



**Tanla Platforms Limited**  
**Q2 FY22 Earnings Conference Call Transcript**  
**October 22, 2021**

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<b>Call Duration</b>	<b>64 minutes</b>
Management	<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>▪ Aravind Viswanathan - Chief Financial Officer</li><li>▪ Deepak Goyal - Executive Director &amp; Chief Business Officer</li></ul>
Participants that asked the questions	<ul style="list-style-type: none"><li>▪ Saurabh Dugar - Antique Stock Broking</li><li>▪ Dipesh Mehta - Emkay Global Financial Services Ltd</li><li>▪ Abhimanyu Kasliwal - Choice International Limited</li><li>▪ Anil Sarin - Centrum Wealth</li><li>▪ Sudhir Bheda - Right Time Consultancy Services</li><li>▪ Milind Karmarkar - Dalal &amp; Broacha</li><li>▪ Kushan Virani - InCred</li><li>▪ Amit Chandra - HDFC Securities</li><li>▪ Tejas Shah - Unique Stock Broking</li><li>▪ Deepak Chhugani - Ray Capital</li><li>▪ Sharad Kohli - Investor</li></ul>

**Operator:**

Ladies and gentlemen, good day, and welcome to Q2 FY 2022 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 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 Ms. Mehta.

**Ritu Mehta:**

Hello, everyone. I am Ritu Mehta, and I lead Investor Relations for Tanla Platforms. On behalf of everyone at Tanla, I would like to welcome you to our Q2 earning call. Joining with us today are Uday Reddy, our Founder, Chairman and CEO; Deepak Goyal, Executive Director and Chief Business Officer; and Aravind Viswanathan, our CFO.

Uday Reddy, our Founder, Chairman and CEO will share perspectives on business imperatives and strategic progress made by Tanla. After his opening remarks, we will be happy to engage with the participants and address the 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 risks and uncertainties, some of which cannot be predicted or quantified. We have given a detailed disclosure in this regard in our presentation, which is uploaded on the website.

Now over to Uday.

**Uday Kumar Reddy:**

Yes. Thanks to Ritu. Good evening and very warm welcome to all of you to our Q2 earnings call. We have had a stellar performance in Q2 across all dimensions. Revenue grew by 44%, and EBITDA grew by 83% year-on-year. Our EBITDA margin improved by 452 basis points year-on-year. Our EPS grew 72% year-on-year, and we delivered a double-digit EPS in the quarter for the first time.

I talked about Rule of 40 in the last call. Rule of 40 is aspirational for SaaS companies. We have been operating at an incredible Rule of 60 for two quarters in a row. What gives me a great pride is that we have been driving profitable growth, while maintaining strong financial discipline, generating best-in-class free cash flows of INR 222 crore and maintaining a very strong balance sheet.

Gartner recognized Tanla in the latest CPaaS market guide as a key global solution provider in the developer market. We are the only Asian company to be recognized under developer category.

Let me give my perspective on what is driving our growth and performance. We are seeing a very strong demand environment in India. Growth is driven by increase in volumes for the existing customers as well as new use cases. Entry of new age customers are also adding to market growth. Growth is led by BFSI. And we are also seeing a global good traction in areas like retail, e-commerce, and Government. We are gaining wallet shares in our existing customers, while gaining market shares from newer clients.

I talked about three things in the last call. Platforms, partnerships, and global expansion. We have made good progress on all. Let me start with platforms. We celebrated the first anniversary of commercial launch of Trubloq, the world's first and the largest blockchain use case and we increased our market share to 63%. We are betting big on Wisely and making a significant investment. We have added new features on Wisely platform, and we will continue making investments to drive innovation and create new revenue streams to expand our total addressable market.

On partnerships, we have closed two significant partnerships on Wisely platform to further drive our one platform strategy. We are in beta testing phase, and we would like to announce this in the current quarter with a greater detail. Our approach is to focus Wisely in India and demonstrate value before taking it global. We are working with one of the largest consulting firms in the world on Wisely GTM strategy to serve global markets, and this would be ready by end of December.

We'll be disciplined in our capital allocation. We will be focused on bolt-on acquisitions that would provide niche capabilities. Our investments will be focused on Wisely platform and global expansion. We're building the company for long-term. We are integrating ESG into our business and working towards sustainable growth. We presented our first detailed shareholders report to help understand our business better. We are very excited about opportunities in front of us. And we are thinking big.

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

#### **Question-and-Answer Session**

**Operator:**

Thank you very much sir. Ladies and gentlemen, we will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on the 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. To ask a question, please press star one now.

We have a first question from the line of Saurabh Dugar from Antique Stock Broking. Please go ahead.

**Saurabh Dugar:**

Good evening, sir. Thank you so much for the opportunity. So, my first question is, how has been the competitive intensity this quarter with the launch of Sinch and Twilio they have entered the market recently. So how has the performance been?

**Deepak Goyal:**

Deepak here. So just to tell you, Sinch and Twilio, it's been a long time that they've entered the market. It's not recently I would say. And at the same time, they have entered by acquiring two existing competitors of ours, who've been there in the market for last two decades. So, I would say nothing has changed.

**Saurabh Dugar:**

Right. So my question was more towards after the acquisition, how have you seen the performance? Has there been a change or any sort of update?

