Latent View Analytics Ltd (LATVIE)

CMP: ₹ 483 | **Target: ₹ 610 (26%)** | **Target Period: 12-18 months** | **BUY**

January 6, 2025

Proxy play on Data Analytics growth! …

About stock: Latent View Analytics (Latent View) is a leading pure-play data analytics services company in India. It provides expertise on the entire value chain of data analytics from data and analytics consulting to business analytics and insights, advanced predictive analytics, data engineering and digital solutions.

- It engages to provide services in technology, BFSI, Consumer Packaged Goods (CPG) & retail, industrials and other industries
- Caters to 30+ Fortune 500 clients with key clients incl. Adobe, Uber & 7-Eleven

Investment Rationale

- **Expertise in Data & Analytics (D&A) unlocks significant opportunity**: The company has a distinct positioning in digital solution accelerators, big data capabilities, social media predictive analytics and advanced analytics tools. The management anticipates **data, analytics & AI services market to grow up to $165 bn by 2026.** This is supported by the finding that **the global data analytics outsourcing market, valued at $9.24 billion in 2023, is expected to grow at a 32.1% CAGR through 2030.** Moreover, D&A shall become the centrepiece of enterprise strategy, focus and investment thereby unlocking various opportunities for the company. Thus, **we believe such industry tailwinds position Latent View well for sustained revenue growth**.

- **Decision Point acquisition to fuel future growth:** The company has acquired Decision Point to strengthen its CPG/Retail muscle particularly for revenue growth management (RGM) services, expanding its GenAI offerings and its market reach in LATAM and APAC region. It brings in marquee **logos including 5+ global giants through which it aims to grow CPG practice by ~200%.**

- **Healthy revenue & margin growth ahead:** Latent View has exhibited decent revenue expansion, growing by 54.3% since its year of listing, driven by strong organic growth initiatives. The company **aims to achieve revenues of $100-105 mn by FY25 (assuming full-year Decision Point consolidation) and $200-220 mn by FY27-28. We have baked in revenue CAGR of ~36% over FY24-27E. We estimate EBITDA CAGR of 42.5% over FY24-27E. Consistent client-driven innovation supported by functional expertise ensure revenue growth and margin stability for the company.**

Rating and Target Price

- Given the opportunity from the D&A offerings and Decision Point acquisition driving topline and earnings growth visibility, **we initiate coverage with a BUY rating.**

- We assign a **target price of ₹610,** valuing it at **36x FY27E EPS, with a premium target multiple given the superior earnings growth ahead.**

Particulars

Particulars	Amount
Market Cap (₹ Crore)	9,945
Total Debt (₹ Crore)	24
Cash & Invests (₹ Crore)	763
EV (₹ Crore)	9,206
52 week H/L	575/ 430
Equity capital (₹ Crore)	20.6
Face value (₹)	1.0

Shareholding pattern

	Dec-23	Mar-24	Jun-24	Sep-24
Promoter	65.4	65.4	65.4	65.4
FII	2.5	2.4	2.4	2.7
DII	2.4	4.5	4.4	3.6
Public	29.6	27.7	27.8	28.3

Price Chart

LatentView (LHS)
Nifty Index (RHS)
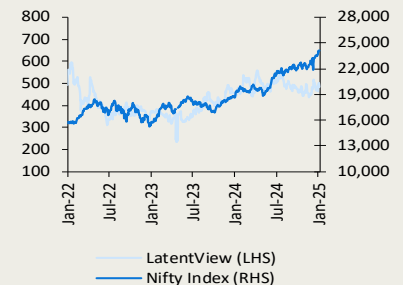
Key risks

- Vertical (Technology) and geographic (USA) concentration
- Lower than expected synergies from Decision Point acquisition;

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Conviction Pick

ICICI Securities – Retail Equity Research

Key Financial Summary

₹ Crore	FY22	FY23	FY24	4 Year CAGR (FY20-24)	FY25E	FY26E	FY27E	3 Year CAGR (FY24-27E)
Net Sales	408	539	641	19.9	843	1,162	1,605	35.8
EBITDA	122	145	136	14.0	193	279	393	42.5
EBITDA Margin (%)	29.9	26.9	21.2		22.9	24.0	24.5	
Net Profit	107	155	159	21.5	180	253	349	30.0
EPS (₹)	6.8	7.6	7.7		8.7	12.3	16.9	
P/E	70.7	63.7	62.7		55.2	39.3	28.5	
RoNW (%)	12.6	12.9	11.5		11.6	14.0	16.2	
RoCE (%)	12.8	15.6	14.3		15.6	17.9	20.0	

Source: Company, ICICI Direct Research
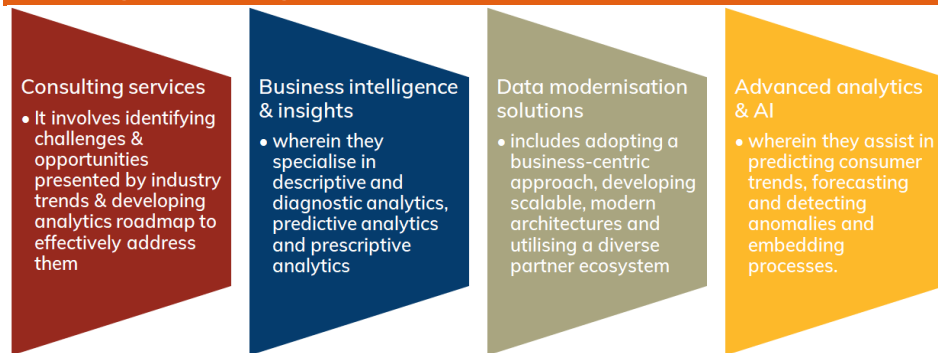
Company Background

Latent View Analytics, incorporated in 2006 in Chennai, is a leading pure-play data analytics services company in India and was the first such company to be listed on the BSE/NSE in 2021. The company designs and engineers result-oriented analytics solutions for clients across industries, that enable them to operate more efficiently by predicting outcomes that fuel digital transformation and sustainability. It does so by offering a unique combination of **Business + Math + Technology expertise**.

Solutions and services

Its solutions and services include: **(i) Consulting services** wherein by synergising AI with client's business strategy, their innovative suite of solutions, including business intelligence (BI), data insights, and predictive modelling, drives optimal outcomes, propelling businesses toward sustained success; **(ii)** Business intelligence & insights wherein by leveraging the vast potential of big data, they empower businesses to develop automated solutions and uncover invaluable insights, resulting in sustainable competitive advantages and long-term success; **(iii) Data** modernisation solutions which empower businesses to monetise and extract maximum value from their data assets; **(iv) Advanced analytics & AI** wherein their precise forecasting capabilities enable clients to align their business goals with emerging trends, ensuring a competitive edge in the market.

Latent View begins its engagements with most clients by providing business intelligence and visualisation services in the nature of consulting diagnostic work, which may be followed by deeper engagements for advanced analytics and predictive modelling. This could be further expanded in the areas of strategic insights, thought leadership and business recommendations.

Exhibit 1: Solutions and Services

Consulting services
- It involves identifying challenges & opportunities presented by industry trends & developing analytics roadmap to effectively address them

Business intelligence & insights
- wherein they specialise in descriptive and diagnostic analytics, predictive analytics and prescriptive analytics

Data modernisation solutions
- includes adopting a business-centric approach, developing scalable, modern architectures and utilising a diverse partner ecosystem

Advanced analytics & AI
- wherein they assist in predicting consumer trends, forecasting and detecting anomalies and embedding processes.

