



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst Name: Mayank Babla – 022-67141212

Associate Name: Tanush Mehta – 022-67141241

Q1FY21 Result Update @ Dalal & Broacha

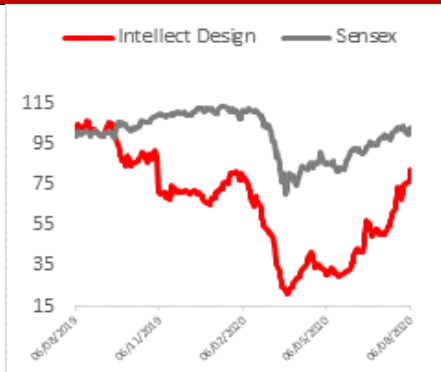
BUY

Current Price	174
Target Price	240
Upside/Downside	38%
52 Week Range	44/231

Key Share Data

Market Cap (Rs.bn)	23
Market Cap (US\$ mn)	307
No of o/s shares (mn)	132
Face Value	5
Monthly Avg. vol(BSE+NSE) Nos'000	362
BSE Code	538835
NSE Code	INTELLECT
Bloomberg	INDA:IN

Price Performance



%	Jun-20	Mar-20
Shareholding		
Promoters	31.35	31.38
Institutions	26.16	26.19
Others	41.76	42.30
Total	100	100

Intellect Q1FY21 results were above our estimates owing to strong growth in the Revenue and improved cost control. The company clocked EBITDA Margins of 20.40%.

The **Revenue** stood at Rs. 3458.9 mn, Flat YoY & -3% QoQ, as against our estimate of Rs. 3088 mn.

Gross Margins - The Gross Margins stood at 54% as against 47% YoY.

Employee Expenses - the expense stood at INR 2156 mn, up by 3% YoY
EBITDA stood at Rs. 713 mn as against Rs. 123 mn YoY, as against our estimate of 138 mn.

R&D and Product development cost: expended during the quarter amounted to Rs. 230 mn as against Rs. 336 mn YoY.

PAT came at INR 426 mn as against Rs. 410 mn YoY, as against our estimate of INR (31) mn

Segment Wise Breakup-

- The license revenue (18% of Topline) was up by 9%YoY to Rs. 605 mn
- AMC revenue (21% of the Revenue) grew by 24% YoY to Rs. 741mn
- Saas revenue (11% of the Revenue) grew by 67% YoY to Rs. 389mn

Order Book -

- License based order book stands at Rs. 11,560 mn vs Rs. 11,500 QoQ.
- Cloud order book stands at Rs. 9500 mn v/s 8250 mn QoQ.
- GeM order book stands intact at Rs. 3000 mn.

Cash & Debt Position

The company closed the quarter with INR 1918 mn and generated operating cash flow of INR 1782 mn. The total debt stood at INR 1348mn reduced by INR 1207 mn. The term loan stood at INR 624 mn.

Collections and Investment in Product Development

The Collections for Q1FY21 stood at INR 4365 Mn; up by INR 983 Mn as against Q1FY20. The Net Days of Sales Outstanding (DSO) is 126 days in Q1 FY21. The Investment in Product Development (Capitalised) is INR 269 Mn

Financials

In INR Mn	Net Sales	% Growth	EBITDA	Margin (%)	PAT	PAT (%)	EPS	Growth (%)	P/E (x)	ROE (%)	ROCE (%)
FY18	10,873	19.0%	787	7.2%	467	4.3%	3.7	N.A.	46.5x	6.7%	6.7%
FY19	14,528	33.6%	1,426	9.8%	1,346	11.4%	10.2	174%	13.8x	18.1%	14.8%
FY20E	13,507	(7.0%)	746	5.5%	159	1.2%	1.2	-88%	143.3x	1.5%	1.5%
FY21E	14,717	9.0%	3,214	21.8%	2,059	14.0%	15.6	1195%	11.1x	17.9%	17.9%
FY22E	16,124	9.6%	3,766	23.4%	2,636	16.4%	20.0	28.0%	8.65	19.1%	19.1%



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Management Comments & Conference Call Key Takeaways –

