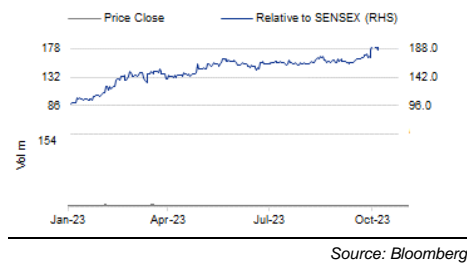




India

HOLD (Initiating coverage)

Consensus ratings*:	Buy 5	Hold 1	Sell 0
Current price:	Rs761		
Target price:	Rs826		
Previous target:	NA		
Up/downside:	8.5%		
EIP Research / Consensus:	13.3%		
Reuters:			
Bloomberg:	SSOF IN		
Market cap:	US\$2,569m		
	Rs213,389m		
Average daily turnover:	US\$8.5m		
	Rs708.8m		
Current shares o/s:	277.8m		
Free float:	70.8%		
*Source: Bloomberg			



Price performance	1M	3M	12M
Absolute (%)	1.2	36.9	159.8
Relative (%)	0.7	25.4	120.5

Major shareholders	% held
Hemendra M Kothari	9.1
HDFC Mutual fund	8.2
HSBC Midcap Fund	3.8

Research Analyst(s)

Tushar WAVHAL
T (91) 22 4161 1544
E tushar.wavhal@incredresearch.com
Abhishek SHINDADKAR
T (91) 22 4161 1543
E abhishek.shindadkr@incredresearch.com
Smit GOSRANI
T (91) 22 4161 1544
E smit.gosrani@incredresearch.com

Sonata Software

A story worth telling

- Microsoft Fabric could be one of the growth vectors in doubling IT services revenue over FY23-FY26F.
- Domestic business continues to be an anchor for absolute profit growth.
- Initiate coverage with a HOLD rating, given its +2SD valuation & also as we await a better entry point.

Microsoft (MSFT) offerings remain a growth pillar

Sonata Software's (SSOF) 30+ years of relationship with Microsoft as a partner, organic investments in building domain-based capabilities, periodic recognitions from Microsoft and M&A to strengthen Microsoft practice could aid the growth in International IT services (~67% of PAT in 1HFY24) and Domestic business (~33% of PAT).

MSFT Fabric could be one of the growth vector in doubling revenue

Microsoft highlighted that its recently launched Fabric solution (data analytics platform for the era of AI) is gaining traction with 16,000 active customers (vs. 8,000 customers in 4QFY23) including >50% Fortune 500 clients. SSOF, being among the launch partners, out of the nine globally, provides 1) significant growth opportunity (active conversations with 70 clients), 2) early mover advantage to work closely with MSFT product engineering teams, and 3) invaluable experience from testing the solution.

Diversifying revenue stream could aid stability

SSOF's IT services growth strategy is to a) scale financial services (FSI, 21% of 2QFY24 IT services revenue) and Healthcare/Life science verticals (11%) in addition to the strength in Technology, Media & Telecom (27%) and Retail, TTH & Manufacturing (36%), b) invest in sales & marketing across North Americas, Europe and Asia Pacific to win large deals (won US\$160m 10year largest deal in 4QFY23 and another largest deal in Europe in 1QFY24), and add logos (four clients from Fortune 50 in 2QFY24 vs. two in 1QFY23), and c) build solutions and capabilities. Together, we believe, it could drive a 17.5% IT services US\$ revenue CAGR over FY24F-26F.

Leadership with a proven track record

CEO & MD Mr. Samir Dhir's experience in managing a large P&L, running SAP business, integrating large acquisitions (acquired Quant), and ability to hire leaders from the industry could be critical SSOF's ambition of doubling IT services revenue by FY26F end.

Initiate coverage with a HOLD rating and a target price of Rs826

We expect IT services/domestic revenue to grow 17.5%/20.9% CAGR over FY24F-26F in US\$/Rsm terms, respectively, and expect a ~26% PAT (Rs) CAGR over the same period. We have assigned a ~1.1 PEG for IT Services business and ~1.5 PEG for domestic business to arrive at a target multiple of ~32x and ~25x, respectively, and a target price of Rs826. Material revenue beat is an upside risk while weakness in top clients, leadership attrition and valuation, which is above +2SD, are key downside risks.

Financial Summary	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue (Rsm)	55,534	74,491	83,196	102,132	121,128
Operating EBITDA (Rsm)	4,638	6,041	7,766	9,365	11,181
Net Profit (Rsm)	3,765	4,519	4,794	6,094	7,628
Core EPS (Rs)	13.6	16.3	17.3	21.9	27.5
Core EPS Growth	54.3%	20.0%	6.1%	27.1%	25.2%
FD Core P/E (x)	56.15	46.78	44.09	34.69	27.71
DPS (Rs)	21.0	15.8	8.3	12.1	15.1
Dividend Yield	1.38%	1.04%	1.09%	1.59%	1.98%
EV/EBITDA (x)	43.60	33.44	25.79	21.68	18.17
P/FCFE (x)	52.51	100.10	38.56	31.41	24.99
Net Gearing	(83.2%)	(72.0%)	(71.6%)	(45.6%)	(38.0%)
P/BV (x)	19.23	16.25	13.64	11.59	9.75
ROE	37.6%	37.7%	33.6%	36.1%	38.2%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Investment Arguments

Microsoft offerings remain a growth pillar

SSOF's relationship with Microsoft (MS) has completed 30+ years and has evolved from marketing Microsoft's technologies to Indian businesses (now a part of the domestic business) to delivering product engineering, customer support & internal IT applications to Microsoft and implementing Microsoft products to end-clients across geographies and verticals.

Organic investments, go-to-market strategy and strong execution through focused industry {Technology, Media & Telecommunications (TMT), Retail, Travel & Manufacturing, Financial Services & Insurance (FSI) and Healthcare} solutions have led to a 360-degree partnership with Microsoft spanning LSP (Licensing Solutions Provider), CSP (Cloud Solutions Provider), MVAR (Master Vendor Affiliate Recorded), ISV (Independent Software Vendor), SI (System Integrator), ISV development centre, product engineering development and CSS (Customer Service & Support). SSOF has 18 gold certifications, 10 advanced specializations, a team of 2,500+ Microsoft specialists and drives ~US\$650m+ per annum revenue to Microsoft (as of 2QFY24).

Microsoft ISV Development Centre is an endorsement of capabilities

Microsoft pronouncing Sonata Software as Microsoft ISV Development Centre (Dev Centre), is a significant endorsement of strength in Microsoft Dynamics capabilities. Microsoft invites ISV Dev Centres to participate in new technology previews, beta programs and technology adopter programs (TAP) to ensure they are ready to support new technologies & new versions of existing technologies before they are released in the market.

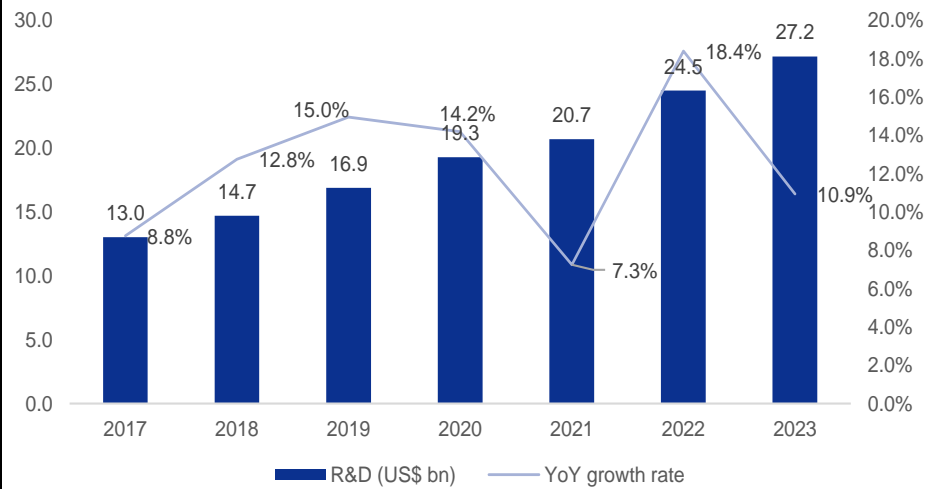
Acquisition of IBIS Inc, Scalable & Sopris have augmented Microsoft Dynamics competencies, strengthened verticals, geographical footprint and enhanced platform-led capabilities (advanced supply chain software IP from IBIS acquisition and Scalable acquisition added IP in commodity trading).

Both Sell-to and Sell-with could aid growth trajectory

SSOF's relationship spans across Sell-to and Sell-with. Sell-to (product engineering, customer support, and internal IT applications) growth prospects hinge on the R&D spending of Microsoft while Sell-with prospects (joint-go-to-market) are linked to technology adoption among enterprises coupled with the Platformation-led approach of SSOF to provide solutions & services in focused verticals.

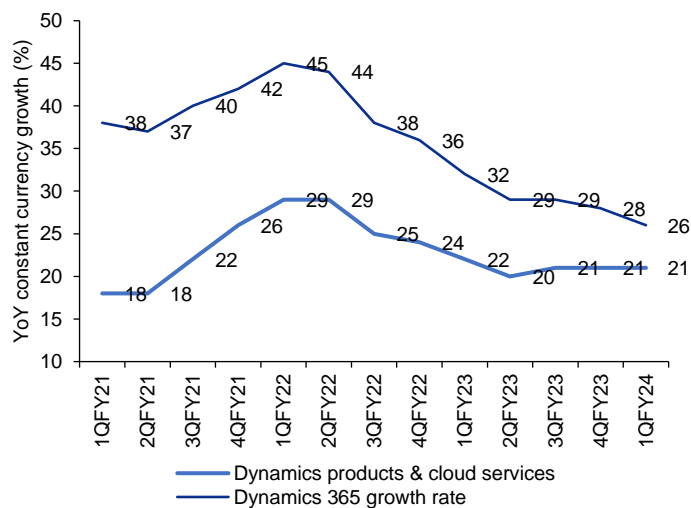
R&D spending and investments in partnerships from Microsoft are likely to continue in the medium term, which could aid growth in the Sell-to-Microsoft business segment for SSOF while investments in core competencies and industry-specific solutions by SSOF would drive growth in the Sell-with-Microsoft business segment.

Figure 1: Microsoft's R&D expenses growth (12.5%) and, as a percentage of revenue (13%), over 2017-23 were healthy



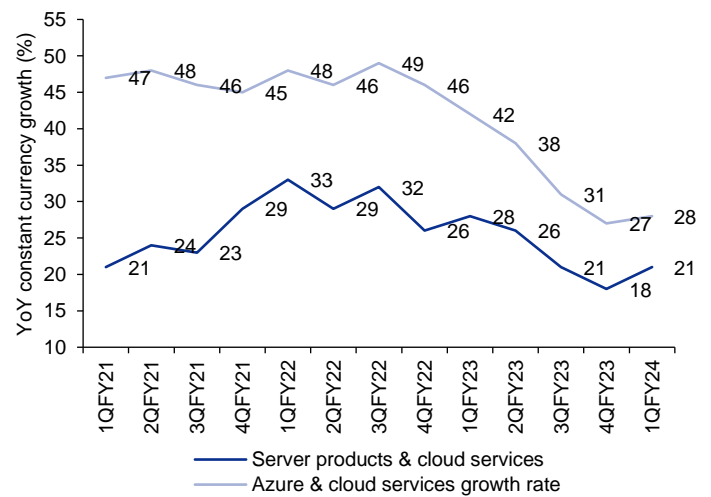
SOURCE: COMPANY REPORTS, INCRED RESEARCH
NOTE: MICROSOFT FOLLOWS JUN-ENDING FINANCIAL YEAR

Figure 2: Microsoft's yoy growth has moderated...



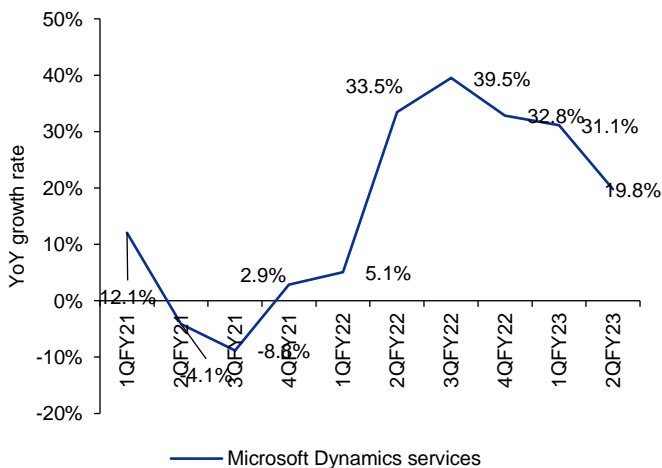
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: ...but long-term growth runway exists for SSOF, given the current scale of its operations.



