

Shareholder Report April- December 2022

October- December 2022

- Revenue decreased by 2% year-over-year to ₹8,696 million
- Gross profit at ₹2,168 million. Gross margin at 24.9%
- EBITDA at ₹1,513 million. EBITDA margin at 17.4 %
- Profit after tax at ₹1,165 million. Profit after tax margin at 13.4%
- Earnings per share at ₹8.58
- Cash & Cash Equivalents at ₹7,680 million.

April- December 2022

- Revenue increased by 7% year-over-year to ₹25,208 million
- Gross profit at ₹6,075 million. Gross margin at 24.1%
- EBITDA at ₹4,216 million. EBITDA margin at 16.7 %
- Profit after tax at ₹3,274 million. Profit after tax margin at 13.0%
- Earnings per share at ₹24.11
- Cash & Cash Equivalents at ₹7,680 million and negative Free cash flow of ₹565 million

“Wisely is scaling up well and contributed 35% of our Platform gross profit in the quarter. Our Enterprise business is showing steady recovery with sequential improvement.” - Uday Reddy, Founder Chairman & CEO

Significant events during the quarter

- Tanla has been recognized as a leading Mid-Corporate of India 2022 by Dun & Bradstreet India
- Completed our third consecutive buyback. Tanla bought back 14,16,666 shares at ₹ 1,200 per share for an aggregate amount of ₹ 1,700 million through tender route mechanism.
- Tanla Foundation inaugurated a Skill Development & Placement Centre at Nehru Nagar, Khammam, as part of our ESG initiatives
- Tanla Foundation provided scholarships covering full tuition fees for 5 students of IIT Madras from economically weak sections of society

Invitation to conference

Tanla will host a conference call and live webcast to discuss the financial results on Jan 23,2023 at 4.30 PM IST. Watch the presentation at bit.ly/3GRt2MF

India	: +91 22 6280 1141 / +91 22 7115 8042
United Kingdom	: 08081011573
United States	: 18667462133
Hong Kong	: 800964448
Singapore	: 8001012045

Message from Chairman

Wish you all a very happy new year. As I reflect on 2022, we have made significant progress on our strategic bets. Our platform strategy is working, and our Enterprise business continues to recover at a steady pace.

1. Platforms

Our platform business gross profits grew 26% YoY, led by Wisely along with continued momentum in Trubloq. Wisely, our platform of platforms for digital interaction, has started to scale and now contributes 35% of the Platforms Gross Profit. I expect the contribution of Wisely to go to 50% of our Platforms Gross Profit in the next couple of quarters.

Our platform lifecycle is in 3 phases – Innovate, Customer Success and Scale. Innovate phase is about selecting a few big bets, crystallizing the idea with market testing and build the minimum viable product(MVP). Customer Success phase is where we run an early access program with select customers to establish product market fit and fine tune the value proposition to the customers. The final phase Scale is where we focus on our go-to-market track to a potential to deliver ₹1Bn+ annual run rate of gross margin. Wisely Network and Wisely OTT have progressed to Scale phase. Wisely Communicate and Wisely Engage are in Customer Success phase and I am confident that atleast one of these platforms will progress to Scale phase in the next quarter. We also have a very large platform in the Innovate phase and we are targeting to launch it in Q4 post the necessary regulatory approvals.

We will house our platforms in a truly world class innovation and customer experience center which will be inaugurated this quarter. This centre is uniquely designed to foster innovation through self-contained 'garages', drive continuous improvement through a state of the art 'Kaizen' centre. In addition, this centre is designed to provide an immersive experience to showcase our platforms and capabilities such as blockchain, cryptographic encryption, Natural Language Processing (NLP) to our customers. Let me update on each of our Wisely platforms.

Wisely Communicate: We have scaled up Wisely Communicate with one of the largest banks. Over 50% of the critical UPI messages flows through Wisely and we have been able to demonstrate our value proposition on key customer KPI. We have 3 more customers, where the customer success journey is underway.

Wisely Engage: We have been scaling up our AI models to build strong solutions across the entire customer lifecycle of Acquire, Engage and Retention. We have initiated early access program with a few preferred customers where we hope to see fantastic customer success.

Wisely Network: We are on track to get to ₹1 Bn annual run rate of gross margin in this platform on the back of fantastic impact for our customers. This is a massive platform with deep application of AI/ML. Our focus here is to expand globally to other markets on the back of the success in India.