1. Post December 2019, Monetization phase of long term strategy has begun.
2. Implementation time has reduced to 8 months from 12 months earlier which is making them more competitive to add more customers.
3. *Travel and business development cost stood lower during the quarter thereby improving margins.* Business development cost of 100-150 mn was saved during the quarter.
4. Intellect is having 200 clients which are requiring more solutions.
5. Intellect's **repeat business stood at 93%**
6. In 2019, iGTB drove the growth, in 2020 iGCB drove the growth and Insurance business namely ISEEC will drive the growth in 2021
7. During Covid period the management worked on the cost structure and the current cost structure is stable in nature and is not due to a one-off.
8. The **management also guided that any new deal revenues will now straightly hit the bottom line as most of the costs would remain fixed in nature.**
9. The company closed the iGTB business with 3 new deals. However, more business is coming from existing customers. Customers pacing towards adopting digital and quicker execution due to COVID
10. **iTurmeric** - New product was launched during the year. No revenue is expected for a few quarters. It would take atleast 6 quarters to contribute substantially to the bottom line.
11. A mutli-million dollar deal was won from an African central bank for iGCB. As of now Intellect has 10 central banks as its clients.
12. iSEEC is now being recognized and all the data sources for the product are well aligned. The company is in talks with a US client, signing of the deal would itself give revenue of US\$3mn.
13. **iGTB** – The current funnel of the deal win is very robust. Intellect has 23% market share in cross border transactions across 6 different currencies. Hence, on an annual basis the deal wins in iGTB will be way more than FY20

Outlook & Valuation

This is the 2nd Quarter where intellect performed better than our estimates. We believe the efforts of Intellect are now paying out and the same are reflecting in its numbers. Due to sudden shift of its new client acquisition in FY20 from license to cloud followed by pressure on IT spending by clients on banking software in CY20 made intellect face a lot of headwinds, from which Intellect has come out strongly. Further, the management stand strong in its guidance of FY21 being a year of monetization where focus will be cash flow and generating higher bottom line.

We believe the Topline and cash flow shall remain strong in the coming quarters. Owing to the same, we have revised our estimates upwards. On revision of our estimates, we arrive at an EPS of Rs. 15.6 in FY21E and Rs. 20 in FY22E. The stock is currently trading at P/E of 11.1x FY21E and 8.6x FY22E. We maintain our BUY rating on the stock, albeit with a **Target Price of INR 240**



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INTELLECT DESIGN ARENA					
Particulars	Q1FY21	Q1FY20	Q4FY20	YoY%	QoQ%
Revenue	3,492.00	3,433.00	3,596.00	1.72%	-2.89%
Software Development Expenses	-1,612.00	-1,816.00	-1,669.00	-11.23%	-3.42%
<i>Gross Profit</i>	<i>1,880.00</i>	<i>1,617.00</i>	<i>1,927.00</i>	16.26%	-2.44%
<i>Gross Profit %</i>	<i>53.84%</i>	<i>47.10%</i>	<i>53.59%</i>		
SGA Expenses	-832.00	-1,111.00	-905.00	-25.11%	-8.07%
R&D Expenses	-230.00	-336.00	-236.00	-31.55%	-2.54%
ESOP	-75.00	-28.00	-49.00	167.86%	53.06%
Provisions & Write off	-30.00	-20.00	-98.00	50.00%	-69.39%
EBITDA	713.00	122.00	639.00	484.43%	11.58%
EBITDA %	20.42%	3.55%	17.77%		
Depreciation & Amortization	-192	-166	-191	15.66%	0.52%
Hedge Impact	-33	-6	-16	450.00%	106.25%
Finance Charges	-39	-39	-38	0.00%	2.63%
Other income	29	151	30	-80.79%	-3.33%
Profit Before Tax	478	62	424	670.97%	12.74%
Taxes Paid	-45	-3	-13	1400.00%	246.15%
Profit After Tax	433	59	411	633.90%	5.35%
Reinstatement of Receivables	49	2	-62	2350.00%	- 179.03%
Minority Interest	-58	-28	62	107.14%	-
Adjusted PAT	424	33	411	1184.85%	