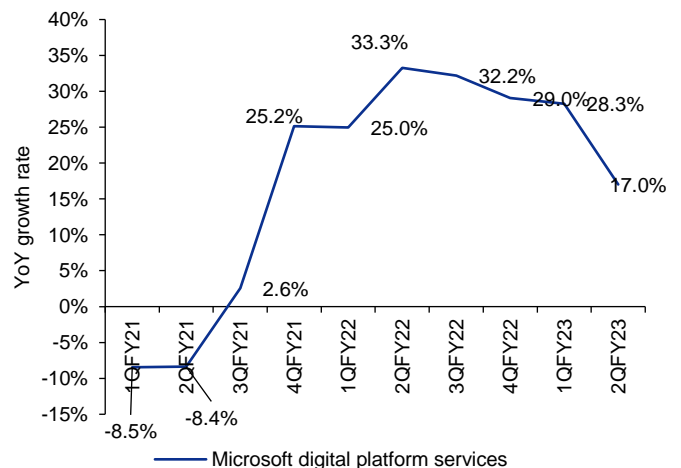
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: SSOF's Microsoft Dynamics practice (~30% of IT services revenue)



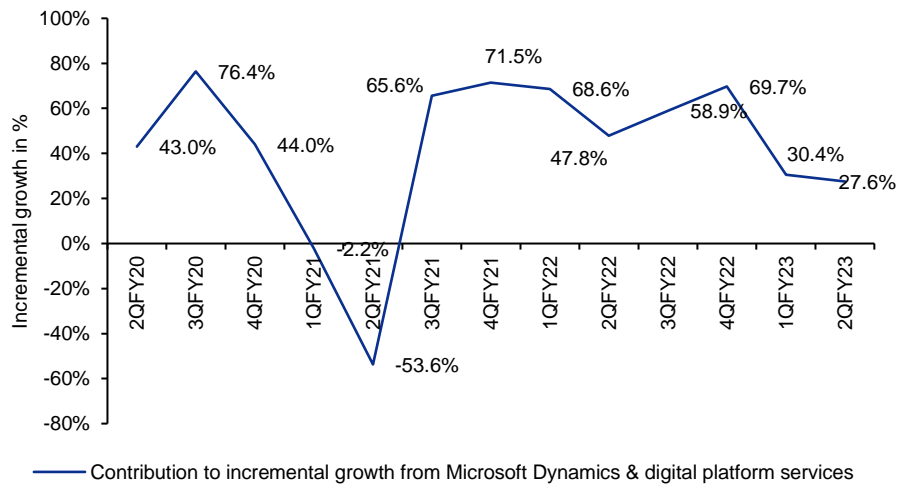
SOURCES: INCRED RESEARCH, COMPANY REPORTS, NOTE: COMPANY HAS STOPPED DISCLOSING REPORTING METRICS FROM 3QFY23

Figure 5: ...and Microsoft digital platform services (~20%)



SOURCES: INCRED RESEARCH, COMPANY REPORTS, NOTE: COMPANY HAS STOPPED DISCLOSING REPORTING METRICS FROM 3QFY23

Figure 6: Average ~42% of SSOF's incremental growth was from Microsoft services



SOURCE: INCRED RESEARCH, COMPANY REPORTS, NOTE: COMPANY HAS STOPPED DISCLOSING REPORTING METRICS FROM 3QFY23

Recognitions from Microsoft

- 2023/2024 Inner Circle for Microsoft Business Applications.
- Microsoft Azure Expert Managed Service Provider – FY22.
- FY20 Microsoft Eagle Award Winner for Dynamics 365.
- Microsoft Dynamics Inner Circle Member – 2018/2019.
- Country Partner of the Year India – FY17, FY16 and FY14.
- Microsoft Dynamics Distribution Partner of the Year – FY15.
- Office 365 Deployment Partner of the Year – FY16.

Growth vectors in doubling of IT services revenue

Microsoft Fabric could be as big as Microsoft Dynamics

Microsoft highlighted that its recently launched Fabric solution (data analytics platform for the era of AI) is gaining traction with 16,000 active customers (vs. 8,000 customers in 4QFY23) including >50% Fortune 500 companies. SSOF is one of the launch partners, out of the nine globally, which provides a significant growth opportunity (SSOF's active conversations are with 70 clients) and an early mover advantage of working closely with product engineering teams at Microsoft and an invaluable experience from testing the solution during internal implementation at SSOF.

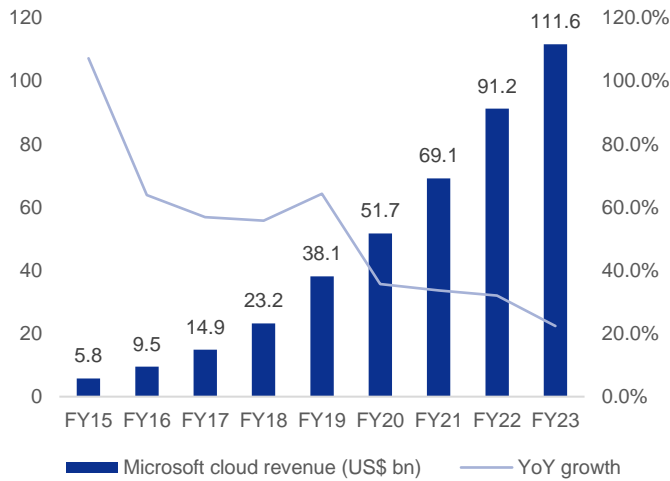
Azure is a good analogy

During FY15-20, Microsoft Cloud revenue, which includes Azure & other cloud services, Office 365 commercial, commercial portion of LinkedIn, Dynamics 365 and other cloud properties, grew 9x. During the same period, Mindtree saw top client contribution doubling, with an US\$ revenue CAGR of 34.5% while the company's US\$ revenue grew at a CAGR of 13.3%. Although early days, recent Microsoft commentary and our preliminary industry interactions suggests Fabric, similarly, could be a significant growth opportunity for MSFT and in-turn for its partners such as SSOF, given the early mover advantage.

Dynamics business momentum could continue

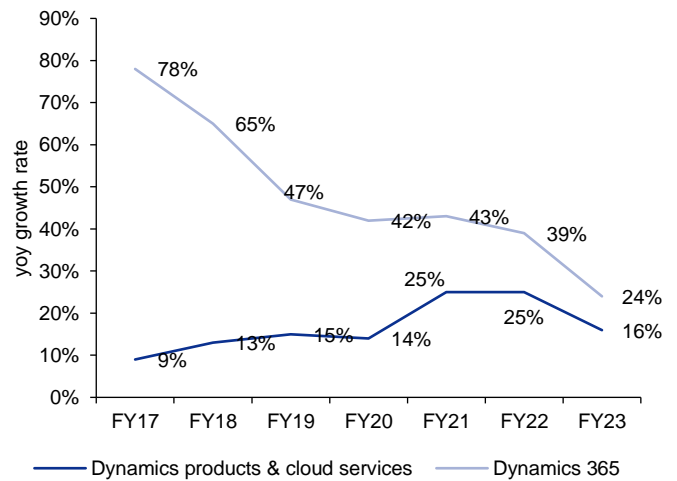
Increasing adoption of Cloud migration (Azure) among enterprises, Microsoft's investments over the last five-to-six years in Dynamics business, and increasing delivery through cloud (Dynamics 365 accounted for ~80% of overall Dynamics business in FY23), has aided strong growth while Advent of AI is likely to fuel Dynamics business momentum for Microsoft and for SSOF, given its heritage.

Figure 7: Microsoft Cloud revenue CAGR over FY15-23 was 44.7%



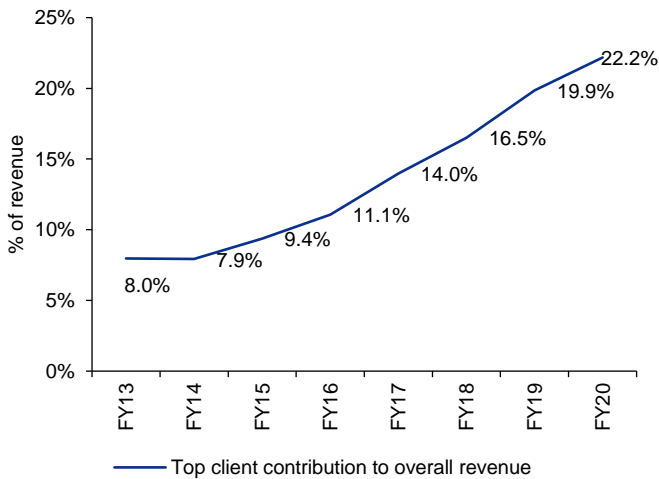
SOURCE: INCRED RESEARCH, COMPANY REPORTS. MICROSOFT CLOUD REVENUE INCLUDES REVENUE FROM AZURE & OTHER CLOUD SERVICES, OFFICE 365 COMMERCIAL, COMMERCIAL PORTION OF LINKED-IN, DYNAMICS 365 AND OTHER CLOUD PROPERTIES.

Figure 8: Microsoft Dynamics revenue is >US\$5bn in FY23



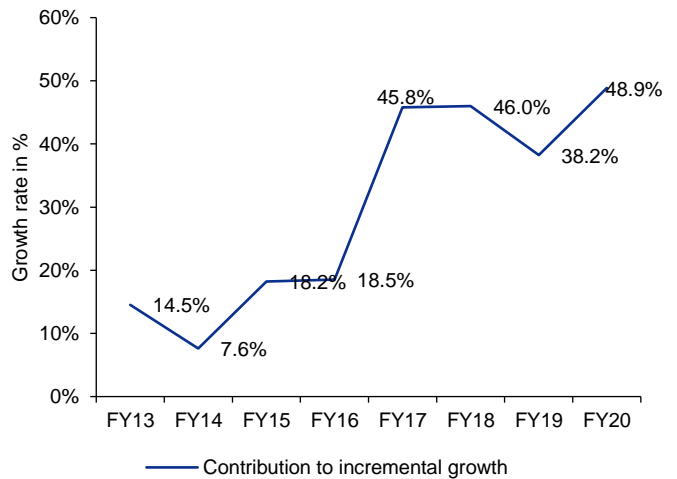
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 9: Top client was a key growth driver for Mindtree too ...



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 10: ... during FY13-20



SOURCE: INCRED RESEARCH, COMPANY REPORTS

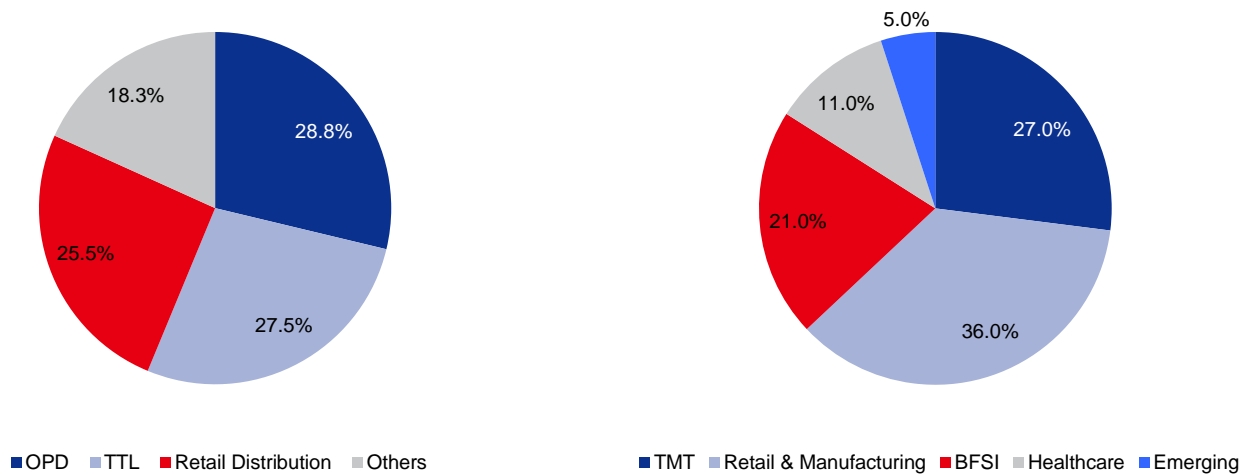
Diversifying revenue stream could be second...

The strategy in IT services is to a) scale financial services (FSI, 21% of 2QFY24 IT services revenue) and Healthcare/Life science verticals (11%) in addition to strength in Technology, Media & Telecom (27%) and Retail, TTH & Manufacturing (36%), b) invest in sales & marketing across North Americas, Europe and Asia Pacific to win and scale logos, secure large deals (won 2/4/3/2/3 large deals in 2Q/3Q/4QFY23/1QFY24 and 2QFY24, respectively, including a US\$160m large 10-year deal in 4QFY23 and another largest deal in Europe in 1QFY24), and c) build solutions and capabilities.

M&A could be the third...

SSOF's M&A strategy over the last few years to strengthen capabilities, especially in Microsoft Dynamics, enhance industry-specific solutions, and expanding footprint in the US, Europe and Australian markets, coupled with a diversified vertical exposure has helped so far and may continue to aid growth going ahead.

Figure 11: Vertical exposure in FY18 for IT services business... Figure 12: and as of 2QFY24-end



SOURCE: INCRED RESEARCH, COMPANY REPORTS

SOURCE: INCRED RESEARCH, COMPANY REPORTS

NOTE: COMPANY HAS CHANGED VERTICAL MIX FROM 3QFY23. TMT IS TECHNOLOGY, MEDIA & TELECOM, BFSI IS BANKING, FINANCIAL SERVICES AND INSURANCE

Notable acquisition in the past includes Rezopia (in Aug 2014; listed on Microsoft Appsource), a cloud-based travel ERP system provider, which strengthened the travel vertical leadership and was a key trigger to drive intellectual property or IP-led services. SSOF acquired the remaining 40% stake in it for US\$0.3m in Aug 2019.

Figure 13: Rezopia platform strengthened SSOF's positioning in the travel vertical



SOURCE: INCRED RESEARCH, COMPANY REPORTS

The acquisition of IBIS Inc. in FY16 strengthened SSOF's Microsoft Dynamics practice as IBIS was a preferred Microsoft Dynamics solutions partner and Gold Certified in competencies like enterprise resource planning (ERP), customer relationship management (CRM), business intelligence (BI), and application development coupled with numerous recognitions (Microsoft Dynamics Distribution Partner of the Year 2015, Microsoft Partner of the Year 2014, Microsoft Dynamics President's Club 2014 and Microsoft Global Independent

Software Vendor). IBIS's proprietary platform called Advanced Supply Chain Software strengthened SSOF's capabilities in the distribution, manufacturing & retailer segments and further strengthened its IP-led services.

