

Retail Equity Research

# Tanla Platforms Limited

IT - Software

BSE CODE : 532790

NSE CODE: TANLA

BLOOMBERG CODE: TANLA:IN

SENSEX : 61,702

**BUY**

12 Months Investment Period

Rating as per Midcap

CMP Rs.751 TARGET Rs.920 RETURN 23% ↑

(Closing: 20-12-22)

## Ready to take advantage of digital transformation

Tanla Platforms Ltd. is the largest Communication Platform as a Service (CPaaS) player in India. Tanla has two major business: Enterprise and Platform, both using blockchain technology to reduce spam and fraud activities and make it easy to integrate with enterprise applications.

- Tanla Platforms is the largest CPaaS player in India, with a market share of ~40% and handling 800 billion interactions annually.
- The CPaaS industry is expected to grow at a CAGR of 30% in FY20-2025E due to higher government regulation on messages and rise in mobile customer base.
- Tanla has a healthy balance sheet with an accumulated net cash of Rs 808 cr in FY22 and a debt-to-equity ratio of 0.03x as of FY23E.
- The drop in revenue witnessed in H1FY23 is likely to normalize in the coming quarters on the improvement in volumes from new clients on rising transactions from Wisely (New CPaaS Platform) along with an increase in realisation from existing customers and measures to improve margins by minimising currency volatility.
- Due to product price disruption, stock appears reasonable and currently trades at a PE of 17x on FY25E, which is less than its 5-year average (5 Yr Avg = 27x). We expect earnings to grow at a 21% CAGR during FY23-25E. Hence, we value Tanla at 19x FY25E with a target price of Rs. 920 per share and recommend a Buy rating.

## Largest CPaaS player in India

Tanla Platforms is the largest CPaaS player in India, with a market share of ~40% and handling 800 billion interactions annually. Tanla Platforms has transitioned from an application-to-person (A2P) service provider to a full CPaaS provider through inorganic growth. Tanla's strategy of acquiring Karix found success, considerably expanding Tanla's CPaaS capabilities and driving enterprise business. Tanla provides services to large players in a variety of industries, including BFSI, E-Commerce, Healthcare, Travel, Social Media, and the Government of India.

## Strong growth in CPaaS Industry drives revenue

Tanla is anticipated to continue its revenue growth on the back of robust demand for digital interactions across industries which is favourable for CPaaS players. CPaaS is forecasted to grow at a CAGR of 30% through FY20-2025E. Furthermore, the government regulation on preventing unsolicited messages (Spam) to comply with TRAI regulation, as well as the increase in mobile customer base, will benefit India's largest CPaaS player.

## Strong growth from Platform business, Wisely

The management anticipates an increase in revenue from Platform business, including Trubloq and newly Wisely platform. Wisely is a cloud based, blockchain enabled platform, providing data privacy & security, trackability with lower latency and better scalability. The management expects to see gross margin of roughly Rs.100 cr in an annualized basis during FY23.

## Healthy balance sheet

Tanla has a healthy balance sheet with an accumulated net cash of Rs 808 cr in FY22 and a debt-to-equity ratio of 0.03x during FY25E.

## Operational headwinds to stabilize in FY23

The drop in revenue in H1FY23 is likely to normalize in coming quarters on improvement in volumes from new players (Vodafone Idea Ltd., Truecaller, and Kore.ai) and increase in realisation from existing customers. Additionally, switching billing to dollars would likely minimise the impact of currency volatility on earnings, leading to improvement in EBITDA margin in H2FY23.

## Valuations & outlook

Due to operational headwinds, EBITDA margins squeezed in H1FY23, which is expected to improve during coming quarters by measures to minimising currency volatility in the earnings. On the view of a recovery in revenue and steady expansion of EBITDA margins, it is likely to show a boost in EPS during the period FY23-FY25E. Due to product price disruption, stock appears reasonable and currently trades at a PE of 17x on FY25E, which is less than its 5-year average (5 Yr Avg = 27x). We expect earnings to grow at a 21% CAGR during FY23-25E. Hence, we value Tanla at 19x FY25E with a target price of Rs. 920 per share and recommend a Buy rating.

## Company Data

Market Cap (Rs.cr)	10,205
Enterprise Value (Rs.cr)	9,404
Outstanding Shares (cr)	13.6
Free Float (%)	56.3
Dividend Yield (%)	0.27
52 week high (Rs.)	2,094
52 week low (Rs.)	585
6m average volume (cr)	0.08
Beta	0.88
Face value (Rs.)	1.0

Shareholding (%)	Q4FY22	Q1FY23	Q2FY23
Promoters	43.70	43.70	43.70
FII's	15.30	15.40	14.80
MFs/Institution	3.00	2.80	0.17
Public	32.2	32.7	35.9
Employees	5.60	5.50	5.30
Total	100.00	100.00	100.00
Promoters' Pledge	-	-	-

Price Performance	3 month	6 Month	1 Year
Absolute Return	-4.5%	-23.1%	-58.4%
Absolute Sensex	3.5%	19.3%	8.4%
Relative Return*	-8.0%	-42.4%	-66.8%

\*over or under performance to benchmark index



Y.E Mar (cr)	FY23E	FY24E	FY25E
Sales	3,494	4,020	4,524
Growth (%)	9.0	15.1	12.5
EBITDA	611	748	864
EBITDA Margins (%)	17.5	18.6	19.1
PAT Adjusted	451	553	658
Growth (%)	(15.5)	22.6	19.2
Adjusted EPS	33.2	40.7	48.5
Growth (%)	(15.5)	22.6	19.2
P/E	22.7	18.5	15.5
P/B	5.7	4.4	3.4
EV/EBITDA	12.3	9.7	7.7
ROE (%)	28.7	26.9	24.9
D/E	0.03	0.03	0.03

