

# Tanla Platforms

## Growth acceleration

Tanla reported strong QoQ revenue growth of 9.3% (the best in the last seven quarters) in a seasonally weak quarter and the margin was stable at 20%. The growth in enterprise business was supported by a recovery in transactional volumes and ILD price hike. The platform revenue grew 7.9% QoQ, led by Wisely Network and OTT platform. 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 in NLD rates effective Q3; and (3) the acquisition of ValueFirst, which will lead to market share gains and pricing power. 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 which was impacted in Q1FY23 has returned to a normal level in Q1FY24. The ValueFirst integration in Q2FY24E will impact margins by ~150bps but cost synergies will lead to gradual margin expansion. We upgrade our EPS estimate by ~8% for FY24/25E to factor in the NLD price hike. We maintain our BUY rating and assign a TP of INR 1,450, based on 23x June-25E EPS. The stock is trading at a P/E of 26/21x FY24/25E.

- Q1FY24 highlights:** The enterprise segment (90% of revenue and 65% of gross profit) grew 9.5% QoQ to INR 8.23bn (estimate of INR 7.71bn) while gross margin narrowed 108bps QoQ to 19.0%. Platform revenue (10% of revenue and 35% of gross profit) increased 7.9% QoQ to INR 0.88bn (vs estimate of INR 0.82bn) and gross margin stood at 96.8%. EBITDA grew 9.7% on a consolidated basis to INR 1.82bn while the margin was flat at 20% (+60bps vs estimate). APAT grew by 12.6% QoQ to INR 1.35bn (vs estimate of INR 1.23bn).
- Outlook:** We estimate +26/29% revenue/EPS CAGRs over FY23-26E, led by +29/20% revenue CAGRs and +23/31% gross profit CAGRs for platform and enterprise segments respectively.

### Quarterly financial summary

YE March (INR bn)	Q1 FY24	Q1 FY23	YoY (%)	Q4 FY23	QoQ (%)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	9.11	8.00	13.9	8.33	9.3	32.06	33.54	47.48	58.38	67.24
Gross Profit	2.41	1.85	30.4	2.29	5.4	9.08	8.36	12.05	15.00	17.48
EBITDA	1.82	1.31	39.4	1.66	9.7	7.00	5.88	8.75	10.79	12.71
APAT	1.35	1.00	34.8	1.20	12.6	5.39	4.48	6.64	8.20	9.65
EPS (INR)	10.1	7.4	36.4	8.9	13.4	39.8	33.0	49.0	60.6	71.3
P/E (x)						31.8	38.3	25.8	20.9	17.8
EV / EBITDA (x)						23.3	28.1	18.9	14.8	12.1
RoE (%)						48.0	31.2	37.1	34.2	30.8

Source: Company, HSIE Research, Consolidated Financials

### Change in estimates

INR bn	FY24E Old	FY24E Revised	Change %	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %
Revenue	44.73	47.48	6.2	54.52	58.38	7.1	63.45	67.24	6.0
EBITDA	8.18	8.75	7.0	10.06	10.79	7.2	11.98	12.71	6.1
EBITDA margin (%)	18.3	18.4	14bps	18.5	18.5	2bps	18.9	18.9	1bps
APAT	6.15	6.64	8.0	7.59	8.20	8.1	9.04	9.65	6.7
EPS (INR)	45.4	49.0	8.0	56.0	60.6	8.1	66.8	71.3	6.7

Source: Company, HSIE Research

## BUY

CMP (as on 21 Jul 2023)	INR 1,266
Target Price	INR 1,450
NIFTY	19,745

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,350	INR 1,450
	FY24E	FY25E
EPS %	+8.0	+8.1

### KEY STOCK DATA

Bloomberg code	TANLA IN
No. of Shares (mn)	134
MCap (INR bn) / (\$ mn)	170/2,081
6m avg traded value (INR mn)	831
52 Week high / low	INR 1,287/493

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	102.6	81.4	28.0
Relative (%)	90.8	71.4	8.3

### 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

Pledged shares as % of total shares

**Amit Chandra**

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

**Vivek Sethia**

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

## Disclosure:

Authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. SEBI conducted the inspection and based on their observations have issued advise/warning. The said observations have been complied with. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

Research Analyst or his/her relative or HDFC Securities Ltd. does not have any financial interest in the subject company. Also Research Analyst or his relative or HDFC Securities Ltd. or its Associate may have beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of the Research Report. Further Research Analyst or his relative or HDFC Securities Ltd. or its associate does have/does not have any material conflict of interest.

