

# Retail Equity Research Tanla Platforms Ltd.

IT - Software

BSE CODE : 532790

NSE CODE: TANLA

BLOOMBERG CODE: TANLA:IN

SENSEX : 73,896

**Accumulate**

12 Months Investment Period

Rating as per Small Cap

CMP Rs. 894 TARGET Rs. 1,046 RETURN 17% ↑

(Closing: 06-05-2024)

KEY CHANGES:

TARGET ↓

RATING ↔

EARNINGS ↓

## Dual engines to drive revenue

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.

- The revenue grew by 20.6% YoY, reaching 1,005.5cr, primarily fuelled by OTT channels.
- EBITDA declined by 3.4% to Rs.160.4cr in Q4FY24 on a YoY basis, due to the loss of volumes of Wisely network deals with Vi & slowed growth in international ILD business.
- We expect improved revenue in FY25 owing to the growth in UPI and OTT transactions, realisation of revenue from new & existing customers.
- The new deals from Google and Vodafone in rich content messages could improve revenue visibility in FY25.
- Therefore, we retain our Accumulate rating with a revised target price of Rs. 1,046 at a PE of 19x FY26E adj. EPS.

## Valuefirst & OTT business propelled the top line

Despite the seasonally weak quarter, revenue in Q4FY24 saw a robust growth of 20.6% YoY, reaching 1005.5cr, primarily fuelled by OTT channels. Segment-wise, the enterprise business, which accounts for 91% of revenue, grew (22% YoY), led by the growth of UPI transactions and OTT Whatsapp channels. Domestic SMS business grew sequentially, while international SMS business continued to remain soft due to a higher rate. Simultaneously, the digital platform reported a steady growth of 10.5% YoY, driven by the Trubloq and Wisely OTT platforms. In Q4FY24, the company began to earn revenue from Wisely ATP, but at a slower rate. In FY24, revenue grew by 17.1% YoY to 3,928 cr, led by inorganic growth from Valuefirst and OTT businesses. The company plans to complete the acquisition of Valuefirst's international business in Q1 FY25. The full impact of the Vodafone Idea (Vi) exit will be witnessed until Q1FY25.

## Improved margins in FY24

During the year, Tanla onboarded 404 new customers and established a direct contract with over a third of them on OTT channels. However, the EBITDA declined by 3.4% to Rs.160.4cr in Q4FY24 on a YoY basis due to the loss of volumes of Wisely network with Vi and slowed growth in international ILD business, along with a one-time expense incurred for the cost of the Mobile World Congress exhibition. Similarly, the EBITDA margin shrank to 16% in Q4FY24. However, bottom line PAT improved by 8.3% on a YoY basis to Rs.130.2cr. Annually, the company showcased a decent 24.5% growth in EBITDA and a 111-bps improvement in EBITDA margin.

## Strategic move to bolster Tanla's Digital business

The company is strategically shifting its focus towards OTT channels, capitalizing on their higher margins as opposed to the SMS business. The company has extended its exclusive partnership with True Caller for two years. Tanla tied up with Whatsapp in the integration of ONDC seller application for small and medium sized business. The company launched a new MaaP (Messaging as a Platform) product for Google Rich Content Service (RCS) and signed a deal with Vodafone Idea (Vi) to deploy the MaaP platform in India, shaping revenue visibility in FY25.

## Valuation

We expect revenue to grow at a CAGR of 15% in FY24–26E, relying on new client additions, increased realisation from new and existing customers, an increase in UPI transactions, and an improvement in volume from OTT business. The increasing adoption of the Wisely platform is expected to drive revenue and margin growth. The new deals from Google and Vodafone in RCS could improve revenue visibility in FY25. Therefore, we retain our Accumulate rating with a revised target price of Rs. 1,046 at a PE of 19x FY26E adj. EPS.

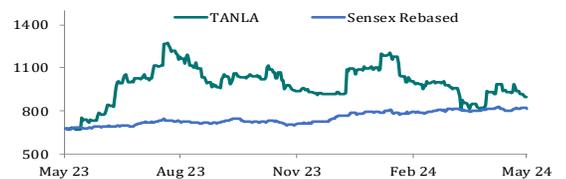
## Company Data

Market Cap (Rs cr)	12,025
Enterprise Value (Rs cr)	11,433
Outstanding Shares (Rs cr)	13.4
Free Float	55.8
Dividend Yield (%)	1.12
52 week high (Rs)	1,318
52 week low (Rs)	660
6m average volume (cr)	0.11
Beta	1.56
Face value (Rs)	1.0

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	44.2	44.2	44.2
FII's	15.5	15.4	15.1
MFs/Institutions	0.7	0.9	0.7
Public	39.9	39.4	40.0
Total	100.0	100.0	100.0
Promoters' Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1Year
Absolute Return	-11.2%	-4.4%	31.8%
Absolute Sensex	2.7%	15.0%	19.8%
Relative Return *	-13.9%	-19.4%	12.0%

