



Tanla Platforms Limited
Q3 FY23 Earnings Conference Call Transcript
January 23, 2023

Call Duration	<ul style="list-style-type: none">▪ 60 minutes
Management	<ul style="list-style-type: none">▪ Ritu Mehta - Head of Investor Relations▪ Uday Kumar Reddy - Founder, Chairman & Chief Executive Officer▪ Deepak Goyal - Executive Director & Chief Business Officer▪ Aravind Viswanathan - Chief Financial Officer
Participants that asked the questions	<ul style="list-style-type: none">▪ Abhishek Bhandari - Nomura▪ Balaji Subramanian - IIFL Capital Ltd.▪ Deepak Chokhani - Individual Investor▪ Nirvana Laha - Individual Investor▪ Amit Chandra - HDFC Securities▪ Dipesh Mehta - Emkay Global▪ Amit Aggarwal - Leeway Investments▪ Suresh Agarwal - Individual Investor

Operator:

Ladies and gentlemen, good day and welcome to Tanla Platforms Limited Q3 FY '23 Earnings Conference Call. Joining us on the call are Mr. Uday Reddy, Founder, Chairman, and CEO; Deepak Goyal, Executive Director and Chief Business Officer; and Aravind, CFO. Mr. Reddy will share his perspectives of business and strategic progress made by Tanla and will engage in an interactive Q&A session.

Before I hand it over to the management, let me draw your attention to the fact that today's discussion may feature statements that are forward-looking in nature. All statements other than statements of historical facts could be deemed forward-looking in nature. Such statements are inherently subject to risk and uncertainties, some of which cannot be predicted or quantified. A detailed disclosure in this regard is mentioned in the results presentation that is uploaded on the company's website. Please note all participant lines will be in the listen-only mode. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touch-tone telephone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Ritu Mehta. Thank you and over to you, ma'am.

Ritu Mehta:

Good evening and a warm welcome to our Q3 earnings call. I now hand over to Uday for his opening remarks.

Uday Kumar Reddy:

Thank you, Ritu. Good afternoon and good evening, everyone. Very Happy New Year to all of you. And I'm very excited to join you from our Innovation & Experience Center, which we will unveil in this quarter. Q3 was a quarter where we continued to make progress in both platforms and the enterprise business and let me share my thoughts on both of them.

If you hear all my commentary, I've been very, very consistent about my passion to build platforms and I'm happy to see Wisely scale every quarter demonstrating key metrics of every platform business, high margins, customer stickiness, stability, predictability, and asset light. Our platform business gross profit grew 26% year-on-year and I'm excited to share that Wisely contributes 35% of the platform gross profit. So, I'm confident that it will scale up to 50% in the coming couple of quarters.

I have talked in my letter about the three phases of the platform lifecycle: innovate, succeed, and scale. Let me drill down on each Wisely platform in this context in the reverse sequence. In terms of scale, we have two platforms already in scale phase, which is Wisely Network and Wisely OTT, and I expect strong growth to come in in these two platforms in the next couple of quarters.

Wisely Network is on track to be ₹100 crore annualized gross profit processing over 33 billion transactions through our AI/ML engines. Wisely OTT crossed 1 billion volumes in Q3 generating strong gross margins. So, I'm quite confident that these two platforms will accelerate from here.

In terms of Success, we have Wisely Communicate and Wisely Engage in this customer success phase. We are evidencing our platform capabilities to select large customers and one we demonstrate our value proposition. We will move to the scale phase. Wisely Communicate is seeing strong traction with the banking customers. For one of the banks, around 50% of their critical UPI traffic is going through Wisely platform.

On Wisely Engage, we are initiating a POC with select customers in Q4. I'm confident at least one of these platforms will move to scale phase in the next quarter.

In terms of innovation phase, we have a large platform in the innovate phase and I'm personally very excited about what we are targeting to launch this in Q4, most likely in MWC Barcelona. This is going to be a truly global platform addressing one of the pressing challenges faced with the consumers globally. This is in line with our purpose of empowering consumers and enabling companies.

On the enterprise business, we are showing steady improvements with sequential revenue growth at 2% and improvement of gross margin of 74 basis points. We see a huge competitive environment with some slowdown and festive spends in BFSI clients, but we are maintaining our market share and improving our margins. Deepak will talk in more detail about the enterprise business in his opening remarks. But I'm confident that we will improve every quarter going forward.

2022 was the year where the focus was shifted to companies with the profitable growth and disciplined capital allocation. We have stayed true to our ethos; focus on innovation, organic growth over acquisitions, return cash to shareholders as against raising capital. We completed our buyback in January and we have returned over ₹300 crores to the shareholders just in this financial year. I'm very excited about the year ahead. We are making right investments, we have the right team, and thank you for support.

I now request, Deepak to give his perspective on the enterprise business.

Deepak Goyal:

Hello, everyone. This is Deepak here and wish you a Very Happy New Year. I like to give you some highlights on our enterprise business. As Uday said, we are seeing stability in our enterprise business, and we have been seeing improvement every quarter from Q1 to Q2 and now Q3.

