



**Tanla Solutions Limited**  
**Q3 FY2018 Earnings Conference Call Transcript**  
**January 24, 2018**

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**Moderator** Ladies and Gentlemen, Good Day and Welcome to the Tanla Solutions Limited Q3 FY2018 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal for an operator by pressing '\*' and then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishid Solanki from CDR India. Thank you and over to you, Sir.

**Nishid Solanki** Thank you. Good Afternoon and Welcome to Tanla Solutions Q3 FY '18 earnings conference call. Today, we are joined by senior members of the management team including Mr. Uday Reddy, Chairman and Managing Director; Mr. Srinivas G. K., Chief Financial Officer; Mrs. Seshanuradha Chava, Company Secretary; Mr. Rajesh N., Head Accounts; and Mr. Ashok D., Business Controller. We will begin the call with opening remarks from the management following which we will open the forum for question and answers. Before we begin, I would like to highlight that certain statements made in today's conference call may be forward looking in nature and a disclaimer to this effect has been included in the investor update shared with you earlier. The company does not undertake to update them publicly. I would now hand the conference over to Mr. Uday Reddy for his initial remarks. Thank you and over to you, Sir.

**Uday Reddy** Nishid, thank you very much and Good Evening everybody and welcome to this Quarter-3 call. In line with what we have committed in Quarter-2 call, we were able to achieve our top line which is around 200 crore, but we had bit of pressure in terms of the margins mainly because one of our agreements was renewed at lower revenue share with one of the leading Telcos in India, that's how our margins were under pressure in quarter 3. But the good part is as I mentioned in the Quarter-2 call, we went live with our ILD hub on December 15<sup>th</sup> midnight, so the platform is stabilized, so what really matters, so on one side, one of our domestic agreements which were renewed, we lost a bit of our gross margins mainly because of that agreement, but on the positive side we should be able to cover the same margin plus or minus 30 lakhs per month through our international hub, so that is number one.

Number two is in terms of our cloud communication hub, which was deployed in Singapore, is doing good, I think it is in line with our expectations. We have been winning larger deals, but it is taking little longer than what we expected in terms of generating the revenues on this hub, but we can expect momentum in Quarter-4. The next one is we are expecting one more deployment this quarter. It will impact in terms of both top line and the bottom line. The commercials are closed, it is at the agreement stage, so we expect finish the deployment in Quarter-4, but we would see the revenues and the margins in Quarter-1 of next financial year. If you look at first nine months, in terms of top line, we were at 400 crore in FY '17, but in FY '18 we



are at 583 crore, so there is a jump of almost 45%, first if you compare first nine months of last financial year, so in terms of gross margin we are better off 22%, we were at 60 crore first nine months of last year as opposed to 72 crore this year.

In terms of the property, we should be able to close the transaction by end of this financial year, so GK will give you more details on the property numbers. When it comes to NBFC which we applied with RBI in the month of December, we expect to get the license in the next four to five months and we are building the FinTech platform. It is expected to go live in the first quarter of next financial year. With this, I would like to hand over to GK who will help us run through the other financial numbers.

**G. K. Srinivas**

Thank you. Hello everybody. I would just like to briefly touch upon the quarter on quarter numbers. We have touched a revenue top line of Rs. 200 crore in the current quarter against Rs. 198 crore in the previous quarter and Rs. 168 crore in the corresponding quarter in the last year. There is a growth of 19% compared to the corresponding quarter last year and 1% as compared to the previous quarter. Gross margin as Uday has already explained, has been under pressure due to the revised agreement and this is expected to be mitigated over the next quarter. Going ahead with the other expenditure, depreciation has been more or less steady at Rs. 11.8 crore and profit before tax, the same effect as in the gross margin has been carried into profit before tax and also profit after tax. Tax has been more or less neutral this quarter. As far as the property realization is concerned, we have totally sold Rs. 74.7 crore worth of property till date and the balance to be sold is around Rs. 4 crore approximately. The balance that is recoverable, is approximately around Rs. 19.7 crore which we expect to realize before the end of this quarter that is Financial Year March 31, 2018. This is the target that we have right now, and we are working towards realizing the entire receivable before March 31, 2018, that is as far as the property is concerned.

