

January 24, 2024

RESULT REPORT Q3 FY24 | Internet/Platform

# Tanla Platform Ltd

## Muted operating performance for the quarter

### Result Synopsis

**Tanla Platform (TANLA) reported muted financial performance for the quarter. The sequential revenue growth and EBITDA margin were below expectation. It reported sequential revenue growth of (0.6%) QoQ, led by (0.7%) QoQ decrease in the revenue of Enterprise business and 0.5% QoQ increase in revenue of Platform business. There was sequential decrease in EBITDA margin (down 28 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 15.7% over FY23-26E with average EBIT margin of 18.6% over the period. We maintain our BUY rating on the stock with revised target price of Rs 1,400/share based on P/E of 20x on FY26E. The stock trades at P/E of 18.1x/14.9x on FY25E/FY26E.**

### Result Highlights

- Reported revenue of Rs 10,026mn (down 0.6% QoQ, up 15.3% YoY). Enterprise revenue was down 0.7% QoQ (up 14.6% YoY), while Platform business grew 0.5% QoQ (up 22.5% YoY).
- The gross margin for enterprise business decreased from 20.0% in Q2FY24 to 19.5% in Q3FY24, while gross margin on Platform business decreased from 97.7% in Q2FY24 to 97.5% in Q3FY24.
- EBITDA margin decreased by 28 bps QoQ (up 183 bps YoY) to 19.2% for the quarter.
- PAT decreased by 1.4% QoQ to Rs 1,406mn, led by lower revenue.
- Cash & Cash Equivalents at Rs 6,162 million as of December 31, 2023.
- The Board of Directors have declared an interim dividend of ₹ 6 per share.

### Exhibit 1: Actual vs estimates

Rs mn	Actual	Estimate		% Variation	
		YES Sec	Consensus	YES Sec	Consensus
Sales	10,026	10,792	11,120	-7.1%	-9.8%
EBITDA	1,928	2,142	1,990	-10.0%	-3.1%
EBITDA Margin (%)	19.23%	19.85%	17.90%	-62 bps	133 bps
Adjusted PAT	1,406	1,632	1,400	-13.8%	0.4%

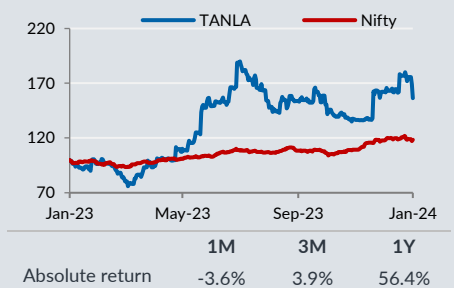
Source: Company, YES Sec

Reco	: BUY
CMP	: Rs 1,049
Target Price	: Rs 1,400
Potential Return	: + 33.5%

### Stock data (as on January 24, 2024)

Nifty	21,454
52 Week h/l (Rs)	1318 / 493
Market cap (Rs/USD mn)	152377 / 1834
Outstanding Shares (mn)	134
6m Avg t/o (Rs mn):	1,279
Div yield (%):	0.8
Bloomberg code:	TANLA IN
NSE code:	TANLA

### Stock performance



### Shareholding pattern (As of Dec'23 end)

Promoter	44.2%
FII+DII	16.4%
Others	39.5%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	1,400	1,382

### Δ in earnings estimates

	FY24E	FY25E	FY26E
EPS (New)	43.8	58.0	70.4
EPS (Old)	47.4	62.8	NA
% change	-7.5%	-7.6%	NA

### Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Net Revenue	40,131	48,479	57,116
YoY Growth	19.6%	20.8%	17.8%
EBITDA	8,009	10,396	12,628
YoY Growth	36.3%	29.8%	21.5%
PAT	5,946	7,876	9,551
YoY Growth	32.8%	32.5%	21.3%
ROE	34.0%	34.6%	32.8%
EPS	44	58	70
P/E	23.9	18.1	14.9
P/B	7.2	5.5	4.4
EV/EBITDA	17.0	13.1	10.7

### PARTH GHIYA

Associate

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## Exhibit 2: Quarterly snapshot Console: Uptick in revenue growth

