

Retail Equity Research

Tanla Platforms Limited

IT - Software

BSE CODE : 532790

NSE CODE: TANLA

BLOOMBERG CODE: TANLA:IN

SENSEX : 61,764

BUY

12 Months Investment Period

Rating as per Small Cap

CMP Rs. 678 TARGET Rs. 848 RETURN 25% ↑

(Closing: 08-05-2023)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↓

Stabilising of prices, improve profitability..

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

- As a seasonally weak quarter, Q4FY23 revenue declined by 2.0% YoY.
- EBITDA margin expanded by 253bps QoQ to 20% in Q4FY23 on stabilisation of prices along with operational efficiency.
- We expect improved revenue visibility in FY24 due to growth in UPI, e-commerce transactions, an increase in realisation of revenue from new & existing customers and price hikes.
- The increasing acceptance of the Wisely platform is expected to drive revenue and margin growth.
- Therefore, we value Tanla at a PE of 17x FY25E adj. EPS, and reiterate Buy rating with a revised target price of Rs. 848.

Growing Popularity of 'Wisely' Platform

In Q4FY23, revenue declined by 2.0% YoY to Rs. 833.5cr as it was a seasonally weak quarter. Segment-wise, the Enterprise business witnessed a degrowth of 4% on YoY basis due to the impact of seasonality and lower volume, while the Platform business marked a strong growth of 19% YoY. This was primarily driven by the Trubloq and Wisely platforms. During FY23, around 32% of platform revenue was contributed by Wisely, indicating growing acceptance. During FY24, the management foresees an improvement in revenue in the Enterprise segment, which is expected to be propelled by growth in UPI and e-commerce transactions, new channels such as WhatsApp and Truecaller, and price hikes. Similarly, given the favourable trends in digital interactions and easy-to-deploy models, the company anticipates stable growth in Wisely products in the near future.

Exhibiting margins expansion

During FY23, the company successfully onboarded 269 new customers, generating revenue of Rs.50cr. Around 28% of these new customers were added to WhatsApp business. The gross profit grew sequentially by 6% to Rs.228.9cr in Q4FY23, led by improved margins in Enterprise and incremental growth in Platform business. Gross margin improved by 260bps to 27.5% in Q4FY23 on stabilisation of prices along with operational efficiency. EBITDA margin expanded by 253bps QoQ to 20%. As a result, bottom line PAT improved sequentially by 3.2% QoQ to Rs.120.3cr with a PAT margin of 14.4%. We expect the margin to improve on the back of higher profitability and improved volumes in both Enterprise & Platform business.

Key con-call highlights

- Platform business is growing due to increased digital interactions and expected support from UPI transactions.
- The company introduced the Wisely ATP (Anti-Phishing Technology Platform), a patented AI-ML- platform that showed impressive performance during the testing phase to TRAI and generated interest from other foreign regulators and telcos in UAE & Saudi Arabia.

Valuation

We expect revenue to grow at a CAGR of 15% in FY23-25E, relying on new client additions, increased realisation from new and existing customers, price hikes and an increase in UPI transactions. The increasing adoption of the Wisely platform is expected to drive revenue and margin growth. We expect earnings to grow at a CAGR of 22% during FY23-25E. Therefore, we value Tanla at a PE of 17x FY25E adj. EPS, and reiterate Buy rating with a revised target price of Rs. 848.

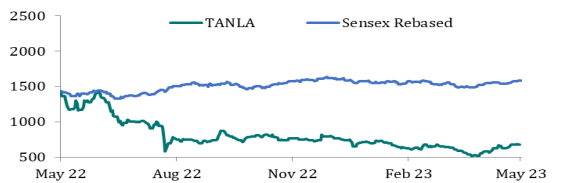
Company Data

Market Cap (Rs cr)	9,345
Enterprise Value (Rs cr)	9,230
Outstanding Shares (Rs cr)	13.4
Free Float	55.8
Dividend Yield (%)	0.29
52 week high (Rs)	1,447
52 week low (Rs)	506
6m average volume (cr)	0.04
Beta	1.01
Face value (Rs)	1.0

Shareholding (%)	Q2FY23	Q3FY23	Q4FY23
Promoters	43.7	43.7	44.2
FII's	14.8	14.8	14.2
MFs/Institutions	0.17	0.17	0.07
Public	36.0	36.0	36.0
Employees	5.3	5.3	5.3
Total	100.0	100.0	100.0
Promoters' Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1Year
Absolute Return	13.3%	-6.6%	-46.9%
Absolute Sensex	2.0%	2.1%	13.6%
Relative Return *	11.3%	-8.7%	-60.5%