If you look at the cash flows, we ended last quarter with a balance of Rs. 147 crore. The EBITDA for the current quarter has been Rs. 14.9 crore and there was other income of about Rs. 60 lakhs which includes interest on tax refunds and the working capital effect has been Rs. 13.4 crore which is a net effect of debtors and creditors, there is an overall growth of working capital, that is working capital requirement that has grown by Rs. 13.4 crore. There was a purchase of assets for Rs. 1 crore, leaves a cash balance of Rs. 148 crore as of December 31, 2017, that is at the end of Q3. This is the basic cash balance. With that, I would like to leave the floor for questions.

**Moderator**

Thank you very much, Sir. Ladies and Gentlemen, we will now begin with the question and answer session. The first question is from the line of BN Bhatt, an Individual Investor. Please go ahead.

**BN Bhatt**

Good Evening Reddy Sir, we are very much delighted as far as the top line is concerned. As far as the bottom line is concerned, provisions for depreciation of Rs. 20 crore is more than the December 2016, it is a major part on the non-performance as read by the stock market, and as far as the stock price is concerned when the NIFTY Index was around 8000, Tanla was floating around Rs. 32 and today the NIFTY Index is around 11,000, the Tanla is at Rs. 36, almost all stocks have seen 52 week high in the current rally except our Tanla. I am with Tanla since the turnaround of this company. Reddy Sir, do not you feel a pity for the shareholders like me and do not you want to do something for the investors like me during the days to come, the maneuver is left with the company, so first of all once again I congratulate you for the total outstanding performance of the company. One more

thing Reddy Sir, I wanted to underline, last conference call I was the first caller to talk to you and this time also I am the first caller to talk to you, thank you.

**Uday Reddy**

Mr. Bhatt thank you for coming on call and thank you for being long-term investor with Tanla. We are concentrating on business and the numbers are in line with our expectations, so what do you think we should we do to help all of us, the shareholders to take this share to next level, so what do you think.

**BN Bhatt**

No, that is up to you Reddy Sir, you know everything, what I can tell you. Bottom line is the main element to contribution to the stock market to read positively in the current scenario.

**Uday Reddy**

Correct, I completely agree with you and as I promised even earlier quarter, soon we will be meeting analysts and the broking community in Mumbai and other places. We would love to take their feedback in terms of how to improve the transparency and how to engage with large broking firms. We will be working towards that and I think we should be able to see that we are going to engage with, the investment community very aggressively in the next couple of months, that much I can tell you.

**Moderator**

Thank you. The next question is from the line of Pranav Mulani, an Individual Investor. Please go ahead.

**Pranav Mulani**

My question is about I just wanted to understand about two things, one is ILD hub which we have deployed, so little detail about what the ILD hub will be and what will be the exact function of it and the other thing you said NBFC license that we have applied, so what do you see other area of business which we are probing into, and apart from that the reversal of provision of deferred tax which has reduced drastically from last quarter to this quarter, is this the end of that provision reversal that is Rs. 39.47 lakhs?

**G. K. Srinivas**

Pranav, deferred tax is a calculation that we do every quarter based on the tax differences that are there between the timing difference between the financial accounts, that is, books of accounts and the tax calculation. Now, as far as deferred tax is concerned, it stands at Rs. 39.47 lakhs during the current quarter. This will be more or less in line in the next quarter also and we do not see any major change here. We are in the process of assessing the life of the assets and we will be able to give a clear picture of deferred tax only by mid next quarter, but we do not expect any major change in the overall deferred tax scenario. As per regular tax calculation, we are following whatever is required.

**Uday Reddy**

In terms of ILD, what is the ILD SMS hub, so each and every Telco in India has to have two licenses. One major license is NLD license which is more to do with domestic operations, another license is ILD operations, any message, any data, any voice which is coming from outside India to India, those calls, data, SMS have to be routed through ILD infrastructure, that is a separate license, that is a separate infrastructure, so when it comes to A2P SMS or P2P SMS, all the messages which are coming from outside India to India or all the messages originated from India to other countries, they have to have an ILD SMS hub, so Tanla is tied up with one of the large Telcos and we went and deployed this ILD hub, which went live on December 15<sup>th</sup>, so through this hub this carrier will receive all the SMS which are originated or terminated in India.

**Pranav Mulani**

Originated outside India and terminated in India?

