

Latentview Analytics Limited

CMP: Rs. 467 Target Price: Rs. 663 (+3%) Rating: Buy

Computers - Software & Consulting

In Q2FY25, LatentView Analytics (Latentview) posted 34%YoY/ 17%QoQ revenue growth, driven by the addition of Decision Point's revenue, which contributed Rs. 225mn, alongside organic growth of 20% YoY/ 4%QoQ. The company's EBITDA rose by 47% YoY/ 18%QoQ, attributed largely to revenue gains, while EBITDA margins remained steady at 21.7%, with slight growth (2 bps YoY/1 bps QoQ). Profit after tax (PAT) increased 20% YoY/5%QoQ, despite higher non-operating costs due to the merger, offset by strong revenue growth. LatentView anticipates significant opportunities in the data, analytics, and AI services market, which is expected to expand from approximately \$125bn to \$165bn by 2026. The company estimates that 40-45% of this market will be outsourced, with India holding 45% market share.

Analyst Meet Update

- Data, Analytics, and AI service market is projected to reach \$165 billion by 2026.
- AI/ML and advanced analytics (36% of current revenue) expected to grow at a 25% CAGR.
- Data visualization (34% of current revenue) anticipated to grow at 9% CAGR.
- Data engineering (30% of current revenue) expected to expand at a 23% CAGR.
- Global Data and Analytics outsourcing market was \$9 billion in 2023 and is expected to grow at a 32% CAGR by 2030.
- During the pandemic, the EBITDA margin reached 30% due to an onshore-to-offshore ratio of 1:6 (higher offshore presence). This ratio has since normalized to 85% offshore.
- Post-IPO, the company significantly expanded its sales team, growing from 3 to 16 in the US and establishing a 9-member team in the UK. This team is expected to support an additional \$50-60 million in revenue with current resources.
- FY25 revenue target set at \$100 million. Expected revenue of \$200-220 million by FY27-28.
- Forecasted growth rates: AI/ML and advanced analytics at 45%, data engineering at 30%, and data visualization at 23%.

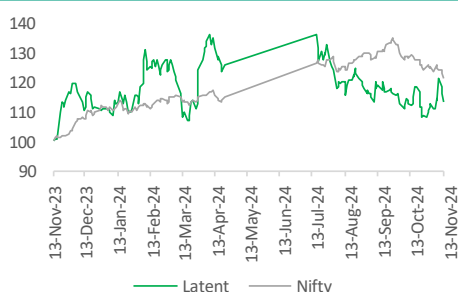
- Within data engineering, data governance and data authenticity, along with collation from multiple sources, remain challenging areas.
- Managed services, which represent 70% of the workload, are longer-term contracts. As the data analytics industry matures, these engagements are expected to lengthen

Outlook & Valuation

LatentView appears to be well-positioned for growth, particularly with its focus on high-growth sectors like BFSI and CPG/Retail, which are projected to have a CAGR of 30-35%. Additionally, the company is bolstering its data engineering and advanced analytics capabilities, which are expected to grow at a CAGR of 45% and 30%, respectively. These strengths are further supported by strategic partnerships with companies like Databricks, which will help LatentView solidify its position in the expanding analytics market. LatentView has set an ambitious revenue target of \$200-220mn by 2026, with an emphasis on AI/ML and advanced analytics (projected CAGR of 45%) and data analytics (CAGR of 30%), particularly in the BFSI and CPG/Retail sectors. The company is expected to achieve a Revenue/EBITDA/PAT CAGR of 28%/34%/24%. Using a median PE multiple of 55x (currently trading at 57x) and an estimated EPS of Rs 12.1 for the year ending September 2026, the target price for LatentView's shares is Rs 663, implying a potential upside of 42% from the current market price of Rs 467.

Shareholding (%)	Sept-24
Promoters	65.39
FII's	2.66
DII's	3.65
Others	28.30

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)	96.8
52 Week H/L (Rs)	575/411
Current Market Price (Rs.)	467
Target price (Rs.)	663

(Rs. mn)	FY24	FY25E	FY26E	FY27E	CAGR FY24-27E
Revenue	6,406	8,351	10,522	13,583	28%
EBITDA	1,360	1,837	2,437	3,290	34%
EBITDA Margins	21.2%	22.0%	23.2%	24.2%	300bps
PAT	1,586	1,737	2,269	3,054	24%
EPS (Rs)	7.7	8.4	11.0	14.8	24%
PE Multiple (x)	61	55	42	32	

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Quarterly Financials

Particulars (Rs mn)	2QFY25	2QFY24	YOY	1QFY25	QoQ	1HFY25	1HFY24	YoY
Revenue	2,090	1,557	34%	1,789	17%	3,878.8	3033.8	28%
EBITDA	453	308	47%	383	18%	835.9	589.2	42%
EBITDA Margin (%)	21.7%	19.8%	2bps	21.4%	1bps	21.5%	19.4%	3bps
PAT	408	341	20%	387	5%	794.1	668.52	19%
PAT Margin (%)	19.5%	21.9%	-3bps	21.6%	-3bps	20.5%	22.0%	-2bps

