

HSIE Results Daily

Contents

Results Reviews

- Persistent Systems:** Persistent Systems' (PSYS) Q3 print was exemplary, delivering growth (in-line) and an improving margin profile, though new deal bookings were soft. PSYS' programmatic consistency in growth, backed by its software development pedigree, positions it well towards its aspiration of reaching USD 5bn by FY31E. PSYS remains our preferred pick in the midcap space, combining growth and quality, even as margin improvement remains a work in progress. The valuation premium is likely to persist (limiting room for error), supported by its impeccable track record over the past four years and the prospects of continued growth. We maintain ADD on PSYS with a TP of INR 7,100, based on a 48x FY27E multiple, supported by a 26% EPS CAGR over FY24-27E.
- Dalmia Bharat:** We maintain our BUY rating on Dalmia Bharat with a lower TP of INR 2,140/sh (12x its Mar-27E consolidated EBITDA). In Q3FY25, Dalmia reported a 2% YoY (flat QoQ) decline in consolidated volumes (ex-JPA, volumes grew 4% YoY). Higher incentive accrual QoQ majorly drove up unit EBITDA by INR 115/MT to INR 765/MT, in the absence of op-lev gains and subdued pricing. The company reiterated that it is on track to reduce its opex by INR 200/MT over the next 2-3 years, driven by a rising share of green power, the upcoming captive coal mining operations, and ongoing logistics initiatives. The share of green power will increase to >42% in FY26, from ~37% in FY25 and 27% in FY24. Additionally, in July-25, Dalmia plans to roll out expansion roadmap to add 25mn MT over FY26-28E, which would bring its total capacity to 75mn MT.
- Zensar Technologies:** Zensar reported a better-than-expected revenue and margin performance. The revenue growth of +0.7/7.5% QoQ/YoY CC and margin expansion of 72bps QoQ was encouraging, considering stress in the top account and the impact of furloughs. The revenue growth was supported by traction in the manufacturing and healthcare verticals, offset by continued stress in the TMT vertical and the impact of furloughs. The (ex-TMT) revenue growth stood at a healthy +1.8/15.1% QoQ/YoY. The management has indicated stability in the top account and growth in the TMT vertical (ex-top client) is healthy. The TCV booking was at an all-time high of USD 205 mn, +23% QoQ and +7% TTM, with a book-to-bill ratio of 1.3x. The strong deal wins are supported by investments in new services like SaaS, data, advanced engineering, and digital solutions. A higher focus on managed services deals is also driving order wins and offshore revenues. The management focus is on driving growth, led by (1) focus on cross-selling, (2) winning new logos, (3) achieving stability in the hi-tech vertical, and (4) continuing growth in the BFSI and HLS verticals. The margins in the quarter expanded by 72bps QoQ, led by GM expansion, but offset by SG&A investments. We expect growth to revive to low double digits in FY26E, supported by healthy deal wins and stability in the top account. We increase our EPS estimate by ~3% for FY26/27E. We maintain our ADD rating with a TP of INR 900, based on 23x FY27E EPS. The stock is trading at a P/E of 27/23x FY25/26E EPS and has net cash of USD 269mn, ~14% of market cap.

HSIE Research Team

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- **Nuvoco Vistas Corporation:** We maintain a BUY rating for Nuvoco Vistas, with an unchanged TP of INR 420/share (9x its consolidated Mar-27E EBITDA). Nuvoco delivered strong 16% YoY volume growth in Q3FY25, thus reversing the decline seen in H1FY25. However, NSR further dipped 3% QoQ (-15% YoY), given intense competition in the east. Amid weak pricing, Nuvoco tightened its opex on all counts, cushioned the weak pricing impact, and unit EBITDA increased INR 27/MT QoQ to INR 533/MT. Nuvoco guided that current realisation is ~6-7% higher vs Q3 average, post the price rebound in mid-December. This along with op-lev gains QoQ should boost margin in Q4, offsetting the profit miss in Q3. The operationalization of Vadraj Cement should free up its capacity in the north, expand its regional sales mix, and boost its volume growth FY28 onwards.
- **Tanla Platforms:** Tanla growth engine has been muted over the last few quarters, mainly due to a drag in international messaging. Pricing cuts have been offset by volume growth in OTT and domestic messaging. The revenue was flat QoQ, impacted by the enterprise segment (-0.9% QoQ) but offset by recovery in platform (+8.5% QoQ). The enterprise segment was impacted by the ILD volume decline, lower realisations for NLD, and a WhatsApp price cut. OTT volume growth was strong but was offset by the full-quarter impact of the steep price cut for utility messages. We expect enterprise segment growth to revive gradually, supported by (1) growth in the OTT channel, fueled by increased adoption of WhatsApp by enterprises; (2) stability in ILD volumes; and (3) growth in domestic messaging. Platform growth was led by the ramp-up of the MaaP Platform (Google RCS) and the ATP deal. The platform revenue was up ~17% YoY excluding the impact of the VIL deal exit. The EBITDA margin stood at 16.3% in Q3 vs 17.5% in Q2, impacted by a lower gross margin (WhatsApp price cut), higher employee expenses, and higher other expenses resulting from forex losses. We cut our EPS estimates by 5/3% for FY25/26E to factor in lower margins and lower the multiple to 18x, from 20x earlier. We maintain our BUY rating and assign a TP of INR 950, based on P/E of 18x Dec-26E EPS. The stock is trading at a P/E of 16/14x for FY25/26E and RoE is at 32%.

