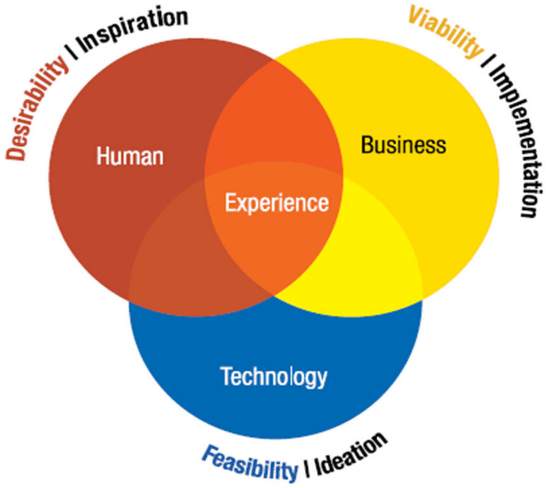
DART
DOLAT ANALYSIS & RESEARCH THEMES
IN-DEPTH•PRECISE•ACTIONABLE

"Design is not how it looks like and feels like. design is how it works"

- Steve Jobs



Design Thinking….

….Intellect Design Arena

intellect®
Design for Digital

VP - Research: Rahul Jain
Tel: +9122 40969771
E-mail: rahulj@dolatcapital.com

Associate: Divyesh Mehta
Tel: +91 22 40969768
E-mail: divyesh.mehta@dolatcapital.com

DOLAT CAPITAL

October 07, 2020

Intellect Design Arena

Buy

DART
DOLAT ANALYSIS & RESEARCH THEMES
IN-DEPTH• PRECISE• ACTIONABLE

Initiating Coverage

Intellect Design Arena is one of the fastest growing Banking Software company in the World with wide IP offering across spectrum of BFSI sub segments. Powered with significant investments in R&D (over Rs10bn since demerger in FY14) and S&M (Rs17bn) the company has created strong presence, reach and brand appeal for its product offerings across markets and same is evident from several marquee client wins, improved deal size and high ratings across Industry expert rankings. The company has reported robust industry leading 14% CAGR in $ revenues over FY14-20, however the same has not percolated into profitability/cashflow given Company's all in strategy (multi-market, multi-region) that has resulted in large front-loading of investments. But now with two of its largest LOBs (iGTB and iGCB – collectively 70% of revenues) have gained ideal scale and maturity we expect significant improvement in financial metrics (led by improved AMC, reduced implementation cycle, improved acceptance of its brand etc) of the business hereon. We continue to remain positive in the segment given the favorable tailwinds from digital acceleration prospects and initiate coverage on INDA with a DCF based TP of Rs330 per share (implies 15x on FY23E earnings, 1.2x on PEG).

Arena of IPs

Unlike the usual 1 or 2 product lines approach, the company has incubated almost 12-14 IPs across its four lines of businesses making it relatively risk-free, less-cyclical and more importantly scalable player.

Annuities to improve profitability/cashflow

Annuities (AMC+SaaS) revenues collectively accounts for about 30% of revenues and is expected to grow by 20% CAGR over FY20-23 that should help it drive profitability and cash generations (AMC are typically paid in advance for the year).

Unique client mapping and strategic positioning

Company has mapped its target client base on its capability, market acceptance and competitive positioning factors, which is very crucial for better deal conversions. The company has made significant investment in People, R&D, Sales, Infrastructure to ensure its offerings are at par with any global peer.

Top reasons why banks will accelerate Digital agenda post Pandemic

1) Need for analysing the customer data better; 2) Need for targeting customers on App as footfalls in branches would go down further; 3) Improved focus of banks to cross sell product to same customer as CAC (customer acquisition cost) is ever-increasing. Banks are likely to replicate what Retail industry is doing i.e. closing branches and investing in eCommerce/Digital channel.

FINANCIALS (Rs Mn)

Particulars	FY19A	FY20A	FY21E	FY22E	FY23E
Revenue	14,587	13,509	15,073	17,126	19,369
Growth(%)	34.2	(7.4)	11.6	13.6	13.1
EBITDA	1,485	748	3,058	3,966	4,940
OPM(%)	10.2	5.5	20.3	23.2	25.5
PAT	1,284	98	1,822	2,356	3,002
Growth(%)	207.9	(92.4)	1764.4	29.3	27.4
EPS(Rs.)	9.8	0.7	13.9	17.9	22.8
Growth(%)	192.9	(92.4)	1764.3	29.3	27.4
PER(x)	24.2	317.5	17.0	13.2	10.3
ROANW(%)	14.1	1.5	15.2	17.0	16.3
ROACE(%)	13.6	2.5	15.0	16.7	16.8

CMP	Rs 236
Target / Upside	Rs 330 / 40%
NIFTY	11,662

Scrip Details

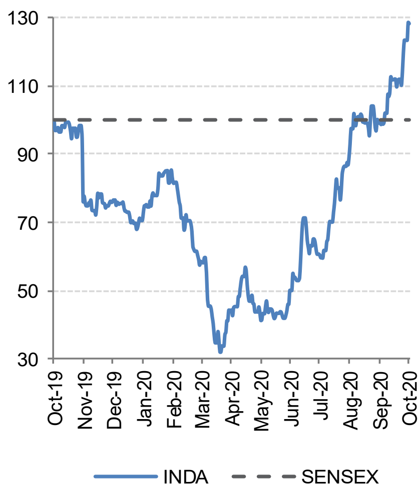
Equity / FV	Rs 662mn / Rs 5
Market Cap	Rs 31bn / USD 423mn
52-week High/Low	Rs 257/ 44
Avg. Volume (no)	323,417
Bloom Code	INDA IN

Price Performance	1M	3M	12M
Absolute (%)	27	120	32
Rel to NIFTY (%)	24	112	27

Shareholding Pattern

	Dec'19	Mar'20	Jun'20
Promoters	31.4	31.4	31.4
MF/Banks/FIs	6.2	6.3	6.1
FIIs	21.1	21.6	21.6
Public/Others	41.3	40.8	41.0

INDA relative to SENSEX



VP - Research: Rahul Jain
Tel: +9122 40969771
E-mail: rahulj@dolatcapital.com

Associate: Divyesh Mehta
Tel: +91 22 40969768
E-mail: divyesh.mehta@dolatcapital.com

Index

Company Background

Intellect Design Arena Ltd (INDA) is a product business spun off from Polaris Financial Technology Ltd. INDA got listed in Dec.'2014, as the management believed that this business needed a separate DNA as a product company with an independent brand and go-to-market strategy. INDA is a rare company that has created specialised software catering to the entire spectrum of BFSI sub-constituents such as Consumer Banking (product name: iGCB), Central Banking, Risk & Treasury (iRTB), Transactional Banking (iGTB) and Insurance (SEEC). Intellect has built solutions that are Contextual, API-first, microservices-based created on the principles of design thinking that serves its 240+ clients spread across 91 countries (60% of it coming from developed markets).

Arena of Intellectual Designed Offering

The company has full-fledged portfolio of IP products across sub-segment of BFSI as it believes the fundamental driver for demand in BFSI segment is same but the decision making often get influenced by specific client needs or objective. Typically, many software supplier offers universal banking solutions that covers up wide array of need for large banks both on retail and corporate businesses. However, at times these products do not emphasize very specific needs of a bank that has strength in a particular banking function and thus the multiple product strategy come into play. INDA has created multiple IPs across banking functions and has been creating its brand across these lines of businesses.

Diversified product portfolio; achieves leadership in Transaction Banking

The company has a diversified bouquet of offerings across the sub-segments of the BFSI vertical. Its suite in Transactional Banking for a Corporate Banking product accounts for the biggest revenue contribution and is seeing incremental traction in other products, underpinned by its modular approach (can co-exist with legacy/third party core banking software), Digital-centric service-oriented architecture and focused solution that services specific customer needs. INDA is emerging as the leader in this category and now boasts of over 90 clients, including 14 Tier I international banks. The other three Strategic Business Units (SBUs) are also witnessing strong market acceptance and client wins.

Exhibit 1: Chronology of Product Launches

Year	Product Launch
2004	**Core Banking solutions and Custody**
2005	Next Gen Banking platform – **Trade finance, Portal, Treasury**
2006	**Wealth & Risk, Liquidity Platform**, Insurance through **SEEC acquisition**
2009	**Payments**, Acquired several IP through Lasersoft acquisition
2010	**GUB M180** & Brokerage Platform through acquisition of Indigo Tx
2011	**Basel III** ready LRM
2012	**FABX** (Financial Advisory)
2013	**Design Center** in Chennai (8012)
2015	**Risk Analyst** - AI powered underwriting solution launched
2016	**OneMARKETS** – 360 degree platform for Securities Trading and Asset Services
2017	**IDC 17.0** – Digital 360, Real time and contextual Core Banking Solution
2018	**Low Coding platforms** on UX (Canvas), workflows (Hub), Bigdata, AI/ML (Purple Fabric), Data Exchange (Olive), Security (ARX)
2019	**IDC 19** - Integrated solution across Core, Lending, Treasury, Trade Finance and Cards
2020	**iTurmeric** - Enterprise integration platform for progressive transformation

Source: Company, DART

Transaction Banking (iGTB)

iGTB is the largest business unit for INDA in terms of revenue and is the most established offering given its strong market acceptance, brand positioning, client roster and potential cross-sell opportunity. This segment focuses on Corporates or wholesale banking and has products/modules that cover the diverse need of the bank to run their day-to-day operations. The company is aiming at building Consumerisation of Corporate Banking and disrupt the existing way of doing business leveraging its contextual digital offerings (like Fintechs are doing to Retail Banking) such as replacing existing Swift payment systems by introducing pool payments that can shorten payment cycle of global movement of cash from current 5-6 days.

Key product offering under iGTB platform

Digital Transaction Banking (**DTB**) – It provides global integrated cash & trade solution. DTB seamlessly integrates account services, reporting, collections & receivables (including electronic invoice presentment), payment, liquidity, trade finance, supply chain finance and treasury products. Did several Go-lives on this product in FY20, with many of them securing awards to the respective customers.

CBX – Contextual Banking Experience: CBX is a device-ready, fully scalable online banking channel, comprising an *'Apps Vault'* of over 400 applications. This product facilitates personalised entitlements, products, workflows and user interface. An acknowledged leader in its category, The Product supports a comprehensive set of user journeys across Corporate Banking and enables context aware recommendations to Customers driven by an AI/ML engine that generates predictive analytics.

Liquidity Management: Liquidity is a global solution product for domestic, cross-border and multi-bank cash concentration. Liquidity platform supports Corporate Liquidity management with intelligent functionalities for Pooling, Sweeping, Investments and consolidation across geographies, currencies and categories. This product can be, and has been customized with regional variants such as Nordic cash pooling and tax efficient sweeps for China. It is the category leader; and has launched its cloud native, API driven version, won a deal in N. America with a very large Global Bank and had a strong deal pipeline at the end of FY20.

Payments Services Hub *(***PSB***)* –. PSBs enable banks to increase payment volume and meet regulatory challenges by providing enterprise-wide visibility into payment operations - across all transaction channels and business lines. Payments Services hub that enables payment processing and orchestration through pre-defined, intelligent workflows that aggregate across payment channels and address the payment cycle end to end, ensuring a very high level of straight through processing while optimizing cash flows. It has done a comprehensive work on one of the client in the North America and is looking to replicate that success story in other accounts.

Intellect's Trade & Supply Chain Finance: Platform integrates the partners across the Supply chains of organizations presenting them a unified platform for transacting and building true interdependency in their relationship. Intellect has implemented this product for a large customer in Europe and going live in phases for a multi-country implementation in Asia.

Robust client profile and strong cross-sell potential Large

Business Opportunity: INDA is positioned well in the segment since it has strong client, robust team (including leaders from global competitors such as Misys, FIS and large banks), large breadth of products (10 modules) and differentiated IP offerings (design contextually with business centricity). Company is witnessing incremental trends for 'Buy vs build' across the board. In this business the real addressable opportunity lies with 300-400 very large banks amongst Top1000 banks. As of today it has about 90 clients in this segment.

