



Tanla Platforms Limited
Q4 FY22 Earnings Conference Call Transcript
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Call Duration	▪ 58 minutes
Management	<ul style="list-style-type: none">▪ Uday Kumar Reddy - Founder, Chairman & Chief Executive Officer▪ Aravind Viswanathan - Chief Financial Officer▪ Deepak Goyal - Executive Director & Chief Business Officer▪ Ritu Mehta - Head of Investor Relations
Participants that asked the questions	<ul style="list-style-type: none">▪ Pranav Kshatriya - Edelweiss Financial Services▪ Harshit Toshniwal - Premji Invest▪ Balaji Subramanian – IIFL Securities▪ Amit Chandra - HDFC Securities▪ Tanu Poddar - Mountain Intra Finance Private Limited▪ Deepak Poddar - Sapphire Capital▪ Dipesh Mehta - Emkay Global Financial Services Ltd▪ Amit Mishra - Individual Investor

Operator:

Ladies and gentlemen, good day, and welcome to the Q4 FY '22 Earnings Conference Call of Tanla Platforms Limited. As a reminder, all participant lines will be in listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

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 to welcome you to our earnings call for Q4. 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 his 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. Very, very warm welcome to our Q4 FY22 earnings call. As you know, Tanla is single mindedly focused on the enterprises. And we are the market leaders in CPaaS. And that is really making the difference in our last year results. Our strategy is working very well. FY22 has been a phenomenal year on all metrics. And we achieved an INR 3,000 crore revenue milestone.

We had a very strong revenue growth with best-in-class margins on cash flow profile. Revenue grew 37% year-on-year, gross margin grew 57% year-on-year and we generated over INR 425 crore of free cash flow. And our cash balance is over INR 20 crore.

Our organic growth mission is in full flight. Our revenue and EBITDA has grown by 6x and 12x in the last six years. Uniqueness of Tanla is that while we grow like a startup, we have the balance sheet and cash flows of a market leader.

As I look forward, digitalization is opportunity of this generation. We are seeing an explosion of the digital interactions in India. Transacting users have doubled in the last three years to over 200 million users, while digital clock has increased 3x in the same time. We are operating at the Rule of 60, which is aspirational

for most of the SaaS companies. We are pretty confident the momentum will continue.

Let me give you an update on Wisely. The last three months have been significant for Wisely. Last Friday was a historic day as Wisely went live with Vodafone Idea network as part of our multi-year exclusive partnership. We will showcase power of Wisely to both Vi network and global tech giants in the next 60 days. Wisely will deliver tangible ROI, and I cannot wait to showcase this to the world.

I'm very excited about our exclusive partnership with Truecaller, which we announced in the Mobile World Congress, Barcelona. I'm confident that we will be able to build unique propositions to our enterprises, while enhancing user experience to 300 million monthly active users. Wisely resonates well with enterprises. One of the large customers that we spoke to has put it very nicely. I quote, "One of the reasons we really like Wisely is that you're not selling platform but delivering business outcomes."

We have a strong balance sheet. This gives us the optionality for acquisitions. We are growing fast at high profitability. So, any acquisition has a very high bar for Tanla. And most acquisitions would dilute either our top-line or bottom-line. Further, we have a very strong organic strategy. We are focused on Wisely, as a single platform strategy. And we don't want any distractions. Having said that, we are always open to any tuck-in acquisitions, which complement our Wisely strategy. Also, we have been consistently returning our cash to our shareholders. We returned INR 180 crore in FY21 and INR 95 crore in FY22, which adds up to 31% payout of our net profits.

In the coming year, our biggest focus is driving our very strong innovation engine focused on creating Greenfield opportunity for us. The biggest bet we are making to achieve this is on our talent. We are introducing new ways of working and building a team obsessed about innovation and customer success. Our employees are excited with opportunity to work on cutting edge technology and build their career with us. I'm very excited. My team is very excited. And I'm confident that FY23 will be the year of Wisely.

I'm happy to take -- rather we are happy to take your questions now.

Question-and-Answer Session

Operator:

Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press star and one on their touch-tone telephone. If you wish to withdraw yourself from the question queue, you may press star and two. Participants are requested to use handsets, while asking a question. We request participants to limit their questions to two per participant. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

The first question is from the line of Pranav Kshatriya from Edelweiss Financial Services. Please go ahead.

Pranav Kshatriya: Hi, thanks for the opportunity. My first question is regarding the growth for the platform business. So, for last year or so, the growth for this has been fairly strong. And, how should we see this growth going forward, because, you said that there will be -- the growth will be driven by Wisely. And one more, final nuance, which we want to understand is the realization led growth, because a fair bit of growth is happening on the realization side, which I'm not too sure that how much will continue. So, if you can throw some color on that? Yes, that's my first question.

Aravind Viswanathan: So, Pranav, if you can just clarify on your second question. What do you mean by realization? Are you saying pricing?