**Uday Reddy** Correct. Suppose, if you send any message to your cousin or friend in Singapore, so this has to pass through this ILD hub or if you change your Facebook account password, you tend to get one OTP, so that means Facebook has to bring that password from San Francisco to Mumbai, again it has to come through this ILD SMS hub, so it has to come through our hub. And you asked me about the NBFC license, right. We did mention in the last call that we are getting into FinTech space so for which we need to build a platform which is expected to go live in the first quarter of next year and for which we also applied for NBFC license with RBI, so once the platform is live and once we have the NBFC license, we will divulge more information about this business.

**Pranav Mulani** What is the percentage of OTP in total A2P counts, approximately what is the percentage of OTP?

**Uday Reddy** It depends from domestic to international, so when it comes to international most of the messages are OTP messages, so for example, Twitter, LinkedIn, WhatsApp, Yahoo, Microsoft, Google, and everybody does use OTP and whoever is terminating in India, talk to a particular operator in India, it has to come through ILD platform.

**Moderator** Thank you. The next question is from the line of Sachin Jadhav from IBM India. Please go ahead.

**Sachin Jadhav** Sir, actually my question is regarding the scope of this invoice platform which you know we are planning to launch, so my question is regarding the scope, whether it is domestic or international? Second question regarding to this is that, what is the roadmap of this platform, so what is your vision, so how many users you are planning, how many number of transactions for this particular platform? Third question is regarding the technology adoption, so are we planning for this blockchain technology?

**Uday Reddy** Mr. Sachin as I told you minutes ago that we are expected to be live in the first quarter of next year by when we are expecting to NBFC license, so once we have both in place, we will definitely come on call and we will divulge more information than what I have already told you. We would like to wait till we get the NBFC license as well as the platform ready.

**Sachin Jadhav** As of now we are expecting quarter of next financial year, right?

**Uday Reddy** That is Quarter-1 of next Financial Year, yes.

**Sachin Jadhav** How about this blockchain technology adoption?

**Uday Reddy** Right now, we are not using Blockchain, but over a period of time we may use on the same platform, but not straight away.

**Sachin Jadhav** Actually also in your call you mentioned something about properties, you are planning to sell some properties, can you please give details about these properties?

**Uday Reddy** We have one property which company has invested 10 years ago, and company decided to unlock the value of this asset, so this land was given on joint development with one of the leading developers in Hyderabad and the same company is liquidating the property and sharing the proceeds with us. As GK mentioned by end of this March, we would have sold 100% of our share in this property, so in terms of

receivables we are to receive around Rs. 20 crore in the next quarter towards the sale proceeds of this land.

**Sachin Jadhav**

So in Q4, we are expecting around Rs. 20 crore from this land sale, right?

**Uday Reddy**

That is the final leg of the receivables.

**Moderator**

Thank you. The next question is from the line of Gopinath Choppa, an Individual Investor. Please go ahead.

**Gopinath Choppa**

I have a question on, we have a reduced revenue share from the domestic which has resulted into net profit or EBITDA loss of around three odd crore, so I wanted to understand plus or minus 30 lakhs per month that was calculated, how did we arrive at that figure, because we have lost around three odd crore this time, that three odd crore is going to be like sort of the net profit from the ILD hub or are we saying let us say margin share was around 8% and if taking apart the land value of it, let us say 8% is our revenue share and if it has gone down to around 6%, let us say 25% reduction because of whatever the domestic agreement that we have had, are we going to say if additional top line that we are going to get from the ILD hub, the margins will be so high that overall margin share would again be around 8% next quarter onwards, is that the method?

**Uday Reddy**

Let me explain in detail, so as you rightly said one of our larger agreement with leading Telco in India was renewed and revenue share got down by to single digit, that is how we lost around Rs. 1.1 crore towards the gross margin, towards that revenue share, so that has affected a loss of around Rs. 3.3 crore in the last quarter, that is on one side. Another side what we are saying is we went live with ILD hub, which is potential to generate probably one crore odd again gross margin per month, so net-net on one side we lost the gross margin because of the domestic agreement, another side we went live with ILD hub so that is able to generate probably the same amount of the money, when I say 30 lakh here, we are not very sure because we went live a month ago. Our gut feel is that we want to recover whatever we lost in domestic market and the reason is ILD volumes are quite low when you compare with domestic volumes, but the price is very, very high relatively high as on today for ILD messages. My gut feel is it will be doubled in the next one or two quarters, the ILD prices are expected to go up, that is my gut feel not that I got some information from the Telcos. If you compare ourselves with even our neighboring countries could be Sri Lanka, Bangladesh, etc., etc., we are not even 10% of what they are charging towards their ILD prices, as we speak we are charging around 20 to 22 paise per SMS whereas in the other countries, including Asian countries are charging upwards of Rs. 3, so there is a long way to go on the ILD hub.

