



Tanla Platforms Limited
Q3 FY22 Earnings Conference Call Transcript
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Call Duration	▪ 61 minutes
Management	<ul style="list-style-type: none">▪ Ritu Mehta - Head of Investor Relations▪ Uday Kumar Reddy - Founder, Chairman & Chief Executive Officer▪ Aravind Viswanathan - Chief Financial Officer▪ Deepak Goyal - Executive Director & Chief Business Officer
Participants that asked the questions	<ul style="list-style-type: none">▪ Manish Poddar - Nippon India Mutual Fund▪ Abhimanyu Kasliwal - Choice International Limited▪ Tejas Shah - Unique StockPro▪ Amit Chandra - HDFC Securities▪ Anil Sarin - Centrum Broking Pvt. Limited▪ Balaji Subramanian - IIFL Securities Limited▪ Niral Gangar - Neev Investment & Management Advisors▪ Milind Karmarkar - Dalal & Broacha Stock Broking Private Limited▪ Rikshit Naredi - Naredi Investments▪ Nirmal Bari - Sameeksha Capital▪ Deepak Chaukhani - Trade Capital▪ Sharad Kohli - Investor▪ Kushagra Bhattar - Old Bridge Capital Management Pvt Ltd

Operator:

Ladies and gentlemen, good day, and welcome to the Q3 FY '22 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. Thank you and over to you.

Ritu Mehta:

Hello, everyone. I am Ritu Mehta, and I lead the Investor Relations for Tanla Platforms. On behalf of everyone at Tanla, I would like you to welcome to our Q3 earnings 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 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 risks 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. Now over to Uday.

Uday Kumar Reddy:

Thank you, Ritu. Good afternoon, everyone, and a very warm welcome to our earnings call. I wish you all a very, very Happy New Year. I hope you had a chance to read our results and also read my letter. I would like to cover certain important takeaways before we get into Q&A today. The first area is around margin expansion.

This is a metric that I personally track most closely. Our gross margins have increased from 19.3% in Q3 FY '20 to 29.5% in Q3 FY '22 and this is something commendable. Most of the platform companies typically operate at a more than 50% gross margin. Our platform business operates at a very high gross margin and contributes 23% of our total gross margin. Our aspiration is to shift our gross margin profile in line with global platform companies as we scale up our platform business led by Wisely.

The second update is on Trubloq, our blockchain platform, which handles 88 billion transactions in Q3 compared to 77 billion transactions in Q2, a growth of 15%. In December alone, we handled 31 billion transactions with a daily average of 1 billion transactions. I don't think any blockchain platform globally has handled this level of scale on consistent basis.

Going forward, we think content management will be the next big opportunity here. This will scale up in the next six months and we're all well placed to capitalize on this opportunity. The third update is on Wisely, this has been a good quarter for Wisely as you know, we signed an exclusive multi-year partnership with Vodafone Idea and I think this is one of the largest deals in the

CPaaS industry globally. We will go beta live in February, and our commercial launch will be on 1st of March.

This is the moment of truth for Wisely. Within 60 days post go live, we will come out with case studies on how Wisely has helped global enterprises and VIL. This will provide us an opportunity to showcase Wisely to global enterprises and global Telcos and set us on our way for our global expansion. I had talked about two exclusive partnerships in Wisely last time. Our other exclusive partnership is in the beta phase and has taken a bit longer than expected as we are doing extensive testing. We are very excited by the potential of this partnership and excited to announce this in February.

Partnership is very integral to our strategy around Wisely, we will force multiply Wisely with a strong industry and partner ecosystem, the ecosystem is going to become more strategic and more powerful and I'm personally driving this. Let me reiterate what I have told before. We are not here to acquire any companies for numbers or we are not here to raise any capital. We are here to build a strong sustainable business by investing in platforms and solutions.

We are probably the only CPaaS player globally who have not made any acquisitions in the last 24 months. We're open to look at small bolt-on acquisitions, which will complement our Wisely platform, we have not raised any capital post our public offering and built our business through our internal approvals. Our capital allocation will be focused on platforms and products, brand, talent, and customer success.

We'll be very disciplined on this. We have targeted approach with focus on large opportunities, and our investments are directed towards building products to expand our total addressable market, the GTM investments around strategic customers, brands, and investments in best-in-class talent. I'm very excited by the opportunity I see in front of me, we have set a high-powered team to maximize the opportunity in front of us. I firmly believe the coming year will be the year of Wisely. I'm excited about my team and the company and I cannot wait to deliver on our dream for all of you.

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 please press star then one on their 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. Anyone who wishes to ask questions, please press star then one. The first question is from the line of Manish Poddar from Nippon India Mutual Fund. Please go ahead. Mr. Poddar, we can't hear you. Request you to unmute your line from your side please.

Manish Poddar: Hi.

Operator: Yes, now we can hear you. Thank you.

Manish Poddar: One is would you be able to help me what is your market share in Trubloq now?

Uday Kumar Reddy: Poddar, Uday here. I think it should be upwards of 63%.

Manish Poddar : And any idea when will DLT be rolled out for voice versus messages right now?

