

May 03, 2022

RESULT REPORT Q4 FY22 | Sector: Internet/Platform

Tanla Platform

Inline performance with strong traction in Platform segment

Our view and valuation

Overall, inline performance on both revenue and margin front. The fourth quarter generally has weak seasonality compared to third quarter on account of several promotional campaigns in December quarter, driving up A2P messaging. The Wisely platform coming live is a positive development and would drive revenue growth for Platform segment in FY23. It remains a leader in CPaaS space in India, growing faster than the industry. The adoption of CPaaS based A2P messaging across industries continues to drive volume growth for both enterprise and platform segments. We expect EBITDA margin to improve going ahead led by Platform segment (higher gross margin) growing faster than enterprise segment. We estimate revenue CAGR of 26.0% over FY22-FY24E with average EBIT margin of 21.4%.

We maintain BUY Rating on the stock with revised target price of Rs 1,867 per share, based on 30x on FY24E EPS. Trades at PE of 23x on FY24E EPS.

Result Highlights

- Revenue grew by 31.5% YoY (down 3.6% QoQ) to Rs 8,531 mn. Q4 has weak seasonality compared to Q3 and hence YoY comparison is preferred. The robust YoY growth is led by increase in volumes from BFSI, Retail and Government verticals and faster growth in OTT channels.
- Enterprise revenue grew by 30.2% YoY to Rs 7,844mn; while Platform business grew by 48.7% YoY to Rs 687 mn, led by TRUBLOQ.
- Gross margin of platform business was flat YoY for the quarter at 94.6%; Gross margin for Enterprise business was up 60 bps YoY to 22.7%. As a whole, Gross margin was up 126 bps YoY (down 100 bps QoQ) to 28.5%
- EBITDA margin was up 90 bps YoY (down 130 bps QoQ) to 21.6%. The sequential dip in EBITDA margin was due to investment in sales team and participation in events like World Mobile congress
- TRUBLOQ proceeded 32 bn transaction in March at daily average of 1.06bn, with 63% volume market share.
- VIL is now live on Wisely platform, would cater to international messaging traffic.
- Recommended a final dividend of Rs. 2/- per equity share of Face Value Re. 1/- each (200%) for the financial year ended March 31, 2022, subject to approval of shareholders

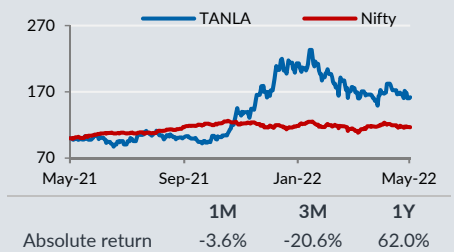
Rs mn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Sales	8,531	8,883	8,606	-4.0%	-0.9%
EBITDA	1,841	2,024	1,878	-9.0%	-2.0%
EBITDA Margin (%)	21.58%	22.79%	21.82%	(120) bps	(24) bps
Adjusted PAT	1,406	1,559	1,443	-9.8%	-2.5%

Reco	: BUY
CMP	: Rs 1,430
Target Price	: Rs 1,867
Potential Return	: +30.6%

Stock data (as on May 02, 2022)

Nifty	17,069
52 Week h/l (Rs)	2097 / 735
Market cap (Rs/USD mn)	195180 / 2551
Outstanding Shares (mn)	136
6m Avg t/o (Rs mn):	572
Div yield (%)	0.1
Bloomberg code:	TANLA IN
NSE code:	TANLA

Stock performance



Shareholding pattern (As of Mar'22 end)

Promoter	43.7%
FII+DII	16.5%
Others	39.8%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,867	1,872

Δ in earnings estimates

	FY22	FY23E	FY24E
EPS (New)	39.7	47.8	62.2
EPS (Old)	40.5	49.6	62.4
% change	-1.9%	-3.6%	-0.3%

Financial Summary

(Rs mn)	FY22	FY23E	FY24E
Net Revenue	32,060	40,473	50,876
YoY Growth	36.9%	26.2%	25.7%
EBIDTA	7,002	9,041	11,769
YoY Growth	61.5%	29.1%	30.2%
PAT	5,393	6,492	8,447
YoY Growth	51.4%	20.4%	30.1%
ROE	48.0%	40.6%	39.0%
EPS	40	48	62
P/E	36.0	29.9	23.0
P/B	14.3	10.5	7.8
EV/EBITDA	26.5	20.4	15.6