So, we delivered 2% sequential growth in this quarter and improved our gross margin by 74 basis points. This quarter we did not see the usual scale up in the active spends especially from our banking customers probably impacted by macro environment. The market remains quite competitive and we -- there are three specific areas where we are working to grow our business. The three areas I would say one is to retain our customers and retain our wallet share in our existing customers; number two add new customers; and three, focus on other than SMS channels.

So, I'll elaborate here. Number one, we are -- our customers with greater than ₹1 crore revenues have grown from 189 to 220 in the last four quarters and sequentially it improved from 208 to 220 customers. On adding new customers, we have added 210 new customers in this financial year already.

So, what is more interesting is that we have added some very large names with a very large stamp. So, there are -- some are very large banks where we are integrating right now. There are some very large e-commerce companies and some other verticals, which we are on the integration phase. And these wins are going to help us in next couple of quarters to scale up our revenues.

We are focusing on other than SMS channels, as I said earlier. We have done a very good on WhatsApp. One-third of our wins are on WhatsApp in this year, and we have been scaling up in the last five quarters. And the way the WhatsApp is going, this year we would exit with ₹100 crores run rate, and we are seeing a significant momentum. I mentioned last time we have one of the very large PSU banks, which we integrated and it's scaling up very well.

So overall while the revenue growth is muted, I see opportunities ahead and I'm confident of an inflection point for the enterprise business sooner than later. Thank you.

Uday Kumar Reddy: We'll be happy to take question-and-answers. Deepak, may we open the queue 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 their touchtone 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 has a question may enter star and one. Ladies and gentlemen we will wait for a moment, while the question queue assembles.

The first question is from the line of Abhishek Bhandari from Nomura. Please go ahead.

Abhishek Bhandari: Yeah. Thank you for the opportunity. Sir, I had three questions. The first one is you mentioned the competitive environment remains fairly aggressive. If you could talk about what kind of competition are you seeing incrementally both from existing CPaaS companies and some of the telcos who have been trying to enter into the space?

Aravind Viswanathan: You want to list down all the three questions, Abhishek, and then we can take it one after the other?

Abhishek Bhandari: Sure. The second one is sir, if I look at your operating cash flow numbers, they have been either close to zero for last quarter and negative even for this quarter. Little surprised why the operating cash flow should remain negative. I understand that the free cash flow because of the investment it could be the case. But what's going on, on the OCF, if you could explain? And third is to, Uday touched on favorite Rule of 40, we have dipped significantly on that for last I would say three, four quarters. When do you expect again to reach that 40 mark on the Rule of 40 kind of outlook?

Aravind Viswanathan: Abhishek, maybe I'll ask Deepak to answer the first question, I'll take the second question, and I'll maybe ask Uday to talk on the third.

Deepak Goyal: Sure. Hi, Deepak here. Hi, Abhishek. And to answer to your first question. Yes, as I've mentioned, the market is quite competitive and one of the large telecom provider also made certain efforts to enter into this market for last two quarters. And other than that, there are other CPaaS providers who are also there in the fray.

But what I'm saying is while there has been some disruption as we saw in Q1, but overall if you look at our business; we have been able to retain our customers, we have been able to retain our wallet share, and we are very confident going forward that we would be able to gain -- as I mentioned, we are gaining more customers. We have added lot more new customers and we would be able to grow our business from here.

There are definitely, as I said, competitive environment is there, but are they really winning, okay. And the answer is I would say no, right, because it's not that -- if you are providing great service to our customers the kind of way our stickiness is there, it's not that easy to remove.

Aravind Viswanathan: So, Abhishek, let me take the question on the cash flow, right. As you know, we've had a good track record of cash flow generation. But one correction of sorts in terms of an investment that we made in a strategic partnership with a

telco where we kind of gave better credit terms, right. So, what is happening is that this is an adjustment phase where the entire impact of the change in credit terms is reflected in Q2 and Q3.

We had kind of called out a normalized cash flow of about ₹78 crores is the operating cash flow if I normalize for it. If you look at Q4 and beyond, whatever adjustments which we made are done, I expect that we will go back to an operating cash flow of upwards of 70% of PAT, which is what we've historically been doing.

So, this is more Q2 and Q3 have been a quarter of adjustment in terms of reflecting the change in payment terms. This is why our DPO has come down, our creditors have come down, and that is really what has affected it. But it's kind of that phenomena is over and you will get back to a normalized cash flow from Q4.

Uday Kumar Reddy:

Abhishek, on the Rule of 40 so all I can say is like the Rule of 40 or Rule of 60 does apply only for SaaS companies. That's what we are also tracking our platforms business. If you look at our platform business, first let's say we are growing year-on-year at 26% and I don't have exactly access to that EBITDA on the platform business.