- Deepak Goyal:** Well, you've seen our results. We have been growing very well, right.
- Saurabh Dugar:** Right, right.
- Deepak Goyal:** That is one. And just to tell you see, we are able to increase our wallet share with our existing customers. We are acquiring new customers; it is a very good growth coming in. So yes, that's how it is.
- Saurabh Dugar:** Okay. My second question is, how are you targeting the new age companies or the relatively younger companies, someone like Nykaa or Dream11. How are you -- do you sort of acquiring them? And how have they grown, I've seen that, you've grown in the EdTech segment quite significantly, I was reading the presentation. Just wanted to understand, how you approach them and what is the sort of the idea and the process?
- Deepak Goyal:** We have a very robust sales engine in place, and our business team is the best in the industry I would say. Okay, and both the names what you have just quoted, there are customers. And we have -- so we have been going after the new age companies in a big way. We have a very good funnel in place. We have been acquiring a lot of new age companies, not just EdTech companies, but otherwise other companies as well. And we will continue to do so.
- Saurabh Dugar:** Right. Good to know that. I know last question from my side, Q3 I believe is one of the strongest quarters for you. So how are you expecting Q3 to go through this time and have you seen any such trend in the past, the opening three weeks of the quarter, if you could highlight? Thank you.
- Deepak Goyal:** So, it is too early to comment. But yes, as you have seen, we have been growing more than the market and we would continue -- we are very confident, we will do so in Q3 as well.
- Saurabh Dugar:** Okay. Thanks.
- Operator:** Thank you. We have next question from the line of Dipesh Mehta from Emkay Global. Please go ahead.
- Dipesh Mehta:** Yes. Thanks for the opportunity. A couple of questions. First about the new breakup, which you provided on platform and enterprise. Can you help us understand how have you on divided businesses? What is included in platform business? What is part of enterprise? And how the cost is allocated across the business?
- Second question is about the partnership. You indicated two new significant partnerships being added during the quarters. So, if you can provide some broad partnership related things, let's say last two to four quarters how we expanded partnership on Wisely platform, and how we expect this partnership to help us first grow domestically and then internationally?
- Third question is about our strategy for non-SMS related revenues. If you can provide new products, which are less renowned than SMS, WhatsApp, or any other product, which WhatsApp, E-mail, and if you can provide some perspective how that revenue pie is shaping up for us in enterprise business?

And the last question is about the ILD price uptick, which happened last quarter. So how much of this revenue growth was contributed from those benefits? Thanks.

**Aravind Viswanathan:**

Thanks, Dipesh. This is Aravind. Maybe I will take the first one, and I'll ask Uday to give light on the partnership and Deepak would kind of address the third and fourth questions. We've been disclosing platform and enterprise revenues slide for some time now, because we started in part of our Q4 results, right. Platform revenues are revenues that are originating generated as a revenue share from our platform, where there is no usage cost, right. There are no transactional costs associated with it. It is basically revenue that we get because the platforms have been deployed. Best examples would be our SMSC or Trubloq. So that is the basis. The cost for platform business is just cloud hosting charges, right. So that is the split and those are the data we have given. I would now request Uday to give you a flavor on the partnerships, because that's a big area for us.

**Uday Kumar Reddy:**

Thanks, Aravind. Like in terms of the partnerships as mentioned in my speech, they're a significant partnership for us mainly for Wisely platform, and both the partnerships are exclusive on Wisely. As we speak, both are under beta testing and when I say beta testing, we are trying with a couple of our large customers and once we stabilize this beta testing with two of our large customers, we will release to the market with a successful use case. And probably at that time we will talk about the opportunity size around these two opportunities of our two partnerships.

All I can say is, I'm not in a position to quantify the size, but all I can say is they are pretty significant, there is no doubt about that. But -- so I would like to leave it at this point of time. I would like to leave it here and please allow us to come back in the next two months before you announce to the market and the partners names as well as with the value associated with this partner. I will request Deepak to talk about ILD and mainly on the WhatsApp area.

**Deepak Goyal:**

Hi, Deepak here. So, you asked for how are we doing on other channels other than the SMS. So firstly, first to tell you we have our omni-channel platform where we are channel agnostic and we provide all available channels today to our customers as an option to communicate where be it voice or it is email or it's WhatsApp, or SMS.

And now you know email is growing very well, okay. We have seen a good growth in email. Voice is I would say it's not growing very big, because the kind of business we are in, voice has a limited role to play. But if you look at WhatsApp, because we are focusing a lot on conversational messaging, and we're building a lot of use cases on around conversational. So we have seen a huge growth coming in WhatsApp.

In fact, in Q2, we have seen our revenues going double compared to Q1 as far as WhatsApp is concerned. So, we believe that momentum will continue. And we will add more channels as well other than WhatsApp for conversational. So, we are not going to stop at WhatsApp or RCS. So that you would hear soon from us.

And yes, and your last question was around ILD price increase. Yes, there was an increase in ILD price, and we had a positive impact on our revenues in Q2.

And if you compared to Q1 or since Q2 I would attribute about 50% growth coming from ILD platform.

**Uday Kumar Reddy:**

So just to kind of elaborate on that debate, we grew sequentially about 34%. Roughly 50% of that can be attributed to the ILD business, and the balance would be the rest of the business momentum.

**Dipesh Mehta:**

And there is follow-up on I think on some of the answers. First about, it's a partnership. We say to -- whether it is client specific partnership, where we have engaged two large clients maybe in different industries or I don't know whether maybe in the same industries, who can become reference client for future growth, or it is with some SI partner or some consulting partner who can help us expand into multiple clients and multiple industries subsequently.