\* Over or under performance to benchmark



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	3,928	4,553	5,227
Growth (%)	17.1	15.9	14.8
EBITDA	732	865	1,004
EBITDA Margin (%)	18.6	19.0	19.2
PAT Adj.	548	633	740
Growth (%)	19.4	15.4	16.9
Adj. EPS	40.8	47.1	55.0
Growth (%)	19.4	15.4	16.9
P/E	22.3	19.3	16.5
P/B	6.3	4.8	3.7
EV/EBITDA	13.5	10.8	8.9
ROE (%)	31.7	28.1	25.3
D/E	0.04	0.03	0.03

**Vinod T P**  
Research Analyst



## Quarterly Financials (Consolidated)

Rs.cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
<b>Revenue</b>	<b>1,005.5</b>	<b>833.5</b>	<b>20.6</b>	<b>1,002.6</b>	<b>0.3</b>	<b>3,927.8</b>	<b>3,354.3</b>	<b>17.1</b>
<b>EBITDA</b>	<b>160.4</b>	<b>166.1</b>	<b>-3.4</b>	<b>192.8</b>	<b>-16.79</b>	<b>732.2</b>	<b>588.1</b>	<b>24.5</b>
EBITDA margins (%)	16.0	19.9	-397bps	19.2	-327bps	18.6	17.5	111bps
Depreciation	22.9	14.7	55.9	23.4	-2.2	85.3	46.2	84.7
<b>EBIT</b>	<b>137.6</b>	<b>151.5</b>	<b>-9.2</b>	<b>169.4</b>	<b>-18.8</b>	<b>647.0</b>	<b>541.9</b>	<b>19.4</b>
Interest	1.6	0.4	290.5	1.7	-3.5	6.2	1.4	356.6
Other Income	26.0	4.8	437.9	5.1	412	42.7	26.4	61.3
Exceptional Items	2.2	-0.2	-1,481.3	1.7	33.1	0.0	0.0	0.0
<b>PBT</b>	<b>159.7</b>	<b>156.0</b>	<b>2.4</b>	<b>174.5</b>	<b>-8.5</b>	<b>684.7</b>	<b>572.1</b>	<b>19.7</b>
Tax	29.5	35.7	-17.5	34.3	-14.1	137	69	97.7
Share of profit from Associate	0.0	0.0	0.00	0.0	0.0	0.0	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.00	0.0	0.0	0.0
<b>Reported PAT</b>	<b>130.2</b>	<b>120.3</b>	<b>8.3</b>	<b>140.1</b>	<b>-7.1</b>	<b>548.3</b>	<b>447.7</b>	<b>22.5</b>
Adjustments	0.0	0.0	0.0	0.0	0.00	0.0	0.0	0.0
<b>Adjusted PAT</b>	<b>130.2</b>	<b>120.3</b>	<b>8.3</b>	<b>140.1</b>	<b>-7.1</b>	<b>548.3</b>	<b>447.7</b>	<b>22.5</b>
No. of shares	13.4	13.4		13.4		13.4	13.4	0.0
<b>EPS (Rs)</b>	<b>9.7</b>	<b>8.9</b>	<b>8.3</b>	<b>10.4</b>	<b>-7.1</b>	<b>40.8</b>	<b>33.3</b>	<b>22.5</b>

## Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	5,213	-	4,553	5,227	-12.66	-
EBITDA	980	-	865	1,004	-11.73	-
Margins (%)	18.8	-	19.0	19.2	20bps	-
Adj. PAT	746	-	633	740	-15.17	-
EPS	55.5	-	47.1	55.0	-15.16	-

## Consolidated Financials

### PROFIT & LOSS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Sales</b>	<b>3,206</b>	<b>3,355</b>	<b>3,928</b>	<b>4,553</b>	<b>5,227</b>
% change	36.9	4.6	17.1	15.9	14.8
<b>EBITDA</b>	<b>700</b>	<b>603</b>	<b>732</b>	<b>865</b>	<b>1,004</b>
% change	61.9	-13.8	21.4	18.1	16.0
Depreciation	41	46	85	103	112
EBIT	659	557	647	763	891
Interest	1.1	1.2	6.2	2.2	2.4
Other Income	16	26	43	46	52
<b>PBT</b>	<b>674</b>	<b>582</b>	<b>683</b>	<b>806</b>	<b>941</b>
% change	64	-14	17	18	17
Tax	137	119	135	169	198
Tax Rate (%)	20	20	20	21	21
<b>Reported PAT</b>	<b>535</b>	<b>460</b>	<b>548</b>	<b>633</b>	<b>740</b>
Adj*	2.3	0.2	0.0	0.0	0.0
<b>Adj PAT</b>	<b>533</b>	<b>459</b>	<b>548</b>	<b>633</b>	<b>740</b>
% change	58	-14	19	15	17
Shares Outstanding (cr)	13.6	13.4	13.4	13.4	13.4
<b>EPS (Rs)</b>	<b>39.4</b>	<b>34.2</b>	<b>40.8</b>	<b>47.1</b>	<b>55.0</b>
% change	58	-13	19	15	17
DPS (Rs)	1.0	1.2	1.2	1.2	1.2
CEPS (Rs)	42.3	37.6	47.1	54.7	63.4