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Exhibit 1: Quarterly snapshot (Consolidated)

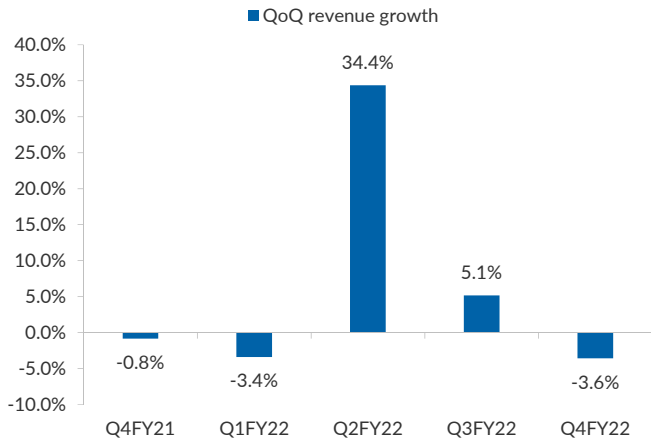
(Rs mn)	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	yoy%	qoq%	FY22	FY21	YoY%
Revenue	6,486	6,264	8,416	8,849	8,531	31.5	(3.6)	32,060	23,415	36.9
EBITDA	1,340	1,345	1,787	2,028	1,841	37.4	(9.2)	7,002	4,335	61.5
EBITDA %	20.7	21.5	21.2	22.9	21.6	92 bps	-134 bps	21.8	18.5	333 bps
Depreciation	92	91	104	111	102	10.4	(8.2)	409	396	3.3
EBIT	1,248	1,254	1,683	1,917	1,739	39.4	(9.3)	6,593	3,939	67.4
EBIT%	19.2	20.0	20.0	21.7	20.4	114 bps	-128 bps	20.6	16.8	374 bps
Other income	15	43	31	41	46	198.5	12.1	161	219	(26.5)
finance cost	1	2	6	3	3	165.9	5.7	13	11	23.0
PBT	1,262	1,295	1,708	1,955	1,782	41.2	(8.9)	6,741	4,148	62.5
Tax	237	250	347	375	376	58.7	0.1	1,348	586	130.0
Reported PAT	1,025	1,045	1,362	1,580	1,406	37.1	(11.0)	5,393	3,561	51.4
Net margin	15.8	16.7	16.2	17.9	16.5	67 bps	-137 bps	16.8	15.2	161 bps

KEY CON-CALL HIGHLIGHTS

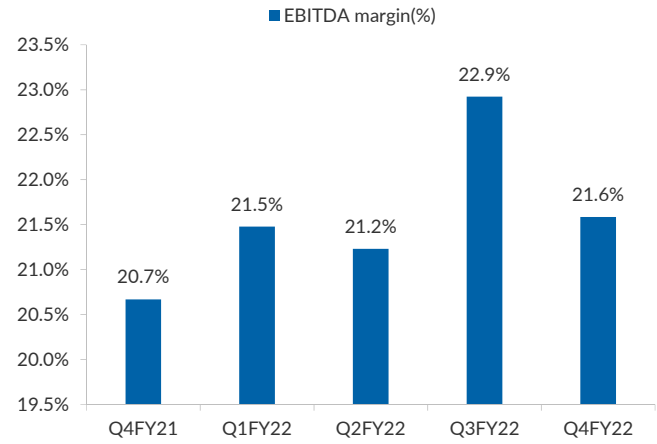
- Wisely deployment would drive the growth in platform revenue in FY23. Wisely has already gone live on VIL network and will soon go live on Trucaller.
- Cash of ~Rs 9bn offers optionality for strategic acquisitions. Also needs cash to spend on innovation to support growth momentum
- However, the main focus is to grow the business organically
- The CPaaS industry in India is growing at 18-20% per annum in volume terms. Tanla is growing faster than the industry
- Platform business growing faster than Enterprise segment would support EBITDA margin going ahead
- Core team of Tanla has been intact for last 2 decades. The attrition problem is mainly at junior level
- OCF/ EBITDA would remain broadly at 70% over medium term
- Don't expect competition from telecom operators in the CPaaS space

