

January 23, 2023

RESULT REPORT Q3 FY23 | Internet/Platform

Tanla Platform Ltd

Performance inline with expectation; Wisely platform expected to be key growth driver

Result Synopsis

Tanla Platform (TANLA) reported inline financial performance for the quarter. Both, sequential revenue growth and EBITDA margin were inline with estimates. It reported sequential revenue growth of 2.2% QoQ, led by 2% increase in the revenue of Enterprise business and 4.1% QoQ increase in revenue of Platform business. Trubloq processed 82bn message in Q2 with more than 60% volume market share. There was sequential increase in EBITDA margin (up 101 bps QoQ) as operating margin has started recovering after getting adversely affected in Q1FY23.

It is a credible play on the rising demand for CPaaS solutions across industries for achieving enhanced customer engagement. Also, increase in smartphone penetration and greater regulatory push towards mandatory SMS alerts would drive CPaaS market. As per industry reports, the Global CPaaS market is expected to grow at CAGR of 29% from CY20 to CY25E, led by faster adoption of multichannel communication. The adoption of CPaaS based A2P messaging across industries continues to drive volume growth for both enterprise and platform segments of Tanla. Rising share of higher margin platform segment would drive EBITDA margin of the company. We estimate revenue CAGR of 14.0% over FY22-24E with average EBIT margin of 18.2% over the period. We maintain our BUY rating on the stock with revised target price of Rs 1,046/share based on P/E of 22x (unchanged valuation multiple) on FY24E. The stock trades at P/E of 20.1x/14.2x on FY23E/FY24E.

Result Highlights

- Reported revenue of Rs 8,696mn (up 2.2% QoQ, down 1.7% YoY). Enterprise revenue was down 3.4% YoY (up 2.0% QoQ), while Platform business grew 18.8% YoY (up 4.1% QoQ).
- The gross margin for enterprise business grew from 17.2% in Q2FY23 to 17.9% in Q3FY23, while gross margin on Platform business dipped from 96.5% in Q2FY23 to 96.0% for the quarter.
- Added 210 new customers for 9M FY23 contributing Rs322 million. 31% of new customers have been added in WhatsApp. Trubloq processed 82bn message in Q3.
- EBITDA margin increased by 101 bps QoQ (down 552 bps YoY) to 17.4% for the quarter.
- PAT increased by 5.5% QoQ, supported by lower taxation and finance cost.
- Cash & Cash Equivalents at ₹7,680 million and negative Free cash flow of ₹565 million.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Sales	8,696	8,726	9,420	-0.3%	-7.7%
EBITDA	1,513	1,518	1,730	-0.3%	-12.5%
EBITDA Margin (%)	17.40%	17.40%	18.37%	0 bps	-97 bps
Adjusted PAT	1,165	1,076	1,300	8.3%	-10.4%

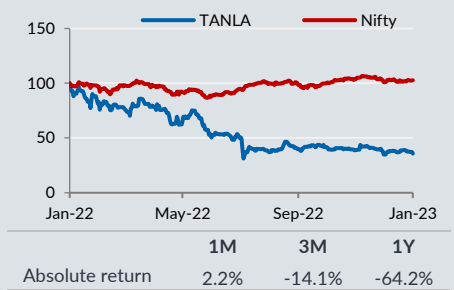
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 671
Target Price	: Rs 1,046
Potential Return	: 59%

Stock data (as on Jan 23, 2022)

Nifty	18,119
52 Week h/l (Rs)	2097 / 585
Market cap (Rs/USD mn)	93785 / 1153
Outstanding Shares (mn)	134
6m Avg t/o (Rs mn):	466
Div yield (%)	0.3
Bloomberg code:	TANLA IN
NSE code:	TANLA

Stock performance



Shareholding pattern (As of Sept'22 end)

Promoter	43.7%
FII+DII	12.8%
Others	43.4%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,046	1,181

Δ in earnings estimates

	FY23e	FY24E	FY25E
EPS (New)	33.6	47.6	57.7
EPS (Old)	35.1	53.7	NA
% change	-4.1%	-11.4%	NA