### CASH FLOW

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net income + Depreciation	576	506	634	735	852
Non-cash adjustments	0	0	-331	0	0
Other adjustments	15	-33	345	2	2
Changes in working capital	-122	-235	-62	335	-410
<b>Cashflow from operations</b>	<b>485</b>	<b>259</b>	<b>590</b>	<b>1,073</b>	<b>444</b>
Capital expenditure	-62	-156	-159	-47	-85
Change in investments	0	0	-371	0	0
Other investing cashflow	-49	86	1	0	0
<b>Cashflow from investing</b>	<b>-111</b>	<b>-70</b>	<b>-528</b>	<b>-47</b>	<b>-85</b>
Issue of equity	-81	-212	0	0	0
Issue/repay debt	-3	-7	-5	13	12
Dividends paid	-14	-109	-134	-16	-16
Other financing cashflow	0	0	-12	-2	-2
<b>Cashflow from Financing</b>	<b>-97</b>	<b>-328</b>	<b>-151</b>	<b>-5</b>	<b>-6</b>
Change in cash & cash eq	277	-139	-89	1,021	353
Closing cash & cash eq	862	712	667	1,602	1,954

### BALANCE SHEET

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash and cash eq.	862	712	667	1,602	1,954
Accounts receivable	570	585	842	861	1,117
Inventories	-	-	-	-	-
Other current assets	459	453	529	591	666
Investments	0	0	2	2	2
Gross fixed assets	596	761	342	392	472
Net fixed assets	91	246	206	153	121
CWIP	54	64	23	20	25
Intangible assets	213	238	508	508	508
Deferred tax assets, net	41	42	39	41	43
Other assets	119	94	193	259	274
<b>Total assets</b>	<b>2,410</b>	<b>2,433</b>	<b>3,009</b>	<b>4,037</b>	<b>4,710</b>
Current liabilities	989	824	576	974	911
Provisions	7	2	407	407	408
Debt funds	54	83	75	88	100
Other liabilities	6	7	9	10	10
Equity capital	14	13	13	13	13
Reserves & surplus	1,340	1,504	1,928	2,545	3,269
Shareholder's funds	1,354	1,517	1,942	2,559	3,282
<b>Total liabilities</b>	<b>2,410</b>	<b>2,433</b>	<b>3,009</b>	<b>4,037</b>	<b>4,710</b>
<b>BVPS (Rs)</b>	<b>94</b>	<b>105</b>	<b>126</b>	<b>172</b>	<b>226</b>

### RATIOS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
<b>Profitability &amp; Return Ratios</b>					
EBITDA margin (%)	21.8	18.0	18.6	19.0	19.2
EBIT margin (%)	20.6	16.6	16.5	16.7	17.1
Net profit margin (%)	16.6	13.7	14.0	13.9	14.2
ROE (%)	47.5	32.0	31.7	28.1	25.3
ROCE (%)	36.9	24.4	24.6	21.5	19.4
<b>Working capital &amp; Liquidity ratios</b>					
Receivables (days)	54.3	62.8	66.3	68.3	69.1
Inventory (days)	0.0	0.0	0.0	0.0	0.0
Payables (days)	112.6	120.6	82.7	81.5	86.3
Current ratio (x)	1.9	2.1	2.0	2.2	2.8
Quick ratio (x)	1.4	1.6	1.5	1.8	2.3
<b>Turnover &amp; Leverage ratios</b>					
Gross asset turnover (x)	5.7	4.9	7.1	12.4	12.1
Total asset turnover (x)	1.6	1.4	1.4	1.3	1.2
Interest coverage ratio (x)	604.6	480.2	104.3	347.8	379.1
Adjusted debt/equity (x)	0.0	0.1	0.0	0.0	0.0
<b>Valuation ratios</b>					
EV/Sales (x)	3.0	2.9	2.5	2.0	1.6
EV/EBITDA (x)	13.7	16.2	13.4	10.3	8.5
P/E (x)	22.9	26.3	22.1	19.1	16.4
P/BV (x)	9.0	8.0	6.2	4.7	3.7

## Recommendation summary (Last 3 Years)



Dates	Rating	Target
21-12-2022	Buy	920
16-02-2023	Buy	740
09-05-2023	Buy	848
08-08-2023	Accumulate	1,349
06-05-2024	Accumulate	1,046

Source: Bloomberg, Geojit Research.

## Investment 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

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.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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