**Vinod T P**  
Research Analyst

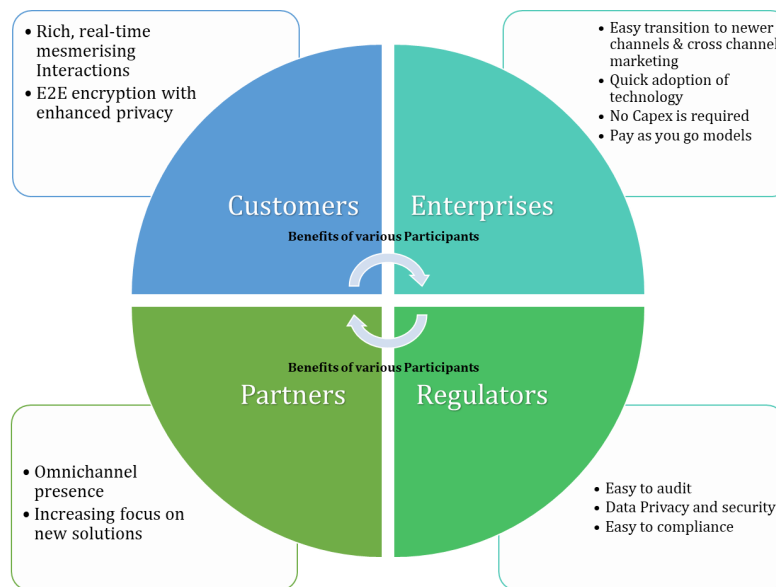
- **Tanla 's business model transformed in to a CPaaS, now serving large players across industries like BFSI, E-Commerce, Healthcare, Travel, Social media and GoI enabling them to communicate with their stakeholders through Tanla's advanced, secured platforms through voice, message and video communication channels.**

## Company Overview

Tanla Platforms (formerly known as Tanla Solutions) was incorporated in 2000 in Hyderabad. Tanla was the first company to develop and deploy the Application to Person Short Messaging Service Centre (A2P SMSC) in India. Tanla 's business model transformed in to a CPaaS, now serving large players across industries like BFSI, E-Commerce, Healthcare, Travel, Social media and GoI, enabling them to communicate with their stakeholders through Tanla's advanced, secured platforms through voice, message and video communication channels. Since 2018, Tanla has acquired two companies: Gamooga and Karix. Tanla successfully launched two platforms: Trubloq and Wisely within the span of 1 year. Tanla has been the industry leader in the space of digital interactions for the past few years.

## Industry overview on digital interactions

Through the COVID-19 pandemic, many firms quickly adopted to newer digital channels to support customers. Currently, digital interactions are shaping up various sectors and seeing significant tailwinds across sectors globally that are moulding the future of digital interactions. It is beneficial to various participants in this segment.



Source: Company, Geojit Research

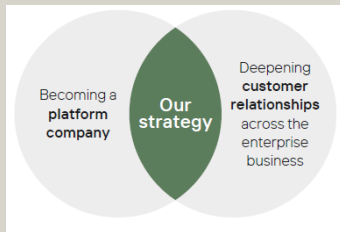
- **According to Gartner, the global market for CPaaS is set to grow from \$20 billion in 2020 to \$47 billion by 2023.**

## CPaaS industry Overview

CPaaS or Communication Platform as a Service is a cloud based platform used by the enterprises to communicate and engage with their stakeholders through multiple channels such as audio, video, messaging, RCS and OTT messaging applications (WhatsApp, telegram, hike etc). CPaaS enables enterprises to seamlessly integrate voice, messaging, video communication channels into their app through APIs. Companies are adopting to CPaaS as it offers the benefits of cost-effective communication, quick and simple access to the digital communication functionality, and a better user experience and customer engagement.

According to Gartner, the global market for CPaaS is set to grow from \$20 billion in 2020 to \$47 billion by 2023. It also states that 90% of enterprises globally will adopt CPaaS by 2023. CPaaS is forecast to grow at a CAGR of 30% through 2025. Twilio, Vonage, Microsoft, Cisco and Sinch are a few notable players in the industry. The increase in digital transformations across industries is favourable for CPaaS players as it increases communication traffic. Unlike the traditional complex and expensive communication platforms, cloud communication platforms can reduce both capex and opex for enterprises with additional benefit of fast deployment.

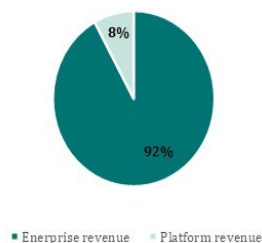
- **Tanla Platforms have a 2-pronged strategy that revolves around 2 core businesses : platforms and enterprises.**



Source: Company, Geojit Research

- **Tanla's enterprise business generates 92% of the company's revenue. While, The platform business known as Trubloq which provides 8% of revenue to the firm with a market share of 63%.**

Enterprise & Platform revenue mix



Source: Company, Geojit Research

## Advantages of CPaaS to enterprises

### Easy integration

CPaaS enables seamless integration of voice, messaging, video, etc. into the customer's app through APIs. The whole communication platform can be adopted without altering the back end infrastructure of the customer's application.

### Flexibility

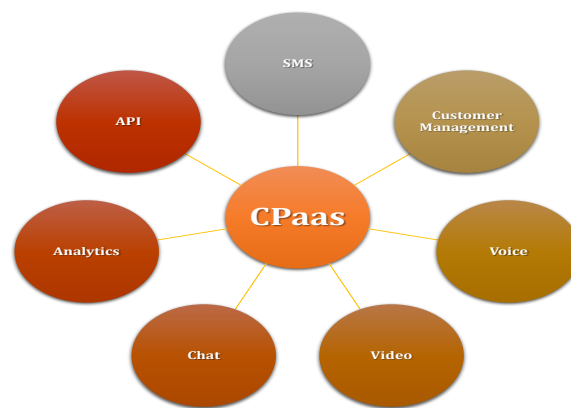
With the CPaaS platform, customers can build their own model according to their preference without having to implement a completely new backed to their communication infrastructure. As everything is situated on the cloud, business can add these channels when required and also scale up without concerning about back-end infrastructure.

### Cost-effective

Through CPaaS, businesses requires lower employees and the infrastructure needed for communication .

### Realtime reporting & analytics

CPaaS offers real-time reporting and analytics of communications such as SMS delivery success rate, email opening rate etc. helping customers in decision making.



Source: Company, Geojit Research

## Tanla's Key Strategies

Tanla Platforms have two core businesses namely **Enterprise and Platform**. Tanla is gradually becoming a platform company while deepening long standing relationships with existing enterprise customers. Tanla's enterprise business generates 92% of the company's revenue . While, the Platform business (Trubloq & Wisely) which provides 8% of revenue to the firm with a market share of 63%.