Wisely OTT: We are scaling up Wisely OTT with volumes crossing 1 billion in the quarter generating strong gross margins. We are scaling our go-to-market in India with our customers, and I expect to see strong growth in this platform in the coming quarters.

We are making progress on all our platforms – we are not opportunity constrained. We are making significant investments in Technology, talent and go to market to innovate and capitalize on the opportunity.

2. Enterprise

On the Enterprise business, while YoY numbers were weak, we continued to show improvement on a QoQ basis. Our Revenues grew 2% sequentially and Gross Margins improved 74 basis points QoQ. We saw some macro headwinds play out with lower festive spends in Q3 of this year compared to what we experienced last year, particularly in banking space.



We have seen double digit volume growth sequentially in the BFSI space in the festive quarter, but we saw that decelerate to mid-single digits. While the pricing pressure we saw in Q1 has eased, it is still a competitive environment. We have been able to maintain market share and expand our margins by leveraging our scale as industry leaders.

Our focus here is to retain and grow our existing clients (our >₹10MN customer has gone up from 189 to 220 in the last 4 quarters) complemented by a targeted new customer addition program. We are expanding our service offering to our customers – we have significantly scaled up our WhatsApp business and our Revenues crossed the ₹1billion annualized run rate in the quarter. We believe we will see an inflection point in this calendar year and we are confident that we will start seeing strong growth in the coming quarters.

3. Financials & ESG

Our consolidated Revenues grew 2% QoQ and EBITDA margins improved 100 basis points QoQ to 17.4%. We delivered a PAT growth of 5% QoQ.

2022 was an interesting year, with focus shifting from 'growth' companies to 'profitable growth' companies. I am proud that this has always been our ethos – focus on innovation, build over buy, profitability focused, not raising capital but returning cash to shareholders (~₹6 billion returned to shareholders over the past 3 years through buyback and dividends, with more than 50% of that in the current fiscal year). I am confident that will augur well for us in the future.

Finally, we are building our business with focus on ESG. Tanla had the top score in S&P Global ESG score 2022 in the software category in India. We are continuously benchmarking with global leaders and improving our disclosures every quarter - our shareholder report highlights the disclosures added in the current quarter and we are making the right investments.

In summary, we are poised to accelerate with innovation as our foundation. We are very excited.

Thank you for your support.

Hyderabad, January 20, 2023

Uday Reddy
Founder Chairman & CEO

Tanla Overview

For the list of definitions please refer to page 18

(In ₹ million, unless otherwise stated)	Three months Ended Dec 31 (Un-audited)		Nine months Ended Dec 31 (Un-audited)	
	Q3 FY23	Q3 FY22	9M FY23	9M FY22
	Revenue from operations	8,696	8,849	25,208
Gross profit	2,168	2,610	6,075	6,647
Gross margin	24.9%	29.5%	24.1%	28.2%
EBITDA	1,513	2,028	4,216	5,161
EBITDA margin	17.4%	22.9%	16.7%	21.9%
EBITDA/ Gross profit	69.8%	77.7%	69.4%	77.6%
EBIT	1,391	1,917	3,901	4,854
EBIT margin	16.0%	21.7%	15.5%	20.6%
Interest Income	53	41	148	95
Interest yield	4.2%	3.8%	4.2%	3.4%
Profit after tax	1,165	1,580	3,274	3,987
Profit after tax margin	13.4%	17.9%	13.0%	16.9%
Free cash flow	(867)	302	(565)	3,804
Earnings per share (In ₹)	8.58	11.66	31.06	29.37
EBITDA per share (In ₹)	11.15	14.97	10.35	38.02
Cash & Cash equivalents	7,680	8,807	7,680	8,807
ROCE - (Including CCE)	-	-	31%	51%
ROCE - (Excluding CCE)	-	-	58%	170%
DSO days	67	54	68	54
Average number of employees	619	629	621	591

