



**Tanla Platforms Limited**  
**Q1 FY24 Earnings Conference Call Transcript**  
July 21, 2023

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<b>Call Duration</b>	▪ 57 minutes
<b>Management</b>	<ul style="list-style-type: none"><li>▪ Ritu Mehta - Head of Investor Relations</li><li>▪ Uday Kumar Reddy - Founder, Chairman &amp; Chief Executive Officer</li><li>▪ Deepak Goyal - Executive Director &amp; Chief Business Officer</li><li>▪ Aravind Viswanathan - Chief Financial Officer</li></ul>
<b>Participants that asked the questions</b>	<ul style="list-style-type: none"><li>▪ Meet Rachchh -Equirus Capital</li><li>▪ Balaji Subramanian – IIFL</li><li>▪ Deepak Chokhani -Reed Capital</li><li>▪ Amit Mishra - Individual Investor</li><li>▪ Ram Tavva - ExcelR Limited</li><li>▪ Mohit Motwani - Nuvama</li><li>▪ Amit Chandra - HDFC Securities</li><li>▪ Tejas Shah - Laser Securities</li><li>▪ Anil Nahata - Individual Investor</li></ul>

**Operator:**

Ladies and gentlemen, good day and welcome to the Q1 FY24 Earnings Conference Call of Tanla Platforms Limited. 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. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. 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 you ma'am.

**Ritu Mehta:**

Hello and a warm welcome to our Q1 earnings call. Joining with us today are Uday Reddy, Founder, Chairman and CEO; Deepak Goyal, Executive Director and Chief Business Officer; and Aravind Viswanathan, CFO. Uday will share his perspectives on business imperatives and strategic progress made by us. After opening remarks, we'll be happy to engage with the participants and address their questions.

Before I hand it over to Uday, let me draw your attention to the fact that today's discussion may feature statements that are forward-looking in nature. All statements other than statements of historical facts could be deemed forward-looking in nature. Such statements are inherently subject to risk and uncertainties, some of which cannot be predicted or quantified. A detailed disclosure in this regard is mentioned in the results presentation that is uploaded on our website. Audio recording and transcript will be available on the website soon.

Now I hand it over to Uday.

**Uday Kumar Reddy:**

Thanks, Ritu. Good afternoon, everyone. Thank you for joining this call. I would like to make six points before we get into the Q&A. First point is, we have given a very detailed investor presentation and shareholder report, which proactively addresses a lot of potential investor questions. It is our intent to be the best-in-class on governance and we're constantly improving our disclosures to provide more insights on our business to investors. From Q1 onwards, we have started reporting EBIT for both Digital Platforms and Enterprise Communications business to help investors track these businesses separately.

The second point is our financial performance. We have delivered excellent results in a seasonally weak quarter. I have always talked about importance of the financial discipline. We run our business at 20% EBITDA with the 76% conversion of gross margin into EBITDA, while generating the strong cash flows of almost around ₹90 crores.

The third point is on investments. We have invested close to ₹15 crores on our new platforms in the current quarter, and we have made a big bet on the enterprise business with ₹375 crores acquisition of ValueFirst from Twilio.

Fourth point is on our innovation. Wisely ATP, our patented anti-phishing platform is our landmark innovation. We completed proof-of-concept with three leading banks on Wisely ATP, and Q2 will be the quarter focused on accelerating our GTM and our commercial holders.

The fifth point is on our Enterprise Communication business. We are now in the phase of price expansion in this business and we have visibility of price increase in some parts of our domestic business over the course of Q2.

Finally, we completed the acquisition of ValueFirst India business in July, and we will complete the acquisition of international business by end of Q2. We are very excited by the synergies and we're on the track to move this business to double-digit EBITDA in a couple of quarters.

In summary, we are firing on all cylinders and I'm sure it's quite evident from the presentation and the note, which was distributed to all of you.

And we're happy to take questions from you now. Ritu?

### Question-and-Answer Session

**Operator:**

Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. Anyone wishing to ask a question may please press star and one on your touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment, while the question queue assembles.

The first question is from the line of Meet Rachchh from Equirus Capital Private Limited. Please go ahead.

**Meet Rachchh:**

Yeah. Thanks for the opportunity. And congrats on very good set of numbers. So, first question is in terms of the new contract with the world's largest e-commerce company. So, just wanted to understand what is the nature of business that we've signed the contract for. And what is the revenue potential for FY '24 from that contract?

**Deepak Goyal:**

Hi. Deepak here.

**Aravind Viswanathan:**

So, Meet, I'll ask Deepak to give you a context on the kind of business we will do on the customer that you mentioned.

**Meet Rachchh:**

Sure, sure.

**Deepak Goyal:**

Yeah. Hi. Deepak here. So we have signed a contract to serve them for all their terminations into India, all their messaging termination into India. So it has NLD, which is domestic type of messages, it has ILD messages as well. So it has both. So, it's a mix of both and we signed for both the messages. So, it's a comprehensive contract what we've signed with them. And as far as the size of contract is concerned, that is something which we will not be able to share at this point.

