

April 27, 2023

RESULT REPORT Q4 FY23 | Internet/Platform

Tanla Platform Ltd

Strong sequential improvement in operating margin in a seasonally weak quarter

Result Synopsis

Tanla Platform (TANLA) reported mixed financial performance for the quarter. The sequential revenue growth was below estimates; while EBITDA margin was inline with expectation. It reported sequential revenue decline of 4.2% QoQ, led by 5.0% QoQ decrease in the revenue of Enterprise business and 4.2% QoQ increase in revenue of Platform business. Trubloq processed 83bn message in Q4 with more than 60% volume market share. There was sequential increase in EBITDA margin(up 253 bps QoQ) led by improvement in the gross margin of enterprise business.

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 estimates, the Global CPaaS market is expected to grow at CAGR of 20% plus 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 17.8% over FY23-25E with average EBIT margin of 21.0% over the period. We maintain our BUY rating on the stock with revised target price of Rs 1,004/share based on P/E of 18x on FY25E. The stock trades at P/E of 15.3x/12.3x on FY24E/FY25E.

Result Highlights

- Reported revenue of Rs 8,335mn (down 4.2% QoQ, down 2.3% YoY) in a seasonally weak quarter. Enterprise revenue was down 4.1% YoY (down 5.0% QoQ), while Platform business grew 18.6% YoY (up 4.2% QoQ).
- The gross margin for enterprise business grew from 17.9% in Q3FY23 to 20.0% in Q4FY23, while gross margin on Platform business remained flat at 96.0% for the quarter.
- Trubloq processed 83bn message in Q4FY23 v/s 82bn message in Q3FY23.
- EBITDA margin increased by 253 bps QoQ (down 165 bps YoY) to 19.9% for the quarter.
- PAT increased by 3.1% QoQ, supported by lower operating expenses.
- Cash & Cash Equivalents at Rs 7,116 million as of March 31, 2023.
- Declared a final dividend of Rs 4/- per share.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Sales	8,335	8,550	8,560	-2.5%	-2.6%
EBITDA	1,661	1,553	1,550	7.0%	7.2%
EBITDA Margin (%)	19.93%	18.16%	18.11%	176 bps	182 bps
Adjusted PAT	1,203	1,174	1,170	2.5%	2.8%

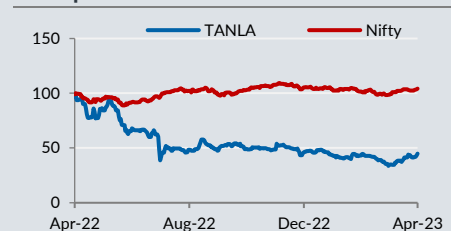
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 681
Target Price	: Rs 1,004
Potential Return	: + 47%

Stock data (as on April 27, 2023)

Nifty	17,915
52 Week h/l (Rs)	1523 / 493
Market cap (Rs/USD mn)	87831 / 1075
Outstanding Shares (mn)	134
6m Avg t/o (Rs mn):	384
Div yield (%):	0.3
Bloomberg code:	TANLA IN
NSE code:	TANLA

Stock performance



	1M	3M	1Y
Absolute return	33.6%	5.3%	-53.6%

Shareholding pattern (As of Mar'23 end)

Promoter	44.2%
FII+DII	14.3%
Others	41.5%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,004	1,046

Δ in earnings estimates

	FY23	FY24E	FY25E
EPS (New)	33.0	44.7	55.8
EPS (Old)	33.6	47.6	57.7
% change	-1.8%	-6.1%	-3.3%

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Net Revenue	33,543	38,729	46,494
YoY Growth	4.6%	15.5%	20.0%
EBITDA	5,877	8,510	10,594
YoY Growth	-16.1%	44.8%	24.5%
PAT	4,478	6,063	7,568
YoY Growth	-16.9%	35.4%	24.8%
ROE	31.2%	34.6%	33.2%
EPS	33	45	56
P/E	20.7	15.3	12.3
P/B	6.1	4.7	3.6
EV/EBITDA	14.6	10.0	7.9

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Exhibit 2: Quarterly snapshot Console: Operating Margin improved sequentially