Uday Kumar Reddy: The TRAI, I think if my information is right they have to decide on the voice and but it will be in the near future.

Manish Poddar: So there is yet no timeline in this?

Uday Kumar Reddy: No, there are no timeline, yeah to my knowledge, yes. But the platform is built for both SMS and voice. And the minute we get sign out from the regulators and operators we switch on that component, that module.

Manish Poddar: Okay, and just one more, can you explain this slide where you're seeing EBITDA to CFO conversion is lower this quarter. Could you probably help me understand what is the reasons for this?

Aravind Viswanathan: Manish, let me take that. This is Aravind. See if you look at it, while our free cash flow to net income conversion is lower in Q3, but if I take a YTD basis, we are still at about 95% of net income as free cash flow. What really happened Manish is that we had much stronger cash flow in Q2 because we had a price change in our ILD business. Now what happened is the higher price payouts to the Telcos happened in Q3, but we were able to collect from many of the global enterprises in Q2 itself at the higher price.

So what really happened was that, we had a disproportionately high cash flow of INR 222 crores free cash flow on a net income of about INR 136 crores and there has been a little bit of compensation of that, normalization of that in Q3. So, if you look at on a YTD basis, we are at 95% free cash flow as a conversion of PAT. And I think going forward, you will see that normalize, so this was more of an anomaly because of the price gain which happened and that difference in payment terms with respect to customer vis-à-vis suppliers.

Manish Poddar: Okay, and just one last one. So, what are the thoughts with the cash on books given that, you're looking at the smaller bolt-on acquisitions, and you're generating cash flows every quarter that says, cash flow is let's say 90%, 95% of quarterly run rate and you are doing INR 200 crores per quarter, what is the thought process with the cash in books?

Uday Kumar Reddy: Manish, as I mentioned in my speech, so we're going to spend the money on the production platform, and the brand building, and the customer success, and also we're trying to build talent. So this is the four areas that we're going to build. That's number one. And we have been returning cash to investors in the last 24 months, and it may continue in future also.

- Manish Poddar:** I'm just trying to understand from a relative content per se, just to understand better, because your buyback was roughly INR 65 crores, INR 70 crores last year. Now, why not do a larger amount? Just want to get your thought process, what sort of cash on books are you comfortable with is what I'm trying to understand?
- Uday Kumar Reddy:** No, we have not decided anything about buyback in the Board meeting as and when we discuss definitely, we will announce to the market, Manish. I would like to leave it here.
- Manish Poddar:** Okay, no worries, all the best. Thanks.
- Operator:** Thank you. The next question is from the line of Abhimanyu Kasliwal from Choice International. Please go ahead.
- Abhimanyu Kasliwal:** Hello sir. It's very nice to talk to you after our past conversation. Well, the question on everyone's mind was just as before we -- which was the return of cash. And you have reiterated that you do not plan to have a buyback as of now and may have dividend payments in the future, but nothing concrete. So in that case, I wanted to get a better understanding of your growth plans in India and internationally, because you do not want to make a non-organic acquisitions. But at the same time, where will the next level of growth come from? Are we looking at something within the nation? Are we look at international markets? Are we look at new products besides Trubloq and Wisely and Gamooga and what we already know of? What is the new fuel we can say for the growth machine which is Tanla?
- Uday Kumar Reddy:** It is good question Abhimanyu. Couple of areas, one is as you know, that we are the market leaders in India and so and the India market is growing quite quickly, that's number one, one can expect reasonable growth from India.
- Abhimanyu Kasliwal:** Could you give a number in the Indian growth, I mean we had the rule of 60 going on right now, which we almost as I think of 58% this time. Do you have any numbers which you can give us for the next quarter and the next year for the growth you can expect in India?
- Uday Kumar Reddy:** No, we will not make any forward-looking statements here. All I can say is our growth is going to come from India. The growth is going to come from the new platforms, the growth is going to come from new solutions, the growth is going to come from the new customers globally. This is where we are going to focus now.
- Abhimanyu Kasliwal:** Okay, and for the international growth, just following question. What is the situation where we can understand that some kind of International growth is coming, I mean we're aware from our subsidiary which is there outside India and heavy bank deposits we have that we do have some kind of foreign payments coming in from foreign clients. Do we have any plans to move into different nations and see some kind of growth from their growth in margins maybe or growth in revenues or something like that?

Uday Kumar Reddy: Abhimanyu, couple of things. One is most of our current revenues are coming from India. That's the first statement, right? The second one is the dollar revenues that we're talking about are all are India bound revenues, okay for example, someone like Facebook, someone like Google, someone like Amazon is paying to the Indian Telcos or Indian platform providers like ours.

They're all India bound business, okay. And for us to enter into dollar revenue business and the Telcos and the enterprises would like to enter into agreement with company outside India, that's how we end up having that subsidiary. That's, number two, right. Number three is in terms of global expansion, we are pretty clear. Unless until, we come out with case study from the Indian enterprises and Indian Telcos on Wisely, we are not in a great hurry to look at international expansion.

