



Tanla Platforms Limited
Q1 FY22 Earnings Conference Call Transcript
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Call Duration	<ul style="list-style-type: none">▪ 56 minutes
Management	<ul style="list-style-type: none">▪ Uday Kumar Reddy – Chairman & Chief Executive Officer▪ Deepak Goyal – Chief Business Officer▪ Aravind Viswanathan – Chief Financial Officer▪ Ritu Mehta – Head of Investor Relations
Participants that asked the questions	<ul style="list-style-type: none">▪ Kushagra Bhattar – Old Bridge Capital Management Pvt Ltd▪ Milind Karmarkar – Dalal & Broacha Stock Broking Private Limited▪ Anil Sarin – Centrum Wealth Management▪ Deepak Chhugani – Ray Capital▪ Anuj Gupta – Prudent Investment▪ Manish Poddar – Nippon India AIF▪ Niraj Gangar – Neev Investment & Management Advisors▪ Dipesh Mehta – Emkay Global Financial Services Ltd▪ Balaji Subramanian – IIFL Securities Limited▪ Kawaljeet Saluja – Kotak Securities Ltd.▪ Sudhir Bheda – Right Time Consultancy Services▪ Kushan Virani – InCred Wealth▪ Tejas Shah – Unique Capital

Moderator: Ladies and gentlemen, good day, and welcome to Tanla Platforms Limited's Q1 FY2022 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this conference is being recorded.

I now hand the conference over to Ms. Ritu Mehta from Tanla Platforms Limited. Thank you and over to Ms. Mehta.

Ritu Mehta: Hello, everyone. I, Ritu Mehta, lead Investor Relations for Tanla Platforms. I hope you and your family members are safe and healthy. On behalf of everyone at Tanla, I would like to welcome you to our first quarter ended June 30, 2021, earnings conference call.

Joining us today will be our Chairman & Chief Executive Officer, Mr. Uday Kumar Reddy; Deepak Goyal, our Chief Business Officer; and Mr. Aravind Viswanathan, our Chief Financial Officer. Uday Reddy, our Chairman and CEO will share perspective from business imperatives and strategic progress made by Tanla.

After the opening remarks, we'll be happy to engage with participants and address their questions. Before I hand it over to Mr. Uday, let me draw your attention to the fact that this discussion contains the statements that are forward-looking in nature. All statements, other than statements of financial facts could be deemed forward-looking in nature. Such statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified.

A detailed disclosure in this regard is mentioned in the results, the presentation which is uploaded on our website. The audio recording and the transcript will be available soon.

Over to Mr. Uday, our Chairman and CEO.

Uday Kumar Reddy: Thank you, Ritu. Good evening, everyone, and a very warm welcome to all of you, to our Q1FY22 earnings conference call. Hope you and your families are keeping safe and had a chance to get vaccinated.

Tanla is grateful to participate in the vaccination drive and partner with CoWIN through NIC to enable communication to millions of Indian citizens. We're absolutely privileged.

We had a stellar start into the year across all metrics. We have consistently accelerated our revenue growth, with our year-on-year growth rates, improving every quarter, for the past 5 quarters. And we have delivered 38% year-on-year growth in revenue. Our gross margin improved further during the quarter. And the contribution of platform business went up from 31% versus 17% in the Q1 of last year.

Our operating profit and the net profit were at an all-time high and reflect the financial discipline we have consistently demonstrated. We have delivered our second consecutive quarter of Rs.100-crore-plus of net profit. We have delivered operating cash flow of 102% of EBITDA.

Our financial performance demonstrates the robustness of our business model across all dimensions: revenue, profitability, and cash flows.

Let me give you my perspective on how I look at the financial metrics. SaaS companies started to operate at 'Rule of 40'.

What is Rule of 40?

The revenue growth rate plus EBITDA margin percentage should be equal or above 40%. But Tanla operated at 'Rule of 60' in Q1 on organic basis, which is an aspirational target for most of the SaaS companies globally.

Tanla will continue to surpass the industry standard and operate at level significantly higher than Rule of 40 in the coming quarters.

So how do you maintain this momentum? We have a 3-fold strategy going forward: the Wisely platform, the global expansions, and partnerships. Let me lay down my thoughts on each of these.

So firstly, is our platform. As I said many times in the past, we are a platform company. We have an outstanding track-record of commercializing new innovations. We launched 2 gigantic platforms back-to-back within a year, which saw a massive adoption.

Wisely, an enterprise-grade platform is built for the entire CPaaS ecosystem for the global customers. We are seeing massive traction with our Indian customers. And we continue to invest on this platform. Axis Bank, one of our marquee customers, have benefited on data privacy, data security, and single source of truth with the implementation of Wisely platform.