Key Financial Ratios

Key financial ratios	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Rule of 40	40.7%	44.9%	60.0%	65.5%	58.2%	53.1%	44.1%	17.5%	15.7%
Revenue growth	21.3%	24.2%	38.0%	44.3%	35.3%	31.5%	27.7%	1.1%	(1.7%)
Gross margin %	24.6%	27.3%	27.7%	27.4%	29.5%	28.5%	23.1%	24.2%	24.9%
EBITDA margin %	19.4%	20.7%	21.5%	21.2%	22.9%	21.6%	16.3%	16.4%	17.4%
EBIT margin %	18.0%	19.2%	20.0%	20.0%	21.7%	20.4%	15.2%	15.2%	16.0%
Net profit margin %	14.3%	15.8%	16.7%	16.2%	17.9%	16.5%	12.5%	13.0%	13.4%
Free cash flow	2,147	1,361	1,285	2,217	302	444	718	(416)	(867)
Day sales outstanding	60	58	58	48	54	59	74	61	67
ROCE (Including CCE)	47.0%	46.0%	50.0%	54.0%	51.0%	47.0%	31.7%	32.7%	31.2%
ROCE (excluding CCE)	101.0%	129.0%	169.0%	247.0%	170.0%	141.0%	89.3%	73.9%	57.8%

Condensed Consolidated Income Statement

(In ₹ million, unless otherwise stated)

	Three months Ended Dec 31		Nine months Ended Dec 31	
	Q3 FY23	Q3 FY22	9M FY23	9M FY22
	(Un-Audited)		(Un-Audited)	
Revenue from operations	8,696	8,849	25,208	23,529
Cost of services	(6,528)	(6,239)	(19,133)	(16,882)
Gross profit	2,168	2,610	6,075	6,647
Operating expenses				
Sales and Marketing	(154)	(81)	(362)	(224)
General and administrative	(501)	(501)	(1,497)	(1,262)
Total operating expenses	(655)	(582)	(1,859)	(1,486)
EBITDA	1,513	2,028	4,216	5,161
Depreciation	(122)	(111)	(315)	(307)
EBIT	1,391	1,917	3,901	4,854
Finance cost	(2)	(3)	(9)	(10)
Other income	61	41	216	115
Profit before tax	1,450	1,955	4,108	4,959
Tax expenses	(285)	(375)	(834)	(972)
Profit after tax	1,165	1,580	3,274	3,987
Earnings per share (In ₹)	8.58	11.66	24.11	29.37

Condensed Consolidated Balance Sheet

(In ₹ million, unless otherwise stated)	Dec 31, 2022 (Un-Audited)	Dec 31, 2021 (Un-Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	600	270
Platforms	933	560
Customer Relationships	164	288
Brands	3	12
Technology	3	19
Non-Compete	26	32
Intangible assets under development	302	277
Goodwill	1,346	1,346
Right-of-use-lease assets	583	558
Capital work in progress	684	75
Financial assets	156	103
Deferred tax assets (net)	346	370
Other non-current assets	427	205
Total non-current assets	5,573	4,115
Trade receivables	6,316	5,212
Cash and bank balances	7,680	8,807
Other Financial assets	4,213	3,851
Other current assets	1,056	457
Total current assets	19,265	18,327
TOTAL ASSETS	24,838	22,442
EQUITY AND LIABILITIES		
Equity share capital	136	136
Other equity	15,942	11,921
Total equity	16,078	12,057
Non current liabilities		
Financial liabilities		
Lease liabilities	562	544
Other financial liabilities	8	3
Provisions	29	15
Other non-current liabilities	6	0
Total Non Current Liabilities	605	562
Current liabilities		
Trade payables	5,142	6,617
Lease liabilities	62	0
Other financial liabilities	2,519	2,858
Other current liabilities	87	127
Short term provisions	2	2
Liabilities for current tax (net)	343	219
Total Current liabilities	8,155	9,823
TOTAL EQUITY AND LIABILITIES	24,838	22,442

Condensed Consolidated Statement of Shareholder's Equity

Equity Statement (In ₹ million)	Share capital	Reserves	Retained earnings	Other contributions	Total
Opening balance 01 April 2021	136	5,452	3,261	82	8,931
Profit for the period	-	-	5,393	-	5,393
Other comprehensive income	-	-	-	69	69
Issue of equity shares	-	11	-	-	11
Shares bought back	(1)	(818)	-	-	(819)
Dividend declared	-	-	(135)	-	(135)
Others	-	-	-	90	90
Closing balance 31 March 2022	135	4,645	8,519	241	13,540
Opening balance 01 April 2022	135	4,645	8,519	241	13,540
Profit for the period	-	-	3,274	-	3,274
Other comprehensive income	-	-	-	235	235
Issue of equity shares	-	-	-	-	-
Shares bought back	-	-	-	-	-
Dividend declared	-	-	(1,086)	-	(1,086)
Others	-	-	-	129	129
Closing balance 31 Dec 2022	135	4,645	10,707	605	16,092

