

Tanla Platforms

Growth tailwinds

Tanla is expected to witness growth acceleration, led by a revival in the Enterprise business (volume uptick and ILD price hike) and traction in the Platform business (new product launches). The growth in Enterprise business will be driven by (1) a continued surge in transactional SMS traffic, led by UPI and OTP; (2) a price hike of ~30% in ILD rates in Q1; (3) the acquisition of ValueFirst, which will lead to market share gains and pricing power; and (4) client-specific issues being over and enterprise gross margins back at 20% level. The growth in the platform segment will be powered by Wisely platforms and continued strength in Trubloq. Wisely Anti-phishing (ATP) is a promising product, which has received Sandbox approval from TRAI and is under POC with three large banks. The EBITDA margin which was impacted in Q1FY23 has returned to normal level in Q4FY23. The ValueFirst integration in Q2FY24E will impact margins by ~150bps but cost synergies will lead to gradual margin expansion. We expect revenue/EPS CAGR of 24/26% (organic 18/20%) over FY23-26E and upgrade our EPS estimate by 11/12% for FY24/25E to factor in acquisition and growth uptick. We maintain our BUY rating and assign a TP of INR 1,350, based on 23x June-25E EPS. The stock is trading at a P/E of 20x FY25E.

- Enterprise growth acceleration:** The enterprise business (90% of revenue and 65% of gross profits) growth rate moderated in FY23 to ~3% (FY20-23 CAGR of 17%) due to drag in one large client and abnormal price cut in one large account. We expect the growth to revert to 18% CAGR on an organic basis, led by a revival in A2P SMS volume (both transactional and promotional), stability of pricing for NLD and steep rate hikes in ILD pricing. Enterprise business will register a growth of 33% in FY24E, and organic/ inorganic growth will be 19/14%.
- Platform driven by Wisely:** Platform business (10% of revenues and 35% of gross profit) consists of Trubloq (DLT platform), Wisely and SMSC. Trubloq is a mature product and contributes approximately half of the platform revenues, whereas Wisely products are moving from the development to scale phase. Wisely is ~30% of platform revenues and has the potential to drive the next phase of growth for the Platforms business. Wisely products like OTT and Network have started generating results, and the anti-phishing product (ATP) is expected to be a key growth driver for the platform business. We expect a revenue CAGR of 26% for platform business over FY23-26E and Wisely will reach ~44% of platform business in FY25E.
- ValueFirst is EPS accretive:** ValueFirst was acquired by Tanla in June-23 for a sum of INR 3.7bn at a valuation of 7x EV/EBITDA and 12x P/E. ValueFirst is the third largest CPaaS player in India and post-acquisition, Tanla's revenue market share will reach ~35%. The deal will boost FY24E EPS by ~5%.

Consolidated Financial Summary

YE March (INR bn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	23.41	32.06	33.54	44.73	54.52	63.45
Gross Profit	5.78	9.08	8.36	11.39	14.01	16.50
EBITDA	4.33	7.00	5.88	8.18	10.06	11.98
APAT	3.56	5.39	4.48	6.15	7.59	9.04
Diluted EPS (INR)	26.3	39.8	33.0	45.4	56.0	66.8
P/E (x)	42.1	27.8	33.5	24.4	19.8	16.6
EV/EBITDA (x)	33.2	20.3	24.4	17.6	13.8	11.1
ROE (%)	44.7	48.0	31.2	34.9	32.8	30.2

Source: Company, HSIE research

BUY

CMP (as on 18 Jul 2023)	INR 1,107
Target Price	INR 1,350
NIFTY	19,749

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,050	INR 1,350
EPS %	FY24E +10.7	FY25E +12.3

KEY STOCK DATA

Bloomberg code	TANLA IN
No. of Shares (mn)	134
MCap (INR bn) / (\$ mn)	149/1,819
6m avg traded value (INR mn)	803
52 Week high / low	INR 1,158/493

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	69.2	55.4	15.1
Relative (%)	57.3	46.0	(7.4)

SHAREHOLDING PATTERN (%)

	Mar-23	Jun-23
Promoters	44.17	44.17
FIs & Local MFs	0.08	0.38
FPIs	14.23	14.56
Public & Others	41.51	40.88
Pledged Shares	0.00	0.00

Source : BSE

Amit Chandra

amit.chandra@hdfcsec.com
+91-22-6171-7345

Vivek Sethia

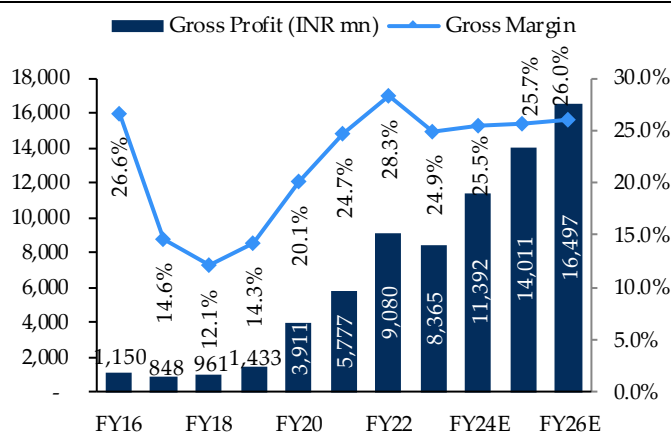
vivek.sethia@hdfcsec.com
+91-22-6171-7339

Tanla revenue segments

Revenue Segment (INR mn)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	CAGR FY20-23	CAGR FY23-26E
Platform revenue	790	1,452	2,523	3,028	3,993	4,929	6,121	56%	26%
Growth %		83.8%	73.8%	20.0%	31.9%	23.4%	24.2%		
% of revenue	4.1%	6.2%	7.9%	9.0%	8.9%	9.0%	9.6%		
Enterprise revenue	18,639	21,964	29,536	30,514	36,435	42,567	49,330	18%	17%
Growth %	0	17.8%	34.5%	3.3%	19.4%	16.8%	15.9%		
% of revenue	95.9%	93.8%	92.1%	91.0%	81.5%	78.1%	77.7%		
ValueFirst (ex of Intercompany elimination)					4,300	7,024	7,999	NM	NM
Growth %						63.3%	13.9%		
% of revenue					9.6%	12.9%	12.6%		
Total Revenue	19,429	23,416	32,059	33,542	44,728	54,519	63,449	20%	24%
Growth %	93.5%	20.5%	36.9%	4.6%	33.3%	21.9%	16.4%		