**Meet Rachchh:**

Okay. And second is in terms of the proof-of-concept that we have done with three of the largest banks. So in the letter to shareholders it is mentioned that in Q2 beginning the commercials will be closed. So, just wanted to understand what is the revenue potential from those banks basically?

**Uday Kumar Reddy:**

Deepak?

**Deepak Goyal:**

Yeah. I mean, we have completed PoC with the three banks. And as Uday mentioned in this quarter, in Q2, we should be able to sign all the three banks commercially. In terms of the numbers, I think we would be able to share post Q2. Let us first get the commercials signed.

**Meet Rachchh:**

Okay. So apart from these three banks, how is the pipeline looking for that product with respect to the...?

- Deepak Goyal:** The pipeline is very solid. Initially, we ourselves only started with three banks. We just wanted to see whether things are working fine or no. And now, we are already in Q1 we have met a lot many other customers. And we have a great interest coming in from those customers as well. So in Q2, the target is not just to sign these three customers, but to sign many more, and we are in advanced stages with them as well.
- And I forgot to add one thing about the global e-commerce customer, that we are the only one with whom they will be having now direct connection. All this while, they were working with international providers, and those international providers in turn would connect with the domestic providers in India.
- Now, this is the first time they got connected directly with the direct provider. So, it's huge volume and we are very hopeful that, we would be able to ramp up most of their volumes maybe in the next two to three months' time.
- Meet Rachchh:** So, in that e-commerce company, what would be our peak market share once we go at full throttle, both in NLD and ILD?
- Deepak Goyal:** See, we always try to go beyond 60%, 70%. So, this is what we would be the target for.
- Meet Rachchh:** Okay. And last question is in terms of the pricing. So, we have some visibility of price reset in Q2. So, just wanted to understand what would be the quantum percentage, if you can share some colour and how will it play out?
- Aravind Viswanathan:** Let me start on that, and then maybe I'll ask Deepak to add on it. So, this is a little dynamic thing. So, to quantify now, I think for all of your questions, that's going to be our answer that most of the quantification of this will be clear by end of Q2, right? And therefore, we will probably be able to address these from a financial standpoint at the end of Q2, but I think there is a larger message in terms of how the market is playing out, so from a price perspective. So, maybe I'll ask Deepak to give colour on that, because that's quite exciting, and as we go through this process, we will discover in terms of the impact and that we will communicate as part of our Q2 results.
- Meet Rachchh:** Okay. Sure.
- Operator:** Thank you. The next question is from the line of Balaji Subramanian from IIFL. Please go ahead.
- Balaji Subramanian:** Good afternoon. Thanks for taking my question. Congrats on a great set of numbers, and appreciate the extra disclosure. So I just have one question, it's more of, how the industry is headed in the medium to long-term. If we look at the kind of deals that have happened in the last one, one and a half months in the sector. I think probably, what we are seeing is CPaaS players either selling themselves to larger enterprise players or telcos, so that CPaaS becomes one of the many offerings, which these companies offer alongside other offerings like cloud, security, et cetera.
- So, keeping that in mind, how do you think Tanla is kind of going to compete with these players, who will be probably looking at bundling and there could be some cross-subsidization, et cetera, as far as offerings are concerned? So that would be my only question. Thanks.
- Deepak Goyal:** Before Uday answer this, Uday, I just want to say a few things here. So, hi Balaji. So, if you really see, Tanla acquired Karix a few years back, now they acquired ValueFirst, Gamooga. And if you see, Tanla is already providing bundle of services, right? So if you really look at it, Tanla launched Wisely ATP, which is

absolutely a different product. It's not our CPaaS product, it's a security product, it's an anti-phishing product, okay, which gives us a very huge credibility, being handled with all our large BFSI customers, and so many other customers. So it gives us a huge, I mean, I would say edge over others, right? So we are already doing that. Over to you, Uday.

**Uday Kumar Reddy:**

Yeah. Thanks, Deepak. So, Balaji, anyway Deepak has covered most of the points. The way we see is like the enterprises are not just looking for bandwidth or voice or any of the telco services. What they're looking at, and there is a huge competition there. That's number one, right?

Number two is, as Deepak mentioned like, they are looking at products, which are going to protect their users, that is our customers-to-customers, that's number one. Number two is, they also would like to work with someone like Tanla who is going to help them be compliant, okay? We are the ones who have helped all the enterprise in India to comply with TCCPR 2018 June regulations. That's number one, right?

And the GPRD is around the corner, okay? And we're very, very conscious about the fact, right, and the bill. So we are developing, we are investing a lot of our products and platforms and services to cater to the enterprises. So, we don't have any competition. If you look at our bouquet of offerings, we don't have absolutely no competition in India, and probably it looks like, we will not have any competition outside India also. What the telcos are buying the asset, I think, they have plain vanilla connects, and we are not there to compete with them.