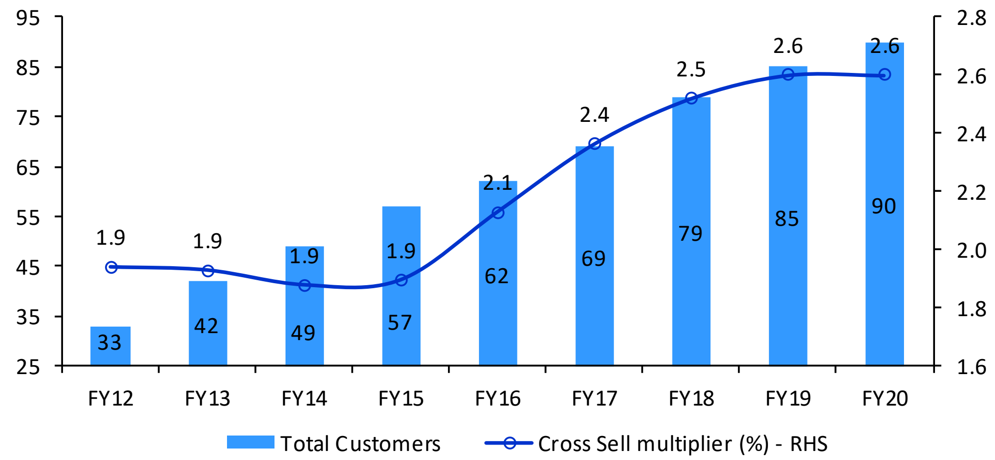
The company has total 10 product offerings (Top 3 here are Digital, Payments and Liquidity) in this segment but a very modest cross-sell of 2.6x (60% of revenues are from existing customer through AMC and Cross Sell), which should ideally can go up to 4x, which should reduce concentration (Exhibit 3). Currently its Top25 customer's accounts for about 75% of its revenues (represented by Top40 banks in the World). Thus it has potential of doubling the client count as well as cross-sell index over next few years. Also the production support in large clients brings in loads of L2/L3 services opportunities. Ex: It has been able to sell its Digital Transaction Banking solution to about 60 of its customer (half of them live) that has helped its revenues double to US$100mn in 2019 from mere ~50mn$ in 2016 (also has higher gross margins of 65% compared to company average of 50% - especially in matured offerings).

Exhibit 2: Elite Client Roster

Region	Clients
Europe	Barclays, Llyods Bank, HSBC, RBS, Banco Santander, DNB, SEB, Societe General, Deutsche Leasing, Elavon, Migrosbank, Euro Exim Bank, Raiffeisen Bank
Americas	Bank of Montreal, CIBC, JP Morgan, Citi, Northern Trust, Fifth Third Bank
India	HDFC Bank, ICICI Bank, Axis, PNB, IDFC, BoB, Bank of India, IDFC, ING, Kotak, Dhanalaxmi Bank
Asia-Pacific	Bangkok Bank, BIDV, BCA, Mizuho, SHB, DBP, Hong Leong Bank, ANZ, Westpac, UOB
ME & Africa	NBK, QNB, ADIB, ADCB, Firstbank, ABSA, Housing Finance Bank, Arab Bank, Bank Muscat, Fedbank, FNB, GIB, Mashreq

Source: Company, DART

Exhibit 3: iGTB -Clients and Cross Sell index (long way to go)



Source: Company, DART

Global Consumer Banking (iGCB)

INDA launched its Digital core system in 2005 (flagship offering) and today has about 100+ live installations worldwide (Select few in Europe and largely in developing markets). The company has multiple products in this hyper-competitive market of Core Banking Solutions with key differentiation being its offering for Central Banking and versatile offering that has been power in cloud-native and micro-services based architecture (has been recently accredited by IBS as leading supplier in the segment). iGCB is also rated as amongst top 7 vendor by Gartner in Challenger quadrant in its Retail Banking Magic Quadrant 2019. These credentials and successful delivery in large deal in UK (Cater Allen) has opened doors for iGCB in Europe and N. America.

Four sub-segments in Consumer Banking categories

Intellect Digital Core: IDC 20 is a comprehensive Contextual Banking suite for Retail banking operations across Core, Lending, Treasury, Trade Finance and Cards. Designed with a 360-degree approach on Digital Outside (Customer Experience) as well as Digital Inside (Operational Efficiency). The product has been featured leader in Retail Banking segment by IBS as well as Gartner's Magic Quadrant.

Intellect Digital Lending: It drives deep design differentiation by enabling customization of lending portfolios, risk optimization and speed, using proprietary digital technologies. It encompasses a comprehensive Loan Life Cycle Management System that provides end-to-end solutions to address banks' business objectives in the digital age. Powered by Purple Fabric, Intellect's Artificial Intelligence / Machine Learning platform this suite builds real time intelligence in Credit decisions and Collection decisions. This Product is adopted by Banks that seek more sophisticated Lending capabilities than that offered by a Core Banking platform apart from those catering to niche segments such as Corporate/NBFC/HFC/Co-operatives.

iTurmeric: The most recent launch is iTurmeric, a platform for APIfication of applications. This platform provides an API exchange, API studio and developers' sandbox that helps develop, publish and consume APIs for own, third party and ecosystem applications. This platform also enables 'progile' transformation - progressive and agile - that allows Customers to preserve their investment in legacy technologies, while migrating to a cloud ready, open digital architecture without the inherent risks of a rip & replace transition. This product has been launch as its preferred route to target large progressive transformation deals alongwith IBM.

Intellect Digital Wealth: Intellect's WealthQube is targeted at Wealth Managers, Private Bankers, Advisory firms and independent financial advisors. The product places the role of the Relationship manager at the center and addresses their priorities of better engagement with and providing intelligent advice to their clients through a 360-degree view, apart from the ability to transact across Exchanges, currencies and asset classes. It presents digital tools across channels to improve efficiencies and empowers clients by providing actionable insights for informed decisions. With a promise of 20% higher productivity and 20% higher revenues, the Product has established a footprint with key clients in Growth Markets.

Quantum Central Banking system: QCBS is an end-to-end CBS designed for the unique requirements of central banks. QCBS is equipped with, Enterprise General Ledger, Common Banking Services, Currency in Circulation and Bullion Management, Collateral Management, Liquidity Providing Transactions, Public Debt Management & Depository, Government Services, Treasury, Reserve Management, RTGS, SWIFT, Payment and Receipts & Settlement Engines. It is category leader in the segment has added two wins in FY20 and added one deal with African Central Bank in Q1FY21 and is expected to sustain momentum going forward as well (6 deals in pipeline).

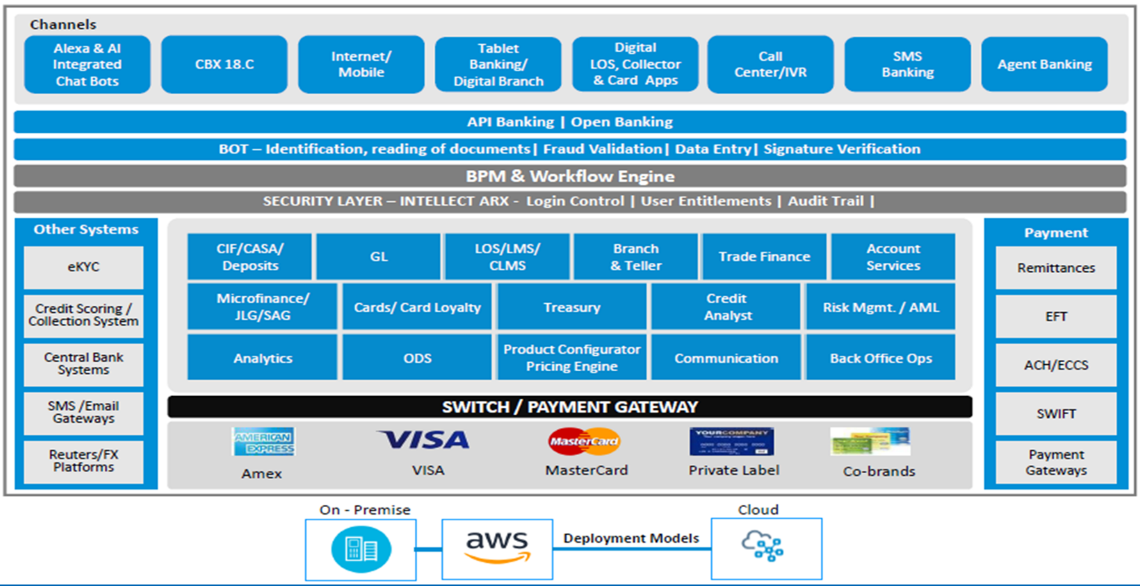
Large Business Opportunity - iGCB

The banks were the first to adopt Technologies and thus most systems were built on Cobol language. As banks grew larger and acquired few others banks, their technology landscape become very complicated as a complex web of 100's of software's from different era and Tech specifications. Thus, over a period of time banks had to create a parallel team for Technology support internally, for example at its peak Citibank housed 30,000 member internal tech team to support its banking operations, which is now getting incrementally outsourced to large manage service players. With increased outsourcing and technology getting more and more outdated, banks have very small members internally that can run these systems and thus run a big risk of system failure. For example: A Senior Bank executive from Santander (UK) said we are modernizing because just four-member within the bank can run its legacy systems. Market has been improving for third-party CBS (Core Banking System), driven by regulatory and incremental focus on client centricity. However, long decision making cycles often lead to lower deal frequency.

iGCB Positioning has been improving: To cater on these opportunities especially in the European market it is leveraging its existing access in many banks that are customer for Corporate Banking modules (like Santander – is client for both Corporate as well as Retail side - total Licence opportunity of US$50mn on cross sell) and through partnership with a local partner getting better grip on regulatory nuances. Once it would win deal in a market and gradually Goes Live then it would be in situation to go solo. With its recent wins in the developed markets the company has been able to increase its Licence value about 2-3x. Currently, it has its largest pipeline in this segment with over 10 banks were it has reached last stage of evaluation. INDA has positioned itself as cloud-native solution provider, as several banks are adopting digital transformation projects under regulatory pressures (PSD2, GDPR) and are looking for privately hosted quick implementation solutions (offers 4-6 months implementation for its modules compared to standard three-year core implementation). Recent win momentum has been very strong and now its total customer base has reached about 125+.

Key Clients: Cater Allen, NAB, Westpac, Nova Bank, Ithaka, Janata Bank, Bangkok Bank, CIBC, Barclays, Abu Dhabi Commercial Bank, First Gulf Bank, Tisco Bank, St James's Place, El Taamir; Central Banks such as Reserve Bank of India, Sveriges, Riksbank, Central Bank of Armenia, Central Bank of Sweden, Ethiopia, Seychelles.

Exhibit 4: IDC – Solving the complex puzzle for Retail Banks



Source: Company, DART

Risk, Treasury & Capital Markets (iRTB)

iRTM is company's risk, treasury and markets platform. It supports various asset classes over a highly configurable and scalable platform. The liquidity risk, treasury and capital markets solutions provided through the iRTM platform are equipped with comprehensive regulatory reporting capabilities, which can be customized to various regulatory environments, such as Basel III, treasury trading policies and controls and MiFID. Investments in new IT risk management systems have been driven by the need for stricter regulatory compliance requirements and demand for quicker risk modeling and compliance reporting. Non-compliance or inadequate compliance could result in high legal costs and fines, apart from reputational damage and fines. Investment is also increasing in prevention and management of cyber-attacks, data leaks and breaches, hacks, and deficiencies in cyber security.

Key product offerings under iRTM platform

Capital Cube - is a high end combination of Treasury and Asset Liability Management. This is for Banks in Tier 2 / Tier 3 (Corporate can be targeted) and for functionalities beyond what standard Core system can offer. With high end capabilities for Risk Management, Liquidity Management, Treasury, Trading Analytics, Capital adequacy and Customer servicing, this product has a significant footprint in Growth Markets apart from powering the multi continent Treasury Operations of the World's Leading Bank in Treasury Operations. **Opportunities arise along with Core Banking implementation as well as subsequently as a Wave 2 Transformation.** Within this bouquet two more offerings have been recently launched on the cloud specifically targeted at the Forex trading (CBX-FX) and ALM spaces (Contextual ALM) and are expected to accelerate for potential monetization in FY22.

Capital Alpha – Alpha is the solution for the Capital Markets that combines the functionalities of Front, Mid and Back office of retail and enterprise broker houses and offer the combined benefit of Speed, Leverage, Risk Management and Analytics. The product integrates with and supports other Capital Market functionaries such as Custodians, Registrar and Transfer agents and Mutual Fund participants. The Product has been approved across Stock Exchanges and offers multi-exchange, multicurrency support with contextual research and analytics.

OneLRM – It is a functional tool that facilitates compliance with Basel III requirements by providing the user real-time view of risk exposures and profit & loss, enabling 'just-in-time' funding towards reducing the cost on borrowings.