Source: Company, ICICI Direct Research

Offerings by function

The company brings deep skills, a wide range of capabilities and relevant experience in helping global leading organisations utilise the power of data and analytics across the spectrum of the business value chain. These include capabilities in:

The company also has expanded range of offerings from basic services such as web analytics, activity-tracking reports, survey analytics to social media analytics, big data, cloud architecture and migration. It is currently engaged as a strategic partner to several clients delivering a wide range of end-to-end solutions.

i) **Customer Analytics** – includes customer segmentation and behaviour, lifetime value analysis, cross-selling and upselling and loyalty and personalisation that help organisations understand consumer perception and behaviour, the drivers of value and loyalty, and enable personalisation, to more accurately formulate cross-sell and up-sell strategies to maximise value.

ii) **Supply Chain Analytics** – includes assessing sourcing and replenishment requirements, metrics measurement, inventory and network optimisation and demand forecasting helping clients optimize their network and allocate and manage resources more efficiently through these outcomes.

iii) **Marketing Analytics** – includes brand and competitive positioning, attribution modelling, personalised marketing & campaign design and marketing spend optimisation to predict evolving consumer trends with greater accuracy and improve consumer engagement.

iv) **Finance & Risk Analytics** – includes assessment of portfolio performance, collection analytics and counterfeit analysis

v) **HR Analytics** – enables organisations in understanding employee pulse and retention trends, optimising talent acquisition and implementing performance-based compensation policies.

Exhibit 2: Analytics offerings or Offerings by function

Source: Company, ICICI Direct Research

Industry offerings

In today's digital age, data-driven analytics solutions have become indispensable for businesses across various industries. Latent View caters to four major industries:

Technology

- Key offerings include unravelling insights from customer data generated by applications and software through customer analytics, enhancing ROI from marketing campaigns and refining the allocation of marketing budgets through marketing analytics.

Industrials

- Key offerings include crafting demand and supply forecasting solutions like multi-tier supplier visibility, demand forecasting, inventory control, implementing predictive maintenance strategies for machines and equipment, using connected vehicle data for advanced solutions like product feature redesign and warranty costs reduction.

CPG & Retail

- Key offerings include optimizing product assortment, channel strategy, and marketing spend, driving product innovation and development, assessing and optimizing pricing & promotions and AI powered rapid experimentation and measurement.

Financial Services

- Key offerings include:

  - **Sales & Marketing Analytics**: Customer acquisition, retention, segmentation, lead scoring, marketing ROI etc.

  - **Risk & Regulatory Compliance**: Risk assessment, provisioning, compliance reporting, data governance, fraud detection, anti-financial crimes

  - **Investment Management**: Investor experience, advisor 360, regulatory reporting, operational resilience, middle office data strategy

  - **Payments & Remittances:** Pricing & promotions, customer loyalty, lead origination, credit and fraud detection, servicing, portfolio management

  - **Insurance**: Demand forecasting, capacity planning, plan comparisons, claims management, member loyalty, preventive care

Offerings by industry

Exhibit 3: Technology clients generate 64% of revenue as on Q2FY25
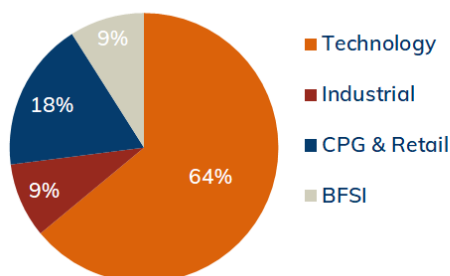
Source: Company, ICICI Direct Research

Geographic presence

The company has presence in USA, Europe (Netherlands), United Kingdom and RoW which includes LATAM and APAC regions (Singapore). In terms of the revenue mix by geography, it derives majority of its revenues (~90% of revenue mix) from USA followed by Rest of World (10% of revenue mix) and Europe (1% of revenue mix). This robust foundation enables Latent View to deliver comprehensive analytics solutions, driving sustainable growth and measurable outcomes for its clients worldwide.

Exhibit 4: US contributes 89% of revenues as on Q2FY24
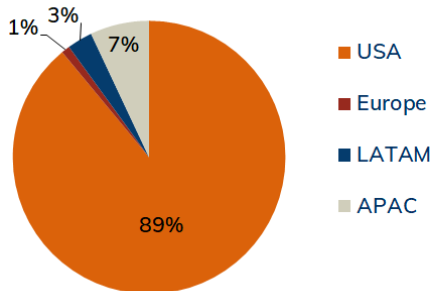
Source: Company, ICICI Direct Research

Subsidiaries, global delivery centres and on-site go-to-market teams: The company has global subsidiaries across 4 continents - USA, Europe, APAC, and LATAM, supported by global delivery centres in Bengaluru and Chennai which serve as the operational backbone of the business. The company also has on-site go-to-market teams the US, Netherlands, Germany, UK, and Singapore which provide dedicated support and maintain close proximity with clients in key markets.

Exhibit 5: Subsidiaries as on 31 March 2024
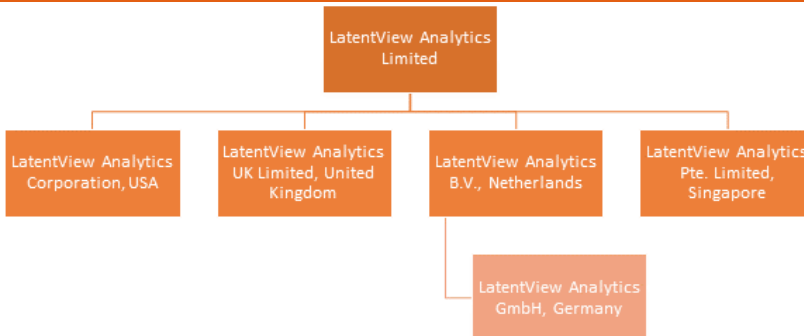
Source: Company, ICICI Direct Research

Technological partnerships

Latent View drives digital transformation for its clients by forming strategic alliances with leading technology providers. By combining the expertise of business software companies, niche technology developers, and platform vendors, these collaborations deliver customized, data-driven solutions. This approach minimizes risks, accelerates go-to-market strategies, and broadens market reach.

The company actively invests in partnerships with industry leaders like **Databricks, Microsoft Fabric, Nvidia**, no-code/low-code platforms such as Power Platform, and cloud providers including **Azure, GCP, and AWS**. These collaborations empower Latent View consultants to leverage advanced capabilities in data engineering, data science, business analysis, and visualization to craft impactful analytics solutions. The objective is to strengthen their end-to-end service offerings and deliver comprehensive value to clients through these partnership channels.