The second big focus area for growth is partnerships. We believe this is a huge opportunity through specific partnerships, and I'm personally driving this here. We have already announced the partnership with Microsoft on Wisely, but we see multiple opportunities to partner with entire CPaaS ecosystem.

The third focus area is our global expansion. We see a massive opportunity outside India for CPaaS. And we will enter into key markets very soon. We are excited by the opportunity in front of us. Our teams are fired up to be the fastest growing CPaaS company at a scale in the world.

We have been disciplined about returning the cash to our shareholders, through buybacks and dividends. And once again, I'm happy to announce that Board has approved open-market buyback of Rs.65 crores, which is 10% of Tanla's standalone reserve, at a price not exceeding Rs.1,260 per share.

With this, I'm opening the floor for Q&A.

Question-and-Answer Session

Moderator: Thank you very much. The first question is from the line of Kushagra Bhattar from Old Bridge Capital.

Kushagra Bhattar: Hey, thanks for giving me the opportunity. And congrats on the good set of numbers. A couple of questions. The first is on capital allocation. If you can provide some insights on capital allocation, like how much you are thinking of investing in bolt-on acquisitions, and how much cash you want to keep on books, and also, with this buyback announcement, how much cash you would be returning for the remaining quarters? Second, within M&A, what kind of targets you have in mind as you would be directly competing with the global guys who are acquiring companies quite aggressively. So, any color on this will be helpful.

Uday Kumar Reddy: Yeah. As I mentioned, we have allocated around Rs. 65 crores towards the buyback for this year. That, of course, we have to pay 20% of tax on it. course. That's what we are going to allocate towards the buyback. That's number one.

Number two is, as I mentioned earlier, we are pretty clear on acquisition cycle. We are not here to acquire any company for numbers. It's very clear. We may look at bolt-on acquisitions. So as and when we find any interesting bolt-on acquisition, which is going to drive the value addition for our single platform business which is Wisely, we are pretty open.

But we have not identified any acquisition as yet. But as and when we find any interesting bolt-on acquisitions, we don't mind looking at it.

And the third one is we continue to invest on the platform business, which we are very, very clear. On average we are spending around Rs. 10 crores to Rs. 12 crores per quarter on Wisely and that will continue.

And the next important thing is we want to allocate certain amount of money towards our global expansion. We are looking at interesting markets. The first market is definitely going to be Dubai, which we're going to launch very, very soon. So, this is how we're going to allocate our capital.

Kushagra Bhattar: Sure. So that was quite explanatory. Just a follow-up on that. In terms of your global expansion, what kind of hiring you are contemplating right now, in terms of how many people you are going to hire and what will be the types of hiring? I know, you have mentioned that you won't be investing too much.

Uday Kumar Reddy: So, our strategy is very simple. Wisely is owned by Tanla Digital, which is an India-based company. So, this platform owns the IP. And also, this company is going to offer even the operations for our global customers. So, when we have offices outside India, we will have only sales and marketing office. We will not have anybody offering anything other than our sales and marketing. We're very clear about that. Yeah, but rest of the operations are going to be from India.

Kushagra Bhattar: Okay. Got it. And second question is on your standalone business. So, correct me if I'm wrong. Is your standalone business largely representing the platform business? And, if yes, and the related question is, I almost see a 10% quarter-on-quarter decline in your standalone, but margins are sort of improved. So, when we compare quarter-on-quarter, it appears that the subsidiaries, Karix and all, would have faced pressure on the margins. So, any color on standalone numbers and how should we look at it, going ahead would be helpful.

Uday Kumar Reddy: Yeah, as you rightly said, the standalone, the parent company always operates in platform business and will continue to operate on platform business. And the revenue and the gross margins are risen mainly because of we have seen a bit of growth in the platforms business.

Aravind Viswanathan: So, if I can also add that, if you really look at our margin performance, we've seen an improvement in gross margins largely driven by increased contribution of platform business, and that historically resides in our standalone business. And that's where you would see that improvement happen, is respect to this. But in many ways, these are integrated businesses if we look at the consolidated from an overall profitability perspective. But there is a certain amount of seasonality in Q1 with respect to the Karix business. But platform business has definitely done well and that has driven profitability. And that is kind of reflecting at an entity level depending on where the business is housed.

Kushagra Bhattar: So, was this quarter-on-quarter 10% decline was also seasonal for the platform business?

Aravind Viswanathan: See, there is an element of seasonality for sure in our business. That's why we keep looking at Y-o-Y as a relevant trend, right, in this business. So, you can get into more details, but I would definitely look at Y-o-Y trends of this business more than Q-on-Q.