Exhibit 2: Q4 has weak seasonality in terms of revenue growth

Exhibit 3: Maintains 20%+ EBITDA margin trend



Source: Company, YES Sec



Source: Company, YES Sec

FINANCIALS

Exhibit 4: Balance sheet

Y/e 31 Mar (Rs mn)	FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Cash & equivalents	1,654	2,305	2,051	5,841	8,623	9,705	10,923
Inventories - trade	0	0	0	0	0	0	0
Sundry debtors	2,665	3,078	3,258	3,731	5,603	5,544	6,272
Other current assets	245	1,759	2,511	3,125	4,591	5,958	7,419
Sundry creditors	2,380	2,020	2,810	3,387	4,637	5,854	7,358
Other current liabs	82	1,192	1,974	3,730	5,243	6,354	7,985
Net current assets	2,103	3,930	3,036	5,581	8,938	8,999	9,271
Fixed assets	4,520	3,497	359	336	1,286	1,286	1,286
Intangible assets	0	58	2,297	2,297	2,297	2,297	2,297
Investments	0	0	0	0	0	0	0
Other term assets	256	372	1,415	796	1,546	6,359	12,587
Total assets	6,878	7,857	7,107	9,009	14,067	18,941	25,441
Borrowings	0	599	0	0	0	0	0
Other long-term liabs	2	3	89	78	526	526	526
Net worth	6,876	7,255	7,017	8,931	13,540	18,414	24,914
Total liabs & equity	6,878	7,857	7,106	9,009	14,067	18,941	25,441

Exhibit 5: Income statement

(Rs mn)	FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Revenue	7,916	10,040	19,428	23,415	32,060	40,473	50,876
EBITDA	652	967	1,851	4,335	7,002	9,041	11,769
Depreciation and amortisation	(573)	(732)	(3,778)	(396)	(409)	(531)	(667)
EBIT	79	235	(1,927)	3,939	6,593	8,511	11,102
Non-operating income	48	103	107	219	161	180	203
Interest expense	0	(3)	(64)	(11)	(13)	(12)	(12)
PBT	126	335	(1,885)	4,148	6,741	8,679	11,293
Exceptional items	0	0	(487)	0	0	0	0
Reported PBT	126	335	(2,372)	4,148	6,741	8,679	11,293
Taxes	50	(37)	261	(586)	(1,348)	(2,187)	(2,846)
PAT	176	298	(2,112)	3,561	5,393	6,492	8,447
Minorities and other	0	0	0	0	0	0	0
Attributable PAT	176	298	(2,112)	3,561	5,393	6,492	8,447

Exhibit 6: Cash flow statement

(Rs mn)	FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
EBIT	79	235	(1,927)	3,939	6,593	8,511	11,102
Tax Paid	0	0	(447)	(561)	(1,165)	(2,187)	(2,846)
Depr. & amortization	573	732	3,778	396	409	531	667
Working capital Δ	(360)	(1,326)	38	1,790	(1,178)	1,021	946
Other operating items	31	54	950	46	0	0	0
Operating cashflow before interest	323	(304)	2,392	5,610	4,659	7,875	9,869
Financial expense	0	(3)	(64)	(11)	(13)	(12)	(12)
Non-operating income	48	103	107	219	161	180	203
Operating cashflow after interest	371	(204)	2,434	5,819	4,807	8,044	10,061
Capital expenditure	(95)	101	(2,112)	(317)	(457)	(531)	(667)
Long term investments	0	0	0	0	0	0	0
Other items	(5)	17	69	(99)	(614)	0	0
Free cash flow	271	(87)	392	5,403	3,736	7,513	9,394
Equity Raised	84	179	14	(1,476)	(819)	0	0
Borrowing	0	599	(599)	0	0	0	0
Dividends paid	(33)	(41)	(61)	(136)	(135)	(1,618)	(1,948)
Net change in cash	321	650	(254)	3,790	2,781	5,895	7,446