**Balaji Subramanian:**

Thanks a lot. That is quite helpful. All the best.

**Uday Kumar Reddy:**

Thank you. Thank you, Balaji.

**Operator:**

Thank you. The next question is from the line of Deepak Chokhani from Reed Capital. Please go ahead.

**Deepak Chokhani:**

Congrats, Uday and Tanla team on great set of numbers and excellent presentation disclosures and the Q&A materials. I have three quick questions. First is, I can see CapEx of almost ₹100 crores in the last six months. Can you kindly elaborate what are these for?

**Aravind Viswanathan:**

Sure. Let me take that, Deepak. I think two, three big things, right? One is obviously we've accelerated our platform investments, right, with Wisely ATP and some of the other platforms that we've been building. So that is one big ticket for the CapEx. The second is in terms of the innovation center that we had done, right? So, between -- these are the two big tickets that has kind of increased. I think you will see normalization because the innovation center CapEx is largely done, right, but the platform investments will continue to happen, because that's the bread and butter of our business. So, we will continue to see some amount of CapEx as far as that is concerned.

**Deepak Chokhani:**

So, does this include any new platforms, which you're working on or just the existing ones, which are under offering?

**Aravind Viswanathan:**

Which is under development, a lot of them, right? So, we've talked about Wisely ATP as an example. So, some of them will get commercials, but in some sense, and Uday keeps talking about it, we are on a perpetual motion of innovation, right? So, we can't rest on existing. So, we keep building and coming out with new platforms. So, I think this is something that will continue for the quarters to come.

**Deepak Chokhani:** Got it. Thanks. My second question is about this largest e-com contract. Usually these are bided to low-cost bids, I may be wrong. So, my question is, did we get this contract basis better pricing or better tech offering?

**Deepak Goyal:** Better tech offering, Deepak. As I mentioned earlier, this tech giant was looking for direct providers in India, and obviously we were their first choice. And this is how they selected us after thorough discussions over a period of a year.

**Deepak Chokhani:** Right. That's amazing. Thank you. My last question is Wisely ATP, will it primarily be only for BFSI sector, or do you think any other sector could potentially use them?

**Deepak Goyal:** Deepak, any brand, whose name is getting misused would be our potential customer. Let's say, for example, you might be getting messages from Adani Electricity or Tata Power, and all of that, that your electricity is -- connection will get disconnected, right? So, and these are all scam messages. So even those are affected by all these phishing messages. Then there are job frauds, jobs have been offered using Amazon's name or Flipkart's name or maybe State Bank of India's name. So, there are -- so, it's a very -- if you really ask the TAM is really big, but our initial focus was BFSI, that's why I mentioned BFSI, but it will move to lot of other verticals as well.

**Deepak Chokhani:** Understood. Thank you so much. All the best.

**Deepak Goyal:** Thanks.

**Operator:** Thank you. We'll move on to the next question, that is from the line of Amit Mishra, an Individual Investor. Please go ahead.

**Amit Mishra:** Hi, hello? Am I audible?

**Operator:** Yes, sir. Please proceed.

**Amit Mishra:** Yeah. Good day, everyone. Thank you for giving me opportunity to ask questions. Firstly, congratulations should be given to the whole team, very, very good performance in Q1. And also the client additions, which are very good. So, 80-odd clients we have added, and less said is better, it's about disclosures, it's unparalleled in the industry. I have not seen such disclosures from any company. So, thanks a lot. We are setting example in CG for rest of the market, I would say.

So, I have two questions. First one is on the partnership with Kore.ai. So, we did a partnership with them in June 2022. And according to what we discussed earlier, they deal with pretty large accounts. So, I wanted to know -- they have longer lead time I think, Deepak has mentioned earlier, six to eight months. So, I want to understand where we are in that partnership, have we done any -- onboarded any client, we are doing PoCs with them or there is no progress, so can you please give some color on that, Deepak and Uday, both?

**Uday Kumar Reddy:** Deepak?

**Deepak Goyal:** Yes, sir. So, hi Amit. Yeah, so as far as our Kore relationship is concerned, yes, as I mentioned earlier, the lead time is pretty large. And we have in fact won couple of customers already, but it takes time to in fact even onboard them. So, currently, they are onboarding stage. But as any new relationship, because they are based out of U.S., they were handling American customers and then now in India. So, any new relationship takes its own time and goes through ups and downs. So, we are into that phase. We have a solid pipeline for that.

We have met many customers, and right now we're just going through the phase of understanding better about their requirements, and how Kore can serve them. So, it is taking some time, but it is on track.