Boosting the portfolio for future

Traditionally, many FIs have built their own risk IT infrastructure but, this trend appears to be changing, as internal risk infrastructure is now considered inflexible, outdated, expensive and unable to meet with increased regulatory, operating and competitive demands. The company is largely present in the Treasury product segment, which has end-to-end capabilities, front to back office - covering all major asset classes. The market in the RTB segment has always been multi-solutions oriented and has several regional players (leaders Sunguard, FIS, Misys). The acceptance of digital solutions has been improving, but iRTM is yet to make a significant mark despite the vast potential as company is right now in the phase of building the ideal product-mix and plans to monetize this segment in FY22E. Currently, the revenue base of the segment is very sub-optimal with very low revenue per client matrix (about US$0.25mn – 80 odd customers in all). However, there has been some surge in demand, as players in the developing markets focus towards refreshing their technology platform.

Key Clients: *Currently, it has few marquee customers such as WestPac, Citi (installed in over 20 countries), RBI etc that may help it for referencing perspective in several markets that are witnessing product adoption.*

Insurance and Data (SEEC)

Fourth product business unit for INDA is SEEC – SEEC provides an extensive portfolio, offering covering distribution, underwriting and claims. Basically, the product has the potential to very significantly improve the quality of underwriting and claims management in the insurance industry. Market is looking for solutions that can reduce inefficiency through automation (replace manual work) and intelligent decision making that may help in reduced claims or favorable underwriting. Intellect SEEC addresses the Digital and Data needs of the Insurance carriers both through products and by offering Data as a Service. Through Risk-Analyst product from SEEC-INDA, the company that has to be insured can be monitored through back-end data that Intellect Software collect inputs on 8000+ data points (400 fields) collected from 10-15 data sources to make much better informed decision making leading to lower claims, better risk understanding, faster assessment using AI/ML. the company has invested three years of efforts to improve the accuracy for its underwriting skills

Positioned well in white space: SEEC is positioned well in the market (white space), as it has SaaS (Software as a Service) based solutions in the segment that reduces TCO significantly for the client through usage of public cloud infrastructure (lower hosting cost), open source technologies (Ex: Mongo Database instead of IBM/Oracle systems) and less customization (self-configuration tools). Competitive positioning is decent as INDA is focusing on Life & Annuity space and select commercial lines through its Risk Analyst offering (low competition areas) whereas larger competing peers such as Duckcreek and Guidewire are largely on the Property and Casualty side.

Beyond software into BigData: SEEC has ventured now into Bigdata business through its offering wherein the scope and revenue potential is far bigger and beyond Insurance Software segment (Big data is US$200bn while US Commercial Insurance IT spends are about $1.6bn **Ex: Verisk, Transunion**). In its Data business (powered by AI/ML engine) it is billing its customer on transaction based and charge up to $2 to $3 for profile/packets based on number of field required by client. So it a client needs 100k corporate profiles it can earn $300k revenue on subscription basis with no incremental cost except data cost. The service has now been launched in Australia after US and is been targeted at non-Insurance clients as well especially lending institutions to underwrite risk in lending.

‘Data as a Service’ offerings across Underwriting and Claims

***Xponent* –**an Underwriting workstation that is powered by AI/ML and advanced analytics and delivered in Cloud model, enables underwriters to come up with sharper quotes by providing them intelligence from both structured and unstructured data sources (8000+ sources). The product has been adopted by leading Insurers in the US, a strong endorsement of its superior functionality. X*ponent’* assimilates data on risk and analyzes business, its people and its complete operating environment, taking into account a variety of external factors such as hazards in proximity, legal and reputational factors, actions on/off employees and officers. This enables the user to distinguish between statistically similar businesses, thereby allowing the insurer to adjust coverage and rates appropriately.

Fabric Data services functions as a Data refinery, aggregating data from multiple sources, triangulates them and feeds them to consuming applications. Intelligent Data Exchange (IDX) integrates data capture, validation and enrichment eliminating human intervention and enabling straight throughput. These products are implemented in a true cloud native, API led open architecture.

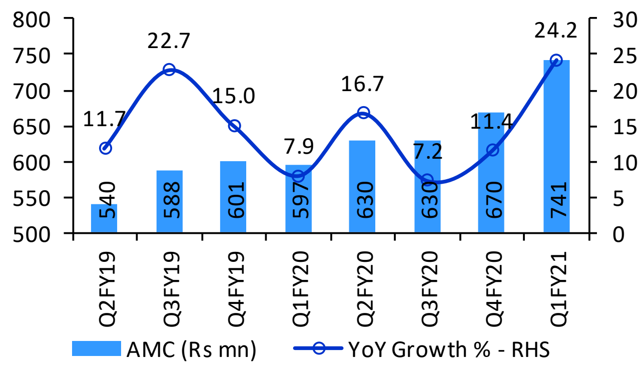
Key Clients: Liberty Insurance (Data customer), Ameritrust, RBC, Canada; St James Place in UK; LIC in India; Nationwide, StarStone, the global specialty insurer is using AI through Intellect SEEC’s Risk Analyst platform.

Annuities to drive profitability/predictability

INDA has standard AMC rack rate of 18-22% across its key product offerings. Over the last few years it has focused on increased Licence component in the total deal TCV that helps it achieve much higher Annuities and thus boosting up its overall lifecycle revenues from its customer. It has sold about new Licences of about US$120mn over FY18-20 and thus should add about US$25mn in incremental AMC revenues over FY20-22 (typical time lag for Sale-to-AMC period is 24-27 months – as AMC begins with a quarter lag with Go-Live).

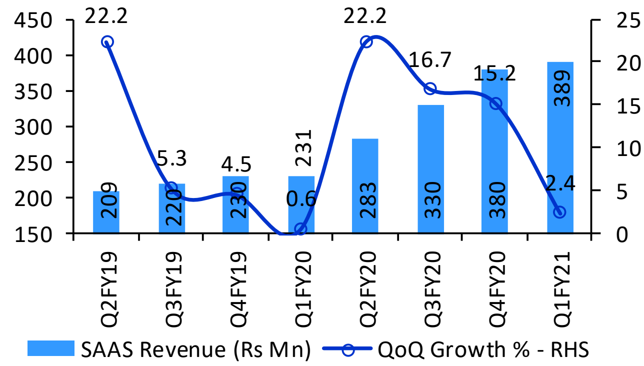
Currently about 30% of Licence revenues in iGTB are on private cloud (50% of deals are in Digital and Payments) and all of its product are cloud native, but most billings are still on the traditional model and not on SaaS model. It is also incrementally looking towards doing term-based deal (did 2 large deals on 7year and 9year term licences) instead of perpetual deals. Currently, SaaS based revenues are about 9% of its annualised run rate. However, it forms about 40% of its order book and thus, would boost up overall predictability of revenues.

Exhibit 5: AMC to improve given past Licence traction



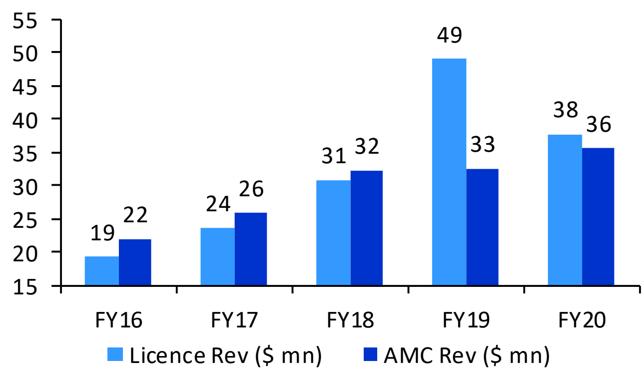
Source: Company, DART

Exhibit 6: SaaS revenues to grow sharply hereon



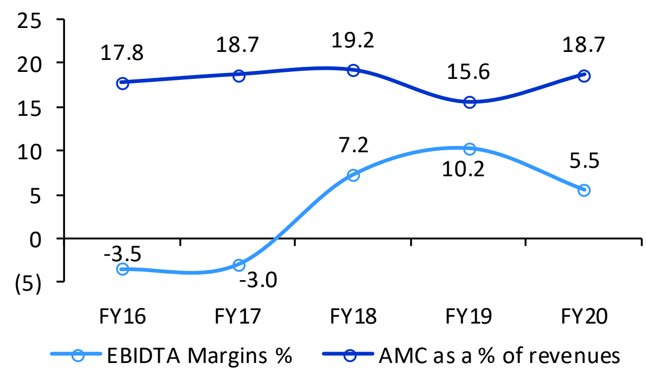
Source: Company, DART

Exhibit 7: AMC revenues to surge in FY21/22E



Source: Company, DART

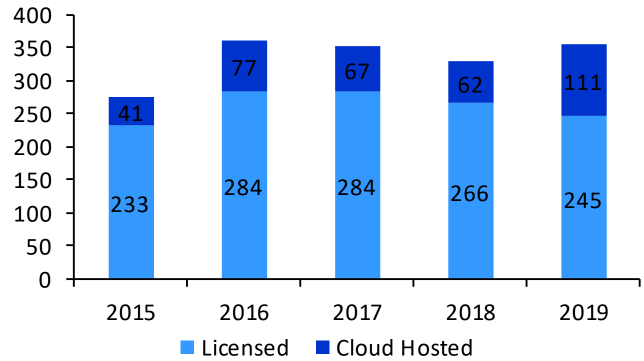
Exhibit 8: OPM to improve further as annuities grow



Source: Company, DART

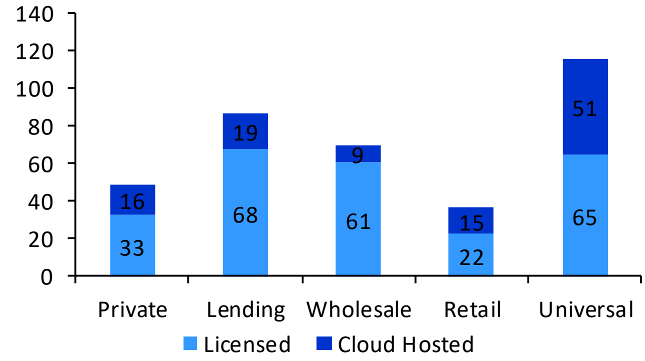
SaaS revenues: SaaS revenues for the company stands at US$17mn in FY20 marking a 46% growth on YoY basis. The revenues primary includes two components viz. Software revenues and GeM contribution. We expect the traction to improve significantly given increased boost up in Data-deals in Insurance and incremental inclination towards cloud deals in GCB/GTB segments (refer exhibit 9, 10). The current order backlog has crossed US$115mn mark and annuity run rate implies 25%+ growth in FY21E. Please note that the current SaaS revenue data are sub-set of its existing traditional on-prem metrics of Lic/Implementation/AMC. Following is the data that gives a mix of cloud hosted deals over total CBS deals globally, which implies nearly 30% contribution of SaaS deals. Even from product category perspective all segment except Wholesale (Corporate) banking have seen significant mix of cloud deals in overall mix. Note most of its Cloud deals have half of its revenues linked to transaction based while rest 50% to fixed tenure based.

Exhibit 9: Cloud hosted deals are growing faster



Source: Company, DART

Exhibit 10: Cloud deals traction significant across



Source: Company, DART

Government e Marketplace (GeM): In 2017, INDA has won a deal as a consortium leader to build, run and manage the Government of India's online procurement portal – GeM or Government e Marketplace (contract expires in FY24). The company act as a Managed Service Provider along with its consortium partners and earn a fee based on the transaction value (Gross Merchandise Value). Incrementally all of the GoI procurement and tenders would be shifted online on to this portal and payments would be done on 10-15 days basis. The company have invested ~Rs400mn and expects gradual revenue momentum, which will be a function of value of business transacted on the portal (transaction based – ~0.1% of Gross merchandise value). Cumulative GMV has crossed Rs700bn which is ahead of the target mentioned in the RFP. In this segment, all revenue of the consortium will be consolidated in INDA's financials and consortium partners would bill INDA for their share of revenues and thus the net-profitability would be below company average rate.