Kushagra Bhattar: Understood. last question for my side it's on new customer addition. I would like to know how revenues of a new customer grow at Tanla. For example, if I see your presentation, you added almost 73 new customers, but the revenue was only Rs. 28 million. But when I look at the same number for FY 2021, 259 customers, new customers added almost Rs. 952 million. So, is it that customers get added in 1Q and then starts contributing handsomely from 2Q and 3Q onwards? Just how the trajectory of the customer moves once he is on boarded on Tanla would be helpful.

Aravind Viswanathan: Let me kind of give you a perspective on that from a quantitative perspective. And let me ask Deepak to define in terms of how we really land and expand with customers. From a numbers' perspective, if you look at it, right, it was not very different last quarter, last year also in Q1, right. So, we actually have grown revenue from our new customers in Q1 of this year compared to Q1 of last year. But typically, if I try to do a simple math, Kushagra, it's like I think about Rs. 3 crores or so is the revenue that we got from new business in Q1, which typically is like for half a quarter. So, if you look at it for a full year because it starts to play in any financial year. Effectively with no growth, the client base of Q1 would give something like Rs. 24 crores of revenue for the year. And you kind of build on that in Q2, and Q3, and Q4. So, you have the highest contribution of revenues. And it's very common, wherever we open a clean slate as far as new customer definition is concerned in a financial year, it ends up being about 25% of revenue in the first quarter but ends up being reasonably larger by the time we end the year. But I will let, Deepak, talk to you in terms of the journey, in terms of how we really scale up once we enter a customer.

Deepak Goyal: So, I will just tell you how we acquire the customers and how they grow. So, when we say we have acquired a certain number of customers in Q1, and the revenues are about Rs. 3 crores, so it could be that some of the customers we might have acquired in the beginning of April or maybe mid quarter or maybe another quarter. And then, it takes some time, maybe 2 to 3 weeks to onboard the customer, and then the testing starts. And then, as you know, our business is purely transaction based, so we need to onboard the customer in the particular quarter, and then we need to work with our customer and ramp up their volumes on us. That takes time. So, we have acquired customers in Q1, and we would see their full ramp up coming in maybe in Q2, by the end of Q2 or maybe in Q3. So that's how the business ramps up. So, yes, we have done maybe just Rs. 3 crores in Q1, but we would see in the coming quarters businesses getting increased with this set of customers.

Moderator: The next question is from the line of Milind Karmarkar from Dalal & Broacha.

Milind Karmarkar: Hi, congratulations on a great set of numbers. I had 2 questions. One was that cost of services continues to come down as a percentage of revenue. So, just wanted to understand how much operating leverage post the gross margins can still be extracted over a longer period of time. So that was my first question. And the second question was about global expansion. So when can we see the traction? And what is our experience at Etisalat UAE?

Uday Kumar Reddy: Yeah, Milind, thanks for your question, a couple of things. One is on the global expansion, both of Dubai and as well as how we see the traction for the next 9 months to come. So, obviously, we have been deploying our platform with both the mobile carriers in Middle East; we are doing that with Etisalat. Since it is a

blockchain platform, it is taking longer than what we expected. Telcos and the regulators are coordinating this deployment. It is behind its schedule. That's how market has worked even in India, because blockchain is a little complicated technology. And it is taking a little longer than what we expected, number one. Number two, if I have to really comment on my global expansion and the expected revenues from this year, we will be busy deploying our platform for the global market. And we may see little revenue coming from the global market. But our first priority is to deploy the platform with a mobile carrier as well as deploy it with enterprises. It's takes a bit of time. And probably next year is going to be big for our global numbers. But this year, if I have to say, we cannot expect much from global.

Aravind Viswanathan: You had a question on operating leverage. Right?

Milind Karmarkar: Yeah.

Aravind Viswanathan: I can take that, Milind. I think, if you look at one of the metrics that we track is, how much of our gross margin gets converted to EBITDA, right, at least from overheads standpoint. And we've seen almost that move from something like 71% last year same quarter to about 78% in the current quarter. So, clearly, we are doing a lot of work on that. Having said that, it's obviously not going to be 100%. There are investments on the areas that Uday has kind of laid out clearly. But so long as we continue to, we stay focused on our growth, continue to scale up our platform business, I think there will be a certain amount of leverage. I don't think we have reached the full potential on it. But we are also going to be cautious in terms of leaving room for investments, because that's going to be big from our perspective to scale the global opportunity in front of us, right. So, we are not going to leave anything unturned from an investment standpoint. But obviously, we will be very excited as far as our costs are concerned.

Milind Karmarkar: Okay. Thank you very much. And once again, congratulations on great numbers.

Aravind Viswanathan: Okay. Thanks, Milind. Thank you.

Moderator: The next question is from the line of Anil Sarin from Centrum Wealth Management.