Pranav Kshatriya: Yes, I mean, the enterprise segment realization if I look at last one year has seen a fair bit of growth, maybe because you're having more traffic coming from early. So, are we going to see more volume led growth or it will continue in this direction?

Uday Kumar Reddy: Pranav that is good question like, our enterprise, our business is growing much faster than industry. We are growing as you know, Karix is the largest CPaaS services company in India, and Karix is growing much faster than any other industry or any other similar partner in India, that's number one.

Number two, even if we look at our platforms business. As part of my opening statement, I made it very clear, we're going to invest a lot of money on our platform innovations, and one can expect platform announcements, new platform, new features, announcements in the next 11 months. So, to answer your question, we are going to grow on both the trends, both enterprise side as well as platform side. But as you know, like platforms is I mean the way we book the revenues, the way we collect the revenues, the way we charge the revenues to our enterprises are slightly different from the way we charge in terms of a CPaaS services.

So, in other words, our margins are much better on platforms business. And so, yes, we are going to grow on both the fronts, and we're pretty excited.

Pranav Kshatriya: Okay, one more question if I may. Your Capex has sort of increased almost INR 63 crore rupees for the full year, is it largely towards investment and how should we see this going forward? And does implementing Wisely require you to put Capex upfront?

Uday Kumar Reddy: So, looking for the company of our size, which is generating more than INR 430, 440 the clear cash every year, so the Capex is very, very small and the translation, we are investing a lot of money on the innovation. And in the sense even if you add the numbers, I don't think it's crossing around INR 65 crores per annum, it's a very small number. But yes, this year also, we're going to spend an equal amount, if not more and to answer your question we don't need to really invest upfront in terms of any of the platform deployments. But definitely we want to spend a bit of money on innovations, and which is going to accelerate our platforms growth.

Pranav Kshatriya: Okay, thank you. That's it from my side.

- Operator:** Thank you. The next question is from the line of Harshit Toshniwal from Premji Invest. Please go ahead.
- Harshit Toshniwal:** Hi, am I audible?
- Uday Kumar Reddy:** Yes, clear.
- Harshit Toshniwal:** Okay, hi thanks for the good results. But few questions, while back when we look at NPR client count, excluding around 16%, 17% even on an exit basis, so that is a pretty strong number, strong understand that, how do you detect growth in your enterprise business, 15% year-to-date and what can we add from the ticket price growth, is 20%, 25% a fair estimate given industry is going at 20%?
- And I will ask second question also here itself but there is cash around 30%, 40% of that is in DBS Singapore account and there's not much interest on that, on explanation what is the need to keep such high cash and why aren't we earning any interest on that balance? Thank you.
- Uday Kumar Reddy:** Harshit, sorry. I've been trying to hear you. But you're not clear, your voice is not clear, very, very feeble.
- Harshit Toshniwal:** Okay.
- Uday Kumar Reddy:** There is lot of background noise. Can you please go slow, can you please ask one question?
- Harshit Toshniwal:** Yes, it is audible now?
- Moderator:** Yes, we can hear you, Harshit. But I would like to know, are you connected to the earphones?
- Harshit Toshniwal:** Okay, now I am on direct phone. Is this okay now?
- Ritu Mehta:** Okay, this is better, yes. It is good.
- Harshit Toshniwal:** Yes, okay, sorry, sorry. There are two questions, first is on the growth, that there is a 16% of one Cr. plus client count growth, even on an exit business which is very strong. And clearly as we move forward, the volume and organic ticket size of each client will also keep on increasing. So, expecting that 20%, 25% growth in the medium term. I mean is that a very tall task, want to get a sense about the overall industry growth in your estimates? And the second question is on our cash balances that around 30%, 40% of our INR 900 crore cash that is with the Singapore DBS Singapore account, where we don't earn any interest, which is why our overall other income yield looks suppressed, wanted to get a clarity on why do we need to keep that and why is it not earning any interest for us? Thank you.
- Aravind Viswanathan:** Maybe Harshit, let me take the second question first. And then I will pass onto Deepak to give you a perspective on the industry growth rate. Lot of our ILD business is done overseas and it's in dollars. So, given that it is dollar balances,

we don't earn interest on that, right? There are challenges around moving cash across entities, there are taxation implications et cetera. So, we are looking at it and we are seeing what we can do. And obviously, as we plan our global expansion, the idea is that we will be using our cash overseas to fuel that. So, that is where we are. So, there's not much of an investment opportunity there from with respect to your dollar funds, Deepak if you can give a perspective on the growth?

Deepak Goyal:

Yes, it's Deepak here. So, on the industry growth. So, we estimate industry to grow by 18% to 20% in overall volumes. And if we further bifurcate that, so about 12% to 14%, I would say is organic from the existing use cases and existing customers and all that and I'm talking about overall industry, and then there is another about 6% to 8% as you know a lot of new companies are emerging and they are growing much, much faster than those established enterprises. And there are new use cases are emerging with existing customers as well as with the new customers. So, I would put about 6% to 8% there. So overall, it's about 18% to 20% growth is what we are witnessing.