Persistent Systems

Better getting bigger

Persistent Systems' (PSYS) Q3 print was exemplary, delivering growth (in-line) and an improving margin profile, though new deal bookings were soft. PSYS' programmatic consistency in growth, backed by its software development pedigree, positions it well towards its aspiration of reaching USD 5bn by FY31E. PSYS remains our preferred pick in the midcap space, combining growth and quality, even as margin improvement remains a work in progress. The valuation premium is likely to persist (limiting room for error), supported by its impeccable track record over the past four years and the prospects of continued growth. We maintain ADD on PSYS with a TP of INR 7,100, based on a 48x FY27E multiple, supported by a 26% EPS CAGR over FY24-27E.

- Q3FY25 highlights:** (1) PSYS' revenue, at USD 360.2mn, was up 4.3% QoQ (in line with the HSIE estimate of USD 360.3mn) and 19.8% YoY with broad-based growth across verticals. (2) Within these verticals, BFSI (31% of revenue) grew 4.9% QoQ, followed by Healthcare & Lifesciences (28% of revenue) at 4.3% QoQ growth, and tech vertical (41% of revenue) at a growth of 3.7% QoQ. (3) While net new ACV accelerated by 7% YoY to USD 196mm, the TTM ACV increased by 17% and the renewal ACV grew 11% YoY, providing growth visibility. Key deals included its largest transformation deal, a USD 150mn TCV over 7 years, for the legacy modernization of a BFSI client. AI strategy is supported by PSYS' 'SASVA' platform and supported by platform-led services, outcome-based business model, partner ecosystem (~18.6k certifications across Microsoft, AWS, Google, Salesforce and IBM) and capability acquisitions. (4) EBITM improved 86bps QoQ, reaching 14.9% in the quarter. The margin improvement was mainly led by a lower sub-contracting expense, a pass-through effect linked to a large healthcare customer (+110bps impact), INR depreciation, and an increase in utilisation. These were offset by lower earnout credit (-110bps) and furlough impact. (5) PSYS reiterated its FY27E revenue target of USD 2bn revenue and it aspires for a USD 5bn revenue by FY31E.
- Outlook:** We have factored USD revenue growth of 19/20/18% (16% CAGR in total ACV over FY24-26E) and EBITM of 14.4/15.5/16.5% for FY25/26/27E respectively, translating to a 26% EPS CAGR and 23% FCF CAGR over FY24-27E. PSYS is trading at a valuation of 49x FY26E and 38x FY27E (vs. 5Y average at 33x).

Quarterly Financial summary

YE March (INR bn)	Q3 FY25	Q3 FY24	YoY (%)	Q2 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD mn)	360	301	19.8	346	4.3	1,036	1,186	1,410	1,691	1,993
Net Sales	30.62	24.98	22.6	28.97	5.7	83.51	98.22	118.96	143.78	171.39
EBIT	4.56	3.63	25.5	4.06	12.2	12.47	14.15	17.13	22.29	28.22
APAT	3.73	2.86	30.3	3.25	14.8	9.43	11.30	13.71	17.98	22.75
Diluted EPS (INR)	24.2	18.6	30.3	21.1	14.8	61.3	73.4	89.1	116.9	147.9
P/E (x)						92.7	77.4	63.8	48.6	38.4
EV / EBITDA (x)						56.5	49.7	41.6	32.6	25.6
RoE (%)						25.1	24.5	25.5	28.3	29.9