Exhibit 11: GeM Statistics as on Sep'20

GeM Data	As of Sep'20
Transaction Value (Rs bn)	711
Orders (in mn)	5
Buyer organisations	47055
Seller & Service providers	550515
Products	931471
Service Offerings	44163
MSE Sellers	125616
Order value (MSME %)	58

Source: Company, DART, gem.gov.in

Unique client mapping and strategic positioning

Positioning: One of the biggest factor for any product to become successful is function of understanding its right positioning taking into consideration competitive landscape, strength/weakness of our/peer product, mapping based of Bank Tiers and so on. INDA has done significant investments in terms of creating brand awareness, participating in industry events such as SIBOS and also creating leadership program in Transaction Banking with Oxford University. And thus after spending time, energy, efforts it has devised a unique strategy across markets for its product lines. For instance, in iGTB segment it is typically chasing Top banks (Europe: Top 50; Canada: Top 10; Asia: Top 5), however, it has tweaked this strategy in US and mapped its target market accordingly.

US market: In US, it is targeting Top6-60 banks as its potential customer set. As Top-5 banks would prefer 'Buy and customise' and is typically served by the Global leaders. However, these large vendors do not prefer to do similar customisations for smaller customers and thus this segment become sweet-spot for Intellect. It won't focus sub-100th ranked bank as this market is taken up entirely by three large players (Jack henry, FIS, Fiserv). The company has high customer management focus approach for these customers and thus good win ratios. It has also developed model-banking concept for Tier 2/3 clients so that there is standardisation of offering for bulk of the customers. (Tier 1 still prefers to have their own nuances).

Sales strategy: Company prefers in having strong front-end team and has aggressively invested in sales as well as marketing right from demerger days. Over last five years' company has invested about US$300mn+ to boost up its brand and sales presence. The current sales team structure has four-pronged approach that includes **1) Direct sales guys in Advanced markets, 2) Regional sales guy for smaller markets, 3) Client partner approach for large customer (5mn$+) and 4) System Integrator Model (IBM in N America; Capgemini, Everest & Indra in Europe; TechM, Hexa on select deals).** Going forward; it expects new business to come across all its channels equally – Hunting, Partners and SI. The incentives for the sales teams are linked to overall TCV, with higher weights to Licence amount (no incentives are linked to AMC). It leverages regional synergies in some market as it has large common team in Asia that sell all products and sales team in Europe that sell both GTB as well as GCB (also focusing on winning retail banking deals from its existing Corporate banking clients). In N America it has different team for GTB and Insurance offerings.

4 growth mantras

1) **Cross sell: -** Large bouquet of 12 products can be used to do effective cross-selling to boost scale, as new client acquisition is most expensive proposition – Ex: Good software companies such as Oracle finds new ways to get more from same client every year somehow. Success of selling to same customer is 80%.
2) **Upgrades:** Sell upgrades by building new architecture to existing customers with perpetual licences. It is trying to sell Term-based licences (did couple of deals).
3) **New market entry:** INDA hires top Banker/top competitor to target the key bank in any new market it enters and thus creates a reference site. Later on builds customer base over time. Currently it is present with 1-2 customers in so many countries and thus now it would much easier to penetrate those markets with another 6-7 more banks in same geographies. Success of selling in same market with existing customer is 40%-50%.
4) **Edge on Technical parameter:** most superior compared to most of its peer given recent investment on tech-architecture and almost at par on functionalities.

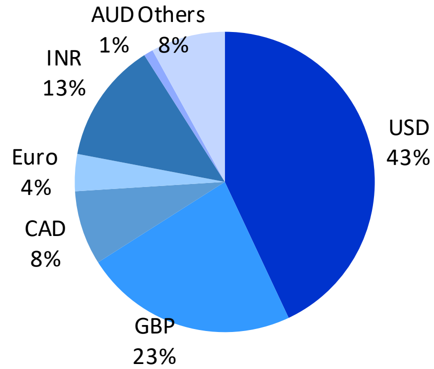
All in strategy to help it emerge as large player in BFSI software Arena

Most of the vendors globally target one segment within the BFSI space – Banking, Treasury, Capital Market and Insurance. Some vendors target niche specialisation within a segment such as Lending within Banking, Policy admin within Insurance etc. while some vendors prefer to play specific target region as their focus market. However, INDA on the contrary preferred 'ALL-IN' strategy wherein it is being devoting its entire resources to build end-to-end product software player across BFSI space with multiple line-of-business solutions and is servicing clients across the globe. More importantly the company has created innovative products that embeds all next-generation technology such as Machine learning, Artificial Intelligence, APIs, Microservices, Big data Analytics with an interface that enhances customer experience and improved decision making capabilities. The disadvantage of this strategy is that it needs robust investment upfront but get outweighed by multiple benefits from strategic positioning perspective in the long run. The company has charted successfully the pains of funding multiple starts-up product offering from cashflow from one business (iGTB) but now the equation is going to turn favourable as after iGCB now even SEEC is likely to get in the monetization mode in FY21e. The company has turned FCF positive for the first time since demerger in Q1FY21 and expects to stay cash-generating business hereon given improved business mix, profitability and growth traction.

Exhibit 12: Intellect 12 key product offerings

Source: Company, DART

Exhibit 13: Invoicing mix – Q1FY21



Source: Company, DART

Competitors: There are large number of Software players that are competitor to INDA for its product offerings. However, many of these players are more maintenance guys rather than New-logo competitor. For example**:** In US; FIS, Fiserv, Jack Henry collectively accounts for significant slice of market share, however their new client wins are in single digits, thus they are more maintaining the turf rather winning new. If we look from product wise perspective the company competes with different players across different product lines (Refer Exhibit 14).

Exhibit 14: Competitors across various product lines.

Product	Competitor
iGTB	Bottomline, ACI, Finastra, Fundtech, CGI, Clear2pay, Dufftail, Chinasystems
Core Banking	Temenos, OFSS, TCS, Infosys, Finastra, FIS
Central Banking	Finastra, TCS, OFSS
Lending	Nucleus, Newgen, Experian, Indus
Digital Face	Backbase, Kony
Cards	Firstdata, Nexus, Technocom
Risk Treasury and Markets	Sungaurd, Finastra, Calypso
Wealth	Avaloq
Insurance	Carpe Data, Planck

Source: Company, DART

Talent (domain powered): The company has a ***strategy to hire its toughest competitor or its toughest client***. It has hired many people from banks, that had entrepreneurial mind-set, those were focused on Building business (or creating IP) rather than running banks. It is building brand on trust that should be known for Execution, Relationship and Thought Leadership. Many of its key people have been working for over a decade and come with rich experience of banking domains as they have worked with Banking clients right from Polaris days. The company has large R&D team of 800 people but of these the key people or Architects are sub-100 odds, while large part of the team includes analysts and are largely dispensable. Overall headcount.

Exhibit 15: Awards and Recognition

Agency	Recognition
IBS Intelligence	Ranked #1 in New Focus Area - Wholesale Banking and also in terms of pure Consumer Banking deals.
Aite	Aite Group has profiled Intellect SEEC as a "Full AI suite provider" in its report titled, "P&C underwriting: Changing the global dynamics with AI"
Forrester	Intellect has been recognized as a 'Global Pursuer' and a 'Global Player' for Combined Deals & New Named Deals in the Global Banking Platform Deals Survey 2019
Novarica	Intellect SEEC winner of Novarica Impact award in IT Digital Innovation practices for the companies like Amerisure and StarStone, who used Intellect's underwriting workbench platform hosted on AWS.
Celent	iGTB has been rated as LEADER in the space of "AI in the UI" at the Celent report titled 'AI in the UI: Leaders Differentiate Themselves - Vendor spectrum - Corporate Banking Edition'.
Gartner	Ranked Challenger in Retail Banking category in magic quadrant.

Source: Company, DART

Knowledge differentiation

Oxford University: iGTB has introduced an Academic course for decision makers on Transaction Banking with Oxford University (6 weekend workshop attended by Global Bankers) around strength/needs of Digital Banking for executives and so far 200 alumni on this curriculum – soon many of these will become messenger for its product offerings.

Cambridge University: In Nov'19, INDA has announced the collaboration with the renowned Cambridge Judge Business School for a prestigious Executive Leadership programme on Digital Transformation by Design in Cambridge, UK. The programme, focused on digital transformation of retail banks has been designed exclusively for CEOs, Chief Digital Officers, Retail Banking Heads and CIOs.

Exhibit 16: Recent deal wins info

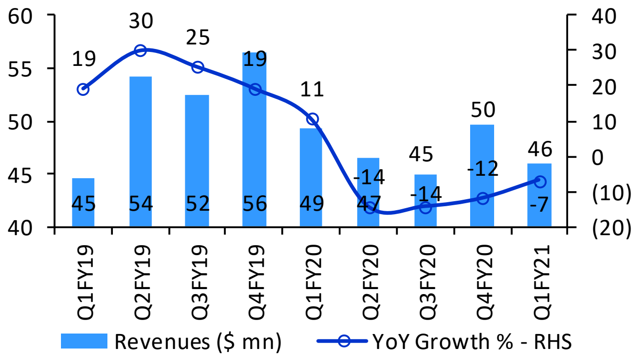
Date	Platform	Customer Name	Region	Solution Offering	Application
Sep'20	iGCB	Myanma Foreign Trade Bank	Myanmar	Intellect Digital Core, IDC 19.2	Higher transaction volume processing, high availability availability, and data integrity across.
Sept'20	iGTB	Bank of Bahrain and Kuwait	Kuwait	Digital Transaction Banking platform (DTB).	Processors of Payments, Account Services, Inward Remittance, Collections & Receivables and Liquidity Management.
May'20	iGTB	First Abu Dhabi Bank (FAB)	Middle East	Liquidity Management Solution	To improve risk-adjusted returns.
Mar'20	iGTB	Middle East's Second-Largest Financial Institution	Middle East	Liquidity Management Solution	Corporate treasurers with pooling, sweeping, intercompany loans and virtual accounts accounts, as well as policy-driven automated investment sweeps, cash flow forecasting and real-time funds checking.
Mar'20	iGTB	Samba Financial Group	Middle East	Digital Transaction Banking platform (DTB).	Cash management, which includes the digital omnichannel CBX for Account Services, Payments, Collections & Receivables, Liquidity Management front-end with processing capabilities across Payments, Collections & Receivables and Liquidity.
Dec'19	SEEC	Liberty Mutual's National Insurance operation	US	SEEC - Data	Cleaning and Structuring the data of court filings, industry data, government records, and social media content automatically deliver actionable information needed to more quickly identify, underwrite, and service potential accounts.
Nov'19	SEEC	KSKJ Life	US	Fraternal Suite (business apps)	This Suite supports seven powerful business apps that are multi-device and multi-channel (supporting agent, back-office staff and members) and help in increasing productivity and and help their home-office staffs communicate seamlessly.
Nov'19	iGCB	Philippines Business Bank	Philippines	Intellect Digital core, IDC 19.1	Efficient delivery of short,medium and long-term credit facilities, growth of retail loan market, bank's SME loan segment.
Oct'19	iGCB	The Commonwealth Trade Bank	UK	Intellect Digital core, IDC 19.1	Corporate Core, Digital Channel, Lending, Treasury, Domestic and Cross Border Payments, Retail Deposits, Enterprise General Ledger and a robust regulatory reporting engine.

Source: Company, DART

Financial Performance

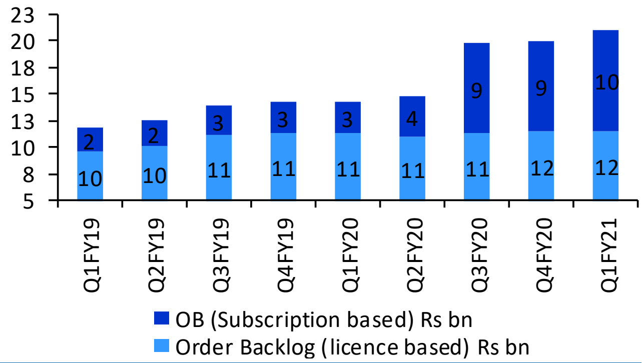
Revenue traction to improve: With sustained new deal win momentum, higher licence value per deal, increased and faster go-live cycles we expect revenue traction to improve hereon. Despite the modest start to the year Q1FY21 revenues (flat in INR terms on YoY basis) and adverse macros the company still expect positive growth for the year. The growth confidence is stemming from sustained traction in the iGCB business (across sub-segment, qualifies as final two in most RFPs it participates), higher pipeline in iGTB business (although the focus in the year would be limited on cross-sell opportunities only) and improved confidence on data-monetisation potential in the SEEC SBU. The company has able to win new logos remotely which is significant surprise given bank's typical in-person preference for deals. Overall pipeline of the business stood at US$530mn while the current order backlog stands at INR 21bn (including SaaS). Taking these factors into account we have built-in revenue CAGR of about 10% in CC terms over next 4-5 years. However, any significant break-through in the develop market (especially in US) can drive up the momentum significantly (our base case assumes no acceleration in demand from Banks).

