

Introduction

Allsec Technologies Ltd. (ATL) is one of the leading providers of outsourced solutions in customer engagement, human resource operations, sales and retention and quality assurance for businesses across varied industries with vast expertise in providing business process solutions across various industry verticals.

Understanding The Company

The company owns two wholly owned subsidiaries:

Allsectech Inc., USA and Allsectech Manila Inc., Philippines.

Allsec operates two segments globally:

Employee Experience Management (EXM), which covers HRMS, payroll services, time and attendance management, and **Customer Experience Management (CXM)**, encompassing lead generation, customer retention and relationship management, including both voice and non-voice processes.

EXM and CXM services are delivered from India and the subsidiary in the Philippines.

EXM Services

 HR Services <ul style="list-style-type: none"> On-boarding Employee Info Store Postings Exits 	 Reimbursement System <ul style="list-style-type: none"> Travel Requisition with workflow Alerts to Travel Desk, Admin Travel Claims & Vouching Settlements
 Leave & Attendance <ul style="list-style-type: none"> Leave Mgt. with ESS & Workflow Time Management, Shifts, OT Attendance Processing 	 LLC, CLRA & Factories Act <ul style="list-style-type: none"> 13,000+ establishments and factories managed Score Cards Consulting for inspections, Audits
 Payroll <ul style="list-style-type: none"> Global & Configurable, Payroll Tax Engines Payroll Statutory & Control Reports 	 Retiral <ul style="list-style-type: none"> PF Trust Accounting Loans Investments

Rating	TP (Rs)	Up/Dn (%)
BUY ON DIPS	1362	23%

Market Data

Current price	Rs	1100
Market Cap (Rs. Bn)	(Rs Bn)	17
Market Cap (US\$ Mn)	(US\$ Mn)	202
Face Value	Rs	10
52 Week High/Low	Rs	1250 / 575
Average Daily Vol	('000)	50.1
BSE Code		532633
Bloomberg		ALLT:IN
Source: Bloomberg		

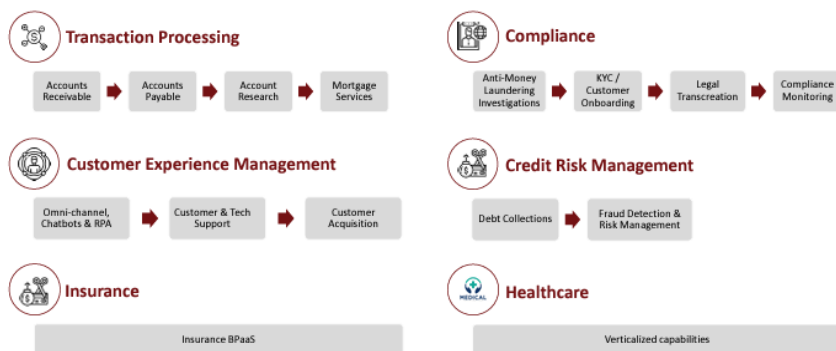
% Shareholding	Jun-24	Mar-24
Promoters	73.39	73.39
Public	26.61	26.61
Total	100	100

Source: Bloomberg

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CXM Services



Investment Rationale

Promoter Group

The company (ATL) is a subsidiary of Qess Corp which is a Fairfax backed company. Qess Corp owns a significant stake ~ 73.39%. Qess Corp Limited (Qess) is India’s leading business services provider & is a top 50 Global staffing company and amongst top 3 in India having close to 5 lac employees.

Dividend Yield

Allsec Technologies Limited has consistently demonstrated a commitment to returning value to its shareholders through dividends. For the financial year 2023-24 (FY24), the company reported a dividend yield of approximately 4.3%, with a dividend payout ratio of 107.1%. This payout reflects the company's strong financial performance, including a significant increase in net profit and revenue.

	FY21	FY22	FY23	FY24
DPS	15	45	20	45
EPS	23	23	32	42
Payout	65%	192%	62%	107%

Robust Growth, healthy operating margins across both segments

ATL has been one of the fastest growing BPO companies registering a revenue growth CAGR of ~13.5% over the last nine years.