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
Revenue (USD mn)	1,410	1,410	(0.0)	1,692	1,691	(0.0)	1,993	1,993	(0.0)
Revenue	118.79	118.96	0.1	143.81	143.78	(0.0)	171.43	171.39	(0.0)
EBIT	17.19	17.13	(0.4)	22.37	22.29	(0.3)	28.32	28.22	(0.4)
EBIT margin (%)	14.5	14.4	-7bps	15.6	15.5	-5bps	16.5	16.5	-6bps
APAT	13.75	13.71	(0.3)	18.15	17.98	(0.9)	22.96	22.75	(0.9)
EPS (INR)	89.4	89.1	(0.3)	118.0	116.9	(0.9)	149.2	147.9	(0.9)

Source: Company, HSIE Research

ADD

CMP (as on 22 Jan 2025) INR 5,683

Target Price INR 7,100

NIFTY 23,155

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 6,825	INR 7,100
	FY25E	FY26E
EPS %	-0.3	-0.9

KEY STOCK DATA

Bloomberg code	PSYS IN
No. of Shares (mn)	156
MCap (INR bn) / (\$ mn)	886/10,259
6m avg traded value (INR mn)	2,636
52 Week high / low	INR 6,789/3,232

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	10.2	19.4	43.5
Relative (%)	14.9	24.5	36.5

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	30.66	30.66
FIs & Local MFs	27.37	26.26
FPIs	23.34	24.75
Public & Others	18.63	18.33
Pledged Shares	0.00	0.00

Source: BSE

Pledged shares as % of total shares

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Dalmia Bharat

Subdued volume offtake

We maintain our BUY rating on Dalmia Bharat with a lower TP of INR 2,140/sh (12x its Mar-27E consolidated EBITDA). In Q3FY25, Dalmia reported a 2% YoY (flat QoQ) decline in consolidated volumes (ex-JPA, volumes grew 4% YoY). Higher incentive accrual QoQ majorly drove up unit EBITDA by INR 115/MT to INR 765/MT, in the absence of op-lev gains and subdued pricing. The company reiterated that it is on track to reduce its opex by INR 200/MT over the next 2-3 years, driven by a rising share of green power, the upcoming captive coal mining operations, and ongoing logistics initiatives. The share of green power will increase to >42% in FY26, from ~37% in FY25 and 27% in FY24. Additionally, in July-25, Dalmia plans to roll out expansion roadmap to add 25mn MT over FY26-28E, which would bring its total capacity to 75mn MT.

- Q3FY25 performance:** Total sales volume fell 2% YoY. Excluding the JPA's volume of 0.37mn MT in Q3FY24, volume grew ~4% YoY. NSR improved 3% QoQ, led by a slight price uptick in December and higher incentives QoQ (+60/MT impact). Opex remained flat QoQ as the benefits of lower fuel cost was offset by a fall in green power consumption. The share of green power fell to 33% vs 39% QoQ (kiln shutdown impact). Thus, unit EBITDA rose by INR 115/MT to INR 765/MT.
- Con call KTAs and outlook:** Dalmia lowered its FY25 industry growth guidance to 4% vs 6% earlier. It expects cement prices to improve further in Q4FY25. Dalmia reiterated that its opex reduction target of ~INR 200/MT over the next three years is on track (it would save INR 125-150/MT from rising share of green power and upcoming coal mines, and the balance INR 50-75/MT from ongoing logistics savings). Dalmia maintained its capacity target of 75mn MT by FY28E and it will share the details in July 2025. The ongoing cement expansion of 0.5/2.4mn MT capacities at Kalyanpur, Bihar/Lanka, and Assam are on track by the end of FY25. The clinker expansion in the northeast is expected by Sep-25. Dalmia spent INR 20bn in Capex during 9MFY25 and another INR 10bn is expected in Q4FY25, mostly towards the northeast project. Barring new projects, it guided for a Capex outgo of INR 25-30bn for FY26E. We lower our volume growth estimates for Dalmia to 6.6% CAGR over FY24-27E vs 8% earlier. Factoring in lower volumes and increased competitive intensity, we reduce our EBITDA estimates for FY25/26/27E by 2/4/2% respectively. We have built in higher Capex of INR 80bn during FY26-27E, mainly towards new projects, which will be announced in Q1FY26. Despite the same, we expect its net debt to EBITDA to remain under 2x.