But if we combine the rate at which we are growing plus our EBITDA margins from our platform business. We are much beyond the Rule of 40. So going forward, we're going to report a Rule of 40 mainly for our platform business. As in today I think we are one of the best performing SaaS companies in our space. But going forward, we would like to announce Rule of 40 mainly for our platform business.

Abhishek Bhandari:

Great. Thank you, Uday. Uday, if I can just ask a follow-up. Do you think the industry has now settled at a lower growth number and the last two, three years growth because of COVID induced demand patterns are kind of normalizing? The reason I'm asking is overall it seems like the sector is heading towards normalized growth levels and many -- some of these things like OTT registrations and all those are kind of rewinding. So, happy to hear your thoughts what you see as a medium-term growth number for the industry as such.

Uday Kumar Reddy:

Abhishek, Uday here. My takeaway is in terms of volumes. If you look at volumes, I think we are growing around 15% in terms of transactions and in terms of volumes, right. If you look at mainly UPI the transactions like we have seen -- unfortunately I cannot afford to really share certain amount of numbers here, but we have seen a huge growth coming from UPI on the transaction side. We serve most of the banks and the UPI transactions have growth through the roof, right. So in terms of the new use cases, yes, as you rightly said, it has kind of stabilized in terms of use cases.

But wherever we have integrated with the existing UPI use cases, definitely we see the increase in terms of volumes. That's number one, right. So, as we know like the revenues is a function of the volumes and the price. Price is the one which has kind of deteriorated in the last three quarters. We hope -- though I cannot really can't comment or commit, we hope we have seen the worst and looking forward to the better days. So, with that, I think definitely, we will be seeing the better growth. Deepak, do you want to add anything here?

Deepak Goyal:

Yes, Abhishek. So as Uday just mentioned, so I would say about -- firstly about India. So India, we are seeing there is good volume growth which is happening and we have seen the volumes are growing about 18% to 20% year-on-year. Okay. And so I mean -- and there are UPI transactions -- overall number of transactions are high. As I mentioned earlier also if the number of transactions go up, our industry also gets bigger and bigger. And we all know that digital

transactions are going -- month-on-month and year-on-year they are growing, right, so naturally our volumes will also grow.

But once there is a price erosion, the price has come down and that has impacted our overall revenues. But since we were able to manage better costing, that's how we were able to improve our gross margins by 74 points. On the other side, we also do lot of volumes which are international volumes that are getting transitioned into India that are very highly priced and sometimes we are not there. The growth is limited because the price is very, very high for these transactions and its only used for -- mostly for one-time passwords and there the growth is quite limited. But as far as India transactions are concerned, the growth is quite normal.

Abhishek Bhandari: Got it. Thank you for the detailed answers and wish the management Happy 2023.

Deepak Goyal: Thanks, Abhishek.

Operator: Thank you. Thank you. We'll take our next question that's from the line of Balaji from IIFL. Please go ahead.

Balaji Subramanian: Good afternoon. Thanks for taking my questions. Actually, I have three. The first one was regarding the volumes. So, we did see that Trubloq volumes have been around 82 billion in the last quarter versus 89 billion in 3Q of last year. So, what explains this decline? And I didn't get your answer to the previous question where you mentioned that the domestic SMS volumes are growing at 18% to 20%, but there has been some impact because of the higher pricing on the ILD SMS. So net-net, how should one look at the narrative going forward both in terms of the blended volumes and the revenue growth? That is one.

The second question is on this TRAI, which has been working on implementing a caller ID system along the lines of Truecaller though I understand that Telcos are largely reluctant to get this implemented. In case this gets implemented, what are the opportunities and threats that you see? And my final question is on this revenue from new customers, which has fallen to ₹322 million in the first nine months of fiscal '23 versus ₹571 million in the same period last year. So, any color on that? What explains the decline and when should one expect this to pick up? Thank you.

Aravind Viswanathan: So Balaji, let me answer the first question on Trubloq, right, volumes. So if you look at Trubloq is still growing double-digits YoY and sequentially also, right. I think some of the volume delta is largely because in terms of some of the non-chargeable volume around PSUs, et cetera, that come in, right. So, some of the traffic is exempt from a DLT charging standpoint and sometimes there is a variation with respect to that affecting the overall volumes processed through the platform.

But if you look at it and we've shared that both the volume as well as the gross margins, you will find that we continue to grow very well as far as Trubloq is concerned given the scale, right. So, that's on your Trubloq. I know you had a part two of that question in terms of was it ILD volume? Was that your second question? He had a question within this.

Balaji Subramanian: So, basically what should one look at?

Aravind Viswanathan: So the second question is -- go on Balaji.

Balaji Subramanian: Yes, so basically what should one look at as a more sustainable volume and revenue growth? I understand that the other channels like WhatsApp and all is doing quite well, this is more on the SMS front.

