

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 FY24/25E. We maintain our BUY rating with a TP of INR 1,050, based on 22x Dec-24E 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

YE March (INR bn)	Q4 FY23	Q4 FY22	YoY (%)	Q3 FY23	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E
Net Sales	8.33	8.53	(2.3)	8.70	(4.2)	23.41	32.06	33.54	39.40	46.35
Gross Profit	2.29	2.43	(5.9)	2.17	5.6	5.78	9.08	8.36	10.05	12.05
EBITDA	1.66	1.84	(9.8)	1.51	9.8	4.33	7.00	5.88	7.34	8.86
APAT	1.20	1.41	(14.5)	1.17	3.2	3.56	5.39	4.48	5.55	6.76
EPS (INR)	8.9	10.4	(14.2)	8.6	3.5	26.3	39.8	33.0	41.0	49.9
P/E (x)						25.9	17.1	20.6	16.6	13.7
EV / EBITDA (x)						20.0	12.0	14.6	11.1	8.7
RoE (%)						44.7	48.0	31.2	32.1	30.5

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

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

Source: Company, HSIE Research

BUY

CMP (as on 27 Apr 2023) INR 681

Target Price INR 1,050

NIFTY 17,915

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,010	INR 1,050
	FY24E	FY25E
EPS %	+2.6	+3.3

KEY STOCK DATA

Bloomberg code	TANLA IN
No. of Shares (mn)	134
MCap (INR bn) / (\$ mn)	91/1,118
6m avg traded value (INR mn)	286
52 Week high / low	INR 1,510/493

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	5.3	(8.6)	(53.6)
Relative (%)	3.1	(10.1)	(60.4)

SHAREHOLDING PATTERN (%)

	Dec-22	Mar-23
Promoters	43.73	44.17
FIs & Local MFs	0.08	0.08
FPIs	14.02	14.23
Public & Others	42.17	41.51
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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Any holding in stock – No

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