Quarterly/annual financial summary (consolidated)

YE Mar (INR bn)	Q3 FY25	Q3 FY24	YoY (%)	Q2 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Sales (mn MT)	6.7	6.8	(2.0)	6.7	-	25.8	28.8	29.4	31.7	34.9
NSR (INR/MT)	4,762	5,279	(9.8)	4,621	3.0	5,255	5,103	4,746	4,864	4,913
EBITDA (INR/MT)	765	1,137	(32.7)	650	17.7	903	917	828	981	1,012
Net Sales	31.81	36.00	(11.6)	30.87	3.0	135.52	146.91	139.36	154.27	171.39
EBITDA	5.11	7.75	(34.1)	4.34	17.7	23.28	26.39	24.33	31.10	35.31
APAT	0.61	2.63	(76.8)	0.46	32.6	6.56	8.27	6.45	11.65	12.43
AEPS (INR)	3.3	14.0	(76.8)	2.5	32.6	35.5	43.5	33.9	61.3	65.4
EV/EBITDA (x)						14.9	13.0	14.3	11.4	10.1
EV/MT (INR bn)						9.0	7.7	7.0	7.2	7.2
P/E (x)						50.7	40.2	51.6	28.6	26.8
RoE (%)						4.1	5.1	3.8	6.6	6.7

Source: Company, HSIE Research

BUY

CMP (as on 22 Jan 2025) INR 1,799

Target Price INR 2,140

NIFTY 23,155

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 2,205	INR 2,140
EBITDA revision %	FY25E -2.1	FY26E -3.7

KEY STOCK DATA

Bloomberg code	DALBHARA IN
No. of Shares (mn)	188
MCap (INR bn) / (\$ mn)	337/3,908
6m avg traded value (INR mn)	677
52 Week high / low	INR 2,320/1,651

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(0.3)	1.6	(18.5)
Relative (%)	4.5	6.7	(25.5)

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	55.84	55.84
FIs & Local MFs	14.58	14.69
FPIs	8.94	9.08
Public & Others	20.64	20.37
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Zensar Technologies

Strong deal wins to drive growth

Zensar reported a better-than-expected revenue and margin performance. The revenue growth of +0.7/7.5% QoQ/YoY CC and margin expansion of 72bps QoQ was encouraging, considering stress in the top account and the impact of furloughs. The revenue growth was supported by traction in the manufacturing and healthcare verticals, offset by continued stress in the TMT vertical and the impact of furloughs. The (ex-TMT) revenue growth stood at a healthy +1.8/15.1% QoQ/YoY. The management has indicated stability in the top account and growth in the TMT vertical (ex-top client) is healthy. The TCV booking was at an all-time high of USD 205 mn, +23% QoQ and +7% TTM, with a book-to-bill ratio of 1.3x. The strong deal wins are supported by investments in new services like SaaS, data, advanced engineering, and digital solutions. A higher focus on managed services deals is also driving order wins and offshore revenues. The management focus is on driving growth, led by (1) focus on cross-selling, (2) winning new logos, (3) achieving stability in the hi-tech vertical, and (4) continuing growth in the BFSI and HLS verticals. The margins in the quarter expanded by 72bps QoQ, led by GM expansion, but offset by SG&A investments. We expect growth to revive to low double digits in FY26E, supported by healthy deal wins and stability in the top account. We increase our EPS estimate by ~3% for FY26/27E. We maintain our ADD rating with a TP of INR 900, based on 23x FY27E EPS. The stock is trading at a P/E of 27/23x FY25/26E EPS and has net cash of USD 269mn, ~14% of market cap.

