

October 20, 2023

RESULT REPORT Q2 FY24 | Internet/Platform

Tanla Platform Ltd

Robust operating performance supported by Both Enterprise and Platform segments

Result Synopsis

Tanla Platform (TANLA) reported broadly inline financial performance for the quarter. The sequential revenue growth and EBITDA margin were slightly above expectation. It reported sequential revenue growth of 10.7% QoQ, led by 10.9% QoQ increase in the revenue of Enterprise business and 8.4% QoQ increase in revenue of Platform business. Trubloq processed 80bn+ message in the quarter with more than 60% volume market share. There was sequential decrease in EBITDA margin (down 49 bps QoQ) on higher SG&A.

It is a credible play on the rising demand for CPaaS solutions across industries for achieving enhanced customer engagement. Also, increase in smartphone penetration and greater regulatory push towards mandatory SMS alerts would drive CPaaS market. As per industry estimates, the Global CPaaS market is expected to grow at CAGR of 20% plus from CY20 to CY25E, led by faster adoption of multichannel communication. The adoption of CPaaS based A2P messaging across industries continues to drive volume growth for both enterprise and platform segments of Tanla. Rising share of higher margin platform segment would drive EBITDA margin of the company. We estimate revenue CAGR of 25.8% over FY23-25E with average EBIT margin of 19.2% over the period. We maintain our BUY rating on the stock with revised target price of Rs 1,382/share based on P/E of 22x on FY25E. The stock trades at P/E of 22.5x/17.0x on FY24E/FY25E.

Result Highlights

- Reported revenue of Rs 10,086mn (up 10.7% QoQ, up 18.5% YoY). Enterprise revenue was up 10.9% QoQ (up 17.7% YoY), while Platform business grew 8.4% QoQ (up 26.9% YoY).
- The gross margin for enterprise business increased from 19.0% in Q1FY24 to 20.0% in Q2FY24, while gross margin on Platform business increased from 96.8% in Q1FY24 to 97.7% in Q2FY24.
- EBITDA margin decreased by 49 bps QoQ (up 312 bps YoY) to 19.5% for the quarter.
- PAT increased by 5.3% QoQ to Rs 1,426mn, led by higher revenue.
- Cash & Cash Equivalents at Rs 5,450 million as of September 30, 2023.

Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Sales	10,086	9,996	9,860	0.9%	2.3%
EBITDA	1,968	1,886	1,820	4.3%	8.1%
EBITDA Margin (%)	19.51%	18.87%	18.46%	64 bps	105 bps
Adjusted PAT	1,426	1,396	1,300	2.1%	9.7%

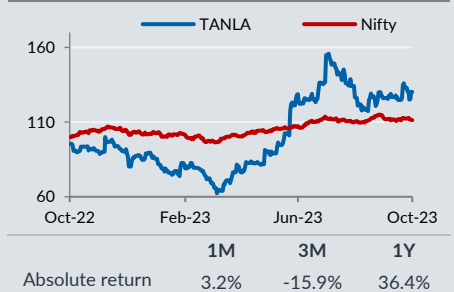
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 1,065
Target Price	: Rs 1,382
Potential Return	: + 30%

Stock data (as on October 20, 2023)

Nifty	19,543
52 Week h/l (Rs)	1318 / 493
Market cap (Rs/USD mn)	137693 / 1656
Outstanding Shares (mn)	134
6m Avg t/o (Rs mn):	907
Div yield (%):	1.0
Bloomberg code:	TANLA IN
NSE code:	TANLA

Stock performance



Shareholding pattern (As of Jun'23 end)

Promoter	44.2%
FII+DII	14.9%
Others	40.9%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,382	1,539

Δ in earnings estimates

	FY24E	FY25E
EPS (New)	47.4	62.8
EPS (Old)	47.6	61.6
% change	-0.5%	1.9%

Financial Summary

(Rs mn)	FY23	FY24E	FY25E
Net Revenue	33,543	42,113	53,058
YoY Growth	4.6%	25.6%	26.0%
EBIDTA	5,877	8,573	11,270
YoY Growth	-16.1%	45.9%	31.5%
PAT	4,478	6,426	8,521
YoY Growth	-16.9%	43.5%	32.6%
ROE	31.2%	36.3%	36.2%
EPS	33	47	63
P/E	32.3	22.5	17.0
P/B	9.5	7.1	5.4
EV/EBITDA	23.4	16.2	12.2