Exhibit 6: Key technology partnerships
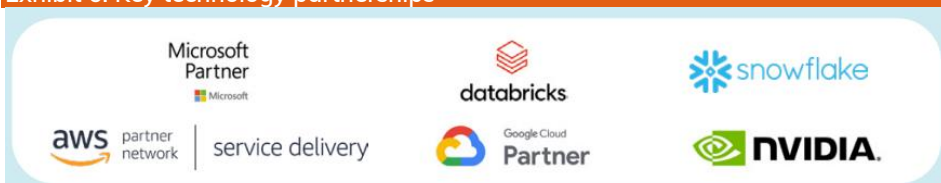
Source: Company, ICICI Direct Research

Clientele

Latent View has 67 clients as of Q2FY25 (including 30+ Fortune 500 companies),

As depicted in Exhibit 7 the Top 5 clients are generating about 59% of the revenues while Top 10 and Top 20 clients generate 71% and 85% revenues (these figures are including clients of Decision Point).
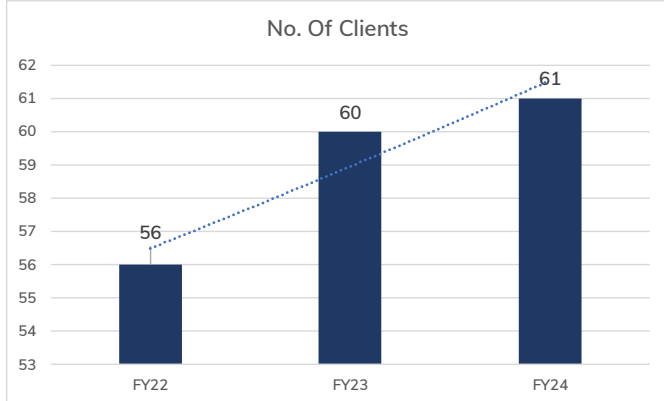
Exhibit 7: Top five customers generated 59% of Q2FY24 revenue

Pie chart showing: Top 5 — 59%, Top 10 — 71%, Top 20 — 85%
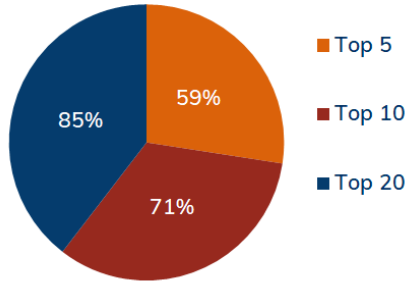
Source: Company, ICICI Direct Research

Its client base includes several marquee enterprises engaged in diverse industries, including **Adobe, 7-Eleven, Uber Technology etc.**

Exhibit 8: No. of clients from FY22-24

No. Of Clients

FY22: 56, FY23: 60, FY24: 61

Source: Company, ICICI Direct Research

Exhibit 9: Examples of success stories with their clients

GenAI Bot

Global Technology Company

Problem : Utilize real-time device data to enhance users' understanding and optimization of their device's performance through natural language. Enable Proactive as well as Reactive Feedback mechanism

Solution: Built LLM powered packaged chatbot application to easily deploy across all client laptops and desktops and supports multi modal user inputs as well.

Impact: ~ Powering 2 Million devices with Gen AI bot & Increases Average Life span by ~1 year providing guidance on optimal system usage.

MigrateMate

Largest Media Retailer

Problem : Accumulating Operational Costs of maintaining Data in On-Prem legacy system (TeraData)

Solution: Built a precise and robust Data Acceleration tool (MigrateMate), with automated Data discovery, Object Creation & Validation components, to effectively migrate the Data to Cloud

Impact: ~ Potential cost savings of $1M over the year, by reducing the migration time by 75%

Demand Planning & Scheduling

Largest Snack & Beverage Corp

Problem : Product Supply and Scheduling teams track infeasible quantities and available runtime to bridge demand-production gaps. Efficient use of Available Run Time (ART) via timely communication was not tracked

Solution: Built a power Bi powered tool to monitor and track product supply and scheduling.

Impact: ~ ~500M Lbs of Infeasibles made more visible on a weekly basis by linking with ART; ~800K cost savings

Source: Company, ICICI Direct Research

Illustrative list of clients

| Leading US-based software player |
| Leading American mobility as a service provider |
| Fortune 500 search engine technology player |
| US-based home appliance manufacturer |
| European luxury car manufacturer |
| Leading US-based home appliance manufacturer |
| Leading US-based convenience retail player |
| US-based cosmetics company |
| Leading beverage and snack manufacturer |
| Turnkey asset management company |
| American crypto currency exchange platform |
| Global fintech and payment processor |

Industry Overview

In the pre-pandemic era, technology leaders across industries were accustomed to incremental increases in IT budgets, with almost 60% of the budget in 2019 spent on legacy applications such as outdated architecture and software components that were harder to integrate with newer systems.

While most enterprises were focused on prioritizing cost and efficiency initiatives, a few of them invested in digital initiatives such as analytics, cloud-based enterprise applications, and customer experience technologies like artificial intelligence, augmented realities, for driving innovation, growth, and improved customer experience.

The COVID-19 pandemic has led to a digital divide – enterprises that had invested in digital initiatives were better placed compared to the others. As a result, growth in IT spend is expected to be largely driven by investments in digital technologies as enterprises scale up digital transformation efforts across business units.

Across industries, D&A are being leveraged by enterprises to guide business strategy and optimize spending decisions amid growing financial uncertainties. **Almost 50% of the spending on analytics applications are attributed to five key enterprise functions – customer, marketing, supply chain, finance and risk, and HR. On industries front, BFSI, CPG & Retail, and Technology verticals are at the forefront of D&A investments, driving nearly 70% of the total spend.**

Global IT Industry Overview

Global IT spending is projected to reach $5.06 trillion in 2024, an 8% increase from the previous year. This marks a significant upward revision from earlier projections and **sets the stage for global IT expenditure to surpass $8 trillion before 2030. Spending on IT services is expected to grow by 9.7%, exceeding $1.52 trillion, as enterprises increasingly invest in consulting services over internal staffing**. This shift highlights the rising demand for IT consulting expertise, driven by the need to attract talent with critical IT skills. *(Source: Company)*

Exhibit 10: Global IT Spend in $ trillion

Worldwide IT Spending Forecast (Millions of US$)

	2023 Spending	2023 Growth (%)	2024 Spending	2024 Growth (%)
Data Center Systems	236,179	4.0	259,680	10.0
Devices	664,028	-9.1	687,943	3.6
Software	914,689	12.6	1,042,174	13.9
IT Services	1,385,120	6.1	1,519,928	9.7
Communications Services	1,487,161	3.3	1,551,288	4.3
Overall IT	**4,687,177**	**3.8**	**5,061,013**	**8.0**

Source: Gartner (April 2024)

Source: Company ICICI Direct Research

Notable growth is also anticipated in data center systems, with spending projected to rise from 4% in 2023 to 10% in 2024, fuelled by strategic planning for GenAI. Enterprises are transitioning from conceptualizing GenAI use cases to active planning in 2024, laying the foundation for execution by 2025. To align with this shift, technology providers are integrating GenAI capabilities into existing offerings, driving spending in related markets like servers and semiconductors. By 2024, AI servers are expected to account for nearly 60% of hyperscalers' total server expenditure, underscoring the focus on large-scale GenAI initiatives.

Data & Analytics Industry Trends

The D&A industry is expanding rapidly as businesses adopt data-centric approaches to optimize operations and enhance decision-making. By leveraging big data and analytics, companies are gaining insights into historical trends, improving customer understanding, and driving targeted marketing efforts. SaaS-based analytics, the rise of virtual offices generating massive data volumes, and increasing investments in cloud technology are further accelerating this growth.

Recent advancements, including social media and text analytics, have unlocked new business opportunities, while International Data Corporation predicts that by 2025, approximately 1,52,200 IoT devices will link every minute. This surge in connected devices is driving the adoption of edge computing, which processes data closer to the source, reducing network strain and enabling real-time analytics.

GenAI and Its Implications for Analytics Service Providers

GenAI is revolutionizing the AI and analytics landscape by enabling the creation of new content, such as text, images, and code, using large language models (LLMs) trained on vast datasets. This disruptive technology is reshaping industries and redefining business processes, presenting both challenges and opportunities for analytics service providers.