Harshit Toshniwal:

Got it, Deepak, just one follow-up on this. Now, when we look at our new client additions, coming with the context that Karix is a very strong player when it comes to all the traditional large enterprises. And clearly that is the mood on that side. But our new client group is given I look at all the new data volumes, volume growth is exponential over there, even when we look at our presentation, I think the new client growth is still not as great as the traditional one. Now, what gives us confidence that if industry growing at 18%, 20% will be able to deliver a better growth than even the industry because we are already sitting on a very high pedestal. And secondly, in the new client segment, it's not as if we are doing extraordinarily different from our traditional business.

Deepak Goyal:

So, if you see we are for last so many years, we have been growing more than the industry okay. So, that we have been, we have demonstrated in past so many years, for many years. And as far as the new customer segment is concerned. So, I just tell you the life cycle. So, there is a year, we acquire customers okay, and we may acquire at different stages of the year, right or different months of the year, right and then they come, we onboard them and ramp up and then the next year they become our existing customers. So, when they are fully ramped up, so that revenue is counted in our existing customer base. So, maybe that's why you may not see a huge growth as such in the new customer segment.

Harshit Toshniwal:

Okay, okay.

Aravind Viswanathan:

To support that point, our calendar starts afresh for new customers, right. So, if you look at customer cohorts and we have a slide on that, you will find that our CAGRs across multiple years after we onboard the customer, we see a lot of that. So, to look at it just from year-to-year, you will not see a significant jump, but like Deepak said, you will have to look at, we add them, it's for the current year and then next year we again start afresh. So, the way to look at it we added 270 customers, which gave us INR 104 crores of revenue for FY '22. But they are obviously the base for further growth for FY '23.

- Deepak Goyal:** So, like whatever we acquire this year, okay the real growth or the volumes would be seen, I would say the next year and also it is like that. Whatever we acquired last year, you will see in this year, so it's like this.
- Harshit Toshniwal:** Understood, understood. And just one follow-up on the previous one which I asked that Singapore accounts and pardon me for my very basic question that just want to understand that flow of the transaction, say for example, we have an ILD client and simultaneously that message is delivered in India. Now the receivable from that client that goes into the Singapore account, but say for example, what we receive from an Uber or Amazon that will go to the Singapore account, but what we pay to Bharti Airtel for termination that goes from the INR balance, is it right that balance is so high? I just want to understand that even though ILD business has slowed in this last six, seven months, our reserve balance or cash balance in the Singapore account that has grown, that has kept on increasing, so just want to clarify that?
- Uday Kumar Reddy:** Harshit, Uday here. Okay, for any ILD business, entity is not allowed to enter into any agreements with any tech giants, because in ILD business, the entity has to be outside India. In other words, none of the Indian entities including Tanla, Karix or Gamooga are not allowed rather to enter into any back-to-back agreements, that's number one.
- Number two, the same entity also has an agreement with the ILD licensed provider, for example, Tanla Singapore has got the direct agreement with Airtel, they have entered into agreement with VIL and whoever has got the ILD license. ILD is the nominate business even from the telco's perspective, okay. Bharti Airtel has two licenses, one license to operate within India, another license to operate outside India. So, two different entities.
- So similarly, we have to operate with entity, who has got the license to operate in the ILD business. So, both to answer your question, both buying and selling happens at Singapore level.
- Harshit Toshniwal:** Okay. Understood. Got it. And so basically, this is what is going to be our kitty for any investments in the -- in going the international business. That is how we are going to monetize that cash balances over there?
- Uday Kumar Reddy:** Yes, yes.
- Harshit Toshniwal:** Okay. I think I'll come back into the queue for any further questions. But thanks a lot, and congratulations for the set of numbers. Thank you.
- Uday Kumar Reddy:** Okay. Thank you.
- Operator:** Thank you. The next question is from the line Balaji Subramanian from IIFL Capital. Please go ahead.
- Balaji Subramanian:** Hi, thanks for taking the questions. And congrats on a good set of numbers. I have three questions. Basically, if I may. The first question is on your plans for Wisely deployment both in India and overseas this year. Some more color on

that considering that now you have announced partnerships with both Vodafone, Idea and Truecaller?

The second question would be on the status on rolling out content management around to Trubloq by telcos. And I know at what stage is it in currently, and what can be the potential opportunity for Tanla from this?

And the third one would be on employee attrition and any wage cost pressures that we are seeing, considering the supply side pressures, especially for tech companies? So those will be my three questions.

Uday Kumar Reddy:

Okay, thanks Balaji. Uday here. In terms of Wisely plan both for India and for global is, now we are putting a lot of thrust on domestic business. And you will hear a lot, you will see a lot of enterprises that are using or will be using Wisely going forward. And once you see that success in India, we will look at the global markets in time. We will need to concentrate in India. We want to really make it big and domestic has to really make it big before we take this Wisely platform through global market. That's number one.