Exhibit 17: Revenue ($ mn) degrew 7% YoY in Q1FY21



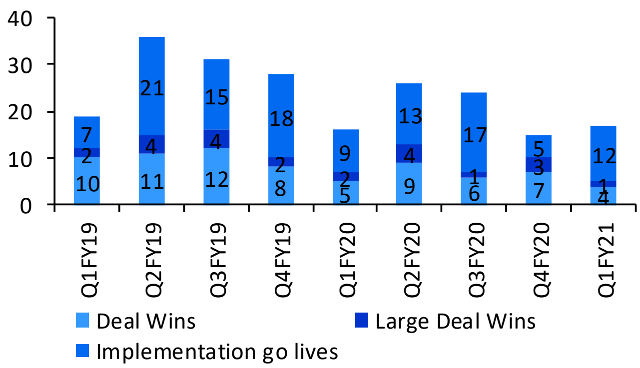
Source: Company, DART

Exhibit 18: Order backlog indicates improved traction hereon (SaaS based up 217% YoY)



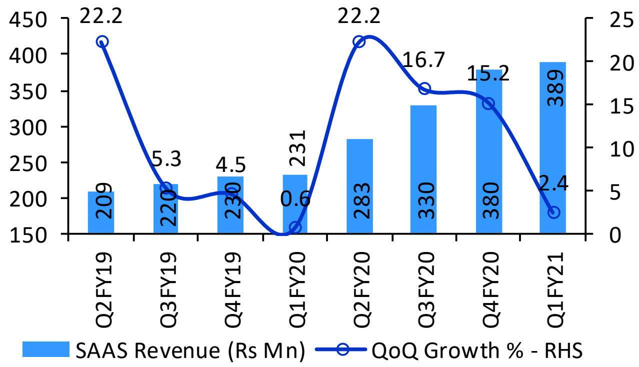
Source: Company, DART

Exhibit 19: Deal wins have moderated in FY20



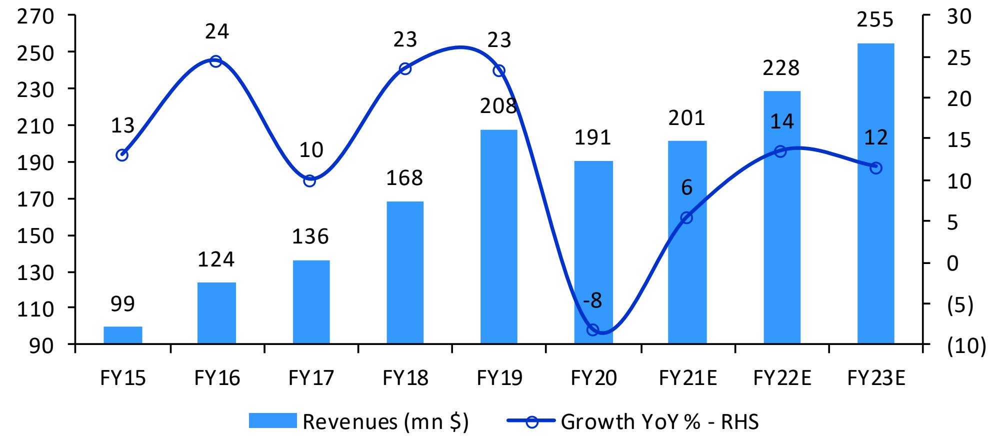
Source: Company, DART

Exhibit 20: SaaS rev contribution to go up steadily



Source: Company, DART

Exhibit 21: Revenue growth will revive hereon as traction improve across segments

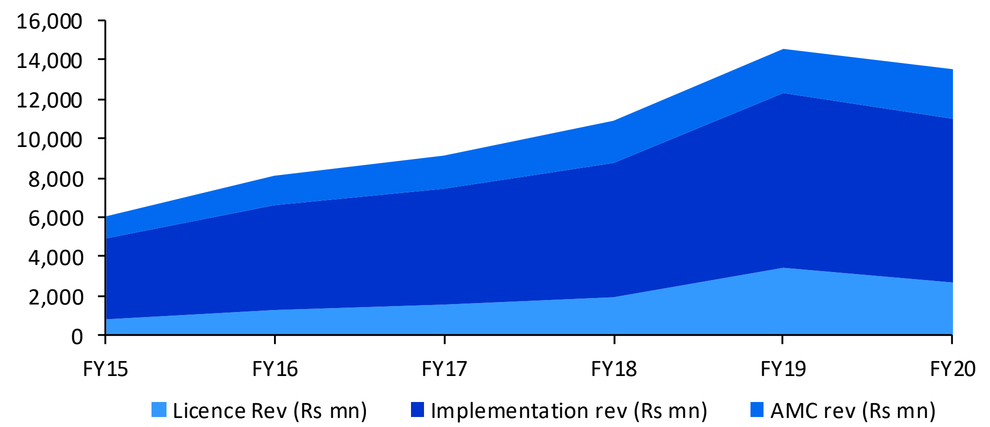


Source: Company, DART

Licence fees: The company derived about 20% of its revenues in FY20 from Licence fees at US$38mn. The company won 27 deals in FY20 (10 of them were large deal) and thus imply about average Licence value of $1.4mn per deal. The average Licence value per deal has been consistently going up on like-for-like basis given increased share of revenues from advanced markets (about 60%) and increased ability to charge higher Licence value for its superior tech-powered products (have added two deals in last two years where it charged over $10mn in Licence, this was possible as its win ratio is over 60% in GTB in last three years). The Licence value in many of his deal is higher than the Implementation fees that it charges and thus should lead to higher Total-lifecycle revenues from the clients (average revenue from top client is going up).

Implementation revenue: Within the implementation revenue stream of about $117mn, the company earns about $50mn annualized run rate as customization fees from existing large customer that requires regular support. As of now most of its product implementations are done in-house but incrementally it is adding System Integrators to tap opportunities especially with larger banks. The company has recently added IBM as its partner to tap opportunities with large banks in the North America and won a large deal with a Canadian Bank (its largest deal till date). Thus hereon we expect growth in the Implementation revenues to lag behind growth in licence fees. The company witnessed 7% decline in Implementation revenues in FY20 at US$117mn despite achieving 44 go-lives in a year (should drive higher AMC growth in FY21/22E).

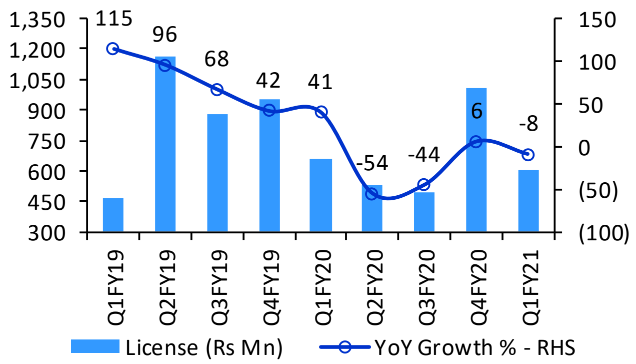
Exhibit 22: Implementation revenues to taper, AMC share to improve



Source: Company, DART

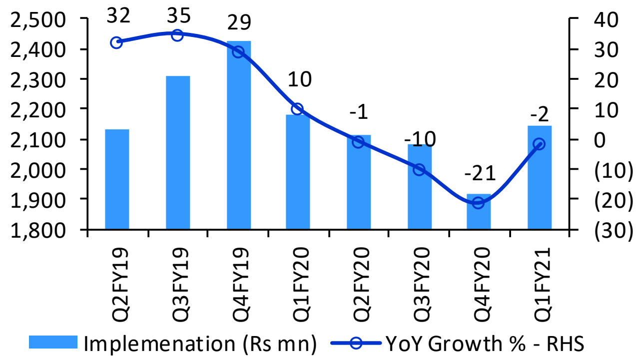
AMC revenues: Annual maintenance contracts amounted for 19% of revenues in FY20 at $35.6mn, marking growth of 9.5% (after a weak FY19 at just 5% growth). The revenue run rate just got higher by 3.5mn$ despite addition of about US$80mn in Licences in FY17-19; implying just 5% AMC rate – assuming standard 12-month lag of Licence singing to AMC booking. However, the key factor for this lag is the longer implementation cycle, slower pace of invoice generations and warranty-period (AMC holiday) it was offering as part of the deal contracting. However, company has realized this hard way and aligned its attention to both new deal win as well as faster Go-lives and collections (deployed 15-member Task force to correct this apart from improving implementation cycle). This exercise has paid rich dividends for the company and the concentrated efforts on collection during COVID times has now resulted in company turning cash-flow positive (OCF of Rs1.8bn in Q1FY21). We expect the trend to continue and has factored in AMC revenue CAGR of 15% over next five years given potential on existing deal that are under implementation as well as prospective deals in the pipeline.

Exhibit 23: License Revenue trends (Rs mn)



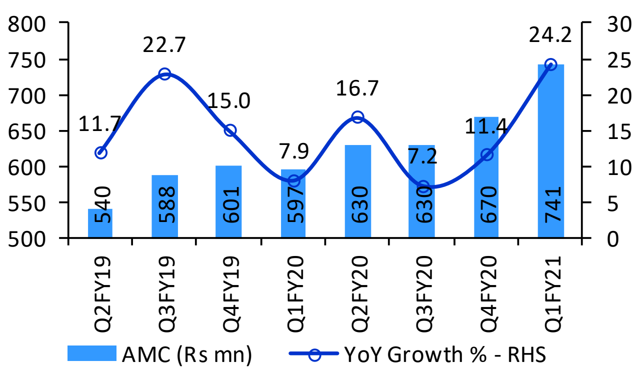
Source: Company, DART

Exhibit 24: Implementation revenue trends (Rs mn)



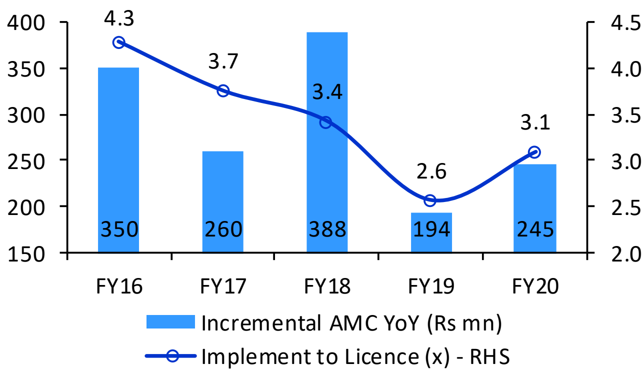
Source: Company, DART

Exhibit 25: AMC Revenue trends (Rs mn)



Source: Company, DART

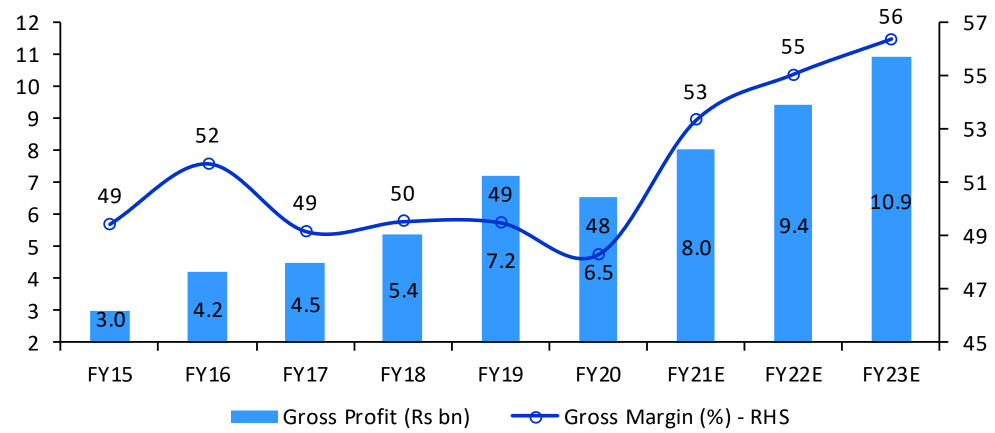
Exhibit 26: Improved Licence value (up almost 2x in last 3 yrs) to boost revenue mix



Source: Company, DART

Gross margins to expand further: The company has been successful in increasing the pricing of its products in terms of higher Licence value in total deal over last three years. This aspect basically improves the overall lifecycle revenues from the customer as AMC are linked to Licence value, and in turn drives up gross margin for the product as there is very limited marginal cost attached to Licence/AMC revenue streams. The company is earnings Gross margins of about 70% for its matured products (Ex: Liquidity in GTB and Central Banking in GCB) and around 50% for its other key products (30% GM in newer products – Ex: iRTM). GM for FY20 stood at 48% in FY20 but is expected to improve hereon to up to 53% as it has optimized significantly on the implementation process (faster/leaner) and tenure by creating automation engine using low-code software. This activity has freed about 300 employees from its total headcount over last four quarters.