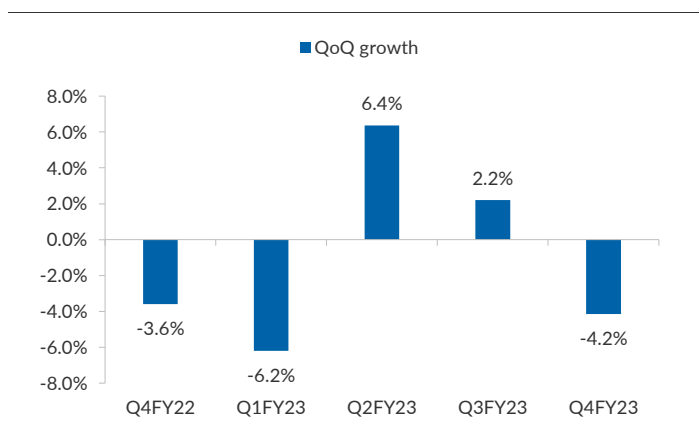
(Rs mn)	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	yoy%	qoq%	FY23	FY22	YoY%
Revenue	8,531	8,001	8,510	8,696	8,335	-2.3	-4.2	33,543	32,060	4.6
EBITDA	1,841	1,307	1,395	1,513	1,661	-9.8	9.8	5,877	7,002	-16.1
EBITDA %	21.6	16.3	16.4	17.4	19.9	-165 bps	253 bps	17.5	21.8	-432 bps
Depreciation	102	93	100	122	147	43.8	20.3	462	409	13.0
EBIT	1,739	1,214	1,295	1,392	1,515	-12.9	8.8	5,415	6,593	-17.9
EBIT%	20.4	15.2	15.2	16.0	18.2	-222 bps	217 bps	16.1	20.6	-442 bps
Other income	46	45	111	61	48	5.2	-20.2	264	161	64.0
finance cost	3	3	4	2	4	40.9	98.6	14	13	3.3
PBT	1,782	1,256	1,402	1,450	1,559	-12.5	7.5	5,666	6,741	-15.9
Tax	376	252	297	285	356	-5.4	24.9	1,189	1,348	-11.8
Reported PAT	1,406	1,004	1,104	1,166	1,203	-14.5	3.1	4,478	5,393	-17.0
Net margin	16.5	12.5	13.0	13.4	14.4	-205 bps	102 bps	13.3	16.8	-347 bps

Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

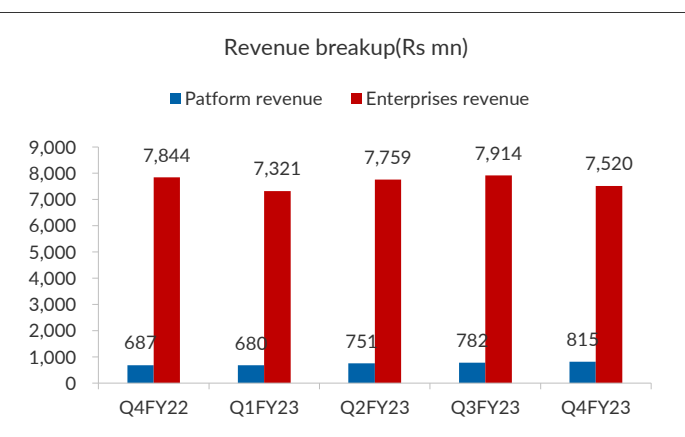
- Platform business tailwinds is driving growth as digital interactions has increased manifold in last 3 years. Increase in UPI transactions expected to support growth.
- Have recently launched Wisely ATP which is a patented platform used for anti-phishing, avoid scam and spam and is promoted by Government of India.
- 35% of the top 70 customers use atleast 3 out of 6 platforms product.
- During FY23, company has invested Rs 175 crores in platform business in talent acquisition, enabling cutting edge tech like blockchain, cryptography, and AI-ML.
- Enterprise business enjoys 30% market share in India. Currently servicing 1300+ companies across 8+ sectors / industries.
- Government of India has been one of the largest partner of its enterprise business. Cowin and Aarogya Setu messages were sent through Enterprise solutions.
- SBI has partnered with Tanla for providing Whatsapp Banking Services to 300Mn+ customers.
- Tanla completed buyback of shares in January 2023 amounting to Rs 170 crores.
- Platform and Enterprise Business reporting will be done separately from Q1FY24 onwards.