Number two is in terms of content management, on Trubloq. We have deployed, and rolled out, as you know, it's a consortium. I mean all the telcos where we manage 60%, 70% of the telcos and we also have to work with other platform providers, it could be Tech Mahindra, or it could be IBM. And also, regulators are involved. So, we have delivered the product. But we see bit of challenges with standard operating practices here, which telcos have to sort out among themselves.

As a platform provider, we have nothing to add any more. But having said that, I think we will see definitely some light on this content management. It is going back and forth between the operators and the regulator. We hope it will be sorted out very soon. That's number two.

Number three, in terms of employee attrition, as you know, like Karix has been around for the last 20 years, and so is Tanla. And our core team is pretty intact. As a core team, those who have been with us for almost two decades, that's intact. But having said that, we see a bit of challenge with the junior employees. We also have a similar challenge. We're trying to address that, but we don't see any problem with our core team. The problem is only with someone who has joined during the COVID time. And then we have absolutely no relationship with them. That's where we see a bit of challenge, but we're trying to address that issue. I completely agree with you, we're also seeing issues that any technology companies are seeing.

Balaji Subramanian:

Okay. So that answers my questions. So, thanks a lot and all the best.

Uday Kumar Reddy:

Thanks Balaji.

Operator:

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

Amit Chandra:

Yes, thanks for the opportunity. Sir my first question is on the Wisely platform. So just a continuation of the last thing from the last question. So, on Wisely, we have a plan so. Wisely will enable the phase of growth for the platform business next year. So, if you can elaborate over like more on our plans internally, what we have in terms of the revenue contribution from Wisely, maybe in the next financial year? And also, you can elaborate on the partnership with Microsoft in terms of the co-sell kind of like partnership with Microsoft? Is it that Microsoft is going to sell the platform for us or any collaboration in terms of sales along with Microsoft. So that is one.

And also, the exclusive partnership that we have with like Vodafone. So, from when is it going to contribute to revenues? And in terms of the partnership, we have to Truecaller. So, what exactly is the technical or the partnership if you can elaborate on that?

Uday Kumar Reddy:

Okay. Amit, Uday here. Let me start with the Truecaller. Okay, Truecaller as you know, our information is under public information. They have their own 300 million unique users. And most of them are from India. And so, we have access to this 300 million unique business. They were never in business messaging app in India. For example, if we look at WhatsApp, this is predominantly a business messaging app or P2P Messenger App. Whereas Truecaller was never into business messaging.

Since now, they have access to 300 million users, they're also trying to see how they can monetize their reach. One of the ways they can monetize this is business messaging, that's where Tanla and Truecaller came together. We have decided to enable messaging feature on their 300 million handsets i.e., on the apps rather. And that's number one. That's what we have been doing for the last six to eight months. And now that this isn't that business messaging, APIs are exclusively available only to us that it is not available to any other service provider, not only in India, but in the world.

So, this is a big opportunity for us. And so that is about Truecaller.

In terms of the Microsoft arrangement. Yes, Microsoft and Tanla have developed this Wisely platform. And wherever we have a large opportunity, we come together. And kind work together and that ways Microsoft and Tanla has one agreement with VIL. And also, we are working with a couple of other large deals. It's working really well. So, we are extremely happy about relationships with Microsoft. That's number two.

So, in terms of Wisely contribution to overall numbers, it's too early to comment. But I'm pretty excited when it comes to Wisely, VIL deal. We went live, that's what we announced to market on last Friday, and our revenues/ margins are going to clock from last Friday, that's is effectively two months in this quarter. And that 100% of traffic has to go through our platform. So, we are pretty excited about that opportunity.

And in the next two months, what we decided is to showcase the Wisely offering, not only to Vodafone and Idea network, but also to the large telco, lots of tech

names globally. In the next 60 days, we are planning to come up with customer advocacy that is going to set the agenda, for Wisely for the rest of the period.

Amit Chandra:

Okay. And sir in terms of the competition, obviously, we have seen increasing the competition, especially in the platform business. So, what kind of risk we're seeing to the margins that we are enjoying so, because of the margin that we operate? So, I'm not talking about the 90% margin, but adjusted for all the overheads. Maybe it's 70% margin that is there for the product business. So, are you seeing any risk to that? Whether you need like more investments, or something of that sort to bit focus more on the volume growth and focusing on the margin?

Uday Kumar Reddy:

Amit, really this is my personal view. My view is, one cannot build a platform unless you have tremendous domain knowledge. We cannot buy platforms, companies, platforms business from third-parties, and it's very risky. I've seen it personally. And it's not easy to build the platforms, unless and until you have tremendous domain knowledge. And also, one should have access to tremendous technology and skillset, if you don't have both of them, it's difficult to build and run.