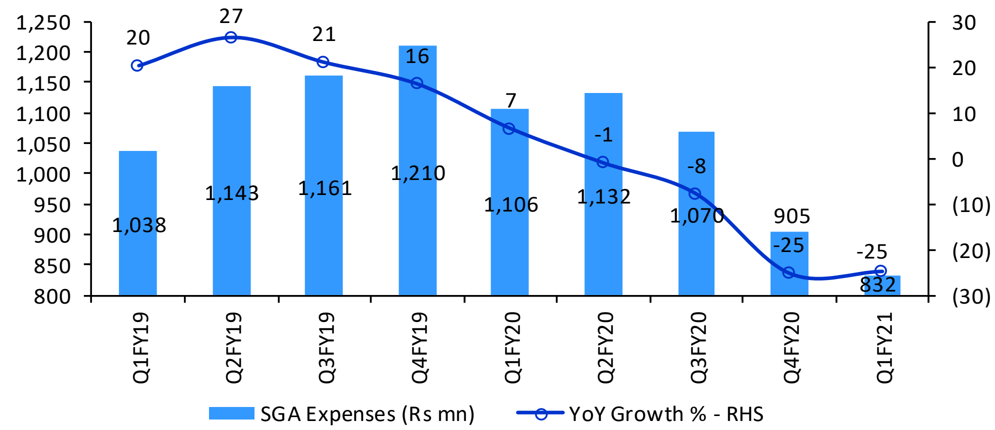
Exhibit 27: Gross margin to improve with better Licence value realisation



Source: Company, DART

Sales & Marketing: Company has historically invested heavily towards creating brand and presence shelling out around Rs20bn over last five years in S&M cost. As of FY20, S&M cost accounts for 31% of its revenues and stood at Rs4.2bn. However, the same is about the cut down given restricted travel, preference of digital channel for marketing (as compared to SIBOS kind of event where Intellect use to book largest stall), and lesser need for branding as it is now scaled up across analyst ratings that is creating strong reference points (especially its high ranking with IBS, Gartner and so on). Thus selling cost has come down to Rs832mn in Q1FY21 as compared to peak run rate of Rs1.1bn a year ago. This run rate would only see uptick to Rs1bn as travel normalizes but would be accretive in general apart from the new sales related commission part.

Exhibit 28: SG&A optimised over last five quarters

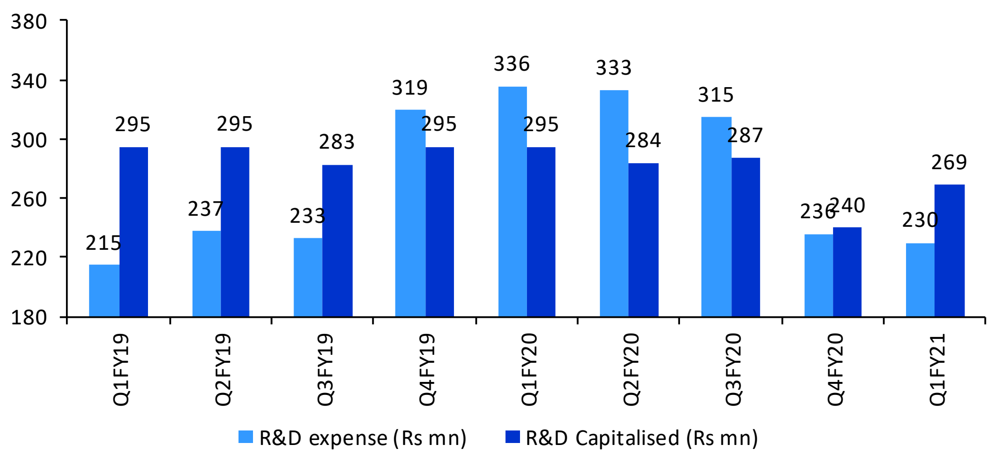


Source: Company, DART

R&D cost: Company has also optimized on its R&D cost by cutting down on some research spends that were incurred on far-fetched activities and also secondly by optimizing infrastructural cost by moving to Cloud based model (lower server cost, lower license cost). The company spent Rs1.2bn in R&D expenses in FY20 which it now expects can come down to sub Rs1bn for FY21E. These savings on research would release over 200bps in operating leverage for the company. Note the savings are not any curtailment on the long-term prospects but just an optimization exercise as it still has 800-member research team (peak count was 1000 odd five quarter back) that has pulled up 16 products for the company by incurring over Rs10bn since FY15 till date. Annual cost for similar team in western market would be about 150mn$ as against 20mn$ in India and thus would be significant leverage as the size of the organization goes up.

R&D Capitalisation: Starting CY17 the company also started capitalizing the long-term R&D investments, as it expects revenue to come from these investments with a lag. Typically, it believes that such investment cycle lasts for 24-30 months. These expenses are capitalized and start getting amortised after they complete their development stage and move to commercialization. Amortization period is five years. The current annual capitalization run rate is about Rs1.1bn in FY20 and this is expected to sustain going forward as well. This will also drive up amortization cost in FY21 onwards.

Exhibit 29: R&D cost to stabalise



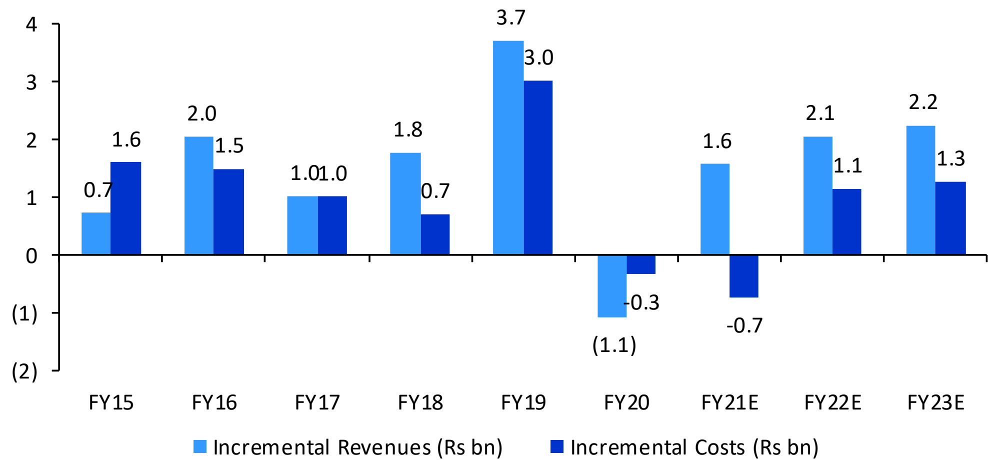
Source: Company, DART

Depreciation and Amortisation: The company has followed a unique policy wherein it capitalizes R&D cost partially that are bit far from monetization and as a result this accretion would mean that the Amortisation cost as part of total D&A cost is likely to surge going forward as the company start amortizing it to the meaningful run rate. Current amortization run rate is about Rs369mn but can reach almost Rs1bn odd in another five years. Combined Depreciation and amortization accounted for about 5% of revenues and is likely to sustain at this rate. The physical Capex is largely done with in terms of infra needs and thus Depreciation charge would remain steady.

JVs and MI: The company has invested in two other startups viz. Adrenalin eSystems and NMS Works engaged in HR and Network Management Solutions respectively. The company has invested about Rs172mn in Adrenalin eSystems and owns about 44.5% stake although business is just at breakeven levels. It has invested nearly Rs273mn in NMS for 42.7% stake and is generating strong profits (INDA booked about Rs62.7mn as part of its Minority interest in this business).

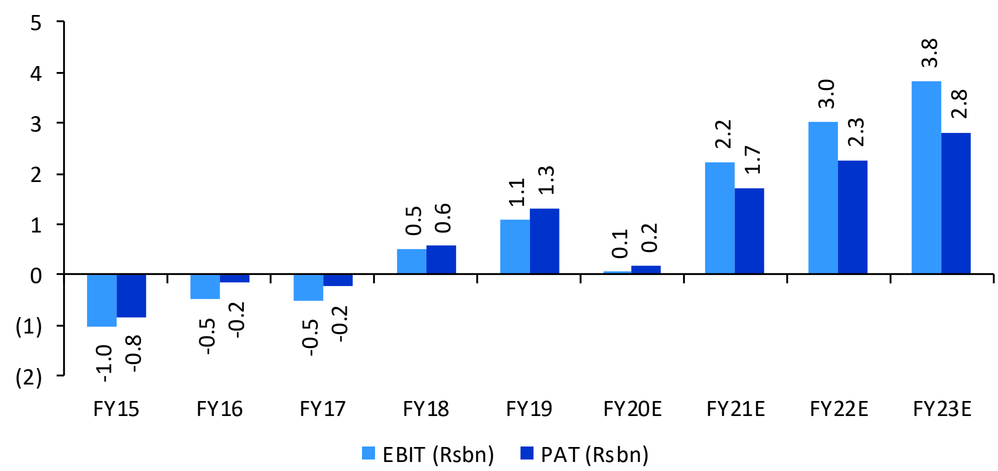
Operating margins: As of FY20 the company has reported EBIDTA margins at 5.5% and EBIT margins of 0.4%. The margins were weak given revenue decline of about 7.4% for the year, that negated the benefits of its cost-efficiencies led saving measures deployed during the year. The company has been successful in cutting down its quarterly cost by about Rs400mn (excluding Travel/marketing savings) achieved through industrialization of processes, research maturity of its product portfolio, leaner implementation – wherein these factors could relieve about 10% of its headcount and hereon would delineate it from nonlinear-headcount factors. Company expect modest cost increases hereon even if revenue run rate goes up by about 30% to US$60mn per quarter and thus expect significant potential improvement in its profitability metrics. Conservatively baking in these savings into our forecast we expect INDA to achieve EBIDTA/EBIT margins of 25%/20% by FY23 implying significant improvement.

Exhibit 30: Incremental cost will be limited hereon



Source: Company, DART

Exhibit 31: Translating revenue traction into EBIT

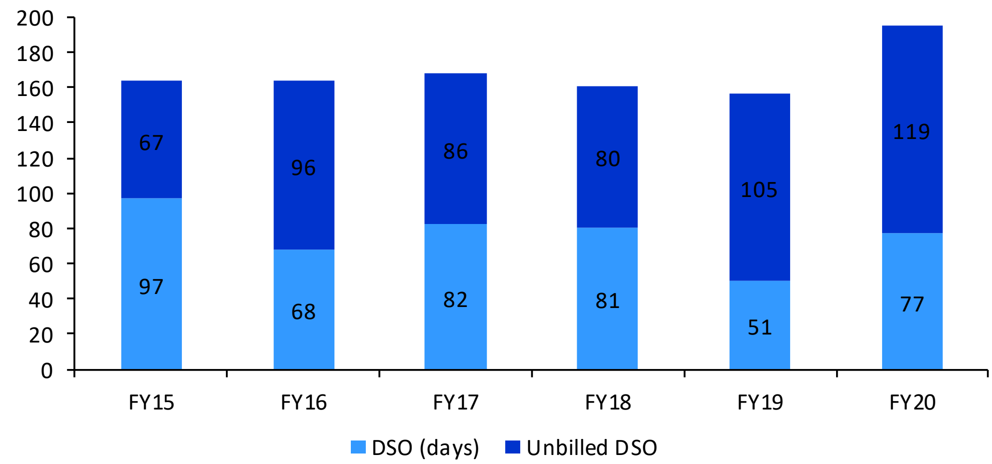


Source: Company, DART

PAT: INDA reported PAT of Rs176mn in FY20 which was impacted by weak revenue growth during the year. However, given series of cost saving actions the company was able to generate PAT of Rs411mn/Rs426mn in Q4FY20/Q1FY21. Management is confident on sustained profit growth performance given stable cost, zero debt, FCF generation and gradual growth which would come at very limited marginal cost (Management expect MC of 20% of Marginal revenues).

DSO-Collections: The company has been working hard on the collections front over the years. Firstly, it has been able to shift its revenue base more towards advanced market wherein DSO are shorter and now it has been focusing on monetizing the AMC revenues over last few quarters which will give further boost to overall collection cycle. Current Receivable+ Unbilled period have ranged as high as 156-196 days, however the same has come down to sub 130 days now (Q1FY21). Sustenance of this trend would be very crucial for the re-rating of the stock.