- Aravind Viswanathan:** Yes, so I think both Deepak and Uday kind of talked about a volume growth that we still see around 15% in India, right. Pricing has been little up and down, but I think on a normalized basis you could see a growth rate. That would be a good way to look at from a volume standpoint over a medium term in terms of the India market, right. If I were to look at your second question in terms of TRAI caller ID, I'll just ask Uday to give his perspective on that.
- Uday Kumar Reddy:** Hi, Balaji. Uday here. So in terms of the TRAI initiative like, we have nothing to add here. We are not in the business of -- in this business so it is up to the Telcos and the TRAI and the players who are in this market -- I mean the guys who are in the market as mainly Truecaller and other apps are there. So we have nothing to add, nothing to lose, nothing to gain. So, it is quite irrelevant for us. So, that's the second one, right. Third one, Deepak, you want to take that?
- Deepak Goyal:** Nine months -- new customers.
- Uday Kumar Reddy:** New customers. So, revenues dipped in the last nine months.
- Deepak Goyal:** Yes. So Balaji, as I mentioned, we have had wins or we have acquired some very large customers and -- but with the large customers when you acquire so it takes time to integrate. There are lot of challenges in terms of overall integration -- integrating those customers. So, that's why the integration is going on right now and you would see the impact in the next few quarters and so you'd see a much, much bigger impact.
- Balaji Subramanian:** Okay. Thank you. So I just had a quick follow-up on this caller ID system, which TRAI is talking about. While I understand that you may be largely unaffected by it, but is there a worry that since you have a strategic partnership with Truecaller, the volumes on Truecaller come down and there could be some second order impact. I do understand that it's a little too early, but any thoughts will be quite helpful here?
- Uday Kumar Reddy:** Absolutely not, Balaji. So they are talking about voice business here and we are talking about messaging business here. Okay. Our estimation is that they have around 220 million users for quite some time in India. So, we don't see any challenge with the 220 million. But it is on radar for quite some time this topic like, but it's not going anywhere to be honest with you. Okay. So, we're not too worried about this at all.
- Balaji Subramanian:** Okay. Thank you. This is quite helpful. All the best.
- Uday Kumar Reddy:** Thank you.
- Operator:** Thank you. We'll take our next question from the line of Deepak Chokhani, an Individual Investor. Please go ahead.
- Deepak Chokhani:** Hi Uday sir. Thanks for this opportunity. I have two questions. You in your message, you did speak about a large platform to be launched probably in Q4. Could you elaborate a bit on this and by when can we see the revenue to start kicking in through this platform?
- Uday Kumar Reddy:** Deepak, you wanted to come out with -- what is your second question, Deepak?
- Deepak Chokhani:** So, this the first question. Basically, you did speak about a large platform which will be launched in Q4
- Uday Kumar Reddy:** Okay, got it. Deepak, it's a good question. In fact, we have been building this product for quite some time and so this platform needs approvals from the Indian telecom regulator, which we got it last week. But this platform has to be deployed with them and they have -- probably they will come and audit the platform. And

once they sign off the sandbox, we will do a POC with three large banks which we've already signed for it, it's only POC.

Once we see the success with the three banks, which is going to happen sometime in Q1 of next year, then we are going to push this product to the commercial launch. So, there are three phases as I told you earlier. But this product needs a bit of approvals from the TRAI and it needs various approvals, but we got the initial approval and there we have to showcase our platform and this platform is under deployment.

But definitely, our intention is to launch -- at least to showcase this platform with international regulators and also international enterprises like say in Barcelona, most likely we're going to launch on 27th of February in Barcelona. So, we're pretty excited. I'm not ready to give you any -- I'm not going to -- I'm not here to make any forward-looking statements in terms of the potential, but it is going to address one of the biggest challenges that mobile users are facing globally. So, we are pretty excited and we have been developing this product for quite some time. So, please stay tuned and probably you should be able to hear something from Barcelona on 27th.

Deepak Chokhani: Perfect. All the best. So, just a bit on that. Will that be a B2B kind of a product or a B2C?

Uday Kumar Reddy: It's a B2B. But as we -- Deepak, I have been talking about like our customers' customers are equally important for us. Okay. To protect our customers' customers is the one which is on our agenda and this product is mainly to protect all mobile users. So -- but this is mainly B2B to B2C. So we want to offer the services to the B2B, but to protect their users.

Deepak Goyal: So, Deepak here. So, just to make it simple. I mean you, me, everyone will get benefited out of it as mobile users. So, it's like this. But yes, we are a B2B company so yes.

Deepak Chokhani: Yes, understood. Understood. I got a bit of a gist on that. So, thank you for that. So, my second question is Uday and you both mentioned that the business is at an inflection point. So usually, we have a seasonality in our business wherein the Q3 is the best, Q1 is 2%, 3% -- sorry, Q4 is 2%, 3% less than Q3 and then it tapers and then again picks up in December. So, are we seeing that this year we're going to reverse that and probably Q4 and then Q1 and Q2 might keep on getting better and better, so that seasonally -- seasonality this year will be done away with?

Deepak Goyal: We hope so, Deepak. We are working towards it.