Condensed Statement of Cash Flow (Unaudited)

Cash flow (In ₹ million)	Q3 FY23	Q3 FY22	9M FY23	9M FY22
Cash flow before changes in working capital	1,605	2,125	4,566	5,342
Changes in working capital	(1,792)	(1,527)	(3,116)	(545)
Cash generated from operations	(187)	598	1,451	4,797
Taxes	(421)	(180)	(1,052)	(648)
Cash flow from operating activities	(608)	418	398	4,149
Net investments in tangible and intangible assets	(259)	(116)	(963)	(345)
Interest and other income received	99	41	204	115
Movement in other cash balances	-	-	600	-
Cash flow from investing activities	(160)	(75)	(159)	(229)
Issue of shares	-	11	0	11
Buyback of shares	-	-	-	(819)
Dividend paid during the year	-	-	(1,086)	(135)
Payment and Interest paid on lease liabilities	(75)	(4)	(96)	(10)
Cash flow from financing activities	(75)	7	(1,181)	(953)
Cash flow for the period	(843)	350	(943)	2,966
Cash & cash equivalents at the beginning of period	8,523	8,457	8,623	5,841
Cash & cash equivalents closing balance	7,680	8,807	7,680	8,807

New Disclosures in this Report

We are committed to enhancing our disclosures every quarter. This report includes new disclosures around the following topics

- [Employee Headcount by department](#)
- [RSU vesting schedule](#)
- [Goodwill](#)
- [Right-of-use of lease assets](#)

Management's Discussion and Analysis of financial condition and results of operations:

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help the reader understand our financial results.

Revenues

Revenue de-grew by 2% YoY to ₹ 8,696 million in Q3 FY23. Platform business grew by 19% driven by Trubloq and Wisely. Enterprise business de-grew by 3% on a YOY basis. On sequential basis revenue grew by 2% in Q3 FY23, led by incremental growth from Platform as well as Enterprise business. Refer key policies for more details

The following table shows revenue by platform and enterprise business for the three- and nine-months period ended Dec 31, 2022 and Dec 31, 2021 were as follows:

(In ₹ million, unless otherwise stated)	Q3 FY23	Q3 FY22	9M FY23	9M FY22
Platform Business	782	658	2,214	1,836
Enterprise Business	7,914	8,191	22,994	21,693
Total	8,696	8,849	25,208	23,529

Platform revenue grew by 4% QoQ to ₹782 million, led by Wisely. Enterprise revenue grew 2% QoQ, driven by new customer additions and WhatsApp. Product penetration of 2.1 in Q3 FY23, improved from 1.6 a year back.

Contribution from customers with greater than ₹10 million annual revenue at ₹8,571 million in Q3 FY23. On QoQ basis contribution from customers with greater than ₹10 million annual revenue grew by 4%. Customer concentration from top twenty customers at 61% in Q3 FY23 contributing ₹5,258 million.

Customer segment	Q3 FY22		Q3 FY23		Change in count	Change in count
	Count	Revenue	Count	Revenue		
>₹500M	18	5,048	19	5,154	6%	2%
>₹100M - < ₹500M	43	2,466	37	2,024	(14%)	(18%)
>₹10M- < ₹100M	128	1,075	164	1,393	28%	30%
Total	189	8,589	220	8,571	16%	-

We added 210 new customers for 9M FY23 contributing ₹322 million. 31% of new customers have been added in WhatsApp.

Gross profit

Gross profit at ₹ 2,168 million and gross margin at 24.9% in Q3 FY23. On sequential basis gross profit grew by 5%, led by improved margins in Enterprise business.

(In ₹ million, unless otherwise stated)	Q3 FY23	Q3 FY22	9M FY23	9M FY22
Gross profit				
Platform Business	751	598	2,127	1,710
Enterprise Business	1,417	2,012	3,948	4,937
Total gross profit	2,168	2,610	6,075	6,647
Gross margin percentage				
Platform Business	96.0%	90.9%	96.1%	93.1%
Enterprise Business	17.9%	24.6%	17.2%	22.8%
Gross Margin	24.9%	29.5%	24.1%	28.2%

Platform business gross profit grew by 26% YoY to ₹ 751 million in Q3 FY23 driven by Trubloq and Wisely. Enterprise business gross margin improved by 74 basis points at 17.9% in Q3 FY23 on the back of operational efficiencies. We have seen the impact in Enterprise business profitability from Q1 and we are improving on a sequential basis. Platform business gross profit contribution to total at 35%.