Financial Summary

(Rs mn)	FY23E	FY24E	FY25E
Net Revenue	34,470	41,559	49,811
YoY Growth	7.5%	20.6%	19.9%
EBIDTA	6,018	8,978	10,910
YoY Growth	-14.0%	49.2%	21.5%
PAT	4,566	6,454	7,834
YoY Growth	-15.3%	41.3%	21.4%
ROE	30.4%	33.9%	31.9%
EPS	34	48	58
P/E	20.1	14.2	11.7
BV	5.6	4.2	3.3
P/BV	13.6	9.0	7.3

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Exhibit 2: Quarterly snapshot Console: Operating Margin improved sequentially

(Rs mn)	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	yoy%	qoq%	9MFY23	9MFY22	YoY%
Revenue	8,849	8,531	8,001	8,510	8,696	-1.7	2.2	25,208	23,529	7.1
EBITDA	2,028	1,841	1,307	1,395	1,513	-25.4	8.5	4,216	5,161	-18.3
EBITDA %	22.9	21.6	16.3	16.4	17.4	-552 bps	101 bps	16.7	21.9	-521 bps
Depreciation	111	102	93	100	122	9.8	21.4	315	307	2.8
EBIT	1,917	1,739	1,214	1,295	1,392	-27.4	7.5	3,901	4,854	-19.6
EBIT%	21.7	20.4	15.2	15.2	16.0	-567 bps	79 bps	15.5	20.6	-516 bps
Other income	41	46	45	111	61	47.9	-45.3	216	115	87.4
finance cost	3	3	3	4	2	-25.0	-48.5	9	10	-7.6
PBT	1,955	1,782	1,256	1,402	1,450	-25.9	3.5	4,107	4,959	-17.2
Tax	375	376	252	297	285	-24.1	-4.1	834	972	-14.3
Reported PAT	1,580	1,406	1,004	1,104	1,165	-26.3	5.5	3,274	3,987	-17.9
Net margin	17.9	16.5	12.5	13.0	13.4	-446 bps	42 bps	13.0	16.9	-396 bps

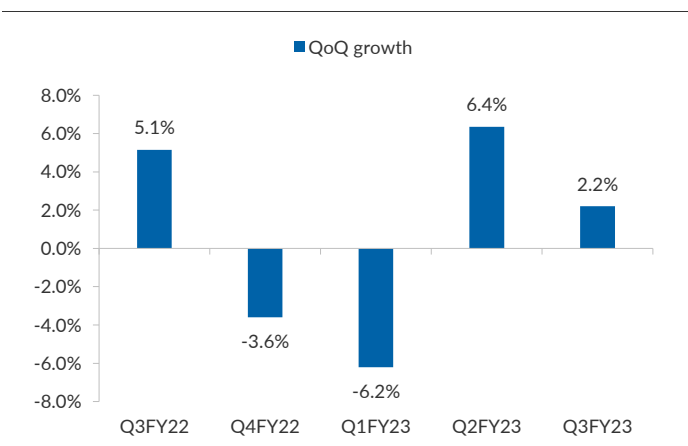
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