Second, follow-up on the same about non-SMS revenue. Can you quantify let's say what percentage of our enterprise business coming from non-SMS at this point of time, and if you have any target in mind, where you expected to reach in maybe two-year, three-year, five years out kind of thing?

And I think in the first question you spoke about giving platform and enterprise, contribution shares, just want to understand theoretically, let's say if we have client at Karix, now we charge them for let's say, SMS. We also charge them through Trubloq, but then how revenue will be divided because I presume, let's say in Trubloq we charge roughly around 2, 2.5 paisa, additional to what the Karix might be charging with 9 to 10 paisa. So, if you can help us understand this on expense?

**Uday Kumar Reddy:**

Dipesh, Uday here. In terms of partnerships, we're not talking about SI partners. All I can say at this point of time is this partnership will increase, it will help us increase our revenues. So, I would like to leave it there. Please allow us to come back with the next two months with successful use cases with the both the partners. And let me repeat again, they are very, very significant partners for Wisely platform. Aravind, do you want to talk about?

**Aravind Viswanathan:**

Okay, let me cover quickly Dipesh on the platform definition, right. This platform revenue -- we do not charge Karix for Trubloq site. The business model is a little different maybe we can take it little offline. But effectively the enterprise pays an integrated price to Karix. The telco gets the payment which includes the cost of DLT. We get a revenue share from the telco. So, in this example, we do not really take revenue on a Trubloq from Karix for the purpose of platform, it comes from the telco trust that clarifies. On the non -- on the new age OTT channel, we are not calling out a percentage right now Dipesh, but all I can say is we are scaling that up significantly and once it reaches a certain size, we will definitely call it out, but at this point of time, we're not calling out as far as that is concerned.

**Dipesh Mehta:**

Thank you.

**Aravind Viswanathan:**

Thanks.

**Operator:**

Thank you, sir. We have a next question from the line of Abhimanyu Kasliwal from Choice International. Please go ahead.

**Abhimanyu Kasliwal:** Good afternoon, sir. Good afternoon, Uday. Good afternoon, Aravind. Am I audible?

**Uday Kumar Reddy:** Yes.

**Aravind Viswanathan:** Yes, good afternoon.

**Abhimanyu Kasliwal:** Anyway, Mr. Aravind you might remember me, we have had a detailed conversation in the past. I had a few questions Mr. Uday, Mr. Aravind, and the rest of the management. I will ask them one by one. My first question for is, the old story of all of the cash on books. We do have INR 800 crores of cash. The business is a high margin business, I do realize that we've kept the cash to keep it ready for acquisition, wherever Mr. Aravind had said, one good acquisition can take up at least half of it in one shot. Do we have any acquisitions lined up? If not, then can we consider some kind of payout of dividend or do we plan to keep it on the books that is my first question? If you could guide me on that sir?

**Uday Kumar Reddy:** Yes. So Uday, here. Let me answer that about the cash side. Yes, we hold around INR 840 crores cash on the books as we speak. Definitely, we would like to use this cash for our global expansion plan. Number two is we want to invest a lot of this money on our Wisely platform. That's number two. Number three, in terms of acquisitions, like we're not going to buy any company for numbers. We are very, very clear about that. We may acquire a company for -- we can call it the tuck-in acquisition or the bolt-on acquisitions, which will enhance our capabilities on Wisely platform. But definitely, we are not here to buy any company for number that is very, very clear about it.

**Abhimanyu Kasliwal:** Okay, got it sir. Sir follow-up question if I may. So, the enterprise business is doing very well. But the platform business is the real money spinner. The real cash cow with about 80%, 90% margins. Would there be any way that we can project the growth for this segment? And related to that why we're tied up with most of the telecom providers. I know, but we have not tied up with Jio. And there's another telecom provider where we have one of the two provider supports. So, my worry is that what is that to stop the other telecom providers from doing the same, why don't we have our moat? And if so, can we be able to move into new geographies, when I asked Aravind sir this question two months ago, he had said that -- Tanla's strategy is to push entrench itself in its interested markets. But if you could throw more light on that Uday sir then, I would be very grateful.

**Uday Kumar Reddy:** Okay, in terms of that, yes, we do work with all the mobile carriers in India, including Jio, okay. So, we work with each and every telco in India. That's the first point, right. So, second point is yes, some of the Telcos have been in the CPaaS business for quite some time. And sometimes we partnership with them, sometimes we compete with them. So, in terms of global expansion, if Wisely as I told you earlier, through Wisely, we want to expand into international market. And once we see the traction in India with successful use case, we will launch Wisely platform in the global markets very soon.

**Abhimanyu Kasliwal:** Okay, sir. Last question so in that case, could we have any kind of indication in terms of what kind of -- for example now I know we have two partnerships coming up? And we cannot talk about specifics. But if we have some indication for the next quarter or two, what kind of revenue growth or margin growth you

can expect because we've seen fantastic revenue growth and margin growth this quarter. Can we expect this trend to continue and is expected to flatten a bit? What would you say sir?

**Uday Kumar Reddy:** Couple of things that we are not here to make any forward-looking statements. Having said that, we're growing much faster than industry. That's what Deepak has also covered in one of the questions. So, if the market is growing, we are also growing, right. So, we're not in a position to qualify or quantify this partnership. Please bear with us a couple of more months before we announce the market.