Tanla's Platform business operates with a gross margin of more than 90% and witnesses great customer retention compared to enterprise business. Company regularly innovating across each part of the digital interactions value chain and have gained significant momentum across each of the Platform solutions. The company were able to retain customers in spite of higher competition from other competitors. Around 50% of their top 50 customers have been with them for more than 7 years.

## Major Business

### 1. Enterprise

Tanla's Enterprise business segment is well equipped after acquiring Karix for its portfolio in 2019. The company has a world class IT infrastructure with industry standard security systems (ISO 9001:20115, ISO 27001). The segment has 30% market share with over 2000 clients serving various industries such as banking, insurance & financial services (BFSI), direct to home, government, automotive, retail & FMCG, E-commerce etc. The Enterprise platform provides omni channel communication services including SMS, email, WhatsApp Business Platform, chatbots, voice, web apps, marketing automation, and push notification solutions for various solutions. These products have the highest preference among various industries.

- **Trubloq is the world's first block chain enabled commercial communication stack, designed to combat UCC (unsolicited commercial communication, also known as spam).**



Source: Company, Geojit Research

## 2. Platform Business

### 1. Trubloq

Trubloq is the world's first block chain enabled commercial communication stack, built to solve the UCC (unsolicited commercial communication - Spam) problems. Trubloq was launched commercially in September 2020 to comply with TRAI regulation (TCCCPR 2018). TCCCPR 2018 aims to reduce UCC using permissioned and private Distributed Ledger Platform (DLT). TCCCPR 2018 mandates all business to register their content template and consent template with a DLT in order to send SMS in large quantities. Proper registration and recording of information on DLT avail solid audit trail. Trubloq helps individuals to control and manage their commercial communications and also enables businesses to build trusted relationship with their customers. Till FY21, Trubloq received 50,000 registrations and 62% volume market share since its introduction. Five out of seven telcos in India and two telcos in UAE chose Trubloq. Trubloq processes 70% of India's A2P SMS traffic and has become the world's largest use case of blockchain technology. It can handle approximately 1 billion SMS messages per day.

#### Benefits of Trubloq to different stakeholders

##### Customer

- Enables customers to choose from various categories for registration/ modification of preferences as well as their preferred channels and time bands to receive such communication.
- Ease in complaint registration.

##### Enterprises

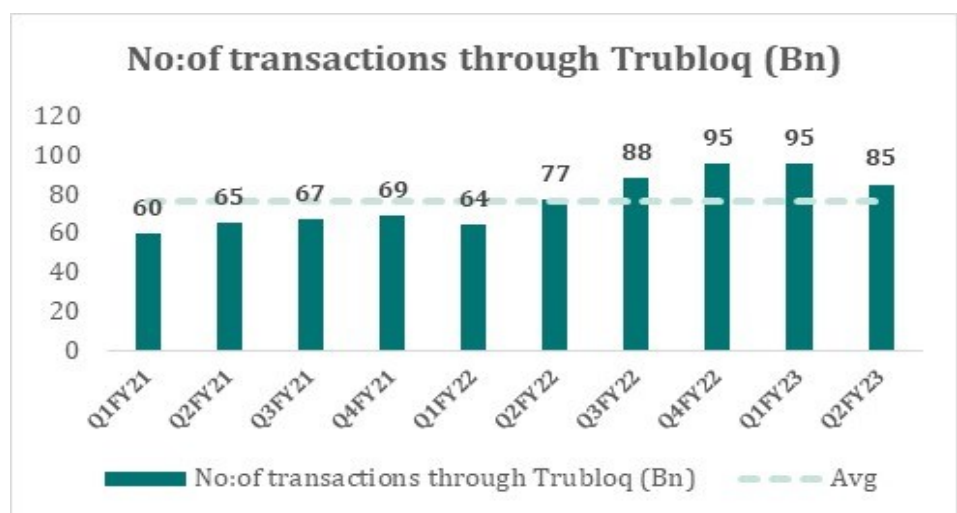
- Better conversion rate due to clear and targeted customer communication .
- improved sales as a result of communication with targeted customer base at time preferred by them, through their choice of channel of communication.
- Safe and secure maintenance of customer data.
- Easy registration of headers, content and consent templates.

##### Access Providers

- Reduce levy of financial disincentives caused by Urchin Tracking Module (UTM)s sending UCC.
- Easily trace defaulting telemarketers or enterprises through UCC, detect them and take the necessary action.
- Real time reporting, red flagging and dash boarding of the complaints and defaulters.

##### Telemarketers

- Enabling efficient message delivery planning as per registered customer preferences .
- Cognitive computing and machine learning capabilities to perform data mining to provide customized reports/ trends.



Source: Company, Geojit Research

- Wisely has been granted three patents in cryptography and blockchain processes by the US patents & trademark office.

## 2. Wisely

Wisely, the “platform of platforms”, is a blockchain enabled communication platform as a service (CPaaS). Wisely Network and Wisely Marketplace are two facets of the platform. Wisely was developed in partnership with Microsoft. The platform is hosted on Azure stack. Wisely ensures data security and data privacy for users with encryption. Built on block chain, wisely ensures trust and eliminate chances of fraud. Wisely claims 99.99% uptime in platform with very trivial outages. Wisely has been granted three patents in cryptography and blockchain processes by US patents & trademark office.

### Wisely key features



Source: Company, Geojit Research

- E2E encryption for security.
- Blockchain based.
- Offers settlement report.
- Use AI and ML for reporting analytics.
- Highly scalable.
- Fast deployment.

### Wisely network

Wisely Network is a CPaaS, which helps customers integrating communications into any enterprise application with a single API. Wisely offers the advantage of simple integration of customer applications with the platform. Wisely Network can be downloaded and configured on either cloud or on-premise. Wisely Network is integrated with global service providers for omnichannel communications including SMS, voice, email, RCS, push notifications and OTT apps such as WhatsApp, and Facebook Messenger through a single API.

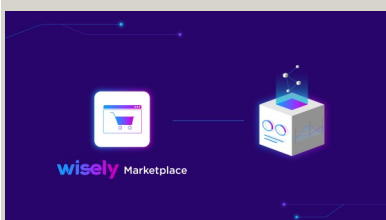
Wisely Network use latest technologies like blockchain, cryptography, artificial intelligence and machine learning. Communications between enterprise and its customers are channelled with end-to-end encryption using advanced cryptographic algorithms, ensuring user data privacy. Wisely network includes necessary interfaces, plugins and applications. Wisely provides real time analytics using AI & ML technologies. Wisely also manage user consent and preference ensuring compliance with relevant regulations and laws.