Exhibit 3: Q4 revenue growth was below estimates



Source: Company, YES Sec

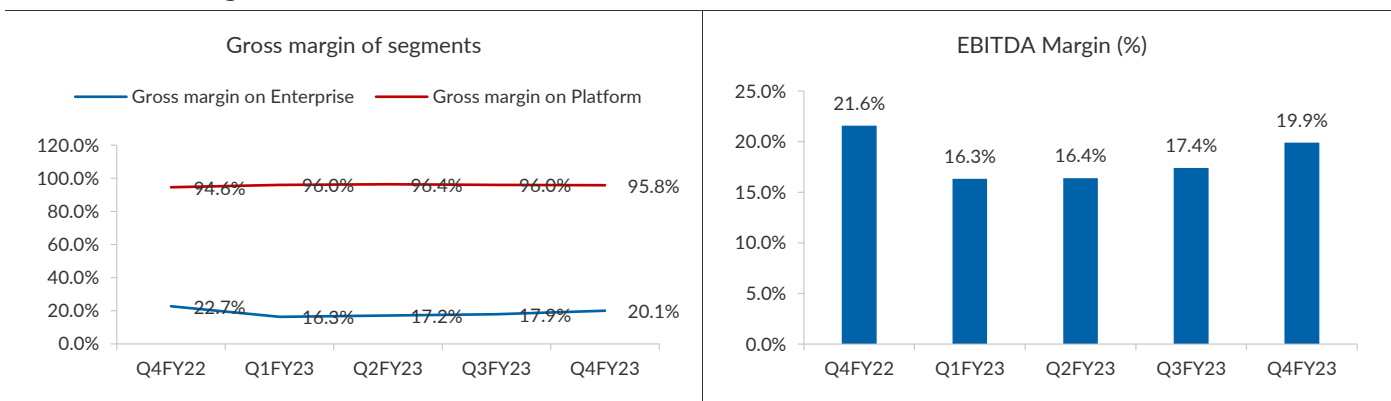
Exhibit 4: Enterprise business is major contributor to total revenue



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	FY23A	FY24E	FY25E
Cash & equivalents	2305	2051	5841	8623	7116	8009	9014
Sundry debtors	3078	3258	3731	5603	5700	4775	6369
Other current assets	1759	2511	3125	4591	4533	5684	6726
Sundry creditors	2020	2810	3387	4637	4851	5602	6725
Other current liabs	1192	1974	3730	5243	3335	6083	7300
Net current assets	3930	3036	5581	8938	9162	6783	8084
Fixed assets	3497	359	336	1286	3183	3154	3139
Intangible assets	58	2297	2297	2297	2297	2297	2297
Investments	0	0	0	0	0	0	0
Other term assets	372	1415	796	1546	1298	8424	12887
Total assets	7857	7107	9009	14067	15939	20659	26408
Borrowings	599	0	0	0	0	0	0
Other long-term liabs	3	89	78	526	764	764	764
Net worth	7255	7017	8931	13540	15175	19895	25644
Total liabs & equity	7857	7106	9009	14067	15939	20659	26408

Source: Company, YES Sec

Exhibit 8: Income Statement

(Rs mn)	FY19A	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	10040	19428	23415	32060	33543	38729	46494
EBITDA	967	1851	4335	7002	5877	8510	10594
Depreciation and amortisation	(732)	(3778)	(396)	(409)	(462)	(536)	(625)
EBIT	235	(1927)	3939	6593	5415	7974	9969
Non-operating income	103	107	219	161	266	149	165
Interest expense	(3)	(64)	(11)	(13)	(14)	(17)	(17)
PBT	335	(1885)	4148	6741	5667	8106	10117
Exceptional items	0	(487)	0	0	0	0	0
Reported PBT	335	(2372)	4148	6741	5667	8106	10117
Taxes	(37)	261	(586)	(1348)	(1189)	(2043)	(2550)
PAT	298	(2112)	3561	5393	4478	6063	7568
Minorities and other	0	0	0	0	0	0	0
Attributable PAT	298	(2112)	3561	5393	4478	6063	7568

Source: Company, YES Sec

Exhibit 9: Cash Flow Statement

Cashflow statement (Rs m)	FY19A	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
EBIT	235	(1927)	3939	6593	5415	7974	9969
Tax Paid	0	(447)	(561)	(1165)	(1189)	(2043)	(2550)
Depr. & amortization	732	3778	396	409	462	536	625
Working capital Δ	(1326)	38	1790	(1178)	(1731)	3271	(296)
Other operating items	54	950	46	0	0	0	0
Operating cashflow before interest	(304)	2392	5610	4659	2957	9739	7748
Financial expense	(3)	(64)	(11)	(13)	(14)	(17)	(17)
Non-operating income	103	107	219	161	266	149	165
Operating cashflow after interest	(204)	2434	5819	4807	3209	9871	7897
Capital expenditure	101	(2112)	(317)	(457)	(440)	(508)	(609)
Long term investments	0	0	0	0	0	0	0
Other items	17	69	(99)	(614)	(1)	0	0
Free cash flow	(87)	392	5403	3736	2768	9363	7287
Equity Raised	179	14	(1476)	(819)	(1)	0	0
Borrowing	599	(599)	0	0	0	0	0
Dividends paid	(41)	(61)	(136)	(135)	(1618)	(1343)	(1819)
Net change in cash	650	(254)	3790	2781	1149	8020	5468

