



Tanla Solutions Limited Investor Update

For the Quarter and Year ended March 31, 2020

June 10, 2020

Hyderabad: Tanla Solutions Limited (“Tanla”) announces Fourth Quarter and FY20 Financials:

Financial results presented are for full quarter and annual results for Tanla and full quarter and from April 10, 2019 to March 31, 2020 for Karix Mobile Private Limited (“Karix) and its wholly owned subsidiary Unicel Technologies Private Limited (Unicel) and from November 01, 2019 to March 31, 2020 for Gamooga Softech Private Limited.

Financial Highlights:

Revenues

FY20 revenues at ₹ 1942.8 Cr, up 94% Y-o-Y from ₹ 1004.0 Cr in FY19

Q4FY20 revenues at ₹ 522.1 Cr, up 64% Y-o-Y from ₹ 317.9 Cr in Q4FY19 and down 3% Q-o-Q from ₹ 539.0 Cr in Q3FY20

Gross Margin

FY20 Gross margin at ₹ 391.1 Cr, up 173% Y-o-Y from ₹ 143.3 Cr in FY19

Q4FY20 Gross margin at ₹ 112.0 Cr, up 145% Y-o-Y from ₹ 45.8 Cr in Q4FY19 and up 8% Q-o-Q from ₹ 103.9 Cr in Q3FY20

One-off expenses for FY20*

Employee stock options (ESOP & ESPS) cost of ₹ 41.1 Cr

Acquisition related cost of ₹ 7.9 Cr

Mobile World Congress (MWC) related cost of ₹ 2.6 Cr

Provision for loss of investment in liquid funds of ₹ 3.7 Cr

EBITDA

FY20* EBITDA at ₹ 240.4 Cr, up 148% Y-o-Y from ₹ 96.7 Cr in FY19

Q4FY20# EBITDA at ₹ 64.9 Cr, up 129% Y-o-Y from ₹ 28.3 Cr in Q4FY19 and up 2% Q-o-Q from ₹ 63.7 Cr in Q3FY20

*Not adjusted for One Time Cost of Rs. 55.3 Cr

#Not adjusted for One Time Cost of Rs. 6.3 Cr

Provision for Doubtful Debts:

Provision for Doubtful Debts of ₹ 15.57 Cr in Karix Mobile Private Limited, ₹ .05 Cr in Tanla Solutions Limited, ₹ 2.99 Cr in Tanla Mobie Asia Pacific Pte Ltd and ₹ 0.03 Cr in Tanla Corporation Private Limited aggregating to ₹ 19.63 Cr on a consolidated basis for FY 20 has been charged to Profit and Loss account after assessing the possibility of realisation of long-outstanding debtors on March 31, 2020.

Impairment of Goodwill:

The cost of acquisition of Karix Mobile Private Limited ("Karix") and Gamooga Softtech Private Limited ("Gamooga") has been allocated to various assets by way of Purchase Price Allocation (PPA), by an independent consultant.

The value of these assets for Karix & Gamooga is as follows:

	₹ in Cr	
	Karix	Gamooga
(i) Goodwill	158.4	24.9
(ii) Intangible Assets:		
Customer Relationships	54.5	7.6
Brand	10.2	0.7
Technology	4.3	6.9
Non-Compete	0.8	4.3

For FY20, Intangible assets have been amortised by an amount of ₹ 16.8 Cr for Karix and ₹ 1.9 Cr for Gamooga.

The management has also made an assessment of the impact of COVID-19 on the Company's operations, financial performance and position as at and for the year ended March 31, 2020, basis which the Company has reduced the carrying value of investments in subsidiaries by ₹ 48.73 Cr. and consequent impact on the goodwill in the consolidated results. Further, the actual impact of COVID-19 on the Company's financial statements may differ from that estimated as at the date of approval of these financial statements.

Other Income

FY20 Other income at ₹ 12.4 Cr, up 16% from ₹ 10.6 Cr in FY19

Q4FY20 Other income at ₹ 3.7 Cr, down 4% Y-o-Y from ₹ 3.8 Cr in Q4FY19 and up 66% Q-o-Q from ₹ 2.2 Cr in Q3FY20

Cash accruals

FY20 Cash accruals at ₹ 198.9 Cr, up 143% from ₹ 82.0 Cr in FY19

Debtor Days

FY20 Debtor Days stood at 61 days against 112 days in FY19

Debt

Karix Mobile Private Limited repays the Term Loan of ₹ 59.88 Cr as at March 31, 2020.