### Wisely Marketplace

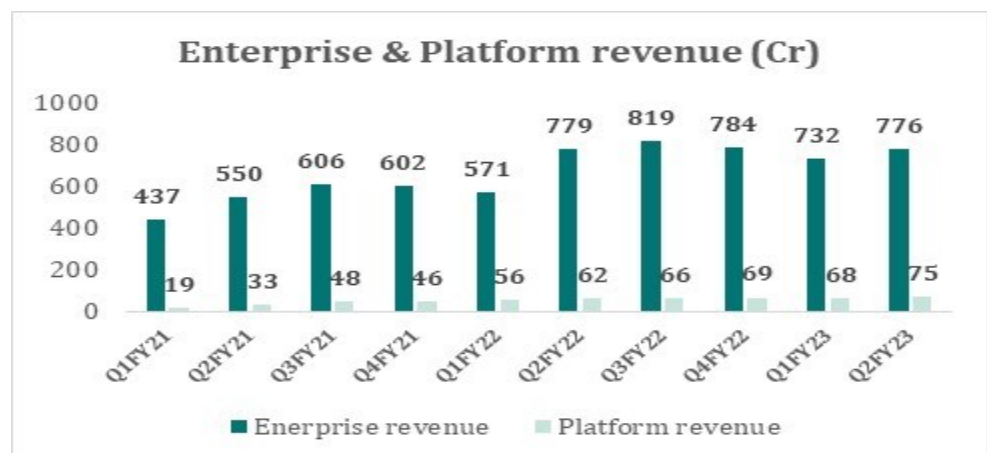
Wisely marketplace is a digital platform made for businesses to discover and collaborate with global suppliers for communication requirements. Enterprises and suppliers are verified by Wisely. Wisely marketplace use blockchain technology to generate zero dispute settlement reports for all stakeholders. Through the use of block chain, platforms offers an immutable audit trail to avoid fraud and disputes. Marketplace allows enterprises to discover, try, and expand globally with new partnerships.



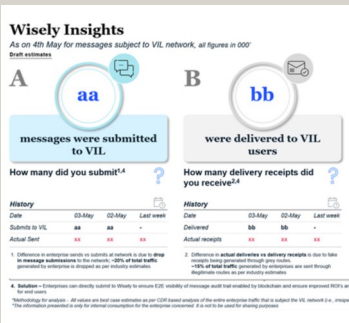
Source: Company, Geojit Research



Source: Company, Geojit Research



Source: Company, Geojit Research



Source: Company, Geojit Research

## Wisely Insights

It is a new feature empowering enterprises that provide a real time visual insights of E2E encryption with data privacy of the entire message life cycle. These feature is validated by both wisely platform and telecom providers (partnership with VIL) resulting in multifield increase in end to end transparency. The system is supported by AI/ML that track each message from submission to delivery, which prevents counterfeits, grey routes and fraud messages. Thus, this feature improves delivery of messages in accordance with government compliance, reduces revenue loss and increase in ROI for enterprises, telecom operators, regulators and end consumers.

## Messaging

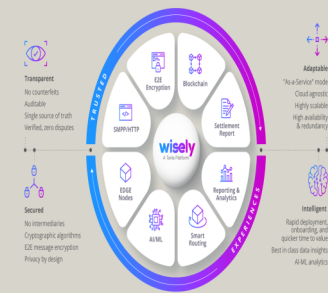
Wisely has a reliable and robust messaging products for enterprises and mobile operators. Wisely offers A2P Short Messaging Services Centre (SMSC) services with improved quality facilities like SMS firewall, SMS hubbing, enterprise USSD and push notifications.

## Voice

Tanla Platform helps customers of all sizes to leverage different voice communication services, such as IVR (Interactive Voice Response) hosting and voice broadcast, to provide cost-effective way of engaging and interactively communicating with their stakeholders.

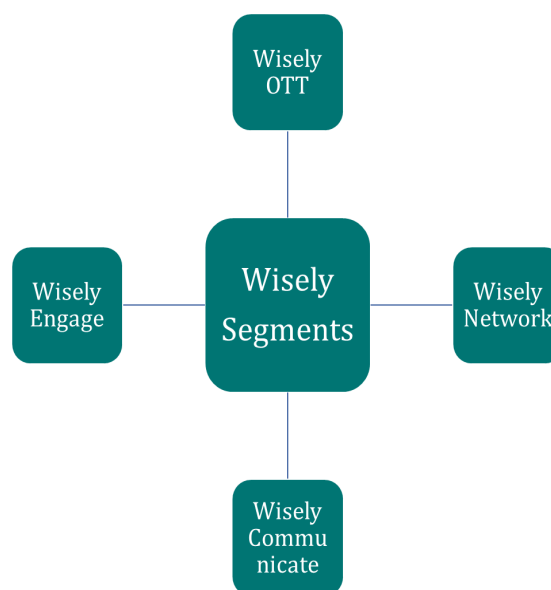
## IoT (Internet of Things)

Tanla provides an IOT platform enabling smart connections between people, devices and processes for enterprises and major mobile operators.



Source: Company, Geojit Research

## Wisely Revenue Segments



Source: Company, Geojit Research

- **Tanla's 30% market share in enterprise segment is larger than the next 3 competitors combined.**

- **Revenue from the 10-100 Mn segment rose by 57% in Q2 FY23 compared to Q2 FY21, having largest number of customers.**