**Gopinath Choppa**

I have another question, this is couple of quarters ago during the start of this financial year, we try to focus on the other international markets apart from India, what we are doing in India if we can replicate a part of it in other international markets and do we have any deals with any of other Telcos from other international countries apart from India?

**Uday Reddy**

Good question Gopi, in fact right now our hub in Singapore is being upgraded now as we see that is how we spend one crore, but it is not a question of hardware upgradation, it is more question of getting connectivity with the other Telcos, we are focusing quite well and we have made couple of large agreements with couple of large Telcos in international space, but it is taking little longer than what we expected. This hub which will terminate messages globally should go live in the next probably two months, so at least if not, this quarter we are expecting decent revenues in the

next financial year through our hub, which is going to be terminated mainly through Europe.

**Moderator**

Thank you. The next question is from the line of Paresh S, an Individual Investor. Please go ahead.

**Paresh S**

I am a long-term investor in your company and I have participated in IPO as well. Tanla has not given good returns in last many years still I am investing in your company as your company is growing in top-line. When it will reflect in the net profit? How much bottom-line and top-line will be realized in FY19 and how much revenue will come from Singapore Hub and your new business of ILD and NBFC are there, what benefit you will have that shareholder gets benefit. People like me who has invested in IPO they have not gained any return from Tanla till date.

**Uday Reddy**

Mr. Paresh I cannot give you any guidance for the next financial year, but as I told you we are growing in terms of top line, there is a bit of a pressure in terms of margins because one of our large agreements was renewed at lower revenue share and let us hope for the best for the next financial year, we are working towards that. We have a dedicated team which is working in international market, so they are preparing our international hub which is in Singapore. They are expected to generate decent revenues and decent margins next financial year, let us hope for that.

**Paresh S**

Second question is that the selling expenses and everything is increasing when it will reflect in the net profit?

**Uday Reddy**

Mr. Paresh, which expenses you are talking about?

**Paresh S**

I am talking about the revenue going up with expenses are increasing, but not reflecting in net profit, that is why I am saying when the net profit margin and net profit will be increase?

**Uday Reddy**

Paresh, selling expenses are not being increased. We are very conscious about the cost and as I told you, we are working on connectivity, more deployments in international market as well as in domestic market. Let us hope for best in the next financial year.

**Paresh S**

Singapore hub is ready for revenue generation?

**Uday Reddy**

Yes, Singapore hub has already generated Rs. 52 crore till now for the first nine months.

**Paresh S**

How much do we expect in the next year?

**Uday Reddy**

That is what I told you, I do not want to give you any guidance, please let us hope for best, our intention is to grow from where we are right now. I think this year if you look at the current run rate, we should be able to close upwards of Rs. 770 crore which is a massive growth from last year. My gut feel is that we will maintain the momentum not only in top line, but also in bottom line.

**Paresh S**

One more question is on NBFC license, if it is given by RBI than how will you fulfill the working capital requirement?

**Uday Reddy**

We are going to use our internal cash flows.

**Paresh S** How much?

**Uday Reddy** We will be using our internal cash flows.

**Paresh S** Okay, but how much cash flow you will be using for the NBFC?

**Uday Reddy** We have not decided Mr. Paresh, as and when we go live, we will definitely disclose all the information to you and all the shareholders.

**Moderator** Thank you. The next question is from the line of Tejas Shah from Unique Stock Broking. Please go ahead.

**Tejas Shah** I had a question, on property, you said that it will get completed in this last quarter, and after that in Jan-Feb, the next financial year we will not get any revenue and profits from that property, correct?

