

# Latentview Analytics Limited

Nifty: 24,951 CMP: Rs. 515 Target Price: Rs. 635 Rating: Buy

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Latent View Analytics (LATENTVIEW) reported a revenue growth of 21% YoY and 4% QoQ in the 1QFY25, aligning broadly with expectations despite a challenging macroeconomic environment and sluggish deal signing. The management has adjusted its guidance down to 16-18% from the previous 18-20%, expressing confidence in meeting the lower end of the guidance for FY25. The company saw a 5% QoQ decline in EBITDA, with margins decreasing by ~200 bps QoQ. This decline was attributed to wage hikes, one-off visa fees, and advisory fees related to the acquisition of Decimal Point Analytics, which was completed on July 1, 2024. The integration of Decimal Point Analytics is ongoing, and combined results are expected in the next quarter. With this acquisition, an additional \$11.2 million in revenue is anticipated for FY25, indicating a potential 30% increase in revenue. Despite short-term caution due to the uncertain macro environment, the long-term outlook for LATENTVIEW remains optimistic, with solid growth levers in place regarding skill set, hiring, and technology.

## Management call Highlights:

### Business Environment and Gen AI:

- **Macro Environment:** Challenging with a slower start to the quarter as some projects began in May/June instead of April. Sluggishness observed in industrial, consumer, and retail sectors, but slight traction seen in technology due to Generative AI (Gen AI).
- **Gen AI Outlook:** Positive outlook with Gen AI moving from pilot to production stages. A strong pipeline of \$4 million (5% of FY24 revenue) worth of near-closure conversations.
- **Client Acquisition:** 8 new clients acquired, including 2 Fortune 500 companies. A few deals close to \$0.5 million. Europe remains a tough market with 6 logos in the signing process, potentially contributing 3% to revenue.
- **Decision Point Acquisition:** Integration impact expected in 2QFY25, with significant synergies in consumer and industrial verticals. Beagle GPT generated \$1 million revenue.

### Financials:

- **EBITDA Margins:** Contracted due to wage hikes (1.2% of the contraction), one-off visa costs, and advisory fees (Rs 0.9-1 crore) due to the acquisition (0.9% of the contraction). These impacts should dissipate in subsequent quarters.
- **Other Income:** Increased by 10% QoQ due to losses recorded in 4QFY24 from intercompany loans to subsidiaries.
- **PAT:** Lower due to EBITDA impact and 10AA benefits for SEZ clients expiring. FY24 saw significant tax breaks from ESOP

exercises; 80% benefits were booked last year, and 20% will be booked staggered. Effective Tax Rate (ETR) will be 20-25%.

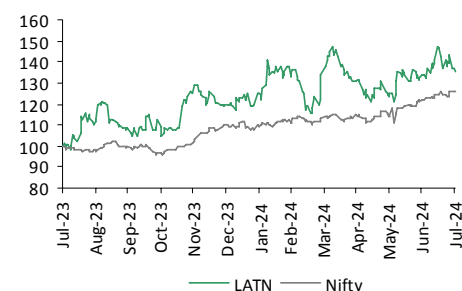
- **Cash Reserves:** Rs 1,133 crore, with Rs 330 crore allocated for acquisition investments, Employee Headcount: 1,261 with 60+ new hires in the quarter. Net headcount lower than 4QFY24 due to typical 1Q attrition.

### Guidance for FY25 and Strategy:

- **Revenue Growth:** Forecasted at 16-18%. Lower end of guidance is achievable despite macroeconomic risks. EBITDA margins expected to be around 23% by 3QFY25 due to reduced visa and professional costs.
- **Order Pipeline:** Current \$45 million pipeline at various completion stages. Confirmed revenue (signed deals and high-probability extensions) amounts to 10-12%.
- **Talent Strategy:** Currently employing 250 people in data engineering, working across platforms like Snowflake, Databricks, and Microsoft Fabric. Focus on developing expertise in Databricks and Microsoft Fabric. Talent additions will include high-end architecture skills and certified professionals.
- **Domain Expertise Focus:** Financial services (banking and insurance), industrial (automotive), and retail. Aim to make retail and supply chain offerings more specific, similar to the CPG space. In CPG, focus on R&D and innovation (smart innovation solution), on-shelf availability (connected view solution), and revenue growth management (Decision Point acquisition).