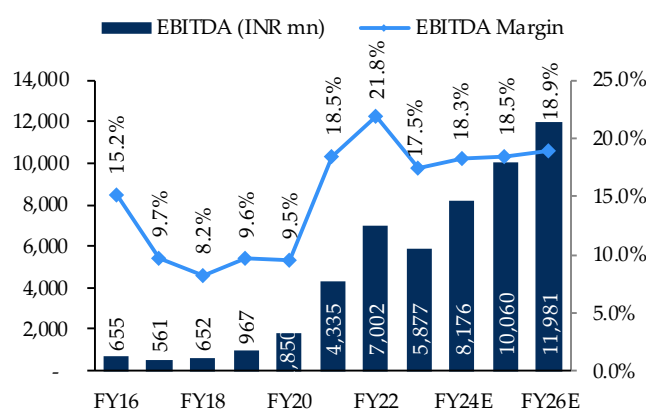
Source: Company, HSIE research

Gross profit CAGR of 25% over FY23-26E, GM% will remain stable at 25-26% level



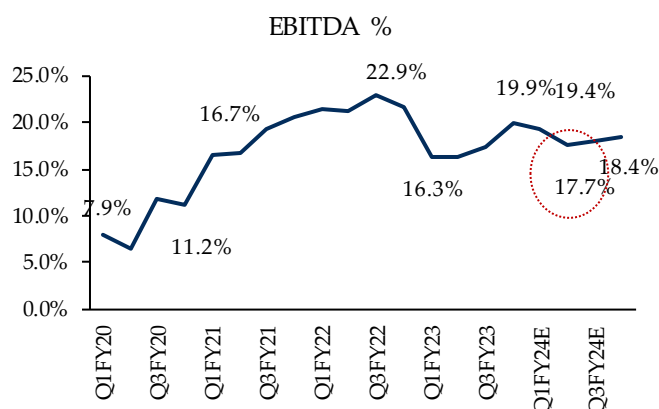
Source: Company, HSIE Research

EBITDA CAGR of 27% over FY23-26E, EBITDA % will recover in FY24E



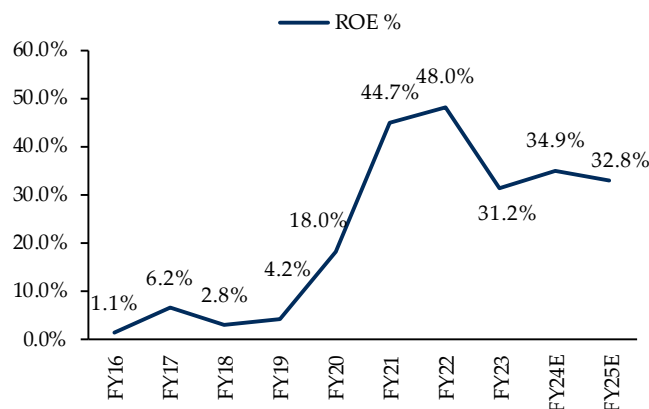
Source: Company, HSIE Research

EBITDA margin recovered to ~20% in Q4, ValueFirst integration will impact margin in Q2FY24E



Source: Company, HSIE Research

RoE was impacted in FY23 due to client-specific issue, RoE will remain at a healthy level of >30%



Source: Company, HSIE Research

Platform: Driven by Trubloq and Wisely

Tanla's platform business (10% of total revenues, 35% of total gross profit) consists of Trubloq (DLT platform) and Wisely (collection of six platforms). Trubloq is a mature product and contributes approximately half of the platform revenues, whereas the Wisely products are moving from development to the monetisation/scale phase. Wisely currently contributes only 30% to platform revenues and has the potential to drive the next phase of growth for Tanla's Platforms business. Wisely products like OTT and Network have started generating results, and the anti-phishing product (ATP) is expected to be a key growth driver for the platform business.

Trubloq

Launched in Sep 2020, **Trubloq** is a blockchain-based platform developed on DLT (Distributed Ledger Technology) that handles unsolicited commercial communications (UCC) as per the mandates laid out by TRAI and improves security by filtering out spam and fraud messages. As of FY23, Trubloq served over 50,000 enterprises. As Tanla processes more than 800bn interactions annually, 63% of India's A2P SMS traffic is processed through Trubloq—SMSC is responsible for routing messages to end users which in turn helps generate revenues in partnership with telcos. The recent TRAI mandate for telcos to deploy AI/ML to detect, identify and act against UCC should boost Trubloq sales.

Wisely

In collaboration with Microsoft, **Tanla launched the Wisely Platform**, a blockchain-based platform (based on Microsoft Azure) which provides omnichannel capabilities to enterprises with a single API and end-to-end encryption capabilities. Wisely has bagged two deals (1) with VI to secure, encrypt and enhance performance for international message traffic and (2) with Truecaller to improve the efficiency of business messaging.

Wisely OTT and Network are in the scale phase and generate the bulk of Wisely's revenue. Wisely Communicate and Wisely Engage are in the Customer Success phase. Wisely ATP, which has been launched in Q4, is in the customer testing phase (POCs with three large banks). The company aims that each of the Wisely products has the potential to generate an annual gross profit run rate of INR 1bn, as they move into the scale phase.

Wisely Network

The Wisely Network platform provides ILD leakage for Telcos (deployed with VI). The platform uses AI/ML/NLP engine on the firewall and enhances leakage detection. Wisely Network has blocked 5mn+ messages per month with <1% leakage.

Wisely OTT

Over-the-Top (OTP) messaging implies messages sent via applications such as Facebook Messenger, WhatsApp, Telegram etc. Wisely OTT volume has registered a 40% QoQ volume growth in Q4FY23.