So, we don't see. I don't know what you see in the competition. We have not got any competition and we are not scared of any competition. We have built the entire Tanla on platforms, for the last 22 years. We have seen enough competition in last 22 years and in fact we love competition so that we are not in the comfort zone. So, we are happy to face competition. But as we speak, we don't see any competition. And we have been in this space for quite some time.

Amit Chandra:

Okay, and sir on the Enterprise business apart from the seasonality, this quarter, and are we seeing any other headwinds maybe in terms of scaling down of some clients or something like that. Is it like normal business for us?

Uday Kumar Reddy:

Deepak, do you want to take that?

Deepak Goyal:

Yes, sure. So see there are always a few customers, some volumes which keep moving from one place to another place. I mean, if you look at Q4 it is pretty normal. In Q3, we have seen some good, profitable, festive campaigns coming in, which was because of Diwali and Christmas and New Year's and stuff like that, and which were not there in Q4, and that's about it. And plus, we had to, if you see number of days, our business is on a and you can count as per the days, there were two days less than Q4 as well compared to Q3.

Amit Chandra:

Okay, and on the enterprise side, if you can provide some color on what portion of the business, we are getting from the startup ecosystem, right, because I know that we have been working closely with some of the startups or like newer like companies, Internet companies, so with some of the valuation going down, or with some of the global valuation also coming down. So, are we seeing some kind of like cut in spending especially on this? Especially, on the marketing side and SMS marketing campaigns and those sides, from the startups?

Deepak Goyal:

Yes, so we have a very strong program to acquire startups in India, and it's been a very successful program. And if you see that, we have been acquiring these

customers from all the verticals. And one of them is FinTech, which is very big for us, and it has a huge potential. But there is another one is gaming, which has come up very well. I mean, you can see a lot of gaming companies coming up, you must have seen ads during IPL, then there is EdTech sector, which has been which has boomed in COVID times, and now in more and more companies adding on EdTech sector as well. And if you ask me if there's a cut on marketing spend, the answer is no, because that's where they actually acquire the customers, they all want to acquire more and more customers, okay.

So maybe they will cut anywhere else, but they will not cut here, because that's where they see the attrition coming in. And now, if you see the transfer chain, earlier, I was talking about few years back, people would spend a little bit on the digital campaigns and rest would be done on the traditional media.

But now, very serious, budgets are allocated for the digital campaigns. Because here, as Uday mentioned earlier, we provide business outcomes as well, it's not just about sending one way communication, in fact, we take responsibility, we work with the customer, and ensure that they achieve the KPIs for which and the ROI for which they're spending the money. So that way, it's a win-win for us, as well as for our customers. And once they acquire the customers, they become then we ensure that, we retain their customers very well, we provide customer delight and all that with our various campaigns. So that's how it works.

Amit Chandra: Okay, and one last question from my side.

Operator: Sorry to interrupt, I would request you to please come back in the queue.

Amit Chandra: Okay, okay. I will come back in the queue.

Operator: Thank you.

Uday Kumar Reddy: Let me answer, Amit last question slightly different in the sense that he was referring to our global competitors and the industry, Amit, it's a good question in the sense, we have been pretty clear from day one, we have to be different from our peers in the global market, our competitors in the global market and elsewhere, they are diluting. They're raising the money left, right, center, they had been acquiring the companies, and that's their strategy. But our strategy is very simple.

We believe in build, but not buy and our strategy is working. So, I firmly believe that, where people fail to integrate with the company. That's where they see the challenge in the global market, but we don't have that problem. So, our strategy is working. So that's what I would like to say.

Operator: Thank you. And my other two participants connected in the webcast, if you wish to ask questions, please dial into the number and enter star one. The next question is from the line of Tanu Poddar from Mount Intra Finance Private Limited. Please go ahead.

Tanu Poddar: Hi, am I audible, I just want to confirm that?

Uday Kumar Reddy:

Yes.

Tanu Poddar:

Yes, thank you for taking my questions. My question is regarding the 800 billion transactions, which was stated in the presentation. So still '19, '20, it was always said 200 billion transactions. And after that, it has become 800 interactions. So, I just wanted to understand the difference between transactions and interactions. And why has there not been any growth in the last two years in the 800 billion transactions?

Uday Kumar Reddy:

So, Tanu it is a good question, the difference between the interaction and transaction is for example, HDFC, sends a new communication on SMS, and so that terminates on your mobile phone, and they charge for SMS and for email or voice or notification, that's all transactional. Whereas interaction it is mainly two-way, for example, where normally Telecom resources are not involved, it is over the Internet, so that is called interactions, let me give one example in terms of interactions, for example, Gamooga which is our 100% subsidiary, is heavily involved in the marketing automation, where they enable the interaction between the enterprise and the customer, it's going back and forth, back and forth, wherein they may or may not use the telecom resources like SMS, voice or email or anything else. So, suppose if you enquire anything about enterprise through bot, and then the company responds to it to you over the bot, that is called interaction.