**Amit Mishra:** Right. So which geography we have this one customer with Kore.ai?

**Deepak Goyal:** India itself. We actually closed one of the good banks in India.

**Amit Mishra:** Okay. So other geographies nothing so far, but we are still making contacts or setting the...

**Deepak Goyal:** We have one very -- one customer in very, very advanced stage in Indonesia as well.

**Amit Mishra:** Indonesia, wow, great.

**Deepak Goyal:** Yeah.

**Amit Mishra:** Thank you. The second question, actually it relates to enterprise business. This has -- I've been noticing, we have these Q1 and Q2 and I've noticed in past we have solid jump, so this is how I think industry is organized from Q1 to Q2, there is the solid jump. So, we used to have like, in '19 we had 24%, we had 28%, in '21 we had 34% from Q1 to Q2.

Of course, last year was little bit disturbed, because of -- we lost a customer, big customer, but is it fair to say that this is sort of a thumb rule of like Q1 to Q2, we can assume like 20%-plus sort of jump, because I understand that it's a festival season in India, the campaigns, the preparation and everything starts in Q2. Is it fair to assume, on an average?

**Deepak Goyal:** I mean, firstly, Q2 is not a festival quarter...

**Amit Mishra:** Yeah, I know, but the revenue profile will you start preparing for that probably, I don't know. But the revenue jump is the biggest in Q2. So I just wanted to get some sort of -- is there kind of a business -- how business is setup in CPaaS industry or it's just specific to Tanla and what could be the fair percentage to assume?

**Deepak Goyal:** It will be tough to give any specific number right now, Amit, okay? But just wanted to tell you that in Q1, we have some uptick, because of IPL also, which was not there in Q2, right? We had...

**Amit Mishra:** Can you put a number on IPL jump? Is it possible?

**Deepak Goyal:** That numbers I will leave it on Aravind, but I'm just giving a little high level thing, right.

**Amit Mishra:** Aravind, could you?

**Deepak Goyal:** Yeah, Aravind, please.

**Aravind Viswanathan:** So, I'll tell you just before that, right, just to give you a little bit of a context that Q2 has historically been high, because in couple of years that you mentioned, we had an ILD price increase in July, right? And that has really skewed the market in many ways, because those price increases were high. We had certain amount of ILD price increase benefit in Q1 this year. So that's something that one needs to normalize when you look at historic data, right? So that was one point.



It is difficult -- see IPL is more a season in terms of where multiple customers do incremental spend, right? So, you don't really call out. We just know that there were more volumes in some form, right? That we've seen in -- due to IPL. The domestic business historically picks up in Q2 vis-à-vis Q1, right? But I think there are multiple factors now with other pieces of business becoming large, right? That it's not only one dimension.

So, it is difficult to kind of quantify, and I don't want to kind of be cornered into a guidance for Q2. But when you're looking at historic data, it is important to note that there are multiple other factors beyond that also needs to be accounted for.

**Amit Mishra:** No, no, guidance was not the intention to get, but I noticed like three years in a row like '19, '20, '21 we had 24%, 28%, 34% uptick from Q1 to Q2, but that's okay, that we can leave it at that. Just if I can squeeze one more question. For the combined entity for Tanla and ValueFirst, eventually where would be our total employee strength? What is the comfortable level you see? Where will we end up?

**Uday Kumar Reddy:** Amit, it's too early to comment. Sorry, Aravind go ahead.

**Aravind Viswanathan:** No, no, Uday. I thought let me give the facts, right, and then we can improve. So, if you look at overall, as we announced ValueFirst has about around slightly more than 450 employees and Tanla has been at around, it's consolidated, Tanla is around slightly over 600, right? So the combined entity would have a headcount between 1,000 and 1,100, right? That's where we start as a base, right? Uday, I'll leave it to you in terms of thought process on that.

**Uday Kumar Reddy:** I want to say the same thing, Aravind. Thank you.

**Aravind Viswanathan:** Sure.

**Operator:** Thank you. Reminder to the participants, anyone wishing to ask a question, may please press star and one. The next question is from the line of Ram Tavva from ExcelR Limited. Please go ahead.

**Ram Tavva:** Yeah. Hi. So, I have a couple of questions. The first question is related to the Tanla ATP. What would be the total addressable market for this ATP in the future to come? I mean, not immediately in the next few quarters, probably, if you can say a couple of years in terms of revenue what will be the total addressable market under Protect, right, under the Protect segment on Tanla ATP? This is the first question.

**Aravind Viswanathan:** Ram, sorry. I could not hear your...?

**Ram Tavva:** Can you hear me now?

**Deepak Goyal:** Yeah.

**Ram Tavva:** What would be the total addressable market for the next couple of years or not more, the total addressable market under Protect, whether Wisely ATP in India?

**Uday Kumar Reddy:** Yeah, Ram. As Deepak mentioned, like we are about to close commercials with very large banks in the quarter, and we are pitching to other brands as we speak. So, I think we will come to know over a period of time, over the course of a couple of quarters. So, what's the TAM, like so on and so forth. It's too early to comment.

