

Retail Equity Research
Tanla Platforms Ltd.

IT - Software

BSE CODE : 532790 NSE CODE: TANLA
BLOOMBERG CODE: TANLA:IN SENSEX : 81,741

BUY

12 Months Investment Period Rating as per Small Cap
CMP Rs. 992 TARGET Rs. 1,198 RETURN 21% ↑
(Closing: 31-07-2024)

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 10% YoY, reaching Rs.1,002.2cr, primarily fuelled by OTT channels.
- EBITDA improved by 3.5% to Rs.188.6cr on a YoY basis due to a consolidation benefit from Valuefirst India.
- We expect improved revenue in FY25 on new client additions, increased realisation from new and existing customers, and an improvement in volume from OTT business.
- The company won two deals, one with a global tech leader with Wisely ATP and another one with Google RCS, which will enhance revenue visibility in FY25E.
- Therefore, we retain our Buy rating with a revised target price of Rs. 1,198 at a PE of 21.5x FY26E adj. EPS.

OTT business propelled the top line

In Q1FY25, revenue improved by 10% YoY, reaching Rs.1,002.2cr, primarily supported by enterprise business. Segment-wise, the enterprise business, which accounts for 91% of revenue, grew (11% YoY), led by the growth of OTT channels and Valuefirst. Simultaneously, the digital platform witnessed a de-growth of 1.2% YoY, largely due to loss in revenue from the Vi ILD messaging business, which is offset by improved revenue from digital platforms. The company began to earn revenue from Wisely ATP, but at a slower rate. There would be no major impact on the Vi in the next quarter onwards. The company is likely to complete the acquisition process of Valuefirst's international business during the quarter.

Valuefirst joins revenue stream

In Q1FY25, Tanla onboarded 121 new customers, out of which 19% were added on WhatsApp and contributed a revenue of 5.4cr during the quarter. The EBITDA improved by 3.5% to Rs.188.6cr on a YoY basis due to a consolidation benefit from Valuefirst India. While the EBITDA margin shrank to 18.8% (-119 bps) in Q1FY25. But bottom line PAT improved by 4.3% on a YoY basis to Rs.135.4cr with a PAT margin of 14.1%.

Strategic move for riding the digital wave

The company is strategically shifting its focus towards OTT and gaining its market share and scaling of new platforms and opportunities. To compact scams on messages, a global technology major tied up with Tanla for Wisely ATP to prevent fraudulent messages. 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, and the revenue will kick in from Q2FY25. Looking forward, we expect the margin to improve on the back of higher profitability and improved volumes in both the enterprise & platform businesses.

Valuation

We expect revenue to grow at a CAGR of 16% 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 company won two deals, one with a global tech leader with Wisely ATP and another one with Google RCS, which will enhance revenue visibility in FY25E. Therefore, we retain our Buy rating with a revised target price of Rs. 1,198 at a PE of 21.5x FY26E adj. EPS.

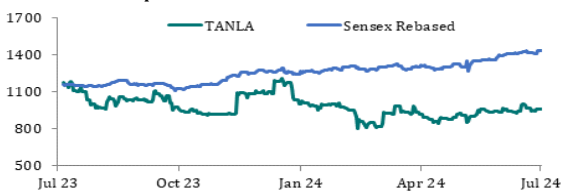
Company Data

Market Cap (Rs cr)	13,342
Enterprise Value (Rs cr)	12,755
Outstanding Shares (Rs cr)	13.4
Free Float	55.8
Dividend Yield (%)	1.61
52 week high (Rs)	1,248
52 week low (Rs)	782
6m average volume (cr)	0.08
Beta	1.55
Face value (Rs)	1.0

Shareholding (%)	Q3FY24	Q4FY24	Q1FY25
Promoters	44.2	44.2	44.2
FII's	15.5	15.1	14.5
MFs/Institutions	0.8	0.7	0.7
Public	39.6	40.0	40.6
Total	100.0	100.0	100.0
Promoters' Pledge	Nil	Nil	Nil

Price Performance	3 Month	6 Month	1Year
Absolute Return	5.6%	-4.8%	-19.2%
Absolute Sensex	9.2%	13.6%	22.3%
Relative Return *	-3.6%	-18.4%	-41.5%

* Over or under performance to benchmark



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	3,928	4,515	5,282
Growth (%)	17.1	15.0	17.0
EBITDA	732	858	1,014
EBITDA Margin (%)	18.6	19.0	19.2
PAT Adj.	548	627	749
Growth (%)	19.4	14.3	19.4
Adj. EPS	40.8	46.6	55.7
Growth (%)	19.4	14.3	19.4
P/E	22.3	20.3	17.0
P/B	6.3	5.0	3.9
EV/EBITDA	13.5	11.0	9.0
ROE (%)	31.7	27.9	25.6
D/E	0.04	0.03	0.03

Vinod T P
Research Analyst



Quarterly Financials (Consolidated)