Figure 14: IBIS' capabilities in the supply chain space

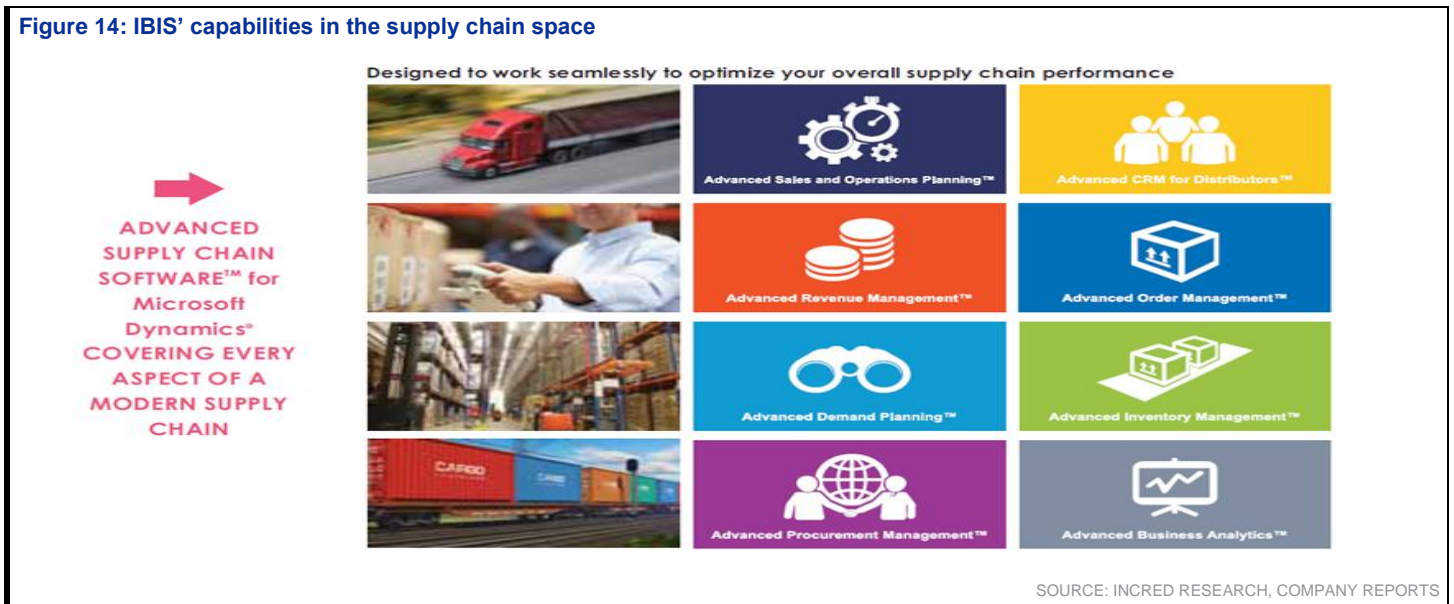
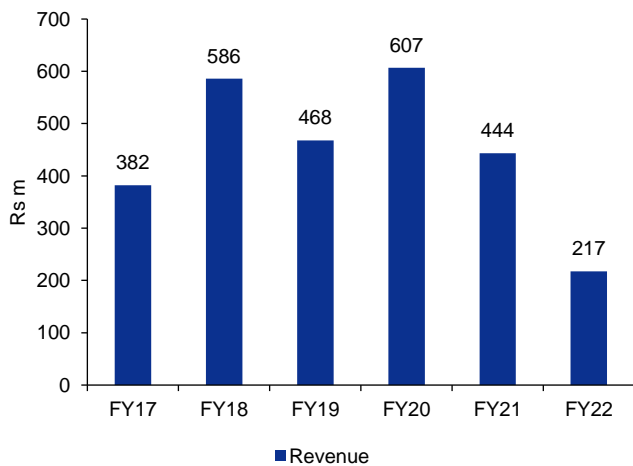
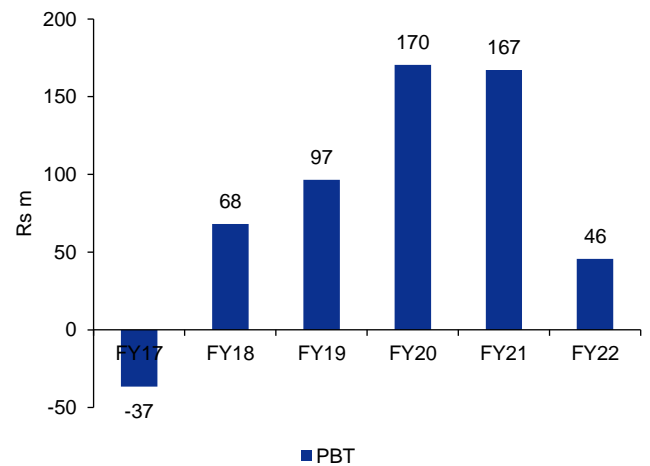


Figure 15: IBIS's revenue ...



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 16: ... and profitability trend over FY17-22



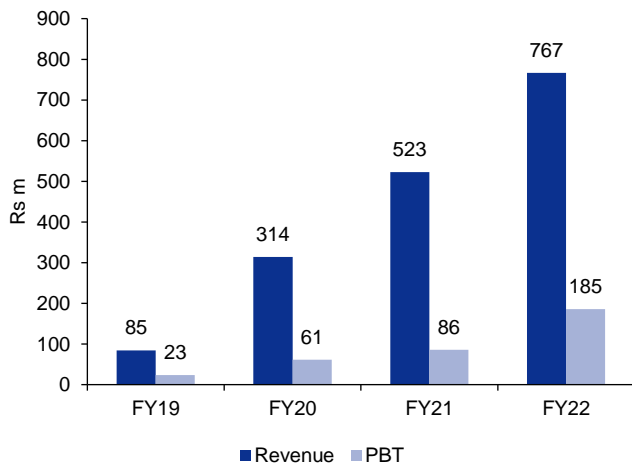
SOURCE: INCRED RESEARCH, COMPANY REPORTS

NOTE: IBIS MERGED WITH SONATA SOFTWARE NORTH AMERICA INC

The acquisition of Australia based Scalable Data Systems and US based Sopris Systems in FY19 further augmented Microsoft Dynamics capabilities and expanded local footprint. Scalable Data Systems added a rich 25 years of experience, and a solid reputation in providing Microsoft Dynamics 365 solutions to manufacturing and wholesale & distribution clients in Australia. The acquisition added the IP for commodity trading 'CTRM' with due recognition accorded to the company as a Microsoft Gold and ISV partner.

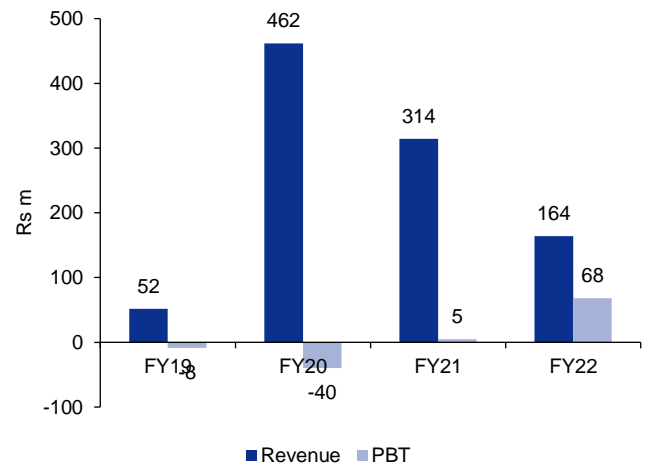
Sopris acquisition added capabilities in Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) software for engineering, construction companies, specialty contractors, field services companies and professional service firms.

Figure 17: Financials of Scalable Data Systems...



SOURCE: COMPANY REPORTS, INCRED RESEARCH
NOTE: SCALABLE DATA SYSTEMS WAS ACQUIRED IN DEC 2018

Figure 18: ...and Sopris



SOURCE: COMPANY REPORTS, INCRED RESEARCH
NOTE: SOPRIS SYSTEMS WAS ACQUIRED IN FEB 2019

Acquisition of the UK-based Gapbusters in FY20 aided SSOF to capitalize on the customer experience management opportunity while acquisition of the US-based Encore Software Services Inc. in FY22 helped in participating in the transformation agendas of companies in the logistics & healthcare vertical.

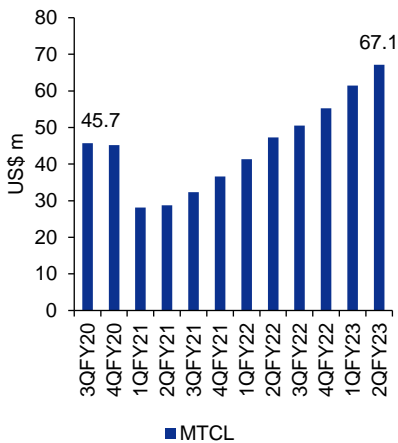
Recently, SSOF acquired a 100% stake in Quant Systems (a Texas-based IT services corporation, which is an Enterprise Data Analytics and Cloud modernization service provider for leading Fortune 500 clients) for an enterprise value or EV of ~US\$159m, of which US\$70.7m has been paid upfront while remaining is payable over the next two years based on performance. Acquisition funding was done via internal accruals and short-term debt (to be repaid in one/two years). The acquisition is likely to augment capabilities in Enterprise Data Analytics, Cloud Modernization, Cyber Security, Salesforce, Data Privacy, Adobe, Snowflake, and Digital & Mobile App solutions, including differentiated IPs for Salesforce (workbox.io) and Chatbot (Lisa) technologies, and domain expertise in banking and financial services, healthcare & life sciences, and consumer/retail verticals. Quant Systems (CY22 revenue was at US\$37m) contributed ~16% to SSOF's revenue at the time of acquisition and is margin accretive. Management, expects healthy growth trend (mid-30s growth with a 30%+ EBITDA margin in CY23) could continue in medium term.

SSOF has also made strategic investments in Retail 10X (10% stake, Rs69.8m Retail AI software-as-a-service platform for retailers, distributors & consumer packaged goods companies), Treeni Sustainability Solutions Inc. (24% stake, Rs24.7m; Resustain platform to cater to the ESG space) and Semicab Inc. (17% stake, Rs28.8m; SemiCab platform facilitates interactions between shippers and carriers).

Recovery in travel vertical could aid growth

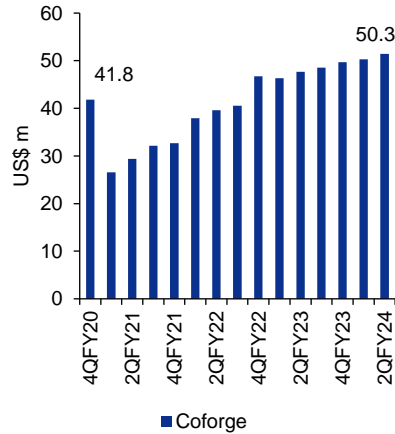
Travel vertical revenue contribution was impacted during the Covid-19 pandemic (from ~26-28% of revenue to ~4% in 1QFY21 and ~10% in 2QFY21) led by ramp down in the largest customer (~15% of 4QFY20 overall revenue) leading to travel vertical revenue declining 13% and 85% in 4QFY20 and 1QFY21. Although SSOF has clubbed the travel vertical with the retail & manufacturing vertical and stopped reporting the travel vertical's revenue from 3QFY23 onwards, analysing travel vertical's revenue till 2QFY23 suggests, vertical's revenue was a modest 42% of its peak in 3QFY20 vs. 146%/113% for Mindtree and Coforge, respectively. Going ahead, improving growth trajectory at its largest customer (FY24F revenue growth guidance of at least 10% and 25% yoy increase in underlying EBIT) and the creation of a digital hub could continue to aid recovery in the travel vertical.

Figure 19: Travel vertical recovered sharply for Mindtree...



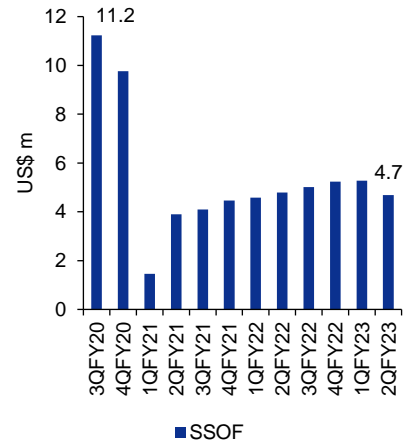
SOURCE: INCRED RESEARCH, COMPANY REPORTS, NOTE: MTCL IS MINDTREE. MTCL MERGED WITH L&T INOFTech IN 3QFY23

Figure 20: ... and for Coforge...



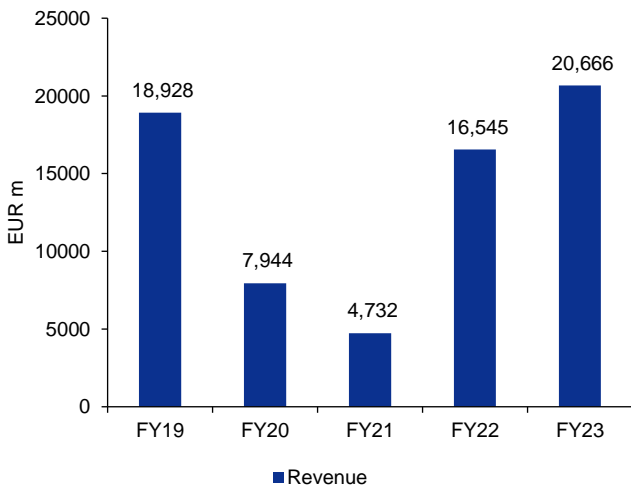
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 21: ...but unlikely for SSOF



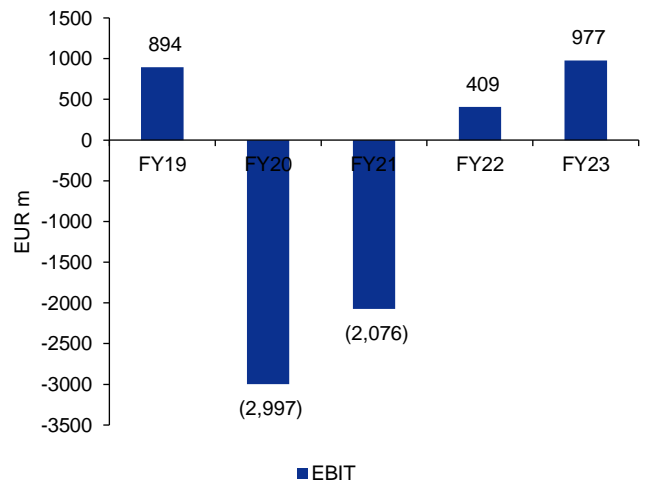
SOURCE: INCRED RESEARCH, COMPANY REPORTS, NOTE: SSOF STOPPED REPORTING REVENUE FROM THE TRAVEL VERTICAL

Figure 22: TUI's FY24F growth guidance...



SOURCE: INCRED RESEARCH, NOTE: TUI FOLLOWS SEP-ENDING FINANCIAL YEAR

Figure 23: ...is encouraging for SSOF.



SOURCE: INCRED RESEARCH

Leadership with a proven track record

As part of the succession plan, Mr. Samir Dhir was appointed as the CEO & MD, effective 14 Feb 2023, while Mr. P. Srikar Reddy (with the company since 1986 and a CEO since 2011) was elevated to Executive Vice-Chairman & Whole-time Director. Mr. Dhir held diverse roles in Virtusa Corporation (Feb 2010 – Mar 2022) with a P&L of >US\$1.6bn and was responsible for developing and executing the growth strategy. Additionally, he has managed Wipro's SAP business, wherein migration of the on-premise ERP central component (ECC) to Cloud could be a large market opportunity, in our view. Further, he was instrumental in integrating Polaris Consulting & Services' capabilities into Virtusa in 2016. Finally, his hands on experience in managing large P&L, running SAP business and integrating large acquisitions (acquired Quant since joining SSOF) could be critical to his ambition of doubling IT services revenue by FY26F-end.

