Latent View Analytics Limited

Latent View Analytics Ltd is a pure play analytics company that provides services ranging from data & analytics consulting, business analytics & insights, advanced predictive analytics, data engineering and digital solutions. It caters to blue chip clients in Technology (63% of FY21 revenue), BFSI (10%), CPG & Retail (10%) and, Industrial (18%) verticals and has 30+ Fortune 500 companies in the last three fiscals. Some of the key clients include Adobe, Uber Technology, and 7-Eleven. It has relationship with top-5 clients for an average of six years which contributed to ~54% to total revenues in FY21. Geographically, United States accounted for 93% of the FY21 revenues while balance is split between UK & Netherlands and RoW. Its employee count as on Q1FY22 was 859 and attrition rate stood at 21.5%.

Positives: (a) Leading analytics technology companies. (b) Extensive experience across a range of data and analytics capabilities. (c) Blue-chip clients across industries and geographies. (d) Scalable and attractive financial profile.

Investment concerns: (a) High dependence on few clients for a large portion of revenue. (b) Derives more than 90% of revenues from clients in the US. (c) Inability to derive benefits from investment in few of its' Subsidiaries. (d) Forex fluctuations.

Outlook & Valuation: Latent View provides niche solutions in Descriptive and Diagnostic solutions and Predictive analytics segments and most of its work pertains to customer analytics. Although global customer analytics market currently is ~9% of overall analytics application spends it was/is expected to post CAGR of ~26% over 2020-24. Its association and length of relationship with some of the top technology companies point to its capabilities. The growth has come off in FY21 due to non-renewal of certain existing client assignments and fewer client additions and mandates from clients, but the same is likely to improve on focused go-to-market strategy. Margins improved strongly in FY21 due to lower on-site employees and lower travel & promoted spends but may contract with resumption of spends. At ₹197, the company is seeking ~43x FY21/TTM its earnings which seems reasonable compared to a high growth digital services company like Happiest Minds trading at ~115x (comparison owing to absence of like-to-like listed peer). The IPO provides an opportunity to invest in a pure-play analytics company which is has tailwinds from investments on Data & Analytics and is raising fresh funds to chase growth. We have **SUBSCRIBE** rating on the issue.

SUBSCRIBE

Issue Open: Nov 10, 2021
Issue Close: Nov 12, 2021

Issue Details

Face Value: ₹1

Present Eq. Paid up Capital: ₹60.9 cr

Offer for Sale: ₹126 cr

Fresh issue: ₹474 cr

Post Eq. Paid up Capital: ₹3.2 cr

Issue size (amount): ₹600 cr

Price Band: ₹190-197

Lot Size: 76 shares and in multiple thereafter

Post-issue mkt. cap: * ₹3,775 cr - ** ₹3,896 cr

Public (Founder, Investor & other Sh) Pre-Issue: 79.3%

Public (Founder, Investor & other Sh) Post-Issue: 20.7%

Calculated on lower price band
*** Calculated on upper price band*

Book Building

QIBs	75% of issue
Non-Institutional	15% of issue
Retail	10% of issue

Post Issue Shareholding Pattern

Promoter & Promoter Group	68.1%
Public	31.9%

Milan Desai
+022 39357600, Extn: 6842
milan.desai@angelbroking.com

Key Finances

Y/E March (₹ cr)	FY2019	FY2020	FY2021	Q1FY21	Q1FY22
Net Sales	288	310	306	73	88
% chg	--	7.8	-1.4	--	20.3
Net Profit	60	73	91	23	22
% chg	--	22.1	25.6	--	-2.1
EBIT (%)	22.8	23.8	31.9	27.4	28.8
EPS (Rs)	3.0	3.7	4.6	1.2	1.1
P/E (x)	65.3	53.5	42.6	--	--
P/BV (x)	14.6	11.2	8.9	--	--
ROE (%)	44.7	23.7	23.3	--	--
ROCE (%)	41.2	22.0	21.5	--	--
EV/Sales	13.0	11.9	12.0	--	--

Source: Company, Angel Research

Company background

Company was incorporated as Latent View Analytics Private Limited on January 3, 2006, at Chennai, Tamil Nadu. It is among the leading pure-play data analytics services companies in India. Company expertise in entire value chain of data analytics from data and analytics consulting to business analytics and insights, advanced predictive analytics, data engineering and digital solutions. Some of the key clients that it works include Adobe, Uber Technology and 7-Eleven. It serves clients across countries in the United States, Europe, and Asia.