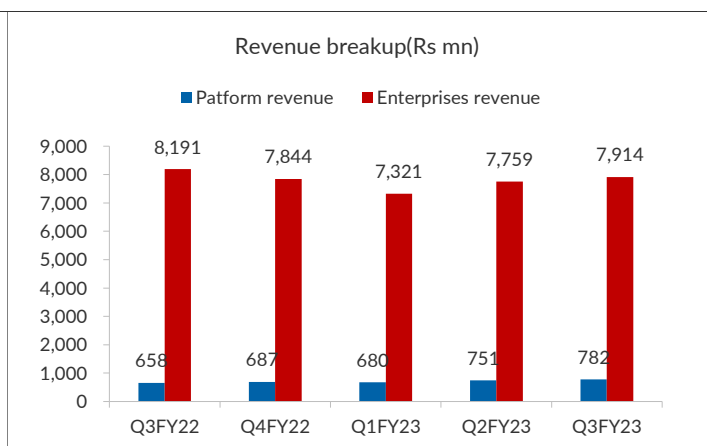
- Wisely platform contributes 35% of overall Platform business gross profit.
- Whatsapp now contributes Rs 250 mn to revenue at quarterly run rate.
- Added 210 new customers, large customers being bank and ecommerce company which could help scale up revenue and its impact can be seen in a couple of quarters.
- There is high competitive environment since one of the large telco players has entered the enterprise market. Pricing is more stable now.
- Enterprise business is growing at a steady rate and expected to grow with current rate. Enterprise business gross margin improved by 74 bps.
- Change in credit terms with certain clients impacted the operating cash flow, however, this was just for Q2 and Q3 and moving forward this will be back to normalized cash flow (approx. 70% of PAT).
- Transactions in banking sector growing and this will improve volumes and margins. Trubloq grew around 15% YoY.
- New B2B platform to be commercially launched in Barcelona on 27th February post approval of international authorities and in India in Q1FY24 post the approval of TRAI.
- Q4 is seasonally weak quarter, however company is confident that it would be a better quarter than Q3 and going ahead, the impact of seasonality would be lesser on business.