Change in Estimates

Particulars (Y/E March) (Rs mn)	Old Estimates			New Estimates			Change in Estimates		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	8,159	10,153	12,986	8,351	10,522	13,583	2%	4%	5%
EBITDA	1,808	2,331	3,182	1,837	2,437	3,290	2%	5%	3%
EBITDA margin	22.2%	23.0%	24.5%	22.0%	23.2%	24.2%	-20bps	16bps	-28bps
PAT	1,729	2,236	2,956	1,737	2,269	3,054	0%	1%	3%
EPS (Rs)	8.4	10.9	14.4	8.4	11.0	14.8	0%	1%	3%

Financials

Income Statement

Y/E Mar (Rs. mn)	FY24	FY25E	FY26E	FY27E
Net sales (USD mn)	93	100	126	162
Net sales	6,406	8,351	10,522	13,583
<i>YoY growth</i>	<i>18.9%</i>	<i>30.4%</i>	<i>26.0%</i>	<i>29.1%</i>
Employee cost	4,338	5,686	7,040	8,934
Other Expenses	708	828	1,045	1,358
EBITDA	1,360	1,837	2,437	3,290
<i>YoY growth</i>	<i>-6.2%</i>	<i>35.1%</i>	<i>32.6%</i>	<i>35.0%</i>
Depreciation	97	242	252	276
EBIT	1,263	1,595	2,185	3,014
Other Income	737	800	880	1,100
Interest cost	30	30	32	32
Profit Before Tax	1,970	2,365	3,033	4,082
Tax	384	628	764	1,029
PAT	1,586	1,737	2,269	3,054
<i>YoY growth</i>	<i>2.0%</i>	<i>9.5%</i>	<i>30.6%</i>	<i>34.6%</i>

Key Ratios

Y/E (Rs mn)	FY24	FY25E	FY26E	FY27E
Per Share Data (Rs.)				
EPS	7.7	8.4	11.0	14.8
Book value per share	66.8	77.6	88.6	103.4
Return Ratios (%)				
ROE	12.3%	11.7%	13.3%	15.4%
ROCE	14.3%	14.0%	15.8%	18.3%
Ex cash ROCE	34.7%	24.6%	32.6%	42.6%
Margin				
EBITDA Margin	21.2%	22.0%	23.2%	24.2%
Effective Tax Rate	19.5%	26.5%	25.2%	25.2%
PAT Margin	24.8%	20.8%	21.6%	22.5%
Liquidity Ratios				
Net Debt/Equity	1.7%	1.6%	1.4%	1.2%
Interest coverage ratio	42.39	52.69	68.28	94.20
Current Ratio	20.03	17.44	19.33	21.33
Efficiency Ratios				
Asset Turnover Ratio	23.28	5.33	6.60	8.39
Working Capital(in days)	59	60	53	53
Creditors (in days)	6	7	7	7
Valuation Ratios				
P/E(x)	65	59	45	34
P/BV(x)	7	6	6	5
Shares mn	206	206	206	206
Cash per share	53.01	54.43	64.49	77.66
Debt	240	259	259	259
Cash	4,158	4,212	5,284	5,999

Balance Sheet

Y/E Mar (Rs. mn)	FY24	FY25E	FY26E	FY27E
Share capital	206	206	206	206
Reserves and surplus	13,538	15,275	17,543	20,597
Non-Controlling interest		493	493	493
Total Network	13,744	15,974	18,242	21,296
Trade Payables	100	123	160	202
Long term borrowings and lease liability	190	209	209	209
Short term borrowing and lease liability	50	50	50	50
Total Debt	240	259	259	259
Other Liabilities	475	1,328	1,319	1,319
Total Liabilities	14,558	17,683	19,980	23,075
Net Fixed Assets	275	1,566	1,594	1,618
Investments	6,758	7,000	8,000	10,000
Trade Receivables	1,131	1,176	1,373	1,730
Cash and bank balances	4,158	4,212	5,284	5,999
Other assets	2,237	3,729	3,729	3,729
Total Assets	14,558	17,683	19,980	23,075

Cash Flow

Y/E Mar (Rs. mn)	FY24	FY25E	FY26E	FY27E
PBT	1,970	2,365	3,033	4,082
Depreciation and amortisation expense	97	242	252	276
Finance costs	22	30	32	32
Changes in working capital	46	(1,370)	(168)	(315)
Taxes	(302)	(628)	(764)	(1,029)
Others	(678)	493	-	-
Cash flow from operations (A)	1,154	1,132	2,384	3,046
Purchase of property, plant and equipment	(46)	(260)	(280)	(300)
Purchase of investments	(5,484)	(242)	(1,000)	(2,000)
Net cash (used in)/ generated from investing activities (B)	(5,530)	(502)	(1,280)	(2,300)
Finance costs paid	(22)	(30)	(32)	(32)
Net cash flow from / (used in) financing activities (C)	(22)	(30)	(32)	(32)
Net increase / (decrease) in cash and cash equivalents (A+B+C)	(4,398)	600	1,072	714
Cash and cash equivalents at the beginning of the year	534	1,650	2,269	3,341
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	2,269	3,341	4,055
Free cash flow	1,108	872	2,104	2,746

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