**Uday Reddy** Correct.

**Tejas Shah** How much is the profit that we are expecting from the property?

**Uday Reddy** I could not get that, are you saying what is the expected profit?

**Tejas Shah** Expected profit, bottom line on the profits front?

**Uday Reddy** This Q4?

**Tejas Shah** Yes.

**Uday Reddy** We expect to book around Rs. 5 crore revenues in this Financial Year with around 40% of margin.

**Tejas Shah** 40% margin, so around let us say Rs. 2 crore odd?

**Uday Reddy** Yes, so around Rs. 1 crore will directly hit our EBITDA.

**Tejas Shah** Another thing, taking the first participant's discussion forward, I think what you were talking how we can enhance the shareholder value. There are two ways of doing it, we have been talking to other companies also and they have been able to successfully do it. One is either you do a share buyback since you have a lot of cash on hand and other is promoter either buy from open market or go for a warrant or a company goes for an open market per share if the promoters do not have funds, the company can buy up to let us say Rs. 80 in the cap and they decide they will buy 60 lakh shares or 1 crore shares in a timeframe of three months' time. This way, you are able to protect the price also to some level and overall the EPS goes up because the share capital comes down?

**Uday Reddy** Correct. If you look at the current year, two things have happened. I would like to bring up to your notice, one is I participated in a warrant issue wherein I got 10% of the equity at Rs. 33.87 at that time. In addition to that, I myself acquired 6.2 lakhs shares in the last two months back. With that my cap is almost utilised, I am very close to 5% of the acquisition and I am not supposed to buy anything more than 5% before I go for public announcement. As you rightly said, we have solid cash and we will add some more by end of March, so we have solid cash balance with us, but

definitely company needs the fund for two things, one is for working capital and second one is as I mentioned we are getting into FinTech space for which we would like to use some of this cash for further business.

**Moderator**

Thank you. The next question is from the line of Nitin Gandhi from KIFS Trade Capital. Please go ahead.

**Nitin Gandhi**

I am trying to understand that even in cloud compute, you have almost deployed Rs. 750 crore and you are generating revenue on this, which is close to Rs. 550 crore, so you are still not making asset turnover beyond one, so what are your plans and when you are deploying this new Rs. 150 crore in FinTech and other arrangements, what kind of turnover you are targeting, because if they are not generating enough sales correspondingly profits also will cease and your property development has also come to an end, so almost next year you will be having profitability lower by at least Rs. 7 to 8 crore as compared to FY16 or maybe 7 crore compared to this year, so anyway there is going to be a huge dent, so how are you planning to shore up profitability, that is the first question?

**Uday Reddy**

Mr. Nitin, that is very simple, what we spend towards the CAPEX in the last probably three years is not more than probably Rs. 4-5 crore, so what I am trying to say is, we have been using the current assets which have been lying for the last 10 years with us, trying to use for the cloud communication, so there is no need for us to invest any money into CAPEX. We are trying to use the current CAPEX, that is how we went live with the cloud communication, and yes, I do agree with you like we are not able to use 100% of our assets. I do not think we are consuming more than 15% to 20% of our assets capacity. There is a long way to go, so we ourselves do realize, we have a huge potential to grow by using these assets, so we are very, very conscious about it.

The second one is, yes, as I told you we need a lot of money for the working capital because we are quickly growing in terms of top line for which we need lot of working capital, we are not going to burn this money, we are going to basically use it for either working capital or we will keep it in fixed deposit, so we have no intention to, our current business model does not need any more CAPEX, that much I can assure you.

**Nitin Gandhi**

What is needed for your services, which 8% to 15% utilization now is, what should happen so that your capacity can go to say 30% or 40% or 50%?

**Uday Reddy**

For example, you have built the capacity in the Singapore hub, that hub is capable of handling X amount of volumes, let us say 2 billion messages per month, but as on today, our business is not consuming even more than 10%, all I am trying to say is the same hub is capable of handling more traffic, more SMS per month as in what we are consuming, what we are using as on today, what we are sending as on today.

**Nitin Gandhi**

But why will that happen because when so many other things or options are available which are comparatively free or nearly free and you do not have any model to make revenue or ad or something out of it, why that usage will go up through you?

**Uday Reddy**

What is everything free, can you repeat?

**Nitin Gandhi**

Communication channel right now, the messages which are flowing they are nearly free message transfer happening, right?