But the good news is the platform is being deployed at VIL, so beta is going to be launched in February and commercial launch is on 1st of March. And one can expect a case study by end of May. That's what my intent is. Once we have the case study, and we have an opportunity to go to global Telcos and global enterprises, that's what the plan is. But I don't want to expand to the global markets for sake of it.

Abhimanyu Kasliwal: Okay, sir. So one follow-up question VIL because it is one of the larger Telcos, but at the same time, it's not doing so well. Can we expect some kind of numbers in terms of what VIL business were looking at and what Teleco business we can see, we can hope to target in the coming quarters. I mean, if it's something very token or is it something which got high growth prospects in terms of revenue, in terms of margins, if you could just throw some light sir?

Uday Kumar Reddy: I cannot really comment on VIL per se, but all I can say is it is pretty large deal for Tanla, it is pretty large deal for Wisely. And it is a testing bed for Wisely and I'm sure we will generate decent revenues and the margins on this Wisely platform with the VIL deployment. So let's -- why don't we wait till end of May. So we will come out with the case study.

Abhimanyu Kasliwal: Okay, thank you so much. Always a pleasure talking to you.

Uday Kumar Reddy: Thank you.

Operator: Thank you. The next question is from the line of Tejas Shah from Unique StockPro. Please go ahead.

Tejas Shah: Hi, can you update us on the Dubai thing, is it deployed or is it still pending?

Uday Kumar Reddy: Tejas, the DLT platform, which we call it as Trubloq in India, right, that's being kind of deployed. But all the modules are not gone live in the Middle East as yet. But as I mentioned last time also, it is a license deal. It is not in the revenue share basis. So that's not going to really move our revenues or margins going forward, okay. But it's good to have an international reference for our blockchain platform. But one cannot expect beyond that.

- Tejas Shah:** Okay, great. Thank you.
- Operator:** Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** Hi sir and thanks for the opportunity. So my first question is on the performance of the Top 20 customers. So earlier, the growth was largely driven by volume growth, and the top 20 customers, but in this quarter, we are seeing 5% to 6% decline there. So is it because of a wallet share on a wallet share loss in some of the top customers? Or is it because exit or like churn we are seeing in the Top 20 customers because as you mentioned earlier that we have very high stickiness in our Top 10, Top 20 customers so what is effecting that and how do we ensure that the Top 20 customers will be still contributing in terms of volume.
- Also, second, on the Trubloq, we have seen 25% growth in the volumes, but the revenue has not grown like in accordance to that. So is there any change in pricing or change in mix that you're seeing in the Trubloq and the third question is on the enterprise, what is driving the enterprise like value margins, gross margins and is there any impact of ILD price increase to like revenue growth in this quarter also?
- Aravind Viswanathan :** Yeah, so Amit maybe I will take the first question, right. And then hand it over to Deepak, right. So, first point is our Top 20 as a contribution has declined, but the Top 20 customers have still grown 28% YoY, right. So it's not that they have declined, see the good part that we've been talking about this consistently from the time we presented this data for the first time in our Analyst Day, where we said last year our Top 20 kind of contributed 70%, right, our objective is twofold, one reduce concentration, but not by necessarily making these customers de-grow, but kind of expanding our base, right.
- And that kind of plays out very well because on one hand, your Top 20 customers at the largest set of customers are still growing 28% YoY but still we are growing faster as a company, their contribution and our dependence on that is coming down, right. So that is really what is happening. It is part of our -- it is by design that we wanted to and we've been consistently saying that and we kind of approaching it where we are growing, at the same time reducing the concentration also, right. So I will ask Deepak to add on in terms of what he's seeing in terms of pending from top, from our top clients, but definitely we are managing to do both where we are growing them, but also reducing the dependence.
- Amit Chandra:** So sort of how frequent is the change in the Top 20 client profile, so has there any been exit of large client in Top 20 are from like kind of like wallet share loss in some of the top clients to competition?
- Uday Kumar Reddy:** Deepak, you want to take that?
- Deepak Goyal:** Yeah, so we haven't lost any customers I will say Top 50 or even Top 100 last 10 years. Okay, so I would like to make a statement, top customers are very much intact, and they are giving us consistent business. Yes, it happens sometimes that maybe one or two customers here and there that the wallet

share may swing. Okay. But that's part of the business. But as far as customers are very much intact and our Top 20 customers are growing really well.

Uday Kumar Reddy: And on the second question on the Trubloq, the market share is coming down and the volume growth is not reflected in revenue growth.

Aravind Viswanathan: I don't think that will be a bad comment because you are looking at the overall platform business and concluding that right. I think there are multiple components to this right, there are different price points for different categories of enterprises from a Trubloq perspective, I think you still see Trubloq is still probably only 50% of our platform business right in that sense. So, there is still a lot of growth in Trubloq and it is in line with the volume in many ways from a revenue perspective right. So, that is the answer as far as that is concerned.