Exhibit 11: Potential Disruptions for Analytics Service Providers

Automation of Tasks
GenAI is automating tasks like data preparation, feature engineering, and basic analysis, which were traditionally performed by analytics professionals. This could reduce the demand for low-level analytics services, compelling providers to focus on more specialized offerings

Democratization of Analytics
GenAI tools, such as ChatGPT, are making advanced analytics accessible to non-technical users. This reduces reliance on traditional service providers, challenging their role as gatekeepers of complex analytics processes

Rapid Prototyping
GenAI accelerates the development of prototypes and proof-of-concepts, altering project lifecycles and changing how service providers engage with clients

Skill Set Shift
The rise of GenAI demands new skill sets in analytics professionals. Service providers must adapt talent acquisition and training strategies to remain competitive in a rapidly evolving market

Source: Company, ICICI Direct Researchs

Sectoral Adoption of AI and Cognitive Systems

AI and cognitive systems are transforming industries, addressing compliance and regulatory challenges while meeting the demand for digital transformation. The **BFSI** sector is leveraging AI for compliance, while the **healthcare** sector is adopting technologies like machine learning and natural language processing to streamline drug discovery and development.

AI is also uncovering hidden insights across industries, from social media analytics to predictive modelling for advertising, pricing, and sales forecasting. The **retail** sector is using AI for demand forecasting and personalized customer experiences, while the BFSI sector utilizes cognitive tools for risk management and customer analytics.

Small and Medium Enterprises (SMEs) are increasingly adopting data analytics solutions to improve customer service, visualize data with dashboards, and make better risk-related decisions.

This trend reflects the broader integration of AI and analytics across industries, reshaping business landscapes globally.

Investment Rationale

Expertise in Data & Analytics (D&A) unlocks significant opportunity

The company's distinct positioning in digital solution accelerators, big data capabilities, social media predictive analytics, and advanced analytics tools sets it apart from peers. **Key differentiators include pricing point & speed and agility & depth of understanding of technicalities**. Management anticipates **data, analytics & AI services market to grow up to $165 bn by 2026**. This is supported by the finding that **the global data analytics outsourcing market, valued at $9.24 billion in 2023, is expected to grow at a 32.1% CAGR through 2030**. *(Source: Company Investor Day 2024 PPT)*

It has a recognized leadership position in D&A and has emerged as one of the most trusted partners to several Fortune 500 companies in recent years *(Source: Zinnov Report)*. Its portfolio offers a distinctive breadth and depth of capabilities, including descriptive analytics and prescriptive analytics with intuitive and personalized dashboards that can drive monetization by improving sales and marketing efficiency, improving customer experience and operational efficiency.

Exhibit 12: Data, analytics and AI services market growth story by 2026
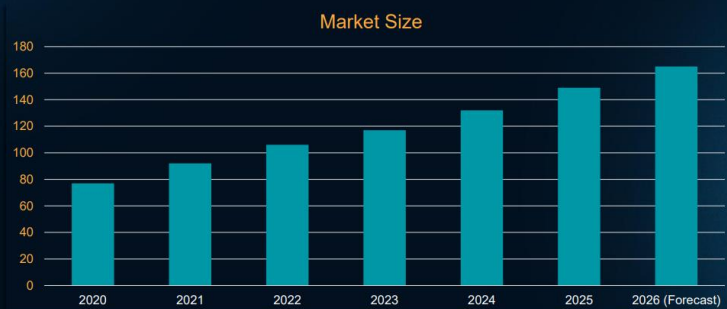
Source: Company Investor Day 2024 presentation, ICICI Direct Research

India is the top outsourcing destination for analytics with a market share of 45% in the workforce of the 3rd party service providers. Moreover, their high levels of client retention and shift toward multi-year engagement contracts result in a high degree of revenue visibility.

D&A shall become the centerpiece of enterprise strategy, focus and investment thereby unlocking various opportunities for the company. Thus, **we believe such industry tailwinds position Latent View well for sustained revenue growth.**

Decision Point acquisition to drive future growth:

Decision Point is a CPG focused analytics company which is a global leader in Revenue Growth Management (RGM) and AI Business Transformation. Latent View acquired a 70% stake in Decision Point for US$ 39.1 million in 2024. The acquisition was a strategic move to strengthen CPG/Retail (which is one of the largest spenders for analytics initiatives) muscle for Latent View particularly for RGM services, expanding its GenAI offerings and expanding market reach in LATAM and APAC region.

- It brings in marquee logos with no overlap in clients (barring one) and includes 5+ global giants through which it aims grow CPG practice by ~200%. The combined entity is well-positioned to deliver comprehensive analytics solutions to clients, driving significant business outcomes and growth in the coming years.
- Decision point shall also provide the company access to talent that has extensive CPG knowledge and is present in Chile, Mexico and Brazil thereby strengthening its nearshore opportunities.
- It has also brought in capabilities on the GenAI front with the BeagleGPT as a solution.

These potential synergies from the acquisition position Latent View in a sweet spot to gain from the inorganic expansion as well.

Key drivers for the growing adoption of D&A include:

- ✓ **Increased outsourcing of D&A work:** There is a shift towards setting up of dedicated CoEs by companies to focus on D&A Additionally, there is an increasing demand for advanced analytics functions and the lack of in-house talent is driving the demand for outsourced analytics services as well.

- ✓ **Managing Data Explosion:** The rise in e-commerce and contactless customer interactions has generated vast amounts of data in varied formats. Addressing structural inconsistencies and consolidating data across departments has driven increased D&A investments.

- ✓ **Enhancing User Experience:** Understanding consumer behaviour is critical for offering personalized and differentiated experiences. Companies are using Big Data and AI/ML to analyze spending patterns, segment customers, prioritize features, and forecast demand.

- ✓ **Optimizing Decision-Making:** Enterprises rely on Business Intelligence and visualization tools to track KPIs and meet goals. Advanced analytics applications help optimize channel investments, promotional spending, logistics, and product assortment.

Exhibit 13: Synergies expected from the Decision Point Acquisition

Enhanced Revenue Growth Management (RGM) Capabilities	Decision Point's expertise in RGM, particularly in the CPG sector, complements LatentView's existing capabilities. This will enable the combined entity to offer comprehensive RGM solutions, including pricing, promotions, and assortment optimization
Expansion of Generative AI Solutions	Decision Point's Beagle product, an NLP-enabled conversational BI tool, aligns with LatentView's strategy to enhance their Generative AI offerings. Beagle provides real-time access to relevant data and insights within workplace collaboration platforms, making it a valuable addition to LatentView's portfolio
Increased Market Reach	Decision Point's established presence in Latin America, along with their growing footprint in the US and Europe, will help LatentView expand its market reach. The combined entity will leverage Decision Point's client base and LatentView's go-to-market investments to drive growth in these regions
Complementary Expertise and Solutions	The acquisition brings together Decision Point's strengths in supply chain management, R&D innovation, and ConnectedView solutions with LatentView's capabilities in data analytics and AI. This will enable the combined entity to offer a broader range of solutions to clients
Cultural and Operational Alignment	Both companies share a strong alignment in terms of culture, values, and operational practices. This alignment is expected to facilitate a smooth integration process and enhance the efficiency of the combined operations
Financial Growth and Stability	Decision Point's impressive financial performance, will contribute to LatentView's financial growth. The acquisition is expected to make the CPG vertical the 2nd largest revenue contributor for LatentView

Source: Company, ICICI Direct Research

Strong Business Outlook

The management has laid out definitive **strategic priorities for the next 3 years.** These include – (i) Expanding marketing analytics for deeper client insights; (ii) Continue driving impact through scalable GenAI solutions; (iii) Enhance data engineering through Databricks partnership; (iv) Grow nearshore centers for improved client support; (v) Increase APAC presence with GCC to capture regional demand; (vi) Invest in talent upskilling for advanced analytics and AI.