Wisely Communicate

The communicate product helps enterprises reach customers on multiple channels, ensuring instant message delivery of the OTP messages. Tanla has gone live with two banks (delivers ~200mn messages per month).

Wisely Engage

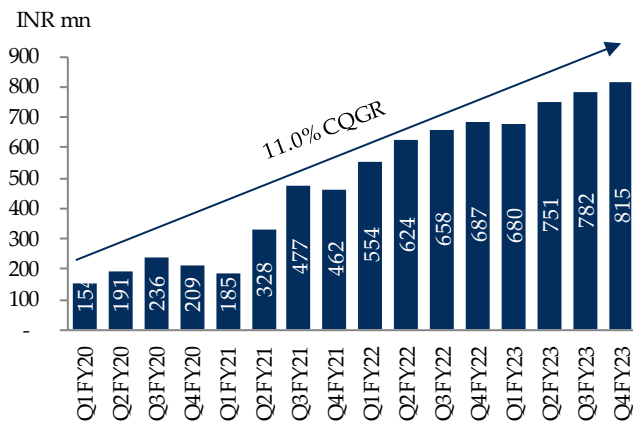
The product helps build solutions for performance-based marketing with conversational AI and has initiated POC with clients in Q1FY24 (commercial closures expected during the quarter).

Wisely ATP – potential revenue driver

In MWC 2023, Tanla launched its anti-phishing technology platform Wisely ATP, protecting users from phishing and fraudulent messages. With growing scams due to SMS phishing, the ATP product aims at solving the phishing problem end-to-end by identifying the scammer and disabling the scam. The ATP product has received sandbox approval from TRAI and is under POC with large banks. This product will be deployed at the Telco end and VI has already tied up with Wisely ATP for its ATP solution. The success of this product is crucial for Tanla and it accelerates the growth of the Platform business. Wisely ATP alone has an incremental revenue potential of ~INR 0.5-1bn per year and will be recurring in nature.

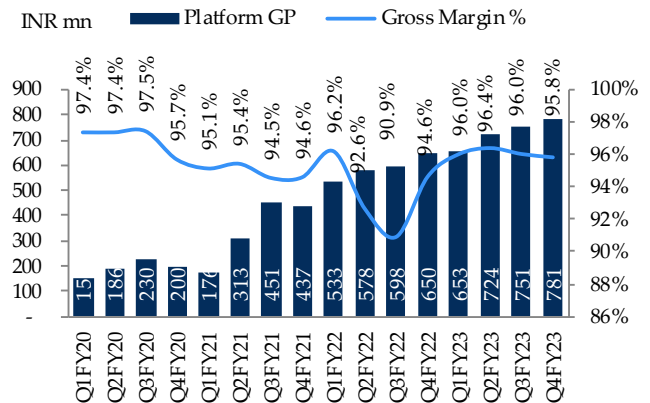
According to industry estimates, ~5bn+ SMS phishing attempts are made annually in India, which impacts >6mn citizens leading to an estimated financial loss of INR 150bn.

Platform revenue grew at a CQGR of 11% during the last 16 quarters



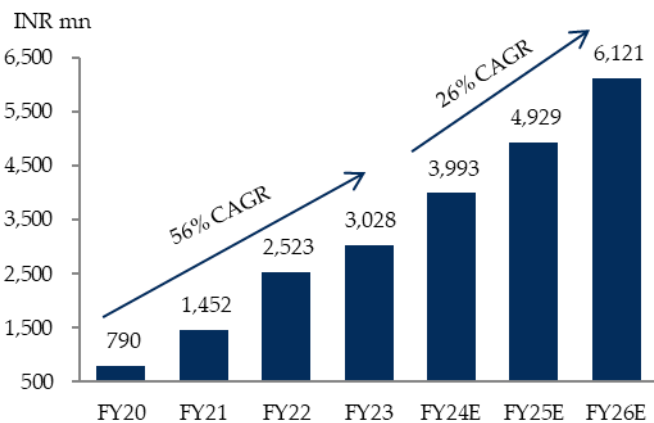
Source: Company, HSIE Research

Platform gross margin has recovered from the lows of FY22



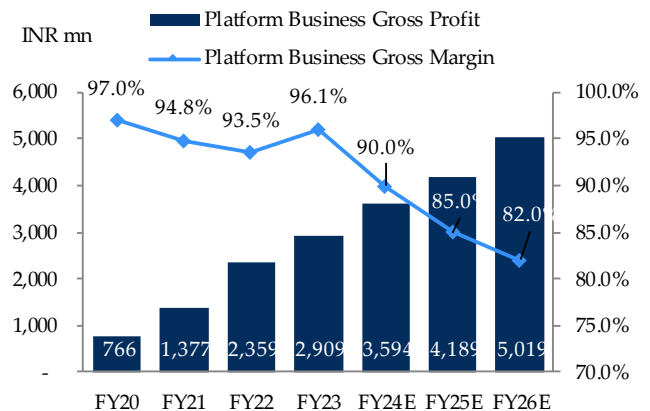
Source: Company, HSIE Research

Platform revenue has scaled significantly from FY20-23 and is estimated to grow at a 26% CAGR over FY23-26E