Anil Sarin: Great performance, team. Well done. Milind has already asked something that I had to ask. But regarding global expansion, as you go out, maybe Dubai is first and maybe there will be other countries down the road, there the volumes tend to be lower, because the population is lower, but the per message price tends to be higher. So, what I wanted to know was to take a few countries together, how much time is it going to take you to replicate an India, what India currently represents, as just the global part of it? Basically, how do you replicate? How do you double your revenue by rolling out globally? And what timeframe do you have in mind?

Uday Kumar Reddy: Yes, I agree with you like the per transaction cost is very, very high, if you compare to the India prices. So, when we deploy our platform, we deploy our platform in line with their local capacity, local need. That's number one. But when we're going to go live with the Wisely platform. Wisely platform deployment will take time. So, we have to deploy with the telcos as well as with enterprises. As I told you earlier, we'll be busy deploying the platforms with both the mobile carrier as well as with the enterprises this year. And once you deploy this platform, it's pretty easy to scale up. That's number one. Number 2, once we demonstrate the good virtues of this Wisely platform to our Indian customers, and our Indian customers are going to be the mouthpiece for the global customers. So once the global enterprises see the benefits of this platform, it is pretty easy to scale. So, one is the deployment may take time, two is we should

be able to demonstrate the good virtues of this platform. Once both are addressed, it is pretty easy to scale the business.

Moderator: The next question is from the line of Deepak Chhugani from Ray Capital

Deepak Chhugani: Hello, Uday and team. Great number, congratulations. Just one question, why has the buyback quantum been set, as it seems a bit low given the buyback last year was almost 3 times bigger than the current buyback offering?

Aravind Viswanathan: Yeah. So let me give you a view on that, Deepak. I think we had an option of going for 10% on an open market data. I think the advantages of that is that you have a buffer execution time. And we just felt that the tender offer would take a lot of time to kind of conclude. We felt this is more efficient means of returning cash to shareholders. And we went ahead with that number. So that is broadly our thinking in terms of the buyback offering.

Deepak Chhugani: Okay. Thank you.

Moderator: The next question is from the line of Anuj Gupta from Prudent Investment

Anuj Gupta: Hi, Deepak and Uday. These are just few questions that I just wanted to ask. My first question is, is the company planning to expand its operation using the blockchain technology, except for the current platform they are in, that is CPaaS? Are you guys planning to use the blockchain technology otherwise as well in various domains? And my second question was, can you give the overview of the revenues from Wisely and Trubloq from your overall revenues in this quarter?

Uday Kumar Reddy: Yeah. on the first question, we are not working on any other new space on blockchain other than CPaaS. In fact, we have a lot of opportunity within CPaaS. And we are busy building our global product on the Wisely platform. So, to answer your question like, absolutely, we're not looking at any other use case on the blockchain. That's number one, right. Number two, if I have to give you the revenues for Wisely, they're not really meaningful for this quarter. Probably, we should be able to share the number from Q2 onwards.

Anuj Gupta: The numbers from Trubloq in India, how much are they contributing to the overall revenue?

Uday Kumar Reddy: I'm afraid that, we don't share the numbers by the platform. So, we kind of look at the consolidated numbers at the platform level or just enterprise level.

Anuj Gupta: All right. No problem. Thank you.

Moderator: The next question is from the line of Manish Poddar from Nippon India AIF.

Manish Poddar: Yeah. Hi, I just had one question. Can you probably help me understand, let's say the DLT revenues right now, whatever you're booking, is it largely from messaging? Or have you started booking revenues from voice also, as of now?

Uday Kumar Reddy: Manish, current DLT is completely driven by the Indian telecom regulator, TRAI. So, this, when the regulation came in 2018 June, and we went live in the 1st of September last year, 2019-2020. This use case, as we speak, is only for SMS. And within SMS, the content management is a bigger module, as we speak, that is going live. Probably it takes a couple of more months to fully go live on content management. And my guess is, once we finish, all the use cases on the SMS, the regulators and the mobile carriers may look at other use cases such as voice. But right now, only SMS.