Exhibit 3: Q3 revenue growth was along expected lines

Exhibit 4: Enterprise business contributes more than 90% to total revenue



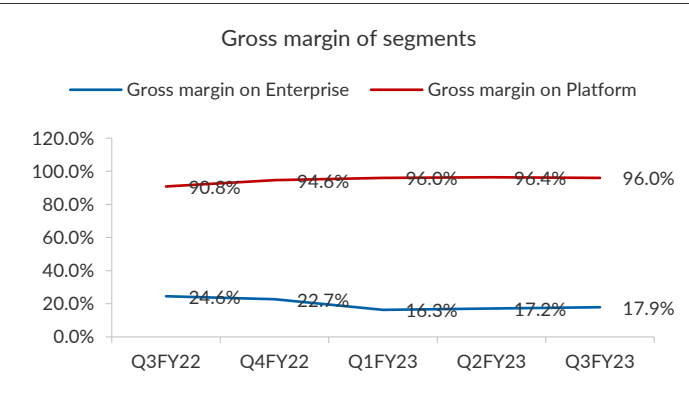
Source: Company, YES Sec



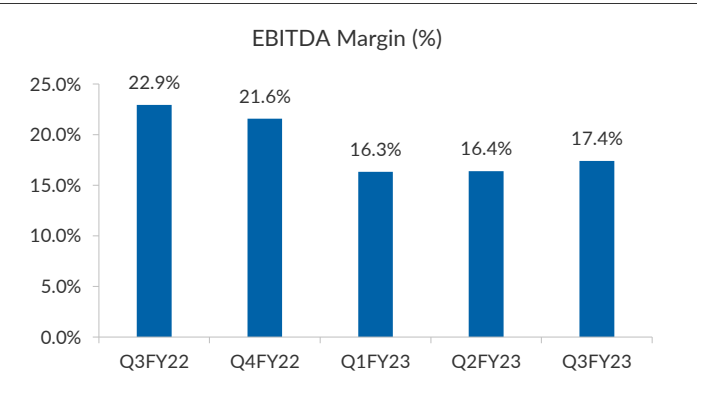
Source: Company, YES Sec

Exhibit 5: Gross margin of Enterprise business has started recovering

Exhibit 6: EBITDA margin improved sequentially



Source: Company, YES Sec



Source: Company, YES Sec

FINANCIALS

Exhibit 7: Balance Sheet

Y/e 31 Mar	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Cash & equivalents	2,305	2,051	5,841	8,623	9,705	10,923	12,294
Sundry debtors	3,078	3,258	3,731	5,603	4,722	5,124	6,823
Other current assets	1,759	2,511	3,125	4,591	4,985	5,979	7,163
Sundry creditors	2,020	2,810	3,387	4,637	4,986	6,011	7,204
Other current liabs	1,192	1,974	3,730	5,243	5,414	6,525	7,818
Net current assets	3,930	3,036	5,581	8,938	9,013	9,490	11,258
Fixed assets	3,497	359	336	1,286	1,301	1,301	1,301
Intangible assets	58	2,297	2,297	2,297	2,297	2,297	2,297
Investments	-	-	-	-	-	-	-
Other term assets	372	1,415	796	1,546	4,404	9,011	13,141
Total assets	7,857	7,107	9,009	14,067	17,015	22,099	27,997
Borrowings	599	-	-	-	-	-	-
Other long-term liabs	3	89	78	526	526	526	526
Net worth	7,255	7,017	8,931	13,540	16,488	21,572	27,471
Total liabs & equity	7,857	7,106	9,009	14,067	17,015	22,099	27,997

Source: Company, YES Sec

Exhibit 8: Income Statement

Income statement(Rs mn)	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	10,040	19,428	23,415	32,060	34,470	41,559	49,811
EBITDA	967	1,851	4,335	7,002	6,018	8,978	10,910
Depreciation and amortisation	(732)	(3,778)	(396)	(409)	(437)	(545)	(653)
EBIT	235	(1,927)	3,939	6,593	5,582	8,433	10,257
Non-operating income	103	107	219	161	264	203	225
Interest expense	(3)	(64)	(11)	(13)	(12)	(8)	(8)
PBT	335	(1,885)	4,148	6,741	5,835	8,628	10,474
Exceptional items	-	(487)	-	-	-	-	-
Reported PBT	335	(2,372)	4,148	6,741	5,835	8,628	10,474
Taxes	(37)	261	(586)	(1,348)	(1,269)	(2,174)	(2,639)
PAT	298	(2,112)	3,561	5,393	4,566	6,454	7,834
Minorities and other	-	-	-	-	-	-	-
Attributable PAT	298	(2,112)	3,561	5,393	4,566	6,454	7,834

Source: Company, YES Sec

Exhibit 9: Cash Flow Statement

Cashflow statement (Rs m)	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
EBIT	235	(1,927)	3,939	6,593	5,582	8,433	10,257
Tax Paid	-	(447)	(561)	(1,165)	(1,269)	(2,174)	(2,639)
Depr. & amortization	732	3,778	396	409	437	545	653
Working capital Δ	(1,326)	38	1,790	(1,178)	1,007	741	(397)
Other operating items	54	950	46	-	-	-	-
Operating cashflow before interest	(304)	2,392	5,610	4,659	5,757	7,544	7,874
Financial expense	(3)	(64)	(11)	(13)	(12)	(8)	(8)
Non-operating income	103	107	219	161	264	203	225
Operating cashflow after interest	(204)	2,434	5,819	4,807	6,010	7,739	8,090
Capital expenditure	101	(2,112)	(317)	(457)	(452)	(545)	(653)
Long term investments	-	-	-	-	-	-	-
Other items	17	69	(99)	(614)	(1)	-	(0)
Free cash flow	(87)	392	5,403	3,736	5,557	7,194	7,437
Equity Raised	179	14	(1,476)	(819)	-	-	-
Borrowing	599	(599)	-	-	-	-	-
Dividends paid	(41)	(61)	(136)	(135)	(1,618)	(1,370)	(1,936)
Net change in cash	650	(254)	3,790	2,781	3,939	5,824	5,501