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Exhibit 2: Quarterly snapshot Console: Uptick in revenue growth

(Rs mn)	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	yoy%	qoq%	H1FY24	H1FY23	YoY%
Revenue	8,510	8,696	8,335	9,111	10,086	18.5	10.7	19,197	16,512	16.3
EBITDA	1,395	1,513	1,661	1,822	1,968	41.0	8.0	3,790	2,702	40.3
EBITDA %	16.4	17.4	19.9	20.0	19.5	312 bps	-49 bps	19.7	16.4	338 bps
Depreciation	100	122	147	165	226	125.0	37.3	390	193	102.1
EBIT	1,295	1,392	1,515	1,658	1,742	34.5	5.1	3,400	2,509	35.5
EBIT%	15.2	16.0	18.2	18.2	17.3	206 bps	-92 bps	17.7	15.2	251 bps
Other income	111	61	48	53	63	-42.8	20.6	116	156	-25.5
finance cost	4	2	4	10	18	340.9	72.5	29	7	289.4
PBT	1,402	1,450	1,559	1,700	1,787	27.5	5.2	3,487	2,657	31.2
Tax	297	285	356	346	362	21.8	4.6	708	549	28.9
Reported PAT	1,104	1,166	1,203	1,354	1,426	29.1	5.3	2,780	2,109	31.8
Net margin	13.0	13.4	14.4	14.9	14.1	116 bps	-72 bps	14.5	12.8	171 bps

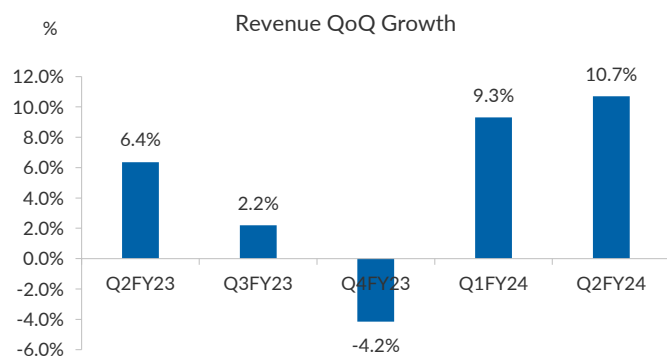
Source: Company, YES Sec

KEY CON-CALL HIGHLIGHTS

- Company crossed the milestone of Rs 1000 crore quarterly run rate. Value First contributed incremental revenue of Rs 100 crore.
- Promotional spend witnessed uptick in Q1FY24 due to IPL advertisements and Q3FY24 is expected to witness uptick again due to Festive Season.
- Large OTT players like Meta WhatsApp and Google RCS are making big bets in the CPaaS space and competing with SMS by addressing use cases of enterprises.
- Digital Platforms revenue grew by 27% YoY to ₹ 953 Mn and 8% sequentially. Revenue growth was led by Trubloq and Wisely OTT.
- Wisely ATP continues to see a lot of traction and the management is in the final stages of negotiations with banking customers.
- NLD price hike went live during in the month of August 2023, however the company has witnessed drop in volumes from Enterprises as clients have rationalized spends in the near term.
- Due to pricing pressure company lost one of the customers. No other customers lost apart from that.
- Total acquisition cost net of working capital adjustment of ₹ 3,737 Mn was paid to Twilio to complete 100% acquisition of ValueFirst India.