Deepak Chokhani: Okay. And just the last question. When you think the industry will reconcile to this pricing pressure? Of course the telecom operator which is throwing in these prices, I'm sure they are also losing money. I'm sure the industry is talking to themselves. What's your guess or what's your analysis that when could this end?

Deepak Goyal: I feel already worst is over and things are getting better. So, this much I can say. And you would see next couple of quarters things should be much, much better. This is -- we are very confident about it.

Deepak Chokhani: So just Chinese wall issues like how can a telecom operator -- I mean I'm just trying to understand. I mean that way -- I mean globally I've seen not many telecom operators are in this particular business. This is so small for them as part of their bigger kind of revenues. Aren't there any restrictions on Chinese wall wherein the telecom operator can't do something like that?

Deepak Goyal: No, there is nothing like that. I mean if they want to, they can do. But as you said, globally we won't have seen any large telecom operators getting into this business, because this is a very -- this business has its own advantage and that's how it has been -- the CPaaS as an industry is there and the CPaaS providers are there to actually provide the services to the enterprise customers. And yeah, but I mean this is what it is. But let's see how it goes.

Deepak Chokhani: Sure. Okay. Thank you so much.

Operator: Thank you. A reminder to a participants if you wish to ask a question, you may press star and one. The next question is from the line of Nirvana Laha, an Individual Investor. Please go ahead.

Nirvana Laha: Hi. Thank you so much for giving me the opportunity. I have four questions, I'll just place the questions one after the other. So in Q1 call management had guided that you expected EBITDA to come back to 20% by Q3 so we are still quite a way below that, 17.4% now. So, like what happened there if you could give us some commenting and when can we get back to 20% levels?

Second one was on Trubloq. The revenues seem to have come down by 18% YoY at least assuming that all entire last year same quarter revenues would have been from Trubloq platform revenue, the revenues seem to have come down by 18%. So I know you answered this to an earlier participant, but could you help reconcile this?

Third question is on Wisely Communicate. So one of the key features that Tanla is talking about here is E2E encryption of SMS, right? But as far as I know, nowhere in the world regulators have mandated SMS encryption. So, are we really bullish on this feature or are we banking on the other features of Wisely Communicate for the product to take off?

And my last question is you have mentioned that we now have 611 employees, so how many of them are deployed for driving our business outside of India, that is a non-India business? Thank you.

Aravind Viswanathan: So the first two let me answer, Nirvana, right. So if you look at it, we saw a major disruption in Q1 which kind of resulted in one of our large customer kind of going away. And we dropped our margins, right, and we said that we will grow and move to 20% by Q3. I think the challenge what we've seen is our expectation in terms of the two aspects, right. One is in terms of return to normalcy on pricing took a little longer than we thought.

The second aspect is in terms of just the macro growth that typically one sees in Q3, which usually always has a big boost with festive spending. We did not see that happen, right. And Deepak and Uday kind of talked about it in terms of what has happened, right.

So, definitely we've been delayed in terms of the kind of recovery that we thought we will see as far as the enterprise business is concerned. Having said that, every quarter we do see improvement. It's taking little longer. But as Deepak mentioned, right, we are optimistic that it will continue to improve and we will get there.

On your second question, I think you're reconciling between 35% of platform gross margin coming from Wisely Communicate. What I can tell you is that Trubloq has grown 16% YoY, right, so it's not -- there are other smaller platforms, some of which have got cannibalized through our Wisely Network and that is where the degrowth has happened. But if you look at from a Trubloq perspective, we've been growing consistently. There is no change as far as that is concerned, right.

The third question on Wisely Communicate end-to-end, I will ask Uday to give a perspective on that.

Uday Kumar Reddy:

I thought you were going to answer that. Okay. Fair enough, right. So Nirvana, this is very simple. Wisely Communicate comes with a lot of propositions not limited to only end-to-end encryption like. The network -- its whole network runs on the blockchain where it will eradicate counterfeits, which is the big concern globally.

And third one is like it can offer many -- in fact it offers all the channels with one single API and it can offer many of the suppliers. So just imagine like HDFC or one of these banks just downloads a piece of software in the cloud and they have access to all the channels, they have access to all the partners -- all the suppliers rather, and the reports are written on the blockchain, the CDRs are written on the blockchain, and you get the reconciliation on the fly.

So, it comes with a lot of propositions like. And in fact I don't agree with the point like I'm not too worried about SMS being not encrypted globally. If you look at even WhatsApp, it is tightly encrypted end-to-end. That's the single largest proposition. Going forward once the Data Bill is in place in the next probably one or two quarters, I think people are going to take this data privacy and data security very, very seriously going forward.

Right now all the men in the middle rather third-party has got access to your data, which I'm sure will be appreciated in due course. So, I'm sure we are pretty gung-ho about Wisely Communicate.

And in terms of employees, Aravind, do you have the numbers?