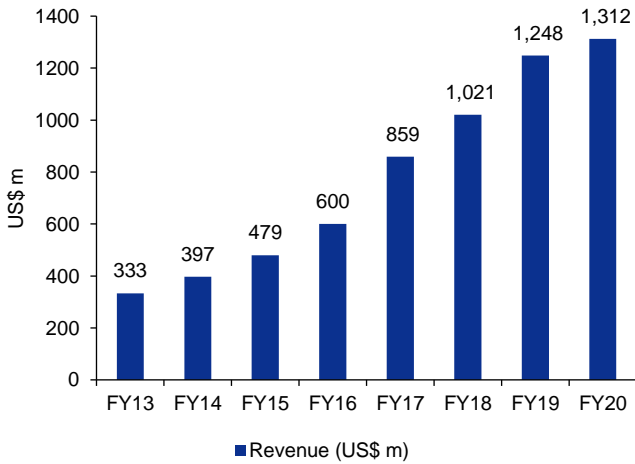
Elsewhere Mr. Dhir aims to strengthen SSOF's position as a specialized modernization and digital engineering partner to participate in three secular trends of – a) enterprise modernization by improving CX, data analytics, Artificial Intelligence and Machine Learning, b) leveraging technology to strengthen compliance & security, and c) building engineering talent.

Figure 24: Mr. Samir Dhir's key tenure in Virtusa

Year	Designation
2013	Executive VP – Chief Delivery Officer & Head of India Operations
2014	Executive VP - Chief Delivery Officer & Head of India Operations
2015	Executive VP - Chief Delivery Officer & Head of India Operations
2016	Executive VP - Chief Delivery Officer & Head of India Operations
2017	President - Banking & Financial Services
2018	President
2019	President -Head of Americas
2020	President -Head of Americas

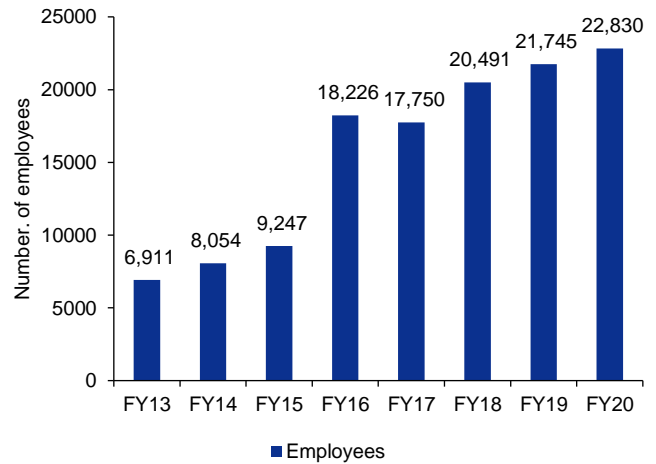
SOURCE: INCRED RESEARCH

Figure 25: Mr. Samir Dhir was instrumental in Virtusa's revenue...



SOURCE: INCRED RESEARCH

Figure 26: ...and headcount growth

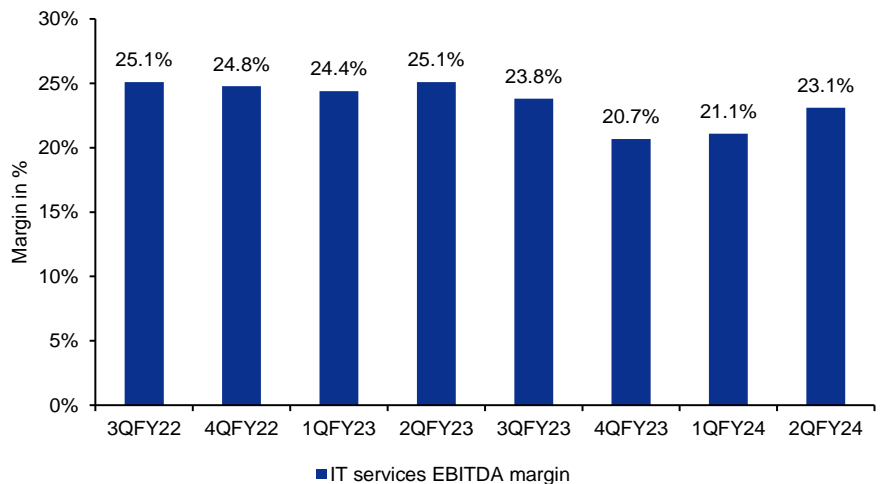


SOURCE: INCRED RESEARCH

Healthy IT services margin could sustain

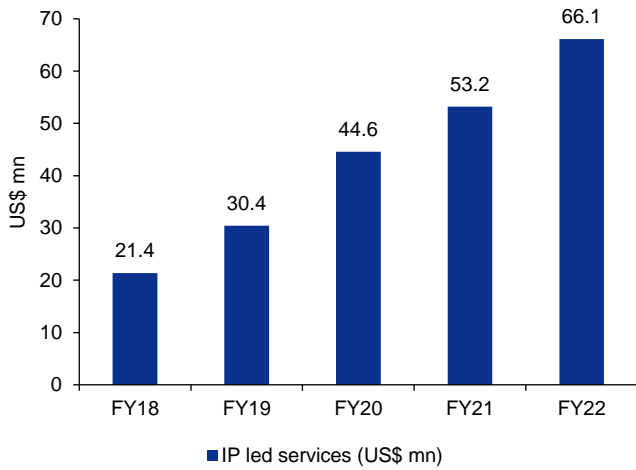
International IT services EBITDA margin stood at 23.1% in 2QFY24 (vs. 21.1% in 1QFY24 and 25.1% in 2QFY23). Investment recovery from large deals and utilization improvement aided sequential margin improvement of 130bp followed by 80bp from operational efficiency. Investments in capabilities, leadership and transition cost for large deals were key headwinds in 9MCY23 offset by growth leverage and contribution from high-margin Quant Systems acquisition. Management expects to sustain early 20s IT services' EBITDA margin in the medium term as the transition cost from ramp-up of large deals, investments in go-to-market (GTM) and capabilities could be offset by the tailwinds from employee pyramid correction. Finally, investments in industry-specific solutions and IP-led services could aid margins too.

Figure 27: Investments, ramp-up of large deals and wage hike were the key margin headwinds in 9MCY23



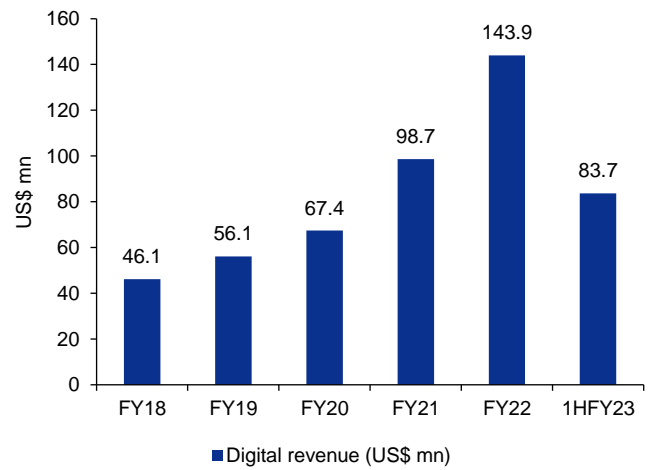
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 28: IP led services contributed 29% to IT services revenue in 4QFY22...



SOURCE: INCRED RESEARCH
NOTE: COMPANY HAS STOPPED DISCLOSING IP-LED REVENUE FROM 1QFY23

Figure 29: ...while the digital business contributed 73% to IT services revenue.



SOURCE: INCRED RESEARCH
NOTE: COMPANY HAS STOPPED DISCLOSING THE DIGITAL MIX

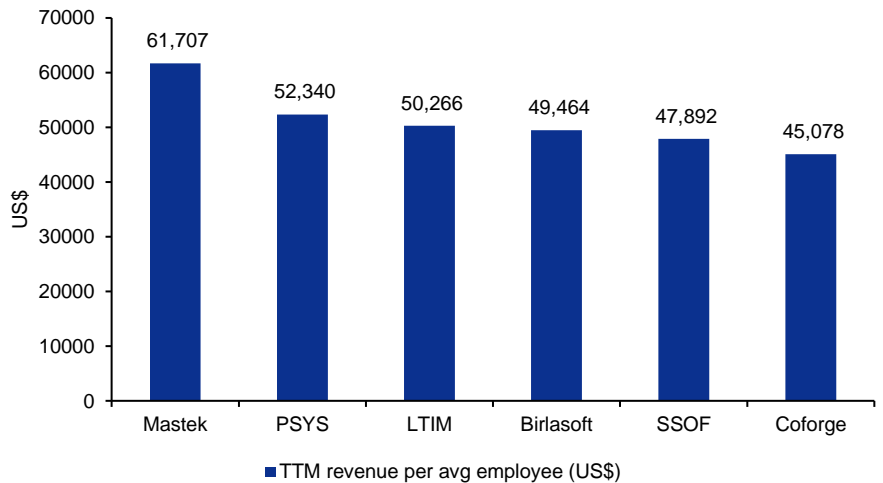
Operating metric analysis

Figure 30: Balanced portfolio concentration post acquisitions

Revenue concentration as of 2QFY24-end	LTIM	Mphasis	Coforge	PSYS	Birlasoft	Mastek	SSOF
BFSI	36.5%	60.4%	54.2%	32.3%	21.1%	11.6%	21.0%
Hitech, Media & Entertainment	23.8%	14.8%	NA	48.4%	NA	NA	27.0%
Manufacturing & Resources	17.9%	NA	NA	NA	41.1%	15.7%	NA
Retail, CPG and TTH	15.3%	NA	18.5%	NA	NA	12.5%	36.0%
Health, Lifesciences & Public Services	6.5%	NA	NA	19.3%	24.0%	16.6%	11.0%
Others	NA	24.8%	27.3%	NA	13.7%	43.6%	5.0%

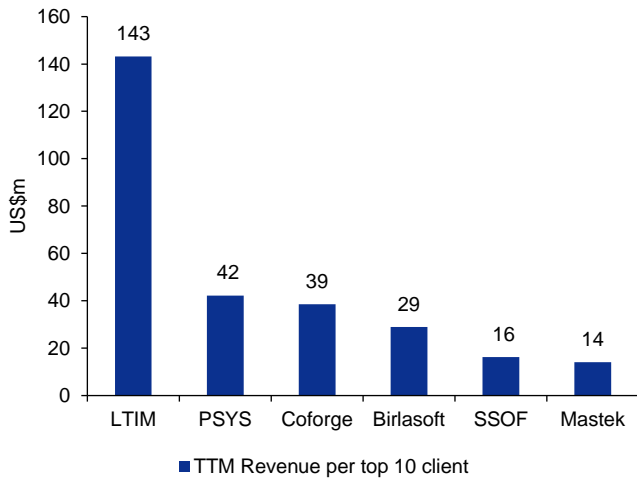
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 31: Revenue productivity is comparable to peers...



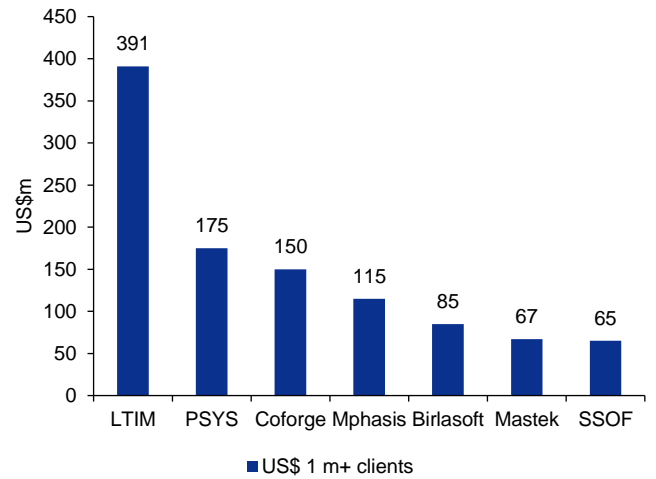
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 32: But scope exists to improve mining...



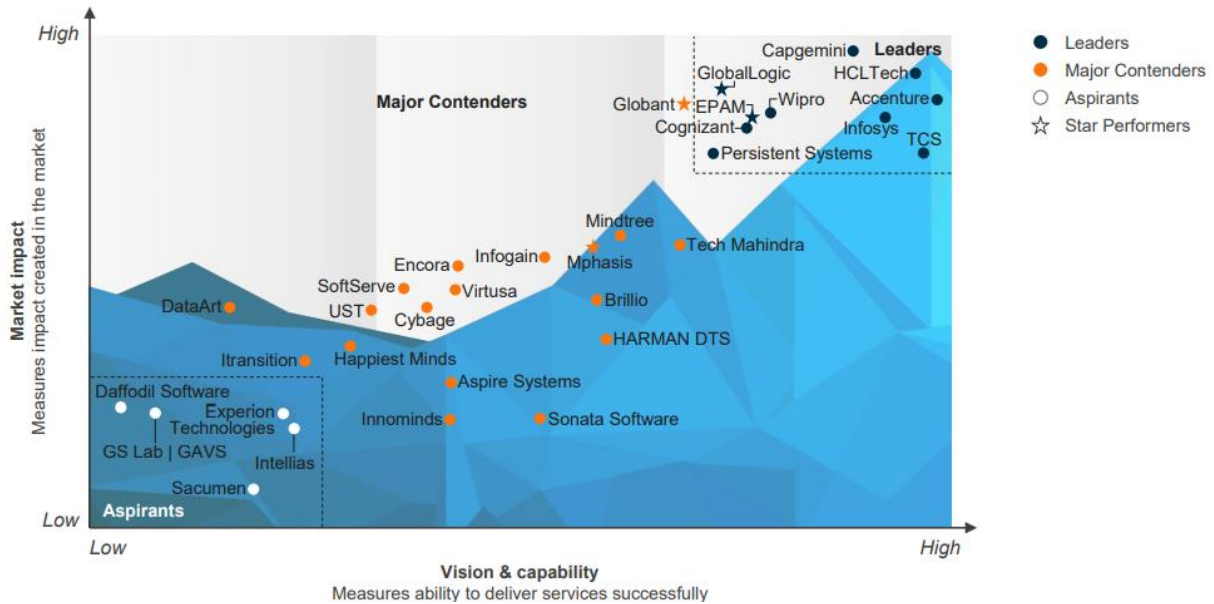
SOURCE: INCRED RESEARCH, COMPANY REPORTS, DATA AS ON 2QFY24

Figure 33: ...and client buckets



SOURCE: INCRED RESEARCH, COMPANY REPORTS, DATA AS ON 2QFY24

Figure 34: SSOF positioned as a major contender in software product engineering services, as per Everest peak matrix, in 2022