Source: Company, HSIE Research

Platform gross margin is expected to be >80% post Wisely scale-up

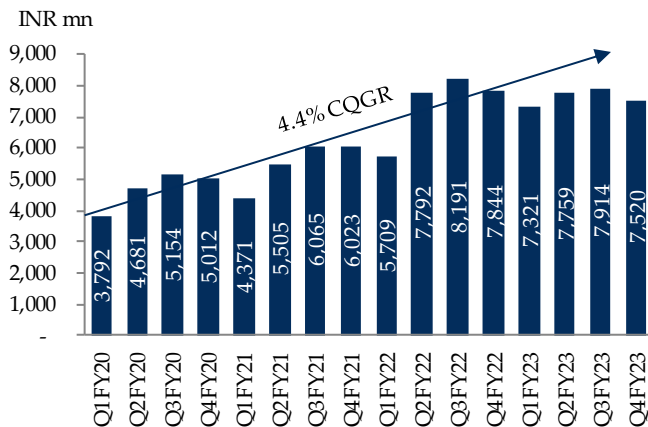


Source: Company, HSIE Research

Enterprise business: NLD is led by volume, ILD by pricing

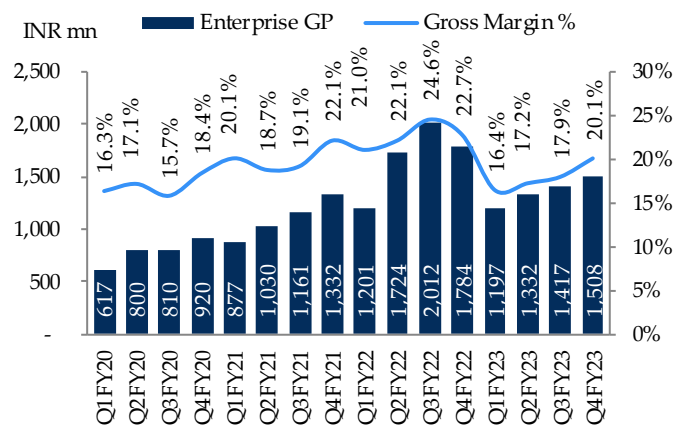
The enterprise segment is ~90% of total revenue and ~65% of gross profit. The Enterprise business for Tanla has registered a strong revenue CAGR of 18% over FY20-23, driven by growth in transactional A2P messaging volume and ILD price hike. The growth in Enterprise business will be driven by factors such as (1) a continued rise in transactional SMS volume driving NLD revenue, (2) a price hike in ILD messages driving NLD revenue, which is ~30% Enterprise revenue, and (3) acquisition of Value first strengthening the domestic market share and increase pricing power with telcos. The increase in the ILD rate has led to a reduction in A2P SMS volume by global majors like Amazon, Google, Apple, and Facebook. They have either reduced SMS/transaction or have shifted to other ways of communication/authentication. However, on an absolute basis, the ILD revenue pool has increased for Telcos.

Enterprise revenue grew at a 4.4% CQGR during the last 16 quarters



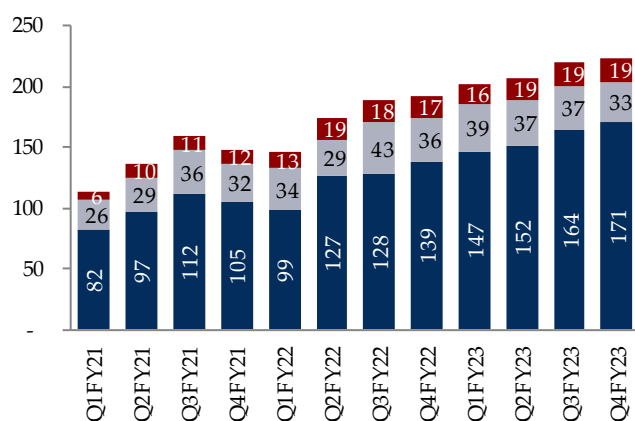
Source: Company, HSIE Research

Enterprise gross margin has been expanding over the last four quarters



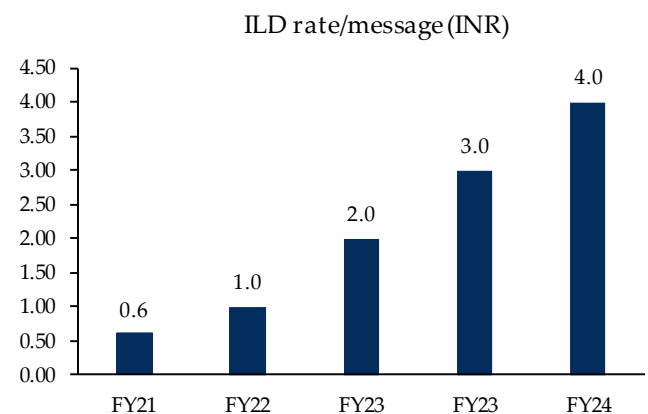
Source: Company, HSIE Research

Client count of >INR 500mn revenues grew at a 10% CQGR over the last 12 quarters



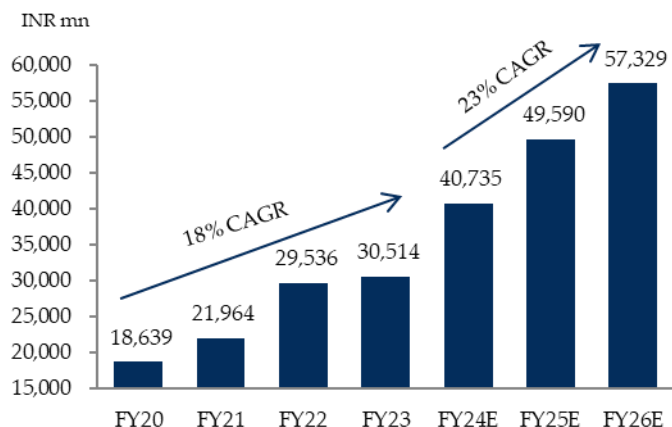
Source: Company, HSIE Research, volume mix for April-23

ILD rate has witnessed multiple price hike in the last four years, up 2x in last two years



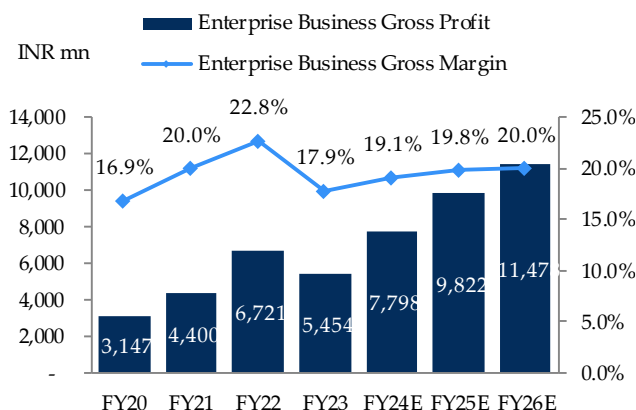
Source: Company, HSIE Research

Enterprise revenue to grow at 23% CAGR on the back of volume growth, ILD price hike, and ValueFirst acquisition