- Manish Poddar:** So as of now, if I get it right, it's not part of the regulation. And if regulation changes, then the voice will also, rollout will happen.
- Uday Kumar Reddy:** Manish, it is part of the regulation, both voice and SMS are part of the regulation. But when it comes to implementation, the regulators have decided to go one by one. So, we are just in the process of finalizing the SMS implementation. Once you complete that, they may ask us to roll out even voice.
- Manish Poddar:** So, is there a timeline for that?
- Uday Kumar Reddy:** No, that Tanla is not the one who's going to decide. The regulator has to decide. Indian telecom regulator, TRAI has to decide. As of today, I have no visibility to the timeline.
- Manish Poddar:** Okay. Got it. Thank you.
- Moderator:** The next question is from the line of Niral Gangar from Neev Investment & Management Advisors.
- Niral Gangar:** Yes, congratulations on good set of numbers. My question is that what I feel the top-line from Q2 onwards, it is ranging between INR Rs. 600 crores to INR Rs. 650 crores, generally your Q1 revenues are lower, when do we expect to break out from the INRs. 600 crores to INRs. 650 crores range?
- Uday Kumar Reddy:** We've kind of covered it even in my last call also. As a company, we don't want to give any forward-looking statements. But having said that, it is the first time that Tanla came on call, and we did mention about Rule of 40 and Rule of 60. Okay. Also, the SaaS companies are looking at the Rule of 40 and we have operated at Rule of 60 in Q1. So, I would like to leave this discussion here.
- Niral Gangar:** I have another question. We are entirely into CPaaS industry, right. So, what are the risks involved? And how do we plan to mitigate those risks, because we are only in one business segment? Considering the company is growing very fast. How do we plan? And what risk do we foresee? And how do we mitigate those?
- Uday Kumar Reddy:** So, Niral, like any CPaaS company concentrate only in CPaaS in the sense that, if you look at our large competitors from Europe and the U.S., they do concentrate only in the core business. That's number one. Of course, the risk is we are operating only like in one country. That's where we see bit of risk and that's the reason like we have decided to expand into the global market to our one platform strategy, which is Wisely. So that's how we are going to de-risk ourselves from concentrating on only one country.
- Niral Gangar:** My question was that NPCI said that they are launching voice calls. So will Tanla be able to cater to that kind of thing or it will be that if voice calls take over SMS and other channels, then there will be a problem to the company?
- Uday Kumar Reddy:** So CPaaS covers has more than probably 7 to 8 channels. It could be voice. It could be SMS. It could be e-mail. It could be push notification. It could be OTT players. It could be video. So, there are channels. We are pretty agnostic with channels. And we work with each and every channel if that's possible, so in fact, Google has announced an app here. And we keep that in this new channel as part of our platform. So, we are pretty agnostic to channels.
- Niral Gangar:** Okay. Thank you very much.
- Deepak Goyal:** And just to add, we are one of the largest providers for the voice based CPaaS solutions in the country today.

- Uday Kumar Reddy:** Yeah, thanks, Deepak. Yeah, absolutely. So, in terms of capacities, we are the largest CPaaS player who is providing voice for more than one decade. Both, in terms of capacities and customers that we serve in India, we are the largest.
- Moderator:** The next question is from the line of Dipesh Mehta from Emkay Global.
- Dipesh Mehta:** Thanks for the opportunity. Two questions. First is, I think, a couple of days ago a media article indicated that international SMS charge is high. So, can you help us understand what would be the implication on our business? So, what kind of benefit we envisage? Second question is I think on the previous question about the DLT and implementation on voice call. By when do you expect it to be implemented and whether our platform is ready to handle voice calls? And where you can do filtering out kind of thing?
- Uday Kumar Reddy:** Our DLT platform is the first platform to launch. We launched our DLT platform in 2019 February in Barcelona. Our DLT platform can handle both SMS and voice. So, we're pretty ready for the last 2 years. But the telcos are using this platform only for SMS. And as and when they want to use for voice, probably we are the first one to go live on voice also. So, on that front, the platform has been ready with all the capabilities. But it is up to the Indian telecom regulator, TRAI has to mandate mobile carriers and the enterprises to use the voice. That's number one. In terms of ILD, the prices, the telcos, all the telcos, each and every telco in India has increased the ILD prices from first or second week of July. And they have doubled their prices. And when it comes to Tanla, absolutely we have no impact, I mean negative impact. We see a positive impact. So, I don't see any problem there. Deepak, do you want to add anything over there?
- Deepak Goyal:** No, nothing, Uday. Uday, you've covered it.
- Uday Kumar Reddy:** Yeah okay, thanks.
- Dipesh Mehta:** So, you are suggesting there is no impact, or it will be positive impact, because I presume you should have positive impact, because of the price hike?
- Uday Kumar Reddy:** I said, we will have positive impact.
- Dipesh Mehta:** Yeah, so can you provide some color, how much one should assume because of this change?
- Uday Kumar Reddy:** Dipesh, as I told you, like I'm not here to give you any forward-looking statement. But all I'm saying is it will have a positive impact on both in top-line and the margin from Q2 onwards. Let's hope for that.
- Dipesh Mehta:** ILD business is how big for us from revenue perspective?
- Uday Kumar Reddy:** From revenue perspective, I must say that I need to share with you later, Dipesh, if it's okay with you.
- Dipesh Mehta:** Okay, thank you.
- Moderator:** The next question is from the line of Balaji Subramanian from IIFL Securities.
- Balaji Subramanian:** Hi, thanks for taking my question. I had a couple. So first one is how should one look at your gross margin going forward? I understand that increasing mix of platforms is indeed a tailwind. But has there been any increase in the competitive intensity, especially in the past few quarters after Sinch and Twilio have entered the market? And my second question actually would be a couple of questions, which are housekeeping in nature. So, one is, any timeline by which you will become a full taxpaying company? And the last one is, why is the interest

income or other income just INR Rs. 4.3 crores in this quarter despite your cash balance being somewhere close to INR Rs. 720 crores.