Shareholding (%)	Jun-24
Promoters	65.4
FII's	2.39
DII's	4.46
Others	27.75

### Relative Price Performance



Key Data	
BSE Code	543398
NSE Symbol	LATENTVIEW
Bloomberg Code	LATENTVIEW
Reuters Code	LATN.NS
Shares Outstanding (mn)	206
Face Value	1
Mcap (RS. bn)	107
52 Week H/L	575/371
Current Market Price (Rs.)	515
Target price (Rs.)	635

(RS. mn)	FY24	FY25E	FY26E	FY27E	CAGR FY24-27E
Revenue	6,406	8,159	10,153	12,986	27%
EBITDA	1,360	1,808	2,331	3,182	33%
EBITDA Margins	21.2%	22.2%	23.0%	24.5%	327bps
PAT	1,586	1,729	2,236	2,956	23%
EPS (Rs. per share)	7.7	8.4	10.9	14.4	23%
PE Multiple (x)	68	61	47	36	

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Quarterly Financials

(Rs in mn)	1QFY25	1QFY24	YOY (%)	4QFY24	QoQ (%)	Est	Dev (%)
<b>Revenues (\$mn)</b>	<b>21.44201</b>	<b>17.95963</b>	<b>19.4</b>	<b>20.6654</b>	<b>3.8</b>	<b>21.32531</b>	<b>0.5</b>
<b>Revenue</b>	<b>1,789</b>	<b>1,477</b>	<b>21.1</b>	<b>1,716</b>	<b>4.2</b>	<b>1,776</b>	<b>0.7</b>
Employee benefit cost	1,216	1,003	21.2	1,143	6.4	1,218	-0.2
Other Expenses	190	193	-1.3	169	12.7	178	7.3
<b>EBITDA</b>	<b>383</b>	<b>281</b>	<b>36.2</b>	<b>404</b>	<b>-5.3</b>	<b>380</b>	<b>0.6</b>
Dep & Amortisation	29.3	24.0	22.0	24.5	-10.4	24.0	-143.2
Other income	174.3	179.0	-2.6	158.0	-101.7	192.5	-152.8
<b>EBIT</b>	<b>517</b>	<b>436</b>	<b>18.5</b>	<b>538</b>	<b>-3.9</b>	<b>549</b>	<b>-5.9</b>
Finance Cost	6.6	8.0	-17.5	7.0	-5.7	8.0	-17.5
<b>PBT</b>	<b>510.1</b>	<b>428.0</b>	<b>19.2</b>	<b>530.5</b>	<b>-3.9</b>	<b>540.9</b>	<b>-5.7</b>
Tax	134.5	100.0	34.5	77.9	72.6	138.5	-2.9
<b>PAT</b>	<b>376</b>	<b>328</b>	<b>14.5</b>	<b>453</b>	<b>-17.0</b>	<b>402</b>	<b>-6.7</b>
Equity	206	204.9	0	205.9	0		
Face Value	1.00	1.00	-	1.00	-		
EPS	1.82	1.60	13.9	2.20	-17.1	2.0	-6.7
<b>% of Sales</b>							
Employee Expenses	68%	68%	1bps	67%	2bps	69%	-1bps
Other Expenses	11%	13%	-3bps	10%	1bps	10%	1bps
EBITDA Margin (%)	21.4	19.0	237bps	23.5	-216bps	21.4	-4bps
EBIT Margin (%)	28.9	29.5	-64bps	31.3	-244bps	30.9	-203bps
PAT Margin (%)	21.0	22.2	-122bps	26.4	-538bps	22.7	-167bps