**Abhimanyu Kasliwal:** Okay, thank you so much sir.

**Uday Kumar Reddy:** Thank you. Thank you.

**Aravind Viswanathan:** Thank you.

**Operator:** Thank you. We have next question from the line of Anil Sarin from Centrum Wealth. Please go ahead.

**Anil Sarin:** Good evening, top management of Tanla. First of all, accept my congratulations for the awesome performance. Clearly, I mean you had mentioned earlier that the industry is growing at 20% more and that industry growth, you seem to be growing much, much faster. So, well done and more power to you. So, my question was more of a just a technical question in your leading slide in your first slide in your presentation, you covered various revenue market share volume market share. So, I just wanted to know, DLT volume share is 63%, NLD volume share is 41%. So, are these two things different? What I wanted to know was that is it that there are some non-DLT messages also going out right now, or they've been completely stopped. So, what is the distinction between NLD market share and DLT market share?

**Uday Kumar Reddy:** Yes, so Anil, Uday here. When it comes to DLT platform, DLT platform is deployed with the mobile carriers, our DLT platform is deployed with five out of these seven mobile carriers in India. And if anybody wants to use these six mobile carriers in India, they are supposed to use DLT platform to start it, that's number one.

So, number two is when it comes to our NLD business, we are predominantly talking about the Karix volume here, so 100% of the Karix volume goes through our Trubloq which is a DLT platform. In addition to that, our DLT platform is also used by Karix competitor, if I'm allowed to say that that's how our market share in DLT is around 63% as opposed to around 40% in our NLD traffic.

**Anil Sarin:** Okay, and there was one more aspect as a follow-on what I have come to know is that there is some firewall business and there are some regular businesses, you can just explain what is this firewall business that you do and what is the regular SMSC, what is the difference? And where are you doing firewall business? Where are you doing SMSC business amongst the telcos of India?

**Uday Kumar Reddy:** Yes. So, when it comes to firewall, we have firewalled one of the probably, the largest telco in India, I am afraid I cannot name it, but what they are, they're the largest telcos in India. So, we have a firewalled the third largest telco in India,

so first and third largest telcos are firewalled by us, that's number one. Our SMSC serviced at least for four mobile carriers in India. So, firewall, we have done with two networks in terms of an SMSC, we are working with four telcos Anil.

**Anil Sarin:** Okay, one last question for myself, Uday if you were to think about like, revenue composition and revenue growth, is firewall a bigger business in terms of quantum, I mean visibly SMS that is part one and second is between the two which one is growing faster between the two which is bigger, between the two which is growing faster?

**Uday Kumar Reddy:** So, Anil, the firewall is predominantly for IoT business, okay. And SMSC or what we call it as a hub, SMS hub partnered on, they're both for NLD and ILD, okay. So, if you ask me, which is growing faster in terms of volumes, our NLD volumes are growing much faster than ILD volumes. But having said that, there is an increase of price in ILD in the last quarter. But in terms of volume, it is NLD, in terms of value as we speak ILD in the last quarter.

**Anil Sarin:** Okay, and is there a chance of you doing firewall with other telcos of India as well?

**Uday Kumar Reddy:** I think my information is like you know, all the telcos are firewalled. So, I would like to leave it here. Probably we'll talk about it in the near future about this business in the next two months.

**Anil Sarin:** Okay sir, thank you so much.

**Uday Kumar Reddy:** Thank you.

**Operator:** Thank you. We have next question from the line of Sudhir Bheda from Right Time Consultancy Services. Please go ahead.

**Sudhir Bheda:** Yes, good afternoon, sir. And many congratulations for outstanding results, sir. Sir, hello am I audible?

**Uday Kumar Reddy:** Yes, yes.

**Sudhir Bheda:** Yes sir, before asking the question, I just would like to mention a point and hope that authorities are listening. We have been under ASM in one year and I think a lot of small investors are suffering because of that, just I wanted to put this thing on the record. Sir, my question would be like, what is the volume growth in Q2 sir, if we exclude the price increase, overall blended volume growth, if you can elaborate on that?

**Uday Kumar Reddy:** Aravind?

**Aravind Viswanathan:** Yes, we're not calling out volume separately Sudhir, right, we have not disclosed volume. All I can tell you is that both sequentially and YoY, our volume growth have been very, very strong, Uday mentioned in one of the previous questions in terms of NLD business growing much faster. So, we've not called out volume specifically, but we've had very good volume growth.