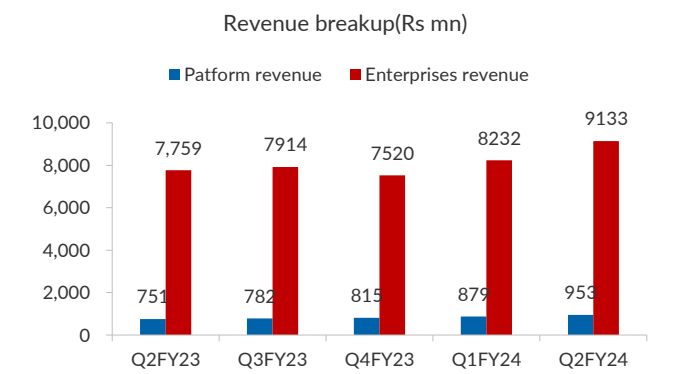
STORY IN CHARTS

Exhibit 3: Q2 revenue growth saw strong uptick



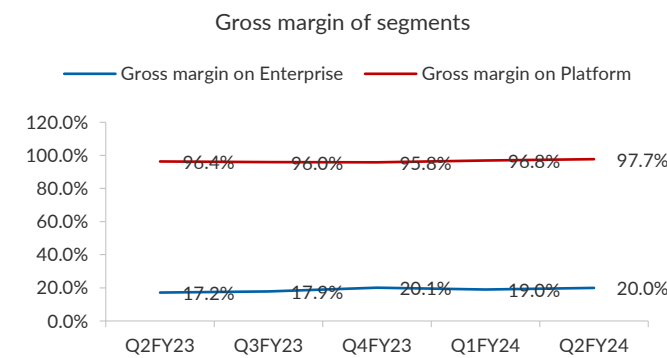
Source: Company, YES Sec

Exhibit 4: Enterprise business is major contributor to total revenue



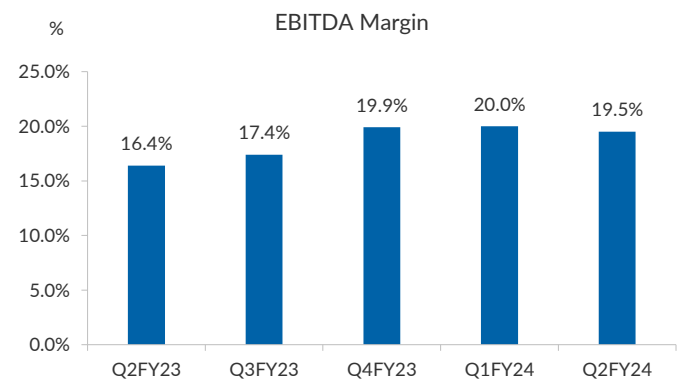
Source: Company, YES Sec

Exhibit 5: Gross margin of the Platform segment at 90%+



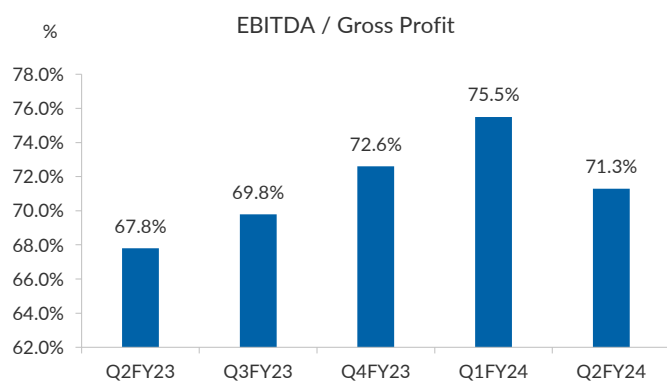
Source: Company, YES Sec

Exhibit 6: EBITDA margin decreased sequentially



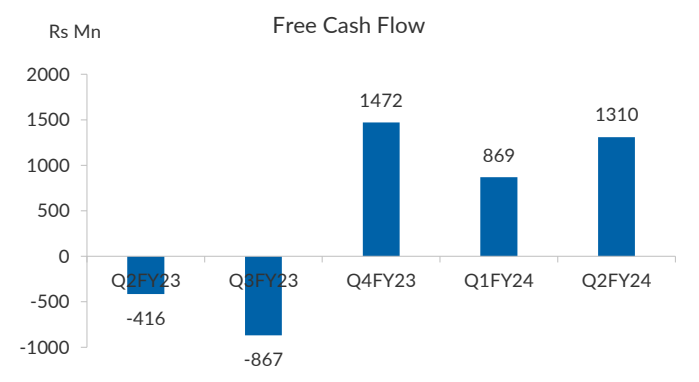
Source: Company, YES Sec

Exhibit 7: EBITDA/Gross profit decreased in Q2FY24



Source: Company, YES Sec

Exhibit 8: FCF remains robust for the company



Source: Company, YES Sec

FINANCIALS

Exhibit 9: Balance Sheet

Y/e 31 Mar	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Cash & equivalents	2,051	5,841	8,623	7,116	5,849	6,583
Sundry debtors	3,258	3,731	5,603	5,700	5,192	7,268
Other current assets	2,511	3,125	4,591	4,533	6,494	7,670
Sundry creditors	2,810	3,387	4,637	4,851	6,091	7,674
Other current liabs	1,974	3,730	5,243	3,335	6,614	8,329
Net current assets	3,036	5,581	8,938	9,162	4,830	5,518
Fixed assets	359	336	1,286	3,183	3,039	2,943
Intangible assets	2,297	2,297	2,297	2,297	2,297	2,297
Investments	0	0	0	0	0	0
Other term assets	1,415	796	1,546	1,298	10,856	16,857
Total assets	7,107	9,009	14,067	15,939	21,022	27,615
Borrowings	0	0	0	0	0	0
Other long-term liabs	89	78	526	764	764	764
Net worth	7,017	8,931	13,540	15,175	20,258	26,851
Total liabs & equity	7,106	9,009	14,067	15,939	21,022	27,615

Source: Company, YES Sec

Exhibit 10: Income Statement