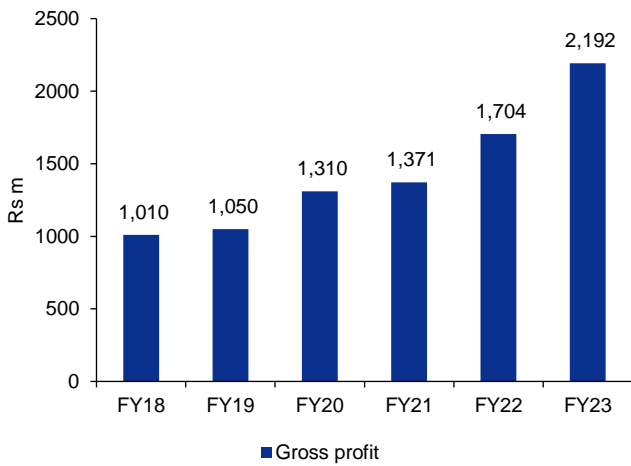


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Profitability remains a key focus in domestic business

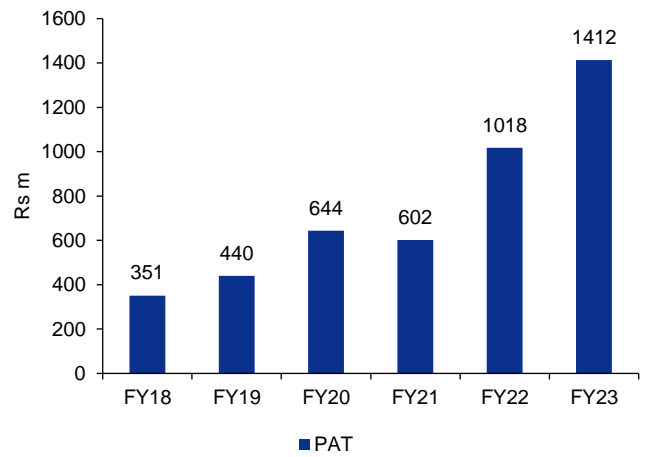
Domestic business (subsidiary – Sonata Information Technology) is engaged in buying & selling of packaged software & services of Microsoft, Adobe, Amazon Web Services, Google Cloud, Oracle, IBM, HP etc in India with 1Q & 3Q as seasonally strong quarters. Domestic business focus remains on improving gross profit, sustaining return on capital employed (average ~38% over FY18-23) and prudent working capital management to sustain historical (FY17-23) OCF/EBITDA conversion of ~106% (includes OCF loss in FY19 due to the unfavourable working capital). Impairment loss recognised on trade receivables & bad debts written off have been an average 0.08% of revenue during FY17-23.

Figure 35: Healthy gross profit ...



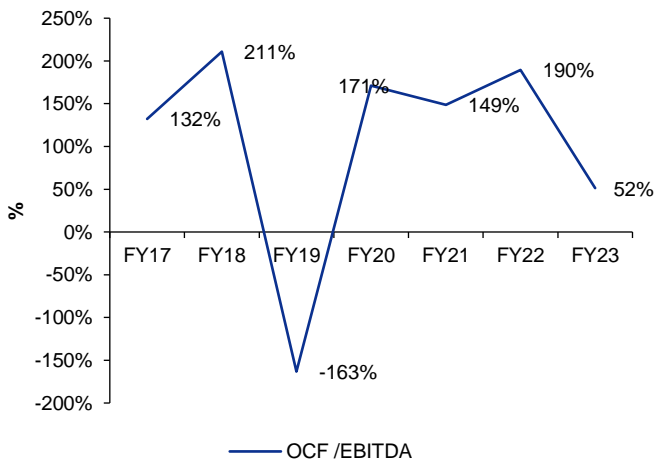
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 36: ...and PAT momentum likely to continue.



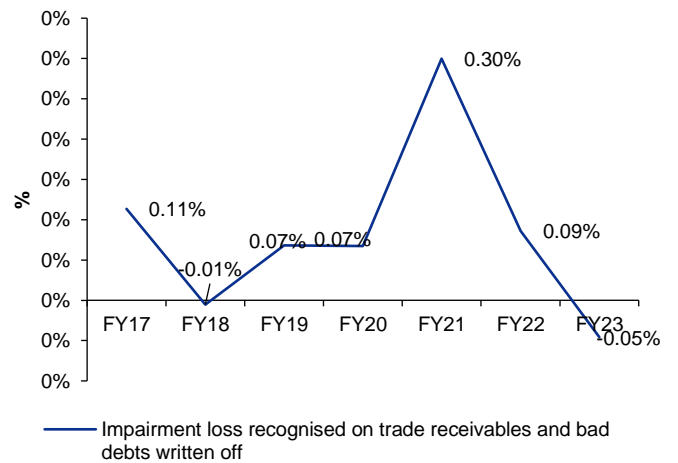
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 37: Cash conversion was ~106% despite outlier



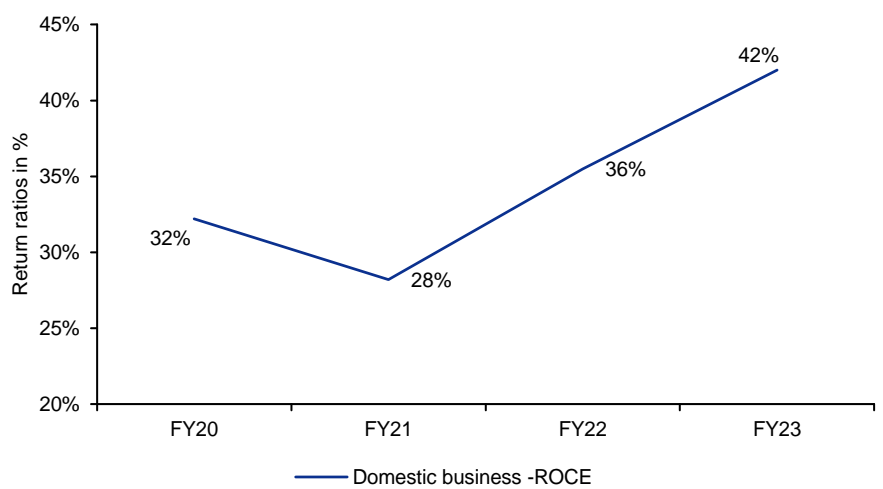
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 38: Impairment loss was at an average 0.08%



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 39: Focus would be on sustaining high return ratios



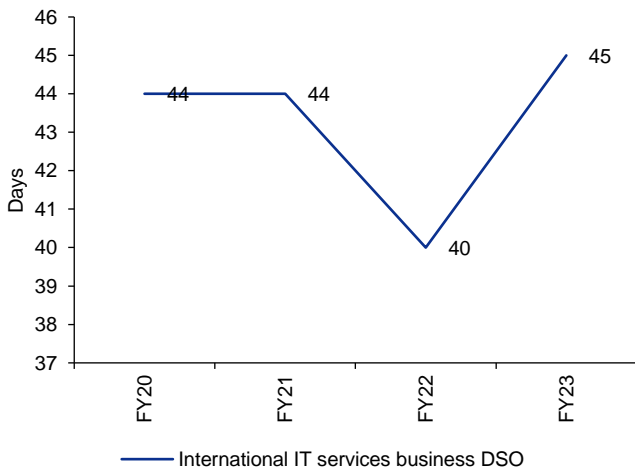
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Cash generation healthy but payout could vary depending on M&A

SSOF's cash generation metrics have been healthy led by superior DSO in IT services business as compared to mid-cap peers and DSO in the domestic business. Cash conversion (average OCF/EBITDA was ~85%) has been healthy over FY17-FY23, barring FY19, largely due to the rise in trade receivables in the domestic business. Collections were impacted in 4QFY20 & 1QFY21 in the international IT services business (largely attributed to weakness in the travel vertical and domestic business weakness over 4QFY20-2QFY21) but have recovered since then.

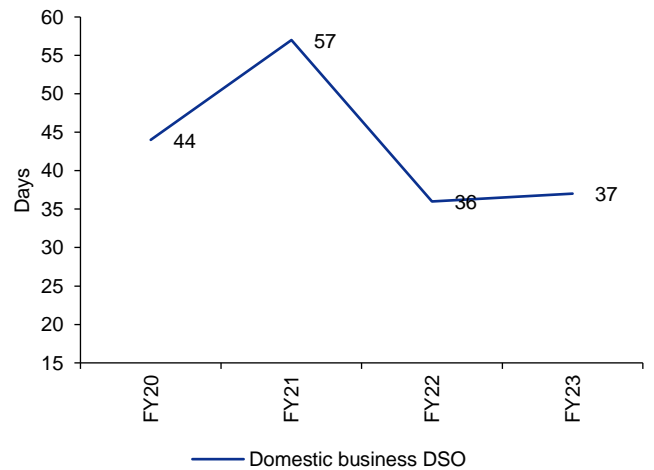
The pay-out trend has been robust over FY17-22, with the average dividend pay-out being ~60% of PAT. FY23 pay-out was impacted due to Quant Systems' acquisition coupled with low operating cash flow generation. SSOF aims to maintain the current pay-out in the short term and improve on the same as cash flow generation improves, and Quant Systems' acquisition earn-outs are behind. Finally, though improving collections, focus of growth in absolute profitability in the domestic business and healthy cash generation (gross cash of Rs5.38bn and gross debt of Rs4.27bn as of Sep 2023-end) could help sustain and improve the pay-out ratio, we believe, it could vary depending on M&A.

Figure 40: DSO likely to be healthy ...



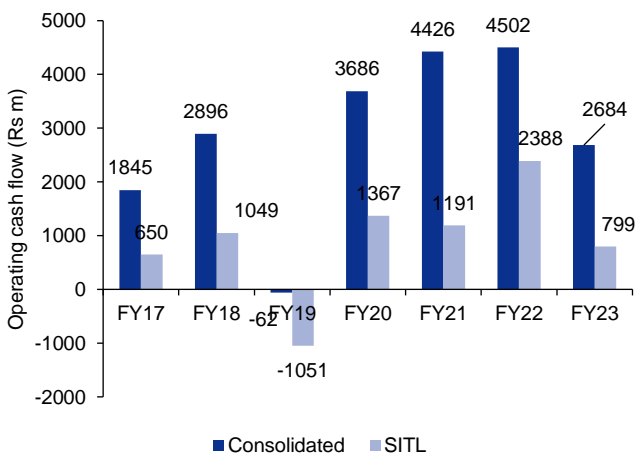
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 41: ...for both the businesses



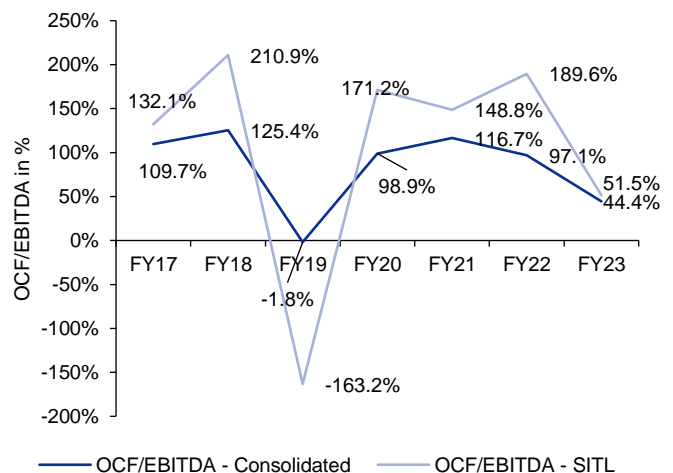
SOURCE: COMPANY REPORTS, INCRED RESEARCH

Figure 42: Cash generation remains strong...



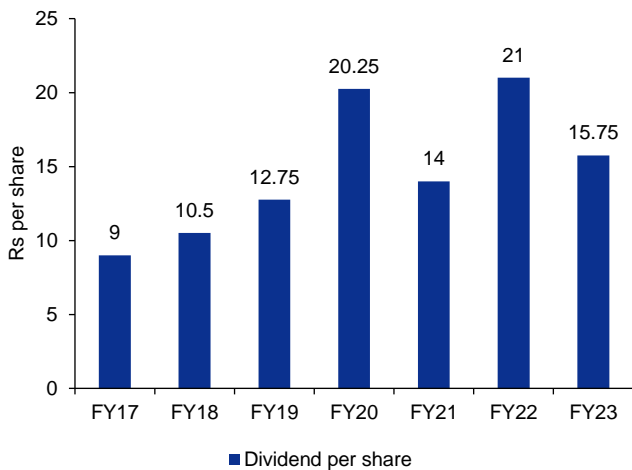
SOURCE: INCRED RESEARCH, COMPANY REPORTS
NOTE: SITL=SONATA INFORMATION TECHNOLOGY, WHICH LARGELY COMPRISES DOMESTIC BUSINESS

Figure 43: ...led by cash conversion, barring FY19



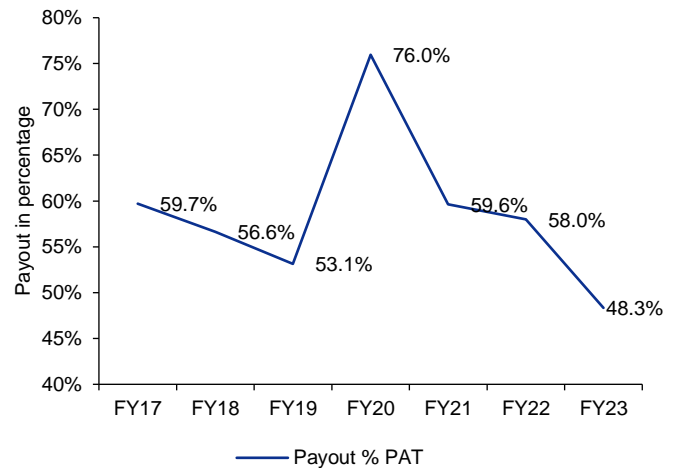
SOURCE: INCRED RESEARCH, COMPANY REPORTS
NOTE: SITL=SONATA INFORMATION TECHNOLOGY, WHICH LARGELY COMPRISES DOMESTIC BUSINESS

Figure 44: Dividend payout trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS DIVIDEND PER SHARE IS PRE 1:1 BONUS EFFECTIVE DEC 2023

Figure 45: Average payout over FY17-23 was ~55% of PAT

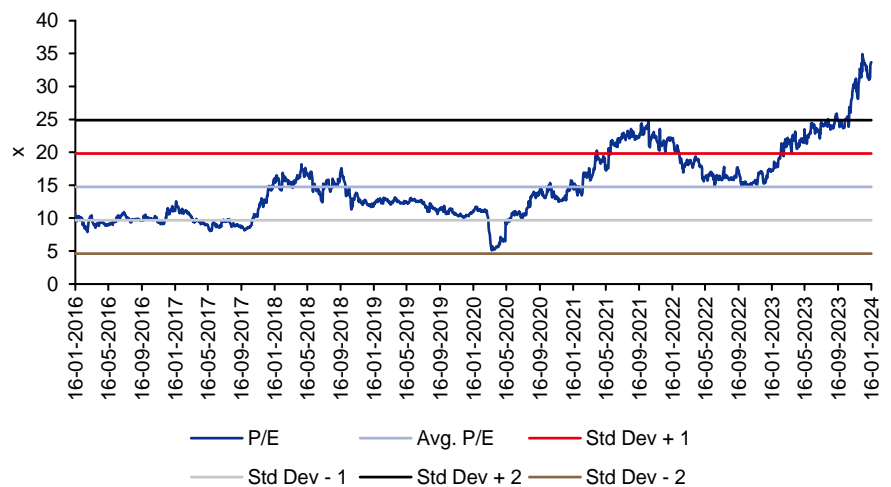


SOURCE: INCRED RESEARCH, COMPANY REPORTS

Valuation

SSOF's strategic focus on select verticals, large deals, client-mining initiatives, scaling partnerships and strengthening the geographical presence could aid the growth in IT services business. Strong traction in Microsoft Fabric and stability in Microsoft Dynamics could surprise growth assumptions in the IT services business. Although we acknowledge that its valuations at +2SD are a risk and could lead to stock price correction in the near term, we believe it could be attractive accumulation opportunity, given management's focus on diversifying revenue, focus on large deals, strong medium term growth prospects from Microsoft in International IT services and Domestic business, superior EBITDA margin than peers, healthy payout and return ratios. We initiate coverage on SSOF with a HOLD rating as we expect 17.5%/20.9% CAGR over FY24F-26F in US\$ revenue in IT services business and Domestic business (Rsm), respectively, and expect a ~26% PAT CAGR over FY24F-26F. We have assigned a ~1.1 PEG for IT Services business and a ~1.5 PEG for Domestic business to arrive at a target price of Rs826. Material revenue beat is an upside risk while weakness in top clients, leadership attrition and valuations above +2SD are the key downside risks.