Deepak Goyal: Aravind, I would also like to add one more thing here that if you see as we said, Trubloq is deployed at BSNL, at VIL we have major part of Airtel it also depends on what these operators are receiving the volumes. So, let's say if the volume is higher these operators vis-à-vis other operators, where Trubloq is not there. So you will see higher number of transactions here, right. So, that would also change the number a little bit.

Amit Chandra: Okay. And on the market share, is it just a follow-up on the market share, it has been coming down, so is it because of some competition that you're seeing in this space because who are the other players who are in this and what kind of competitive scenario do you see?

Uday Kumar Reddy: To be honest, we have not seen market share drop, Amit. We were 62%, is he talking generally?

Aravind Viswanathan: No, he is talking about Trubloq.

Aravind Viswanathan: Trubloq, okay. I know that we have talked about 70% in one quarter, but that was the first quarter where they have included certain amount, where they included internal traffic, which subsequently was stopped from scrubbing perspective. So that was more of an anomaly in Q3 of last year where we showed 70% because one of the Telcos kind of used an internal transaction, which kind of stopped but after that, we've been upwards of 60% okay, in fact if anything, we've increased from 62% to 63% over the past nine months is what I would say from a Trubloq perspective, Amit.

Amit Chandra: Okay, and like who are the other like 40% of traffic who is handling?

Uday Kumar Reddy: I think IBM has deployed with Airtel and the Tech Mahindra is deployed with Jio, this between two of them they had their own 35% something like that.

Amit Chandra: Okay, sir. Thanks. And my last question on the enterprise side, so what is driving the enterprise margins and also, is there any element of ILD price increase this quarter?

Aravind Viswanathan: So, maybe I will take that right, Amit. So, the big driver on enterprise margins is in terms of shifting business mix, and the fact that we had lot of festival driven campaigns in both ILD and NLD which is always more profitable, right. So, that has really helped us. From a price increase perspective, I don't think there was anything delta between Q2 and Q3 more or less we covered, the price increase happened in beginning of Q2. So, there was not a big delta as far as price increase is concerned from a margin lever perspective, but I would say it was more due to change in business mix coupled with the fact that we had lot of festive promotional campaign volumes, which helped us.

Amit Chandra: Okay, sir. Lastly, on the cash flow generation, so obviously, it has come down, but as you have explained edition also that is because the ILD price increase, but what is the first level FCF to EBITDA levels that you are now aiming at because, if I see last two years, it has been over 100%. So, is it fair to assume that it will remain in that way? And in terms of our working capital management, is it going to be at the same level or we are seeing some improvement there?

Aravind Viswanathan: So I would say FCF to PAT, we would like to be as close to 100% as possible. We'd always be the intent of EBITDA to operating cash flow maybe difficult to be 100%, because there's a tax outflow which we have to account for. So, I would say that is how we are looking at that.

Amit Chandra: Okay. Okay sir, thanks and all the best.

Uday Kumar Reddy: Thank you.

Operator: Thank you. Ladies and gentlemen, in order to ensure that the management is able to address questions from all participants in this conference call, please limit your questions to two per participant. For any further questions, you may come back for a follow-up. And would like to ask questions, please press star, then one. The next question is from the line of Anil Sarin from Centrum Broking Pvt. Limited. Please go ahead.

Anil Sarin: Good evening, top management of Tanla. Please accept my congratulations on once again coming out with such outstanding numbers. So that's a job very well done. I want to draw your attention to Uday's letter, where there is a mention of how India is adopting digital modes of communication and how that is good for Tanla. So, could you just help me out by drawing a linkage between like as India becomes more and more digital, how does it help Tanla either through Trubloq, Wisely, I have one more question after this but I was waiting for the answer of this one before asking the next question.

Uday Kumar Reddy: So I'll request Deepak to give you a view on the trend in terms of what's happening with the enterprises as they adopt digitalization?

Anil Sarin: Sure.

Deepak Goyal: If you see, the trends are very encouraging. And now that the trends come in, look at it, all the large customers of ours, they've already adopted digital ways of communicating with their customers. Now they're adding more channels to it.

Earlier it used to be SMS and then email and voice and now WhatsApp is also penetrating this and each channel and the beauty of this is that each channel is complemented to each other. So they are not eating into each other's revenues or volumes. I mean, if you look at it now, WhatsApp is basically positioned for conversational messaging which was not that easily doable with SMS, or even with voice, which can happen with WhatsApp wherein same conversation, you can eliminate a seat on the call centers.

So, basically that's going to impact the call center business, and it's going to save huge revenues or huge costs for the enterprises. And the whole thing would move to let's say, WhatsApp, or any other such conversational messaging platforms. So that is what one trend I can tell you, which is doing very well. And if you see, I mean in own country, where kind of startups we have and every month we are seeing this lot of startups are coming in and I mean they are on the very first day itself, they are adopting these digital channels to communicate with their end customers.

Anil Sarin: Okay, great. Thank you so much. My next question was, there was also a mention and there were some screenshots of scrubbing and content. So could you enlighten us about what does it mean for revenue? What does it mean for customer stickiness as scrubbing and content?

