



aurionpro 

AURIONPRO SOLUTIONS LTD

Market Cap.

Rs.648 Cr.

52 Week H/L

Rs. 390/79

CMP

Rs. 284

Target Price

Rs. 366

Information Technology

STOCK DATA

BUY

Reuters Code		APSL.BO
Bloomberg Code		AUPS IN
BSE Code		532668
NSE Symbol		AURIONPRO
Face Value		Rs.10
Shares Outstanding		2.28 Crs.
Avg. Daily Vol. (6m)		80,104 Sh.
Price Performance (%)		
1M	3M	6M
(12)	39	53

200 Days EMA Rs. 236

SHARE HOLDING (%)

Promoters	33.0
FII	0.2
FI/Bank	-
Body Corporate	0.3
Public & Others	66.5

RESEARCH ANALYST

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Traction across all segments for the IT industry going forward

The IT industry globally is expected to see a high growth phase on account of enhanced technology adoptions. The outbreak of covid has accelerated digital adoption, transition to cloud and automation by the businesses, which would benefit Aurionpro going forward. On account of the above factors, IT spending is expected to increase 5.3% yoy in CY22, as compared to 0.9% growth in CY20 globally according to Gartner research.

Revamped product portfolio

Aurionpro has exited the cyber security business, ISLA, on account of the failure of pick up in the segment. The company is increasing its stake in SC Soft to 80% by FY22, which has a global presence in smart mobility (automated fare collection). It has ventured into the data center business and has a team of industry veterans, with over 20+ years of experience in this field. Other segments like banking and smart city have picked up the pace, with order wins in the last 6 months. Order book as of December 2021 stands above Rs.600cr, indicating good visibility over the next 1- 2 years.

Strong earnings trajectory, 35% earnings CAGR over FY2020-24E

Driven by further improvement in the operational efficiencies and phase-out of cyber security business, margins expect to improve by ~400bps over FY2020-24E to touch 22% by FY2024E. Also, strong traction in smart mobility & smart city and banking products will aid to 11% CAGR in topline over the same period. Further, with improvement in cash flows and sale of ISLA business, management expects debt to reduce, thereby leading to a healthy & lean balance sheet to support operations going forward.

OUTLOOK & VALUATION

We forecast Aurionpro's revenue/PAT to grow at 11%/35% CAGR over FY20-24E. Going forward, we expect the company to deliver an EPS of Rs.48.8 in FY24; assigning a target multiple of 7.5x, we arrive at a target price of Rs.366, showcasing an upside potential of 29% from current levels with an investment horizon of 18-24 months. We recommend a BUY at current levels.

Y/E Mar	Revenue (Rs. Cr)	EBITDA (Rs. Cr)	PAT (Rs. Cr)	NPM (%)	EPS (Rs.)	P/E (X)	P/BV (X)	ROCE (%)
FY21	374.0	83.8	(53.4)	(14.3)	(23.4)	NM	2.0	NM
FY22E	493.2	109.0	74.4	15.1	32.6	9.0	1.6	21.8
FY23E	591.8	131.0	92.6	15.6	40.6	7.2	1.3	22.5
FY24E	698.4	156.1	111.4	15.9	48.8	6.0	1.1	22.4

Traction across all segments for IT industry going forward

Pandemic has resulted in an upsurge in demand for services like automation and cloud offerings. According to Gartner Inc, worldwide IT spending is projected to total \$4.2 tn in CY21 and \$4.4 tn in CY22, an increase of 8.6%/5.3% respt yoy. Growth is expected in all verticals data center systems, enterprise software, IT services and hardware. The businesses have built new capabilities through reskilling, new partnerships in the areas of digital technologies around cloud/migration, automation, next-gen security etc.