Source: Company, HSIE Research

Enterprise’s gross margin will remain in the 19-20% band



Source: Company, HSIE Research

The surge in transactional SMS driving NLD volume

India has witnessed a surge in transactional messages, led by UPI, mobile banking, market trades and Aadhaar-linked authentication messages. UPI is the single-largest contributor, as it accounts for ~37% of the total messages. Based on our estimates, ~1.8bn messages are sent every day and ~0.63bn messages originate from UPI-linked transactions (considering two messages for every UPI transaction). The UPI-triggered messages have increased at a CAGR of 97% over the last three years. Transaction messages originating from various sources (UPI, mobile banking, market trades etc.) have reached ~1.14bn messages/day and account for ~64% of the total A2P messages. The remaining are promotional messages generated by banks, corporates, e-commerce companies, etc. The growth in the Indian CPaaS market is led by surge in transactional messages, which registered a strong CAGR of ~81% over the last three years.

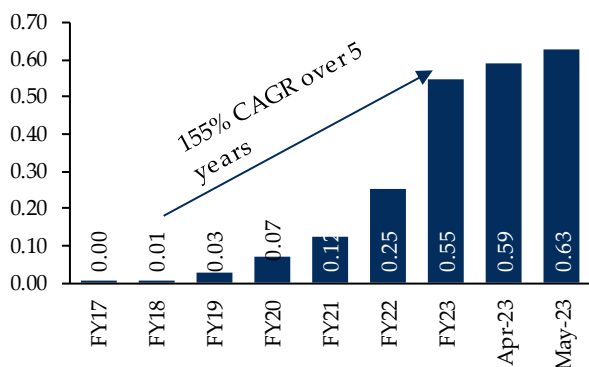
A2P message breakdown- May 2023

Transactional messages	SMS Triggered per day (bn)
UPI [^]	0.63
Debit + Credit [#]	0.07
Mobile + Internet banking transactions ^{^^}	0.29
Aadhaar authentication ^{^^}	0.06
No of Trades ^{^^^}	0.10
Transactional SMS/Day	1.14
Total SMS/Day (Transactional + Promotional)	1.80
Transactional as % of total messages	64%

Source: RBI, UIDAI, NSE, BSE, HSIE research, * considering 2 messages per UPI transaction, # considering ~1.5 messages/transaction, ^^ considering 1 message per instance, ^^^ ~0.5 messages per trade on NSE

UPI-triggered SMS account for ~37% of total A2P traffic and has registered ~97% CAGR over the last three years

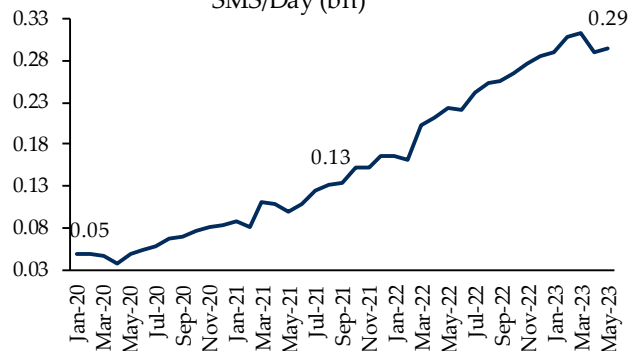
UPI triggered SMS/day (bn)



Source: RBI, HSIE research

Mobile and internet banking transactions on the rise led by digital adoption: >5x in three years

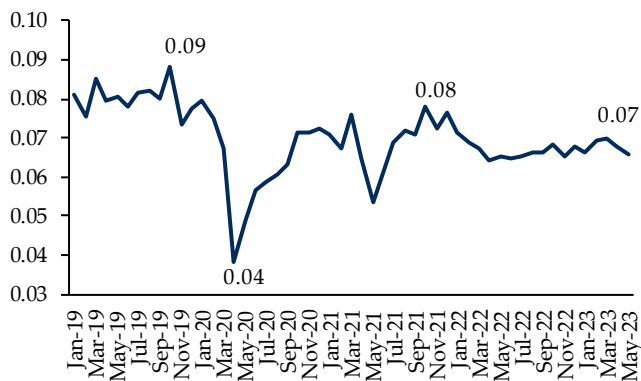
Mobile + Internet Banking Triggered SMS/Day (bn)



Source: RBI, HSIE research

Debit and credit card POS/ATM transactions stable: Account for ~4% of the volume

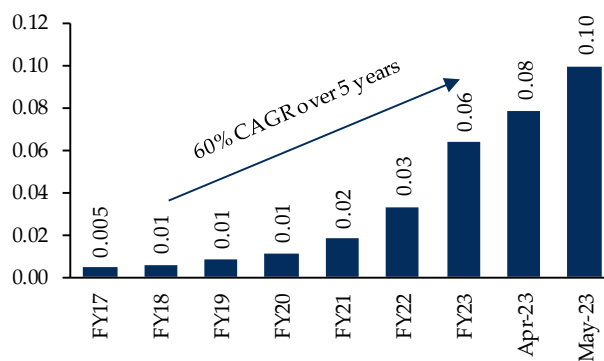
Debit+Credit+NEFT Triggered SMS/day (bn)



Source: RBI, HSIE research

Market trades linked messages have registered strong growth led by retail participation