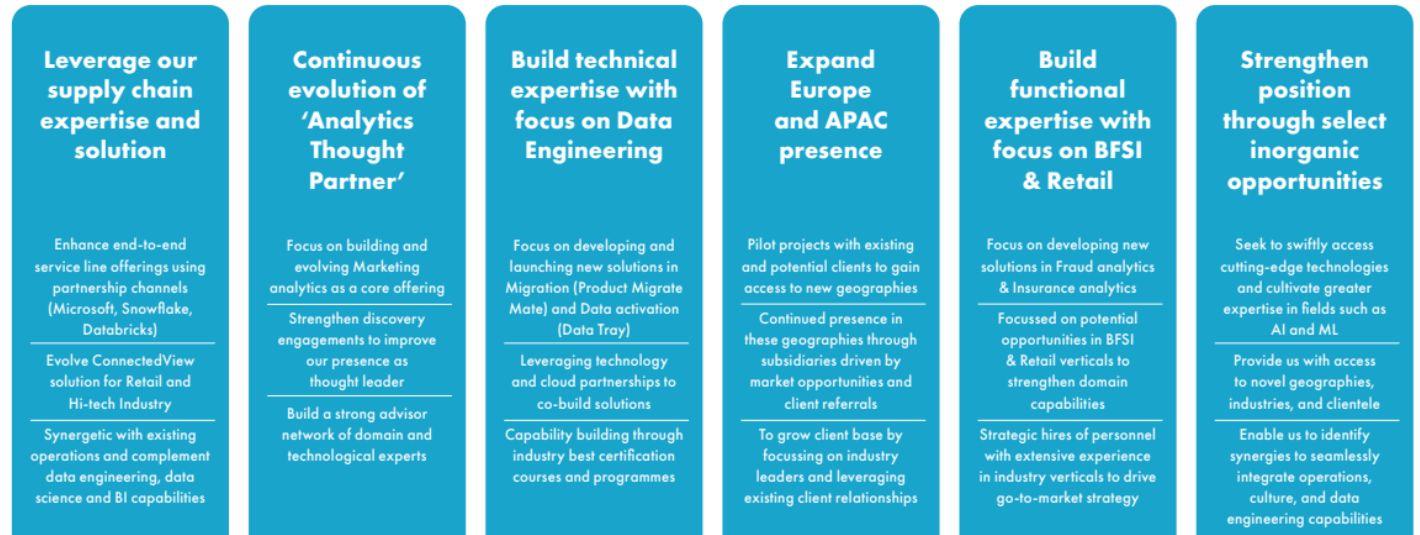### Exhibit 14: Strategic priorities over next 3 years

Expand Marketing Analytics for deeper client insights

Drive a Data-Driven Marketing Model to enhance product, channel, and customer experience strategies.

Continue Driving Impact through Scalable GenAI Solutions

Empower Business Transformation with LatentView's RAISE, delivering GenAI-driven solutions.

Enhance Data Engineering through Databricks partnership

Foster data engineering innovation and best practices in partnership with Databricks, empowering clients with cutting-edge cloud data solutions.

Grow Nearshore Centers for improved client support

Strengthen client proximity and support through expanded nearshore centers at Canada, Mexico and LATAM, enhancing delivery efficiency and client responsiveness.

Increase APAC presence with GCC to capture regional demand

Expand India GCC hubs with a focused charter for rapid scaling, meeting growing demand, & enhancing regional expertise to support client need.

Invest in Talent Upskilling for advanced analytics and AI

Accelerate talent growth with L&D partnerships and in-house bootcamps, building a skilled, scalable workforce for future.

Source: Company Investor Day 2024 presentation, ICICI Direct Research

Secondly, it has also identified **6 key growth strategies** which would act as a catalyst for sustainable and profitable growth ahead. These include – (i) Leveraging supply chain expertise and solution; (ii) Continuous evolution of 'Analytics Thought Partner'; (iii) Building technical expertise with focus on data engineering; (iv) Expand Europe and APAC presence; (v) Build functional expertise with focus on BFSI & Retail and (vi) Strengthen position through select inorganic opportunities.

Moreover, the management aims for the Technology vertical to be a ~$100 million practice while BFSI and CPG/Retail are expected to bring in ~$25-30 million and ~$30-40 million respectively. As a catalyst, data engineering horizontal is expected to play a prominent role and the management expects the share of revenues coming in from this horizontal to inch up to ~30-35% of total revenues from the current ~20%.

Exhibit 15: Key growth strategies

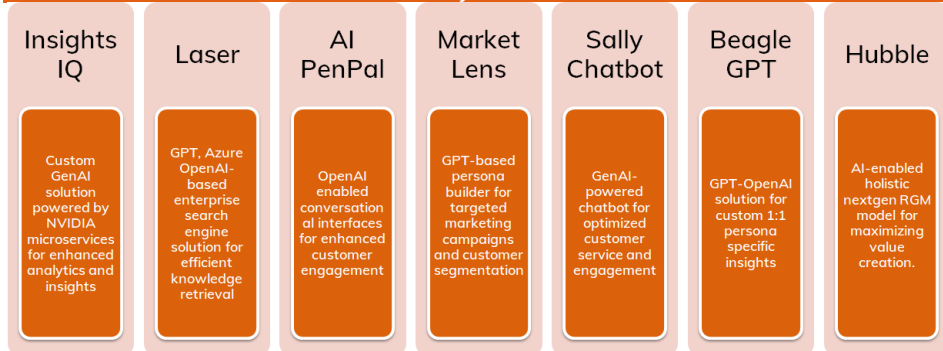| Leverage our supply chain expertise and solution	Continuous evolution of 'Analytics Thought Partner'	Build technical expertise with focus on Data Engineering	Expand Europe and APAC presence	Build functional expertise with focus on BFSI & Retail	Strengthen position through select inorganic opportunities
Enhance end-to-end service line offerings using partnership channels (Microsoft, Snowflake, Databricks)	Focus on building and evolving Marketing analytics as a core offering	Focus on developing and launching new solutions in Migration (Product Migrate Mate) and Data activation (Data Tray)	Pilot projects with existing and potential clients to gain access to new geographies	Focus on developing new solutions in Fraud analytics & Insurance analytics	Seek to swiftly access cutting-edge technologies and cultivate greater expertise in fields such as AI and ML
Evolve ConnectedView solution for Retail and Hi-tech Industry	Strengthen discovery engagements to improve our presence as thought leader	Leveraging technology and cloud partnerships to co-build solutions	Continued presence in these geographies through subsidiaries driven by market opportunities and client referrals	Focussed on potential opportunities in BFSI & Retail verticals to strengthen domain capabilities	Provide us with access to novel geographies, industries, and clientele
Synergetic with existing operations and complement data engineering, data science and BI capabilities	Build a strong advisor network of domain and technological experts	Capability building through industry best certification courses and programmes	To grow client base by focussing on industry leaders and leveraging existing client relationships	Strategic hires of personnel with extensive experience in industry verticals to drive go-to-market strategy	Enable us to identify synergies to seamlessly integrate operations, culture, and data engineering capabilities

Source: Company, ICICI Direct Research

Building GenAI capabilities

While GenAI disrupts traditional analytics services, it also offers immense opportunities for those willing to adapt. The future success of analytics service providers lies in repositioning their offerings to complement GenAI capabilities. By focusing on areas like data quality, ethical AI, domain-specific customization, and advanced solutions, service providers can remain relevant and thrive in this evolving landscape. The key will be embracing innovation and aligning services with the unique demands of the GenAI era.