**Ram Tavva:** Because see, I saw one of the slides in your presentation under Protect, you mentioned that ₹0.3 billion will be by 2023 or 2027 as they got the total



addressable market under the Protect categories, Tanla ATP and Network. So I just want to understand and on what basis, whether that entire ₹0.3 billion, will be the total addressable market for us?

**Aravind Viswanathan:** So, Uday, maybe let me...

**Uday Kumar Reddy:** Go ahead, Aravind.

**Aravind Viswanathan:** Yeah. Sure. So, I think what we have done there, right, Ram, it's only wrong to look at it as just an ATP market. We've talked about how our platform addresses all the buying centers, right, across engage, communicate, protect, and experience, right? So, that -- and we have compartmentalized our existing platforms under these four buckets.

So, what we have assessed the market, if you are talking about Protect, it's not overall Protect market, some of which get addressed by our existing platform, but will keep innovating and building in new platforms there, right?

So, the good way to look at it is that Wisely ATP would be a subset of the number that we have mentioned there in terms of dollar billion -- ₹300 million or so in India and which will kind of expand. But it is not to say that it's only ATP, it will have -- it covers the entire spectrum of customer spends there. So, you could say that, when you look at Wisely as a platform of platform, and if you look at Protect as an area from a buying center standpoint, that has this kind of potential and ATP is one of the products. So that's not a reflection of TAM of ATP per se, but it's a larger discussion in terms of how to look at our business.

**Ram Tavva:** Okay. Got it. And I have another question, maybe this question will look bit -- very near to the subject, so I want to understand who would be the potential customers for Tanla ATP. Is it that telcos or even the enterprises? Why I'm asking this question is, normally the fraudsters when they send the phishing SMS, they choose one of the enterprises as a target, and they send SMS to the users and they try to swindle the money through various ways and means, right? So is it the telcos who will filter using the Tanla ATP? And if it happens to be the enterprises, how are they going to do it? See, for example, let me take example of HDFC Bank. HDFC Bank by themselves they don't send any phishing messages, right? But how HDFC will be a potential customer for us, further HDFC customers for this anti-phishing? I hope I put the question properly.

**Uday Kumar Reddy:** Yeah. Ram, it's a good question. So the way it works is the ATP platform has to be deployed with the telcos, okay? So we need to have a deployment with the telcos to start with, that's the number one point, right? Number two is, but the bank is the one who has to protect their users, okay? So in this example, bank has to pay the money to us and then we keep our revenue share and pay the remaining amount to the telcos.

So, the bank is a spender and ourselves and telcos are the earners. That's how it works. So unless until the telco decided to charge the mobile users directly, okay? In India, what we decided is to charge direct to the enterprises, not to the users, because of the low ARPU in India. If the ARPU is very high in certain marketplace mainly Saudi, and so on so forth probably we can look at charging the users, in which case we don't really approach all the enterprises, whichever the user wants to safeguard himself from the scammers, they can always subscribe to our subscription. That's what we're looking at as we speak.

**Ram Tavva:** It means to say that the HDFC bank will pay for these services, which are the SMS that had been sent to HDFC customers, right?

**Deepak Goyal:** Yes, so we would charge per user per month.

- Ram Tavva:** Okay. And so, I also saw in one of the slides that no -- the TRAI urged -- not the slides, I saw the news that TRAI urged the other telcos to come up with the kind of solution similar to our ATP. So, any update pertaining to other telcos, any progress on that?
- Deepak Goyal:** Yeah, we are in touch with all telcos. And as we speak, we are running the PoC with one of the largest telcos in India. We already deployed with VIL and now we're doing the PoC with one of the largest telcos in India. And of course, we're talking to all telcos.
- Ram Tavva:** Okay. And I have one suggestion, I mean, I wrote a few questions to the Investor Relations, but I hardly receiving any response. So, probably if you can just look at it from the Investor Relations to get a proper response for the questions what we ask.
- Aravind Viswanathan:** Sure, Ram. Thank you for the feedback. Let me look at it and personally respond on that.
- Ram Tavva:** Sure. Okay. Thank you. Thank you very much.
- Operator:** Thank you. The next question is from the line of Mohit Motwani from Nuvama. Please go ahead.
- Mohit Motwani:** Hi. Thanks for the opportunity and congratulations on great set of numbers. I got disconnected in between. So I don't know if this had already been answered. First question on the ILD price hike you have already mentioned. Can you give some colour, maybe not quantify, but some colour on the growth in this quarter, how much of it was driven by the volume growth and how much of it was price driven, not numbers but maybe some sense on that?
- Aravind Viswanathan:** Roughly, I would say that 50% of our growth, right, has come through price increase, but there has been a lot of organic growth across all dimensions of the business also beyond the price increase.
- Mohit Motwani:** You mentioned 50% right, if I heard correctly?
- Aravind Viswanathan:** Yeah, slightly more than 50%, slightly more than 50%. Yeah.
- Mohit Motwani:** Sure. That's helpful. And one more question. So, there were some articles, which suggested that WhatsApp has increased the pricing of the messages. So has it impacted any volumes at your end? Have you seen any pressure on volumes from the customers?
- Uday Kumar Reddy:** Yes, I would say, so volumes -- we have seen some pressure on the volumes, but since the prices have gone up. So overall revenue remain intact. But what we're seeing is that when the prices go up like this customer takes some time, because in WhatsApp the huge amount of messaging happening on promotional side and customers who are rethinking about their marketing strategies. But we feel that next two or three months' time those volumes would be back, because WhatsApp was actually able to give them a great ROI.
- Mohit Motwani:** Sure. That's all helpful. Thank you so much for answering my questions.
- Operator:** Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** Yeah, sir. Thanks for the opportunity. Sir, you mentioned that around 50% to 60% of the growth in this quarter for the enterprise business is ILD price hike

