HSIE Results Daily

Tanla Platforms

Margins back on track; Wisely powering platform

Tanla reported a revenue decline but the margin recovery in the enterprise segment came as a positive surprise. The enterprise revenue declined 5% QoQ, owing to seasonal and soft promotional volume but the platform revenue grew 4.1% QoQ led by Wisely Network and OTT platform. The enterprise business growth will be volume led and the proposed NLD rate hike will act as a booster. The platform segment growth will be powered by Wisely platforms. Wisely ATP (anti-phishing product) is a promising product, which has received Sandbox approval from TRAI and is under POC with large banks. Wisely Network and OTT (WhatsApp) have started yielding results, while Wisely Communicate (encrypted OTP) and Wisely Engage (performance marketing) are future drivers. The EBITDA margin has recovered >20% levels in Q4, given price negotiations with telcos and reduced input costs. We are building in improved margins for FY24E and revised our EPS estimate upward by 2.6/3.3% for FY24E/25E. We maintain our BUY rating with a TP of INR 1,050, based on 22x Dec-24 EPS, supported by a 23% EPS CAGR over FY23-25E and an RoE of ~31%. The stock is trading at 17x FY24E EPS (~34% below its 3Y average).

- **Q4FY23 highlights**: The enterprise segment (90% of revenue and 66% of gross profit) declined 5.0% QoQ to INR 7.52bn (estimate of INR 7.75bn) while gross margin expanded 177bps QoQ to 20.1%. Platform revenue (10% of revenue and 34% of gross profit) increased 4.2% QoQ to INR 0.82bn (vs estimate of INR 0.77bn) and gross margin stood at 95.8%. The consolidated revenue decreased by 4.2%, while the EBITDA margin expanded by 253bps to 19.9%. The A2P volumes are down due to lower promotional campaigns by enterprises. Wisely Network (AI/ML-based firewall) is on track to reach INR 1bn GM run rate. The WhatsApp business is up ~3.5x YoY and has reached an ARR of INR 1.5bn.

- **Outlook**: We estimate +18/23% revenue/EPS CAGRs over FY23-25E, led by +24/17% revenue CAGRs and +17/22% gross profit CAGRs for platform/enterprise segment respectively.

### Quarterly financial summary

<table>
<thead>
<tr>
<th>YE March (INR bn)</th>
<th>Q4 FY23</th>
<th>Q4 FY22 YoY (%)</th>
<th>Q3 FY23</th>
<th>QoQ (%)</th>
<th>FY21</th>
<th>FY22</th>
<th>FY23</th>
<th>FY24E</th>
<th>FY25E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Sales</td>
<td>8.33</td>
<td>8.53 (2.3)</td>
<td>8.70</td>
<td>(4.2)</td>
<td>23.41</td>
<td>32.06</td>
<td>33.54</td>
<td>39.40</td>
<td>46.35</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>2.29</td>
<td>2.43 (5.9)</td>
<td>2.17</td>
<td>5.6</td>
<td>5.78</td>
<td>9.08</td>
<td>8.36</td>
<td>10.05</td>
<td>12.08</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1.66</td>
<td>1.84 (9.8)</td>
<td>1.51</td>
<td>9.8</td>
<td>4.33</td>
<td>7.00</td>
<td>5.88</td>
<td>7.34</td>
<td>8.86</td>
</tr>
<tr>
<td>APAT</td>
<td>1.20</td>
<td>1.41 (34.5)</td>
<td>1.17</td>
<td>3.2</td>
<td>3.56</td>
<td>5.39</td>
<td>4.48</td>
<td>5.55</td>
<td>6.76</td>
</tr>
<tr>
<td>EPS (INR)</td>
<td>8.9</td>
<td>10.4 (14.2)</td>
<td>8.6</td>
<td>3.5</td>
<td>26.3</td>
<td>39.8</td>
<td>33.0</td>
<td>41.0</td>
<td>49.9</td>
</tr>
<tr>
<td>P/E (x)</td>
<td></td>
<td></td>
<td>25.9</td>
<td>17.1</td>
<td>20.6</td>
<td>16.6</td>
<td>13.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EV / EBITDA (x)</td>
<td></td>
<td></td>
<td>20.0</td>
<td>12.0</td>
<td>14.6</td>
<td>11.1</td>
<td>8.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RoE (%)</td>
<td>44.7</td>
<td>48.0 (31.2)</td>
<td>32.1</td>
<td></td>
<td>30.5</td>
<td></td>
<td></td>
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Source: Company, HSIE Research, Consolidated Financials

### Change in estimates

<table>
<thead>
<tr>
<th>YE March (INR bn)</th>
<th>FY24E Old</th>
<th>FY24E Revised</th>
<th>Change %</th>
<th>FY25E Old</th>
<th>FY25E Revised</th>
<th>Change %</th>
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<tbody>
<tr>
<td>Revenue</td>
<td>39.17</td>
<td>39.40</td>
<td>0.6</td>
<td>46.07</td>
<td>46.35</td>
<td>0.6</td>
</tr>
<tr>
<td>EBITDA</td>
<td>7.10</td>
<td>7.34</td>
<td>3.4</td>
<td>8.53</td>
<td>8.86</td>
<td>3.9</td>
</tr>
<tr>
<td>EBITDA margin (%)</td>
<td>18.1</td>
<td>18.6</td>
<td>50bps</td>
<td>18.5</td>
<td>19.1</td>
<td>60bps</td>
</tr>
<tr>
<td>APAT</td>
<td>5.41</td>
<td>5.55</td>
<td>2.6</td>
<td>6.54</td>
<td>6.76</td>
<td>3.3</td>
</tr>
<tr>
<td>EPS (INR)</td>
<td>39.9</td>
<td>41.0</td>
<td>2.6</td>
<td>48.3</td>
<td>49.9</td>
<td>3.3</td>
</tr>
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</table>

Source: Company, HSIE Research

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Key Stock Data

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<thead>
<tr>
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<tr>
<td>Rating</td>
<td>BUY</td>
<td>BUY</td>
</tr>
<tr>
<td>Price Target</td>
<td>INR 1,010</td>
<td>INR 1,050</td>
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<tr>
<td>EPS %</td>
<td>+2.6</td>
<td>+3.3</td>
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</table>

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**KEY STOCK DATA**

- Bloomberg code: TANLA IN
- No. of Shares (mn): 134
- MCap (INR bn) / ($ mn): 911,118
- 6m avg traded value (INR mn): 286
- 52 Week high / low: INR 1,510/493

**STOCK PERFORMANCE (%)**

- 3M: 6.1%
- 6M: 13.7%
- 12M: 49.9%

**SHAREHOLDING PATTERN (%)**

- Promoters: 43.73%
- FIs & Local MFs: 14.23%
- FIs & Local MFs: 42.17%
- Public & Others: 41.51%
- FPIs: 0.08%
- FPIs: 0.08%

Pledged Shares: 0.00%

Pledged shares as % of total shares

Source: BSE

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