Income statement(Rs mn)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Revenue	19,428	23,415	32,060	33,543	42,113	53,058
EBITDA	1,851	4,335	7,002	5,877	8,573	11,270
Depreciation and amortisation	(3,778)	(396)	(409)	(462)	(696)	(792)
EBIT	(1,927)	3,939	6,593	5,415	7,877	10,478
Non-operating income	107	219	161	266	247	277
Interest expense	(64)	(11)	(13)	(14)	(65)	(72)
PBT	(1,885)	4,148	6,741	5,667	8,059	10,683
Exceptional items	(487)	0	0	0	0	0
Reported PBT	(2,372)	4,148	6,741	5,667	8,059	10,683
Taxes	261	(586)	(1,348)	(1,189)	(1,633)	(2,162)
PAT	(2,112)	3,561	5,393	4,478	6,426	8,521
Minorities and other	0	0	0	0	0	0
Attributable PAT	(2,112)	3,561	5,393	4,478	6,426	8,521

Source: Company, YES Sec

Exhibit 11: Cash Flow Statement

Cashflow statement (Rs m)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
EBIT	(1,927)	3,939	6,593	5,415	7,877	10,478
Tax Paid	(447)	(561)	(1,165)	(1,189)	(1,633)	(2,162)
Depr. & amortization	3,778	396	409	462	696	792
Working capital Δ	38	1,790	(1,178)	(1,731)	3,064	46
Other operating items	950	46	0	0	0	0
Operating cashflow before interest	2,392	5,610	4,659	2,957	10,004	9,154
Financial expense	(64)	(11)	(13)	(14)	(65)	(72)
Non-operating income	107	219	161	266	247	277
Operating cashflow after interest	2,434	5,819	4,807	3,209	10,186	9,359
Capital expenditure	(2,112)	(317)	(457)	(440)	(552)	(696)
Long term investments	0	0	0	0	0	0
Other items	69	(99)	(614)	(1)	0	0
Free cash flow	392	5,403	3,736	2,768	9,634	8,664
Equity Raised	14	(1,476)	(819)	(1)	0	0
Borrowing	(599)	0	0	0	0	0
Dividends paid	(61)	(136)	(135)	(1,086)	(1,343)	(1,928)
Net change in cash	(254)	3,790	2,781	1,680	8,291	6,736

