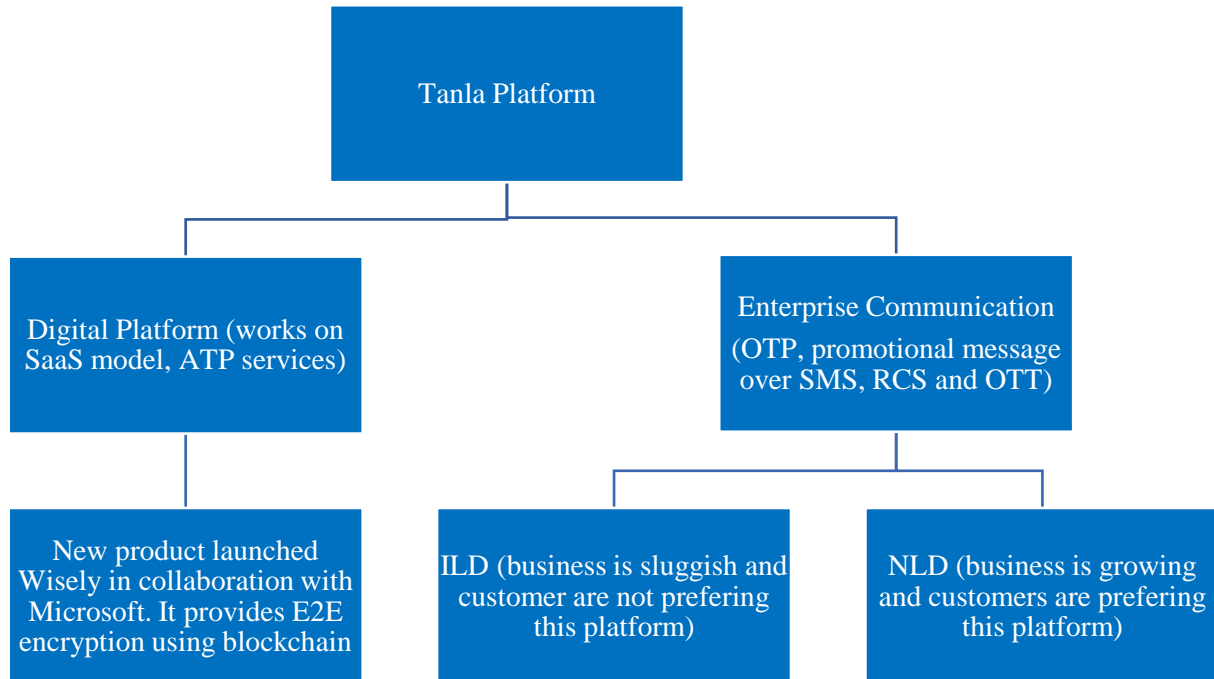


Tanla Platform

A company in IT sector specializing in CPaaS industry with **45%** market share and with upside potential of **30%** within a year. Today the company is fairly value as of current price and will be able to generate **30%** return in upcoming year. If the PE of company falls to **20** (due to market forces and not structural reason), the company is cheaply valued

Business Model and Analysis

TPL facilitates seamless communication between enterprises and their customers through multiple channels, including SMS, Voice, email, RCS, OTTs, such as WhatsApp, FB messenger, and push notifications.



Business	Opportunity	Risk
ILD	I don't find any growth opportunity in this segment. Management however predicts a sluggish growth.	Customers are not preferring this segment as this is 40x more costly than NLD. Customers are using this service only when necessary. Further this business as high cost and margins are comparable with NLD
NLD	This segment has growth opportunity as new digital business are being added and further new generation are getting registered on digital platform. Enterprises would require this service to tap expanding consumer base	WhatsApp Meta providing this service at cheaper cost and customers getting shifted to them
Digital Platform	Top 3 banks were contacted for implementation of wisely of which one bank has signed the commercial agreement. And second bank is in advance discussion .stage. Other banks will also follow once implemented in this top banks. Immense opportunity exist in Foreign market for telecom sector and banking sector	Regulatory approvals not getting received for Wisely implementation in foreign markets. Decline in revenue from exit of Vi from customer Base. Airtel emerging as a threat in the market as airtel is venturing in Platform segment.