Issue details

The issue comprises of offer for sale of upto ₹126 Cr and Fresh issue of ₹474 Cr in the price band of ₹190-197.

Pre and post IPO shareholding pattern

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter & Promoter Group	137,760,000	79.3	134,706,955	68.1
Public	175,157,906	20.7	63,074,883	31.9
Total	173,720,925	100.0	197,781,838	100.0

Source: Company, Angel Research & RHP.

Objectives of the Offer

■ ~₹148 CR for funding inorganic growth initiatives.

■ ~₹82 Cr for funding working capital requirements of Latent View Analytics Corporation, company's material subsidiary.

■ ₹130 Cr for investment in subsidiaries to augment their capital base for future growth.

■ General corporate purposes.

Key Management Personnel

Adugudi Viswanathan Venkatraman, is the Founder & Chairman of the company. He holds a postgraduate diploma in management from IIM Calcutta, and a Bachelor of Technology in Civil Engineering from IIT Madras. He has several years of experience across IT services, credit analysis & business consulting.

Pramadwathi Jandhyala is the Co-Founder of the company. She has several years of experience in corporate finance, and credit ratings. She graduated with a B.E. in Computer Science from BITS Pilani and a postgraduate diploma in management from IIM, Calcutta.

Rajan Sethuraman, is the Chief Executive Officer of the Company. He holds a Bachelor's degree in Engineering from the BITS, Pilani and a Post Graduate Diploma in Management from the IIM Calcutta. He has more than 13 years of consulting experience, working with the Accenture and KPMG.

Rajan Bala Venkatesan, is the Chief Financial Officer is a Chartered Accountant. He has previously been associated with Financial Software and Systems, Ashok Leyland, Deloitte, Lovelock & Lewes and Mphasis.

Exhibit 1: Consolidated Profit & Loss Statement

Y/E March (₹ cr)	FY2019	FY2020	FY2021	Q1FY21	Q1FY22
Total operating income	**288**	**310**	**306**	**73**	**88**
% chg	*--*	*7.8*	*-1.4*	*--*	*20.3*
Total Expenditure	**215**	**230**	**201**	**51**	**61**
Employee benefits expense	174	198	177	47	50
Other expenses	41	32	24	5	10
EBITDA	**73**	**80**	**105**	**22**	**27**
% chg	*--*	*10.7*	*30.0*	*--*	*24.7*
(% of Net Sales)	*25.2*	*25.9*	*34.2*	*29.7*	*30.8*
Depreciation& Amortization	7	7	7	2	2
EBIT	**66**	**74**	**98**	**20**	**25**
% chg	*--*	*12.5*	*32.4*	*--*	*26.4*
(% of Net Sales)	*22.8*	*23.8*	*31.9*	*27.4*	*28.8*
Finance costs	3	3	3	1	1
Other income	8	19	21	9	4
(% of Sales)	*2.8*	*6.2*	*6.8*	*12.8*	*4.5*
Recurring PBT	**63**	**71**	**95**	**19**	**25**
% chg	*--*	*13.3*	*34.2*	*--*	*27.5*
Exceptional item	-	-	-	-	-
Tax	11	17	24	6	6
PAT (reported)	**60**	**73**	**91**	**23**	**22**
% chg	*--*	*22.1*	*25.6*	*--*	*-2.1*
(% of Net Sales)	*20.7*	*23.5*	*29.9*	*31.2*	*25.4*
Basic & Fully Diluted EPS (Rs)	**3.0**	**3.7**	**4.6**	**1.2**	**1.1**