* Over or under performance to benchmark



Consolidated (cr)	FY23A	FY24E	FY25E
Sales	3,355	3,879	4,430
Growth (%)	4.6	15.6	14.2
EBITDA	588	749	890
EBITDA Margin (%)	17.5	19.3	20.1
PAT Adj.	448	552	669
Growth (%)	-16.0	23.4	21.2
Adj.EPS	33.3	41.1	49.9
Growth (%)	-15.2	23.4	21.5
P/E	20.3	16.4	13.5
P/B	5.1	3.9	3.0
EV/EBITDA	11.3	8.5	6.5
ROE (%)	28.5	26.9	25.3
D/E	0.03	0.03	0.03

Vinod T P

Research Analyst



Quarterly Financials (Consolidated)

(Rs. cr)	Q4FY23	Q4FY22	YoY Growth (%)	Q3FY23	QoQ Growth (%)	FY23	FY22	YoY Growth (%)
Revenue	833.5	853.1	-2.3	869.6	-4.2	3,354.3	3,206.0	4.6
EBITDA	166.1	184.1	-9.8	151.4	9.75	588.1	700.1	-16.0
EBITDA margins (%)	19.90	21.6	-165bps	17.4	253bps	17.5	21.8	-431bps
Depreciation	14.7	10.2	43.9	12.2	20.3	46.2	40.9	13.0
EBIT	151.5	173.9	-12.9	139.2	8.8	541.9	659.3	-17.8
Interest	0.4	0.3	40.0	0.2	100.0	1.4	1.3	3.0
Other Income	4.8	4.6	5.2	6.1	-20	26.4	16.1	64.0
Exceptional Items	-0.2	-2.6	-93.9	-0.1	128.6	0.0	0.0	-
PBT	156.0	180.9	-13.7	144.9	7.7	572.1	680.5	-15.9
Tax	35.7	40.2	-11.2	28.4	25.8	137	69	97.7
Share of profit from Associate	-	-	-	-	-	-	-	-
Minority Interest	-	-	-	-	-	-	-	-
Reported PAT	120.3	140.6	-14.5	116.5	3.2	447.7	539.3	-17.0
Adjustments	0.0	0.0	-	-	-	-	-	-
Adjusted PAT	120.3	140.6	-14.5	116.5	3.2	447.7	539.3	-17.0
No. of shares	13.6	13.6		13.6		54.3	54.4	-0.2
EPS (Rs)	8.9	10.3	-14.2	8.6	3.2	8.2	9.9	-16.8

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Revenue	4,096	4,592	3,879	4,430	-5.30	-3.52
EBITDA	762	877	749	890	-1.76	1.53
Margins (%)	18.6	19.1	19.3	20.1	70bps	100bps
Adj. PAT	564	669	531	652	-5.89	-2.61
EPS	41.5	49.3	39.5	48.6	-4.83	-1.38

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Sales	2,341	3,206	3,355	3,879	4,430
% change	20.5	36.9	4.6	15.6	14.2
EBITDA	432	700	588	749	890
% change	233.0	61.9	-16.0	27.4	19.0
Depreciation	39.6	40.9	46.2	60.3	45.2
EBIT	393	659	542	688	845
Interest	1.1	1.1	1.4	2.6	2.6
Other Income	18	16	26	27	31
PBT	410	674	567	713	874
% change	-274	64	-16	26	23
Tax	69.4	137.2	115.4	156.8	201.0
Tax Rate (%)	17	20	21	22	23
Reported PAT	351	536	448	552	669
Adj*	14.4	2.3	0.0	0.0	0.0
Adj PAT	337	533	448	552	669
% change	-258	58	-16	23	21
Shares Outstanding (cr)	13.6	13.6	13.4	13.4	13.4
EPS (Rs)	25.8	39.4	33.3	41.1	49.9
% change	-269	59	-15	23	22
DPS (Rs)	1.0	1.0	1.2	1.2	1.2
CEPS (Rs)	27.7	42.3	36.7	45.6	53.3

