. Its high levels of client retention and shift toward multi-year engagement contracts result in a high degree of revenue visibility. It operates through different types of client arrangements as follows: (i) long-term managed services agreements that typically have a term of over one year and under which it supplement the client’s existing capabilities in terms of workforce; (ii) project based fixed fee contracts, typically short-term with project durations of a few months; (iii) consulting engagements that are typically short-term and under which clients seek a specific solution to a complex problem; and (iv) solution based arrangements. Majority of the revenue is generated from long-term agreements.
- **Client Driven Innovation** – In a world of increasing data availability, the value proposition is shifting from the provision of core data to the generation of analytical insights to inform decision making processes and optimize workflows, across interrelated business activities. LVAL’s end-to-end solutions cover a comprehensive spectrum of use cases across the value chain of its clients’ businesses. These use cases continue to evolve as it finds additional ways to derive insights from data. Its customized solutions are a key competitive advantage for it and allows to effectively compete across the entire commercial data and analytics landscape. It uses a consultative approach wherein developers, analysts, and nontechnical users collaborate to make data-driven decisions. These data-driven decisions are often written back into decision systems to be analysed and modelled for improved future understanding and decisions, creating an operational feedback loop.
- **Q2FY23** – Revenue in Q3FY22 grew 40% YoY and 10% QoQ to Rs.132 crs and EBITDA grew 42% YoY and 6% QoQ to Rs.37 crs with an EBITDA Margin of 28%. PAT grew 68% YoY and 19% QoQ to Rs.37 crs for the same period. Sector wise, technology contributes 69% of the revenue for Q3FY22 while CPG & Retail and others contribute 11% and 20% of the mix, respectively. Top five clients contributed 59% of revenue for Q3FY22 while Top 10 and Top 20 clients contributed 72% and 87%. The company has 1057 employees as on Sep’2022.
- **Financial Performance** – The company generated a Revenue and PAT CAGR of 12% and 25% between FY19 and FY22. The company maintained an average EBITDA Margin of 29% for the last 4 years. The company’s balance sheet is almost Debt free and has a cash & cash equivalents of Rs.886 crs. Low Capital Requirement with capital expenditure equivalent to 2% of revenue from operations in 2022.



**Ratios - FY22**

ROE	13%
ROCE	15%
Div. Yield	0.00%
PE Ratio	57.00
Face Value	1.00
EPS	Rs. 6.46

Industry Analysis

The global IT spend is expected to reach approximately \$4 trillion by 2024. Across industries, Data & Analytics (D&A) are being leveraged by enterprises to guide business strategy and optimize spending decisions during growing financial uncertainties. The market for Data & Analytics was approximately \$174 billion in 2020 and is expected to grow at a CAGR of 18% to approximately \$333 billion by 2024. The analytics services market is expected to grow at a CAGR of 19% and poised to touch approximately US\$68 billion in 2024. The services market is highly fragmented, with the top 5 players making up 35% of the addressed market. India is the top outsourcing destination for analytics, and Indian companies including Multi Service Providers and Pure Play Analytics firms have a share of approximately 40% of the addressed market. Western Europe and USA have a larger concentration of Pure Play Analytics players, who create differentiation through their expertise in niche solutions and products. USA delivery market is expected to grow at approximately 24% CAGR (2020-2024).

Growth Drivers

Global D&A spending by CPG & Retail sector is estimated to grow from \$53.6 billion in 2020 to reach \$110.7 billion by 2024, at a CAGR of 20%. With e-Commerce platforms and online marketplaces serving as major sales channels, it is crucial for businesses to remain updated with actionable insights.

Growing adoption of IoT and smart devices, and increased activity in online channels such as e-Commerce, telehealth, social media, etc., have led to high volumes of data being generated across industries

Increased regulatory constraints due to globalization of the enterprise and surge in fraudulent cases across the globe have increased enterprise spending in data governance and security solutions.



Peer Analysis

Competitors: Persistent Systems Ltd, HCL Technologies, etc.

If you look at the competitors, Latent view has strong competition from all the IT companies in India as every IT company is now focusing on this new-age digital solution including data analytics. To be precise, there are other pure-play analytics companies which are unlisted and based out of India, as well as outside like MuSigma, Fractal analytics, Tiger Analytics, Palantir technology, and so on. No listed company is a complete pure play analytics company like Latent View.

Company	CMP	Mcap.	3 yr Avg. EBITDA Margin	3 yr Avg. PAT Margin	P/E	EPS
Latent View	365	7418	30.00%	28.00%	57	6.46
Persistent Systems	3873	29602	16.00%	11.00%	43	90.34
HCL Tech	1028	279100	25.00%	15.00%	21	49.74

Outlook

Data Analytics is one of the fastest-growing fields in the IT sector and every organization is implementing data analytics to generate insights for decision making. Due to the explosion of data in the last few years, there is more and more demand for data analytics to generate insights out of data and this trend would continue in the future. The company has experienced leadership with an excellent pedigree. Although there's very strong competition in the data analytics division, Latent View is a fundamentally strong company. The company propose to leverage the opportunities in finance and risk, customer, supply chain, marketing and HR or workforce that together comprise almost 50% of the spend on analytics applications and continue to pursue strategic expansion plans through inorganic opportunities. The Management is guided on adding dozen plus accounts over the years with 15% of the revenue generating from new accounts and 85% from the existing accounts. They try to maintain the 85%:15% split on the revenue generation from the old and new accounts. The company is exploring strategic acquisition opportunities that will enable to gain access to new geographies, industries, and client base.



Valuation

Across sectors, data has become a valuable source of competitive differentiation among companies. Companies prioritize product development and marketing decisions based on the real-time insights from consumer buying behaviours, spending patterns, and social media interactions. Latent View as a full-time analytics player can benefit more with the ongoing data analysis demand. Hence, we recommend a BUY rating in the stock with the target price (TP) of Rs.430, 45x FY24E EPS.

Risks

- **Client Concentration Risk** - Historically, LVAL has entered into long-term partnerships with a few of its key clients, which has resulted in a limited number of clients accounting for a substantial portion of its revenue. Revenue may impact if their long-term relationships with the largest clients are impaired.
- **Forex Risk** - Exchange rate fluctuations may adversely affect LVAL's results of operations as some portion of its revenues and a significant portion of expenditures are denominated in foreign currencies.
- **Competitive Risk** - The company face intense competition in markets, and the company may lack sufficient financial or other resources to maintain or improve competitive position.

Source – Tickertape, Company's Website, BSE Website.

Thanks & Regards

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