Aravind Viswanathan: So, let me handle the 2 housekeeping questions first. And then, we will cover gross margin. From an interest income perspective, it's kind of given down the breakdown of our cash, Balaji, so if you look at it, a reasonable portion of our cash is overseas because of our business. It is not earning too much of interest. And we are very, very conservative in terms of our investment. So, if you really look at it today, most of our investments are in fixed deposits with banks. And therefore, the interest rate is less. The FD's that we have you can see the breakup of the same given in our income statement. From a tax perspective, we delivered about 19.3% ETR, right, in this quarter. I really can't tell you in terms of what is my outlook on ETR, but there is a geography mix between certain overseas subsidiaries which are the domestic and there are tax rates, which will vary based on that. But I don't expect any sudden big shifts as far as tax rates are concerned. From a gross margin perspective, I will let Deepak talk about the competition and the intensity of competition in many ways. But clearly, we were here with respect to platforms. I think that is the big driver. But from a pricing and competitive environment, maybe I will let Deepak chip in in terms of what we're seeing in the market.

Deepak Goyal: So, Balaji, yes, Sinch and Twilio have entered into Indian market. And we have already had one large player, Infobip, for more than 3 or 4 years in India. So, I would say since this is good for the industry, this is good for all of us. And it is very healthy competition. All these companies, they are primarily focusing on enriching their platforms, enriching their offerings to the enterprise customers. And we also do the same. As Uday has said multiple times, we are an innovation company. And we already have made deep inroads into our enterprises in India. So, we have demonstrated multiple times. So, it also keeps us on our toes to deliver more and more solutions, to deliver more and more channels. And let's say, currently we are working on to enrich our conversation platform. We have been winning lot of customers. And we have already shown in our investor deck also. So, we have been winning customers and on conversation, which is the future. And so, this is what we are doing. And in terms of pricing, there is little bit of pressure. I won't say there is no pressure. But for the companies like us, customers see more from the value point of view and also the pricing point of view. Though we have to give the right pricing to the customers, but they look at us more from the value point of view.

Balaji Subramanian: Okay, that's quite helpful. So, congrats on a great quarter and all the best. Thank you.

Uday Kumar Reddy: Thanks, bye.

Moderator: The next question from the line of Kawaljeet Saluja from Kotak.

Kawaljeet Saluja: Thanks for the opportunity. Good number. My question is within the Rule of 40, now, I'm aware of the Rule of 40, but still wondering as to how it's applicable to Tanla. Can you just elaborate a little bit on why you have adopted that?

Uday Kumar Reddy: Yeah. Kawaljeet. Thanks for coming on call. And, basically, if you look at any SaaS company, okay, right, so sometimes they just concentrate on top-line. Sometimes they concentrate on bottom-line. But if you look at any SaaS company, there is almost Rule of 40 there. If you go and do a little bit of Google search, there is the Rule of 40 there. Each and every company, SaaS company, I'm talking about companies which are operating at a scale, they always look at Rule of 40. Either they have to grow at top-line or grow at bottom-lines or mix of both. Okay. But the total growth, whether it is from the revenue and from the margin from the EBITDA has to be minimum equal to 40. That's how most of the

U.S. companies do operate at Rule of 40. And since we are also platform companies, we are operating within SaaS and CPaaS. In fact, most of our competitors do look at Rule of 40. And we have been monitoring Rule of 40 for the last almost 2 years. And that's how we position ourselves when it comes to the likes of analysts or competitors. Any platform company which are generating revenues on revenue share or the subscriptions, they always look at Rule of 40.

Kawaljeet Saluja: Okay. I have a follow-up question, but it's better to take it offline. The other question that I had, and I may have missed it. But is the buyback in open market route or a tender route?

Aravind Viswanathan: Yeah. So, buyback is an open market route.

Kawaljeet Saluja: And when you went through a discussion internally on the merits of a tender versus open market, what was the pros and cons? And why did you gear towards open market route?

Aravind Viswanathan: So, I think, we had that deliberation and I think that the decision I think was in terms of the positive on the open market would be in terms of time. And second is in terms of the EPS accretion on a relative basis. So, those were the key considerations.

Kawaljeet Saluja: Okay. Thank you.

Moderator: The next question is from the line of Sudhir Bheda from Right Time Consultancy Services.