HDFC Securities Limited (HSL) is a SEBI Registered Research Analyst having registration no. INH000002475.

## Disclaimer:

This report has been prepared by HDFC Securities Ltd and is solely for information of the recipient only. The report must not be used as a singular basis of any investment decision. The views herein are of a general nature and do not consider the risk appetite or the particular circumstances of an individual investor; readers are requested to take professional advice before investing. Nothing in this document should be construed as investment advice. Each recipient of this document should make such investigations as they deem necessary to arrive at an independent evaluation of an investment in securities of the companies referred to in this document (including merits and risks) and should consult their own advisors to determine merits and risks of such investment. The information and opinions contained herein have been compiled or arrived at, based upon information obtained in good faith from sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. Descriptions of any company or companies or their securities mentioned herein are not intended to be complete. HSL is not obliged to update this report for such changes. HSL has the right to make changes and modifications at any time.

This report is not directed to, or intended for display, downloading, printing, reproducing or for distribution to or use by, any person or entity who is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, reproduction, availability or use would be contrary to law or regulation or what would subject HSL or its affiliates to any registration or licensing requirement within such jurisdiction. If this report is inadvertently sent or has reached any person in such country, especially, United States of America, the same should be ignored and brought to the attention of the sender. This document may not be reproduced, distributed or published in whole or in part, directly or indirectly, for any purposes or in any manner.

Foreign currencies denominated securities, wherever mentioned, are subject to exchange rate fluctuations, which could have an adverse effect on their value or price, or the income derived from them. In addition, investors in securities such as ADRs, the values of which are influenced by foreign currencies effectively assume currency risk. It should not be considered to be taken as an offer to sell or a solicitation to buy any security.

This document is not, and should not, be construed as an offer or solicitation of an offer, to buy or sell any securities or other financial instruments. This report should not be construed as an invitation or solicitation to do business with HSL. HSL may from time to time solicit from, or perform broking, or other services for, any company mentioned in this mail and/or its attachments.

HSL and its affiliated company(ies), their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

HSL, its directors, analysts or employees do not take any responsibility, financial or otherwise, of the losses or the damages sustained due to the investments made or any action taken on basis of this report, including but not restricted to, fluctuation in the prices of shares and bonds, changes in the currency rates, diminution in the NAVs, reduction in the dividend or income, etc.

HSL and other group companies, its directors, associates, employees may have various positions in any of the stocks, securities and financial instruments dealt in the report, or may make sell or purchase or other deals in these securities from time to time or may deal in other securities of the companies / organizations described in this report. As regards the associates of HSL please refer the website.

HSL or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

HSL or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from t date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction in the normal course of business.

HSL or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither HSL nor Research Analysts have any material conflict of interest at the time of publication of this report. Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. HSL may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. We have not received any compensation/benefits from the subject company or third party in connection with the Research Report.

HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066

Compliance Officer: Murli V Karkera Email: complianceofficer@hdfcsec.com Phone: (022) 3045 3600

HDFC Securities Limited, SEBI Reg. No.: NSE, BSE, MSEI, MCX: INZ000186937; AMFI Reg. No. ARN: 13549; PFRDA Reg. No. POP: 11092018; IRDA Corporate Agent License No.: CA0062; SEBI Research Analyst Reg. No.: INH000002475; SEBI Investment Adviser Reg. No.: INA000011538; CIN - U67120MH2000PLC152193

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Mutual Funds Investments are subject to market risk. Please read the offer and scheme related documents carefully before investing.

Registration granted by SEBI, membership of BASL (in case of IAs) and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

## HDFC securities

### Institutional Equities

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