Aravind Viswanathan:

So we have about 10 employees, which are kind of dedicated for business, who are based outside India. We also have a similar, in our kind of business, your product and technology team have to work with the global telco. So lot of the teams that manages the RFPs and discussions are also based in India, but we have about 10 people deployed overseas in the Middle East geography covering the Middle East geography, which is what we've talked about as our first real basis of overseas investment.

Nirvana Laha:

Okay. Thank you so much for the detailed answers. If I can just squeeze in one small question. Recently one of your global competitors has launched -- is claiming to have launched this new technology called Silent Network Authentication, which is an encryption on the SIM card number, which will -- which they are claiming as a better solution than OTP. So if you could just comment on that? Do you see that as a better solution and if at all, does Tanla have that capability if suppose the regulator says that it has to come in force?

Uday Kumar Reddy:

Nirvana, like these solutions have been around for quite some time. This solution has come from the GSMs standards like. So a lot of vendors have tried in the last couple of years. It is not very successful and we are not betting on that at all. So we strongly believe that SMS is very powerful, very easy to use, very fantastic reach. So I cannot really comment on what my competitors or somebody is doing it, but we are not betting on that.

Nirvana Laha:

Okay. Thank you so much for answering my questions. All the best.

Operator:

Thank you. Our next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

Amit Chandra:

Yeah, hi sir. And thanks for the opportunity. Sir, my question is on the platform revenue. So you mentioned that 35% of the platform -- roughly 35% is from Wisely and if I think 35%, we are already at a run rate of around ₹1 billion yearly

run rate. So your mention about reaching Wisely ₹1 billion in the next two quarters, is it only for one segment or is it for the overall platform? So, one clarification on that. And also if I ex out Wisely from the platform revenue, then the -- ex of that, the drop in the platform revenue or the DLT platform is very, very serious. So, like what is causing that?

And the second question is on the pricing impact. So we are not seeing the impact of the ILD price hike on our enterprise business like revenues and the another reason can be whether the impact on the volumes is pretty severe because of the ILD price hike. How we are seeing that?

Aravind Viswanathan:

Okay. So Amit, let me take the question on platforms. I think one of the things that we kind of talked about in detail is Wisely is a platform of digital interaction, right. So, there are multiple platforms under it and the expectation is each of those platforms under the Wisely umbrella would have the potential to reach ₹100 crore gross margin, right.

So if you look at it, we've kind of called out four platforms which are in different phases; Wisely OTT, Wisely Network, Wisely Communicate, Wisely Engage, and then we talked about another platform that is in innovation phase, right. So our expectation is in the fullness of time and when it is fully mature, each of these platforms will have a potential to have ₹100 crore gross margin and that's really the objective, right.

We also talked about that one of these platforms, which is Wisely Network, is already close -- is a good run rate as far as that is concerned and that is why you see that number. It is not that collectively it is ₹100 crore, each of them individually should be ₹100 crores. So, that's the first clarification to your point, right.

The second point is, again I kind of clarified last time, there is a certain cannibalization particularly on the ILD side with Wisely Network that is there when we have launched this new platform, right. So it is not right to say that Wisely revenues were zero in last quarter, last year and therefore this math will not kind of make sense.

Trubloq has grown to 16% YoY so there is more challenge with respect to Trubloq, but obviously there has been some cannibalization as far as we would move some of the traffic on the Wisely side, right. So, that's the second point.

Third point with respect to ILD pricing, see, definitely there has been an impact on volume with respect to pricing. We've seen some amount of benefit that we spread over two quarters, Amit. So it's not like last time where it was much more apparent where the pricing doubled, right. Here the price went up by about 33%, right, and last time the price went up by 100%. So the visibility of that in FY '22 was very, very stark, right. And this 33% also happened over two-quarter period. It didn't happen exactly over one quarter because not all of it happened on 1st of July so it happened over a phased manner.

So to that extent between volume erosion and the spread out over two quarters, maybe it is not as visible given the size of our ILD business that you would see. That's our perspective on that.

Amit Chandra:

Okay. And sir, like one more question I have. So the volume impact that we saw from like one of the clients where we are working at a lower pricing, so the transition of that client has already happened or are we already processing volumes at a lower price for those clients?

Uday Kumar Reddy:

So could you repeat that question, Amit?