- EBIT grew 21%YoY to Rs528mn vs our Est of Rs549mn. EBIT margin fell by 3bps YoY and 183bpsQoQ to 29.5% vs our Est of 30.9%
- PAT rose by 18% YoY and dropped 14%QoQ to Rs387mn vs our Est of Rs402mn
- On boarded 2 client partners having network and relationships in technology and automotive
- Added 4 clients in CPG, power and media space
- Marketing initiatives such as roundtable conferences underway

Particulars (Y/E March)	Old Estimates			New Estimates (with impact of acquisition)			Change in Estimates		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	7,599	9,228	11,945	8,159	10,153	12,986	7%	10%	9%
EBITDA	1,656	2,035	2,956	1,808	2,331	3,182	9%	15%	8%
EBITDA margin	21.8%	22.1%	24.7%	22.2%	23.0%	24.5%	37bps	91bps	-25bps
PAT	1,708	2,075	2,869	1,729	2,236	2,956	1%	8%	3%
EPS (Rs. per share)	8.3	10.1	13.9	8.4	10.9	14.4	1%	8%	3%

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We have integrated the financials of Decision Point Analytics into LATENTVIEW, resulting in a significant increase in our numbers. Although we do not have precise figures, we have a general understanding of the company's financials and will review our numbers once the final figures are released in the 2QFY25 result update. The following assumptions have been made:

**Revenue Assumptions:** Decision Point Analytics's revenue for FY24 is \$12.8 million which is expected to grow at a rate of 25-30% annually. LATENTVIEW currently holds a 70% stake in the company, which is planned to increase to 80% by FY26 and 100% by FY27.

**Employee Cost Calculation:** Employee costs are calculated by linking the headcount of each company to the cost per employee. The cost per employee for LATENTVIEW is derived from historical data. The cost per employee for Decision Point Analytics is based on the average salary posted on Glassdoor. (avg Rs 16-23 LPA)

	FY25	FY26	FY27
Revenue (\$mn)	16	16	20
% YoY	25%	25%	25%
LATENTVIEW'S stake \$ mn)	11.2	11.2	16
LATENTVIEW'S stake (Rs mn) (1USD= Rs. 83.43)	701	701	1,335
LATENTVIEW revenue (Rs mn)	7,459	7,459	8,818
Total Revenue (Rs mn)	8,159	8,159	10,153
Employee Cost (Rs mn)	5,488	5,488	6,776
Other Expenses (Rs mn)	863	863	1,046
EBITDA (Rs mn)	1,808	1,808	2,331