- Q3FY25 highlights:** (1) Zensar's revenue at USD 157mn was in line our estimate of USD 156.3mn, +0.7/+7.5% QoQ/YoY CC. (2) Growth was led by Manufacturing & Consumer services at +6.5% QoQ CC, followed by Healthcare & Life sciences at +3.2% QoQ CC, offset by a -3.5% fall in the TMT vertical and BFSI de-growth of -3.5% QoQ CC that was impacted by furloughs. The TMT vertical stress continued in Q3 with declining revenue share (21.4% in Q3 vs 27.1% in FY24). (3) Within geographies, the UK/EU was up +2.2% QoQ CC, followed by Africa/US at 1.5/0.2% QoQ CC. (4) EBITDA margin expanded 23bps QoQ to 15.6%, impacted by a higher SG&A (-180bps), offset by higher leave utilisation (+90bps), operational efficiencies (+80bps), volume (+10bps) and FX (+10bps). (5) The headcount improved by 277 net employees and attrition remained stable at 10% (-10bps QoQ). The company expects continued campus hiring in the near term. (6) It moved one client in the manufacturing & consumer services vertical to USD 20mn+ bucket (earlier USD 10mn+ bucket). (7) The TCV bookings were at all-time highs, USD 205mn, +1.7% QoQ, with a book to bill ratio of 1.3x.
- Outlook:** We expect USD revenue growth of +6.1/10.6/12.4% and an EBITDA margin of 15.6/15.8/16.3% for FY25/26/27E respectively, resulting in revenue/EPS CAGRs of +9.7/+10% over FY24-27E.

Quarterly Financial Summary

YE March (INR bn)	Q3 FY25	Q3 FY24	YoY (%)	Q1 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Revenue (USD Mn)	157	145	8.5	156	0.5	604	592	628	695	782
Net Sales	13.26	12.04	10.1	13.08	1.3	48.48	49.02	52.97	59.45	67.24
EBIT	1.83	1.76	3.9	1.71	6.9	3.69	7.38	7.18	8.29	9.81
APAT	1.60	1.62	(1.2)	1.56	2.6	3.28	6.65	6.48	7.60	8.88
Diluted EPS (INR)	7.0	7.1	(1.4)	6.8	2.3	14.3	29.1	28.4	33.3	38.8
P/E (x)						52.3	25.8	26.5	22.5	19.3
EV / EBITDA (x)						27.6	16.9	17.2	14.6	12.0
RoE (%)						11.3	20.0	16.7	17.4	18.0

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (INR bn)	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
Revenue (USD mn)	628	628	0.1	693	695	0.4	779	782	0.3
Revenue	52.86	52.97	0.2	58.89	59.45	1.0	67.04	67.24	0.3
EBIT	7.05	7.18	1.9	8.03	8.29	3.2	9.52	9.81	3.0
EBIT margin (%)	13.3	13.6	22bps	13.6	13.9	30bps	14.2	14.6	38bps
APAT	6.49	6.48	-0.2	7.39	7.60	2.8	8.65	8.88	2.6
EPS (INR)	28.4	28.4	-0.2	32.4	33.3	2.8	37.9	38.8	2.6

Source: Company, HSIE Research

ADD

CMP (as on 22 Jan 2025)	INR 750
Target Price	INR 900
NIFTY	23,155

KEY CHANGES	OLD	NEW
Rating	ADD	ADD
Price Target	INR 870	INR 900
	FY25E	FY26E
EPS %	-0.2	+2.8

KEY STOCK DATA

Bloomberg code	ZENT IN
No. of Shares (mn)	227
MCap (INR bn) / (\$ mn)	170/1,972
6m avg traded value (INR mn)	644
52 Week high / low	INR 840/513

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	14.3	0.2	33.5
Relative (%)	19.1	5.3	26.6

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	49.13	49.10
FIs & Local MFs	19.05	19.83
FPIs	14.84	15.06
Public & Others	16.98	16.01
Pledged Shares	0.00	0.00

Source: BSE

Pledged shares as % of total shares

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Nuvoco Vistas Corporation

Volume recovers in Q3; pricing looks up for Q4FY25

We maintain a BUY rating for Nuvoco Vistas, with an unchanged TP of INR 420/share (9x its consolidated Mar-27E EBITDA). Nuvoco delivered strong 16% YoY volume growth in Q3FY25, thus reversing the decline seen in H1FY25. However, NSR further dipped 3% QoQ (-15% YoY), given intense competition in the east. Amid weak pricing, Nuvoco tightened its opex on all counts, cushioned the weak pricing impact, and unit EBITDA increased INR 27/MT QoQ to INR 533/MT. Nuvoco guided that current realisation is ~6-7% higher vs Q3 average, post the price rebound in mid-December. This along with op-lev gains QoQ should boost margin in Q4, offsetting the profit miss in Q3. The operationalization of Vadraj Cement should free up its capacity in the north, expand its regional sales mix, and boost its volume growth FY28 onwards.