The demand for cloud computing services is expected to drive the demand for IT services during the forecast period. In the cloud computing model, data is stored on the internet by a cloud computing provider, who manages and operates data storage as a service. Many companies are now choosing applications hosted in the cloud for their day-to-day operations. Companies are also opting for cloud-based data storage; thus boosting the demand for IT services

Table 1. Worldwide IT Spending Forecast (Millions of U.S. Dollars)

	2020 Spending	2020 Growth (%)	2021 Spending	2021 Growth (%)	2022 Spending	2022 Growth (%)
Data Center Systems	178,466	2.5	191,648	7.4	201,659	5.2
Enterprise Software	529,028	9.1	598,957	13.2	669,114	11.7
Devices	696,990	-1.5	793,973	13.9	800,172	0.8
IT Services	1,071,281	1.7	1,176,676	9.8	1,277,228	8.5
Communications Services	1,396,287	-1.4	1,444,980	3.5	1,481,878	2.6
Overall IT	3,872,052	0.9	4,206,234	8.6	4,430,051	5.3

Source: Gartner (July 2021)

Source: Company, Gartner

Revamped product portfolio

- Over the last 2 years, the company has undergone a strategic restructuring of its business to exit the services business and to concentrate on products-led business. It sold Identity Access Management (IAM) to KPMG in January 2018 and cyber security business, ISLA in May, 2021 to enter into Smart Mobility (automated fare collection) and data center. Business segments for the company consist of Banking and Technology Innovation Group (includes smart city, smart mobility and data center offerings).
- Automatic Fare Collection system (AFC) solution is integral to the business functionality of industries pertaining to public transport. According to research, Global AFC is valued at \$6.3 bn as of FY20 and likely to grow by 11%, likely to cross \$9 bn by FY24, as an increasing number of daily travelers would demand rapid collection and payment solutions. Pandemic has further emphasized contactless traveling, giving a further boost to the AFC segment. Aurionpro offers solutions spanning different technologies like open-loop EVM-based ticketing, close loop-based ticketing and account-based ticketing, including software and hardware solutions. In India, the company has successfully implemented AFC in Noida, Nagpur and Delhi metro and these projects are picking up pace, as covid restrictions are eased. Globally, it acquired SC Soft and is increasing its stake to 80% by FY22. SC Soft has forayed into markets like the USA, Egypt, Peru, Russia on a pilot basis and is likely to expand going forward.
- Aurionpro is an established player in the Smart City segment in India and has successfully implemented 3D City, City Surveillance projects in various states. With rapid urbanization and the budgetary boost to the Smart City Mission of India, this sector creates huge opportunities for the company. After easing of lockdown, this segment is seeing pick up in order wins and the current order book stands at ~Rs.350 cr for smart city and smart mobility, which is 3x of revenue for FY21.
- On the Banking front, the company has a decent customer base in India as well as in the Middle East and South East Asia. It has added ~8 clients in the last 1-2 years, with a total customer base of 40 as of Q2FY22 and has leading banks like HDFC Bank, Axis Bank, SBI and Bank of Baroda as its clients. It offers iCashpro+ platform for transaction banking and now with cloud deployment of the Smart lending platform, it should accelerate demand for the banking solutions going ahead.

Strong earnings trajectory, 35% earnings CAGR over FY2020-24E

The company has recently announced exit from the cyber security business, by divesting its stake from Cyberinc, USA based subsidiary for ~Rs.71 cr net off all taxes and obligations in May 2021. The proceeds from the deal would aid in moving the company towards becoming net debt-free in FY22 and start generating strong free cash going forward. The company decided to write off the intangible assets relating to intellectual property investments. This has led to significant improvement in the balance sheet, as intangibles went down to Rs.79 cr (13% of total assets) in FY22 as compared to Rs.360 cr (37% of total assets) in FY21.

We expect turnover to grow at a CAGR of 11% to Rs.698 cr in FY24, with banking and smart mobility providing consistent and stable growth. The profitability is also expected to improve on account of various cost reduction measures and is expected to sustain with improving efficiencies. We expect improvement in EBITDA margins from FY20-24E on account of an increase in operating leverage. Interest expense is likely to see sharp reduction from Rs.18 cr in FY20 to a single digit interest expense from FY22 onwards, on account of reduction in debt. Lower debt-equity of ~0.1x in FY22-24E (0.26x in FY21) & healthy profits will result in comfortable interest coverage and robust return ratios

COMPANY OVERVIEW

Aurionpro was founded in 1997 to service the rapidly expanding banking industry in India. Later it expanded its expertise in areas like smart mobility and solutions to Government for building Digital India. The company acquired SC Soft, thereby increasing its presence in smart mobility globally. It has ventured into the data center, wherein it will build and provide consultancy services to its clients. Currently it is one of the leading IT products company with 29 Fortune 500 clients, 15 offices in 12 countries and an employee strength of 1300+.



