



# Tanla Solutions Limited Investor Update

For the Quarter ended June 30, 2019

July 31, 2019

## Hyderabad: Tanla Solutions Limited (“Tanla”) Announces First Quarter FY20 Financial Results

Tanla completed the acquisition of Karix Mobile Pvt Ltd on April 10, 2019. Financial results presented are for full quarter for Tanla and from April 10th 2019 to June 30, 2019 for Karix Mobile Private Limited and its wholly owned subsidiary Unicel Technologies Pvt Ltd.

### Financial Highlights for First Quarter:

- ▶ **Business Revenue** for the quarter at ₹ 394.6 Cr, is up 24% from fourth quarter of FY 2019 and 112% sequentially from the first quarter of FY 2019.
- ▶ **Gross Margin** for the quarter at ₹ 76.7 Cr, is up 67% from fourth quarter of FY 2019 and 194% sequentially from the first quarter of FY 2019.
- ▶ **Non-recurring cost** for the quarter is ₹ 19.5 Cr:
  - ✓ Acquisition costs of ₹ 7.8 Cr comprise of fees to advisors, legal consultants and bankers to acquisition.
  - ✓ Employee costs of ₹ 11.55 Cr on account of allotment of 27,60,000 shares to employees and ₹ 0.08 Cr on account of amortization of ESOP cost.
  - ✓ Employee cost of ₹ 22.5 Cr on account of allotment of 32,40,000 shares on July 05, 2019 to employee of Karix would be charged to Statement of Profit and Loss in Q2 FY2020.
- ▶ **EBITDA** from business for the quarter at ₹ 31.3 Cr, is up 11% from fourth quarter of FY 2019 and 71% sequentially from first quarter of FY 2019. EBITDA before non-recurring cost stood at ₹ 50.8 Cr for Q1FY20.
- ▶ **Depreciation** for the quarter is ₹ 153.6 Cr:
  - ✓ As per THE TELECOM COMMERCIAL COMMUNICATIONS CUSTOMER PREFERENCE REGULATIONS, 2018 (TCCPR,2018) that were announced on July 19, 2018, commercial communication (voice and text) should be provided using block chain technology.

✓ New technology and cloudification of services has resulted in a need for re-assessment of useful life of technology assets, leading to additional provision of accelerated depreciation amounting to ₹ 133.15 Cr.

✓ Management has assessed the net book value of such assets as on March 31, 2019 at ₹ 305 Cr and the depreciation to be charged in the current quarter at ₹ 150 Cr. The balance of ₹ 155 Cr would be charged as and when the related platforms are moved to cloud during the current financial year FY2020.

▶ **Finance Cost** for the quarter is ₹ 1.49 Cr on a term loan of ₹ 60 Cr @ interest rate of 9.6%. The loan outstanding as on June 30, 2019, is ₹ 57.7 Cr.

▶ **Other income** includes interest on mutual funds & fixed deposits ₹ 1 Cr (average rate of interest @ 7.5%) and interest on Income tax refund of ₹ 3.6 Cr.

▶ **Net Loss** for the quarter was ₹ 75.7 Cr. Net Profit after Tax without considering non-recurring cost and accelerated depreciation would have been ₹ 30.4 Cr.

▶ **Cash accruals** from operations for the quarter is ₹ 46.7 Cr.

### Business Highlights for First Quarter:

▶ On-boarded 102 new enterprise customers in Q1FY20 with an estimated revenue potential of ~ ₹ 72.7 Cr for FY20.

### Corporate Highlights for First Quarter:

▶ Ms. Amrita Gangotra, formerly Director Technology of Vodafone & CIO of Bharti Airtel, joins Tanla Solutions' Board as Independent Director with effect from July 31, 2019. Ms. Gangotra brings with her a successful and award-winning experience, extensive knowledge of IT transformation in the Telecom, FMCG and ITES sectors, international exposure and expertise in path-breaking technologies such as 5G for Enterprise, Internet of things (IoT), Artificial Intelligence (AI) and Machine Learning (ML) based business process automation.