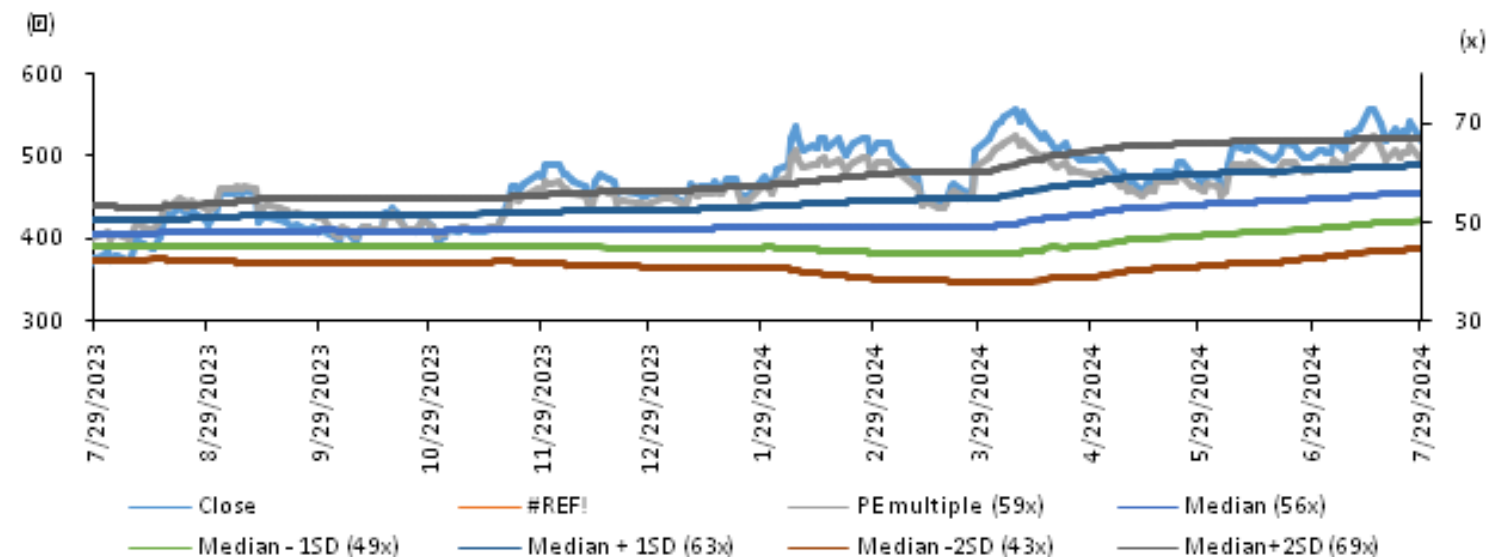
### Outlook and Valuation

LATENTVIEW faces a challenging short-term macroeconomic environment with slower project starts and margin pressures due to wage hikes and acquisition-related costs. However, the mid-term outlook is positive, with Generative AI projects moving to production stages and significant synergies expected from the Decision Point Analytics acquisition, which will add \$11.2 million in revenue for FY25. Long-term prospects remain optimistic, driven by strong growth levers in skills, hiring, and technology, as well as targeted expertise in Data bricks and Microsoft Fabric and enhanced domain-specific solutions in financial services, industrial, and retail sectors. The company forecasts 16-18% revenue growth for FY25 and anticipates EBITDA margins improving to 23% by 3QFY25, supported by a confirmed revenue pipeline and strategic focus areas in CPG.

With the addition of Decision Point, we expect Revenue/EBITDA/PAT CAGR of 26%/33%/23%. Using a median PE multiple of 55x (currently trading at a PE multiple of 66x) on an EPS of Rs 11.6 for the year ending June 2026, we estimate a target price of Rs 635 per share, suggesting a potential 24% upside from the current market price of Rs 515.

EPS for year ending June-26E (Rs mn)	11.6
P/E Multiple (x)	55
Target price	636
CMP	515
Upside	24%
Previous target price	592
Difference	7%

### PE chart



## Financials

### Income Statement

Y/E Mar (RS. mn)	FY24	FY25E	FY26E	FY27E
<b>Net sales USD mn</b>	<b>77</b>	<b>101</b>	<b>122</b>	<b>156</b>
<b>Net sales</b>	<b>6,406</b>	<b>8,159</b>	<b>10,153</b>	<b>12,986</b>
Employee cost	4,338	5,488	6,776	8,506
Other Expenses	708	863	1,046	1,299
<b>EBITDA</b>	<b>1,360</b>	<b>1,808</b>	<b>2,331</b>	<b>3,182</b>
Depreciation	97	104	129	139
<b>EBIT</b>	<b>1,263</b>	<b>1,704</b>	<b>2,202</b>	<b>3,042</b>
Other Income	737	653	832	959
Interest cost	30	31	29	28
<b>Profit Before Tax</b>	<b>1,970</b>	<b>2,326</b>	<b>3,005</b>	<b>3,973</b>
Tax	384	597	769	1,017
<b>PAT</b>	<b>1,586</b>	<b>1,729</b>	<b>2,236</b>	<b>2,956</b>