Rs.cr	Q1FY25	Q1FY24	YoY Growth (%)	Q4FY24	QoQ Growth (%)
Revenue	1,002.2	911.1	10.0	1,005.5	-0.3
EBITDA	188.6	182.2	3.5	160.4	17.53
EBITDA margins (%)	18.8	20.0	-119bps	16.0	286bps
Depreciation	22.7	16.5	38.1	22.9	-0.7
EBIT	165.9	165.8	0.0	137.6	20.6
Interest	1.6	1.1	49.5	1.6	-4.3
Other Income	9.6	5.3	82.7	26.0	-63
Exceptional Items	-0.5	-0.9	-48.9	-2.2	-79.6
PBT	174.3	170.9	2.0	159.7	9.2
Tax	33.1	35.5	-6.6	29.5	12.4
Share of profit from Associate	0.0	0.0	0.00	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.00
Reported PAT	141.2	135.4	4.3	130.2	8.4
Adjustments	0.0	0.0	0.0	0.0	0.00
Adjusted PAT	141.2	135.4	4.3	130.2	8.4
No. of shares	13.4	13.4		13.4	
EPS (Rs)	10.5	10.1	4.3	9.7	8.4

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	4,553	5,227	4,515	5,282	-0.83	1.06
EBITDA	865	1,004	858	1,014	-0.82	1.02
Margins (%)	19.0	19.2	19.0	19.200	0bps	-1bps
Adj. PAT	633	740	627	749	-0.97	1.16
EPS	47.1	55.0	46.6	55.7	-0.97	1.27

Consolidated Financials

PROFIT & LOSS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Sales	3,206	3,355	3,928	4,515	5,282
% change	36.9	4.6	17.1	15.0	17.0
EBITDA	700	603	732	858	1,014
% change	61.9	-13.8	21.4	17.2	18.2
Depreciation	41	46	85	103	112
EBIT	659	557	647	755	902
Interest	1.1	1.2	6.2	2.2	2.4
Other Income	16	26	43	45	53
PBT	674	582	683	798	952
% change	64	-14	17	17	19
Tax	137	119	135	168	200
Tax Rate (%)	20	20	20	21	21
Reported PAT	535	460	548	627	749
Adj*	2.3	0.2	0.0	0.0	0.0
Adj PAT	533	459	548	627	749
% change	58	-14	19	14	19
Shares Outstanding (cr)	13.6	13.4	13.4	13.4	13.4
EPS (Rs)	39.4	34.2	40.8	46.6	55.7
% change	58	-13	19	14	19
DPS (Rs)	1.0	1.2	1.2	1.2	1.2
CEPS (Rs)	42.3	37.6	47.1	54.3	64.1

CASH FLOW

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net income + Depreciation	576	506	634	729	861
Non-cash adjustments	0	0	-331	0	0
Other adjustments	15	-33	345	2	2
Changes in working capital	-122	-235	-62	348	-450
Cashflow from operations	485	259	590	1,079	413
Capital expenditure	-62	-156	-159	-47	-85
Change in investments	0	0	-371	0	0
Other investing cashflow	-49	86	1	0	0
Cashflow from investing	-111	-70	-528	-47	-85
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
Cashflow from Financing	-97	-328	-151	-5	-6
Change in cash & cash eq	277	-139	-89	1,027	322
Closing cash & cash eq	862	712	667	1,608	1,930

BALANCE SHEET

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash and cash eq.	862	712	667	1,608	1,930
Accounts receivable	570	585	842	854	1,129
Inventories	0	0	0	0	0
Other current assets	459	453	529	586	673
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	258	275
Total assets	2,410	2,433	3,009	4,031	4,706
Current liabilities	989	824	576	973	903
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	2,539	3,271
Shareholder's funds	1,354	1,517	1,942	2,553	3,285
Total liabilities	2,410	2,433	3,009	4,031	4,706
BVPS (Rs)	94	105	126	172	226

RATIOS

Y.E March (Rs cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Profitability & Return Ratios					
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	27.9	25.6
ROCE (%)	36.9	24.4	24.6	21.3	19.7
Working capital & Liquidity ratios					
Receivables (days)	54.3	62.8	66.3	68.5	68.5
Inventory (days)	0.0	0.0	0.0	0.0	0.0
Payables (days)	112.6	120.6	82.7	82.2	85.1
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
Turnover & Leverage ratios					
Gross asset turnover (x)	5.7	4.9	7.1	12.3	12.2
Total asset turnover (x)	1.6	1.4	1.4	1.3	1.2
Interest coverage ratio (x)	604.6	480.2	104.3	344.5	383.6
Adjusted debt/equity (x)	0.0	0.1	0.0	0.0	0.0
Valuation ratios					
EV/Sales (x)	3.2	3.1	2.6	2.1	1.7
EV/EBITDA (x)	14.5	17.1	14.1	11.0	9.0
P/E (x)	24.1	27.7	23.2	20.3	17.0
P/BV (x)	9.5	8.4	6.5	5.0	3.9

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
31-07-2024	Buy	1,198

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.

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Please note that the stock always carries the risk of being upgraded to BUY or downgraded to a HOLD, REDUCE or SELL.

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

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