- Sudhir Bheda:** Okay, and so my second question is what kind of opportunities there in the global market are once we will be in the global market from FY23. So, what is the opportunity size if you can give some color to it?
- Uday Kumar Reddy:** Hi, Mr. Sudhir, Uday here like I think Wisely is there to address the complete CPaaS market. So, we're investing a lot of money on the Wisely platform. And it is going to disrupt the entire CPaaS market, so the market in front of it is huge in terms of global market. But we're just waiting for a couple of practical use cases in India, want to see them, see the success in India, we will definitely launch Wisely in a big way. And all I can say is there is a massive opportunity in front of us that much I can tell you.
- Sudhir Bheda:** Okay, sir. Understood, thank you sir. Thanks for the opportunity. And again, congratulation to Team Tanla for outstanding performance. Thank you.
- Uday Kumar Reddy:** Thanks, Sudhir.
- Aravind Viswanathan:** Thanks, Sudhir.
- Operator:** Thank you, sir. We have next question from the line of Milind Karmarkar from Dalal & Broacha. Please go ahead.
- Milind Karmarkar:** Well, congratulations gentlemen on a great set of numbers. And so, I had two questions. One was of course, on the ILD price increase, just wanted to understand that is it sustainable over a longer period of time or it keeps on fluctuating? That was my first question. And my second question was on cost of services over a period of time, we have seen cost of services slowly coming down last two quarters it has remained stable. So, as we go ahead and go to the international market, just wanted to understand the cost of services, whether it is likely as a percentage of overall sales, whether it's likely to come down or remain at the current level? Thank you.
- Deepak Goyal:** Hi, Deepak here. So, to answer to your question on ILD, I would like to tell you that ILD prices have been more in line with the international rates in the other countries, okay.
- Milind Karmarkar:** Okay.
- Deepak Goyal:** So, suppose we decided to increase the price to make it in line with other countries outside India, and I would say it is highly sustainable, the prices would be sustained, I don't see any issue there.
- Milind Karmarkar:** So, my next question was that as we move to move internationally, the cost of services which is one of the largest expenditures overall whether it would in terms of as a percentage of the top line, would it remain same or is it possible that it could come down as well?
- Uday Kumar Reddy:** Milind, we usually track gross margin, okay.
- Milind Karmarkar:** Right.
- Uday Kumar Reddy:** If you take our competitors in the global market, their margins are on par with our margins. So, we are not really worried about the cost of services, and we closely track our margin sales and cost of services.

- Milind Karmarkar:** All right. Thank you so much and all the best. Thanks.
- Uday Kumar Reddy:** Thanks, Milind.
- Deepak Goyal:** Thank you.
- Operator:** Thank you. We have next question from the line of Kushan Virani from InCred. Please go ahead.
- Kushan Virani:** Hi, congratulations, everyone for these amazing results. My question was under the services that you all are running alongside the Government and after the successful application of Trubloq from the CoWIN platform, are there any other such initiatives that you're looking with the Government?
- Deepak Goyal:** Hi, Deepak here. So, we see our -- one of the replicas of our platform is deployed at National Informatics Centre in Delhi, and all the Central Ministries, a lot of state Governments also are connected with our platform. So CoWIN is one use case, where you've seen that all the OTPs which are coming from CoWIN app to register for vaccination, or you get messages for confirmation of your vaccination from National Health portal. Are you getting messages on your certificate?
- So, they're all coming in through our platform. So, that was a couple of use cases which are new use cases, which we have participated with the Government, and we agreed on this flow. Similarly, there are yes, we keep talking to the Government and keep calling on more and more such cases.
- Let's say for example in the past I can tell you Mann Ki Baat was one such thing right, where we actually brought Mann Ki Baat on voice and then we brought in on multiple languages. Today as you see whether any messages coming in about your GSTN, GSTIN or your income tax related messages or anything to do with health or agriculture, you also have a lot of use cases what we have worked upon along with Government and this continues, yes you would hear, we will be bringing more and more cases to increase our number of transactions and messages on our platform.
- Kushan Virani:** Sure, thanks.
- Uday Kumar Reddy:** Thanks, Kushan.
- Operator:** Thank you, we have next question from the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** And thanks for the opportunity. So, my first question is on the customer concentration. So, our top 20 customers roughly contribute 65% to revenues and another revenue on top seven is around 43%, 44%. So, I know how we see it, is it a risk because the concentration is on the higher side and are we expecting the concentration to be the same or with an average growth, we can see some moderation in this. So, this is the first question, and second question is on the contract that we have with enterprises. So, I know the contracts that we have is it a yearly contract or it's a long-term contract? And how do we decide on the pricing and is there a pricing change because we have quite healthy relationship with the customers and we know from wide enterprise, we get

around a bulk of revenues. So, is there any case of like pricing discount or that is being asked from the enterprise side whenever the contracts are there?

**Aravind Viswanathan:**

So, let me answer the first question, Amit on the customer concentration, right. If you've looked at our customer concentration has kind of been coming down it used to be like 70% one year back, it's kind of come to 66% now, right. Although if you really look at it, it's not that the customer market didn't grow, the Top 20 customers grew 35% YoY, so it's a little bit of a great thing that we are able to grow our customers, we're also adding to the base where the overall company is growing faster. So, we do see a lot of traction in terms of how we work with existing customers, how we expand our wallet share in those side both in terms of A2P as well as offering all the other channels.

So, we are holistic partners to our clients, you've seen this reflect in all customer metrics, our customers giving us greater than INR 50 crore annualized revenue has gone up from INR 10 crore to INR 19 crore over the last 12 months. So, I think it's a good situation for us, where we have tremendous depth of relationship with our customers.

We have tremendous customer retention, we're able to scale existing customers, while at the same time continuously broadening our base, because we also added about 150 new customers in the H1 of this year. So, we're doing a bit of both and that's been good. And many of these customers are long standing, Amit. So, either, these are decade long relationships, two-decade long relationships.

**Deepak Goyal:**

Just to add what Aravind said, if you have any risk with these customers who just tell you, we have not lost a single customer, more than I would say 15 years. So having look at it and ICICI Bank is there with us for 18 years, HDFC Bank is there with us for more than 16 years now. State Bank of India is there with us for 16 years, Kotak Bank is there with us for more than 12 years now. Axis Bank is there with us for more than 13 or 14 years long. Government of India, the first time they came up with something like this, that was about nine years back and nine years, we are there with them. So, these are very old relationships, very strong relationships and deep integrations are there. So that is one. Number two about when you talk about the contract duration, yes, the usual duration is about three years.