For the year ended March 31, 2021, the company recorded a turnover of Rs.374 cr (20.4% yoy de-growth) with an EBITDA margin of 22.4%, as compared to 18.0% in FY20. The cash generated from the sale of cybersecurity business (Rs.71 cr) will be utilized to pay-off the debt and it plans to be zero net-debt by FY22. Total order book stands at Rs.600 cr+ as of 9MFY22, provides good visibility for next 1-2 years.

BUSINESS OVERVIEW: Banking and Fintech

Aurionpro help banks and enterprises elevate customer experience and deliver on the promise of the digital enterprise in the areas like Wholesale Banking, Retail Banking, and Market Systems

Wholesale Banking

The commercial lending platform, SmartLender, continues to be the platform of choice across leading banks in South East Asia. It helps them managing their asset base and credit approval process through a completely automated platform. It eliminates human intervention, thereby approving loans to customers only who are eligible. This platform is a pioneer for Corporate and SME Lending and Credit Risk Management platforms for the past 15 years.

The company also provides services like iCashpro+, which is an integrated transaction banking suite. It enables bank's customers to manage their cash, receivables, forex services and payments and also includes corporate internet banking.

Retail Banking

Aurionpro Customer Engagement (ACE) enables touch points to automate transactions and migrate frontline activities into digital channels.

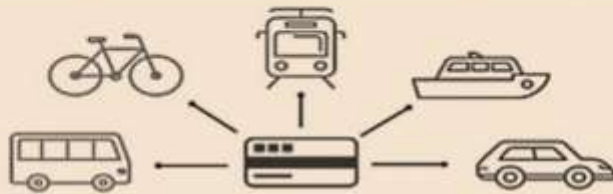
Branch Transformational Solutions for the Business...
...resulting in higher efficiency & elevating customer experience

			
OptiQ Queue Management System	Iserve Self Service Kiosk	Insight Customer Feedback System	Experia Digital Signage Solution

BUSINESS OVERVIEW: Technology Innovation Group

Smart Mobility

...with Automated Fare Collection System (AFC)