(Rs mn)	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	yoy%	qoq%	9MFY24	9MFY23	YoY%
Revenue	8,696	8,335	9,111	10,086	10,026	15.3	-0.6	29,223	25,208	15.9
EBITDA	1,513	1,661	1,822	1,968	1,928	27.4	-2.0	5,718	4,216	35.6
EBITDA %	17.4	19.9	20.0	19.5	19.2	183 bps	-28 bps	19.6	16.7	284 bps
Depreciation	122	147	165	226	234	91.7	3.4	624	315	98.1
EBIT	1,392	1,515	1,658	1,742	1,694	21.7	-2.8	5,094	3,901	30.6
EBIT%	16.0	18.2	18.2	17.3	16.9	90 bps	-37 bps	17.4	15.5	196 bps
Other income	61	48	53	63	51	-16.3	-20.1	167	216	-22.9
finance cost	2	4	10	18	17	703.5	-6.1	46	9	382.0
PBT	1,450	1,559	1,700	1,787	1,728	19.2	-3.3	5,215	4,107	27.0
Tax	285	356	346	362	322	13.1	-10.9	1,030	834	23.5
Reported PAT	1,166	1,203	1,354	1,426	1,406	20.5	-1.4	4,185	3,275	27.8
Net margin	13.4	14.4	14.9	14.1	14.0	61 bps	-12 bps	14.3	13.0	133 bps

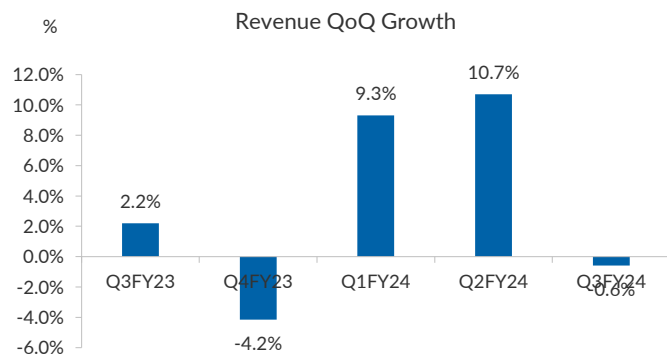
Source: Company, YES Sec

## KEY CON-CALL HIGHLIGHTS

- Appointed Dr. RS Sharma (Former TRAI Chairman) to its Board of Directors.
- Wisely ATP continues to see a lot of traction, however the deals are expected to sign and ramp up in the end of Q4FY24 or beginning of Q1FY25.
- Signed the first commercial agreement with a bank in India on Wisely ATP for providing phishing solutions.
- Domestic SMS business contributes around 50% of its revenues and grew sequentially, largely on the back of price hike and festive spending in the BFSI and eCommerce verticals.
- Under Enterprise segment, company added 300 new customers in 9MFY24 thereby contributing ₹ 770 Mn to revenue. 35% of the new customers have been added to OTT channels.
- EBITDA to Gross profit conversion improved by 163 bps at 71% in Q3, on back of increase in absolute gross profit.
- Amortization of intangible assets due to acquisition was at ₹28 Mn.
- DSO was up 2 days to 77 days in Q3FY24. Capex for the quarter stood at ₹ 442 Mn.
- Focus remains on upgradation of platform business.
- ROCE stood at 35% for Q3FY24 against 38% as of Q2FY24.