- Q3FY25 performance:** Cement sales volume rebounded 10% QoQ and 16% YoY, reversing the decline seen in H1FY25. Trade sales share stood at 71% vs 73/71% YoY/QoQ. Premium cement share stood at 39% vs 43/36% QoQ/YoY. Intense competition in the east further pulled down NSR by 3% QoQ, leading to a 15% fall YoY. East pricing in Q3 fell to almost a decade low. However, there has been a recovery mid-December onwards, raising hope for Q4FY25. Nuvoco could reduce its unit opex by 4% QoQ, riding on lower input and logistics cost and op-lev gains. This was despite a INR 60/MT higher cost on account of maintenance shutdown. Its fuel cost fell to INR 1.45/mnCal vs INR 1.55 QoQ. Nuvoco also benefitted from the slight reduction in slag and flyash prices. Cost reduction thus led to INR 27/MT QoQ margin expansion, reaching INR 533/MT.
- Outlook:** Nuvoco guided that current realisation is ~6-7% higher vs the Q3 average, post the price rebound mid-December onwards. This along with op-lev gains QoQ should drive large margin expansion and offset the profit miss in Q3. Nuvoco recently emerged as a successful bidder for Vadraj Cement in the west markets. It will incur a total Capex of INR 30bn during FY26-27E to operationalise the 3.5/6mnMT clinker/cement capacity. This will also free up its capacity in the north, expand its regional sales mix, and boost its volume growth FY28 onwards. We marginally lower FY25/26E EBITDA estimates by 2/2% each but maintain FY27E estimates. We expect the net debt to EBITDA to moderate to 2.1x in FY27E, vs 3.3x currently.

Quarterly/annual financial summary

YE Mar (INR bn)	Q3 FY25	Q3 FY24	YoY (%)	Q2 FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Sales Vol (mn MT)	4.66	4.02	16.0	4.23	10.2	18.80	18.78	18.96	20.29	21.92
NSR (INR/MT)	4,642	5,428	(14.5)	4,800	(3.3)	5,124	5,159	4,876	4,997	5,072
Opex (INR/MT)	4,109	4,437	(7.4)	4,294	(4.3)	4,513	4,336	4,199	4,141	4,122
EBITDA (INR/MT)	533	991	(46.3)	506	5.3	611	824	677	856	951
Net Sales	24.09	24.21	(0.5)	22.69	6.2	105.86	107.33	103.44	113.48	124.44
EBITDA	2.58	4.10	(37.1)	2.19	18.1	12.10	16.24	13.27	17.85	21.37
APAT	(0.61)	0.31	(0.85)			-1.80	1.47	-0.10	3.92	5.91
AEPS (INR)	(1.72)	0.87	(2.38)			-5.0	4.1	-0.3	11.0	16.5
EV/EBITDA (x)						13.9	10.2	12.1	9.0	7.9
EV/MT (INR bn)						7.08	6.65	6.42	6.45	5.43
P/E (x)						-69.9	85.3	-1,243.4	32.0	21.3
RoE (%)						-2.0	1.7	-0.1	4.3	6.1

Source: Company, HSIE Research

BUY

CMP (as on 22 Jan 2025)	INR 352
Target Price	INR 420
NIFTY	23,155

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 420	INR 420
EBITDA revision %	FY25E (1.5)	FY26E (1.8)

KEY STOCK DATA

Bloomberg code	NUVOCO IN
No. of Shares (mn)	357
MCap (INR bn) / (\$ mn)	126/1,459
6m avg traded value (INR mn)	140
52 Week high / low	INR 386/291

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	4.9	3.0	2.7
Relative (%)	9.7	8.1	(4.3)

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	72.02	72.02
FIs & Local MFs	18.46	19.27
FPIs	3.50	3.37
Public & Others	6.02	5.34
Pledged Shares	-	-