Source: Company, YES Sec

Exhibit 12: Ratio Analysis

Per share(Rs)	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Pre-exceptional EPS	10.2	26.2	39.7	33.0	47.4	62.8
DPS	0.4	1.0	1.0	8.0	9.9	14.2
BVPS	48.1	65.8	99.8	111.8	149.3	197.9
Growth (%)						
Revenues	93.5	20.5	36.9	4.6	25.6	26.0
Ebitda	91.3	134.2	61.5	(16.1)	45.9	31.5
EPS	295.4	157.3	51.4	(16.9)	43.5	32.6
Profitability ratios (%)						
Ebitda margin	9.5	18.5	21.8	17.5	20.4	21.2
Ebit margin	(9.9)	16.8	20.6	16.1	18.7	19.7
Tax rate	11.0	14.1	20.0	21.0	20.3	20.2
Net profit margin	(10.9)	15.2	16.8	13.3	15.3	16.1
Return ratios (%)						
ROE	(29.6)	44.7	48.0	31.2	36.3	36.2
ROCE	(24.3)	51.6	58.5	37.9	44.0	44.2
Solvency ratios (x)						
Net debt/equity	(0.3)	(0.7)	(0.6)	(0.5)	(0.3)	(0.2)
Net debt to Ebitda	(1.1)	(1.3)	(1.2)	(1.2)	(0.7)	(0.6)
Valuation ratios (x)						
PER(x)	NA	NA	NA	32.3	22.5	17.0
Price/Book(x)	NA	NA	NA	9.5	7.1	5.4
EV/EBITDA(x)	NA	NA	NA	23.4	16.2	12.2

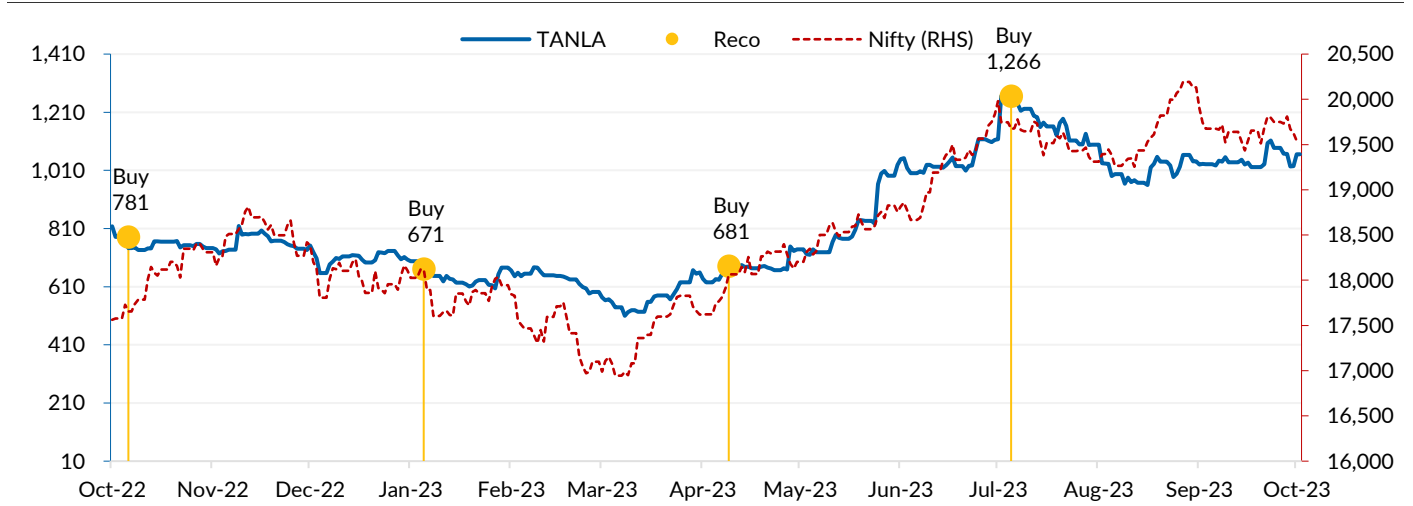
Source: Company, YES Sec

Exhibit 13: Dupont Analysis

Dupont Analysis	FY20A	FY21A	FY22A	FY23A	FY24E	FY25E
Asset Turnover	2.6	2.9	2.8	2.2	2.3	2.2
EBIT margin	-9.9%	16.8%	20.6%	16.1%	18.7%	19.7%
Interest Burden	1.2	1.1	1.0	1.0	1.0	1.0
Financial Leverage	1.0	1.0	1.0	1.0	1.0	1.0
Tax burden	0.9	0.9	0.8	0.8	0.8	0.8
RoE	-29.6%	44.7%	48.0%	31.2%	36.3%	36.2%

Source: Company, YES Sec

Recommendation Tracker



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