The industry is predicted to double by 2027 in India. Thus the industry environment is in favour of company's business. As India is moving towards being more and more digital, upcoming business will prefer CPaaS space for promoting their business. Further company has managed to increase its customer base every quarter and add new logos to its customer profile. The Management is strong and is committed to innovation and delivering results

Historical Data and Financials

Profit N Loss Account:

Particular	Total Business	Digital Platform	Enterprise Communication
Sales	Shown a CAGR growth of 43% in last 10 years. However in last 3 years growth is on average of 8%	Shown a 23% increase in sales last year. Predicted to grow at same rate in FY24/25. Sales from wisely will cover hurt from exit of Vi from Customer Base. Contributes to 10% of total Sales	Shown a growth of 15% . The ILD segment has hit the rock bottom with customer exiting from this platform. The sale is predicted to be 10% in FY24/25
Gross Profit	Operates around 27% GP which is above industry average. Route Mobile operates 1t 25% GM	Operates at 98% GP. Contributes 35% GP in total business. Co is heavily investing in this segment and has products in pipeline	Operates at around 19% GP
EBIT	Operates at around 18% EBIT. Co is debt free and does not have any major asset for dep cost. Co spends 1% on R&D	Operates at around 73% EBIT. Co spends heavily on R&D of this business	Operates around 12% EBIT
PAT	Operates at 15% Net Profit		
EPS	Current EPS at 40.4 expected to grow by 16% in FY24/25		

Balance Sheet:

- It's a debt Free company and thus is free of any interest cost
- Promoter did a buy back of shares to increase their holding in the company
- FII holds at 15% share in this company with SmallCap World Fund being a constant investor
- Care Ratings have given a rating of CARE A+, stable Outlook
- Current Ratio of company stands at **16**

Cash Flow:

- Has a positive Operation Cash Flow from past 4 years
- Company utilised its excess cash in buying back its share
- Company paid **30%** dividend last year
- Company is utilising its excess cash to provide return to its share holder
- Co has a healthy CFO/PAT of **1.48** times in last 10 years

Valuation:

Particular	Current	52W High	52W Low	Historical High	Historical Low	Industry Average
Price	932	1274	624	2061	37	
PE Ratio	23.3	35.7	18.1	97.2	7.8	39.7
EPS	40.4	39.73	33.31	-15.51	40.4	7.4
Price/Book	7.2	12.8	6.2	26.8	0.2	5.5
EV/EBITDA	15.9	24.5	12	46.4	-2.4	19.7
ROCE	38%	59%	38%	59%	-25%	17.20%

- Current price is expected to grow by **30%** as tabled in Future growth section.
- PE ratio is below industry average and near its 52W low
- Company EPS is growing and is expected to grow by **16%** if FY24/25
- Co is demonstrating high ROCE. Historical low is during COVID times

Company is demonstrating strong P&L growth although which has slowed down during past 3 years. Company is expected to grow its sales by **16%** in FY24/25. Co has a strong Balance sheet which is debt free and its Debtor days are also decreasing YoY. The company is available at fair valuations Vs industry and historical trend

Future Growth:

Amt in ('000) Cr	Total			Digital Platform			Enterprise Comm		
Year	24/25	23/24	22/23	24/25	23/24	22/23	24/25	23/24	22/23
Sales	4.3	3.9	3.4	0.5	0.4	0.3	3.9	3.5	3.1
Gross Profit	1.2	1.0	0.8	0.5	0.4	0.3	0.7	0.7	0.5
EBIT	0.8	0.7	0.6	0.3	0.3	0.2	0.5	0.4	0.3
PAT	0.6	0.6	0.4	0.3	0.2	0.2	0.4	0.3	0.3
EPS (INR) 24/25	48								
Share Price (INR) 24/25	1211								

Sales Growth: Digital Platform business is expected to grow at **23%** same as last year due to introduction of its new product Wisely. Enterprise Communication will have a sluggish growth of around **10%**

PE Calculation: PE is considered to be 25. Below is the basis of calculation

Particular	Total	Digital Platform	Enterprise Comm
Market Cap 23/24 (INR Cr)	12538	9962	2576
Profit 23/24 (INR Cr)	538	216	322
PE Ratio 23/24	23	46	8
Profit 24/25 (INR Cr)	641	268	373
PE Ratio 24/25	25	51	7
Market Cap 24/25 (INR Cr)	16288	13677	2611

- Enterprise Communication business is highly cyclical and has gotten avg PE of **8** before 2021.
- As the business is in sluggish growth phase, PE is expected to fall around **7**
- Digital Platform is commanding a high PE of 46 due to its high margin and growth opportunities
- It is expected to reach at a stage of 51 due to its growth potentials and PE of comparable peers

Disclaimer: This is a study report not for any decision making or investment advisory.

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