Source : BSE

Pledged shares as % of total shares

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Tanla Platforms

Gradual recovery, led by OTT

Tanla growth engine has been muted over the last few quarters, mainly due to a drag in international messaging. Pricing cuts have been offset by volume growth in OTT and domestic messaging. The revenue was flat QoQ, impacted by the enterprise segment (-0.9% QoQ) but offset by recovery in platform (+8.5% QoQ). The enterprise segment was impacted by the ILD volume decline, lower realisations for NLD, and a WhatsApp price cut. OTT volume growth was strong but was offset by the full-quarter impact of the steep price cut for utility messages. We expect enterprise segment growth to revive gradually, supported by (1) growth in the OTT channel, fueled by increased adoption of WhatsApp by enterprises; (2) stability in ILD volumes; and (3) growth in domestic messaging. Platform growth was led by the ramp-up of the MaaP Platform (Google RCS) and the ATP deal. The platform revenue was up ~17% YoY excluding the impact of the VIL deal exit. The EBITDA margin stood at 16.3% in Q3 vs 17.5% in Q2, impacted by a lower gross margin (WhatsApp price cut), higher employee expenses, and higher other expenses resulting from forex losses. We cut our EPS estimates by 5/3% for FY25/26E to factor in lower margins and lower the multiple to 18x, from 20x earlier. We maintain our BUY rating and assign a TP of INR 950, based on P/E of 18x Dec-26E EPS. The stock is trading at a P/E of 16/14x for FY25/26E and RoE is at 32%.

- Q3FY25 highlights:** The enterprise revenue declined by 0.2/0.9% QoQ/YoY to INR 9.05bn and the gross margin contracted 79bps QoQ to 18.4%. The margin was impacted by a change in Whatsapp pricing. The integration of the VF Middle East business is taking longer than expected, with no clear timeline. The OTT revenue stood at INR 2.3bn (~23% of revenue), up +15/77% QoQ/YoY. The company added ~123 new customers, ~50% of which were for WhatsApp and RCS. The platform revenue stood at INR 0.96bn, up +8.5%/-0.3% QoQ/YoY, and the gross margin was 98.7%. APAT was down 9/15.4% QoQ/YoY to INR 1.19bn due to the increase in depreciation (+4.8% QoQ), led by capitalisation of the MAAP platform. The INR 10-100mn bucket revenue increased by 7.3% QoQ while the >INR500mn revenue bucket declined by 8.5% QoQ and the 100-500mn revenue bucket declined by 3% QoQ.
- Outlook:** We estimate a 11% revenue CAGR over FY24-27E, led by CAGRs of +10/8/51% from the Platform/Enterprise/OTT segments. We estimate ~10% EPS CAGR over FY24-27E.

Quarterly financial summary

YE March (INR bn)	3Q FY25	3Q FY24	YoY (%)	2Q FY25	QoQ (%)	FY23	FY24	FY25E	FY26E	FY27E
Net Revenues	10.00	10.03	-0.2	10.01	0.0	33.54	39.28	40.33	45.84	53.09
Gross Profit	2.61	2.70	-3.4	2.62	-0.4	8.36	10.56	10.60	12.15	14.15
EBITDA	1.63	1.93	-15.2	1.75	-6.8	5.88	7.32	6.99	8.12	9.65
APAT	1.19	1.40	-15.4	1.30	-9.0	4.48	5.48	5.47	6.21	7.39
DEPS (INR)	8.8	10.4	-15.5	9.7	-9.0	33.0	40.7	40.6	46.2	54.9
P/E (x)						19.0	15.4	15.5	13.6	11.5
EV/EBITDA (x)						13.4	10.7	10.6	8.7	7.0
ROE (%)						31.2	31.7	25.7	24.6	24.9

Source: Company, HSIE Research, Consolidated Financials

Change in estimates

INR bn	FY25E Old	FY25E Revised	Change %	FY26E Old	FY26E Revised	Change %	FY27E Old	FY27E Revised	Change %
Revenue	41.52	40.33	(2.9)	46.13	45.84	(0.6)	53.12	53.09	(0.1)
EBITDA	7.36	6.99	(4.9)	8.35	8.12	(2.8)	9.82	9.65	(1.8)
EBITDA margin (%)	17.7	17.3	-37bps	18.1	17.7	-39bps	18.5	18.2	-31bps
APAT	5.76	5.47	(5.0)	6.43	6.21	(3.4)	7.56	7.39	(2.3)
EPS (INR)	42.7	40.6	(4.9)	47.7	46.2	(3.3)	56.1	54.9	(2.2)

Source: Company, HSIE Research

BUY

CMP (as on 22 Jan 2025) INR 629

Target Price INR 950

NIFTY 23,155

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	INR 1,080	INR 950
	FY26E	FY27E
EPS %	-3.3%	-2.2%