Sudhir Bheda: Good afternoon and many, many congratulations on the simple set of numbers, sir. And particularly now, we are in operating above Rule of 60. So, there is a really great changes and we passed the journey of 40. So congrats, sir. Am I audible, sir?

Uday Kumar Reddy: Yes, please, Sudhir. Please go ahead.

Sudhir Bheda: Sir, my question is, there is some considerable drop in Q-o-Q revenue. So, is it seasonality involved as I was listening to your previous answer, or there is some COVID impact also, because it was very severe in month of May? So, drop in the revenue is attributed to seasonality or COVID, I'm talking about Q-o-Q basis? Please answer this and then I will ask my second question.

Aravind Viswanathan: Sure. So, Sudhir, I think there is definitely a seasonality in this business. This business has to be looked at from a YoY perspective. If you kind of look at a trend lines here, typically, Q1 is soft, Q3 is probably the strongest quarter in any given year, right, because that's where there are maximum festivals, functions. And therefore, there is a lot more promotional traffic. Q4 is strong, but tapers off vis a vis where Q3 needs. And Q1 tends to be the weakest quarter. So, the right way of looking at the business is on a YoY basis. If you actually looked at our performance, right, we've actually done better on a QoQ basis here compared to last year. We had a double-digit de-growth last year in Q1 versus Q4 at 13%. And we dropped about 3% in the current quarter. So, actually, given the kind of seasonality that one has, I think we entered the year quite well. So, we're quite happy with that.

Sudhir Bheda: My second question, see, now we are rolling out the substantial revenue from the overseas market as of now, for this year. So, can you throw some growth perspective, when either as a pie of the market we will go up or we will increase our market share? Or how we have taken up to for the growth in the next 3 quarters?

Aravind Viswanathan: So, Sudhir, let me put it this way, right. I think we should not get distracted by the fact that we are looking at global markets to think there is lack of opportunity in India. And I will probably let Deepak talk about the kind of opportunity we have in India. India continues to be a very, very exciting market for us. But, I think, it is important to focus on both. It's not a question of either or. So, while, current year, we don't expect big upsides on revenue from the global market, this kind of getting for the foundational investments that are needed to ensure that it takes off in the coming year. But India still has a whole lot of potential. And I will let Deepak kind of take you through in terms of the key trends of deciding business in India.

Deepak Goyal: So, firstly, I would say that we are building a very strong foundation this year to expand into different geographies globally. As Uday said, UAE is our first destination. We have already started acquiring customers there. We already have 2 operators, where our deployment is almost complete for DLT, which is our Trubloq. And you would see, we would be acquiring a lot of enterprise customers in UAE. Coming to India, I mean, India always remains very, very exciting for us. We have been growing as you can see Rule of 40 earlier and Rule of 60, it is all mostly India. And we see, and there are multiple growth drivers, what we see in India. One is there is an organic growth. I mean, there is a digital adoption, which is growing like anything in India. I mean, it is much more than the regular economy is growing in India. So, for example, we are present in all the verticals in India. We have all the major enterprise customers, any vertical you see, we have with us. And we see digital adoption is growing very much. That's why the number of transactions are growing, and our volumes are growing. So, that is what we can call organic growth that we are getting. Number two, with our new platforms, right now I will talk about Wisely and I will talk about our conversational platform. We see that we would be increasing our wallet share with our existing customer base, because due to regulations and customers tend to have more than one service provider, and we would see that we would increase our wallet share with our existing customer base. Then, as you have already seen, we have been acquiring customers quarter-on-quarter. We are focusing on new execution in a big way. There is a very large chunk of customers outside. There's a very large startup ecosystem in India. And we have been onboarding a lot of startups. Last year, we have demonstrated we have onboarded ed-tech companies like WhiteHat and BYJU'S and many others. And we have seen how these companies have grown over the period of years. And so, this is what we have been focusing upon and we are very bullish on our India Business.

Sudhir Bheda: Great. One small question, if I may chip-in. What kind of overseas revenue do you expect in 2022, 2023? It can be 20%, 25% of our existing business, how it will be?

Aravind Viswanathan: I think it's a little early to kind of comment on that, Sudhir. I think, we will progressively build on it. Obviously, the opportunity is very, very large. Opportunity is very, very large. But I don't want to get ahead of myself.

Sudhir Bheda: Yeah. That's right. But are you planning to some U.S. or UK kind of developed market, or you will be continuing to be like in Gulf and Southeast Asia? How it is?

Aravind Viswanathan: We will be on key markets. Obviously, we will address the key market.

Sudhir Bheda: I didn't get you. Pardon, sir.

Aravind Viswanathan: We will address the key market, U.S., Europe. They are the big markets. So we will definitely address that.

Sudhir Bheda: Oh, great, great. So all the best.