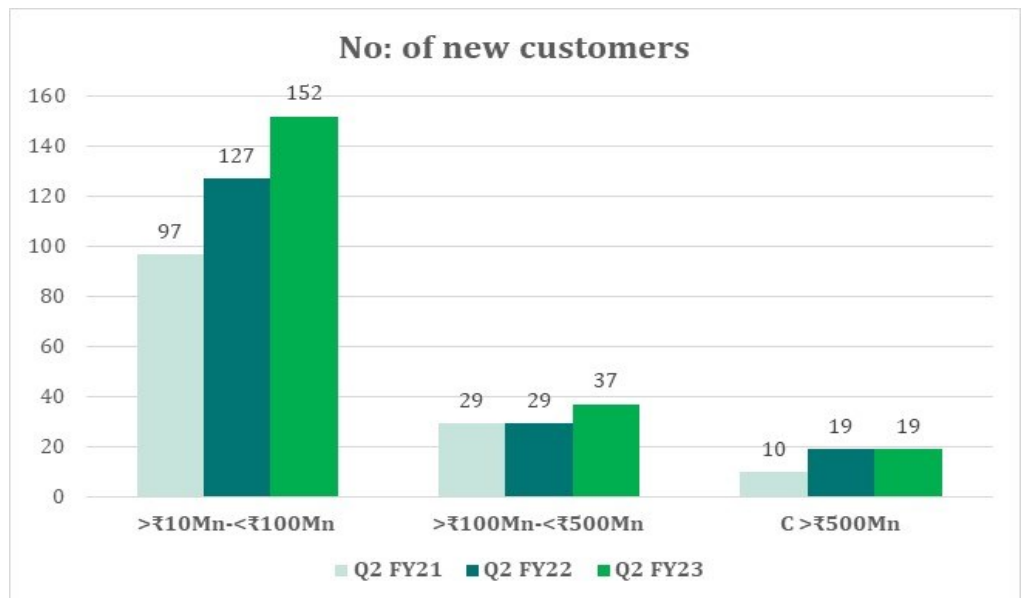
## Investment rationale

### CPaaS market leader in india

Tanla Platforms is the CPaaS market leader in India with around 800 billion interactions having 42% revenue market share and 63% DLT volume market share in FY22. As per management, Tanla's 30% market share in enterprise segment is larger than the next 3 competitors combined. Tanla manages to keep strong relation with customers. Tanla's 60% revenue comes from its top 50 customers, who have been customers for more than 5 years. Management is planning on global expansion in the future, considering the growing opportunity for CPaaS.

### Strong momentum in customer addition

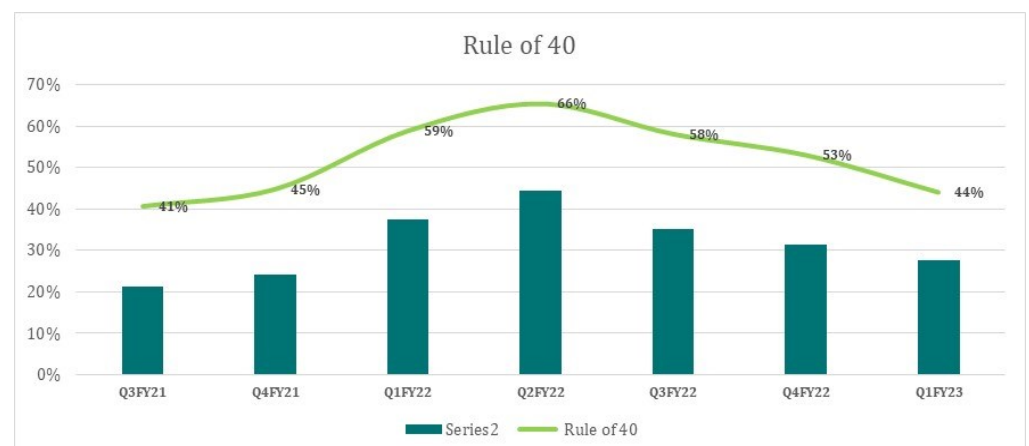
Tanla is reporting strong momentum in customer addition over the last few quarters. Tanla successfully reported double digit growth in customer addition when compared with FY21 & also revenue of company's existing customers continue to grow strongly. In FY22, Tanla and Vodafone Idea Ltd entered into an exclusive multi-year partnership for deployment of Wisely to secure, encrypt and enhance performance for the entire international messaging traffic on the Vi network and three major Indian banks for secure and critical notification service on wisely. Recently, Tanla had a business with Kore.ai, in conversational AI space and Truecaller, world leader in caller id and call blocking app.



Source: Company, Geojit Research

### Focused on growth

The firm is fueling its full throttle by focusing on three key engines of growth, organic, new products and new customers. The company will continue its organic growth and may increase its revenue from existing customers. By its constant effort in innovation, the company added a new feature in Wisely known as Wisely Insights, improving life time value of exiting customers. Tanla is planning to improve its pan India presence, especially by focusing on SMEs and digital companies.



Source: Company, Geojit Research

## Financial Analysis

### Strong revenue growth

Tanla is anticipated to continue its revenue growth on the back of robust demand for digital adoption in India and an increase in the number of message transactions. Industries such as banking & financial services, E-commerce, and logistics use CPaaS for authentication, OTPs, communication of offers and promotions, etc. driving the communication traffic. The government also opted messaging channel for smooth operation of CoWin registration and other communications. Increasing smartphone penetration is an important growth driver for the CPaaS industry. We anticipate revenue to grow at a 13% CAGR during FY23–25E.

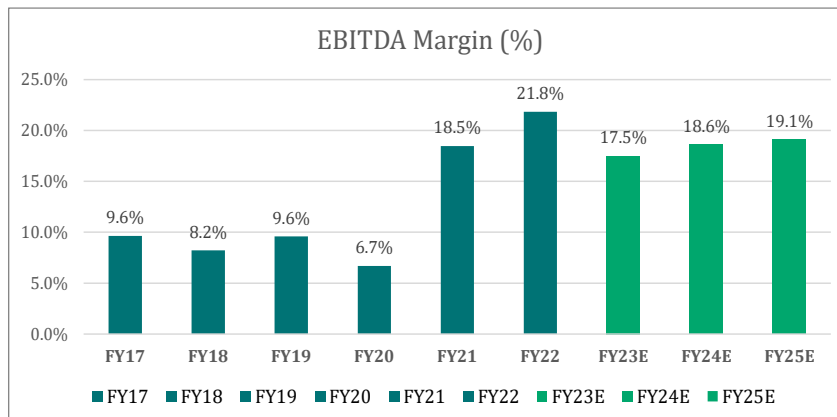
- Over the last 5 years, Tanla's revenue grew at 42% CAGR driven by the strong pace in digital adoption and increase in volume of message transactions