KEY STOCK DATA

Bloomberg code	TANLA IN
No. of Shares (mn)	135
MCap (INR bn) / (\$ mn)	87/980
6m avg traded value (INR mn)	935
52 Week high / low	INR 1,195/617

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	(18.4)	(35.0)	(46.7)
Relative (%)	(13.6)	(30.0)	(53.6)

SHAREHOLDING PATTERN (%)

	Sep-24	Dec-24
Promoters	44.12	44.10
FIs & Local MFs	0.8	0.47
FPIs	14.64	12.48
Public & Others	40.44	42.95
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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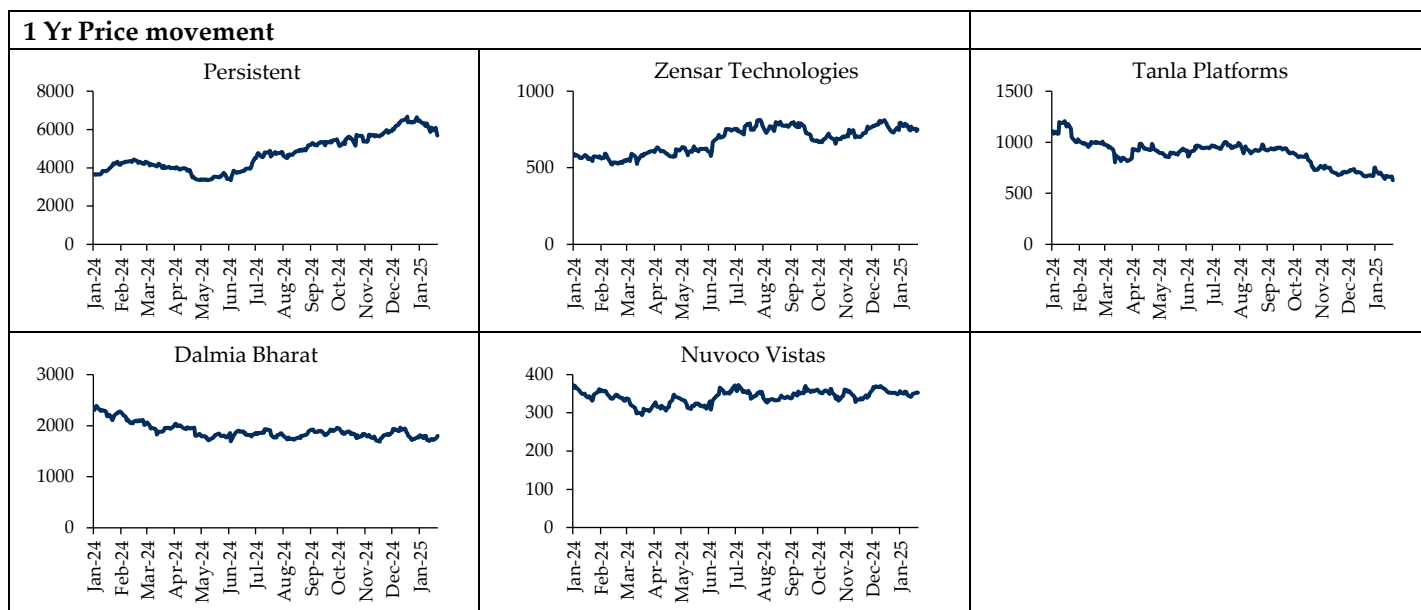
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Rating Criteria

BUY: >+15% return potential
 ADD: +5% to +15% return potential
 REDUCE: -10% to +5% return potential
 SELL: > 10% Downside return potential

Disclosure:

Analyst	Company Covered	Qualification	Any holding in the stock
Apurva Prasad	Persistent Systems, Zensar Technologies	MBA	NO
Amit Chandra	Persistent Systems, Zensar Technologies, Tanla Platforms	MBA	NO
Vinesh Vala	Persistent Systems, Zensar Technologies	MBA	NO
Rajesh Ravi	Dalmia Bharat, Nuvoco Vistas Corporation	MBA	NO
Keshav Lahoti	Dalmia Bharat, Nuvoco Vistas Corporation	CA	NO
Riddhi Shah	Dalmia Bharat, Nuvoco Vistas Corporation	MBA	NO
Dhananjay Jain	Tanla Platforms	CA	NO



Disclosure:

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