And most of these contracts are on auto renewable basis. We do have price discussion definitely. And, yes, but let me tell you the kind of relationships what we have with our customers, the kind of comfort they find with us, we are able to sustain the prices more or less and our margins, it is more important, right. So if you see, our margins are quite steady and we are able to increase our volume share as well.

**Amit Chandra:**

In terms of as you said, you have deep relationship and long-standing relationship with the top customers. So, I think there has been no churn already less churn there in the Top 10, Top 20 right.

**Deepak Goyal:**

As you said there is no churn.

**Amit Chandra:**

No churn, okay. And in terms of the pricing, is there a discussion relating to order discounts whenever the contracts come for renewal or is it based on the kind of

services that we're offering? And is it because how I see it is, it has become more of a commoditized kind of a service or like maybe I'm wrong or we are providing such services, which cannot be replicated by others? So, is that the reason for the premium pricing to sustain or is it because of the relationship?

**Deepak Goyal:**

So let me tell you, okay. This is not a commoditized service first of all. And if we really see the same SMS, you'd find different prices for different industries. And, if it is commoditized then the prices should be more or less the same for everybody. But the kind of market we operate in, we -- there, this is a very, very critical services what we are providing. Yes, we are billing the customers on per transaction basis.

But it doesn't mean that it becomes commoditized, because there are a lot of solutions going into that. Let's say for example. And I've shared in my previous calls also the kind of use cases we have built for the BFSI sector. And we are the thought leaders in this market. We spend a lot of time with our customers understand their pain points, how we can create a wow factor for their customers. So basically, here it is thought about for let's say HDFC bank just to send out communication to their customers, but it is about if they're sending OTP then how it reaches less than maybe, less than two seconds, less than three seconds. How we can increase that conversion of our OTP. That's what they are looking at. I mean and this is where we excel all the time around. We help our customers to acquire new customers.

We get involved, we provide a lot of analytics, we provide what kind of campaigns should be run okay to acquire more customers. So it is more about ROI, what are customers looking at from our campaign. So maybe my price could be higher than whatever, maybe our other vendor on the fleet, okay, but still customer would like to remain with us because we are able to provide better ROI. So that's what matters.

**Amit Chandra:**

Okay. And answer in terms of the -- in terms of our relationship with the Government. Is Government, is there in the Top 10 customers? And now in terms of pricing, do we have the same pricing for the Government that we have for enterprises? And is there any different collection in terms of collection terms with the Government, is it on the higher side versus the enterprise?

**Deepak Goyal:**

Okay. Yes, definitely Government is part of our Top 20 customers, right. As far as pricings are concerned, so there are -- there is a separate, price line for the Government, okay. So, these are called non-commercial messages. And for the non-commercial messages, the price is much, much lower than the -- let's say, for example, for a bank or an e-commerce company. So, there is a different kind of price line, which is as mandated by TRAI the -- our regulator. In terms of payment terms and collections, yes, the collection period is a little higher, and compared to our other customers. But as you see overall, our collections are pretty good. Our collection days are quite great.

**Amit Chandra:**

Okay. And there -- on the other platform on the platform business. Based on the number that we have disclosed this quarter, we are at 90%, 95% kind of gross margin levels. So, do you see that these kind of margin levels to sustain, because these are very high numbers. So, can it come down to 80%, 85%? Or is there any investment that you're planning there? Or what is driving this kind

of higher -- high gross margins there. We are not seeing any business or platform business globally also operating at this such high gross margins. So, is there a risk of that coming down?

**Uday Kumar Reddy:** It's a good question. Uday here, regarding the platforms are normally entered -- the agreements are entered for long-term. That's number one, right. Number two is platforms, our revenues are generated on the revenue share basis, wherein there is no cost of services in all here. So, in other words, like on the telcos generate the revenues for themselves. And we are now to generate the revenues, they partner with and share those revenues with us. So, from our revenue share, we don't need to book anything towards the cost of services. That's the number one, right. Number two from the rest -- from the net revenues, we ended deducting only the cloud charges, which are around 5% to 7%, depending on the platform, right. So, it all depends how we want to book your gross margin, right. But as you speak, we're deducting only the cloud charges. But if you end up taking out the direct costs which is like your sales and marketing costs or the L1 and L2 our team cost, we may probably end up around 70%, 75%, or probably around 70%, which is in line with the SaaS players globally. So, SaaS players, they normally have around 70% gross margin globally. That's a clear phenomenon. And I don't see any challenge with our margins when it comes to platform business. They're all long-term contracts with mobile carriers.

**Amit Chandra:** Okay sir. Thanks, and all the best for the future.

**Uday Kumar Reddy:** Thank you.

**Deepak Goyal:** Thank you.

**Operator:** Thank you, sir. To ask a question, participant should press star one. We have next question from the line of Tejas Shah from Unique Stock Broking. Please go ahead.

**Tejas Shah:** Yes, I missed the earlier part of 10, 15 minutes. Just wanted to know what is happening on the Dubai side, where we are supposed to tie up with the two telcos, any update on that?