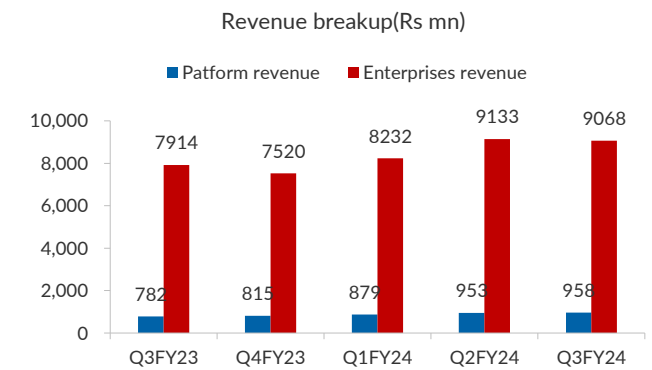
## STORY IN CHARTS

**Exhibit 3: Revenue growth remained muted for the quarter**



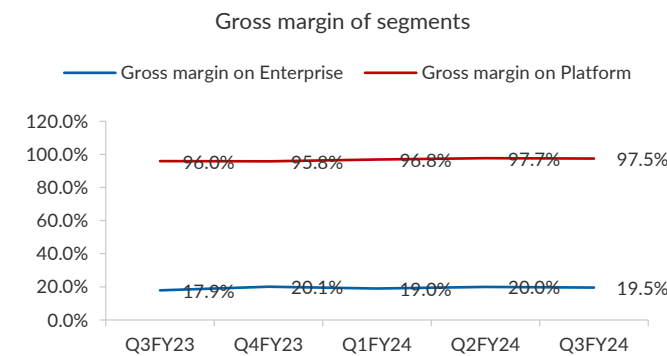
Source: Company, YES Sec

**Exhibit 4: Enterprise business is major contributor to total revenue**



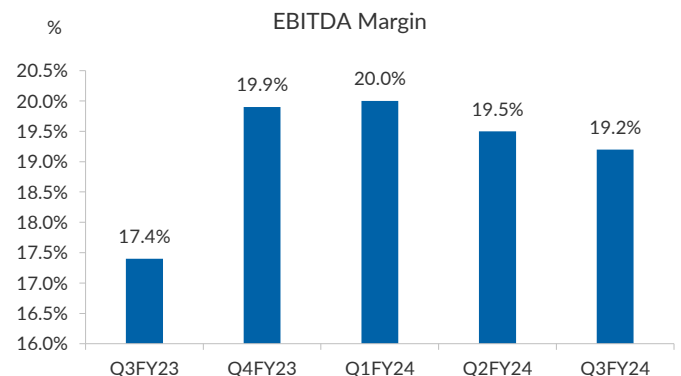
Source: Company, YES Sec

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



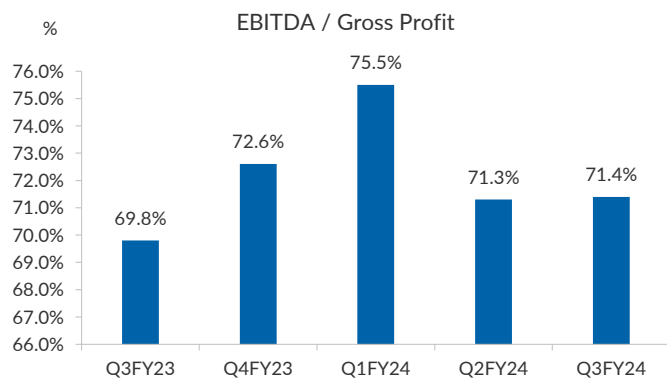
Source: Company, YES Sec

**Exhibit 6: EBITDA margin decreased sequentially**



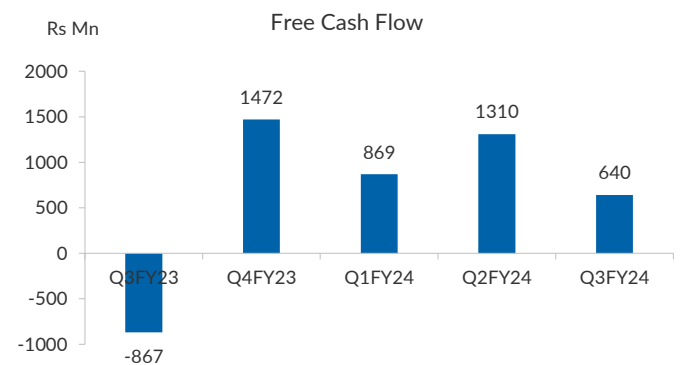
Source: Company, YES Sec

**Exhibit 7: EBITDA/Gross profit increased in Q3FY24**



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	FY21	FY22	FY23	FY24E	FY25E	FY26E
Cash & equivalents	5,841	8,623	7,116	5,849	6,583	6,850
Sundry debtors	3,731	5,603	5,700	4,647	5,030	5,445
Other current assets	3,125	4,591	4,533	5,707	6,177	6,686
Sundry creditors	3,387	4,637	4,851	5,804	7,012	8,261
Other current liabs	3,730	5,243	3,335	5,568	5,297	5,061
Net current assets	5,581	8,938	9,162	4,830	5,481	5,663
Fixed assets	336	1,286	3,183	2,923	2,695	2,490
Intangible assets	2,297	2,297	2,297	2,297	2,297	2,297
Investments	0	0	0	0	0	0
Other term assets	796	1,546	1,298	10,492	15,983	22,800
Total assets	9,009	14,067	15,939	20,542	26,456	33,250
Borrowings	0	0	0	0	0	0
Other long-term liabs	78	526	764	764	764	764
Net worth	8,931	13,540	15,175	19,778	25,692	32,486
Total liabs & equity	9,009	14,067	15,939	20,542	26,456	33,250

Source: Company, YES Sec