One Card One Nation



Automated Fare Gates



Contactless Token Validator



ECHO ETIM - TS



ETIM Pinpad



Hybrid Validator



Gate Validator



Onboard Bus Validator



Ticket Vending Machine

Smart Cities

... Turkey Solutions for Digital World



Smart Cities



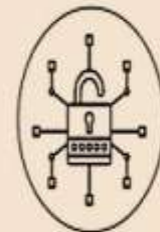
Smart Surveillance



Big Data Analytics

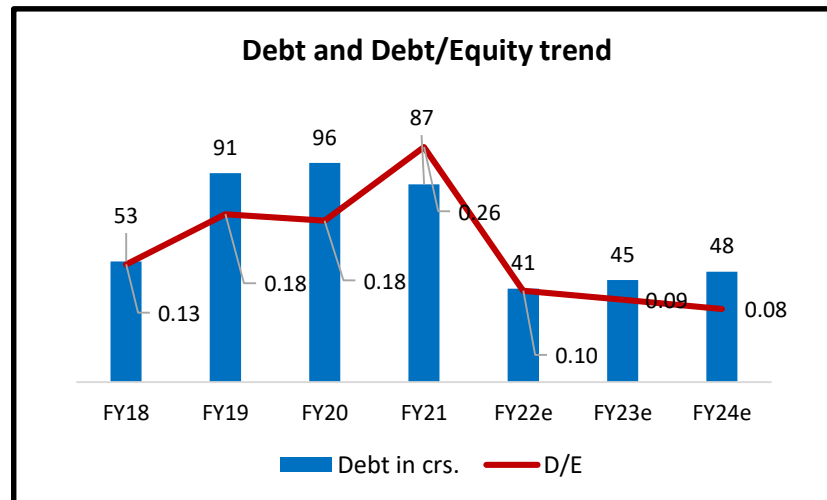
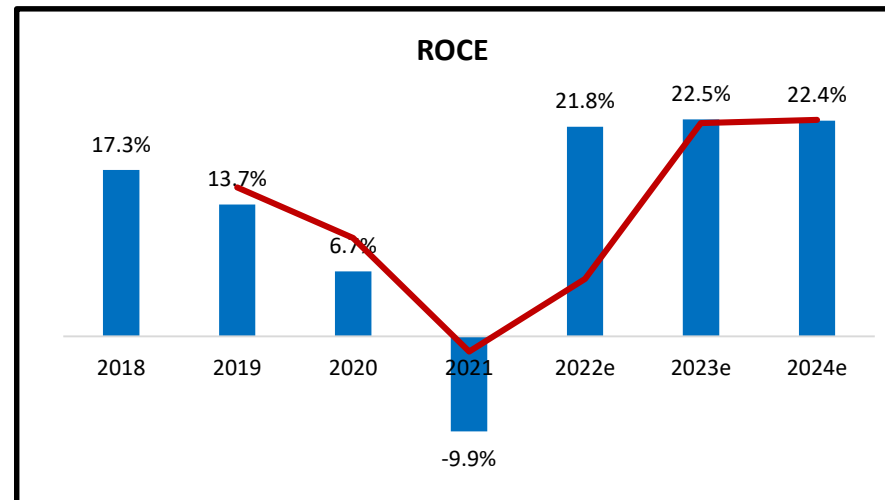
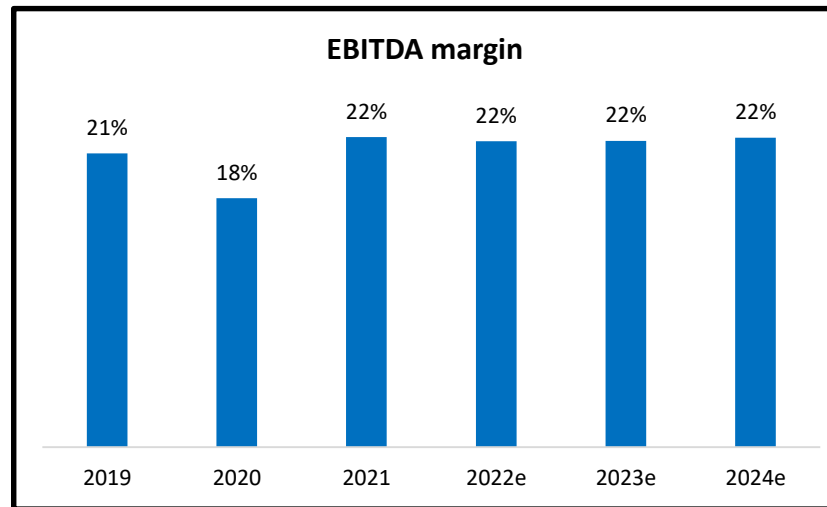
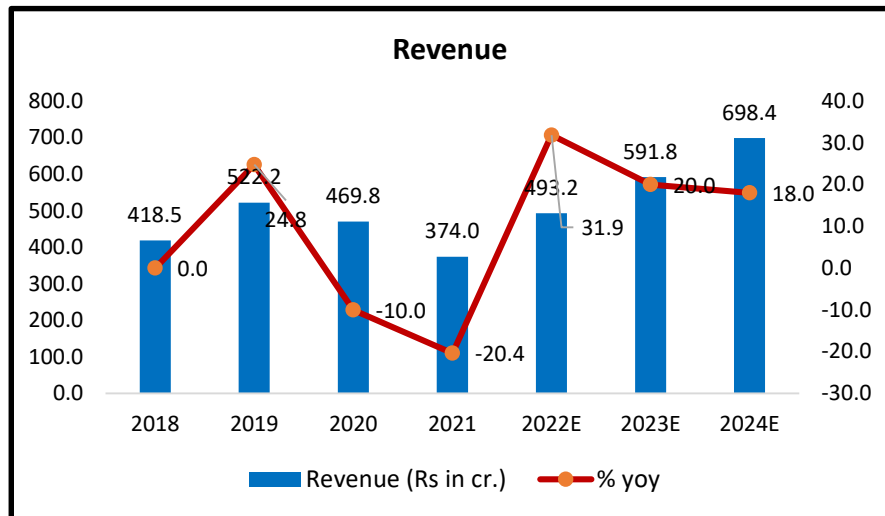