Source: Company, Geojit Research

### Steady margins

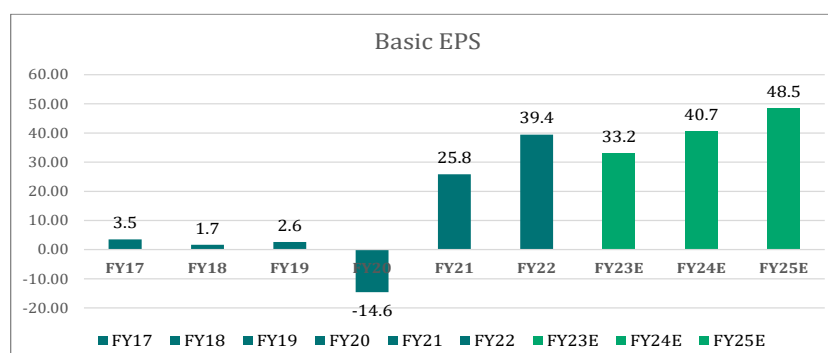
Tanla's EBITDA margin expanded by 136 bps in the last 5 years, supported by the increased contribution from the Platform business. Cloud hosting charge being the only direct cost for Platform business, enjoying above 90% gross margin. Enterprise business gross margin expanded considerably over the recent quarters as well. However, margins were declined in the last quarter due to price disruption, platform modernization and currency devaluation. The impact of the revenue decline from a significant customer has already been factored in. The improvement in revenue and cost optimisation measures, is likely to improve the EBITDA margins.



Source: Company, Geojit Research

### Steady growth in EPS

Tanla reported growth by ~3770 bps in EPS over the last 5 years, driven by strong PAT growth combined with share buybacks. Through share buyback, Tanla reduced around 11% outstanding number of shares since June 2020. During FY23-FY25E, EPS is expected to grow by 17% due to an increase in PAT.



Source: Company, Geojit Research



- *Tanla witnessed strong EPS growth in FY22 at 57% to ₹39.7, which was driven by combination of PAT growth and buyback of equity shares*

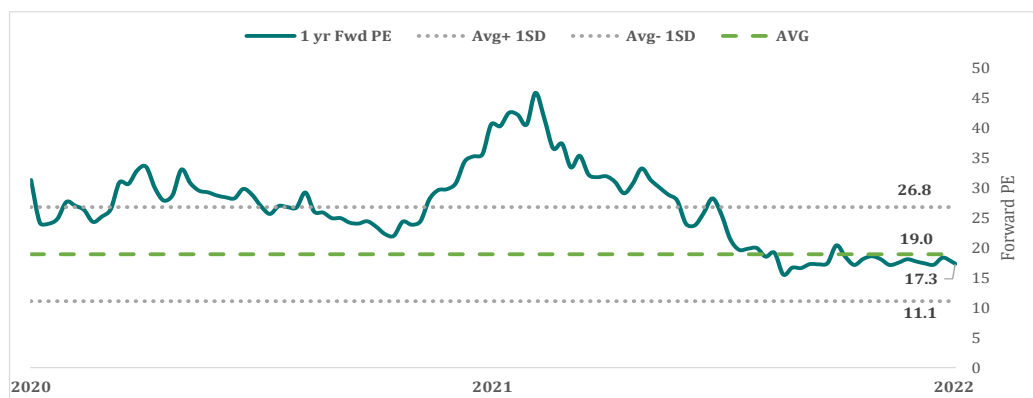
### Increase in dividend per share:

The company has given a good dividend to shareholders over the last two years of Rs. 2/ equity share. In the recent AGM meeting, Tanla announced a new dividend policy to give out returns to stakeholders and investors. The company is expected to pay 30% of consolidated PAT as dividend every year from FY23 onwards.

### Buy back of shares

Tanla witnessed strong EPS growth in FY22 of 57% to Rs. 39.7, which was driven by combination of PAT growth and buyback of equity shares. During FY22, the company bought back around 7,05,677 equity shares at an average price of Rs. 920.88 per share. It deployed Rs. 64.98 crore, excluding transaction cost which represents 99.98% of the maximum buyback size.

### Valuation Analysis



Source: Bloomberg, Geojit Research

Tanla witnessed a sharp decline in 1 year forward PE (1Yr Fwd PE) by around 66% from the peak of 46x during H1 CY22 due to a fall in revenue and EBITDA of enterprise businesses, led by product price disruptions, currency fluctuations, etc. The correction in valuation tested a low of 16x 1Yr Fwd P/E during August 2022. However, the expectation of an increase in volumes from new clients and an increase in realisation from existing customers, rising transactions from the new platform, Wisely (which contributes higher margins), and measures to minimise currency volatility are likely to improve both revenue and margins in the near term. Currently, the valuations have started showing signs of bottoming out and is currently trading at PE of 17x, just below the 1Yr average Fwd P/E of 19x. Now, on the view of recovery in revenue and healthy expansion of EBITDA margins, it is likely to show a boost in EPS during the period FY23-FY25E, due to which valuation appears reasonable. We expect earnings to grow at a 21% CAGR during FY23-25E and value the stock at 19x FY25E (5Yr avg=27x).

### Higher margin with strong ROE compared to Peers in FY23E

COMPANY	MCAP (cr)	Sales (cr)	EBITDA Margin (%)	PAT (cr)	PAT Margin (%)	EPS	EBITDA (cr)	EV/ EBITDA	P/E	D/E	RoE
TANLA	10,205	3,583	17.55	477.4	13.32	36.1	628.7	11.6	20.8	0.03	31.4
ROUTE	7,843	3,301	11.56	267.2	8.09	42.9	381.5	-	29.2	0.01	14.8
NUCLEUS	1,045	556	0.00	55.0	9.90	21.0	67.7	-	19.0	0.00	10.8

Source: Bloomberg, Geojit Research

Tanla is trading with a PE of 20.8, which is cheaper compared to other peers in FY23E. The company has higher EBITDA margin & PAT margin of ~18% & ~13%, respectively. Further, ROE is better compared to all other peers.

### Key risks

- Increasing competition may create pressure on margins.
- Rapid change in platform technologies may impact growth & margin.
- Any change in sector specific regulation or from other regulators may impact volume and revenue.
- Need to maintain adequate liquidity to meet working capital requirements.