Aravind Viswanathan: Anil scrubbing is basically what our DLT platform does, right. So it looks at every message and kind of sees whether it is aligned to the template and the headers. And that's really what kind of went live in September of last year and September of 2020. And that's really what our Trubloq platform does, right. Content registration is a very new module that just kind of took off in September, and like Uday mentioned in his opening remarks, we think content management is a very big opportunity. We think that it will kind of crystallize over the next six months and we are closely tracking it and looking forward to capitalizing on that. So, that is what I'd say as far as that is concerned.

Anil Sarin: Okay. Thank you. My last -- actually the last question is on Trubloq. So you mentioned that Trubloq is not -- I'm not talking about market share. I'm talking the Trubloq of your revenue is a certain portion. However, there is also this TRAI regulation, which says that all messages have to be encrypted. So, how is it the Trubloq is not 100% of your messages. Are there some non-encrypted messages also that that are going on the networks?

Uday Kumar Reddy: Anil, Uday here. Nowhere, TRAI says that all the messages have to be encrypted, okay. What they have mentioned is each and every message in India has to go through blockchain platform, okay. And having said that, they have given exemption to Government of India, but otherwise each and every message has to be scrubbed. So, nowhere they mentioned about encryption.

Anil Sarin: Okay. So, as the government organization gradually come online. Then greater and greater percentage of your messaging revenue would come from Trubloq. Is that the right way of looking at it?

Uday Kumar Reddy: No. The more that you see the traffic, growing in India, the more traffic comes to Trubloq.

Anil Sarin: Okay. Sure. And an allied question to that. Is that Deepak just mentioned that. Look, we are with a few networks and we are not on a few other networks that as Jio. So as Jio, if Jio increases its market share sharply higher from where it is now, that would affect the market share that Trubloq has. Is that fair normally?

Uday Kumar Reddy: No, it's not really true, Anil. It has nothing to do with subscribers, it all depends on the Telcos concentration on the CPaaS business. So for example, BSNL, where the subscriber base is miniscule, but they're doing a massive volumes in India right now. So the subscriber base has nothing to do with a business opportunity.

Anil Sarin: I see. I see. Thank you so much for clarifying. Thank you for all.

Uday Kumar Reddy: Thanks.

Deepak Goyal: Thanks, Anil.

Operator: Thank you. Participants, we would request you to please limit your questions to two per participant. For any further questions, you might come back for a follow-up. The next question is from the line of Balaji Subramanian from IIFL. Please go ahead.

Balaji Subramanian: Hi, Uday, congrats on a good set of numbers. And thanks for taking my questions. I have a couple of questions. The first one is what has changed the Wisely international rollout strategy, because last time you had mentioned that you are engaging a top consulting firm to advise on the international GTM, but now you just mentioned that the Vodafone, Idea case study would be pitched and that would be used to kind of build out the international rollout of Wisely overtime. So what timeframe are you looking before you rollout Wisely internationally?

My second question is more on what is the typical gross margin that you make on non-SMS channels, especially WhatsApp Messenger. So, you did mentioned that you're aspiring to reach 50% plus gross margin that many global platform players report. So, how will something like WhatsApp enable you to kind of make that journey? So that's largely from my side. Thank you.

Uday Kumar Reddy: Thanks, Balaji. The first point is, yes. We have appointed the consulting firm to advise us on Wisely GTM, which does include both India and outset in the global expansion. So they -- we got the GTM plan from them last week. And so they have given us a complete GTM plan including proposition and pricing. So, and in fact, they are the ones who are helping us to even roll out with VIL as you speak. So, it's a part of the strategy.

So we have not changed any strategy, it is in line with our strategy. So but we don't want to go to global market without having in at least one successful case study in India, right. So that's where we are waiting for that. But meanwhile, we are already engaged with global tech Telcos and very large enterprises. We just eagerly waiting for these customers success case study from VIL, which is going to come from by end of May. That's number one, right.

Number two, for us to push the margins, gross margins from where we are right now to 50% over a period of time. It takes a bit of time, I'm not saying it will happen in the next one year or so. But if you look at our gross margins, on our platforms, are upwards of 80% Balaji. Okay, so the more revenues more margins, we earn on platforms automatically, our blended margins will move towards that to our aspiration level. So that Wisely definitely will help us generate a good margins -- gross margins for us. And once we start adding the Wisely gross margins to our total gross margins, I'm sure the blended margins will change.

Balaji Subramanian: Okay, thanks a lot Uday, for the detailed answer. All the best.

Operator: Thank you. The next question is from the line of Niral Gangar from Neev Investment & Management Advisors. Please go ahead.

Niral Gangar: Thank you for giving this opportunity and congratulations on excellent set of numbers and for a very good presentation, which has been going on for the past three, four quarters. My most of the questions are answered. Now only one question is left. So, what I am seeing that trade payables are approximately equal to cost of service for last three, four quarters, which was not the case till September 20. So, what is the reason behind this? So, for example, trade payables in the current quarter is INR 662 crores, and our cost of service is also at INR 620 crores. So, is there any change in this particular portion?