### Key Ratios

Y/E	FY24	FY25E	FY26E	FY27E
<b>Per Share Data (RS.)</b>				
EPS	7.7	8.4	10.9	14.4
Book value	66.8	75.1	86.0	100.4
<b>Return Ratios (%)</b>				
ROE	12.3%	11.8%	13.5%	15.4%
ROCE	14.3%	15.0%	16.9%	19.1%
Ex cash ROCE	14.5%	14.7%	17.5%	22.0%
<b>Margin</b>				
EBITDA Margin	21.2%	22.2%	23.0%	24.5%
Effective Tax Rate	19.5%	25.6%	25.6%	25.6%
PAT Margin	24.8%	21.2%	22.0%	22.8%
<b>Liquidity Ratios</b>				
Net Debt/Equity	1.7%	1.3%	1.0%	0.8%
Interest coverage ratio	42.39	55.68	75.92	108.65
Current Ratio	20.03	16.80	18.32	15.86
<b>Efficiency Ratios</b>				
Asset Turnover Ratio	23.28	2.16	2.38	2.28
Working Capital (in days)	59	57	53	48
Debtors (in days)	64	64	60	55
Creditors (in days)	6	7	7	7
<b>Valuation Ratios</b>				
P/E(x)	65	60	46	35
P/BV(x)	7	7	6	5
Dividend Yield (%)	-	-	-	-
Total cash	10,915	9,135	10,676	12,042
Shares	206	206	206	206
Cash per share	53.01	44.35	51.82	58.46
Dep/NFA	35%	3%	3%	2%
Net debt	-3,918	-2,935	-2,996	-882

### Balance Sheet

Y/E Mar (RS. mn)	FY24	FY25E	FY26E	FY27E
Share capital	206	206	206	206
Reserves and surplus	13,538	15,267	17,503	20,459
<b>Total Net worth</b>	<b>13,744</b>	<b>15,473</b>	<b>17,709</b>	<b>20,665</b>
Trade Payable	100	123	156	195
Long term borrowings and lease liability	190	160	150	140
Short term borrowing and lease liability	50	40	30	20
<b>Total Debt</b>	<b>240</b>	<b>200</b>	<b>180</b>	<b>160</b>
Other Liabilities	475	475	475	475
<b>Total Liabilities</b>	<b>14,558</b>	<b>16,271</b>	<b>18,520</b>	<b>21,494</b>
Net Fixed Assets	275	3,775	4,266	5,686
Investments	6,758	6,000	7,500	11,000
Trade Receivables	1,131	1,123	1,341	1,530
Cash and bank balances	4,158	3,135	3,176	1,042
Other assets	2,237	2,237	2,237	2,237
<b>Total Assets</b>	<b>14,558</b>	<b>16,271</b>	<b>18,520</b>	<b>21,494</b>

### Cash Flow

Y/E Mar (RS. mn)	FY24	FY25E	FY26E	FY27E
PBT	1,970	2,326	3,005	3,973
Depreciation and amortisation expense	97	104	129	139
Finance costs	22	31	29	28
Changes in working capital	46	31	(184)	(150)
Taxes	(302)	(597)	(769)	(1,017)
others	(678)	-	-	-
<b>Cash flow from operations (A)</b>	<b>1,154</b>	<b>1,895</b>	<b>2,210</b>	<b>2,973</b>
Purchase of property, plant & equipment	(46)	(252)	(142)	(122)
Purchase of investments	(5,484)	758	(1,500)	(3,500)
<b>Net cash (used in)/ generated from investing activities (B)</b>	<b>(5,530)</b>	<b>506</b>	<b>(1,642)</b>	<b>(3,622)</b>
Finance costs paid	(22)	(31)	(29)	(28)
<b>Net cash flow from / (used in) financing activities (c)</b>	<b>(22)</b>	<b>(31)</b>	<b>(29)</b>	<b>(28)</b>
<b>Net increase / (decrease) in cash and cash equivalents (A+B+C)</b>	<b>(4,398)</b>	<b>2,370</b>	<b>539</b>	<b>(677)</b>
Cash and cash equivalents at the beginning of the year	534	1,650	1,001	1,001
Effect of exchange differences on restatement of foreign currency on Cash and cash equivalents	10	-	-	-
Cash and cash equivalents at the end of the year	1,650	1,001	1,001	1,001
FCF	1,108	1,643	2,068	2,851

Source: Company, Arete securities Research

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