So, there is a lot of difference between interaction and transactions. So, interactions are those that go through the loop. And we don't normally charge for interaction, we charge per unit user per month. Whereas transaction is used per transaction, transactions are paid per transaction. That's the difference between these two. And interactions are increasing day by day and so are transactions and in fact, we have given the transactions volume in terms of both DLC and SMS in presentation, but we have not updated the interactions it looks like.

Tanu Poddar:

Okay, so actually your unit revenue that is what the question I was coming to, comes to around INR 0.004, if I take the entire revenue and divided by the number of interactions, which is quite less, so if you could provide some clarity regarding the unit economics.

Aravind Viswanathan:

Interactions is more from a perspective of showing the kind of scale that we handle Tanu is not directly linked to financials, because like somebody like a marketing automation would have significant amount of interactions, but the revenue will not be comparable, because they actually get paid based on active users or some other metric which is not there. So just looking at interactions versus revenue is not logical way of looking at value for interaction, it is very different depending on business. So, if you take an SMS, transaction is interaction, but when you look at some of the other aspects, you have a very different psyche.

Tanu Poddar:

Okay, so just one last question. So, what kind of revenue you get from A2P messages like per SMS, what would be your charge?

- Aravind Viswanathan:** We have not called out pricing. Because it's again different depending on whether it is international long distance, national long distance. What we have done is we have broken down our revenues between platforms and enterprise. And that is the kind of breakup that we look at. And that's how we look at our business.
- Tanu Poddar:** Okay, sir. Thank you. That's it all from me.
- Operator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Yes, thank you very much for the opportunity. So, I just wanted to understand first on the platform mix like in next two to three years, how do you see platform contribution to the gross profit? I think currently it is about 23% right, so do you see that going about 30%, 35% in next two, three years?
- Aravind Viswanathan:** So today it's about 26%. So clearly, you heard Uday talk about Wisely, which is a big bet, our strategy going forward is around our single platform strategy. So, Deepak, definitely we expect that the platform contribution will keep going up, and we should see that improvement every year. In terms of exact quantification as to where that will be, I'm not in a position to give a number, but it is fair to assume that it will accelerate every year. I know that.
- Deepak Poddar:** Fair enough. So, I believe that means that you're EBITDA margin also should improve quite significantly right, as your platform contribution expected to go up. So maybe from currently 23%, you expect it to go up substantially next two, three years, right?
- Aravind Viswanathan:** Yes, in fact I think in our last earnings call, we had talked about it that typically a SaaS company operator gross margins upwards of 60%, 70%, right. So, one of our aspirations is, as I see, leverage our platforms, we will see a structural shift in our gross margins. While I cannot comment exactly what timeframe where we will reach, but directionally you're absolutely right, intent is to move towards platforms and that will structurally mean that our gross margins profile will improve. So, you're right in that.
- Deepak Poddar:** Understood. And sir, in your opening remark, you did mention that you expect this Rule of 60 that confident that this momentum you expect to continue, right? So, if I have to just think about the breakup, media top-line growth 35%, 40% range and EBITDA margin 20%, 25%. So that would be a fair breakup between top-line and margin when we talk about Rule of 60%?
- Aravind Viswanathan:** Deepak, that's a difficult question to answer, right. We always have trade off actually go into more platform business. Your revenue is equal to your gross margin, or a substantial portion of your revenue is equal to your gross margin. So, it is difficult to kind of give a mix at any point of time, right. But directionally over a medium term, you're right, that our gross margins and EBITDA will move up, and that will contribute. But what is the exact contribution, I really will not be in a position to give a breakup at this stage.

Deepak Poddar: I got the direction. And my final query is on when we talk about the 60%. It's mainly organic, or do you factor in potential acquisition or inorganic portion as well, when we talk about the 60% rule?

Aravind Viswanathan: If you really look at it, I think Uday has mentioned this multiple times. We are very, very confident on our organic strategy. We have a tremendous capability and track record to build platforms at scale, right. So, we always back ourselves on build with vis-à-vis buy, right? While there can always be small capital acquisitions that we may evaluate from time-to-time. Largely, our focus is to drive our business organically.

Deepak Poddar: I understood. That's about it from my side. All the very best sir.

Aravind Viswanathan: Thank you.

Operator: Thank you. The next question is from the line of Dipesh Mehta from Emkay Global. Please go ahead.

Dipesh Mehta: Yes, thanks for the opportunity. A couple of questions. First, just want to get a sense about how the competition you're looking from telecom operator Airtel as Airtel IQ. So how do you expect such competition to have implication on overall industry dynamics over medium-term?

Second question is about the Vi deal, Vodafone Idea deal. What would be our current market share and how it is likely to change once the 100%

Third question is about the diverging trend, which we are seeing in this quarter between platform and enterprise business. I'm referring sequential number. Typically, we have seen both business move in tandem. This quarter there is a divergent trend. So, if you can help us understand what is different?