Business Highlights:

- 70 customers were signed up during Q4FY20, with an annual potential revenue of ~ ₹ 98 Cr

Corporate Highlights:

- Deloitte Touche Tohmastu India LLP has been appointed as the Internal Auditor for Tanla Solutins Limited for the financial year 2020-2021.
- The Board of Directors at their meeting held on April 22, 2020, approved the Buyback of the fully paid up equity shares having face value of ₹ 1/- each not exceeding 1,90,12,345 equity shares at a price of ₹ 81/- (Indian Rupees Eighty One Only) per Equity Share for an aggregate maximum amount not exceeding ₹ 154.00 Crore (Indian Rupees One Hundred and Fifty Four Crores Only). Subsequent to the Board Meeting, the Company obtained the Shareholders' approval for buy-back on May 23, 2020. The Public Announcement was published on May 27, 2020 and the Draft Letter of Offer was filed with SEBI on June 01, 2020.
- Merger petition requesting approval for merger of Karix Mobile Private Limited ("Karix") and UniceL, Hyderabad on Sept 30, 2019. In view of the prevailing COVID situation, the case was listed for on-line hearing on May 27, 2020 where the reports of the Official Liquidator and the Regional Director were submitted. NCLT Registry has conveyed that the matter may be listed for hearing on June 11, 2020. UniceL Technologies Private Limited ("UniceL") with Tanla Corporation Private Limited ("TCPL") was filed in NCLT.

Consolidated Statement of Profit and Loss (Audited):

Particulars	₹ in Cr	
	For the year ended March 31, 2020	For the year ended March 31, 2019
I. Revenue from operations	1,942.8	1,004.0
II. Other income	12.4	10.6
III. Total Income (I+II)	1,955.2	1,014.6
IV. Expenses		
Cost of services	1,551.7	860.7
Employee benefits expense	108.9	22.9
Depreciation and amortisation expense	377.8	73.2
Travel expenses	8.2	2.7
Connectivity & related expenses	6.4	2.6
Finance cost	6.4	0.3
Other expenses	82.7	18.3
Total expenses (IV)	2,142.0	980.8
V. Profit/loss before exceptional items, share in net profit/(loss) of associate and tax (III - IV)	(186.8)	33.8
VI. Exceptional item : Impairment of Goodwill	48.7	-
VII. Profit/loss before share in net profit/(loss) of associate and tax (V- VI)	(235.6)	33.8
VIII. Share in net profit/(loss) of associate	(1.7)	(0.3)
IX. Profit before tax (VII - VIII)	(237.2)	33.5
X. Tax expense:		
Current tax	11.3	4.9
MAT credit entitlement	-	(4.0)
Deferred tax	(37.3)	2.8
XI. Profit for the year (IX - X)	(211.2)	29.8
XII. Other comprehensive income	9.9	1.2
XIII. Total Comprehensive income for the period (XI+XII)	(201.2)	31.0
XIV. Earnings per equity share		
(i) Basic & Diluted	(14.77)	2.58

Auditors:

Internal Auditor : Deloitte Haskins & Sells LLP
Statutory Auditor : MSKA & Associates

About Tanla:

Tanla is a Hyderabad, India-based company, established in 1999. It is a global leader in its domain as one of the largest Cloud Communication providers, handling over 200 billion business communications annually. Tanla is innovating the way the world communicates, continuously raising the bar through enhanced speed, ease, and simplicity of Cloud Communication solutions, adopting cutting-edge technologies like blockchain, Artificial Intelligence, Machine Learning to meet the discerning needs of a diverse clientele, from enterprises to carriers across geographies. Tanla has always adopted new technologies and has many patents to its name including world's first blockchain based commercial communication stack "Trubloq" to address the growing concerns for spam and fraud. Tanla is working with all leading Telco's in India creating India's first Telecom Blockchain Network. Tanla is a public limited company listed on leading Indian stock exchanges (NSE: TANLA & BSE: 532790)

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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