### Exhibit 10: Income Statement

Income statement(Rs mn)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Revenue	23,415	32,060	33,543	40,131	48,479	57,116
EBITDA	4,335	7,002	5,877	8,009	10,396	12,628
Depreciation and amortisation	(396)	(409)	(462)	(785)	(864)	(954)
EBIT	3,939	6,593	5,415	7,224	9,532	11,674
Non-operating income	219	161	266	218	217	134
Interest expense	(11)	(13)	(14)	(63)	(68)	(68)
PBT	4,148	6,741	5,667	7,380	9,682	11,740
Exceptional items	0	0	0	0	0	0
Reported PBT	4,148	6,741	5,667	7,380	9,682	11,740
Taxes	(586)	(1,348)	(1,189)	(1,433)	(1,805)	(2,189)
PAT	3,561	5,393	4,478	5,946	7,876	9,551
Minorities and other	0	0	0	0	0	0
Attributable PAT	3,561	5,393	4,478	5,946	7,876	9,551

Source: Company, YES Sec

## Exhibit 11: Cash Flow Statement

Cashflow statement (Rs m)	FY21	FY22	FY23	FY24E	FY25E	FY26E
EBIT	3,939	6,593	5,415	7,224	9,532	11,674
Tax Paid	(561)	(1,165)	(1,189)	(1,433)	(1,805)	(2,189)
Depr. & amortization	396	409	462	785	864	954
Working capital Δ	1,790	(1,178)	(1,731)	3,064	83	86
Other operating items	46	0	0	0	0	0
Operating cashflow before interest	5,610	4,659	2,957	9,641	8,674	10,524
Financial expense	(11)	(13)	(14)	(63)	(68)	(68)
Non-operating income	219	161	266	218	217	134
Operating cashflow after interest	5,819	4,807	3,209	9,796	8,823	10,590
Capital expenditure	(317)	(457)	(440)	(526)	(635)	(749)
Long term investments	0	0	0	0	0	0
Other items	(99)	(614)	(1)	0	(0)	0
Free cash flow	5,403	3,736	2,768	9,270	8,188	9,841
Equity Raised	(1,476)	(819)	(1)	0	0	0
Borrowing	0	0	0	0	0	0
Dividends paid	(136)	(135)	(1,086)	(1,343)	(1,962)	(2,757)
Net change in cash	3,790	2,781	1,680	7,927	6,225	7,085