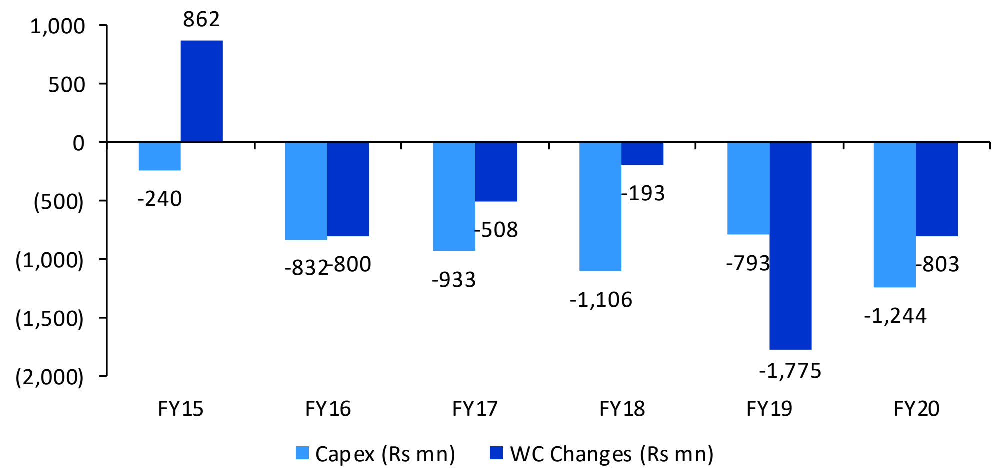
Exhibit 32: DSO days to come off as focus enhanced on AMC monetisation



Source: Company, DART

Capex (including Intangibles): Company is largely done with its requirement of physical infrastructure and in fact has curtailed its headcount of ~10% through optimization of processes and thus will have no meaningful investment on this front. The significant part of the investment would go toward capitalization of R&D that is expected to stay at annualized run rate of Rs1bn-Rs1.2bn. This could happen as it has shifted bulk of its infrastructure needs on cloud as it can pay subscription fees (AWS/Azure) on cloud instead of Capex.

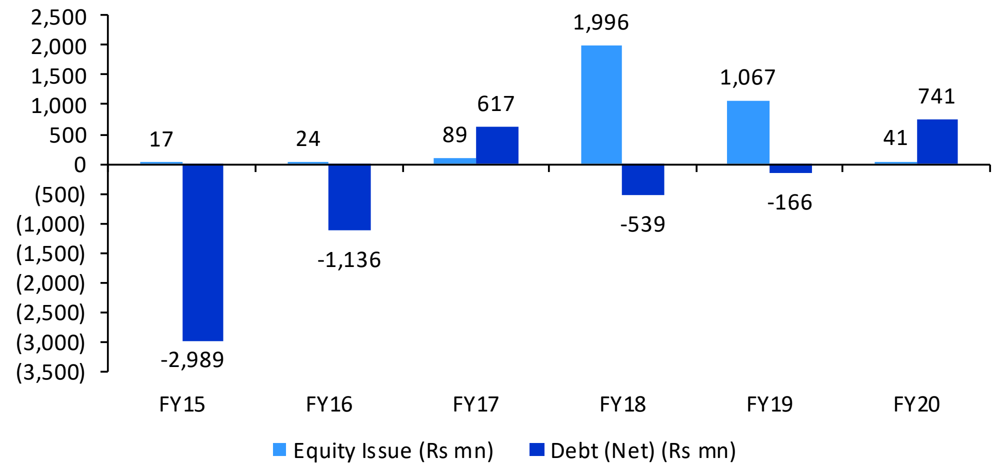
Exhibit 33: Capex and WC investments



Source: Company, DART

Capital raise: The company post demerger in CY14 has raised equity on two different occasion once through rights issue of about Rs2bn (at Rs 86 per share in ratio of 5:22 in 2017) and then preferential issue of about Rs 1bn (priced at Rs192 per share to promoters and KMPs in 2018).

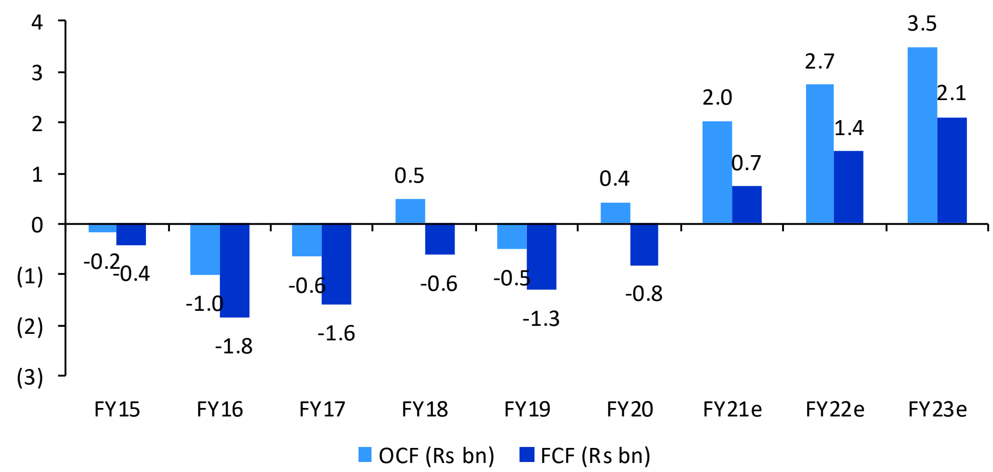
Exhibit 34: No more dilution expected going forward



Source: Company, DART

Cash (net of Debt): INDA did a remarkable job on collection front during COVID wherein it has been able to recover almost US$58mn (against target of $45mn) and has turned cash positive by Rs1.8bn from position of debt of about Rs1.3bn in Q4. With concentrated effort on collections and AMC recognition the company turned OCF positive in FY20 and FCF positive in Q1FY21. Going forward its investments in WC is likely to moderate given improved AMC/SaaS as a % of revenues.

Exhibit 35: OCF/FCF trends



Source: Company, DART

Exhibit 36: Quarterly financial performance trends

Rs mn	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21	YoY (%)	QoQ (%)
Revenues(US$ mn)	49	47	45	50	46	(6.7)	(7.4)
Revenue	3,434	3,275	3,203	3,596	3,492	1.7	(2.9)
Operating Expenditure	3,311	3,324	3,168	2,957	2,779	(16.1)	(6.0)
Cost of revenues	1,816	1,791	1,711	1,669	1,612	(11.2)	(3.4)
as % of sales	52.9	54.7	53.4	46.4	46.2		
Other Expenses	1,495	1,534	1,456	1,288	1,167	(22.0)	(9.4)
as % of sales	43.5	46.8	45.5	35.8	33.4		
EBITDA	123	(49)	36	639	713	481.8	11.5
Depreciation	165	162	171	191	189		
EBIT	(43)	(211)	(135)	448	524	(1,321.5)	17.0
Other Income	147	106	76	(49)	44	(70.1)	(190.6)
Finance Cost	39	48	48	38	39	(1.0)	2.0
Share of profit/(loss) of associates	(28)	(1)	29	62	(58)	107.4	(193.9)
PBT	37	(155)	(78)	423	471	1,180.7	11.1
Total Tax	3	7	28	13	45	1,553.2	248.9
Adjusted PAT	34	(161)	(107)	411	426	1,150.9	3.6
MI	(0)	(9)	(7)	(1)	1		
APAT after MI	34	(170)	(114)	410	426	1,156.7	4.0
Extra ordinary items	28	1	(29)	(62)	58		
Reported PAT	62	(169)	(143)	348	485	680.4	39.4
Reported EPS	0.3	(1.2)	(0.8)	3.1	3.2	1,150.9	3.6
Margins (%)						(bps)	(bps)
EBIDTA	3.6	(1.5)	1.1	17.8	20.4	1,685	264
EBIT	(1.2)	(6.5)	(4.2)	12.5	15.0	1,626	255
EBT	1.1	(4.7)	(2.4)	11.8	13.5	1,240	170
PAT	1.0	(5.2)	(3.6)	11.4	12.2	1,122	81
Effective Tax rate	7.4	(4.5)	(36.2)	3.0	9.6	215	652

Source: Company, DART

Exhibit 37: Operating Metrics

Particulars	Q1FY19	Q2FY19	Q3FY19	Q4FY19	Q1FY20	Q2FY20	Q3FY20	Q4FY20	Q1FY21
Revenue ($mn)	45	54	52	56	49	47	45	50	46
QoQ (%)	(5.7)	21.7	(3.4)	7.6	(12.5)	(5.7)	(3.4)	10.5	(7.4)
YoY (%)	19.2	30.0	25.4	19.3	10.7	(14.2)	(14.2)	(11.9)	(6.7)
Revenue Breakup ($mn)									
Licence	7	16	12	13	9	8	7	14	8
AMC	8	8	8	9	9	9	9	9	10
Implementation & Customisation	29	30	32	34	31	30	29	26	28
Cloud / SaaS (subset of above)	3	3	3	3	3	4	5	5	5
Revenue Breakup ($mn) (YoY)									
Licence	106.1	78.9	50.5	31.1	36.2	(54.1)	(43.7)	3.7	(15.6)
AMC	(12.1)	1.8	10.2	5.9	4.4	17.1	8.5	8.5	13.9
Implementation & Customisation	19.2	19.8	21.1	18.8	6.4	0.2	(8.8)	(23.1)	(9.7)
Cloud / SaaS (subset of above)					30.8	35.7	51.8	60.9	54.3
Order Backlog ($mn)									
License Based	141	143	154	161	162	156	158	159	152
Saas and Subscription based	36	34	39	42	43	53	120	117	125
Order Backlog Total	177	177	193	203	205	210	278	276	278
Order Backlog ($mn) (YoY)									
License Based				17.4	14.9	9.3	2.7	(1.3)	(6.0)
Saas and Subscription based				81.1	20.9	56.8	207.9	180.6	190.4
Order Backlog Total				26.6	16.1	18.4	44.1	36.2	35.3
Geographic Mix (%) (LTM)									
Adv Markets	49.3	61.7	61.7	65.4	65.3	NA	61.6	59.3	60.5
India	14.4	11.9	11.4	11.5	10.6	NA	12.6	13.2	14.3
Rest of the world	36.3	26.4	26.8	23.2	24.1	NA	25.8	27.5	25.2
Deals									
Deal Wins	10	11	12	8	5	9	6	7	4
Large Deal Wins	2	4	4	2	2	4	1	3	1
Implementation go lives	7	21	15	18	9	13	17	5	12
Active Pursuit ($ mn)									
Current Funnel	527	515	505	508	515	524	536	512	530
Accounted by Large deals Opportunities	448	415	416	397	474	471	456	376	399
Avg. deal size in mn $	1.8	1.8	1.9	1.9	2.3	1.8	2.3	2.0	2.0
Total large deals	134	134	130	122	133	134	133	120	119
Active Pursuit (Deals)									
INR 500Mn	6	6	7	0	7	8	8	7	9
INR 300Mn to 500Mn	14	8	12	14	14	13	13	12	14
INR 200Mn to 300Mn	19	14	17	19	20	20	20	22	24
Total Active Pursuit Deals	39	28	36	33	41	41	41	41	47
Destiny Deals ($ mn)									
Avg deal size of destiny in mn $					5.9	6.2	5.6	5.0	5.7
% Contribution to total opportunity funnel					69.0	65.0	64.0	57.0	54.0
Total destiny deals					41	41	41	41	40
Collections Data									
Collections (In Rs. Mn)	3,152	2,902	3,761	3,294	3,382	3,120	3,345	2,985	4,365
Net DSO	111	131	115	124	119	126	132	NA	126
Investment in Product Development Capitalized									
Amount in INRmn	295	295	283	295	295	284	287	240	269
YoY (%)				4.2	(0.1)	(3.8)	1.6	(18.7)	(8.7)

Source: Company, DART

Valuations

INDA is a multi-IP player, targeting multi-billion-dollar opportunity in the BFSI software segment with a modest adoption of modern architecture solutions globally (third party software penetration is estimated at 25% globally). The business has strong sector-specific tailwinds given the fact that Financial Institutions are likely to accelerate their digital transformation agenda in the post-pandemic scenario – as Digital is the ideal mode of engagement for banks with its customer.