**Uday Kumar Reddy:** Dubai, can you repeat?

**Tejas Shah:** On the Dubai side, you tie up with two telcos and start rolling your services. Any update on that?

**Uday Kumar Reddy:** That's a good question, like, so we have the DLT platform, which is a Blockchain platform is under the deployment with both the mobile carriers in Middle East for more than a year, since it is a Blockchain platform, it is a long-drawn process. The same thing happened even India also, it took almost one and a half year before we went live. And so, we have delivered the deployment from our side and the both telcos are in talks with their regulators TRAI to get the sign off before they launch their services. In fact, some of the services on the -- on our platforms have already gone live. But for them to sign up all the use cases, I think it is taking much longer than what they expected. So, we hope to close the final sign out in the next -- probably in the next quarter or so.

- Tejas Shah:** I think by next quarter it should be live.
- Uday Kumar Reddy:** Yes, yes.
- Tejas Shah:** Okay. And any growth plans apart from this?
- Uday Kumar Reddy:** Sorry, come again.
- Tejas Shah:** Once your services are deployed, normally it is very difficult for any other competition to come and take over that business.
- Uday Kumar Reddy:** Absolutely, like we said, this Blockchain platform is under development, under deployment for more than one year. And yes, it is not probably, I don't want to use the word impossible, but, like let's say if it's nearly impossible to replace these platforms that's number one. But mind you like these platforms, which are being on deployment with more mobile carriers in Middle East, they are not in revenue share basis, they are on the license basis. So, but 100% of the traffic in Middle East will go through this platform. And when it comes to expansion plan, we're waiting for I mean, one of the largest consulting firms in the world is advising on Wisely GTM. We're expecting couple of use cases, successful use cases from India on Wisely platform. And once we have the GTM and successful use cases in India, we would like to take Wisely to the global market.
- Tejas Shah:** One last question, how do we differentiate with Route Mobile in terms of the businesses?
- Uday Kumar Reddy:** So, I don't want to really comment on our competitors. So, I would like to leave it there.
- Tejas Shah:** Okay. Not a problem. Thanks a lot, yes.
- Operator:** Thank you, sir. We have next question from the line of Deepak Chokhani
- Deepak Chhugani:** Good afternoon, Uday and Tanla team. Excellent numbers really explained. Quick question more on EBITDA margins. Gradually, the intention is to move to Wisely platform. And my question is, would we see a better margin once we move to or once our clients move to Wisely?
- Uday Kumar Reddy:** Deepak, like as mentioned in my earlier speech, our margins tend to be very, very high on platform and Wisely being the platform and our margin profile is quite supposed to be better off going forward. Yes, to answer your question, yes, whenever we see the revenues increasing on our platforms, our margins would be better off, yes.
- Deepak Chhugani:** Okay, thank you.
- Uday Kumar Reddy:** Thank you, Deepak.
- Deepak Goyal:** Thanks, Deepak.
- Operator:** Thank you. We have next question from the line of Sharad Kohli, an Investor. Please go ahead.
- Sharad Kohli:** Hi, Uday and team. Firstly, I'd like to start off by saying that the disclosures that were made this quarter were phenomenal. And the kind of free cash flow

generation that was shown this quarter is symbolic of our market leader that is growing significantly above the industry and taking share from other market players. So, congrats on that. The two questions that I have are both on financials. The first one is on the gross margin. So, if I look at your gross margin profile over the last six quarters, it's gone from 23.1% in the first quarter of '21 and it peaked last quarter at 27.7%. This quarter, it's slightly down at 27.4%. My question specifically is given that we did have basically that ILD rate doubled right, and ILD is maybe I think it's about 30% of your business in terms of revenue contribution. So there has to be some place where price gave away, right because if you have 30% of a business that doubled in pricing, and yet your gross margins went down, albeit not by a lot by 30 basis points, there have been price compression somewhere, right. So that's my first question, if you can just shed light on that. And maybe just a quarterly thing or one-time thing, but if you can just shed some light on that. And my second question had to do just understanding what other financial liabilities on the balance sheet is because that took up almost INR 126 crores of cash flow. So I just want to understand what is in that line item on the balance sheet? Thank you.

**Aravind Viswanathan:** Sure. So let me answer the first question Sharad. See I think what people don't realize is that it's not a price increase in ILD to start off with, it's a cost increase on ILD, right. The telcos have increased the price. The reality is, we've been able to go and get price increase from our clients, right. In fact, it gives tremendous tribute to our business model, that we have that elasticity, in terms of our relationship with customers that even if telco costs go up, our ability to kind of maintain our profitability and maintain the pricing is a very, very big thing, right. So, it's not that price has doubled from customer while cost remaining same, if anything we've been able to maintain our margin percentage by going back to our customers, renegotiating the rate and defending it. So, to think through a price increase as a big increase may not be right way of looking at it, saying that it should reflect in profitability.

**Sharad Kohli:** Okay.

**Uday Kumar Reddy:** So, could you repeat your second question?

**Sharad Kohli:** Yes, there's a line item on the balance sheet. So, we're looking at cash flow statement, right. INR 126 odd crores was because of an increase in financial and non-financial assets. And if I just go to the corresponding entry on the balance sheet, it's basically under the category other financial assets, which was INR 335 crores as opposed to INR 256 cores, the corresponding March 31 number. So, what is in that line item, other financial assets, because that gone significantly.

**Aravind Viswanathan:** Anything unbilled revenues. So, what happened Sharad is that like in the entire telco industry, the billing for this quarter happens at the -- in the subsequent month after the reconciliation. Now when we have growth like we had growth, obviously, our closing revenues are higher, and therefore the unbilled is a high number, which tends to increase.