Aravind Viswanathan: But I think a key thing there, Sudhir, is and I think Uday has alluded to this, we don't want to go and pick up any business in those geographies. The objective is not to be present in a geography. The objective is to be present in the geography, doing the kind of business we want to do, right, which is a platform business. It is kind of tied into our one platform strategy. So, Wisely is going to be the big thing that we're going to take globally. So, I think, therefore, it is not about just entering a market, it's about entering the market in the right way, with the right partnerships. And therefore, I think once we get in, we probably are going to be unstoppable. The one thing you need to kind of see is, we operate in India, we are head and shoulders above everybody else from a leadership perspective. And that's the kind of aspiration we have when we enter a market.

Sudhir Bheda: Great, sir.

Deepak Goyal: And I would also like to add one thing here. Our good amount of revenues are coming in from very large tech-giants based in Silicon Valley in the U.S., right? They're already our customers for more than a decade now. And once we go outside, we expect a lot of business coming in from these customers for different countries as well. As of now, this business is for India. But we see a lot of business coming in for different geographies as well.

Sudhir Bheda: That's really helpful. Great, sir. All the best. And thanks for the opportunity for me to ask the question. Thank you, sir.

Aravind Viswanathan: Thanks.

Moderator: The next question from the line of Kushan Virani from InCred.

Kushan Virani: Hi, thanks for taking my question and congratulations to the team for the excellent results. So, my question was more on the market share. Actually, I understand that we aspire to improve our global market share. But at the same time, are we also increasing market share in India? And what I also wanted to understand was outside of India, what is the kind of demand, I mean, what sort of demand is there? I mean, is it demand for Trubloq? Or, I mean, that's something that I wanted to understand, what part of CPaaS' in demand outside of India?

Uday Kumar Reddy: Yeah. India is growing. In fact, we are around \$500 million to \$600 million market last year. But we kind of quickly grown to almost \$900 million market in India. And we are the largest player in CPaaS in India. So, our revenue market share is upwards of 42% market share. And we keep gaining the market share every year. If you look at our last 5 years, we keep gaining our market share. So that's number one, number two, when it comes to, if you look at Wisely, it is built mainly for global market and the Trubloq is really for the Indian market. So, when we go to the international market, as I told you earlier, we are going to go with Wisely platform. And we see a greenfield opportunity for our Wisely platform in most of the CPaaS market. So, we're pretty excited.

Kushan Virani: Right, okay. Thanks so much. And my last question was that are we looking at any other use cases of blockchain technology in the communication space? I mean, I saw in your presentation somewhere it was mentioned IoT. I mean, is there something apart from what we are already doing that we're looking at?

Uday Kumar Reddy: So, perhaps IoT is part of CPaaS, and our blockchain platform is mainly that of Wisely will be addressing all the use cases spreading across industries and spreading across all the channels. But as of today, IoT is not enabled as yet on Wisely. But in the due course, we are going to add even IoT based on the

demand. And to answer your questions like are we looking at any other use cases on blockchain, absolutely no. We see a massive opportunity within communication market. So, we would like to use our time and energy to launch more use case on CPaaS rather than looking at any other market. So, we have built a massive competency in and around blockchain for the last 2 years within Tanla.

Moderator: We take the last question, from the line of Tejas Shah from Unique Capital

Tejas Shah: How are we growing our business with Vodafone as it was primarily a big client? Now, being in trouble financially, how does it impact us? If you can throw some light.

Uday Kumar Reddy: Yes, absolutely, right. Vodafone is one of our biggest partners for the last 7 to 8 years. Also, Vodafone as we know has got a global presence. That way, we have a massive opportunity sitting outside India. If you have to really comment on our view on VIL, so since like Karix is being the largest enterprise player in India with almost more than 30% market share, so we have a lot of captive business. And secondly, we also work with most of or probably all the telcos in India. In fact, if you look at our Trubloq, it deployed with 5 telcos out of 7 telcos. So, we have equally, I mean, strong relationship with other telcos. So, the minute we see any problem with any telco, we kind of immediately shift our traffic to other telcos. So, we are not depending on one telco. Telco for us, mobile carrier for us, is a supplier. And the minute we see any quality issues or any other challenges, we quickly shift our traffic to other telcos. So, to answer your question, I see absolutely no issue with any telcos company in India.

Tejas Shah: Okay. Are we growing our relations with Reliance? Or are we in business with Reliance, or no?

Uday Kumar Reddy: Absolutely. We do a lot of business with Jio. We have been doing business with them for quite some time.

End of Q&A

Moderator: Thank you, ladies, and gentlemen, that was the last question for today. I now hand the conference over to the management for closing comments.

Ritu Mehta: Thank you, everyone, for the participation. In case, we couldn't take your questions due to time constraints, please feel free to reach out to our Investor Relations team. Have a nice day. Thank you.

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