Source: Company, Angel Research

Exhibit 2: Consolidated Balance Sheet

Y/E March (₹ cr)	FY2019	FY2020	FY2021	Q1FY21	Q1FY22
SOURCES OF FUNDS					
Equity Share Capital	1	1	1	1	1
Other equity	266	347	437	370	461
Shareholders' Funds	**267**	**348**	**438**	**371**	**462**
Total Loans	**36**	**33**	**52**	**55**	**96**
Other liabilities	(30)	(29)	(26)	(27)	(26)
Total Liabilities	**272**	**352**	**463**	**399**	**531**
APPLICATION OF FUNDS					
Property, Plant and Equipment	4	5	5	5	6
Right-of-use assets	33	30	25	29	24
Capital work-in-progress	-	-	-	-	-
Intangible assets	0	0	0	0	0
Non-Current Investments	-	-	91	34	91
Other Non-Current Asset	3	27	3	3	14
Current Assets	**252**	**303**	**365**	**347**	**424**
Inventories	-	-	-	-	-
Investments	99	72	48	44	48
Trade receivables	51	53	61	38	64
Cash and Cash equivalents	79	150	221	213	279
Loans & Other Financial Assets	20	21	26	48	21
Other current assets	3	7	8	5	12
Current Liability	**19**	**14**	**26**	**19**	**27**
Net Current Assets	**232**	**289**	**338**	**329**	**397**
Total Assets	**272**	**352**	**463**	**399**	**531**

Source: Company, Angel Research

Exhibit 3: Consolidated Cash flows

Y/E March (₹cr)	FY2019	FY2020	FY2021	Q1FY21	Q1FY22
Operating profit	**71**	**90**	**116**	**29**	**29**
Net changes in working capital	5	(2)	(5)	23	(8)
Cash generated from operations	8	(4)	(6)	(3)	(0)
Direct taxes paid (net of refunds)	(19)	(21)	(16)	(4)	(4)
Net cash flow from operating activities	**64**	**63**	**90**	**44**	**16**
Purchase of Assets	(2)	(3)	(2)	(0)	(1)
Interest received	1	4	8	3	2
Others	(47)	(34)	(52)	(17)	(19)
Cash Flow from Investing	**(47)**	**(34)**	**(45)**	**(15)**	**(17)**
Repayment (long term borrowings)	(1)	-	23	23	36
Repayment (short term borrowings)	-	-	-	-	-
Proceeds from issue/repayment debentures	-	-	-	-	-
Interest paid	(0)	(0)	(0)	(0)	(0)
Payment of Lease liabilities	(5)	(6)	(6)	(1)	(1)
Dividend Paid	0	0	0	0	0
Cash Flow from Financing	**(6)**	**(5)**	**17**	**22**	**36**
Inc./(Dec.) in Cash	11	24	62	51	34
Acquisition	-	-	-	-	-
Opening Cash balances	**35**	**47**	**75**	**75**	**135**
Closing Cash balances	**47**	**75**	**135**	**127**	**171**

Source: Company, Angel Research

Key Ratios

Y/E March	FY2019	FY2020	FY2021	Q1FY21	Q1FY22
Valuation Ratio (x)					
P/E (on FDEPS)	65.3	53.5	42.6	-	-
P/CEPS	58.4	49.0	39.6	-	-
P/BV	14.6	11.2	8.9	-	-
EV/Sales	13.0	11.9	12.0	-	-
EV/EBITDA	51.7	46.1	35.2	-	-
Per Share Data (Rs)					
EPS (Basic)	3.0	3.7	4.6	1.2	1.1
EPS (fully diluted)	3.0	3.7	4.6	1.2	1.1
Cash EPS	3	4	5	1	1
Book Value	13	18	22	19	23
Returns (%)					
ROE	44.7	23.7	23.3	-	-
ROCE	41.2	22.0	21.5	-	-
Turnover ratios (x)					
Receivables (days)	64	62	73	-	-
Inventory (days)	0	0	0	-	-
Payables (days)	11	5	6	-	-
Working capital cycle (days)	53	57	67	-	-

Source: Company, Angel Research

Disclosure of Interest Statement

1.Financial interest of research analyst or Angel or his Associate or his relative	No
2.Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3.Served as an officer, director or employee of the company covered under Research	No
4.Broking relationship with company covered under Research	No

Ratings(Based on expected returns over 12 months investment period):	Buy (> 15%)	Accumulate (5% to 15%)	Neutral (-5 to 5%)
		Reduce (-5% to -15%)	Sell (< -15%)
		Hold (Fresh purchase not recommended)	