linked. So in terms of the volume, if you can share some light how has been the volume growth, especially on from the angle of transaction and promotional messages, because if I'm not wrong, promotional was under pressure and we are seeing some pickup in the promotional messages. So how has that split been in terms of transactional and promotional messages, because transactional messages has been growing, but promotional has started growing now maybe in this quarter.

**Uday Kumar Reddy:** Aravind, please go ahead.

**Aravind Viswanathan:** So I was just saying that we did see volume growth in the quarter in the domestic business, right, but I will ask Deepak to give colour is what I was saying. Deepak, over to you.

**Deepak Goyal:** So, Amit, your question is around NLD business, right?

**Amit Chandra:** Yeah, NLD. Yes.

**Deepak Goyal:** Yeah. Yes. So see, Amit, traditionally the Q1 is generally weak on promotional side, because customers are still working on the budgets, they have invested all the budgets by March and new budgets are getting sanctioned and stuffs like that. And things go a little slow as you rightly said the transactions are on the higher side and the promotions are not so high.

So that is there. But what has happened for us is: one, as I mentioned earlier, because of IPL, because we have certain customers, there are certain those fantasy gaming companies and a lot of other customers who do campaigns around IPL, so we got some support from there. And we have been getting a lot of new customers in the last six or eight months' time, and we have seen that some new business is also getting added. So the support came from there as well.

**Amit Chandra:** Okay. Also, have you seen any kind of shift of volume from, say, the traditional SMS to the WhatsApp side, especially on the promotional kind of messaging side, and also we have seen consolidation in the industry that has been happening, and we have gained market share also. So has that changed our equation with telcos in terms of our sourcing costs with them? So is that we have higher market share and we can ask for better pricing in terms of sourcing cost?

**Deepak Goyal:** Okay. I'll give your second question on the first, definitely when you have a better leverage, the volumes are higher obviously you get some price advantages, there is no -- it goes without saying, it happens. And as far as your -- the first question is concerned, the volumes are shifting from SMS to WhatsApp. I would say, WhatsApp has added more to that our overall numbers. So let's say for example, I just tell you there is a BFSI sector. The BFSI, they just do not do any promotions on WhatsApp, okay? They mostly use it for transactions and for user-generated messages and stuff like that.

There are e-commerce companies, and there are certain segments, which actually rely more on WhatsApp and they do it on WhatsApp. Then there are other segments which find WhatsApp very expensive. So what they do is, they would still use WhatsApp, so I just want to tell you, when enterprise is sending messages, price is very high on WhatsApp. But if user is initiating a conversation with WhatsApp, the price is very low.

So, what customers do, they would send SMS campaigns, right, which is much cheaper, which will have a WhatsApp link. So if a user wants to initiate a conversation, okay, it can just click on the link and a conversation gets initiated over WhatsApp. So the overall becomes cheaper. So here you get volumes on

SMS as well as on WhatsApp. So it's like that just mix of all of that, right? But yes, definitely ROI on WhatsApp is definitely good, there is no doubt about it.

**Amit Chandra:** Okay. And sir, my second question would be on the Wisely ATP. So, as you said that the ATP product is being deployed at telco level. So, is that part of the telco will only have a single like product for integration or there can be multiple product installed by a single telco?

**Deepak Goyal:** Yeah, Uday, please. Sorry.

**Uday Kumar Reddy:** They go with one supplier, not with too many.

**Amit Chandra:** Okay. And can they have their own, because you're not, it is not like a Trubloq, which is being billed via the aggregator, but the telco will bill the bank or the entity for the ATP services. So is it that the telco can have their own platform and also in terms of revenue share how that will be split? So, is it in the final stages or is it still under consideration in terms of the revenue share between telco and the aggregators?

**Uday Kumar Reddy:** If you are asking, like if the telcos can outsource in terms of the development and develop it, yeah, absolutely yes, they can. But we don't see any competition as in today, in future I don't know. So that's number one. Number two, like we are about to close the commercials with the telcos, so probably we should able to come out with explanation in the Q2.