Operating expenses

The following table shows Operating expenses for the for the three- and nine-months period ended Dec 31, 2022 and Dec 31, 2021 were as follow:

(In ₹ million, unless otherwise stated)	Q3 FY23	Q3 FY22	9M FY23	9M FY22
Sales & Marketing (S&M)	154	81	364	224
Percentage of revenue	2%	1%	1%	1%
General & Administrative (G&A)	501	501	1,495	1,262
Percentage of revenue	6%	6%	6%	6%
Operating expense	655	582	1,859	1,486

Sales & Marketing

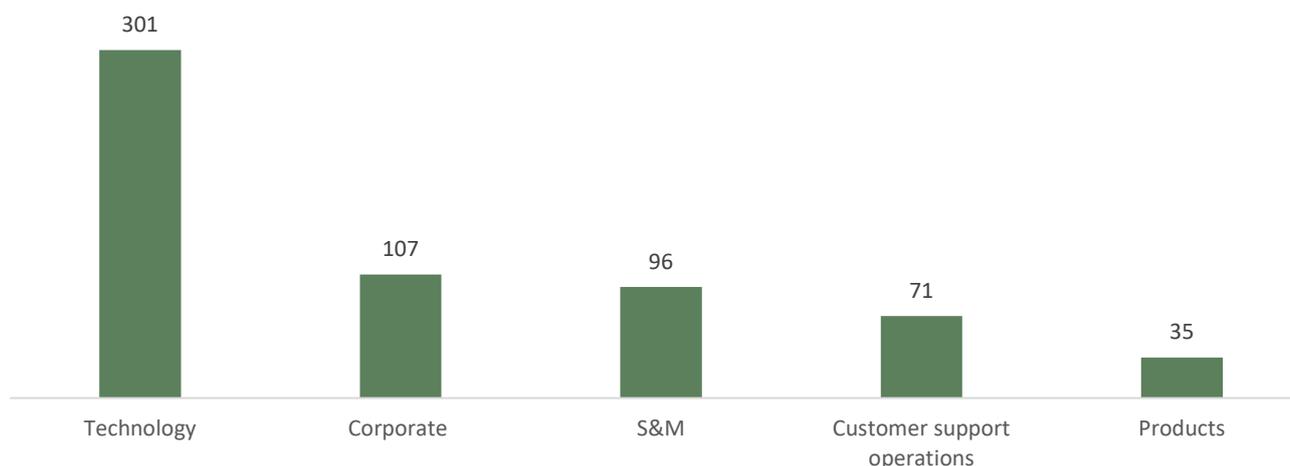
Sales & Marketing expense at 2% of revenue in Q3 FY23, as against 1% in Q3 FY22. S&M expenses have increased due to incremental spends on marketing (₹ 17 million). Focused investments in sales team and participation in large marketing events will continue.

General & Administrative

General & Administrative at 6% of revenue at ₹ 501 million Q3 FY23. Other expenses have largely gone up due to increase spends on CSR (₹ 17 million), exchange fluctuation (₹ 28 million), norm-based provision for bad and doubtful debts (₹ 25 million) (Refer key policies for more details) and partly off-set by lower employee costs.

Employee cost

Employee cost at ₹ 323 million in Q3 FY23, 15% of our gross profit. Total headcount is 610 as on Dec 31, 2022. Headcount by department given below.



Salary cost includes increments and RSU. Employee cost largely lower in Q3 FY23 as compared to Q3 FY22 due to lower RSU cost.

We have adopted a compensation policy to attract, retain and award individuals and align their long-term interest with those of the Company. High performing employees are granted performance-based restricted stock units. The performance-based awards vest based on achievement of certain goals over specified performance periods. 40 employees (6%) of the total headcount (610) are part of this program.