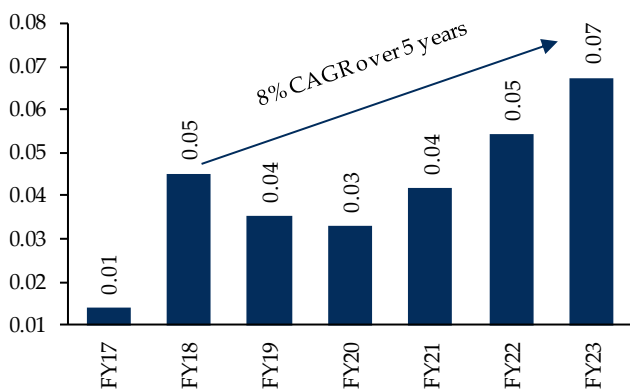
Market Trade Triggered SMS/day (bn)



Source: NSE, BSE, HSIE research

Aadhaar-based KYC + authentication messages on the rise

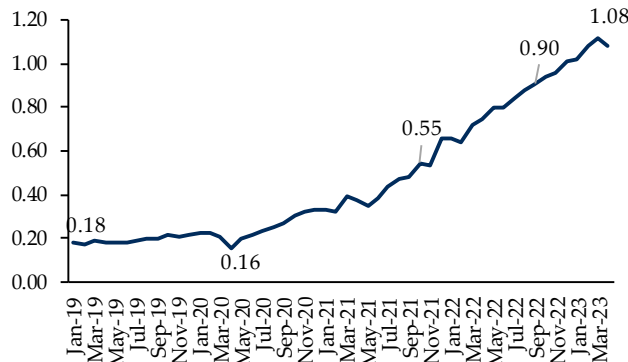
Aadhaar triggered SMS/day (bn)



Source: UIDAI, HSIE research

Transactional A2P messages account for ~64% of the total traffic and has registered 3Y CAGR of ~81%

No of transactional SMS/day (bn)



Source: RBI, UIDAI, NSE, BSE, HSIE research

ValueFirst acquisition: Further strengthens Enterprise biz

Tanla Platforms announced the acquisition of ValueFirst in June 2023 for a total consideration of INR 3.7bn valuing ValueFirst at 7x EV/EBITDA and 12x P/E. The deal is not only EPS accretive for the company but it will also strengthen Tanla's market leadership position, increase its domestic market share to 35%, and help expand its international presence. The company has a strong track record with the acquisition of Karix and post-acquisition in 2019, the revenue/EBITDA of Karix has multiplied by 3/20x over four years.

To expand international operations, Tanla also acquired ValueFirst Middle East FZC (operations in Indonesia, KSA, and the UAE). ValueFirst has a 10% market share in the UAE and there is a huge addressable market in Indonesia and KSA.

ValueFirst's consolidated revenue grew at a CAGR of ~19% over the last five years to INR 9.5bn in FY23. There is minimum customer overlap with Karix and a cross-sell opportunity exists. Karix caters to large enterprises (57% of FY23 revenue from customers with >INR 500mn revenue) while ValueFirst caters to mid-sized enterprises (60% of FY23 revenues from customers with <INR 500mn revenue).

Post-acquisition on a proforma basis, the revenue/EBITDA will increase by ~19.2/8.9%. The deal is gross margin accretive but will dilute EBITDA margin by ~150bps. The domestic business will be merged effective July 2023 and the international business will get integrated in Sep-23. The acquisition will lead to margin dilution of ~150bps for Tanla as ValueFirst's EBITDA margin is ~6% vs ~18% for Tanla. However, given Tanla's track record with Karix and synergy benefits, it is expecting a margin improvement of 140-150 bps in 12-18 months.

Proforma impact of the ValueFirst acquisition

FY23 (INR bn)	Tanla	ValueFirst	Combined Entity	% increase	change bps
Revenue	33.54	9.50	40.00	19.2%	
Gross Margin	8.36	1.71	10.07	20.4%	
EBITDA	5.88	0.52	6.40	8.9%	
PAT	4.48	0.33	4.81	7.5%	
GM%	24.9%	18.0%	25.2%		24
EBITDA %	17.5%	5.5%	16.0%		(152)
PAT %	13.3%	3.5%	12.0%		(132)
P/S (x)	4.5	0.4			
EV/EBITDA (x)	24.4	7.0			
P/E (x)	33.5	12.3			

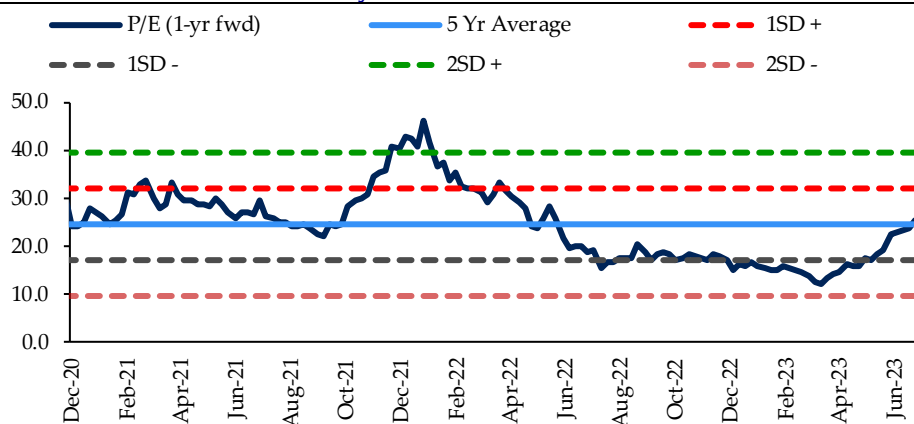
Source: HSIE research; Valuation multiples for Tanla and ValueFirst are based on FY23 numbers

Change in estimates (consolidated)

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %
Revenue	39.40	44.73	13.5	46.35	54.52	17.6
EBITDA	7.34	8.14	11.0	8.86	10.06	13.5
EBITDA Margin (%)	18.6	18.3	-34bps	19.1	18.5	-67bps
APAT	5.55	6.15	10.7	6.76	7.59	12.3
EPS (INR)	41.0	45.4	10.7	49.9	56.0	12.3