Figure 46: SSOF's strong execution led to a P/E re-rating over the last one year



SOURCES: INCRED RESEARCH, BLOOMBERG

Figure 47: Microsoft vs. SSOF's stock price trend

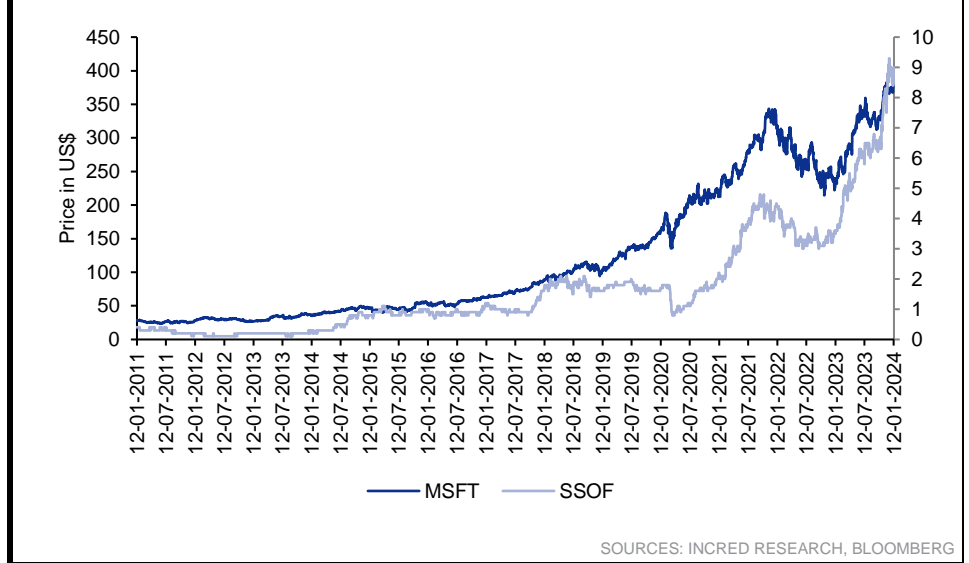


Figure 48: Mid-tier companies' valuations

Mid-cap companies	FY23 revenue (US\$ m)	FY24F-26F US\$ revenue CAGR	FY24F-26F PAT CAGR	FY25F P/E	FY26F P/E	FY23 ROE
Mphasis	1,712	12.4	14.4	26.8	23.5	22.0
Persistent Systems	1,036	16.2	24.5	41.6	33.7	33.8
Coforge	1,001	15.5	24.7	34.4	28.7	28.4
Birlasoft	595	14.1	19.5	30.6	26.4	13.2
Sonata Software	241	18.8	25.2	31.3	25.0	37.7
LTTS	1,076	13.4	16.0	37.7	32.2	26.6
Cyient	746	13.0	17.6	28.0	24.1	22.1

SOURCE: BLOOMBERG, INCRED RESEARCH, SONATA SOFTWARE FY23 REVENUE IS OF IT SERVICES AND FORECAST IS OF OVERALL COMPANY

Key takeaways from recent annual reports

FY23 - Seeds of modernization-driven hypergrowth

- Large deal ramp-up and Quant Systems' integration are key revenue tailwinds in FY24F while the TMT vertical softness is a key headwind.
- Investment in the leadership team, front-end sales, partnerships and solutioning are a part of the US\$500m IT services revenue aspiration by the end of FY26F.
- SSOF aims to achieve US\$1bn revenue in domestic products business by the end of FY26F, with a focus on increasing absolute operating profitability and sustaining healthy return ratios.
- Microsoft continues to lead the company's top-5 client list (IT services business) and remains its long-standing partner. Apart from being recognized as Microsoft's Inner circle partner (ranked in top 1% of Microsoft partners), SSOF also became a Microsoft Cloud Partner. FY23 domestic products' business growth was aided by Microsoft (grew 30% in revenue terms) and the number of customers utilizing Microsoft Infra Services & Managed Services grew by 25%+.

FY22 - Delivers digital transformation

- The Platformation strategy completed five years in Mar 2022, and reflects continued embrace of strengthening, co-creating and innovating offerings in collaboration with customers, partners, and ecosystem in focus markets.
- SSOF has appointed Mr. Samir Dhir as a whole-time director and CEO for four years, effective 9 May/ 8 Apr 2022, respectively. He was CEO - Global Markets and Industries at Virtusa Corporation (Feb 2010-Mar 2022) and was responsible for developing and executing Virtusa's growth strategy, having a P&L of >US\$1.6bn. In addition, he successfully integrated ETouch and Polaris Consulting & Services' capabilities into Virtusa. Mr. Dhir also previously worked for Wipro, managing its SAP business and managed services practice.

- Key leadership hires during the year were – a) Mr. Ankush Patel as Senior Vice President (Sr. VP) US sales, b) Mr. Kartik Visweswaran as Sr. VP and Chief Digital Officer, c) Mr. Ravindra Chandrashekara as Vice President (VP) growth initiatives, d) Mr. Shravan Dantu as VP Services Asia, e) Mr. Pravin Kumar Mishra as Lead Enterprise Architect - Microsoft Azure, f) Mr. K. V. Suryaprakash as Sr. VP and Chief Capability Officer, and g) Mr. Abhijit Bhaumik - Associate VP Europe business, based in London.
- SSOF focused its efforts and built competencies in new technologies like IoT, chatbot, and machine learning and strengthened other competencies like CX enhancement, multi-cloud, modern data platform infrastructure, e-commerce, and cloud security. SSOF invested in building differentiated IP and platforms across industry verticals (retail, distribution, service industry and software solutions).
Growing adoption of Software-as-a-Service (SaaS) and rising demand for multi-cloud & hybrid cloud systems are key growth drivers of the ISV market.

FY21 - Platformation makes all the difference

- SSOF's relationship with Microsoft completed 30 years. The cloud strategy & assessment service is now available in Microsoft Azure marketplace, an online store providing application and services for use on Azure.
- GBW acquisition in the customer experience space (CX) has opened an emerging opportunity in the digital transformation space as well as penetration in newer markets. Launched 'CXe', a unique enhanced integrated CX management solutions developed using the Platformation approach.
- SSOF implemented a digital platform, which has gone live in Sep 2020 for the largest ferry operator headquartered in the UK, operating 20+ ships, 30,000+ sailings, carrying 10m+ passengers, 1.6m cars and 2.2m freight units every year between the UK & Ireland and Continental Europe.
- SSOF has successfully completed the validation of Asset Management Application, which has gone live in Sep 2020 for Johnson & Johnson, a multinational company developing medical devices, pharmaceutical, and consumer packaged goods.
- India business continues to witness a healthy growth with the addition of new lines of businesses like AWS and Google Cloud.

FY20 – Creating world-class digital enterprise with Platformation

- SSOF has engaged with McKinsey to sharpen Platformation's go-to-market and scale approach.
- For a large oil & gas company with a presence in 180+ countries, SSOF has created a transformation journey with the strategy of adopting 39 'platforms' in business units. A healthcare manufacturing company built a consolidated inventory system using data Platformation principles. A global media company employed data Platformation to build a consolidated billing platform for all its online business processes.
- As per Microsoft, SSOF's platform Rezopia is among the first 15 transactable applications on the Azure marketplace.
- Zinnov Zones 2019 rated SSOF as a leader in engineering R&D services in Enterprise Software and Consumer Software categories.
- Mr. Jagannathan C.N. joined as the chief financial officer of the company. Mr. Rajat Sinha joined the company as senior vice president, platform monetization. Mr. Srinivasan Venkatarajan joined the company as client engagement partner in the US.

FY19 – Accelerating enterprise digital transformation through Platformation

- SSOF acquired the US-headquartered Sopris Systems and the Australia-based Scalable Data Systems to strengthen its position as a strong Microsoft Dynamics 365 partner globally and enhance geographical reach.

- Strategic investment in Retail10X, a Palo Alto, California-headquartered Retail AI Software-as-a-Service (SaaS) platform, bringing great value to customers in the focused verticals of retail, distribution and CPG by providing them with a platform that leverages the latest in AI, ML and deep-learning technologies.
- Inaugurated two new SSOF offices, in Hyderabad and Mumbai, with a capacity of 380 and 50 seats, respectively.
- Saudi Arabian Rail Company (SAR) went live with SSOF's Rail Platform.
- Won 'Best Marketer of the year 2018' award at the SAP India Partner Summit. Also, Siemens' 'Most Value-Added Partner of the Year 2018' award and IBM's 'Best Software Partner of the Year – Commercial Segment 2018' award.

FY18 – Digital transformation redefined through Platformation

- Early successes with clients since the launch of Platformation and a wider acceptance of the model of digital transformation through Platformation resulted in SSOF being chosen as a strategic partner for multi-year digital transformation programs for customers.
- Opened a new office at Copenhagen in Denmark to facilitate the ease of reach to Northern European customers.

FY17 – Pioneering with Platformation

- SSOF's Platformation approach is based on a unique IT framework that ensures a true platform is created which is intelligent, networked, scalable and open.
- SSOF's SAP alliance on Hybris E-commerce gained momentum with a closer partnership in serving the retail and travel industries' needs and joint programs to reach customers in these verticals.
- Won a significant number of projects in Dynamics, SAP Hybris E-commerce, Enterprise Data Warehousing, Mobility & Cloud IMS service areas.
- New alliances with Snowflake for data-warehousing and Aeris for IoT solutions.

FY16 – Business reimaged

- The acquisition of IBIS Inc. to strengthen SSOF's footprint as a global Microsoft Dynamics partner for the retail and distribution industry while the acquisition of Halosys Enterprise Mobility Platform to strengthen its digital solutions portfolio.
- Launched two new offerings in the ISV vertical, with the first offering helping ISVs to engineer their existing on-premises products to be deployed on Cloud, while the second helps ISVs in restacking their product from older technologies to newer ones and make a better user experience possible for new-generation users. Also, started a cloud consulting offering called Cloud Assessment Services.
- Developed a range of horizontal platforms such as Unified Data Analytics Platform, DevOps and CloudOps platform to offer a base of emerging technology solutions that can be extended and integrated for industry-specific applications.
- Went live with Brick & Click Retail solution on Microsoft Dynamics AX for both online and offline retailers.
- SSOF developed new industry-specific solutions like Brick & Click Retail solution for the retail vertical, and also continued to extend Rezopia Travel Experience Management platform which helped the company to position/strategize itself as the IP-led solutions provider across the key verticals such as travel, retail, distribution and ISV.

FY15 –Transforming businesses to succeed in future

- Acquired & integrated travel SaaS platform Rezopia (Cloud-based travel ERP system provider) to drive IP-led services. Strengthened its leadership position in the travel vertical through Rezopia acquisition.
- Set up an industry advisory board for the retail vertical.

- For the travel vertical, SSOF built 'Dynamics for Travel' solutions catering to the complete value chain of travel management companies.
- SSOF signed a solution provider agreement (SPA) in the US, UK & APAC, which allows the company to sell Dynamics license in respective geographical areas. The company also signed geography-specific business plans with Microsoft in India, the US and the UK to work on a joint-GTM mode to gain new clients and the 'Micro Market Maker' agreement for the retail vertical with Microsoft USA and the Dynamics Master Vendor Affiliate Recorded (MVAR) program in India.
- SSOF is a SAP Gold-certified Partner and has been associated with SAP since 2008. Apart from being a value-added reseller in India, SSOF offers a range of services around SAP to its customers globally including SAP-certified application management services (including output-based models), SAP ERP implementation, business analytics (using business objects and business objects data services), SAP testing services, SAP integration services as well as SAP e-commerce (Hybris).

FY14 – The depth makes the difference

- Expanded its services footprint within Top-10 accounts.
- Added a new development centre in the US.
- Sharpened its expertise in the travel, retail and CPG (consumer packaged goods) verticals to fortify its position as the vendor of choice. Accumulated knowledge and insights, thereby helping to strengthen value proposition for allied verticals with similar business processes such as consumer financial services, manufacturing, supply chain and logistics.
- Strengthened the sales, account management, alliances and product management processes and teams. Strengthened senior management capabilities through additions in key positions such as - head of sales for the US, UK, Australia.
- SSOF has signed an agreement with Microsoft as a Master Vendor Affiliate Recorded (MVAR) for Microsoft Dynamics and under this program, affiliates will be recruited and managed to grow the Microsoft Dynamics network and business in India.