Product companies also have very high operating leverage component given low marginal cost per unit of incremental revenues. Therefore, growth, margins and cash flows improve gradually as the business gains traction. We believe INDA is at the cusp of a major revamp on its financial metrics and should see material swing on profitability and thus eventual re-rating of the stock.

The growth confidence is emanating from strong pipeline (Rs5bn+), scale-up of multiple product lines (after GTB, GCB even Data-Insurance likely to see traction in FY21), improved average deal size, better recognition & visibility that can help capitalize on large cross-sell opportunity (network effect). Profitability objectives have already been achieved through tough actions over last five quarters and are likely to extend further hereon.

We expect revenue/EPS CAGR of ~13%/152% over FY20-23E and initiate coverage with BUY rating and DCF based TP of Rs330. On PEG basis, this implies a multiple of 1.2x on FY20-23E earnings estimate (PE of 15x on FY23e). On AMC multiplier method basis, TP implies capitalization rate of 8.5%.

Exhibit 38: Key assumptions in our estimates

Assumption table	FY20	FY21E	FY22E	FY23E
USD Revenue growth	(8.2)	5.5	13.5	11.6
USD/INR rate	70.9	74.9	75.0	76.0
INR Revenue growth	(7.4)	11.6	13.6	13.1
EBIT Margin	0.4	14.8	17.6	19.8

Source: Company, DART

Risk Analysis

- **Technology risk:** Out of over fourteen products that company has incubated only 5 of them has achieved some scale and thus any significant change in technology pose a significant risk to overall prospects.
- **Slower adoption:** Company has invested in multiple product lines leading to weaker operating performance and stretched Balance sheet (multiple equity issuance). In case the software adoption theme slows down the company may get constrained on funding or may see more rounds of dilutions.

Company Information

Exhibit 39: Board of directors and Auditor Information

Directors	Designation
Arun Jain	Chairman & Managing Director
Anil Kumar Verma	Executive Director
Arun Shekhar Aran	Independent Director
Andrew England	Non-Executive Director
Vijaya Sampath	Independent Director
Abhay Gupte	Independent Director
Auditors	
S.R. Batliboi & Associates (EY)	Statutory Auditors

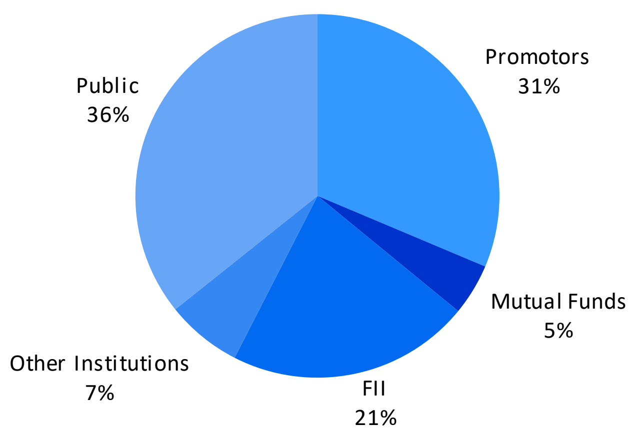
Source: Company, DART. Note: EY was appointed was 21st August, 2019.

Exhibit 40: Top 10 shareholders (Non-Promoters)

Top Shareholders	% Shareholding
Amansa Holdings	7.46%
Reliance Capital Trustee (Reliance Value)	3.64%
Gothic Corporation (Duke University Fund)	2.82%
Vanderbilt University (ATYANT CAPITAL)	2.31%
Atyant Capital India Fund	2.17%
AL MEHWAR COMMERCIAL INVESTMENTS	1.20%
White Oak India Fund	1.09%
India Acorn Fund	1.02%
Duke Endowment	1.01%
Dimensional Fund Advisors	0.92%

Source: Bloomberg, Includes Only Institutional and Not Individual Holders

Exhibit 41: Shareholding Pattern



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Revenue	**13,509**	**15,073**	**17,126**	**19,369**
Total Expense	**12,760**	**12,015**	**13,160**	**14,429**
COGS	6,987	7,040	7,705	8,460
Employees Cost	0	0	0	0
Other expenses	5,774	4,975	5,455	5,968
EBIDTA	**748**	**3,058**	**3,966**	**4,940**
Depreciation	690	834	951	1,115
EBIT	**59**	**2,224**	**3,015**	**3,825**
Interest	174	119	70	30
Other Income	280	125	88	96
Exc. / E.O. items	62	(108)	(90)	(185)
EBT	**227**	**2,121**	**2,943**	**3,706**
Tax	51	408	677	889
RPAT	160	1,714	2,266	2,817
Minority Interest	17	(1)	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**98**	**1,822**	**2,356**	**3,002**

Balance Sheet

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
Sources of Funds				
Equity Capital	662	662	662	662
Minority Interest	118	118	118	118
Reserves & Surplus	9,788	11,501	13,767	16,584
Net Worth	**10,450**	**12,163**	**14,429**	**17,245**
Total Debt	2,206	1,747	1,385	1,098
Net Deferred Tax Liability	(444)	(444)	(444)	(444)
Total Capital Employed	**12,330**	**13,584**	**15,488**	**18,018**
Applications of Funds				
Net Block	**6,753**	**7,219**	**7,583**	**7,848**
CWIP	43	41	39	37
Investments	838	838	838	838
Current Assets, Loans & Advances	**10,617**	**11,304**	**13,264**	**15,992**
Inventories	0	0	0	0
Receivables	2,847	3,180	3,613	4,033
Cash and Bank Balances	997	1,153	2,149	3,945
Loans and Advances	58	58	58	58
Other Current Assets	6,483	6,683	7,213	7,724
Less: Current Liabilities & Provisions	**5,921**	**5,818**	**6,237**	**6,697**
Payables	2,080	1,778	1,911	2,056
Other Current Liabilities	3,841	4,041	4,326	4,641
sub total				
Net Current Assets	4,696	5,486	7,028	9,295
Total Assets	**12,330**	**13,584**	**15,488**	**18,018**

E – Estimates

Important Ratios

Particulars	FY20A	FY21E	FY22E	FY23E
(A) Margins (%)				
Gross Profit Margin	48.3	53.3	55.0	56.3
EBIDTA Margin	5.5	20.3	23.2	25.5
EBIT Margin	0.4	14.8	17.6	19.8
Tax rate	22.4	19.2	23.0	24.0
Net Profit Margin	1.2	11.4	13.2	14.5
(B) As Percentage of Net Sales (%)				
COGS	51.7	46.7	45.0	43.7
Employee	0.0	0.0	0.0	0.0
Other	42.7	33.0	31.9	30.8
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.1	0.1	0.1
Interest Coverage	0.3	18.7	43.1	127.5
Inventory days	0	0	0	0
Debtors days	77	77	77	76
Average Cost of Debt	10.7	6.0	4.5	2.7
Payable days	56	43	41	39
Working Capital days	127	133	150	175
FA T/O	2.0	2.1	2.3	2.5
(D) Measures of Investment				
AEPS (Rs)	0.7	13.9	17.9	22.8
CEPS (Rs)	6.0	20.2	25.1	31.3
DPS (Rs)	0.0	0.0	0.0	0.0
Dividend Payout (%)	0.0	0.0	0.0	0.0
BVPS (Rs)	79.5	92.5	109.7	131.2
RoANW (%)	1.5	15.2	17.0	16.3
RoACE (%)	2.5	15.0	16.7	16.8
RoAIC (%)	0.5	18.7	23.4	27.2
(E) Valuation Ratios				
CMP (Rs)	236	236	236	236
P/E	317.5	17.0	13.2	10.3
Mcap (Rs Mn)	31,032	31,032	31,032	31,032
MCap/ Sales	2.3	2.1	1.8	1.6
EV	32,009	31,394	30,036	27,953
EV/Sales	2.4	2.1	1.8	1.4
EV/EBITDA	42.8	10.3	7.6	5.7
P/BV	3.0	2.6	2.2	1.8
Dividend Yield (%)	0.0	0.0	0.0	0.0
(F) Growth Rate (%)				
Revenue	(7.4)	11.6	13.6	13.1
EBITDA	(49.6)	308.7	29.7	24.6
EBIT	(94.5)	3690.1	35.6	26.9
PBT	(83.8)	833.2	38.7	25.9
APAT	(92.4)	1764.4	29.3	27.4
EPS	(92.4)	1764.3	29.3	27.4

Cash Flow

(Rs Mn)	FY20A	FY21A	FY22E	FY23E
CFO	436	2,031	2,742	3,491
CFI	(999)	(1,298)	(1,313)	(1,378)
CFF	801	(577)	(432)	(317)
FCFF	(808)	733	1,429	2,113
Opening Cash	753	997	1,153	2,149
Closing Cash	997	1,153	2,149	3,945

E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

DART Team

Purvag Shah	**Managing Director**	**purvag@dolatcapital.com**	**+9122 4096 9747**
Amit Khurana, CFA	**Head of Equities**	**amit@dolatcapital.com**	**+9122 4096 9745**

CONTACT DETAILS

Equity Sales	**Designation**	**E-mail**	**Direct Lines**
Dinesh Bajaj	VP - Equity Sales	dineshb@dolatcapital.com	+9122 4096 9709
Kapil Yadav	VP - Equity Sales	kapil@dolatcapital.com	+9122 4096 9735
Yomika Agarwal	VP - Equity Sales	yomika@dolatcapital.com	+9122 4096 9772
Jubbin Shah	VP - Derivatives Sales	jubbins@dolatcapital.com	+9122 4096 9779
Ashwani Kandoi	AVP - Equity Sales	ashwanik@dolatcapital.com	+9122 4096 9725
Lekha Nahar	AVP - Equity Sales	lekhan@dolatcapital.com	+9122 4096 9740
Equity Trading	**Designation**	**E-mail**	
P. Sridhar	SVP and Head of Sales Trading	sridhar@dolatcapital.com	+9122 4096 9728
Chandrakant Ware	VP - Sales Trading	chandrakant@dolatcapital.com	+9122 4096 9707
Shirish Thakkar	VP - Head Domestic Derivatives Sales Trading	shirisht@dolatcapital.com	+9122 4096 9702
Kartik Mehta	Asia Head Derivatives	kartikm@dolatcapital.com	+9122 4096 9715
Dinesh Mehta	Co- Head Asia Derivatives	dinesh.mehta@dolatcapital.com	+9122 4096 9765
Bhavin Mehta	VP - Derivatives Strategist	bhavinm@dolatcapital.com	+9122 4096 9705

Analyst(s) Certification

The research analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

I. Analyst(s) and Associate (S) holding in the Stock(s): (Nil)

II. Disclaimer:

This research report has been prepared by Dolat Capital Market Private Limited. to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its affiliated company(ies) solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of Dolat Capital Market Private Limited. This report has been prepared independent of the companies covered herein. Dolat Capital Market Private Limited. and its affiliated companies are part of a multi-service, integrated investment banking, brokerage and financing group. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, financing or any other advisory services to the company(ies) covered herein. Dolat Capital Market Private Limited. and/or its affiliated company(ies) might have received or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services. Research analysts and sales persons of Dolat Capital Market Private Limited. may provide important inputs to its affiliated company(ies) associated with it. While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and Dolat Capital Market Private Limited. does not warrant its accuracy or completeness. Dolat Capital Market Private Limited. may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision. The investment discussed or views expressed herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and Dolat Capital Market Private Limited. reserves the right to make modifications and alterations to this statement as they may deem fit from time to time. Dolat Capital Market Private Limited. and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions. This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction. This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject Dolat Capital Market Private Limited. and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions.

For U.S. Entity/ persons only: This research report is a product of Dolat Capital Market Private Limited., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Dolat Capital Market Private Limited. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Dolat Capital Market Private Limited. has entered into an agreement with a U.S. registered broker-dealer Ltd Marco Polo Securities Inc. ("Marco Polo"). Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer/Entity as informed by Dolat Capital Market Private Limited. from time to time.

Dolat Capital Market Private Limited.

Corporate Identity Number: U65990DD1993PTC009797
Member: BSE Limited and National Stock Exchange of India Limited.
SEBI Registration No: BSE - INB010710052 & INF010710052, NSE - INB230710031& INF230710031, Research: INH000000685
Registered office: Unit No PO6-02A - PO6-02D, Tower A, WTC, Block 51, Zone-5, Road 5E, Gift City, Gandhinagar, Gujarat – 382355
Board: +9122 40969700 | Fax: +9122 22651278 | Email: research@dolatcapital.com | www.dolatresearch.com