- Uday Reddy** If you look at your inbox, you would have got the messages either from the bank or from e-commerce or from anywhere like social networking sites like Facebook or Google or WhatsApp, they do use SMS to deliver OTP messages to the users. Please open your phone, go to inbox and you yourself will be surprised to see how many SMSes are landing on your phone every day, so SMS and voice are very, very effective way of communication with the user base, so there are lot of ways to reach out to the users be it SMS, be it voice, be it through WhatsApp, be it through push notifications, but what the people realize is the response rates, the conversion rate and SMS is very, very high as compared to other channels.
- Nitin Gandhi** I know that application, banks messages and missed call concept especially when elections and other things are there and all, that message is increasing, but are there any big triggers which you are envisaging which can push and which can be a business for you, that is what I am asking. What is the vision of yours whereby you can get this kind of opportunity which will suddenly translate into big wins, because when you have built such a high-capacity, obviously you would have expected something to happen?
- Uday Reddy** Couple of things, if you look at domestic traffic, it is growing at 24% year-on-year, I am talking about domestic. We were expecting at 50%, but looks like we are going to settle around 30% growth this year, that is the first one. The second one is, we have built this capacity not necessarily to deal the traffic in Indian market. We never had any presence outside India to deal with international market, so there is a long way for us to go and impress the market, so we have built this capacity not to deal with only Indian market, we have built this capacity to deal with even international markets that is the reason, we are in cloud communication. In other words, we do not have to do deployment in each and every country. With one or two deployments we will be able to take this traffic from anywhere to anywhere globally, for which we need to, that is where we are working towards that which I told you in earlier call also, so once we get, we are able to do business development on international circuit, we should be able to use our platform in the Singapore hub.
- Nitin Gandhi** Who is competing with you in Singapore market?
- Uday Reddy** That deployment is in Singapore. So, as I told you we can take the traffic from anywhere to anywhere.
- Nitin Gandhi** That is correct, but our revenue generation right now is more dependent on that market, I am just asking who else is competing?
- Uday Reddy** All I am saying is suppose if I have a client in US, I should be able to serve the client by using international hub which is sitting in Singapore, when I say Singapore hub, it does not mean that right now we are going to use Singapore hub only to cater to only Singapore or neighboring countries, it can be anybody, it can be any country. I will tell you how it works. We have a hub in Singapore and Vodafone Global has got hub in Amsterdam and some other Telco from US has got hub in New York, all these hubs have to be connected to each other, that means we have reached to all the mobile users globally, that is how the SMS works. Suppose my hub in Singapore is capable of delivering the messages to India or capable of delivering messages to Europe, some other hub like Vodafone Global does not have capabilities to terminate the messages to Asian countries, some of the European countries, they will use us and we will use them wherever we do not have connectivity, that is how it works, so that is called interconnect. We are working on interconnect, as and when we get the interconnect in international markets, we will definitely go live in international market and we expect it to generate a decent revenue in international market.

- Moderator** Thank you. The next question is from the line of Smita Mohta from Fort Share Broking. Please go ahead.
- Smita Mohta** In the last investor call, we had discussed about your top line getting good growth, but the bottom line not increasing in the same manner, so that time, you had said that, yes, we are working more on the top line and not on the bottom line, but bottom line not seen any deterioration year forward, but right now when we see the results on the consolidated as well as the standalone basis, we find that the bottomline has 50% deteriorated both in the standalone and the consolidated results whereas you are talking about the business opportunities which has doubled in the e-commerce space after the demonetization which you were thinking of cashing on, but the results do not seem to work forward for that, and second question was that when we had last call we had discussed about the depreciation expense that you said you have to take it on yearly basis but we see that this quarter also, depreciation has been taken, so it is not on a yearly basis but it is taken continuously on a quarterly basis, and third of all, your main business is from the cloud computing business, but what we find here is on the segment performance, you have more profitability or growth from the property development space rather than the cloud communication services, so can you elaborate on what you are working on the major segment which can give you good return on your equity deployment going ahead in an year perspective?
- Uday Reddy** Smita, you asked lot of questions, let me start with, you said our bottom line is eroded by 50% which is not true. The gross margin has eroded only by Rs. 3 to Rs. 3.3 crore, which is mainly because of one of our deployments with large Telco in India. That we should be able to recover in this quarter, that is the first point.
- The second point is, yes, I do agree with you we are concentrating not only the quarter, but also mainly on the top line but if you look at the way we are ramping up the numbers from last five to six quarters like, we are growing. We have a huge jump in Q2, almost 13% increase in terms of the volumes and also the revenues, so we could be able to sustain the Q2 jump, we could able to achieve numbers in Q3 because we have a huge ramp up in Q2, so we will be able to manage that in Q3, that is the second point. When it comes to depreciation, as we discussed right now.
- G. K. Srinivas** We are basically following the Companies Act depreciation, which is now based on the life of the assets that is what we are doing and based on the life of the assets, we provide the depreciation for the quarter. This is the same thing that is added and becomes depreciation for the full year. We have not changed any method of depreciation or anything as such, we are following the Companies Act and the Ind-AS guidelines for provision of depreciation.
- Smita Mohta** What about the cloud computing business, that has totally dropped and only the construction segment revenue is what we are seeing in the growth of your profitability?
- Uday Reddy** If you look at Q3, Rs. 193 crore out of Rs. 200 crore has come from business, the Rs. 7 crore has come from property. When it comes to gross margin, out of Rs. 22.3 crore, Rs. 19.9 crore has come from business and only Rs. 2.5 crore has come from property, so when it comes to EBITDA, Rs. 12.8 crore has come from business, only Rs. 2.2 crore has come from property, so what I am trying to say is you said lot of money is coming from property which is not true, so only Rs. 2.2 crore out of Rs. 15 crore.
- Smita Mohta** Talking about the cloud communication services business, the profitability has gone down from Rs. 8 crore and Rs. 3 crore year-on-year and quarter-on-quarter basis to