Consolidated revenue rose by 20.2% YoY to Rs 469 Cr. EBITDA margin expanded by 200bps YoY to 24.6% on account of higher international revenue in CXM and cost-saving measures. PAT grew by 31% to Rs 64 cr. YoY Revenue growth across CXM was (23.8%) & EXM (13.5%). Growth in EXM excluding compliance was 18%. New logos (EXM-56, ACV ~ 27 Cr).

Corporate Governance

Allsec Technologies Limited demonstrates a commitment to strong corporate governance, supported by reputable auditing firms. Deloitte serves as the statutory auditors, while Ernst & Young (E&Y) is responsible for internal auditing. This dual oversight structure enhances the company's transparency and accountability in financial reporting and operational practices.

Global Delivery Capabilities

- **Global Footprint** with proximity to Servicing Markets
- ~ 5,700 full time equivalent (FTE) workforce
- **Multi-Industry, Multinational & Multi-Demographic coverage**
- **5 Inter-Connected** Service Delivery Centers with site-to-site BCP, with ability to leverage Qess Corp group facilities at other major hubs in India for ramp ups
- Multi-Lingual hub offering **12+ International Languages** using native speakers
- Expansion of Chennai facility for CXM growth



- | | | |
|-------------|---------------|-------------|
| ○ India | ○ Malaysia | ○ USA |
| ○ Sri Lanka | ○ Philippines | ○ Canada |
| ○ UAE | ○ Vietnam | ○ Singapore |



Chennai (HQ), Bangalore, Noida, India – 4,300 Seats

- | | |
|-------------|------------|
| • Hindi | • Marathi |
| • English | • Punjabi |
| • Tamil | • Gujarati |
| • Telugu | • Bengali |
| • Kannada | • Odia |
| • Malayalam | |



Manila, Philippines – 1200 Seats

- | | |
|------------|--------------------|
| • Mandarin | • Arabic |
| • Spanish | • Portuguese |
| • Japanese | • Malay |
| • German | • Bahasa-Indonesia |
| • Turkish | • Italian |
| • French | • Polish |
| • English | |



New Jersey, USA

Q1FY25 Result Update

Robust Revenue growth and marginal expansion in EBITDA margin

Consolidated revenue rose by 20.3% YoY to Rs.129Cr. EBITDA margin expanded by 100bps YoY to 24%. The EBITDA stood at Rs. 31 Cr for the quarter. Margin improvement in EXM is expected as the compliance division has been divested in this quarter. This is evident in the decrease in headcount in EXM. Q1 - YoY Revenue growth across CXM (32.7%) & EXM Payroll (11.1%) New logos EXM-10, ACV ~ 10.4 Cr & CXM -1 ~1.0 Cr. Existing customer mining (CXM ACV ~ 5.1 Cr).

Key Risks

- 1) Pricing Pressure due to strong competition in BPO and Payroll segments.
- 2) Unable to get ACV in healthcare and new target sectors. Headwinds in global IT industry.

Valuation & Outlook

ATL believes in enhancing its clients' business experience by taking process responsibility, improving cost efficiencies and adding value through continuous process improvements and quality assurances. ATL is poised to capitalize on market opportunities and expecting growth of 20-25% in EXM and high teens growth in CXM business. We believe that expected acceleration in revenue growth momentum, stability in margins, strong consistent execution, delivery on guidance and strong cash generation would support valuations.

The stock is currently trading at a P/E of 21.6x/17x on FY25/26E earnings. We initiate coverage with a 'BUY ON DIPS' rating at a TP of Rs 1,362 valuing it at a P/E of 21x FY26E.

Financial Summary

Particulars (In Cr)	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26
Revenue from Op	261	294	277	317	390	469	553	664
<i>% Growth</i>		13%	-6%	15%	23%	20%	18%	20%
Total Income	269	299	280	323	398	476	561	674
<i>EBITDA(Excl OI)</i>	40	75	66	80	88	115	133	159
EBITDA %	15%	26%	24%	25%	23%	25%	24%	24%
PAT	16	45	35	35	48	64	78	99
Equity	2	2	2	2	2	2	2	2
EPS	10.3	29.5	23.0	23.3	31.8	41.8	51.0	64.9
CMP						1100.0	1100.0	1100.0
PE RATIO						26.3	21.6	17.0
<i>Ebitda Margin %</i>	15%	26%	24%	25%	23%	25%	24%	24%
<i>Pat Margin %</i>	6%	15%	13%	11%	12%	14%	14%	15%

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