A summary of the Company's restricted stock unit ("RSU") activity and related information for the three months ended Dec 31, 2022 is as follows:

	No. of RSUs
Opening balance as on Apr 01, 2022	3,00,000
RSUs granted	1,25,000
RSUs vested	1,17,000
RSUs exercised	34,000
RSUs lapsed	33,000
Balance as on Dec 31, 2022	3,58,000

	No. of RSUs
RSU vesting schedule	
FY23 -24	1,30,503
FY24 -25	1,39,999
FY25 -26	74,998
FY26 -27	12,500
Balance as on Dec 31, 2022	3,58,000

Earnings before Interest and Taxes (EBIT)

EBIT at ₹1,391 million and EBIT margin at 16.0% in Q3 FY23. Depreciation at ₹ 122 million in Q3 FY23, as against ₹ 111 million in Q3 FY22. Increase in depreciation due to capitalization of Wisely in Q2 FY23. (Refer key policies for more details)

The following table shows Amortisation & Depreciation for the three- and nine-month period ended Dec 31, 2022 and Dec 31, 2021 were as follows

(In ₹ million, unless otherwise stated)	Q3 FY23	Q3 FY22	9M FY23	9M FY22
Amortisation on Platforms	48	27	111	64
Amortisation on Customer Relationship	31	31	94	94
Amortisation on Trade Name	1	9	1	26
Amortisation on Technology	3	6	10	18
Amortisation on Non-compete	2	1	4	4
Depreciation on tangible assets & right of use assets	37	37	95	101
Total Depreciation & amortisation	122	111	315	307

Other income

The Company has an Audit Committee approved policy on investments. Investments can be in form of liquid funds, fixed deposits/term deposits with banks, housing finance companies and saving scheme/securities/bonds issued by the central government with a minimum rating of "AAA" Refer key policies for more details.

Cash & cash equivalents, and current investments (in form of fixed deposits) were primarily held in INR and U.S. dollars. The Company generally invests only in the financial assets of issuers or funds with a minimum credit rating of "AAA".

The following table shows other income for the three- and six-month period ended Dec 31, 2022 and Dec 31, 2021 were as follows:

(In ₹ million, unless otherwise stated)	Q3 FY23	Q3 FY22	9M FY23	9M FY22
Interest income	53	40	96	95
Interest on income tax refund	-	-	58	19
Others	8	-	13	-
Other income	-	40	49	2
Interest yield	4.2%	3.45%	3.3%	4.1%

Fixed deposits have been placed with housing finance companies such as HDFC Limited and other banks which are in-line with our investment policy. Average interest yield of 4.2% in Q3 FY23. Cash balance held in current (USD accounts) generate no interest. Refer to Cash & cash equivalent section for more details.

Profit after tax

Profit after tax at ₹1,165 million and Profit after tax margin at 13.4%. Effective tax rate at 19.7% for Q3 FY23.

The following table shows Profit after tax for the three- and six-month period ended Dec 31, 2022 and Dec 31, 2021 were as follows:

(In ₹ million, unless otherwise stated)	Q3 FY23	Q3 FY22	9M FY23	9M FY22
Profit before tax	1,450	1,955	4,108	4,959
Tax expense	(285)	(375)	(834)	(972)
Profit after tax	1,165	1,580	3,274	3,987
Effective tax rate	19.7%	19.2%	20.3%	19.6%

Tax contribution to exchequer in Q3 FY23 was ₹1,701 million. The contribution includes corporate income taxes and contributions by way of withholding taxes and Indirect taxes such as GST in India. Direct tax payouts have decreased due to receipt of lower tax deduction certificates from our vendors.

(In ₹ million, unless otherwise stated)	Q3 FY23	Q3 FY22	9M FY23	9M FY22
GST payouts	1,423	1,377	4,504	3,533
Direct tax payouts	278	579	837	1,529
Total payouts	1,701	1,956	5,341	5,062

Earnings per share

Earnings per share at ₹ 8.58 in Q3 FY23.

The following table shows the computation of basic and diluted earnings per share for the three- and nine-months period ended Dec 31, 2022 and Dec 31, 2021.

(In ₹ million, unless otherwise stated)	Q3 FY23	Q3 FY22	9M FY23	9M FY22
Numerator:				
Profit after tax	1,165	1,580	3,274	3,987
Denominator:				
Weighted-average basic shares outstanding	13,57,76,566	13,55,53,640	13,57,55,908	13,57,46,414
Effect of dilutive shares	89,508	9,870	89,508	13,740
Weighted-average diluted shares	13,58,25,394	13,55,33,640	13,58,59,841	13,57,60,154
Basic earnings per share	8.58	11.66	24.11	29.37
Diluted earnings per share	8.58	11.66	24.10	29.36

Property, Plant and Equipment

The following table shows the net carrying cost of Property, Plant and Equipment as of Dec 31, 2022 and Dec 31, 2021.