Source: Company, YES Sec

Exhibit 10: Ratio Analysis

Per share(Rs)	FY19A	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Pre-exceptional EPS	2.6	10.2	26.2	39.7	33.0	44.7	55.8
DPS	0.4	0.4	1.0	1.0	11.9	9.9	13.4
BVPS	62.7	48.1	65.8	99.8	111.8	146.6	189.0
Growth (%)							
Revenues	26.8	93.5	20.5	36.9	4.6	15.5	20.0
Ebitda	48.4	91.3	134.2	61.5	(16.1)	44.8	24.5
EPS	64.7	295.4	157.3	51.4	(16.9)	35.4	24.8
Profitability ratios (%)							
Ebitda margin	9.6	9.5	18.5	21.8	17.5	22.0	22.8
Ebit margin	2.3	(9.9)	16.8	20.6	16.1	20.6	21.4
Tax rate	10.9	11.0	14.1	20.0	21.0	25.2	25.2
Net profit margin	3.0	(10.9)	15.2	16.8	13.3	15.7	16.3
Return ratios (%)							
ROE	4.2	(29.6)	44.7	48.0	31.2	34.6	33.2
ROCE	4.6	(24.3)	51.6	58.5	37.9	44.4	43.1
Solvency ratios (x)							
Net debt/equity	(0.2)	(0.3)	(0.7)	(0.6)	(0.5)	(0.4)	(0.4)
Net debt to Ebitda	(1.8)	(1.1)	(1.3)	(1.2)	(1.2)	(0.9)	(0.9)
Valuation ratios (x)							
PER(x)	NA	NA	NA	17.2	20.7	15.3	12.3
Price/Book(x)	NA	NA	NA	6.9	6.1	4.7	3.6
EV/EBITDA(x)	NA	NA	NA	12.0	14.6	10.0	7.9

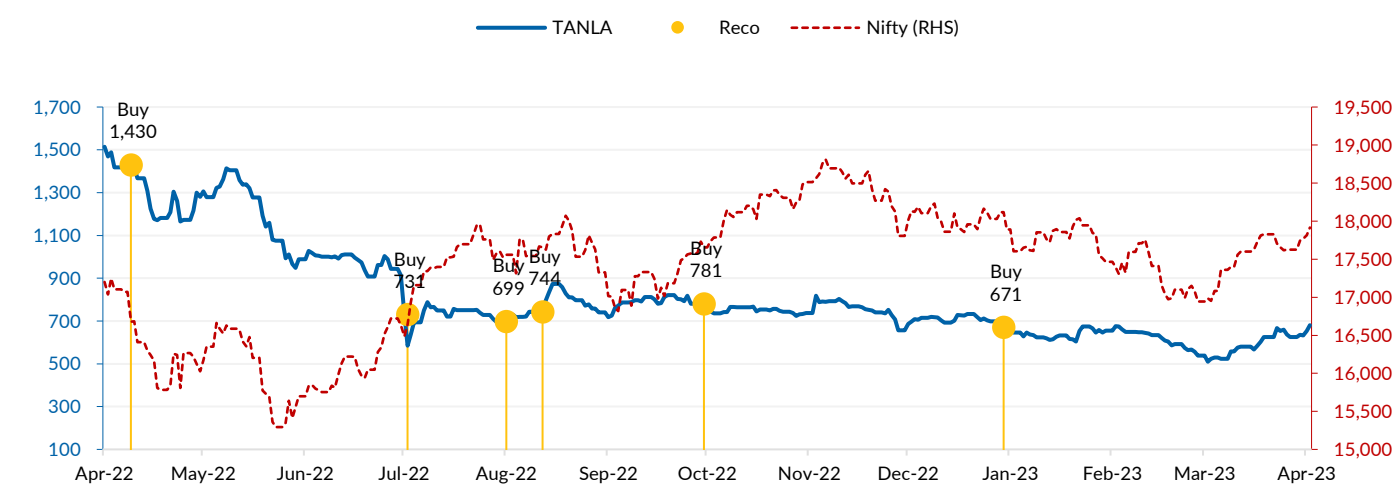
Source: Company, YES Sec

Exhibit 11: Dupont Analysis

Dupont Analysis	FY19A	FY20A	FY21A	FY22A	FY23A	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%	16.1%	20.6%	21.4%
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%	31.2%	34.6%	33.2%

Source: Company, YES Sec

Recommendation Tracker



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