only Rs. 67 lakhs, I am talking about the segment profit and loss from the cloud communication?

**Uday Reddy** Smita, as I told you we have a bit of issue on the Q3, that is what we have exactly mentioned in the Q2 call also. One of our agreements was renewed with the large Telco with a lower revenue share, that is how we have taken the hit in terms of the margin on the cloud communication line.

**Smita Mohta** Right, so I want to know when and how can you mend this?

**Uday Reddy** That is what I told you right, we want to recover this money through our international hub which went live with one of the leading Telcos in India and we expect it to cover that loss in the quarter plus or minus Rs. 30 lakhs, that is what we mentioned even in the investors update.

**Smita Mohta** I want to know the cloud communication services business, which is the major business of Tanla, how can we expect or when do we expect this cloud communication services to give the revenue that we are thinking Tanla should generate for the company?

**Uday Reddy** We do generate from the cloud communication and if you look at the Singapore hub, we have generated around Rs. 52 crore for the first nine months and in fact like all these current revenues which I told you even in India call also, current revenues push to the cloud communication, in other words we will not use, we will not have a physical deployment in any other Telcos going forward, we will be using the existing infrastructure which is more than cloud, that is the reason we keep calling it cloud communication. The second question is that definitely we will recover that gross margin whatever we lost in Q3 in Q4.

**Moderator** Thank you. The next question is from the line of Sameer Vithlani from C. O. Vithlani & Co. Please go ahead.

**Sameer Vithlani** Is the company targeting any ROI number since I am going through the financials of the last couple of years and I am seeing that when we look at ROI, it is not doing very great, so if there is any industrial benchmark as far as ROI is concerned and how Tanla intends to improve this?

**Uday Reddy** Mr. Sameer, it is a good question, we are very, very conscious about all financial ratios and if you look at the way the company has turned around mainly last two years, we are growing very nicely, almost 40% to 50% year on year. We are concentrating not only on top line but also bottom line by using our existing assets and these assets were never used earlier. We have no intention, or we have never want any more assets, we have not added any assets in the last couple of years, so we are trying to use, we have been using the existing assets and we continue to use our existing assets to generate more revenues by using the same assets, so our ROI will be better off on quarter on quarter.

**Sameer Vithlani** Are we targeting any particular benchmark as per the industry. Right now, it is around 1%, so based on the industry benchmark whether it is 12% or 15% that we are targeting over a period?

**Uday Reddy** I cannot really comment on that, we are not targeting, I cannot say how much we are targeting, but we are working towards that. We would like to better up our numbers on quarter on quarter basis.

**Moderator** Thank you. As there are no further questions from the participants, I now hand over conference back to the management for closing comments. Over to you, Sir.

**Uday Reddy** I would like to thank the entire team for arranging this call. Thank you to all the shareholders and potential investors for participating on this call and see you again in the next quarter. Thank you very much.

**Moderator** Thank you. Ladies and Gentlemen, on behalf of Tanla Solutions Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.

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