FY13 – Focus and depth

- SSOF divested its shareholding in TUI InfoTec GmbH to TUI Travel Plc, a large customer of the company. The sale was made for a total consideration of up to €12m payable on a deferred basis on achieving certain milestones. Further, the transaction led the company to be released from certain payment obligations of €3.5m, with the buyer taking over the losses of TUI InfoTec GmbH till 30 Sep 2012. TUI Travel Plc has selected the company as a 'preferred partner and vendor' to provide IT services for the group.
- SSOF continued its focus on building frameworks around the Azure platform from Microsoft and executing a variety of proof-of-concepts to demonstrate the power of Microsoft Azure. The company also invested in building competencies in Amazon Web Services.
- SSOF made a conscious decision to expand its presence into new geographies like Singapore and Australia, where it is witnessing good momentum with its global relationships.
- SSOF featured in Forrester's report 'Navigating the Microsoft Services Landscape' as a leading provider of Microsoft AX and Azure Services.

Key investment risks (downside risks)

Vertical concentration risk

- Telecom, media & technology and retail & manufacturing verticals contribute ~27% and ~36% to SSOF's 2QFY24 IT services business revenue, respectively. Any deviation in the spending due to macroeconomic uncertainty, unfavourable regulations or in the spending pattern could impact the financials significantly.

Top clients concentration risk

- Any deviation in the spending pattern among its top-10 clients (61% of 2QFY24 IT services business revenue) and top-20 clients (70%) could significantly impact SSOF's financials. Weakness in one of the top-5 clients in the travel vertical during the Covid-19 pandemic impacted its overall top-5 clients' performance in 4QFY20 (down 5.1% qoq) and 1QFY21 (down 25% qoq).

Supply-side concerns

- Supply-side challenges in many parts of the world resulted in increased sub-contracting costs, a rise in the attrition level and concerns relating to the availability of local talent. Persistent supply-side challenges pose an upside risk to wage inflation and could impact revenue execution in some cases.

Contingent liabilities

- Unfavourable outcome relating to overall contingent liabilities of Rs8,708m could impact the company's financials by ~Rs31 per share.

USD/INR appreciation

- A key downside risk to margins and EPS is USD/INR appreciation from the current level of ~Rs83.

About Sonata Software

Sonata Software (SSOF) is a global technology company which enables successful platform based digital transformation initiatives for enterprises to create businesses that are connected, open, intelligent and scalable. SSOF's Platformation methodology brings together industry expertise, platform technology excellence, and design thinking led innovation engagement models to deliver sustainable long-term value to customers. The company is promoted by Mr. Rajan B. Raheja & his family and managed by professionals.

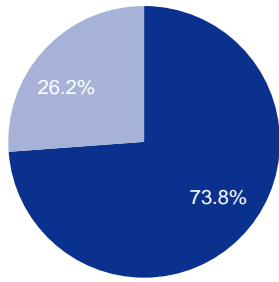
SSOF's business profile comprises a) International IT services business – providing software development & consulting services (avg. ~33% of revenue in 1HFY24 and an avg. ~67% of PAT), and b) Domestic products & services (avg. ~67% of revenue in 1HFY24 and avg. ~33% of PAT) - providing resale of product licenses of leading international software companies such as Microsoft, IBM, etc. in India. 1Q and 3Q are seasonally strong quarters in Domestic business.

Figure 49: Genesis of business

Year	Business Genesis
1986-1992	Indian software product pioneer - produced & distributed its own portfolio of software products.
1992-2012	Extends core capabilities to services in software engineering, implementation & redistribution.
2013-2016	Industry-focused global digital solutions provider.
2016-2021	Platform and IP-led digital services.
2022 onwards	Focus on modernization and digital engineering services, expanding presence among various partnerships, scaling BFSI & healthcare verticals.

SOURCE: COMPANY REPORTS, INCRED RESEARCH

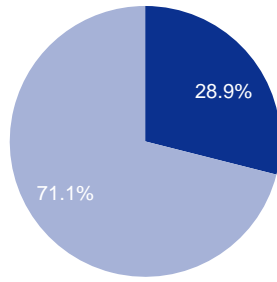
Figure 50: Revenue contribution...



■ Domestic business
■ International IT services business

SOURCE: INCRED RESEARCH, COMPANY REPORTS

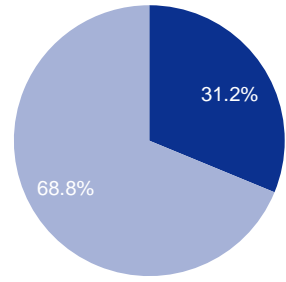
Figure 51: EBITDA contribution...



■ Domestic business
■ International IT services business

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 52: ...and PAT contribution in FY23

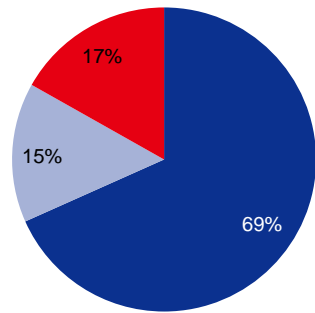


■ Domestic business
■ International IT services business

SOURCE: INCRED RESEARCH, COMPANY REPORTS

IT services business profile mix

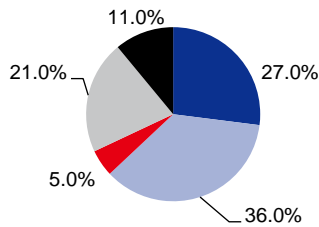
Figure 53: Revenue by geography...



■ USA ■ Europe ■ Rest of the World

SOURCE: INCRED RESEARCH, COMPANY REPORTS

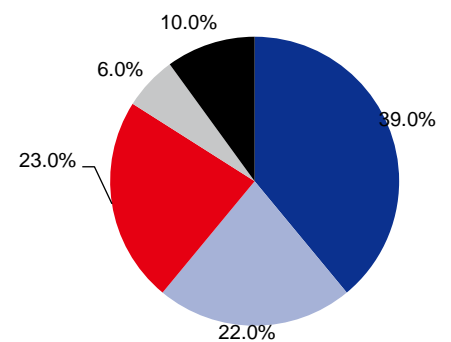
Figure 54: ...by vertical...



■ TMT
■ Retail & Manufacturing
■ Emerging
■ BFSI
■ Healthcare

SOURCE: INCRED RESEARCH, COMPANY REPORTS
NOTE: TMT IS TELECOM, MEDIA & HI-TECH, BFSI IS BANKING, FINANCIAL SERVICES & HEALTHCARE

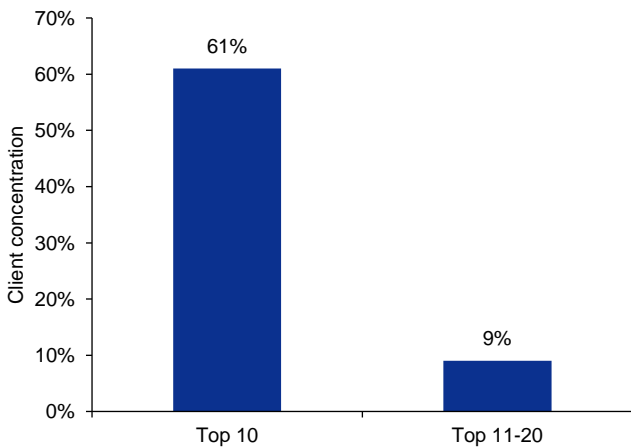
Figure 55: ...and by service lines as of 2QFY24



■ Cloud ■ Data
■ Dynamics ■ Emerging Tech
■ Others

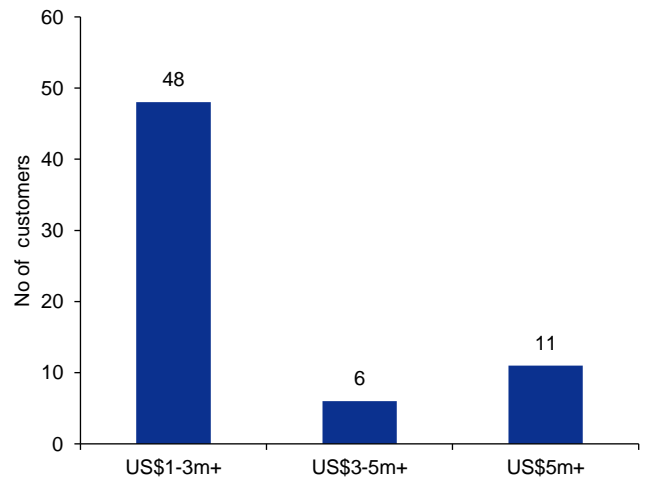
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 56: Client concentration revenue mix as of 2QFY24-end...



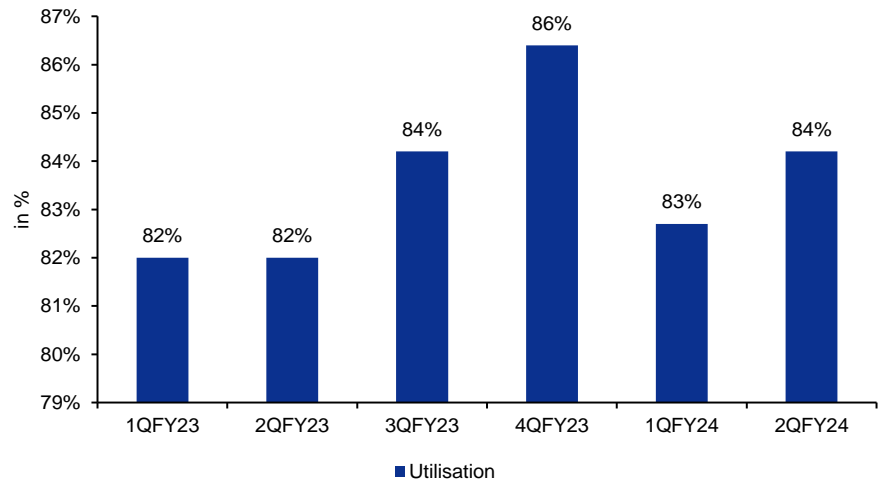
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 57: ...and the customer trend across buckets



SOURCE: INCRED RESEARCH, COMPANY REPORTS

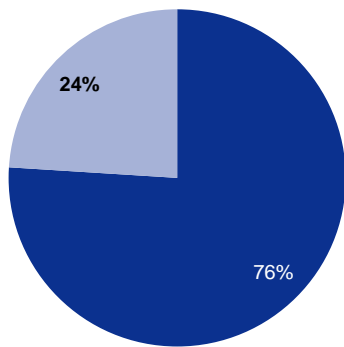
Figure 58: Employee utilization trend



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Domestic business profile mix

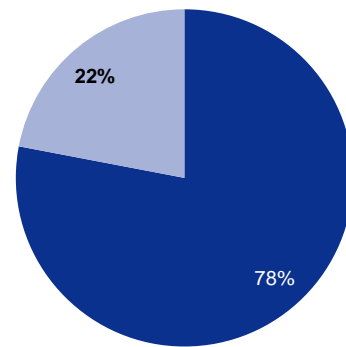
Figure 59: Revenue mix by annuity...



■ Annuity ■ Others

SOURCE: INCRED RESEARCH, COMPANY REPORTS

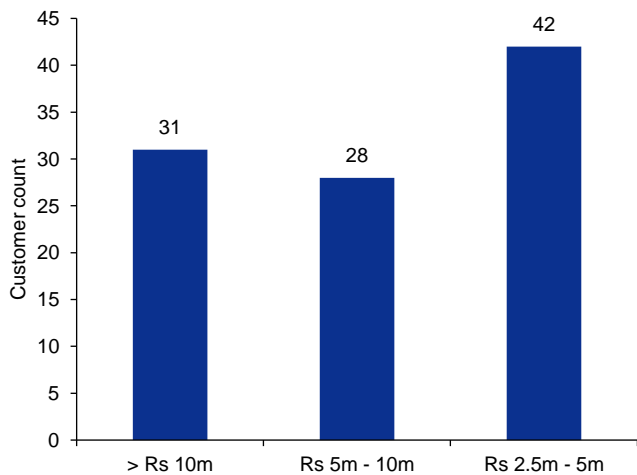
Figure 60: ... and by cloud



■ Cloud ■ Non-Cloud

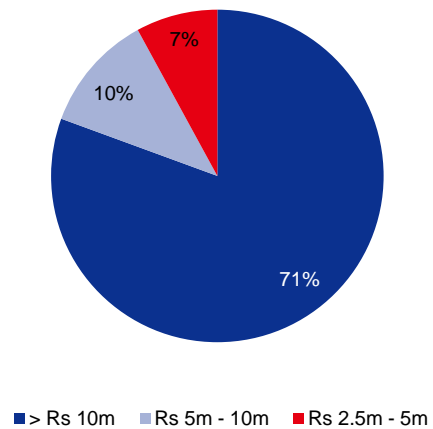
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 61: Customer count...



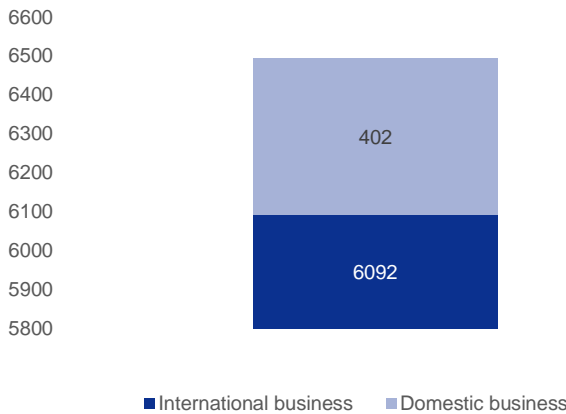
SOURCE: INCRED RESEARCH, COMPANY REPORTS, NOTE: COMPANY HAS STOPPED REPORTING THE METRIC FROM 2QFY23

Figure 62: ...and customer by gross contribution



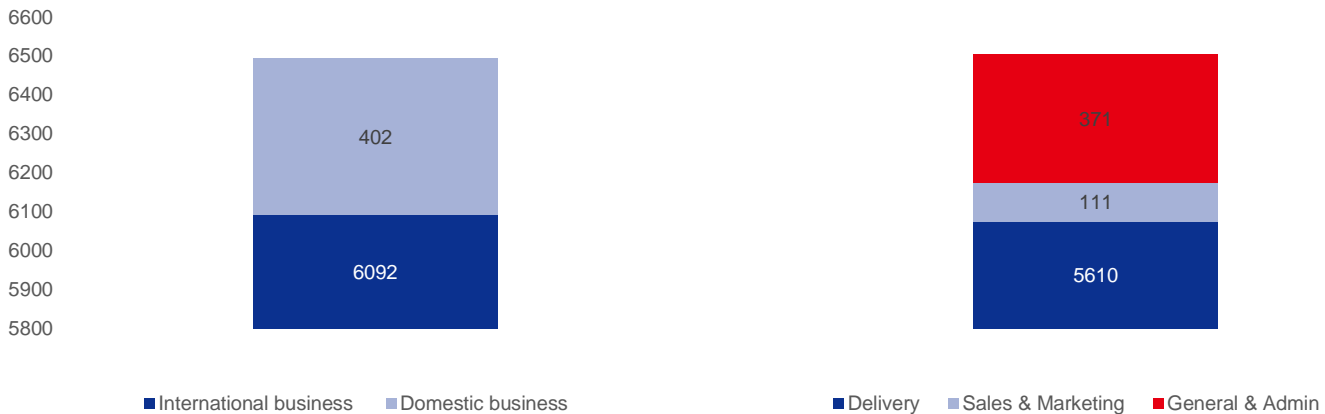
SOURCE: INCRED RESEARCH, COMPANY REPORTS
NOTE: COMPANY HAS STOPPED REPORTING THE METRIC FROM 2QFY23

Figure 63: International business headcount formed ~94% of overall employees...