Latent View has at least two dozen solutions including '**ConnectedView'** and '**Smart Innovation'**, along with a suite of AI solutions like **'AI Penpal'** and **'LASER'**. These solutions are designed to enhance their service offerings rather than being sold as distinct products.

In this regard, **'Beagle'** stands out as an exception. It is a standalone solution integrated with the Microsoft tech stack, particularly Microsoft Teams, to facilitate seamless data analytics communication for end-users without requiring deep technical knowledge.

Exhibit 16: Overview of Latent View's key GenAI solutions

Insights IQ	Laser	AI PenPal	Market Lens	Sally Chatbot	Beagle GPT	Hubble
Custom GenAI solution powered by NVIDIA microservices for enhanced analytics and insights	GPT, Azure OpenAI-based enterprise search engine solution for efficient knowledge retrieval	OpenAI enabled conversational interfaces for enhanced customer engagement	GPT-based persona builder for targeted marketing campaigns and customer segmentation	GenAI-powered chatbot for optimized customer service and engagement	GPT-OpenAI solution for custom 1:1 persona specific insights	AI-enabled holistic nextgen RGM model for maximizing value creation.

Source: Company, ICICI Direct Research

In the past year alone, Latent View has developed 10+ Gen AI domain-specific solutions for use cases in knowledge management, marketing content evaluation, customer support agent bots, code generation, and automated insights generation. **Latent View has developed these solutions in Azure (Copilot), Open AI, GCP, and Nvidia microservices platforms**. Latent View believes these Gen AI solutions are poised to become mainstream in the coming year and will allow their clients to tap into unstructured data silos such as text, video, images, and voice to improve end-user satisfaction, increase employee productivity, and better business decisions.

Healthy revenue & margin growth ahead

Latent View has exhibited decent revenue expansion, growing by 54.3% since its year of listing, driven by strong organic growth initiatives. For FY25, management has maintained its guidance for organic revenue growth at ~18% and an EBIT margin of ~23%, with additional upside expected from consolidation of Decision Point acquisition.

The company aims to achieve revenues of $100-105 mn by FY25 (assuming full-year Decision Point consolidation) and $200-220 mn by FY27-28. We have baked in revenue CAGR of ~36% over FY24-27E.

The company has reported seven sequential quarters of growth which further instils our confidence in the growth momentum of the company.

We estimate EBITDA CAGR of 42.5% over FY24-27E. This trajectory underscores its ability to sustain high growth and profitability in the medium to long term.

Exhibit 17: Vision to reach US$200-220 million by FY27-28
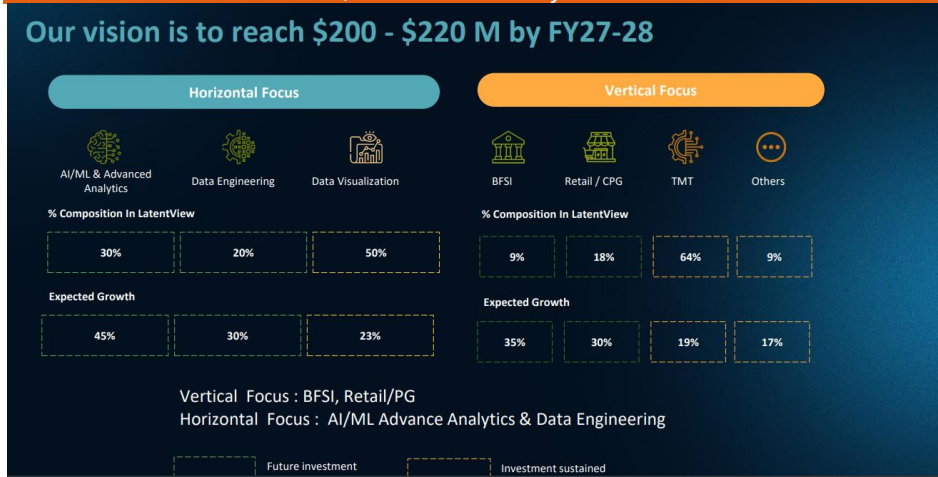
Source: Company Investor Day 2024 presentation, ICICI Direct Research

The company's business model is supported by stable and recurring revenues, significant operating leverage and low capital requirements that contribute to a healthy free cash flow.

Latent View's end-to-end solutions cover a comprehensive spectrum of use cases across the value chain of its clients' businesses. The company's customised solutions are a key competitive advantage for it and allows it to effectively compete across the entire commercial D&A landscape.

Consistent client-driven innovation supported by functional expertise ensure revenue growth and margin stability for the company.

Key Financial Summary

Strong Revenue growth CAGR of ~36% over FY24-27%

The topline has grown at a healthy CAGR of 20% over FY20-24. Now, we estimate that the topline would grow at a CAGR of 35.8% over FY24-27E, translating into a revenue of ₹1,605 crores in FY27E. This growth will be achieved on the back of increased traction for D&A business coupled with synergies realised from its recent acquisition of Decision Point Analytics.

Exhibit 18: Revenue growth from FY20-27E
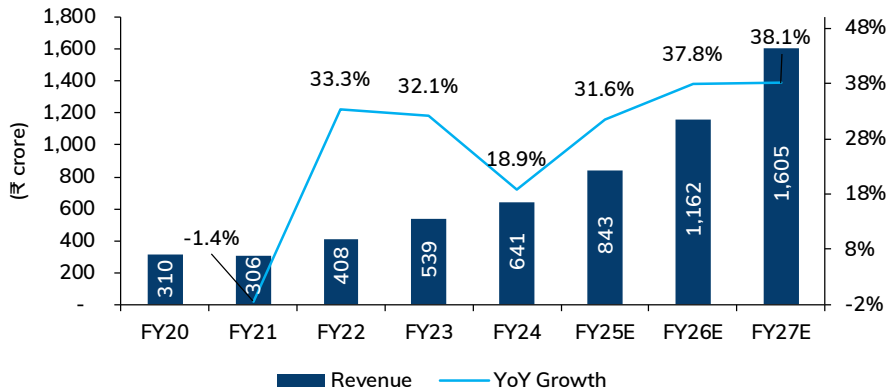
Source: Company, ICICI Direct Research

EBITDA Margins to improve to 24.5% by FY27

Recently the margins have moved to 22-25% levels v/s 30% during pre-pandemic times which was majorly because of an offshore model & smaller marketing team. However, now since it is broadly done with investments on the SG&A front, the company expects to scale back to its pre pandemic levels and has guided for margins of 24-25% by FY27-28. We expect margins to inch up to 24.5% in FY27E.