Source: Company, YES Sec

## Exhibit 12: Ratio Analysis

Per share(Rs)	FY21	FY22	FY23	FY24E	FY25E	FY26E
Pre-exceptional EPS	26.2	39.7	33.0	43.8	58.0	70.4
DPS	1.0	1.0	8.0	9.9	14.5	20.3
BVPS	65.8	99.8	111.8	145.8	189.3	239.4
<b>Growth (%)</b>						
Revenues	20.5	36.9	4.6	19.6	20.8	17.8
Ebitda	134.2	61.5	(16.1)	36.3	29.8	21.5
EPS	157.3	51.4	(16.9)	32.8	32.5	21.3
<b>Profitability ratios (%)</b>						
Ebitda margin	18.5	21.8	17.5	20.0	21.4	22.1
Ebit margin	16.8	20.6	16.1	18.0	19.7	20.4
Tax rate	14.1	20.0	21.0	19.4	18.6	18.6
Net profit margin	15.2	16.8	13.3	14.8	16.2	16.7
<b>Return ratios (%)</b>						
ROE	44.7	48.0	31.2	34.0	34.6	32.8
ROCE	51.6	58.5	37.9	40.8	41.5	39.6
<b>Solvency ratios (x)</b>						
Net debt/equity	(0.7)	(0.6)	(0.5)	(0.3)	(0.3)	(0.2)
Net debt to Ebitda	(1.3)	(1.2)	(1.2)	(0.7)	(0.6)	(0.5)
<b>Valuation ratios (x)</b>						
PER(x)	NA	NA	31.8	23.9	18.1	14.9
Price/Book(x)	NA	NA	9.4	7.2	5.5	4.4
EV/EBITDA(x)	NA	NA	23.0	17.0	13.1	10.7

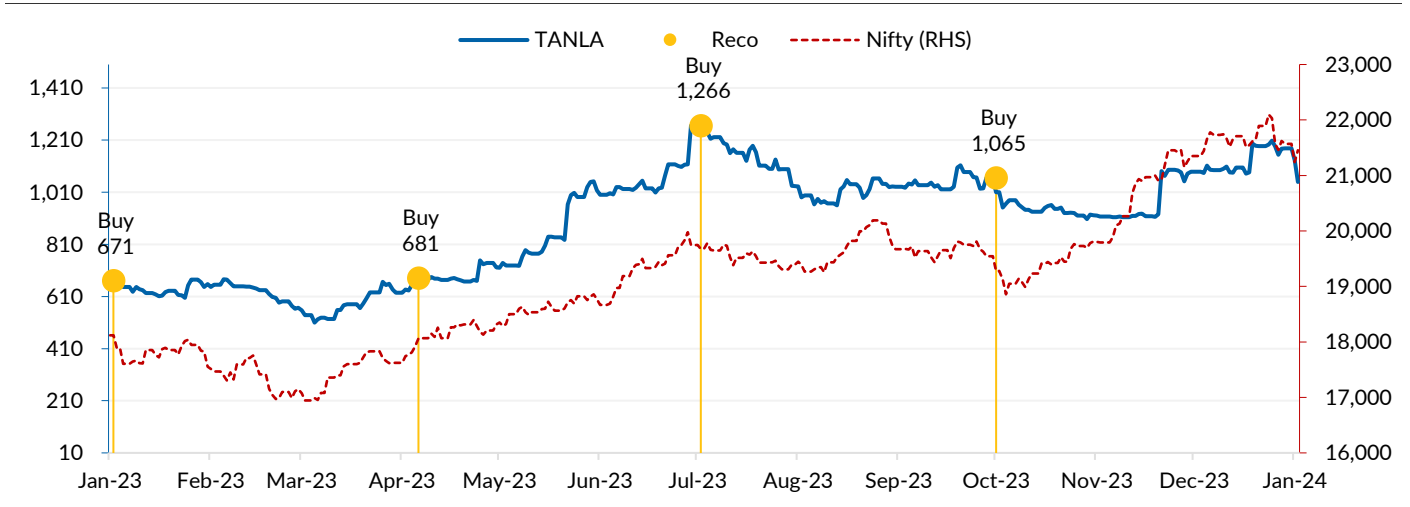
Source: Company, YES Sec

## Exhibit 13: Dupont Analysis

Dupont Analysis	FY21	FY22	FY23	FY24E	FY25E	FY26E
Asset Turnover	2.9	2.8	2.2	2.2	2.1	1.9
EBIT margin	16.8%	20.6%	16.1%	18.0%	19.7%	20.4%
Interest Burden	1.1	1.0	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	0.8	0.8	0.8	0.8	0.8
RoE	44.7%	48.0%	31.2%	34.0%	34.6%	32.8%

Source: Company, YES Sec

## Recommendation Tracker



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**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

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