### Management team

Board of Directors & Key Managerial Personnel	
Chairman and CEO	D. Uday Kumar Reddy
Chief Financial Officer	Aravind Viswanathan
General Counsel and Chief Regulatory Officer	Seshanuradha Chava
Independent Director	Deepak Goyal
Independent Director	Amrita Gangotra
Independent Director	Sanjay Kapoor
Independent Director	Rahul Khanna
Independent Director	Rohit Bhasin

Source: Company, Geojit Research

## Quarterly Financials

Quarterly Income Statement (Consolidated)	Q2FY23	Q2FY22	YoY Growth (%)	Q1FY23	QoQ Growth (%)	H1FY23	H1FY22	YoY Growth (%)
<b>Revenue</b>	<b>851.0</b>	<b>841.6</b>	<b>1.1</b>	<b>800.1</b>	<b>6.4</b>	<b>1,651.2</b>	<b>1,726.5</b>	<b>(4.4)</b>
<b>EBITDA</b>	<b>139.5</b>	<b>178.7</b>	<b>(21.9)</b>	<b>131.1</b>	<b>6.5</b>	<b>270.6</b>	<b>381.5</b>	<b>(29.1)</b>
EBITDA margins (%)	16.40	21.2	(483)bps	16.4	0.1	16.4	22.1	(571)bps
Depreciation	10.0	10.4	(3.6)	9.3	8.2	19.3	21.5	(10.2)
<b>EBIT</b>	<b>129.5</b>	<b>168.3</b>	<b>(23.0)</b>	<b>121.8</b>	<b>6.3</b>	<b>251.3</b>	<b>360.0</b>	<b>(30.2)</b>
Interest	0.4	0.6	(29.3)	0.3	28.1	0.7	0.9	(15.1)
Other Income	11.1	3.1	(252.5)	4.5	146.5	15.6	7.2	115.2
Exceptional Items	3.2	1.8	82.0	1.8	79.0	0.0	0.0	
<b>PBT</b>	<b>143.4</b>	<b>172.6</b>	<b>(16.9)</b>	<b>127.8</b>	<b>12.3</b>	<b>271.2</b>	<b>368.2</b>	<b>(26.3)</b>
Tax	33.0	36.4	(9.6)	27.3	20.5	137	69	97.7
Share of profit from Associate	0.0	0.0	NA	0.0	NA	0.0	0.0	0.0
Minority Interest	0.0	0.0	NA	0.0	NA	0.0	0.0	0.0
<b>Reported PAT</b>	<b>110.5</b>	<b>136.2</b>	<b>(18.9)</b>	<b>100.4</b>	<b>10.0</b>	<b>210.9</b>	<b>294.2</b>	<b>(28.3)</b>
Adjustments	0.0	0.0	NA	0.0	NA	0.0	0.0	0.0
<b>Adjusted PAT</b>	<b>110.5</b>	<b>136.2</b>	<b>(18.9)</b>	<b>100.4</b>	<b>10.0</b>	<b>210.9</b>	<b>294.2</b>	<b>(28.3)</b>
No. of shares	13.6	13.6	(0.3)	13.6	(0.3)	27.2	27.2	(0.1)
<b>EPS (Rs)</b>	<b>8.1</b>	<b>10.0</b>	<b>(18.6)</b>	<b>7.4</b>	<b>10.3</b>	<b>7.8</b>	<b>10.8</b>	<b>(28.2)</b>

Tanla witnessed steady growth in revenue to Rs.851cr in Q2FY23, up about 1% YoY, aided by Platform business. The revenue from platform segment grew by 20% YoY to Rs.75.1cr, led by Trubloq. While, the revenue from Enterprise business recouped by 6% QoQ to Rs.775.9cr, driven by improved volumes, price hike in ILD, growth in OTT channels and addition of new customers.

During H1 FY23, the company added 143 customers, predominantly from the digital and financial businesses. Contribution from customers with annual revenues more than Rs.10 million jumped by 6% on a QoQ basis to Rs.826.6 cr in Q2 FY23.

Gross profit grew by 11% QoQ basis to Rs.205.6 cr with a gross margin of 24.2% in Q2 FY23. The gross margin of enterprise business was at 17.2%. The gross profit of Platform business grew by 25% YoY to Rs.72.4cr in Q2 FY23, largely driven by Trubloq with a gross margin of 96.4%.

Operating expenses increased by 28% YoY basis to Rs.66.1cr as a result of increased sales and marketing spending as well as increases in General & Administrative expenses, including higher staff & salary costs and currency depreciation.

EBITDA margin remained unchanged to 16.4% in QoQ quarter on cross currency headwinds due to depreciation of Euro resulted in overall margin loss of 150 bps. Similarly, PAT improved by 10% QoQ to Rs.110.5 cr and PAT margin was 13%. EPS stood at 8.14.

Cash and cash equivalents (CCE) marginally improved by 1% YoY to Rs.855.2 cr. On sequential basis, cash inflows from operating activities decreased primarily due to dividend payouts and working capital investments done towards strategic partnerships with partners.

## Consolidated Financials

### PROFIT & LOSS

Y.E Mar (Rs cr)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Sales</b>	<b>2,341</b>	<b>3,206</b>	<b>3,494</b>	<b>4,020</b>	<b>4,524</b>
% change	20.5	36.9	9.0	15.1	12.5
<b>EBITDA</b>	<b>432</b>	<b>700</b>	<b>611</b>	<b>748</b>	<b>864</b>
% change	233.0	61.9	-12.6	22.3	15.6
Depreciation	39.6	40.9	50.9	60.3	45.2
EBIT	393	659	561	687	819
Interest	1.1	1.1	2.9	3.3	3.3
Other Income	18	16	17	20	23
<b>PBT</b>	<b>410</b>	<b>674</b>	<b>575</b>	<b>704</b>	<b>838</b>
% change	-274	64	-15	22	19
Tax	69.4	137.2	120.8	147.9	176.0
Tax Rate (%)	17	20	21	21	21
<b>Reported PAT</b>	<b>351</b>	<b>536</b>	<b>451</b>	<b>553</b>	<b>658</b>
Adj*	14.4	2.3	0.0	0.0	0.0
<b>Adj PAT</b>	<b>337</b>	<b>533</b>	<b>451</b>	<b>553</b>	<b>658</b>
% change	-258	58	-15	23	19
Shares Outstanding (cr)	13.6	13.6	13.6	13.6	13.6
<b>EPS (Rs)</b>	<b>25.8</b>	<b>39.4</b>	<b>33.2</b>	<b>40.7</b>	<b>48.5</b>
% change	-269	59	-15	23	19
DPS (Rs)	1.0	1.0	1.2	1.2	1.2
CEPS (Rs)	27.7	42.3	36.9	45.2	51.8