E-Governance Solutions



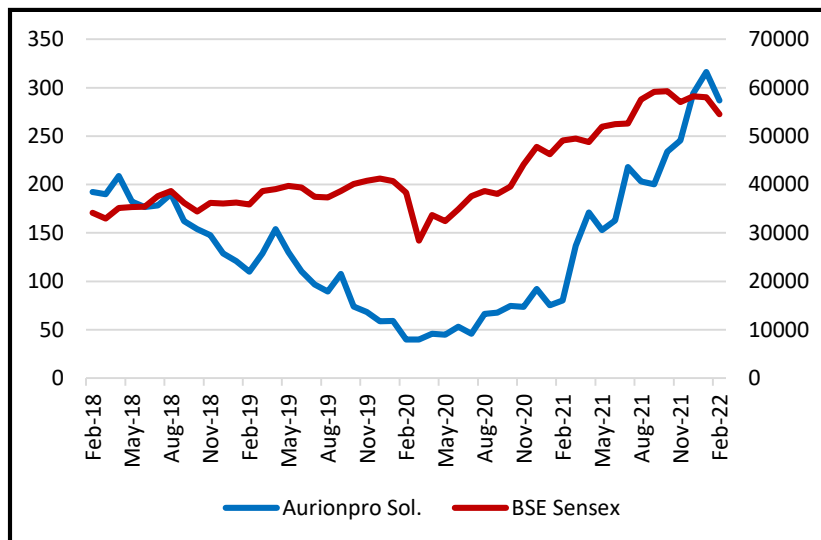
Cyber Crime Solutions

FINANCIAL OVERVIEW



Source: Company, Sushil Finance Research

Price Comparison between Sensex & Aurionpro



Price Movement of Aurionpro Ltd



OUTLOOK & VALUATION

We forecast Aurionpro's revenue/PAT to grow at 11%/35% CAGR over FY20-24E. Going forward, we expect the company to deliver an EPS of Rs.48.8 in FY24; assigning a target multiple of 7.5x, we arrive at a target price of Rs.366, showcasing an upside potential of 29% from current levels with an investment horizon of 18-24 months. We recommend a BUY at current levels.

RISKS & CONCERNS

- Aurionpro keeps investing in future technologies and enhancement of offerings which would dominate the markets. The success of such offerings would largely depend on the ability of the company to position its offerings rightly in the market
- Aurionpro faces strong competition in the markets and industries it serves. Its biggest vertical of focus – financial services have strong competitors who seek to win over Aurionpro share of customer's budget
- Attracting and retaining of the talent is critical for any organization. Aurionpro's success depends upon its ability to attract and retain highly skilled resources and managers. The loss of key resources, specially to the competitors, could materially impact the business.
- The company provides technological support to Government for projects like Smart Cities and Smart Surveillance. Any delay in payments from government might impact working capital position of the company. Also change in Government may bring in new policies which might delay the project.