Aravind Viswanathan: No, no. There is no change in portion, right. I don't think you will, in a growth engine right, you will always find that, your trade payables will go in line with business, right. And there is some amount of correlation to cost of sales, but there are also different mix right, because when you look at an integrated then when platform business is growing, your cost of service does not go in line with platform business in that sense. So it will be difficult to correlate along those lines Niral.

Niral Gangar: Okay. Thank you.

Uday Kumar Reddy: Thank you.

Operator: Thank you. The next question is from the line of Milind Karmarkar from Dalal & Broacha. Please go ahead.

Milind Karmarkar: Hi, thank you for taking my questions. And congratulations on great set of numbers. Actually I had a very basic question. Basically, what I wanted to know was that with the implementation of Wisely and Trubloq on some of the Telcos. What I wanted to know was, because I keep getting -- I in the sense many of us keep getting these SMS, which look like that they are from State Bank of India saying that your account will be frozen. You just need to send us your PAN Number or Aadhaar Card Number and the problem will be solved. Now, obviously, these are phishing messages. So just wanted to understand that whether Wisely and Trubloq together will help stop these messages. That's what my question was, all other questions have been answered.

Uday Kumar Reddy: Hi, Milind, Uday here. It's not a basic question, it's a good question. So the messages that we are receiving. I also receive on my handset, or more or less every day, as you rightly said, these are all most of phishing messages. They're not using application to pay messaging route, which that means they're not going through our routes, okay. They -- what they do is they're using SIM bots, okay.

They go to market, they buy the SIM cards from the store, and they start sending the messages from that SIM card, which doesn't go through Trubloq any of the DLT platform in India, because that comes under peer-to-peer messages. They're supposed to use those SIM cards for a personal purpose, but they're misusing for these kind of messages like. So, but the regulators are looking at these messages very, very closely. And they're clamping these numbers on daily basis.

And in fact, we are developing a platform, which is likely to kind of control this kind of messages going forward. So but including the regulators, Government of India, and even enterprises are very serious about such messages and we are working towards that. But it doesn't go through our platforms as you say.

Milind Karmarkar: Okay, thank you very much. Got it.

Uday Kumar Reddy: Thank you.

Operator: The next question is from the line of Rikshit Naredi from Naredi Investments. Please go ahead.

Rikshit Naredi: So, sir my first question is regarding domestic international segments. Can you please tell us the expected market size and expected growth as per your best estimate?

Uday Kumar Reddy: As per my best estimate. So we are at what \$1 billion, little more than billion dollars in India and probably Deepak is the right person to comment on the growth. Deepak you want to comment on that?

Deepak Goyal: Yeah, Uday. So, yeah, so what we are seeing is a growth of about 18% to 20% year-on-year growth is what we are witnessing right now.

Rikshit Naredi: Right. Okay. And my second question is regarding. So please give me more color on co-selling agreement with Microsoft?

Uday Kumar Reddy : Yes, we have the co-selling agreement with Microsoft. And wherever we go including India, we sell along with Microsoft. And our Wisely is on Azure stack. So, in fact, the platform that we're deploying with VIL. We're -- we -- it is on Microsoft Azure cloud. So it's a joint effort. Yes.

Rikshit Naredi: Okay. And my last and small question is, what will be the revenue mix between platform and enterprise business in next two to three years?

Uday Kumar Reddy : I don't want to give any forward-looking statements, but as you speak, it's around 23% of our gross margin comes from platforms as we speak. And I think our aspiration is to push it as much as possible in the next two years. That's what we're working. That's where we are investing for the last two years. If you look at last two years, we have really covered a lot of ground in terms of the platforms business. And I personally believe that it will cover a lot of ground in the next two years.

Rikshit Naredi: Okay, right. Thank you. Thank you so much.

Deepak Goyal: Thanks.

Operator: Thank you. The next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

Nirmal Bari: Yes, sir thanks for the opportunity. I have a couple of questions. So, the first one is, I'm not very conversant with the technology aspect of this. So, in between you said that this CPaaS has nothing to do with the number of subscribers for the -- of that telecom operator and that BSNL is doing a lot of cheaper. So for this DLT platform, at what point does the message needs to be scrubbed. You said receiver, as in the receiving telecom operator that needs to scrub the message before it goes to the customer's handset or does it happen at the point of where it has been sent?

Uday Kumar Reddy: Good question, Mr. Nirmal, you're talking about origination and termination, okay. So, the -- what that TRAI says is whoever is originating the message. He is responsible to scrub through DLT. And for example BSNL is scrubbing. BSNL is originating the message and terminating to Airtel, okay. It is the responsibility of BSNL to ensure that it is scrubbed in the DLT platform before the hand over the message to Airtel through interconnect. So it is originating the operator who's responsible to scrub.

Nirmal Bari: Okay. And then in this, what would be the rough market share of in terms of origination of messages. What would be the market share between the four key players in India, if you can give some data on that?

Uday Kumar Reddy: I'm not allowed to do that. We have some NDA here, but I'm afraid I cannot give you on behalf of the Telcos.