(In ₹ million, unless otherwise stated)	Dec 31, 2022	Dec 31, 2021
Property, Plant and Equipment, Net		
Land	77	77
Buildings	20	22
Furniture	5	4
Computers	480	231
Office equipment	14	5
Vehicles	3	0
Air conditioners	1	2
Total	600	341

Increase in net block of Property, Plant and Equipment due to additions towards IT & networks.

Intangible assets and Intangible assets under development

The following table shows the net carrying cost of Intangible assets, Intangible assets under development and Goodwill as of Dec 31, 2022 and Dec 31, 2021.

(In ₹ million, unless otherwise stated)	Dec 31, 2022	Dec 31, 2021
Intangible assets		
Platforms	933	560
Customer Relationships	164	288
Trade Name	3	12
Technology	3	19
Non-compete	26	32
Total Intangible assets	1,129	911
Intangible assets under development	302	277

Platforms represents intangible assets developed in house and capitalized in line with the policy Refer key policies for more details.

Other intangible assets that arose as part of Karix and Gamooga acquisitions are being amortized over their useful life ascertained under Purchase Price allocation.

Intangible assets under development represents platform, which is being internally developed, whose cost includes third party consultant charges and a small component of internal cost.

Goodwill

Goodwill is tested for impairment at the end of each reporting period using a value-in-use model. Carrying value of goodwill as of Dec 31, 2022, stood at ₹ 1,346 Million. Details provided below

(In ₹ million, unless otherwise stated)	Karix	Gamooga	Total	Useful life	Impairment/ Amortiza- tion	Net Carrying value
Goodwill	1,586	250	1,836	-	490	1,346

Capital work in progress

Capital work in progress represents on-going work towards our offices including our Innovation and Experience center and is expected to be capitalized in Q4 FY23.

Right of use of assets

Ind-AS 116 on lease accounting provides for recognition of the asset and liability in respect of leased assets in the books of lessee and hence, the asset/liability in respect of leased office premises of the group companies has been quantified and disclosed under non-current and current assets/liabilities for values accountable after one year and within one year respectively The main component of this is our innovation and experience center.

(In ₹ million, unless otherwise stated)

Dec 31, 2022

ROU Short term	110
ROU Long term	473
Total	583

Trade receivables

The Company has trade receivables outstanding with enterprises, wholesalers, PSU and government customers. Aged receivables greater than 180 days excluding government is less than 1% of our total trade receivables as of Dec 31, 2022.

Cash & Cash Equivalents

The following table show the Company's Cash & cash equivalents by investment category for last five quarters

(In ₹ million, unless otherwise stated)	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Cash					
Restricted cash	107	196	315	185	250
Current accounts- INR	407	597	782	720	470
Current accounts- USD	3,006	3,208	3,013	1,690	1,480
Investments					
Fixed deposits	5,287	5,221	5,763	5,957	5,480
Cash and cash equivalents (CCE)	8,807	9,222	9,873	8,552	7,680

Cash & cash equivalents (CCE) at ₹ 7,680 million in Q3 FY23. Independent bank balance confirmation for 100% cash and investments have been obtained by our statutory auditors.

Restricted cash are held as margin money deposits given for bank guarantees and cash credit limits. Increase in restricted cash due to issuance of Bank Guarantees for new contracts and participation in RFP.

On sequential basis, CCE decreased due to working capital investments made towards strategic partnership.

The following table shows the Company's cash & cash equivalents composition as of Dec 31, 2022

(In ₹ million, unless otherwise stated)	Current accounts- INR	Current accounts-USD	Fixed deposits	Restricted cash	Total
Cash & cash equivalents composition					
HDFC Bank	200	430	3,410	200	4,240
HDFC Limited	-	-	1,100	-	1,100
State Bank of India	30	-	380	-	410
Axis Bank	30	-	400	-	430
Kotak Mahindra Bank	10	-	190	-	200
Citibank (Dubai)	-	180	-	-	180
DBS Bank (Singapore)	-	870	-	30	900
ICICI Bank	190	-	-	-	190
Others	10	-	-	20	30
Total	470	1,480	5,480	250	7,680

Other financial assets

Accrued income represents unbilled revenue accrued as at end of each month. As an industry practice invoicing happens in the subsequent month post reconciliation. Accrued income as on Dec 31, 2022 is 16% of revenue.