PROFIT & LOSS STATEMENT

(Rs. Cr)

Y/E Mar.	FY21	FY22E	FY23E	FY24E
Net Sales	374.0	493.2	591.8	698.4
Operating Expenses	108.6	145.0	172.6	203.5
Employee Cost	149.8	197.3	236.7	279.3
Other Expenses	31.9	41.9	51.5	59.4
EBITDA	83.8	109.0	131.0	156.1
Depreciation	139.4	14.8	17.8	21.0
Interest Cost	15.8	9.0	7.0	5.0
Other Income	3.0	4.4	5.3	4.0
PBT	(114.6)	89.6	111.6	134.2
Tax	2.9	15.2	19.0	22.8
RPAT	(53.4)	74.4	92.6	111.4

BALANCE SHEET STATEMENT

(Rs.Cr)

Particulars	FY21	FY22E	FY23E	FY24E
Equity Share Capital	22.8	22.8	22.8	22.8
Reserves	313.7	385.8	473.8	580.6
Net worth	339.6	411.8	500.0	607.0
Total loans	86.5	40.9	44.7	48.3
Other Current Liabilities	188.9	226.3	245.6	271.6
Total Liabilities	615.0	679.0	790.3	926.9
Net block	54.7	76.9	100.5	132.0
Capital Work-in –Progress	13.4	37.0	41.4	52.4
Deferred tax Asset (net)	8.2	8.6	9.9	11.8
Sundry debtors	103.1	137.0	164.4	194.0
Inventories	26.0	34.5	42.1	49.6
Cash and bank	38.6	25.0	39.8	46.4
Other Assets	63.2	63.2	66.4	73.0
Total Assets	615.0	679.0	790.3	926.9

Source: Company, Sushil Finance Research

CASH FLOW STATEMENT

(Rs. cr)

Particulars	FY21	FY22E	FY23E	FY24E
PAT	(53.4)	74.4	92.6	111.4
Depreciation & Amortization	139.4	14.8	17.8	21.0
Taxes	2.9	15.2	19.0	22.8
Finance Cost	15.8	9.0	7.0	5.0
(Incr)/Decr in Working Capital	(16.7)	(0.6)	(40.3)	(48.3)
Cash Flow from Operating Activities	88.0	112.8	96.1	111.8
(Incr)/ Decr in Gross PP&E	(132.1)	(37.0)	(41.4)	(52.4)
(Incr)/Decr In Investments and Intangibles	287.6	2.6	-3.8	-6.2
Others	8.8	-19.5	-8.3	-16.1
Cash Flow from Investing	164.3	(53.9)	(53.5)	(74.7)
(Decr)/Incr in Debt	(9.4)	(45.7)	3.8	0.0
Others	(236.6)	(24.4)	(27.0)	(29.5)
Cash Flow from Financing	(246.0)	(72.4)	(27.7)	(30.5)
Opening Cash	32.3	38.6	25.0	39.8
Total cash flow	6.3	(13.5)	14.8	6.5
Cash at the End of the Year	38.6	25.0	39.8	46.4

FINANCIAL RATIOS STATEMENT

Particulars	FY21	FY22E	FY23E	FY24E
Growth (%)				
Revenue	(20.4%)	31.9%	20.0%	18.0%
Profitability (%)				
EBITDA Margin	22.4%	22.1%	22.1%	22.4%
PAT Margin	(14.3%)	15.1%	15.6%	15.9%
Per Share Data				
EPS	(23.4)	32.6	40.6	48.8
Reported CEPS	37.7	39.1	48.4	58.0
BVPS	147.6	179.2	217.8	264.6
Valuations (x)				
P/E	NM	9.0	7.2	6.0
P/BV	2.0	1.6	1.3	1.1
EV / EBITDA	8.5	6.6	5.5	4.6
Turnover Days				
Debtors Days	101	101	101	101
Inventory Days	87	87	89	89
Creditors Days	182	183	174	174
Gearing Ratio				
D/E (x)	0.26	0.10	0.09	0.08

Source: Company, Sushil Finance Research

Rating Scale :

This is a guide to the rating system used by our Institutional Research Team. Our rating system comprises of three rating categories.

Total Expected Return Matrix (Rating and Return)

BUY : Over 12%

HOLD : -12% to 12%

SELL : Below -12%

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Analyst Stock Ownership	Yes
Stock Recommended to Clients	Yes
Remuneration/Benefits received from company in 12 months	No
Merchant Banking Market Making activities / projects	No
Sushil Financial Services Pvt. Ltd and Group Companies Holding	No
Sushil Financial Services Pvt. Ltd and Group Directors Holding	Yes
Broking Relationship with the company covered	No