Source: HSIE research

Tanla Platforms - Price Chart- 1-yr fwd P/E



Source: Bloomberg, HSIE Research

Peer Valuation

Company	MCap (INR bn)	CMP (INR)	TP (INR)	RECO	EPS (INR)				P/E (x)				ROE (%)				Rev CAGR% FY23-25E	EPS CAGR% FY23-25E
					FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E		
Tanla	150	1,107	1,350	BUY	39.8	33.0	45.4	56.0	27.8	33.5	24.4	19.8	48.0	31.2	34.9	32.8	27.5	30.2
Route	93	1,490	1,735	BUY	26.1	51.3	59.8	72.5	57.0	29.1	24.9	20.5	14.0	18.3	19.1	20.4	17.7	18.9
Average					33.0	42.2	52.6	64.3	42.4	31.3	24.6	20.1	31.0	24.7	27.0	26.6	22.6	24.6

Source: HSIE Research, Price updated as on 18th July, 2023

Financials

Consolidated Income Statement

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	10,040	19,428	23,415	32,060	33,543	44,728	54,519	63,449
<i>Growth (%)</i>	26.8	93.5	20.5	36.9	4.6	33.3	21.9	16.4
Cost of services	8,607	15,517	17,638	22,979	25,178	33,336	40,507	46,952
Gross Profit	1,433	3,911	5,777	9,080	8,365	11,392	14,011	16,497
Employee Expenses	229	1,089	861	1,268	1,338	1,850	2,381	2,688
Connectivity and related expenses	27	82	117	134	144	180	207	241
Other operating Expenses	209	890	464	676	1,006	1,186	1,363	1,586
EBITDA	967	1,850	4,335	7,002	5,877	8,176	10,060	11,981
<i>EBITDA Margin (%)</i>	9.6	9.5	18.5	21.8	17.5	18.3	18.5	18.9
<i>EBITDA Growth (%)</i>	48.4	91.3	134.3	61.5	(16.1)	39.1	23.1	19.1
Depreciation	732	3,778	396	409	462	619	709	819
EBIT	235	(1,928)	3,939	6,593	5,415	7,557	9,351	11,163
Other Income (Including EO Items)	106	(364)	219	161	264	147	153	159
Interest	3	64	11	13	14	17	18	18
PBT	338	(2,356)	4,148	6,741	5,666	7,687	9,487	11,303
Tax (Incl Deferred)	37	(261)	586	1,348	1,189	1,537	1,897	2,261
Minority Interest	0	0	0	0	0	0	0	0
Share of profit / (Loss) of associate	(3)	(17)	0	0	0	0	0	0
RPAT	298	(2,112)	3,561	5,393	4,476	6,149	7,589	9,043
EO (Loss) / Profit (Net Of Tax)	0	(3,395)	0	0	0	0	0	0
APAT	298	1,284	3,561	5,393	4,476	6,149	7,589	9,043
<i>APAT Growth (%)</i>	56.1	330.5	177.4	51.4	(17.0)	37.4	23.4	19.2
Adjusted EPS (Rs)	2.2	9.5	26.3	39.8	33.0	45.4	56.0	66.8
<i>EPS Growth (%)</i>	56.1	330.5	177.4	51.4	(17.0)	37.4	23.4	19.2

Source: Company, HSIE Research

Consolidated Balance Sheet

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
SOURCES OF FUNDS								
Share Capital - Equity	116	146	136	136	134	134	134	134
Reserves	7,140	6,871	8,795	13,405	15,041	19,941	26,094	33,485
Total Shareholders Funds	7,255	7,017	8,931	13,540	15,175	20,075	26,228	33,620
Minority Interest	0	0	0	0	0	0	0	0
Long Term Debt	469	43	35	447	732	732	732	732
Short Term Debt	130	10	9	89	94	94	94	94
Total Debt	599	54	43	535	826	826	826	826
Net Deferred Taxes (Net)	(168)	(567)	(428)	(395)	(363)	(363)	(363)	(363)
Long Term Provisions & Others	3	110	87	80	32	43	52	61
TOTAL SOURCES OF FUNDS	7,689	6,613	8,633	13,760	15,670	20,581	26,744	34,144
APPLICATION OF FUNDS								
Net Block	3,497	1,228	1,223	1,701	3,490	6,177	6,340	6,536
CWIP	58	133	64	536	644	644	644	644
Goodwill	0	1,346	1,346	1,346	1,346	2,456	2,456	2,456
Investments	0	0	0	0	0	0	0	0
LT Loans & Advances & Others	204	841	370	1,151	935	1,183	1,442	1,678
Total Non-current Assets	3,758	3,548	3,002	4,734	6,415	10,459	10,881	11,313
Inventories	0	0	0	0	0	0	0	0
Debtors	3,078	3,258	3,731	5,603	5,700	7,720	9,559	11,125
Other Current Assets	1,759	2,511	3,122	4,591	4,533	6,031	7,351	8,555
Cash & Equivalents	2,305	2,006	5,841	8,623	7,116	6,910	11,787	17,905
Total Current Assets	7,142	7,774	12,695	18,817	17,348	20,661	28,697	37,586
Creditors	2,023	2,806	5,062	6,785	5,386	6,985	8,514	9,735
Other Current Liabilities & Provns	1,188	1,903	2,003	3,006	2,707	3,554	4,320	5,021
Total Current Liabilities	3,212	4,709	7,065	9,791	8,093	10,539	12,834	14,755
Net Current Assets	3,930	3,066	5,630	9,026	9,256	10,123	15,863	22,830
TOTAL APPLICATION OF FUNDS	7,689	6,613	8,633	13,760	15,670	20,581	26,744	34,144