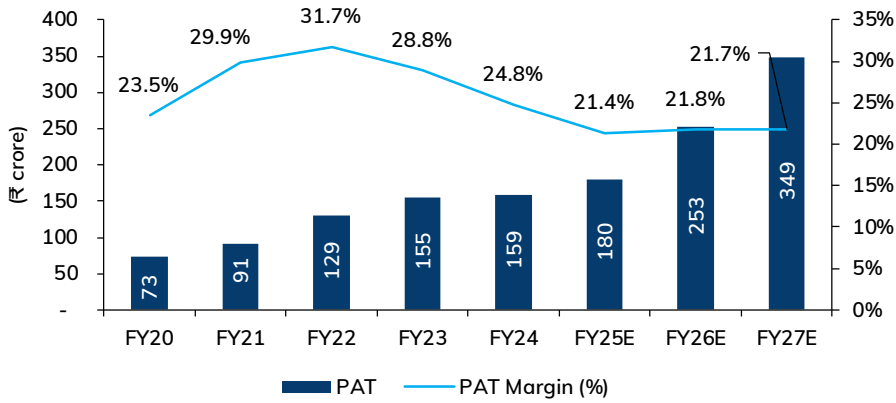Exhibit 19: EBITDA and EBITDA margin growth from FY20-27E
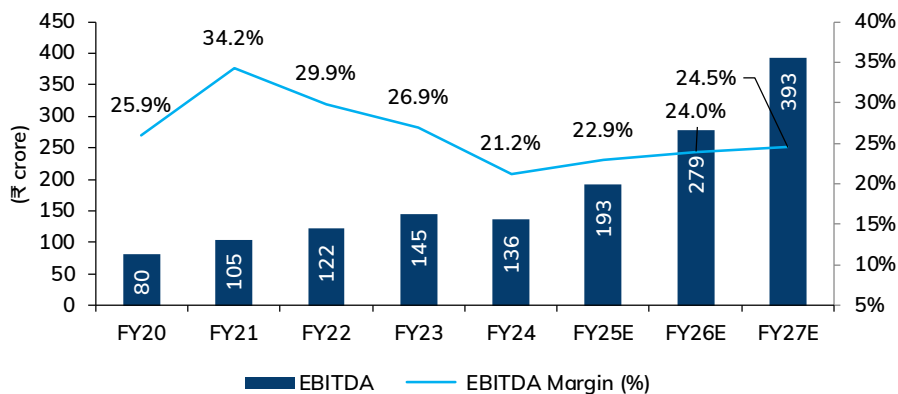
Source: Company, ICICI Direct Research

PAT and PAT margins to grow at an impressive CAGR over FY24-27E

The company has consistently grown its PAT over the last 8 years and we expect PAT to grow at a CAGR of ~30% to ₹ 348.6 crore over FY24-27E. This growth implies a PAT margin of ~21.7% in FY27E.

Exhibit 20: PAT and PAT Margin

Source: Company, ICICI Direct Research

## Healthy Earnings growth to translate into improved return ratios

The company has, on a consistent basis, reported healthy return ratios. Driven by its key growth strategies, we expect healthy revenues and margins translating into ROE and ROCE ratio of 16.2% and 20% respectively in FY27E.

Exhibit 21: ROCE and ROE
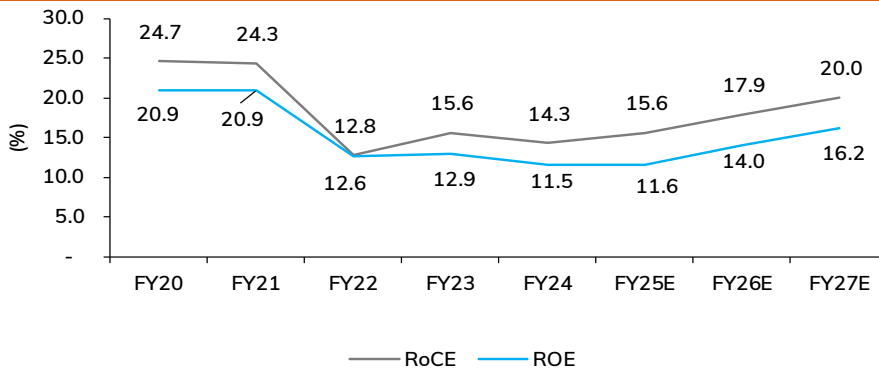
Source: Company, ICICI Direct Research

Exhibit 22: Historical 1 year forward PE and average 1 year forward PE trend (Avg. PE = ~52.1x, currently at ~42.4x)
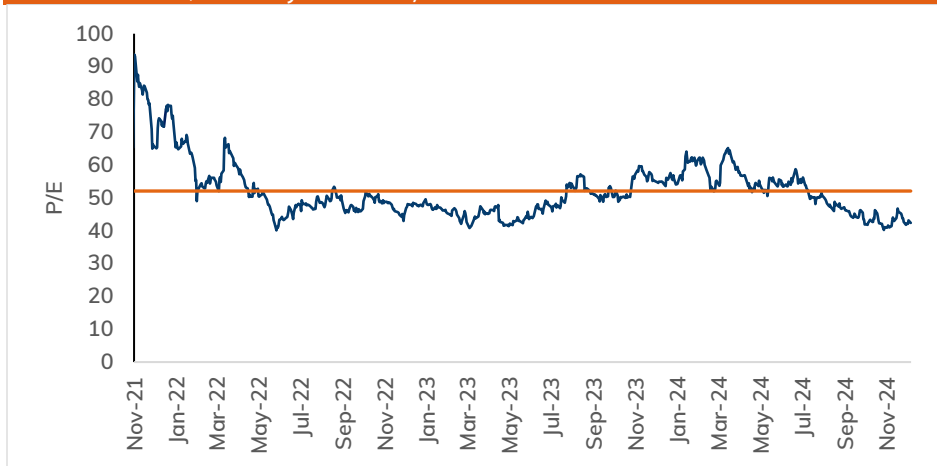
Source: Company, ICICI Direct Research

Risks and Concerns

Client Concentration Risk

Historically, the company has entered into long-term partnerships with a few of its key clients, which has resulted in a limited number of clients accounting for a substantial portion of its revenue. If their existing clients do not renew contracts with the company, or expand the scope of services which they provide to them, or if their long-term relationships with its largest clients are impaired or terminated, its revenue could decline, which would adversely impact its operations

Vertical Concentration Risk

A substantial portion of its customers are concentrated in a few specific industry verticals i.e., in Technology and Industrials. In Q3FY24, Q4FY24, Q1FY25 and Q2FY25 its combined revenue from these industries was ₹139 crore, ₹142.8 crore, ₹147.3 crore and ₹152.5 crore which represented 84%, 83.2%, 82.4% and 73%, of its revenue from operations, respectively. Any material change in the demand in these industries could substantially impact Latent View's operations.

Any adverse developments in the United States could adversely affect its business

Latent View has historically derived more than 90% of its revenues from operations from clients located in the USA. Revenue from operations from the USA amounted to ₹156.5 crore, ₹162.2 crore, ₹167.6 crore and ₹185.9 crore in Q3FY24, Q4FY24, Q1FY25 and Q2FY25 respectively, and represented 94.5%, 95.1%, 93.7% and 89% of its revenue from operations, in such periods, respectively. Any adverse developments in this market could adversely affect its business.