Nirmal Bari: Okay. And then second question that I had was on the gross margin mix this year at enterprise business gross margin grew by 73%. So would it be fair to assume that was largely on account of the price hike that happened in Q2, because that is where the bump up in enterprise gross margin came?

Aravind Viswanathan: Nirmal, that -- I don't think that will be the right conclusion. Because that is both a cost increase and a price increase, right. It's not just a price increase, because your -- what are really happened there is the Telco costs have gone up, right. And we've kind of gone ahead with our customers and got our price increase to ensure that we have maintained our margins, right. So the price increase would have definitely given us incremental absolute margins, but not impacting the margin percentage, right. I think we've improved our margins due to mix of

business. Obviously the improvement in terms of our platforms as a contribution. So those are the big levers from a margin perspective. Price increase, is not -- does not help in terms of margin percentages, Nirmal.

Nirmal Bari: Yeah, but that platform related gross margin part should have been reflected in the platform business, right?

Aravind Viswanathan: Our talking on an integrated basis. If you are talking only enterprise, then you are right. The price increase would not have an impact on the margin percentage first.

Nirmal Bari: Okay. And so, going forward enterprise unless there is another price hike or anything, the enterprise business should -- the gross margin should largely grow in line with the volumes and then the platform business will be the incremental driver for gross margin. Would that be a correct way to look at it?

Aravind Viswanathan: Yeah, if you hear what Uday had said in terms of our longer-term aspirations. Clearly the bigger trust from our gross margin expansion perspective will come on the back of increasing the platform business share contribution. So you're absolutely right on that, Nirmal.

Nirmal Bari: Okay. Thank you. I'll fall back in the queue.

Aravind Viswanathan: Thank you.

Operator: Thank you. The next question is from the line of Deepak Chaukhani from Trade Capital. Please go ahead.

Deepak Chaukhani: Hello sir, great performance on all fronts. Just one question I have. Just trying to understand the VIL partnership. Is it only for messages terminating in India -- within India? Or is it like a global partnership wherein it covers all the countries where VIL operates?

Uday Kumar Reddy: Hi, Deepak. Since it's VIL it operates only in India. They have -- I think my information says that Vodafone has nothing to do with VIL other than holding their shares. So they operate only in India. This partnership is mainly for India. It is mainly for India.

Deepak Chaukhani: Okay. Thank you, sir. And just related questions. So since it's going to be launched on 1st of March, probably Q4 will account for some of the revenues from this partnership?

Uday Kumar Reddy: Yes. So for the month of March, I think we should be able to book the revenues, that's what our plan is. Yes.

Deepak Chaukhani: Okay, sir. Thank you so much.

Uday Kumar Reddy: Thank you.

Operator: The next question is from the line of Sharad Kohli an Investor. Please go ahead.

- Sharad Kohli:** Hi, guys. My question most of them have been answered. I was just trying to understand the total addressable market forces announcement with the VIL, right. So, I know -- I don't know, take names there. But obviously, the one of your competitors had an exclusive agreement with Idea, right? So I'm just trying to figure out that with this new partnership that you have with VIL, is it fair to assume that, and I don't know the duration of this contract? But is it fair to assume that all the business, whether it's for Vodafone or Idea now flows through Wisely or do -- does VIL still have the ability to sign separate deals with other players in the market?
- Uday Kumar Reddy:** Hi, Sharad, Uday here. Good question. So VIL I mean, once Wisely goes, it goes live on 1st of March, the 100% of the traffic will go through Wisely. So mean to say that it is an exclusive partnership. That's number one. Number two, it is a multi-year deal. So I would like to leave it there.
- Sharad Kohli:** Okay, just one question, Uday. Just so that I can plug into my model here. What is the split roughly between and I don't know if you know this, but what is the split roughly between Vodafone and Idea in terms of the traffics?
- Uday Kumar Reddy:** I think it's kind of probably 55-45. 55% is Vodafone and 45% is Idea. That's what my information says probably 50-50. But it's yes, it's kind of 50-50.
- Sharad Kohli:** Okay, so if I understand this math correctly, that means that incrementally once you go fully live, starting March that 45%. And maybe there's a little bit give and take here, but for the bulk, that 45% which one of your competitors or a few of our competitors had with Idea that 45% now totally comes to Tanla meaning that your total addressable market is basically doubled. Is that fair to assume?
- Uday Kumar Reddy:** Sharad all I'm saying is 100% of the SMS ILD traffic, both of which including 100% of Vodafone and 100% of Idea traffic goes to Wisely platform. Yes, your assumption is right.
- Sharad Kohli:** Okay, that's what I wanted to know. Because just to understand what is the incremental growth that we can calculate because of VIL. Thank you.
- Uday Kumar Reddy:** Sure, sure. Thanks.
- Operator:** Thank you. The next question is from the line of Kushagra Bhattar from Old Bridge Capital. Please go ahead.
- Kushagra Bhattar:** Hi, thank you for the opportunity and congrats for good numbers. A couple of questions. First, to start with on revenue breakup. So in your press release, you have mentioned something called BFSI, wholesale and government, right. So if you can provide some breakup between those. And a related question is, when you say the contribution from the newer channels, and there was some festive impact for the enterprise business? Could you share some breakup from -- on revenues from these new OTT channels? And how sustainable are the enterprises margins, which you recorded in 3Q?