**Sharad Kohli:** Okay. So let me just repeat that. So, you've already...

**Aravind Viswanathan:** You're talking about liabilities or assets. Let me just clarify that. Are you talking about liabilities or assets?

**Sharad Kohli:** I'm talking about assets, actual assets. So basically, you're saying the service was provided, let's say in the last 10 to 15 days, let's say quarter ends March 31. You provided a service, let's say between March 15 to March 30. That service has been provided, but you haven't sent the billing for whatever reason because telcos don't want to show on their side that it's an unpaid?

**Aravind Viswanathan:** It's not about telcos. So, we bill at the end of the month, so if I deliver work for a customer from 1st March to 31st March, invoicing will get raised sometime in April. And therefore, from a financial perspective, the revenue is recognized through and unbilled. Typically, by about this time, right we would have billed more than 90%, 95% of whatever remains that unbilled in the books. So, it's more of a substitution of debtors just from an accounting perspective.

**Sharad Kohli:** Got it. So this is purely bulk of this is saying that and answers it's fair to understand just like receivables as the business accelerates, that could be -- I should expect this other financial number because of the way the billing cycle works, that this number should technically continue growing and hence should be depending on when we see it, when the results are reported, there should be a drag on cash flows from this, but this is purely an unbilled item as opposed to anything else.

**Uday Kumar Reddy:** Yes, yes. But typically, you would also find that there will be an increase in non-financial liabilities, which is the telco costs, which is also not big. So theoretically, it could affect the cash flow solely to the extent of the margin.

**Sharad Kohli:** Right, fair enough, that's a good enough explanation for me. One question I do have for Deepak, right. And maybe this is just me being stupid and not knowing the industry well enough. But if you look at the -- if I look at the customer distribution, right. So, we had kind of nine customers move from the INR 10 crore to INR 50 crore bracket to above the INR 50 crore bracket, right. That's how you add the extension. And so that means that nine customers moved from the INR 10 crore bracket to the INR 10 crore to INR 50 crore bracket. And that number has stayed flat. And to me, what is striking was that the growth in that bracket of customers is only 5% now. I don't know 5% which is 14% wallet share growth in the high-end segment is good or bad thing. I don't know if you guys have any perspective on that. I would think that that 5% maybe, I shouldn't think anything, but is 5% a good number for that INR 10 crore to INR 50 crore bracket versus when it's showing 14% growth in the higher numbers.

**Deepak Goyal:** Yes. So, Sharad, I will explain. So, once you look at on the consolidated basis, so it's 46%. And here we are talking about customers who are giving us the revenues more than INR 1 crore. So, we are only considering them, right. So, it is 46%. Now, if you look at above INR 50 crores bucket, the growth is 73% because from 10, but the customer become 19. So, we moved lot of customers from INR 10 crore to INR 50 crore bucket to above INR 50 crore bucket. Correct and when we talk about anything, if you look at the number of customers in another slide, it remains flat in the INR 10 crore to INR 50 crore. That means what does it mean is that from this bracket, we move nine customers to above INR 50 crores and we also moved nine from less than INR 10 crores to this bucket.

**Sharad Kohli:** Correct.

- Deepak Goyal:** Right. So, it is actually if you really see it's a good news overall. I mean, there are certain number of customers moved from INR 10 crores to INR 50 crores to above INR 50 crores. And a similar number of customers moved from INR 10 crore bucket to INR 10 crore to INR 50 crore bucket. So, this is how it is. But if you look at in the -- on the consolidated basis, we have our overall 46% growth and one more thing.
- Sharad Kohli:** That I understood. I was just saying that there's a slide where you also said that the revenue growth of each of those brackets, the revenue growth for the customers that belong in that INR 10 crore to INR 50 crore bracket was 5%, right. But the revenue growth for the customer.
- Aravind Viswanathan:** Sharad, let me answer that. See what happens in each of these brackets. And that's important to kind of understand why it's important to look at the total segment is, my best highest contributing customers kind of move out to the higher bucket. And effectively that gets replaced by the lowest contributing person, right. So, it's more a math issue. So, a customer it is INR 45 crore goes out and customer whose INR 11 crores comes in, right. So, if you disproportionately push our customer well, you do get a situation where the middle bucket kind of tends to be a little slower in absolute revenue growth. But from our perspective, I think what is important is the overall segmentation is looking good. The fact that we're able to replace those customers and scale those customers and add customers in all buckets is important. But the middle bucket does get a little bit of impact because you end up substituting from a numbers of perspective customers that are closer to INR 40 crores, INR 50 crores by customers who are in the INR 10 crore to INR 20 crore, because you can't make an entry directly at that level. So therefore, the revenue growth optically tends to be weaker. So, the way we look at it is whether the ship goes, right. So, if you look at an average size of customer that has gone up. So that's the way I would suggest you read that slide.
- Sharad Kohli:** Okay, fair enough. Thank you.
- Operator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Ms. Ritu Mehta from Tanla Platforms Limited for closing comments. Over to you, Ms. Mehta.
- Ritu Mehta:** Thank you, everyone. That was the last question for today. In case, we couldn't take your questions due to time constraints, please feel free to reach out to Investor Relations team. Have a good day. Thank you.
- Operator:** Thank you. On behalf of Tanla Platforms Limited, that concludes this conference call. Thank you for joining with us. And you may now disconnect your lines.

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