Last question is about weak case generation. If I look Q3, Q4, both OCF to EBITDA conversion remains weak, so if you can help us understand how one should look at it? Thanks.

Uday Kumar Reddy: Okay. So, what is the first question sir?

Dipesh Mehta: The first question was in terms of telcos operating?

Uday Kumar Reddy: Yes, so see the way it works is without picking up any names here. The way Tanla and Karix have been working with industry is sometimes we collaborate, and sometimes we compete with them. That is how, even the telco industry works in the sense, all the telcos have to talk to each other through interconnect, that's how they have to cooperate themselves, they have to collaborate themselves.

Sometimes, they compete, okay. This is how it works in the telecom industry. And we have been working for quite some time like that, and nothing is new. And so that's number one. What is number two?

Dipesh Mehta: The divergence between platform revenues and an enterprise revenue?

Uday Kumar Reddy: As I told you earlier, like both Karix and Tanla have been growing steadfast in the last couple of years. The momentum will continue both in enterprises and platform business. But it all depends on, for example, whenever we grow on platforms, that's going to straight away add to our bottom-line. And so that's the basic difference between enterprises and platform business. But both are growing much faster than the industry.

Aravind Viswanathan: And the only other point I'll make difference, it's not always been the case, if you really look at it Q1 of this year, also where there was a little bit of drop, right. You would have seen that, platforms withstands it grow, while enterprise dropped, right. So, there are instances in the past also because I think it also depends on compositions when our platforms are and the volumes there, right.

I will come to your cashflow question. And I think your fourth question. So, we'll come to that after that, right. So, from a cash flow perspective, if you look at from a year perspective, we are still at 90% of PAT as OCF, right. So, there we obviously had a little bit of skew in terms of much stronger cash flow generation in H1, and our working capital, while it's still negative, is less negative compared to H1.

I think you seen a lot more growth on the domestic side of the business that we've talked about. And that tends to have little, higher DSOs than some of the other businesses. So, there is a little bit of shift. But I think from a year perspective, if you look at we've done well, and I think that is what we will be targeting every year, Dipesh.

And your fourth question is. So, on the Vi deal, I think Uday kind of talked about it. We will start getting our revenue in terms of because we've gone live on 29th, right? We're not kind of calling out what is our share vis-à-vis what will be incremental there. But maybe he could cover it in more detail in the coming quarter.

Dipesh Mehta: Yes, just couple of follow-ups. In terms of OCF to EBITDA. So now you are indicating 70% is a reasonable number to sustain our medium term. That's I what I wanted to know OCF to EBITDA conversion?

Aravind Viswanathan: Yes, talking from our full-year perspective, we are at above 90%. Sorry Dipesh.

Dipesh Mehta: Yes, so let's say from full-year I'm briefing OCF to EBITDA. It is roughly around 70% and 69% to be precise. So roughly 70 percentage is what we converted the EBITDA to OCF. So, this is the good indicative number for medium-term, understand?

Second follow up is about the telecom operator related competition. I think in terms of their focus on this enterprise business seems to have increased materially compared to let's say two years back kind of thing. So, my sense in intensity at least from their perspective seems to have increased, you don't think anything in market, or you think it is same because at least from interaction perspective, they are more vocal about their enterprise business.

Uday Kumar Reddy: Dipesh this I've already mentioned, if you look at our business, we're not just depending on telcos. For example, Truecaller has nothing to do with the Telco, WhatsApp has nothing to do with the Telco. Email has nothing to do with the Telco. Push notification has nothing to do with the telcos. So, they have very, very limited say in SMS and also through interconnects. Nobody has got any control on what channel we are allowed to connect to any of the telcos in India, six or seven telcos are offering SMS business and I cannot really talk about their strategy, but I see it is very negligible. So, I don't really waste my time discussing their strategies.

Dipesh Mehta: Okay, last question, can you say a number of transactions processed by Trublog in this quarter?

Aravind Viswanathan: We will share it separately.

Dipesh Mehta: Yes, it is an order only for the month, thanks.

Uday Kumar Reddy: Yes.

Operator: Thank you. The next question is from the line of Amit Mishra, Individual Investor, please go ahead.

Amit Mishra: Hi, everyone. Congratulations on very good financial year. I have two questions. So, the first one is about Mr. Uday had this morning, come on CNBC and gave a good talk, he discussed about five, six platforms to be released in the next 11 months. So, my question is, I'm assuming that they're like features on Wisely, additional features on Wisely because we are following one platform strategy. So can you give some ideas like in what sort of areas would these be like voice, video or can you please elaborate on that, if possible.

Uday Kumar Reddy: Amit, it is a good question, All I have to add to this conversation is, we are launching the products, which are going to work on the Wisely platform, Wisely is a platform, whereas all the platforms be it Truecaller, be it WhatsApp, be it SMS, or email, any other platform, or any of the products that we think of, are going to ride on this single platform, that's the reason we always call it as platform of platforms.