Financial Summary

Exhibit 23: Profit and loss statement — ₹ crore

(Year-end March)	FY24	FY25E	FY26E	FY27E
Total Revenues	641	843	1,162	1,605
Growth (%)	18.9	31.6	37.8	38.1
Employee Benefit Expense	434	570	767	1,051
Other Expenses	71	80	117	161
EBITDA	136	193	279	393
Growth (%)	-6.2	41.7	44.5	41.1
Depreciation	10	23	33	43
Other Income	74	80	86	93
Interest	3	3	3	3
PBT	**197**	**246**	**329**	**440**
Growth (%)	4.0	25.0	33.6	33.7
Tax	38	66	76	91
PAT before Exceptional Items	**159**	**180**	**253**	**349**
Minority interest	-	-	-	-
PAT after exceptional items	**159**	**180**	**253**	**349**
Growth (%)	2.1	13.6	40.5	37.8
Diluted EPS	7.7	8.7	12.3	16.9
EPS (Growth %)	**0.7**	**13.9**	**40.5**	**37.8**

Source: Company, ICICI Direct Research

Exhibit 24: Cash flow statement — ₹ crore

(₹ Crore)	FY24	FY25E	FY26E	FY27E
Profit after tax	**159**	**180**	**253**	**349**
Finance cost	3	3	3	3
Depreciation	10	23	33	43
Others	(74)	(80)	(86)	(93)
Change in working capital	(116)	(85)	(145)	(202)
CF from operations	**(18)**	**42**	**58**	**101**
Other Investments	(101)	80	86	93
(Purchase)/Sale of Fixed Assets	(12)	(25)	(31)	(43)
Intangible Assets	0	-	-	-
CF from investing Activities	**122**	**54**	**55**	**50**
Inc / (Dec) in Equity Capital	8	0	-	-
Inc/(Dec) in borrowings/lease liab	3	-	-	-
Dividend & Dividend tax	-	-	-	-
Interest Paid on Loans	(3)	(3)	(3)	(3)
NCI	-	-	-	-
CF from Financial Activities	**8**	**(3)**	**(3)**	**(3)**
Net change in cash	111	93	109	148
Opening cash	53	165	258	367
Closing cash	**165**	**258**	**367**	**515**

Source: Company, ICICI Direct Research

Exhibit 25: Balance Sheet — ₹ crore

(Year-end March)	FY24	FY25	FY26	FY27
Equity	**21**	**21**	**21**	**21**
Reserves & Surplus	1,354	1,534	1,787	2,136
Networth	1,374	1,555	1,808	2,156
Total debt	23.99	23.99	23.99	23.99
Minority Interest	-	-	-	-
Other liabilities	9	19	26	37
Source of funds	**1,408**	**1,598**	**1,858**	**2,217**
Fixed assets	28	30	28	28
Intangible assets	-	-	-	-
Goodwill	-	-	-	-
Non current investments	329	329	329	329
Other non current assets	37	48	67	92
Current Investments	347	347	347	347
Cash & Bank Balance	416	509	618	766
Inventories				
Debtors	113	149	205	283
Other current assets	187	246	339	468
Trade payables	10	13	18	25
Other Current liabilities	38	47	57	71
Application of funds	**1,408**	**1,598**	**1,858**	**2,217**

Source: Company, ICICI Direct Research

Exhibit 26: Key ratios

(Year-end March)	FY24	FY25E	FY26E	FY27E
Per share data (₹)				
Diluted EPS	7.7	8.7	12.3	16.9
BV	66.8	75.5	87.8	104.7
DPS	-	-	-	-
Cash Per Share	8.0	12.5	17.8	25.0
Operating Ratios (%)				
EBITDA Margin	21.2	22.9	24.0	24.5
PAT Margin	24.8	21.4	21.8	21.7
Debtor days	64	64	64	64
Creditor days	6	6	6	6
Return Ratios (%)				
RoE	11.5	11.6	14.0	16.2
RoCE	14.3	15.6	17.9	20.0
RoIC	20.9	24.6	29.9	34.7
Valuation Ratios (x)				
P/E	62.7	55.2	39.3	28.5
EV / EBITDA	67.5	47.1	32.2	22.5
Market Cap / Sales	15.5	11.8	8.6	6.2
Price to Book Value	7.2	6.4	5.5	4.6
Solvency Ratios				
Debt/Equity	0.0	0.0	0.0	0.0
Debt / EBITDA	0.0	0.0	0.0	0.0
Current Ratio	5.7	6.1	6.8	7.4
Quick Ratio	5.7	6.1	6.8	7.4

Source: Company, ICICI Direct Research

Appendix

Key Managerial Personnel

Latent View has an experienced management team with diverse skill sets which positions them well for stable and sustained growth.

Exhibit 27: Key Managerial Personnel

Rajan Sethuraman, Chief Executive Officer
- Rajan boasts over 26 years of consulting experience with firms such as KPMG and Accenture. He holds a Bachelor's degree in Engineering from BITS Pilani and a Postgraduate Diploma in Management from IIM Calcutta.

Krishnan Venkata, Chief Client Officer
- Krishnan brings over 21 years of technical expertise in IT and analytics services delivery. He has worked across multiple geographies with leading IT firms such as Cognizant Technology Solutions and Wipro. He holds a B.Tech in Computer Science and Engineering from the College of Engineering, Trivandrum, and a Postgraduate Diploma in Management from IIM Lucknow.

Rajan Venkatesan, Chief Financial Officer
- Raj has over 21 years of experience in Finance and Accounting, having worked with Financial Software and Systems, Ashok Leyland, Deloitte, Lovelock & Lewes, and Mphasis. He holds a Bachelor's degree in Commerce (Honours) from Hindu College, New Delhi, and is a Chartered Accountant.

Prashant Ramanujan, Chief Growth Officer
- Prashant brings over 21 years of experience in business, sales, and technical delivery across the Americas, EMEA, and APAC regions. Previously, he served as a Portfolio and Regional Head at Infosys. He holds a B.Tech from the College of Engineering, Trivandrum, an MBA from ISB Hyderabad, and an Executive Leadership degree from Stanford University

Source: Company, ICICI Direct Research

Exhibit 28: Few case studies demonstrating its capabilities

S. No.	Client	Problem	Solution	Key Stakeholders	Impact
1.	Leading home appliances and repair services provider located in the US	The market share was declining due to shifting preference towards replacement, increased competition, and poor service levels	Reworked sales planning exercise, recalibrated monthly forecasts, performed workforce optimization, and truck stock optimization.	Sales and Operations Planning, Supply Chain, Marketing	Improved first time completion of service requests which resulted in an improvement in NPS
2.	Leading US-based cosmetics' company	Loyal consumers of the client's cosmetics line were aging, and the image of the brand had been declining steadily among younger women for the past few years.	Built a social insights platform to mine the text and image data of the target demographic available in social media to perform geographic trend mapping, spot trends, rate influencers, identify upcoming competitors, refine campaign messaging, and understand drivers of purchase	Product Development, Marketing	Improvement in product innovation cycle and increase of SKU success rates
3.	Leading US-based retailer	Leaders within the client entity relied on ad hoc reports for driving business decisions, which was time consuming and required resources dedicated to coordinating different teams and members	Built a chatbot and an integrated self-service tool to facilitate communication with the bot to obtain required information. or create custom charts in the self-service tool	Human Resources	The users could easily view all metrics, otherwise scattered, in a single window and create reports by simple selections
4.	Largest food distribution company	Challenges in driving growth	Built a turn-key solution to mine insights from large volume of transaction history of the client's customer base	Finance, Sales, IT	Armed marketing associates with personalized product recommendations driving increase in value of new orders from existing customer base.
S. No.	Client	Problem	Solution	Key Stakeholders	Impact
5.	US-based home appliances manufacturer	Inability to maintain leading market share	Built a real-time text analytics platform to utilize and measure customer feedback on the client compared to its competitors based on multiple parameters	Product Development Marketing	Insights delivered to marketing teams
6.	Luxury car manufacturer in Europe	Seeking solutions to minimise warranty claims	Developed an AI platform connected to vehicles to identify vehicle usage patterns	Risk	Identified disproportionate increase in warranty costs caused by drivers exhibiting short-trip, long pause driving styles.
7.	Leading Snack Company in the US	Low capacity utilization of expensive equipment that adversely impacts production throughput to the extent of 6%	Early Warning System to predict downtime in processing line – 30, 60 & 180 minutes in advance	Manufacturing, Supply Chain	Increase in fryer utilization, savings in cost per fryer across all plants in the US

Source: DRHP, Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

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