- Amit Chandra:** So, I was asking that the pricing reset that we had like two quarters back for a particular large client, so are we seeing such pricing pressure on other clients as well? And are we still having volumes at the lower pricing for that particular account?
- Deepak Goyal:** See, this particular account as we are getting volumes, but we are not getting - - we are getting much lower volumes and the bigger volumes have moved to the other provider. And as far as -- if you ask the question if you have been facing the similar pressure elsewhere, as I said, things are much more stable now.
- Amit Chandra:** Okay, sir. Thank you, and all the best.
- Uday Kumar Reddy:** Thanks Amit.
- Operator:** We take our next question from the line of Dipesh Mehta from Emkay Global. Please go ahead.
- Dipesh Mehta:** Thanks for the opportunity. A couple of questions from my side. First, about the product penetration improvement, which you've mentioned. So, can you help us understand how it helps us in terms of either wallet share gains or even if you can help us understand from revenue and margin perspective whether the mix change also have some effect on both revenue growth and margin trajectory in a recent wallet survey? Second question is about the demand trend. Now we cater to multiple industries like BFSI, e-commerce, and all those things. If you can help us understand any change in demand pattern you're witnessing in any of the industries, any softness or pocket of weakness which you are witnessing in the market?
- Last question is about the new channel revenue share. If you can provide some sense of both SMS and non-SMS channels, how it is shaping up for us? You have mentioned about WhatsApp and run rate, but if you can provide overall holistic number or some sense about that business? And if I can add last one is about the competitive changes. If you can provide -- we have seen couple of MNC players entering into India through acquisition and then obviously Telco is also expanding their presence in CPaaS space. So if you can provide any change in the competitive behavior you're witnessing across different kind of players? Thank you.
- Aravind Viswanathan:** So let me start with product penetration, right, where we said that it's moved from 1.6 to 2.1, Dipesh. So, I will let Deepak elaborate in terms of what it means for our customer relationship. But clearly what it means is that we are not tied to one channel from a customer standpoint. See, when we look at this channel -- this product penetration, we are only looking at our top customers, right.
- So one of the points that we talked about is how for example our WhatsApp has grown and what's been our investment. So I think from just a holistic relationship we want to ensure that we address all of the digital interaction needs of our customers and that's where product penetration helps, right. So, maybe Deepak will elaborate in terms of how it is helping in terms of our go-to-market. Deepak?
- Deepak Goyal:** Yes. Dipesh, so we have -- other than SMS; we have voice, we have email, we have WhatsApp, we have Truecaller, and we have lot of new products coming in. So, our efforts are to ensure that we penetrate more and more channels, more and more products to our existing customers and we have been quite successful in doing that and that's how you have seen from 1.6 to 2.1. That's why this is a pure indication to that. And it's like one of the channels is WhatsApp. I mean our revenues this year would be almost 4x of the revenues what we would have done in the previous year. So, WhatsApp is growing very well and we have been able to push our user journeys and the experience to our

customers the way they wanted it and they are very happy about it and we have been winning new customers as well.

Other than that, when we talk about innovation, what we do is we sit with our customers and we understand their problems and their current problems and we start working on that. So as Uday mentioned that we are working and we are about to launch our new platform, our new product, it is right to address that, which we have seen that our customers are facing and we started working on that in last few months and now we are very near -- we might be launching it in the current quarter. So, this is how our journey has been and this is how we are able to move forward. It takes time when we go and we integrate new channels to our customers and to adopt those channels and to scale those new products and channels, but we are in the right path.

Uday Kumar Reddy: So, Dipesh, does that answer your question?

Dipesh Mehta: It answered one of the questions. I think I asked about demand trend across industries and other things.

Aravind Viswanathan: So, I think we can see the biggest bellwether industry for our business is banking, right. So, Deepak kind of covered that as part of his opening remarks. While they are growing sequentially, definitely the kind of campaign spends or festive spends that we've seen in the past has definitely not happened, right. I would say that trend is pretty similar across the board, right, that we saw that while the business grew sequentially, we did not see a spurt of spending and typically BFSI is a lead indicator on that. So, that's really what we've seen from an industry. I wouldn't say there is very, very divergent trends between industries, right. I would say BFSI is reflective of what we see in rest of the industries, right.

I think from a new channel perspective, I would say that if I take my enterprise business on the back of WhatsApp, et cetera, maybe the non-SMS revenues are probably about 14%, right. So definitely that's moved a big way over the last four quarters on the back of WhatsApp for sure, right. And from your last point in terms of MNC competition in terms of hiring, that's really happened quite a bit time back, right. So now I don't want to take specific names, it's not right. But in general that is not a new development, I think it is remaining where it is, right. The industry, as Deepak mentioned, is competitive; but we are able to hold our own as far as volumes is concerned and I think we will continue to build on what we have.

Dipesh Mehta: Sorry, to persist in the last point. I am raising more from positive side perspective because those -- some of those companies are facing their own battle, whether the focus in the domestic market may have reduced and it could have positive implications for company like us. And about the 14% number which you've said for new channel, can you give comparable number, let's say, what that number might be last year?

Aravind Viswanathan: So I think it would have gone up by -- gone down by about -- or gone up by about 4% as a percentage of revenue, right. What would have been 10% would have become 14% on the enterprise side of the business, right. Or on the other point, let -- I'll ask Deepak to kind of give you a perspective.

Deepak Goyal: Yes. Dipesh, so if you're referring to the global players who entered into India, they acquired two companies here. And so as I mentioned earlier, so there has been competition, there have been a telecom operator, there have been a couple of other guys, the local guys who are going very aggressive. And these companies, they work on certain prices and they don't go down so easily and all that. So, business has moved from one to another. But as far as we are

concerned, as I mentioned, we are able to retain our wallet share, we are able to retain our customers, and we have grown our margins as well.

