

Tanla Platforms

Organic growth to revive, margins stable

Tanla's revenue growth of 10.7% QoQ was led by ValueFirst acquisition but the organic growth was flat. The enterprise business volume was impacted by a decline in promotional traffic but the platform revenue registered strong growth of 8.4% QoQ, led by OTT (WhatsApp). The NLD price hike (effective Aug-23) led to volume decline but is expected to normalise. The growth in Enterprise business will be driven by (1) growth in transactional SMS traffic, led by UPI and OTP; (2) NLD price hike; and (3) market share gains with ValueFirst acquisition. The platform segment growth will be powered by Wisely and Trubloq. Wisely anti-phishing product (ATP) is a promising product and is under POC with large private banks. The growth in ATP will offset the impact of Wisely Network (termination of the VI network deal). The EBITDA margin post the integration of the VF India business stood at 19.5%, while the low-margin VF Middle-East business will be integrated in Q4. The management has indicated that the target margin range is ~19%. We downgrade our EPS estimate by ~5/3% for FY24/25E. We maintain our BUY rating and assign a TP of INR 1,440, based on 23x Dec-25E EPS. The stock is trading at a P/E of 24/19x FY24/25E, RoE is ~31% and cash generation has improved.

- Q2FY24 highlights:** The enterprise segment (91% of revenue and 66% of gross profit) grew 10.9/17.7% QoQ/YoY to INR 9.13bn (organic growth was ~7% YoY) while gross margin expanded 100bps QoQ to 20%. Platform revenue (9% of revenue and 34% of gross profit) increased 8.4% QoQ to INR 0.95bn and gross margin stood at 98%. Consolidated EBITDA margin at 19.5% was down 50bps QoQ due to VF integration. APAT grew by 5.3% QoQ to INR 1.43bn (vs estimate of INR 1.54bn). The >500mn revenue bucket declined 18.6% QoQ due to VF integration while the INR 10-100mn revenue bucket increased 41% QoQ.
- Outlook:** We estimate +22/25% revenue/EPS CAGRs over FY23-26E, led by +28/21% revenue CAGRs (enterprise organic CAGR of 15%) and +23/25% gross profit CAGRs for platform and enterprise segments respectively.

Quarterly financial summary

YE March (INR bn)	Q2 FY24	Q2 FY23	QoY (%)	Q1 FY24	QoQ (%)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Net Revenues	10.09	8.51	18.5	9.11	10.7	23.41	32.06	33.54	41.44	51.73	60.92
Gross Profit	2.76	2.06	34.3	2.41	14.5	5.78	9.08	8.36	11.14	13.81	16.21
EBITDA	1.97	1.40	41.0	1.82	8.0	4.33	7.00	5.88	8.04	9.84	11.61
APAT	1.43	1.10	29.1	1.35	5.3	3.56	5.39	4.48	6.12	7.46	8.80
Diluted EPS (INR)	10.5	8.2	29.1	10.0	5.3	26.3	39.8	33.0	45.2	55.1	64.9
P/E (x)						40.5	26.8	32.2	23.6	19.3	16.4
EV/EBITDA (x)						32.0	19.5	23.5	17.2	13.6	11.0
ROE (%)						44.7	48.0	31.2	34.8	32.5	30.0

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	45.95	41.44	(9.8)	54.81	51.73	(5.6)	63.06	60.92	(3.4)
EBITDA	8.46	8.04	(5.0)	10.12	9.84	(2.8)	11.91	11.61	(2.5)
EBITDA margin(%)	18.4	19.4	98bps	18.5	19.0	56bps	18.9	19.1	17bps
APAT	6.41	6.12	(4.6)	7.67	7.46	(2.8)	9.02	8.80	(2.5)
EPS (INR)	47.3	45.2	(4.6)	56.6	55.1	(2.8)	66.6	64.9	(2.5)

Source: Company, HSIE Research

BUY

CMP (as on 20 Oct 2023)	INR 1,065
Target Price	INR 1,440
NIFTY	19,543

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,475	INR 1,440
	FY24E	FY25E
EPS %	-4.6%	-2.8%

KEY STOCK DATA

Bloomberg code	TANLA IN
No. of Shares (mn)	134
MCap (INR bn) / (\$ mn)	143/1,751
6m avg traded value (INR mn)	1,269
52 Week high / low	INR 1,318/493

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(4.6)	67.2	30.2
Relative (%)	(1.4)	57.5	19.8

SHAREHOLDING PATTERN (%)

	Jun-23	Sep-23
Promoters	44.17	44.16
FIs & Local MFs	0.38	0.74
FPIs	14.56	15.15
Public & Others	40.88	39.95
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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