CASH FLOW

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Net income + Depreciation	391	576	494	613	714
Non-cash adjustments	0	0	0	0	0
Other adjustments	-9	-6	1	3	3
Changes in working capital	179	-137	-11	-305	-82
Cashflow from operations	567	440	484	310	635
Capital expenditure	-32	-101	-103	-6	-50
Change in investments	0	0	0	0	0
Other investing cashflow	22	0	0	0	0
Cashflow from investing	-10	-101	-103	-6	-50
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	-2	-3	-3
Cashflow from Financing	-168	35	-10	-11	-11
Change in cash & cash eq	389	373	372	294	574
Closing cash & cash eq	584	862	1,234	1,528	2,102

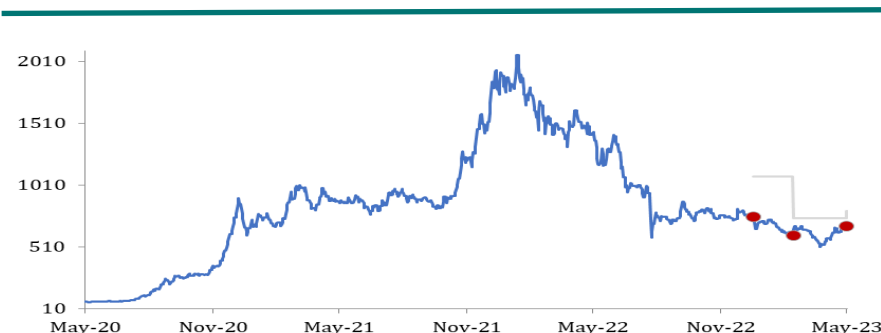
BALANCE SHEET

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Cash and cash eq	584	862	1,234	1,528	2,102
Accounts receivable	384	570	570	638	728
Inventories	-	-	-	-	-
Other current assets	312	459	453	505	577
Investments	-	-	-	-	-
Gross fixed assets	531	596	646	696	746
Net fixed assets	34	91	95	85	90
CWIP	6	54	64	20	20
Intangible assets	223	213	255	255	255
Deferred tax assets, net	48	41	41	41	41
Other assets	37	119	109	116	124
Total assets	1,628	2,410	2,822	3,188	3,937
Current liabilities	717	989	961	782	869
Provisions	6	7	5	5	6
Debt funds	4	54	62	70	78
Other liabilities	8	6	9	10	10
Equity capital	14	14	13	13	13
Reserves & surplus	880	1,340	1,772	2,308	2,961
Shareholder's funds	893	1,354	1,785	2,321	2,974
Total liabilities	1,628	2,410	2,822	3,188	3,937
BVPS (Rs)	59	94	124	164	213

RATIOS

Y.E March (Rs cr)	FY21A	FY22A	FY23A	FY24E	FY25E
Profitability & Return Ratios					
EBITDA margin (%)	18.5	21.8	17.5	19.3	20.1
EBIT margin (%)	16.8	20.6	16.1	17.7	19.1
Net profit margin (%)	14.4	16.6	13.3	14.2	15.1
ROE (%)	42.4	47.5	28.5	26.9	25.3
ROCE (%)	35.0	36.9	21.8	20.4	19.0
Working capital & Liquidity ratios					
Receivables (days)	56.4	54.3	62.0	56.8	56.3
Inventory (days)	0.0	0.0	0.0	0.0	0.0
Payables (days)	81.4	112.6	127.7	98.5	79.1
Current ratio (x)	1.8	1.9	2.3	3.3	3.8
Quick ratio (x)	1.3	1.4	1.8	2.7	3.1
Turnover & Leverage ratios					
Gross asset turnover (x)	4.4	5.7	5.4	5.8	6.1
Total asset turnover (x)	1.7	1.6	1.3	1.3	1.2
Interest coverage ratio (x)	367.1	615.9	386.8	262.6	323.1
Adjusted debt/equity (x)	0.0	0.0	0.0	0.0	0.0
Valuation ratios					
EV/Sales (x)	3.1	2.2	2.0	1.6	1.3
EV/EBITDA (x)	16.8	10.0	11.3	8.5	6.5
P/E (x)	27.4	17.3	20.4	16.5	13.6
P/BV (x)	10.3	6.8	5.1	3.9	3.1

Recommendation summary (Last 3 Years)



Dates	Rating	Target
21-12-2022	Buy	920
16-02-2023	Buy	740
09-05-2023	Buy	848

Source: Bloomberg, Geojit Research.

Investment Rating Criteria

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

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.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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