Dipesh Mehta: Understand. Thanks.

Operator: Thank you. The next question is from the line of Amit Aggarwal from Leeway Investments. Please go ahead.

Amit Aggarwal: Sir, my question is regarding platform and enterprise business. As a layman, I understand that platform business is more of a premium service you're providing. So can we imagine that in next four, five years, all enterprise business would be converted into platform business?

Aravind Viswanathan: Amit, I could not hear you very clearly. Could you just repeat your question?

Amit Aggarwal: Sir, my understanding as a layman is that platform business is more of a premium service, enterprise business is a more a cheaper product, but they're catering to the same customers. Sir, can we imagine that in next four, five years all enterprise business would be converted into platform business?

Uday Kumar Reddy: No, Amit. I don't think that's the right way of looking at it, right. Platforms are a different business and the enterprise side of the business is different, right. Platforms is where we deploy platforms be it with the enterprise or Telco for specific needs, right. The enterprise business is more in terms of helping them communicate right with the end user, right. So it is not -- one is not going to get substituted by the other. They are two very independent businesses with very different drivers for growth and both have an interesting and exciting future ahead and I don't think that's the right way to look at it. It's not two ends of the same transaction, right. It has very different use. So, that would not be the right way of looking at it, Amit.

Amit Aggarwal: Sir, that means that our platform business is almost in a monopoly situation because no other Telco or company is doing a platform business right now based on Blockchain?

Aravind Viswanathan: So, definitely -- so monopoly is maybe a wrong word, but we are truly unique in terms of the kind of platform that we offer, right. And therefore, definitely the competitive environment is very different there. It has different drivers. Uday talked about it in terms of -- in his opening remarks. Certain nuances of platform business is high profitability, scalability, customer stickiness. So you will have those dynamics which are different, right, and that's why it's very, very attractive and that's why there is so much focus on that from our side. But that does not mean that it is an either/or situation between enterprise and platform. They are two sides -- different sides of a coin and both are areas where we are investing in as a company.

Amit Aggarwal: And how scalable is platform business? Like, right now we are doing 10% compared to enterprise business. Can we imagine that it can overtake the volumes of enterprise business in the next four, five years?

Aravind Viswanathan: So it's kind of difficult to say, right. But I'll tell you definitely platform business are scalable and platform businesses are global, right, so clearly it's going to be the beachhead on which we are going to do our global expansion. So it's difficult to kind of say, Amit, in terms of what could be the proportion in the future, right. I would encourage you to look at both of these businesses individually, right, and see it for what they are rather than really look for a substitution piece.

Amit Aggarwal: Okay. My last question is, sir, right now platform business -- we are working on a very, very high margin. Can we sustain this margin in the long-term, 90% plus?

- Aravind Viswanathan:** So, I will tell you globally if you look at pure play platform companies, right, gross margins tend to be high. They tend to be 80% plus, right, may not be 96% but could be 80% higher. But also these businesses have a huge investment in R&D and sales and marketing, right. So while I don't want to say whether 96% is right or not, but you can safely presume that platform businesses will have very high gross margins.
- Amit Aggarwal:** Okay. Thank you. Thank you. Good luck to you.
- Aravind Viswanathan:** Thank you, Amit.
- Operator:** Thankou. Our next question is from the line of Suresh Agarwal, an Individual Investor. Please go ahead.
- Suresh Agarwal:** Good evening, sir. Sir, my first question is if we are losing our competitive landscape to Route Mobile? Second, our global presence at present and going in future and if we are planning for another some kind of future business forays?
- Aravind Viswanathan:** So from a global business standpoint, clearly there are aspirations. But like we have told many times, India is our core market. Today almost all our revenues come from India and our strategy is to demonstrate the value proposition of our platforms in India before we scale them globally. Because if you really look at the kind of scale that India provides and if you can succeed here, it is very easy to use that to leverage that to succeed, right. And therefore, while we will have that kind of aspiration to go global, today most of our business is -- almost all of our business is in India and that's how we are kind of talking about it and we've been pretty consistent about that.
- Suresh Agarwal:** And any other future business like other businesses we are considering?
- Uday Kumar Reddy:** So Suresh, nothing at this stage, right, where there is enough opportunity in our existing line of business, right, in terms of new platforms and on the enterprise side. So as and when we come with something new, we will definitely keep the market informed.
- Suresh Agarwal:** Okay. Thank you.
- Operator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the floor back to the management for closing comments. Over to you, sir.
- Ritu Mehta:** Thank you for joining the call. In case any of your questions remain unanswered, you could please reach out to Investor Relations team. Good evening.
- Operator:** Thank you. On behalf of Tanla Platforms Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

This is a transcription and may contain transcription errors. The transcript has been edited for clarity. The Company takes no responsibility of such errors, although an effort has been made to ensure high level of accuracy.