Q1FY21 Active Pursuits	Won	Lost	Added	Q4FY20 Active Pursuits	Q3FY20 Active Pursuits	Q1FY20 Active Pursuits	Remarks
8	1	0	2	7	8	7	>INR 50 Cr each
12	1	1	2	12	13	14	INR 30-50 Cr
20	1	3	2	20	20	20	INR 20-30 Cr



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Profit & Loss A/c						Cash Flows (Consolidated)					
YE March (Rs. mn)	FY18	FY19	FY20E	FY21E	FY22E	YE March (Rs. mn)	FY18	FY19	FY20E	FY21E	FY22E
Total Revenue	10,873	14,528	13,507	14,717	16,124	PAT	467.5	1,649.9	159.0	2,059.3	2,636.4
Growth %	19%	34%	-7%	9%	10%	Less: Non Operating Income	(204.3)	(509.0)	(404.6)	(250.4)	(322.5)
Less:						Add: Depreciation	265.3	415.6	689.6	793.7	809.2
Software development exp	5,490	7,372	6,987	7,004	7,695	Add: Interest Paid	138.3	114.4	173.7	246.5	258.2
SG&A	3,872	4,727	4,555	3,555	3,621	Operating Profit before WC Changes	716.2	1,336.4	617.7	2,849.1	3,381.3
R&D	724	1,004	1,219	944	1,042	(Inc)/Dec in Current Assets	(490.1)	(1,862.3)	(1,083.9)	(0.2)	(798.2)
Total Operating Expenditur	10,087	13,102	12,760	11,503	12,358	(Inc)/Dec in Current Liabilities	670.0	812.4	433.2	81.4	599.2
EBIDTA	787	1,426	746	3,214	3,766	Net Cash From Operations	896.1	286.5	(33.1)	2,930.3	3,182.3
Growth %	N.A.	81%	-48%	331%	17%	Cash Flow from Investing Activities					
Less: Depreciation & Amort	265	416	690	794	809	(Inc)/Dec in Fixed Assets	(651.9)	(1,000.6)	(667.8)	(500.0)	(750.0)
EBIT	521	1,010	57	2,420	2,957	(Inc)/Dec in Capital Work In Progress	(579.7)	(314.0)	(838.9)	(120.0)	(200.0)
Growth %	N.A.	94%	-94%	4178%	22%	(Inc)/Dec in Investment (Strategic)	(88.9)	(52.9)	(78.2)	0.0	0.0
Interest Paid	138	114	174	246	258	(Inc)/Dec in Investment (Others)	(360.5)	(166.3)	29.0	(282.1)	(267.5)
Non-operating Income	204	509	405	250	322	Add: Non Operating Income Income	204.3	530.1	481.3	291.0	399.2
Extraordinary Income	0	304	0	0	0	Cash From Investing Activities	(1,052.3)	(715.6)	(1,014.1)	(611.1)	(818.4)
Profit Before tax	587	1,709	287	2,424	3,021	Cash Flow from Financing Activities					
Tax	70	89	51	209	288	(Inc)/Dec in Total Loans	(1,036.7)	(279.7)	1,198.3	(650.0)	(350.0)
Net Profit before Minority	517	1,619	237	2,215	2,733	(Inc)/Dec in Reserves & Surplus	1,568.3	528.2	93.8	0.0	0.0
Minority Interest	49	-31	78	156	97	Less: Interest Paid	(138.3)	(114.4)	(173.7)	(246.5)	(258.2)
Net Profit	467	1,650	159	2,059	2,636	Net Cash from Financing Activities	350.5	(151.1)	1,114.1	(896.5)	(608.2)
Adjusted Profit	467	1,346	159	2,059	2,636	Net Inc/Dec in cash equivalents	194.3	(580.3)	66.9	1,422.7	1,755.8
Growth %	N.A.	188%	-88%	1195%	28%	Opening Balance	1,314.5	1,508.8	928.5	946.3	2,484.4
Reported Diluted EPS Rs	3.7	12.5	1.2	15.6	20.0	Closing Cash and Cash Equivalents	1,508.8	928.5	995.4	2,369.0	4,240.2
Adjusted Diluted EPS Rs	3.7	10.2	1.2	15.6	20.0						