Source: Company, YES Sec

Exhibit 10: Ratio Analysis

Per share(Rs)	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Pre-exceptional EPS	2.6	10.2	26.2	39.7	33.6	47.6	57.7
DPS	0.4	0.4	1.0	1.0	11.9	10.1	14.3
BVPS	62.7	48.1	65.8	99.8	121.5	159.0	202.4
Growth (%)	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Revenues	26.8	93.5	20.5	36.9	7.5	20.6	19.9
Ebitda	48.4	91.3	134.2	61.5	(14.0)	49.2	21.5
EPS	64.7	295.4	157.3	51.4	(15.3)	41.3	21.4
Profitability ratios (%)	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Ebitda margin	9.6	9.5	18.5	21.8	17.5	21.6	21.9
Ebit margin	2.3	(9.9)	16.8	20.6	16.2	20.3	20.6
Tax rate	10.9	11.0	14.1	20.0	21.7	25.2	25.2
Net profit margin	3.0	(10.9)	15.2	16.8	13.2	15.5	15.7
Return ratios (%)	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
ROE	4.2	(29.6)	44.7	48.0	30.4	33.9	31.9
ROCE	4.6	(24.3)	51.6	58.5	37.6	44.2	41.8
Solvency ratios (x)	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Net debt/equity	(0.2)	(0.3)	(0.7)	(0.6)	(0.6)	(0.5)	(0.4)
Net debt to Ebitda	(1.8)	(1.1)	(1.3)	(1.2)	(1.6)	(1.2)	(1.1)
Valuation ratios (x)	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
PER(x)	NA	NA	NA	17.0	20.1	14.2	11.7
Price/Book(x)	NA	NA	NA	6.8	5.6	4.2	3.3
EV/EBITDA(x)	NA	NA	NA	11.9	13.6	9.0	7.3

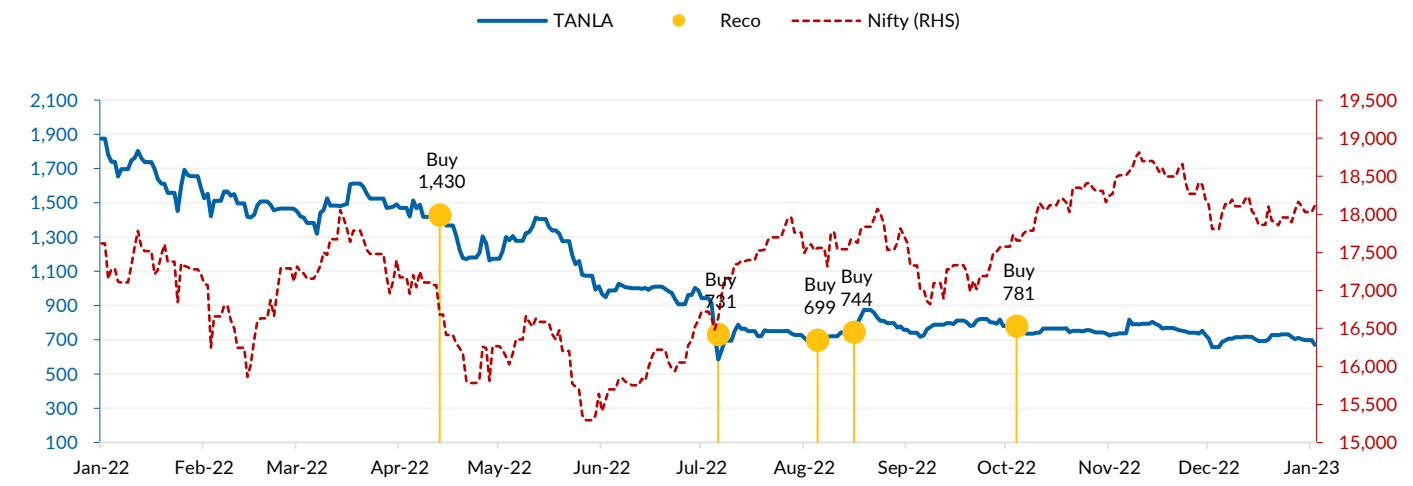
Source: Company, YES Sec

Exhibit 11: Dupont Analysis

Dupont Analysis	FY19A	FY20A	FY21A	FY22A	FY23E	FY24E	FY25E
Asset Turnover	1.4	2.6	2.9	2.8	2.2	2.1	2.0
EBIT margin	2.3%	-9.9%	16.8%	20.6%	16.2%	20.3%	20.6%
Interest Burden	1.4	1.2	1.1	1.0	1.0	1.0	1.0
Financial Leverage	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tax burden	0.9	0.9	0.9	0.8	0.8	0.7	0.7
RoE	4.2%	-29.6%	44.7%	48.0%	30.4%	33.9%	31.9%

Source: Company, YES Sec

Recommendation Tracker



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