Source: Company, HSIE Research

Consolidated Cash Flow

YE March (INR mn)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Reported PBT and exceptional items	335	(1,868)	4,148	6,741	5,666	7,687	9,487	11,303
Non-operating & EO items	(46)	443	(162)	99	118	3	47	(9)
Interest expenses	0	0	0	0	0	17	18	18
Depreciation	732	3,778	396	409	462	619	709	819
Working Capital Change	(1,325)	485	1,790	(1,220)	(2,351)	(1,309)	(1,113)	(1,076)
Tax Paid	0	(447)	(561)	(1,165)	(1,432)	(1,537)	(1,897)	(2,261)
OPERATING CASH FLOW (a)	(304)	2,392	5,610	4,864	2,464	5,479	7,250	8,794
Capex	121	(2,112)	(317)	(617)	(1,560)	(4,416)	(872)	(1,015)
Free cash flow (FCF)	(183)	280	5,293	4,248	903	1,063	6,378	7,779
Investments	(20)	0	0	0	0	0	0	0
Non-operating Income	100	111	219	107	264	(3)	(47)	9
INVESTING CASH FLOW (b)	201	(2,001)	(98)	(509)	(1,296)	(4,419)	(919)	(1,006)
Debt Issuance/(Repaid)	599	(622)	(54)	(31)	(68)	0	0	0
Interest Expenses	0	(5)	(11)	0	0	(17)	(18)	(18)
FCFE	416	(346)	5,229	4,217	835	1,046	6,360	7,761
Share Capital Issuance/buyback	179	14	(1,476)	(808)	(2,124)	0	0	0
Dividend	(41)	(61)	(136)	(135)	(1,086)	(1,249)	(1,436)	(1,652)
FINANCING CASH FLOW (c)	737	(673)	(1,677)	(974)	(3,278)	(1,266)	(1,454)	(1,670)
NET CASH FLOW (a+b+c)	633	(282)	3,836	3,381	(2,111)	(206)	4,877	6,119
EO Items, Others	17	(17)	0	(600)	604	0	0	0
Closing Cash & Equivalents	2,305	2,006	5,841	8,623	7,116	6,910	11,787	17,905

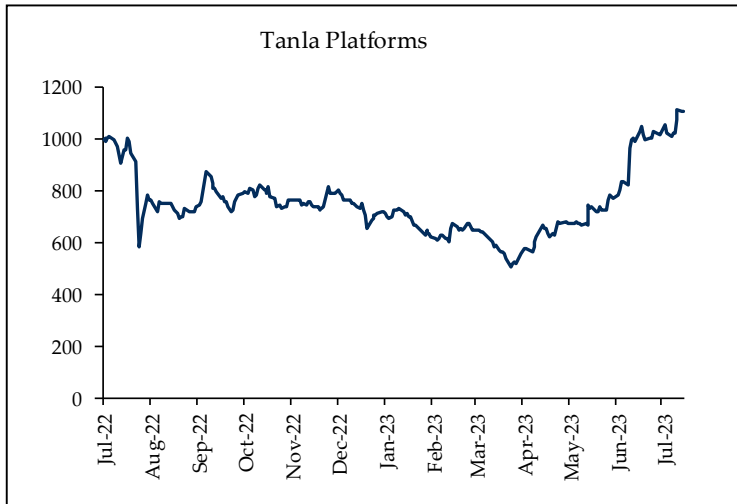
Source: Company, HSIE Research

Key Ratios

	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
PROFITABILITY (%)								
GPM	14.3	20.1	24.7	28.3	24.9	25.5	25.7	26.0
EBITDA Margin	9.6	9.5	18.5	21.8	17.5	18.3	18.5	18.9
APAT Margin	3.0	6.6	15.2	16.8	13.3	13.7	13.9	14.3
RoE	4.2	18.0	44.7	48.0	31.2	34.9	32.8	30.2
RoIC (or Core RoCE)	4.0	15.7	91.4	133.0	62.5	54.4	52.3	57.3
RoCE	4.2	18.7	46.8	48.3	30.5	34.0	32.1	29.8
EFFICIENCY								
Tax Rate (%)	10.8%	NM	14.1%	20.0%	21.0%	20.0%	20.0%	20.0%
Fixed Asset Turnover (x)	2.0	3.0	3.5	4.5	3.7	3.7	1.2	1.4
Inventory (days)	0	0	0	0	0	0	0	0
Debtors (days)	112	61	58	64	62	63	64	64
Other Current Assets (days)	64	47	49	52	49	49	49	49
Payables (days)	74	53	79	77	59	57	57	56
Other Current Liab & Provs (days)	43	36	31	34	29	29	29	29
Cash Conversion Cycle (days)	59	20	(3)	5	23	26	27	28
Debt/EBITDA (x)	0.6	0.0	0.0	0.1	0.1	0.1	0.1	0.1
Net D/E (x)	-0.2	-0.3	-0.6	-0.6	-0.4	-0.3	-0.4	-0.5
Interest Coverage (x)	73	NM	366	499	396	441	527	607
PER SHARE DATA (INR)								
EPS	2.2	9.5	26.3	39.8	33.0	45.4	56.0	66.8
CEPS	7.6	37.4	29.2	42.8	36.5	50.0	61.3	72.8
Dividend	1.5	3.5	3.5	1.5	4.0	1.5	3.5	3.5
Book Value	53.6	51.8	65.9	100.0	112.0	148.2	193.6	248.2
VALUATION								
P/E (x)	502.7	116.8	42.1	27.8	33.5	24.4	19.8	16.6
P/BV (x)	20.7	21.4	16.8	11.1	9.9	7.5	5.7	4.5
EV/Revenue (x)	14.8	7.6	6.2	4.4	4.3	3.2	2.5	2.1
EV/EBITDA (x)	153.2	80.0	33.2	20.3	24.4	17.6	13.8	11.1
OCF/EV (%)	(0.2)	1.6	3.9	3.4	1.7	3.8	5.2	6.6
FCF/EV (%)	(0.1)	0.2	3.7	3.0	0.6	0.7	4.6	5.9
FCFE/Mkt Cap (%)	0.3	(0.2)	3.5	2.8	0.6	0.7	4.2	5.2
Dividend Yield (%)	0.1	0.3	0.3	0.1	0.4	0.1	0.3	0.3

Source: Company, HSIE Research

1 Yr Price movement



Rating Criteria

- BUY: >+15% return potential
- ADD: +5% to +15% return potential
- REDUCE: -10% to +5% return potential
- SELL: > 10% Downside return potential

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Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board: +91-22-6171-7330 www.hdfcsec.com