### Impact of Acquisition:

Particulars	Pre-Acquisition	Post-Acquisition
Gross Margin %	14%	19%
EBITDA %	9%	*12%
<b>Client Concentration:</b>		
85% of Revenue by	4 Clients	85 Clients
75% of Revenue by	3 Clients	37 Clients
65% of Revenue by	2 Clients	22 Clients
50% of Revenue by	1 Clients	10 Clients
No of Clients	30	847

\*Before considering one-time expenses

## Consolidated Statement of Profit and Loss (Un-audited):

(₹ in Lakhs)

Particulars	<sup>1</sup> Q1FY20	<sup>2</sup> Q4FY19	<sup>2</sup> Q1FY19
<b>Revenue</b>			
I. Revenue from operations	394.6	317.9	185.8
II. Other income	4.7	3.8	1.8
III. Total Income (I+II)	399.3	321.8	187.6
<b>IV. Expenses</b>			
Cost of services	317.9	272.2	159.8
Employee benefits expense	26.7	9.3	4.1
Depreciation expense	153.6	20.3	12.0
Travel expenses	1.7	0.7	0.7
Connectivity & related expenses	1.1	1.5	0.3
Finance cost	1.5	-	-
Other expenses	15.9	6.0	2.6
<b>Total expenses (IV)</b>	518.4	310.0	179.5
<b>V. Profit before non-controlling interest/share in net profit/(loss) of associate (III - IV)</b>	-119.1	11.8	8.1
VI. Share in net profit/(loss) of associate	-0.2	-0.3	-
<b>VII. Profit/(loss) before tax (V - VI)</b>	-119.3	11.5	8.1
VIII. Tax expense:			
Current tax	2.0	2.0	0.8
MAT credit entitlement	-0.3	-1.1	-0.8
Deferred tax	-45.3	0.9	6.4
<b>IX. Profit/(loss) for the period (VII - VIII)</b>	-75.7	9.7	1.7
X. Other comprehensive income	2.9	0.4	0
<b>X. Total Comprehensive income (IX + X)</b>	-72.8	10.1	1.7
XI. Earnings per equity share			
a. Basic	-5.4	0.8	0.1
b. Diluted	-5.4	0.8	0.1

<sup>1</sup>Tanla consolidated including Karix

<sup>2</sup>Tanla consolidated before Karix acquisition

## Auditors:

Internal Auditor : Deloitte Haskins & Sells LLP  
Statutory Auditor : M.N. Rao & Associates, MSKA & Associates

## About Tanla:

Tanla Solutions [BSE: 532790|NSE: TANLA] founded in the year 1999, is the largest provider of A2P messaging services worldwide measured by volume of messages processed. Tanla's Fastrack platform is used by enterprises of all sizes including social media, banks, ecommerce and logistics service providers to deliver mission critical messages and communicate with their customers. Tanla employs more than 300 telecom professionals and is listed in BSE and NSE in India

## Safe Harbor:

This presentation might contain 'forward-looking statements' that are based on our current expectations, assumptions, estimates and projections about Tanla Solutions Limited (the "Company"), our industry, economic conditions in the markets in which we operate, and certain other matters. Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. These statements are subject to known and unknown risks, uncertainties and other factors and they depend on future events and circumstances. Such statements do not guarantee future results or development and the actual results or outcomes may differ materially from those implied by the forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, fluctuations in foreign exchange rates, our ability to manage growth, intense competition in the services provided by the Company, including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, industry segment concentration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks or system failures, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which the Company has made strategic investments, withdrawal or expiration of governmental fiscal incentives, political instability and regional conflicts, regulatory changes, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. In light of these and other uncertainties, you should not conclude that the results or outcomes referred to in any of the forward-looking statements will be achieved. All forward-looking statements are based on information available to us on the date hereof, and we do not undertake to update these forward-looking statements to reflect future events or circumstances unless required to do so by law.



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