**Amit Chandra:** Okay, sir. Thank you. And all the best.

**Uday Kumar Reddy:** Yeah.

**Operator:** Thank you. The next question is from the line of Tejas Shah from Laser Securities. Please go ahead.

**Tejas Shah:** Hi, normally shall we do acquisition if you have seen than last acquisition, because basically via stock, this time I think you have opted for cash. So have we not thought about stock; sharing Tanla shares and doing the acquisitions?

**Deepak Goyal:** Are you referring to ValueFirst acquisition?

**Tejas Shah:** Yeah.

**Deepak Goyal:** So that's a history, right. So we have paid out full cash.

**Tejas Shah:** Normally, Tanla history is basically wherein you do acquisition via stock, wherein we issue Tanla shares to the acquiring company and there will be lock-in period for 12 months, 18 months or whatever and the business goes on. So any particular reason why we look for cash this time?

**Uday Kumar Reddy:** A couple of things. One is like when we acquired Karix, it's partly cash, partly stock, okay? It's not 100% stock, right? I think if I remember correctly, 55:45 towards cash, right? And so is Gamooga, it's not completely stock, like partly cash, partly stock. I mean, shares, right?

So when it comes to, then those days we never had such a -- I mean, we never had so much of cash to pay to acquire these companies. But our option is always to acquire with cash, but not -- we don't want to dilute, that's a whole intent, but situation now is different from where we left a couple of years ago.

- Tejas Shah:** Okay. Thank you. Second question is, Vodafone, now the telco is normally in problems, we hear it outside. So how quicker we get the payments from Vodafone? So, is it within 30 days, 60 days or it is much more?
- Uday Kumar Reddy:** Sorry, your voice is not clear. It is breaking.
- Aravind Viswanathan:** Uday, I can answer this question. I heard that, right? So from our perspective, the important point to note is that we are a customer than Vodafone being our customer, right? So we have to pay them for the services, right? So, from that sense, I don't think we have a financial exposure, because for all of the things, the amount that we spend where we are a multi-fold larger customer of Vodafone than Vodafone is to us. So that's really not something which is very relevant from our perspective.
- Tejas Shah:** Thanks so much.
- Operator:** Thank you. The next question is from the line of Anil Nahata, an Individual Investor. Please go ahead.
- Anil Nahata:** Yeah, hi. Uday, it's very good to see the progress that we have come over in one year from the challenging times. My first question is on the line of international business. With the ValueFirst acquisition, now we are having two more geographies besides the UAE business. So what is the kind of directional sense that we are pushing for in the next two years for our international business?
- Uday Kumar Reddy:** Yeah. So, as it is, like we are operating out of Middle East for the last couple of years and we are growing up revenues quite quickly, like, that's number one, right? But with the acquisition of ValueFirst, now we have access to two more large markets, which is Saudi and Indonesia.
- So we have our plans and the two largest markets are very close to us in the sense like, we can offer our platforms, and we also can offer our enterprise communicate APIs in this market.
- So definitely, yes, we have larger plans for our international plan, that's what if we want me to come into. This is what you want to hear from me, right? Yeah, we have a very serious plan to expand ourselves in the international market, so quickly.
- Anil Nahata:** So, Uday, if I can -- though I know you are a bit averse to giving quantification, but if I can look at, let's say, for example, today, less than 10% of our revenues will be from the international markets. Can we look at a situation where we are looking at 20%, 30% of the revenues coming from the international market over the next two, three years?
- Uday Kumar Reddy:** You yourself said, I'm quite averse to giving any forward-looking statements. So let's leave it like that.
- Anil Nahata:** Okay. Fair enough. The second question that I had was in terms of the NLD price. You mentioned that there is a three-year cycles by which the prices sort of change in the market and in the shareholders' letter you also mentioned that. Can you just give some more colour on to that? Is it that something that you are looking at in terms of telcos increasing the price of the NLD, SMS or is it just a better improvement in the marketplace?
- Uday Kumar Reddy:** Absolutely, right. The telcos are the ones who has a control on the price increase, and they have already sent out the price increase to all of us, and it is effective from 1st of August. And so we also have kind of sent out mails to our

enterprises, our customers, but this impact is mainly on certain NLD volumes. It does not impact on PSU volumes, this is mainly non-PSU and non-government volume. So, yes, it is effective from 1st of August.

**Anil Nahata:** So, Uday if it is non-PSU, basically it means that is basically the scrubbing charges they are trying to increase, is that it?

**Uday Kumar Reddy:** Scrubbing charges, sorry, come again.

**Anil Nahata:** Are they trying to increase the scrubbing charges? Okay, can you quantify what is the increase in the certain segment, what goes up from where-to-where?

**Uday Kumar Reddy:** No, I cannot really qualify and quantify return, but having said that, all I am saying is I am here to confirm that the prices are all set to go up from 1st of August. That's the first point, but it is going to affect only non-PSU, non-government traffic. That's what telcos have sent the mail to all the aggregators and enterprises directly. And wherever we have the business, if it's enterprises we also sent out mails to enterprises.