### CASH FLOW

Y.E Mar (Rs cr)	FY21A	FY22A	FY23E	FY24E	FY25E
Net income + Depreciation	391	576	501	613	704
Non-cash adjustments	0	0	0	0	0
Other adjustments	-9	-6	3	3	3
Changes in working capi-	179	-137	-15	-338	-41
<b>Cashflow from operations</b>	<b>567</b>	<b>440</b>	<b>489</b>	<b>278</b>	<b>665</b>
Capital expenditure	-32	-101	-103	-5	-50
Change in investments	0	0	0	0	0
Other investing cashflow	22	0	0	0	0
<b>Cashflow from investing</b>	<b>-10</b>	<b>-101</b>	<b>-103</b>	<b>-5</b>	<b>-50</b>
Issue of equity	-148	0	0	0	0
Issue/repay debt	-5	49	8	8	8
Dividends paid	-14	-14	-16	-16	-16
Other financing cashflow	-1	-1	-3	-3	-3
<b>Cashflow from Financing</b>	<b>-168</b>	<b>35</b>	<b>-11</b>	<b>-12</b>	<b>-12</b>
Change in cash & cash eq	389	373	374	261	604
Closing cash & cash eq	584	862	1,237	1,498	2,102

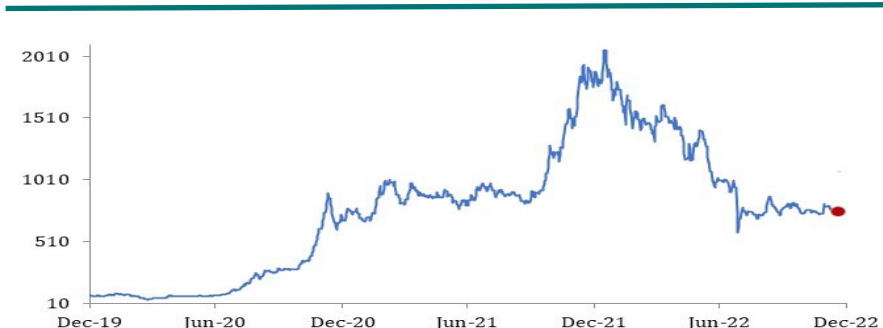
### BALANCE SHEET

Y.E Mar (Rs cr)	FY21A	FY22E	FY23E	FY24E	FY25E
Cash and cash eq	584	862	1,237	1,498	2,102
Accounts receivable	384	570	574	661	744
Inventories	0	0	0	0	0
Other current assets	312	459	455	523	589
Investments	0	0	0	0	0
Gross fixed assets	531	596	646	696	746
Net fixed assets	34	91	90	80	85
CWIP	6	54	65	20	20
Intangible assets	223	213	255	255	255
Deferred tax assets, net	48	41	41	41	41
Other assets	37	119	111	118	126
<b>Total assets</b>	<b>1,628</b>	<b>2,410</b>	<b>2,828</b>	<b>3,197</b>	<b>3,961</b>
Current liabilities	717	989	964	787	900
Provisions	6	7	5	6	6
Debt funds	4	54	62	70	78
Other liabilities	8	6	9	10	10
Equity capital	14	14	14	14	14
Reserves & surplus	880	1,340	1,775	2,311	2,953
Shareholder's funds	893	1,354	1,788	2,325	2,967
<b>Total liabilities</b>	<b>1,628</b>	<b>2,410</b>	<b>2,828</b>	<b>3,197</b>	<b>3,961</b>
BVPS (Rs)	<b>59</b>	<b>94</b>	<b>123</b>	<b>162</b>	<b>210</b>

### RATIOS

Y.E Mar (Rs cr)	FY21A	FY22A	FY23E	FY24E	FY25E
<b>Profitability &amp; Return Ratios</b>					
EBITDA margin (%)	18.5	21.8	17.5	18.6	19.1
EBIT margin (%)	16.8	20.6	16.0	17.1	18.1
Net profit margin (%)	14.4	16.6	12.9	13.7	14.6
ROE (%)	42.4	47.5	28.7	26.9	24.9
ROCE (%)	35.0	36.9	22.0	20.7	19.2
<b>Working capital &amp; Liquidity ratios</b>					
Receivables (days)	56.4	54.3	59.8	56.1	56.7
Inventory (days)	0.0	0.0	0.0	0.0	0.0
Payables (days)	81.4	112.6	127.3	95.0	79.2
Current ratio (x)	1.8	1.9	2.3	3.3	3.7
Quick ratio (x)	<b>1.3</b>	<b>1.4</b>	<b>1.8</b>	<b>2.7</b>	<b>3.0</b>
<b>Turnover &amp; Leverage ratios</b>					
Gross asset turnover (x)	4.4	5.7	5.6	6.0	6.3
Total asset turnover (x)	1.7	1.6	1.3	1.3	1.3
Interest coverage ratio (x)	367.1	615.9	194.9	209.8	250.4
Adjusted debt/equity (x)	0.0	0.0	0.0	0.0	0.0
<b>Valuation ratios</b>					
EV/Sales (x)	3.5	2.5	2.2	1.8	1.5
EV/EBITDA (x)	18.8	11.3	12.3	9.7	7.7
P/E (x)	30.4	19.2	22.7	18.5	15.5
P/BV (x)	11.5	7.6	5.7	4.4	3.4

## PRICE HISTORY



Source: Bloomberg, Geojit Research.

Dates	Rating	Target
21-Dec-2022	Buy	920

## Investment Rating Criteria

Ratings	Large caps	Midcaps	Small caps
<b>Buy</b>	Upside is above 10%	Upside is above 15%	Upside is above 20%
<b>Accumulate</b>	-	Upside is between 10% - 15%	Upside is between 10% - 20%
<b>Hold</b>	Upside is between 0% - 10%	Upside is between 0% - 10%	Upside is between 0% - 10%
<b>Reduce/sell</b>	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%
<b>Not rated/Neutral</b>	-	-	-

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note.

Accumulate: Partial buying or to accumulate as CMP dips in the future.

Hold: Hold the stock with the expected target mentioned in the note.

Reduce: Reduce your exposure to the stock due to limited upside.

Sell: Exit from the stock.

Not rated/Neutral: The analyst has no investment opinion on the stock.

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

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