And as you rightly said, we have a single platform strategy. And either we develop some other products, or we allow the other platform, our products to ride on our platform. So, to answer your question, yes, we are working on couple of large products, which I cannot really talk about. We're also launching some of the additional features on our existing platforms.

Amit Mishra: Yes, just a quick follow-up on this, voice can be processed already on Wisely, right. And video as well, you have capability like I'm talking about more from markets outside India, I think they have a much wider, use of these features compared to India, I think.

Uday Kumar Reddy: Amit, like you know, as of today, none of the video platform or products have been integrated with Wisely. In future, 100% yes. So that video is going to pick

up a lot. And I don't know the timeline, but definitely, that will be one of the channels that we're going to build out to work with.

Amit Mishra: And second question is about the tender business, which is with global clients, they are frequently tendering the business, how we are doing, how we are faring there. And if competitors are lowering their bets, what is our strategy basically to counter that to look, do not lose the business?

Uday Kumar Reddy: Deepak, do you want to take that?

Deepak Goyal: Yes, so Amit we are doing fairly okay. And we in fact, if you see we are present in most of the top tech 10 giants, right, and these are guys who keep on doing, I think you're referring to them only and they keep on doing, tenders every two years or every year and all that okay, but we are very much there. And see this pricing is part and parcel of the business, right? I mean, if the prices were to go down then you know we also negotiate with the telcos and all that, and you can see that our margins are very much stable. So that reflects that everything is fine.

Amit Mishra: Yes, I mean like, that makes me wonder like if we are losing some business because we want to also maintain the margin and rightly so, I'm not questioning that part of that strategy. So, are we like losing business because of margins in some places?

Deepak Goyal: See I wouldn't call it losing a business, I would you look at your business and you want to retain your profitable business, which is doing well, and you want to focus on more and more profitable business going forward basis, right. Sometimes you let go certain business, certain volumes to your competition. So yes, that is all part and parcel of your overall strategy, right. As Uday said, we are committed to the rule of 60 and that's what matters to us.

Amit Mishra: Perfect. No, no, that's very good, that answers this question. And this is the last one, on the Truecaller partnership, what would be the revenue model because it's like business messaging service for Truecaller and it would be per transaction, you would be charging something or we are going to give them monthly basis, some charge they will pay us, because Wisely is covering that part of their new business. And are there any opportunities, you see to which can benefit Tanla by accessing Truecaller's ecosystem clients and 300 million strong users there. So, can you elaborate more on that?

Deepak Goyal: So, Amit, if you see, see we charge our customers on per transaction basis. Okay and we have a revenue share model with Truecaller. We are partners there, right. And as far as the benefit is concerned, I mean, it's like this, we have 300 million user base, okay, which is a very, very niche kind of segment, right? We have, I mean, obviously, they have smartphones, and they are the ones who actually care about spam and everything, right. So, you can understand, we're talking about very, very premium user base of Truecaller.

And it's 300 million, which is equivalent to any, you can say that more large telcos in India, right. So, we have that kind of base with us. And we see that the Truecaller business messaging splits right between somewhere in between

SMS and WhatsApp, somewhere in the middle, right, which is there is a big gap there, and it sits right there. And it's going to, and we are going to solve a lot of business problems of our enterprise customers with Truecaller coming in, right.

So, you would see in the next few weeks and months, then when we roll out more and more use cases on Truecaller and which is actually going to benefit our enterprise customers.

Amit Mishra: Yes, because I was asking this because this is exclusive partnership unlike WhatsApp, WhatsApp is being served by other competitors as well. So, this is exclusive partnership. So, I see like great potential here. Of course, you must be seeing much bigger picture, but when can we expect something tangible from this partnership added to the top line just some time line, if you can?

Deepak Goyal: I mean we are going commercially live very soon. So, you would see the impact in the subsequent quarters.

Amit Mishra: Okay, in Q2, can we expect in Q2?

Deepak Goyal: Well, Aravind, you would like to say something here?

Aravind Viswanathan: No, I think as Deepak said, we are going live with, it is real, so we will start seeing it incrementally every quarter going forward. It's a big bet for us. So, it will reflect in Q2 also.

Amit Mishra: Okay, thanks. Thanks, everyone and good luck for this one, this year.

Deepak Goyal: Thanks, Amit.

Operator: Thank you. Due to time constraint, this was the last question for today. I now hand the conference over to Ms. Ritu Mehta for closing comments.

Ritu Mehta: Thank you, everyone. That was the last question for today. In case we couldn't take your questions due to time constraint, feel free to reach out to Investor Relations team. Have a good day.

Uday Kumar Reddy: Thank you, ladies and gentlemen. Thank you. Thanks for your time. Bye-bye.

Operator: Thank you very much. On behalf of Tanla Platforms Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.

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