Exhibit 7: Ratio analysis

	FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Per share (Rs)							
Pre-exceptional EPS	1.6	2.6	10.2	26.2	39.7	47.8	62.2
DPS	0.3	0.4	0.4	1.0	1.0	11.9	14.3
BVPS	61.2	62.7	48.1	65.8	99.8	135.7	183.6
Growth (%)							
Revenues	36.6	26.8	93.5	20.5	36.9	26.2	25.7
EBITDA	16.2	48.4	91.3	134.2	61.5	29.1	30.2
EPS	(58.9)	64.7	295.4	157.3	51.4	20.4	30.1
Profitability ratios (%)							
EBITDA margin	8.2	9.6	9.5	18.5	21.8	22.3	23.1
EBIT margin	1.0	2.3	(9.9)	16.8	20.6	21.0	21.8
Tax rate	(39.5)	10.9	11.0	14.1	20.0	25.2	25.2
Net profit margin	2.2	3.0	(10.9)	15.2	16.8	16.0	16.6
Return ratios (%)							
ROE	2.6	4.2	(29.6)	44.7	48.0	40.6	39.0
ROCE	1.9	4.6	(24.3)	51.6	58.5	52.7	50.9
Solvency ratios (x)							
Net debt/equity	(0.2)	(0.2)	(0.3)	(0.7)	(0.6)	(0.5)	(0.4)

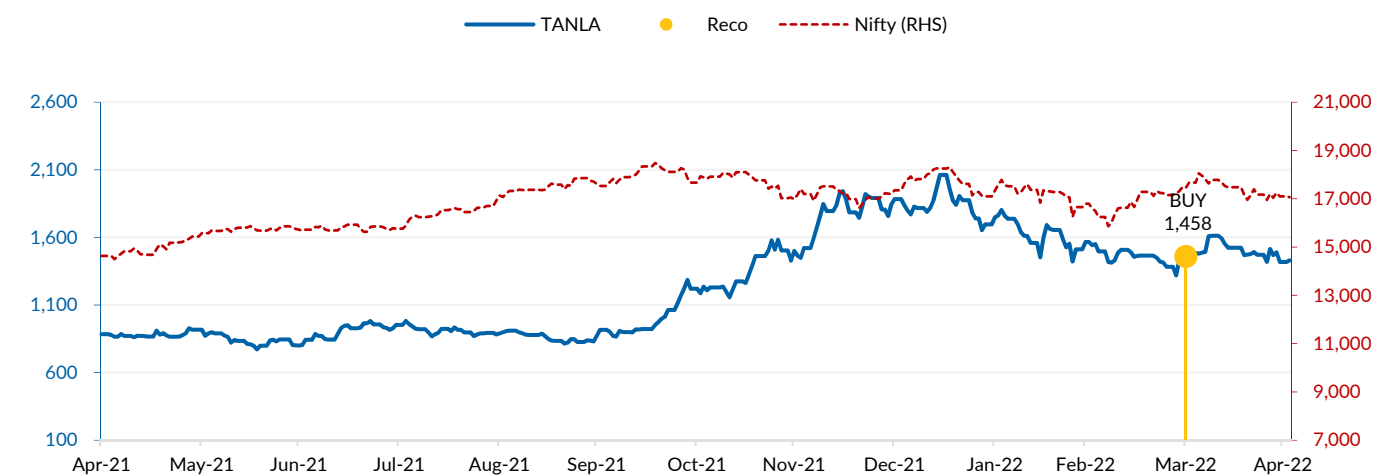
	FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Net debt to Ebitda	(2.5)	(1.8)	(1.1)	(1.3)	(1.2)	(1.1)	(0.9)

Valuation ratios (x)

PER (x)	NA	NA	NA	NA	36.0	29.9	23.0
Price/Book (x)	NA	NA	NA	NA	14.3	10.5	7.8
EV/EBITDA (x)	NA	NA	NA	NA	26.5	20.4	15.6

Dupont Analysis	FY18A	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E
Asset Turnover	1.2	1.4	2.6	2.9	2.8	2.5	2.3
EBIT margin	1.0	2.3	-9.9	16.8	20.6	21.0	21.8
Interest Burden	1.6	1.4	1.2	1.1	1.0	1.0	1.0
Financial Leverage	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tax burden	1.4	0.9	0.9	0.9	0.8	0.7	0.7
RoE	2.6	4.2	(29.6)	44.7	48.0	40.6	39.0

Recommendation Tracker



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