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 64: ... and IT services break-up of its employees as of 2QFY24



SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 65: Board of Directors

Name	Designation
Pradip P Shah	Chairman, Non-Executive Independent Director
P Srikar Reddy	Executive Vice-Chairman
Samir Dhir	MD & CEO
Viren Raheja	Non-Executive Promoter Director
Radhika Rajan	Non-Executive Independent Director
S B Ghia	Non-Executive Director
Sanjay Asher	Non-Executive Independent Director

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 66: Key management profile

Name	Role	Brief profile
Samir Dhir	MD & CEO	Joined SSOF in 2022. Earlier worked in Virtusa, Wipro, Avaya and Lucent Tech.
Jagannathan Chakravarthi	Chief Financial Officer	Joined SSOF in 2019. Earlier worked as CFO in Carborundum Universal & Mindtree.
Sujit Mohanty	Head - Sonata India business	Joined SSOF in 1991. Heads India business & product business for India
Rajsekhar Datta Roy	Chief Technology Officer	Joined SSOF in 1994. Appointed as Global Head for Dynamics & Digital platform - Retail & Distribution in FY16
Sharmila Sherikar	SVP, Head - Corporate Development	Joined SSOF in 2023. Earlier, worked in Virtusa for 19 years.
Hemant Kumar Bhardwaj	Chief Marketing Officer	Joined SSOF in 2022. Earlier, worked in HTC Global Services, iGATE, Polaris, Ogilvy, Lintas, Mudra DDB, Studio 18, ITC, etc.
Anthony Lange	Global Partner Officer	Joined SSOF in 2023. Earlier, worked in Virtusa, ORBID Corporation, Unisys, Critical Path, Tanning Technology, EDS, etc.
Suresh HP	Chief Delivery Officer	Joined SSOF in 2023. Earlier, worked in LTIMindtree, Mindtree, Motorola, Abacus, Infosys, etc.
Srini Veeravelli	CEO, Quant Systems Inc	Joined SSOF in 2023. Earlier, worked in Accenture and Corelogic.
Muralee P Bhaskar	CEO, Encore Software Services	Joined SSOF in 2022. Earlier, worked in CSC and Covansys.
Balaji Kumar	Chief Human Resources Officer	Joined SSOF in 2022. Earlier, worked as CHRO at L&T Infotech.

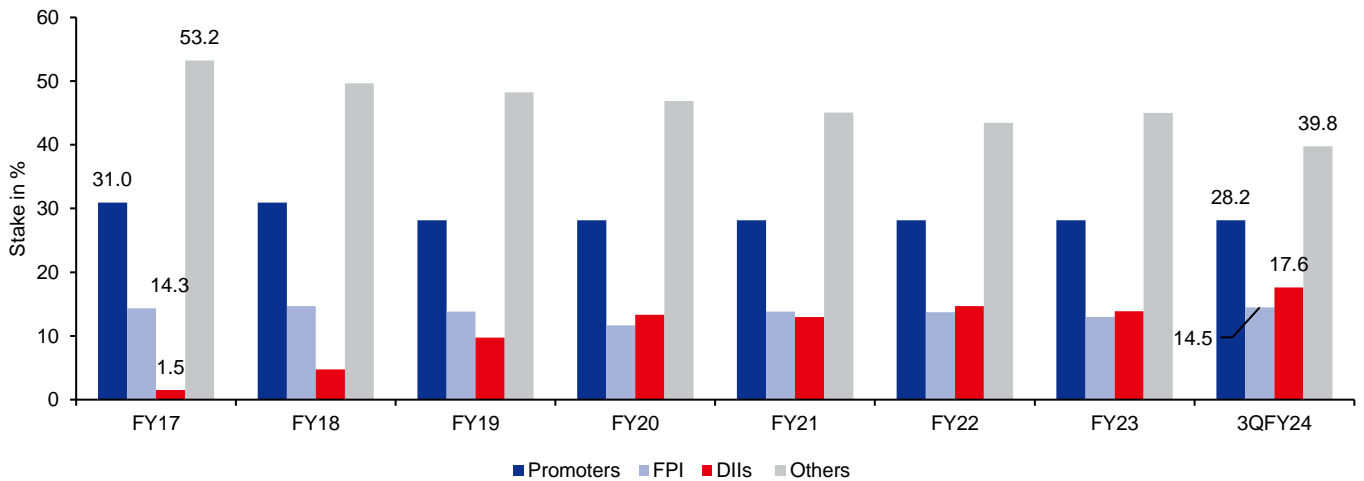
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 67: Leaders who joined in FY23

Name	Designation
Samir Dhir	MD & CEO
Raghav Dave	Head of Sales, HLS, US
Rajashekhara Tavarakere	Delivery Head - UK, Ireland and Europe
Anthony Lange	Global Partner Officer
Keerthi Rannore	Head of Global Talent Acquisition
Balaji Kumar	Chief Human Resources Officer
Anand Nair	Head of Sales - APAC
Hemant Kumar Bhardwaj	Chief Marketing Officer
Ashok Mysore	VP - Cloud Growth business - SITL
Sathish Nuggu	Senior VP - Client Services Delivery Portfolio
Murthy Mulugu	Head of IP Engineering
Manu Swami	Head of Technology (Markets)
Sharvari Lingayat	Head of Global Business HR
Santos Jha	Head of Sales, BFSI, US

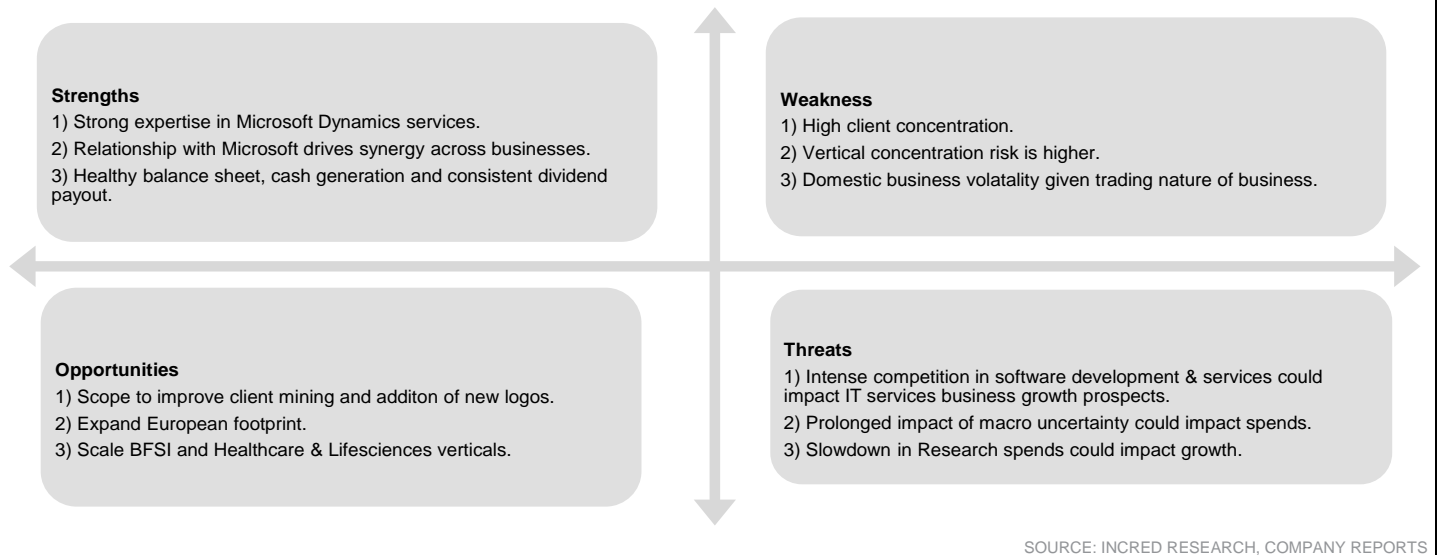
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 68: Shareholding pattern



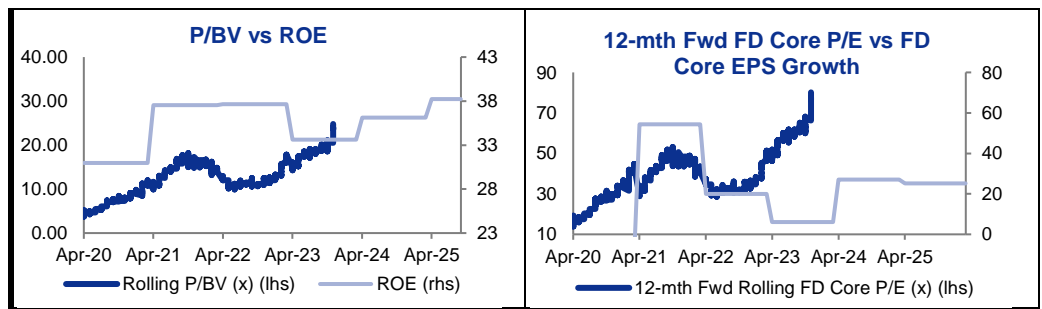
SOURCES: INCRED RESEARCH, COMPANY REPORTS

Figure 69: SWOT analysis



SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Net Revenues	55,534	74,491	83,196	102,132	121,128
Gross Profit	7,933	10,603	14,328	17,089	20,387
Operating EBITDA	4,638	6,041	7,766	9,365	11,181
Depreciation And Amortisation	(473)	(591)	(1,320)	(1,392)	(1,409)
Operating EBIT	4,165	5,450	6,446	7,973	9,773
Financial Income/(Expense)	839	523	(102)	151	399
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	5,004	5,973	6,344	8,125	10,171
Exceptional Items					
Pre-tax Profit	5,004	5,973	6,344	8,125	10,171
Taxation	(1,239)	(1,454)	(1,550)	(2,031)	(2,543)
Exceptional Income - post-tax					
Profit After Tax	3,765	4,519	4,794	6,094	7,628
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	3,765	4,519	4,794	6,094	7,628
Recurring Net Profit	3,765	4,519	4,794	6,094	7,628
Fully Diluted Recurring Net Profit	3,765	4,519	4,794	6,094	7,628

Cash Flow

(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
EBITDA	4,638	6,041	7,766	9,365	11,181
Cash Flow from Invt. & Assoc.					
Change In Working Capital	623	(1,766)	162	(34)	133
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	600	187			
Other Operating Cashflow					
Net Interest (Paid)/Received	(180)	(185)	(814)	(473)	(195)
Tax Paid	(1,559)	(1,754)	(1,550)	(2,031)	(2,543)
Cashflow From Operations	4,122	2,522	5,564	6,827	8,576
Capex	(96)	(411)	(82)	(98)	(117)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(737)	(8,143)	29	(4,079)	(3,276)
Cash Flow From Investing	(833)	(8,553)	(53)	(4,177)	(3,394)
Debt Raised/(repaid)					
Proceeds From Issue Of Shares					
Shares Repurchased					
Dividends Paid	(1,869)	(2,324)	(2,301)	(3,351)	(4,196)
Preferred Dividends					
Other Financing Cashflow	(837)	4,191	(2,290)	(2,550)	(1,258)
Cash Flow From Financing	(2,706)	1,867	(4,591)	(5,901)	(5,454)
Total Cash Generated	583	(4,164)	920	(3,252)	(271)
Free Cashflow To Equity	4,026	2,112	5,483	6,729	8,459
Free Cashflow To Firm	3,469	(5,846)	6,325	3,123	5,378

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Total Cash And Equivalents	9,144	9,361	11,094	8,316	8,240
Total Debtors	9,220	12,362	13,811	17,158	20,350
Inventories					
Total Other Current Assets	1,080	2,428	2,428	2,428	2,428
Total Current Assets	19,443	24,151	27,333	27,902	31,018
Fixed Assets	2,062	6,347	5,109	3,815	2,524
Total Investments	518	559	559	559	559
Intangible Assets	2,207	10,984	10,984	10,984	10,984
Total Other Non-Current Assets	1,362	1,528	1,528	1,528	1,528
Total Non-current Assets	6,149	19,418	18,180	16,886	15,595
Short-term Debt					
Current Portion of Long-Term Debt					
Total Creditors	10,547	12,949	14,559	17,873	21,197
Other Current Liabilities	2,393	8,685	6,525	4,173	2,132
Total Current Liabilities	12,940	21,633	21,084	22,046	23,329
Total Long-term Debt					
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	1,660	8,929	8,929	4,501	1,609
Total Non-current Liabilities	1,660	8,929	8,929	4,501	1,609
Total Provisions					
Total Liabilities	14,600	30,562	30,013	26,547	24,938
Shareholders Equity	10,992	13,007	15,500	18,242	21,675
Minority Interests					
Total Equity	10,992	13,007	15,500	18,242	21,675

Key Ratios					
	Mar-22A	Mar-23A	Mar-24F	Mar-25F	Mar-26F
Revenue Growth	31.3%	34.1%	11.7%	22.8%	18.6%
Operating EBITDA Growth	22.3%	30.2%	28.5%	20.6%	19.4%
Operating EBITDA Margin	8.4%	8.1%	9.3%	9.2%	9.2%
Net Cash Per Share (Rs)	32.92	33.70	39.94	29.94	29.66
BVPS (Rs)	39.57	46.82	55.80	65.67	78.03
Gross Interest Cover	23.09	29.40	7.92	16.84	50.12
Effective Tax Rate	24.8%	24.3%	24.4%	25.0%	25.0%
Net Dividend Payout Ratio	77.5%	48.4%	48.0%	55.0%	55.0%
Accounts Receivables Days	51.74	52.87	57.41	55.34	56.51
Inventory Days					
Accounts Payables Days	65.40	67.12	72.90	69.60	70.78
ROIC (%)	133.4%	137.9%	40.5%	46.8%	52.9%
ROCE (%)	31.3%	34.4%	34.2%	35.4%	36.7%
Return On Average Assets	13.9%	11.9%	10.9%	13.2%	16.0%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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