Balance Sheet (Consolidated)						Key Ratios (Consolidated)					
YE March (Rs. mn)	FY18	FY19	FY20E	FY21E	FY22E	YE March (Rs. mn)	FY18	FY19	FY20E	FY21E	FY22E
Liabilities						Key Operating Ratios					
Equity Capital	628	659	662	662	662	EBITDA Margin (%)	7.2%	9.8%	5.5%	21.8%	23.4%
Reserves & Surplus	7,392	9,538	9,788	11,848	14,484	Tax / PBT (%)	12.0%	5.2%	17.7%	8.6%	9.5%
Equity	8,019	10,197	10,450	12,509	15,146	Net Profit Margin (%)	4.3%	11.4%	1.2%	14.0%	16.4%
Preference Share Capital						RoE (%)	6.7%	18.1%	1.5%	17.9%	19.1%
Net Worth	8,019	10,197	10,450	12,509	15,146	RoCE (%)	6.7%	14.8%	1.5%	17.9%	19.1%
Minority Interest	100	90	118	274	371	Current Ratio (x)	1.7x	1.7x	1.7x	2.0x	2.2x
Net Deferred tax liability/(.)	-156	-442	-447	-447	-447	Dividend Payout (%)	0.0%	0.0%	0.0%	0.0%	0.0%
Other LT Liabilities	1	2	2	2	2	Book Value Per Share (Rs.)	63.9	77.4	79.3	94.9	114.9
Total Loans	1,287	1,007	2,206	1,556	1,206	Financial Leverage Ratios					
Capital Employed	9,251	10,855	12,329	13,895	16,278	Debt/ Equity (x)	0.2x	0.1x	0.2x	0.1x	0.1x
Assets						Interest Coverage (x)	5.7x	12.5x	4.3x	13.0x	14.6x
Gross Block	5,206	6,206	6,874	7,374	8,124	Interest / Debt (%)	3.0%	2.5%	0.0%	0.0%	#REF!
Less: Depreciation	2,814	3,230	3,919	4,713	5,522	Growth Indicators %					
Net Block	2,391	2,976	2,955	2,661	2,602	Sales Growth (%)	19.0%	33.6%	(7.0%)	9.0%	9.6%
Intangible Assets	1,963	2,277	3,115	3,235	3,435	EBITDA Growth (%)	N.A.	81.3%	(47.7%)	330.7%	17.2%
Investments	472	524	603	603	603	Net Profit Growth (%)	N.A.	253.0%	(90.4%)	1194.9%	28.0%
Goodwill	348	364	304	304	304	Diluted EPS Growth (%)	N.A.	187.9%	(88.2%)	1194.9%	28.0%
LT Loans & Advances	1,200	1,366	1,337	1,619	1,886						
Current Assets						Valuation Ratios					
Sundry Debtors	2,412	2,027	2,847	3,024	3,313	YE March (Rs. mn)	FY18	FY19	FY20E	FY21E	FY22E
Current Investments	207	156	166	166	166	P/E (x)	46.5x	13.8x	143.3x	11.1x	8.6x
Cash and Bank Balance	1,509	929	946	2,484	4,260	P/BV (x)	2.7x	2.2x	2.2x	1.8x	1.5x
Loans and Advances	53	65	66	88	97	EV/EBIDTA (x)	27.3x	16.0x	32.2x	6.8x	5.2x
Other Current Assets	2,902	5,187	5,441	5,242	5,743	EV/Sales	2.0x	1.6x	1.8x	1.5x	1.2x
Total Current Assets	7,082	8,364	9,466	11,004	13,578	Market Cap./ Sales (x)	2.0x	1.6x	1.7x	1.5x	1.4x
Less: Current Liabilities & Provisions											
Sundry Creditors	1,166	1,664	2,080	2,073	2,100						
Provisions	321	427	427	442	484						
Other Current Liabilities	2,717	2,926	2,944	3,017	3,547						
Total Current Liabilities & P	4,205	5,017	5,450	5,532	6,131						
Miscellaneous Assets											
Capital Applied	9,251	10,855	12,329	13,895	16,278						



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