Aravind Viswanathan: Sure. So maybe let me take that Kushagra, right. So we've not broken down in terms of exact quantification of each of these segments Kushagra, but what we can tell you is just from the industry sectors, which has driven growth, clearly BFSI has been very, very strong, right, led by the banks. So that's been a big driver for growth and the other segments that we kind of talk about, right. When you look at other channels, they are very small, but they are growing substantially, right. They're growing substantially and definitely they are in today's terms, more profitable.

Although they are little subscale, they are profitable today, right. And therefore that is helping us from a focus. So I don't know if you remember, maybe two quarters back, right. We had made the statement saying that, we're going to focus significantly on OTT channels. And I think we've been doing that for the past six months, right.

So I can give you a lot of color in terms of what we are doing in that space, but we've still not called those specific numbers as far as those are concerned, and we probably we'll do it after it reaches a certain amount of scale, but if you want to know anything specific. I can have Deepak to give you a view in terms of how enterprises are kind of looking at OTT channels and where there is opportunity as far as we are seeing it there. Deepak.

Uday Kumar Reddy: So Deepak, I'm not sure if you heard me, but the idea or Kushagra was asking in terms of some of the OTT channels. How sustainable they are and what is the contribution? So, I thought maybe you can give a color in terms of how enterprises are seeing the OTT channels and the use cases that we are seeing there.

Deepak Goyal: Absolutely. So, as I mentioned earlier about let's say, if you take example of WhatsApp. So, we are building very deep, we are doing deep penetrations and deep integrations with the enterprise customers, wherein, this is all the revenues are based on the conversations between the enterprise and the customer over let's say for example, WhatsApp. So, here what happens is, once the integration is done, we have built the use cases that are highly sustainable, because as I mentioned earlier, basically just like always on channel for the enterprise and as well as for the customer, because customer can anytime, can do a query, ask whatever question they want to ask.

They want to request anything, they want to -- even they wanted to an e-commerce, they want to place an order. All that can happen over a conversation. So, and we are building more and more such use cases for our particular customers, I mean, and that's what we keep doing. And when you are into that kind of business, definitely, you command a premium, and the margins are high.

Kushagra Bhattar: Okay. So, the sense is, all these channels are expected to grow. So, the margins are more or less sustainable.

Deepak Goyal: Yeah, absolutely. I mean, who would not like or want that instead of somebody making a call to the call center and keep waiting there, and then an enterprise

on one side customer is inconvenience. On the other side, enterprise customer, they are paying INR 20 rupees or INR 30 rupees, maybe INR 40 rupees per call, rather than and the whole thing is just getting done over conversation over a WhatsApp or any other OTT channel.

Kushagra Bhattar: Sure. Second question is on, in your remarks -- opening remarks, you mentioned investments on brand building and customer success, right. So, can you elaborate a bit more on, when you say brand building, what kind of investments you are making, and when you say customer success, what sort of investments goes from your side, on that pattern. How, if you can give some quantification as well versus your current investments today in both these areas?

Uday Kumar Reddy: Yeah. So, these investments are not going to be very large, it's going to be very, very small. In fact, we have created a customer success department last year. And we are recruiting a lot of people in the customer success department, where they don't chase any revenues. They always work for customer success. That is the investment for us. But again, in terms of the brand also, we need to build a brand with customers, partners, regulators, and employees.

That's where we're going to focus going forward and we are looking at various possibilities of building the brand within this ecosystem. And so we are more -- we'll be more visible going forward with all the good work that we have been doing in India to our partners and customers and so on so forth. That's what I'm trying to say. It's not going to be a lot of money, it's very small money, but our focus is going to be on the four areas as I told you earlier.

Kushagra Bhattar: Okay, sure. Last one from my side. When you say working capital will normalize, right. What sort of levels you are indicating towards both in terms of debtors and creditors? And also a question on, if you can call out how much was the volume growth in last nine months it'd to be helpful? Thanks.

Aravind Viswanathan : Yeah, so I'll answer the first one. See what we are talking about is try and be close to free cash flow and close to 100% of PAT, right. That is always the kind of goalposts that we go towards, right. So that is really the normalization one is talking about give or take, right. Volume growth, I think largely will be, we've not calling out specifically volume growth Kushagra, we've not called out volumes. But it's been strong, it's largely been in line with revenue growth in terms of the domestic business.

Kushagra Bhattar: Okay, sure. Thanks and all the best.

Uday Kumar Reddy: Thanks.

Operator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to Mr. Ritu Mehta for closing comments.

Ritu Mehta: Thank you, everyone. That was the last question for today. In case we could not take your questions due to time constraints, please feel free to reach out to Investor Relations team. Thank you. Have a good evening.

Operator:

Thank you very much. Ladies and gentlemen, on behalf of Tanla Platforms Limited, that concludes this conference. Thank you all for joining us. And you may now disconnect your lines.

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