**Anil Nahata:** Fair enough, Uday. So, if I can just insist what is the order of magnitude of this price increase? Is it like 10%, 20%, 30% just another ballpark idea?

**Uday Kumar Reddy:** Right. So it's too early to comment, because like we don't know. The enterprises are the one who are going to consummate the services. So, we have to see how these enterprises are consummate and look at this price. They keep looking at ROI, because these SMSs are being used not necessarily for OTP and transactions, but also for promotional like. So we have to see how the market is going to react to this price increase.

**Anil Nahata:** Okay. Maybe then in the next couple of quarters, you will be able to give us a better idea, is that correct?

**Uday Kumar Reddy:** In Q2, we should be able to -- yeah, in Q2 itself we should be able to give you a clear clarity, yes.

**Anil Nahata:** Yes, so that will be very nice. And Uday, if I can just ask a last question on the Wisely ATP. I mean, I'm very pleased to see this kind of innovation coming from Tanla, and you have been spearheading some of these things. If I look at Wisely and this is probably a follow-up question to Ram as well.

So basically, each of the telcos will be deploying with some partner or maybe they will develop it themselves. So Tanla, already has signed up with VI, if I understand right? You are in discussion with one of the larger telcos. But in the hypothetical situation, let us say, one or the other telcos go with somebody else, then how does this marketing work, I mean HDFC Bank is the customers, HDFC Bank is going to be charged, so Tanla and VI will be approaching HDFC Bank as one, maybe suppose if Jio goes with somebody else, Jio will also be approaching HDFC Bank. How this thing is actually going to work, it's a bit confusing. So, if you can just help understand that better, it will be very nice?

**Uday Kumar Reddy:** Yeah. Again, I must say that it's a good question. Let me step back, let me explain how it works like. I mean you get the SMS on both on A2P, application-to-peer SMS, which is commercial communication on your phone, as well as a peer-to-peer SMS, which is person-to-person communication, right?

This platform is going to be deployed for both P2P and A2P messages, right? So, that's number one, right? And this platform is deployed with the telcos as I told you earlier. The third point is, let's say, when I go to HDFC, okay, assuming



that I have a deployment of two telcos, okay. All I have to tell them is what is my coverage in terms of A2P and what is the coverage in terms of P2P, okay?

For example, and what is -- then I have to protect HDFC users like, okay? So, it is a telco and enterprise coverage and whether it is A2P and P2P. So it's a combination of bit of both, telcos, enterprises, and A2P and P2P. It's not complicated structure, but it sounds little complicated, but we cracked this formula like. So effectively like we are here to protect the bank's users, okay, right? If I go and commit to the bank saying that I'm going to protect all your so and so telco users, okay. And then I say that I'm going to cover 60% or 70% of my deals on the A2P traffic. So that's how they're going to pay us the commercials like. It all depends on the coverage.

**Anil Nahata:** Understood, Uday. So that's a good point, so basically you are projecting your coverage, or the A2P message and of the P2P message and doing the deal with the telco on that basis?

**Uday Kumar Reddy:** Yes. The coverage of users and the volume in terms of both A2P and P2P.

**Anil Nahata:** Understood, Uday. And Uday, one question finally, I mean, though the presentation was very nice, but this time I did not find any mention of the Truecaller messaging. I mean, I saw huge amount of volumes in the IPL season on Truecaller and my phone was virtually having business chats from Truecaller on a daily basis. So can you give some clarity on what happened on Truecaller? I mean I was routing it might have exceeded one billion messages a month or something like that.

**Uday Kumar Reddy:** Yeah, I think we have covered in the presentation, but probably we might not have called out Truecaller as a channel like, but I think it comes under -- Aravind, does it come under Wisely...

**Aravind Viswanathan:** I think OTT. So it comes under Wisely OTT. So what we've done is we've kind of consolidated across, right. So you're right. So we've called out volumes at an overall level, Anil. We've not broken down at what is the component of the individual ones, but you're right, we'll see a good uptick in Wisely OTT in Q1 vis-à-vis Q4, and that is what kind of, if you've seen our overall platform gross margin, which accelerated to 30%-plus. In the current quarter a lot of it is driven by what we've done on the Wisely OTT channels.

**Anil Nahata:** Okay. Thank you very much, Aravind, and Uday and Deepak, all the best to you. This is extremely good progress on last year's Q1. I hope we can accelerate this progress further. Thank you.

**Uday Kumar Reddy:** Thanks, Anil.

**Operator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

**Ritu Mehta:** Thank you, everyone. That was the last question for today. In case we could not take your question due to time constraints, please feel free to reach out. Good evening. Thank you.

**Uday Kumar Reddy:** Thanks everyone.

**Operator:** Thank you members of the management team. Ladies and gentlemen, on behalf of Tanla Platforms Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.



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