Trade payables

Trade payables comprises of payables towards mobile carriers, other suppliers, and other vendors. Micro, Small and Medium Enterprises (MSME) accounted for 0.4% total payable as of Dec 31, 2022 and will be paid within due dates.

Other financial liabilities

Other financial liabilities comprise of accrued cost of services not yet billed to the Company and payable to capital creditors. Accrued cost of services reduced by 28% to ₹ 1,732 million as on Dec 31, 2022 due to working capital investments made towards strategic partnerships.

Liquidity management

The Company's balances of Cash & cash equivalents and investments, along with cash generated by ongoing operations is sufficient to support operations and capital return program. We continue to remain debt free.

The following table shows condensed cash flow the three- and nine-month period ended Dec 31, 2022 and Dec 31, 2021 were as follows:

(In ₹ million, unless otherwise stated)	Q3 FY23	Q3 FY22	9M FY23	9M FY22
Cash flow				
Cash & cash equivalents, beginning balances	8,523	8,457	8,623	5,841
Cash flow from operating activities	(608)	418	398	4,149
Cash flow from investing activities	(160)	(75)	(159)	(229)
Cash flow from financing activities	(76)	7	(1,181)	(953)
Cash flow for the period	(843)	351	(943)	2,966
Cash & cash equivalents, ending balances	7,680	8,807	7,680	8,807

Cash & cash equivalents (CCE) at ₹ 7,680 million in Q3 FY23. Overall CCE decreased by 13% due to dividend pay-out ₹ 1,086 million and capital investments ₹ 1,235 million. Cash generated from operations for 9M FY23 at ₹ 398 million and negative free cash flow of ₹ 565 million.

Cash inflows from operating activities decreased primarily due to working capital investments done towards strategic partnership in Q2 and Q3. Excluding this one-time impact, our operating cash flow would be ₹ 780 million for Q3 FY23. We expect normalcy in operating cash flow from Q4 FY23.

Day payable outstanding (DPO) stood at 72 days in Q3 FY23 as against 77 days in Q2 FY23. DPO days are down by 5 days due to 41% decrease in accrued cost of services and 5% decrease in payables. Day sales outstanding (DSO) stood at 67 days in Q3 FY23 as against 61 days in Q2 FY23. DSO days are down by 6 days due to 11% increase in receivables.

The following table shows operating and free cash flow for the three- and nine-month period ended Dec 31, 2022 and Dec 31, 2021 were as follows

(In ₹ million, unless otherwise stated)	Q3 FY23	Q3 FY22	9M FY23	9M FY22
Cash flow				
Operating cash flow	(608)	418	398	4,149
Capital expenditure	(259)	(116)	(963)	(345)
Free cash flow	(867)	302	(565)	3,804

Quarterly Summary

Revenue (In ₹ million)	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Platform	477	463	555	624	658	687	680	751	782
Enterprise	6,064	6,023	5,709	7,792	8,191	7,844	7,321	7,759	7,914
Total	6,541	6,486	6,264	8,416	8,849	8,531	8,001	8,510	8,696

Gross profit (In ₹ million)	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Platform	451	437	533	578	598	650	653	724	751
Enterprise	1,161	1,332	1,202	1,724	2,012	1,784	1,197	1,332	1,417
Total	1,612	1,769	1,735	2,302	2,610	2,434	1,850	2,056	2,168

Gross margin	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Platform	94.6%	94.5%	96.2%	92.7%	90.9%	94.7%	95.9%	96.4%	96.0%
Enterprise	19.1%	22.1%	21.0%	22.1%	24.6%	22.7%	16.4%	17.2%	17.9%
Overall gross margin	24.6%	27.3%	27.7%	27.4%	29.5%	28.5%	23.1%	24.2%	24.9%

Gross Margin for Platform are arrived after deducting cloud hosting charges

EBITDA (In ₹ million)	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
EBITDA	1,269	1,340	1,345	1,787	2,028	1,841	1,307	1,395	1,513
EBITDA margin	19.4%	20.7%	21.5%	21.2%	22.9%	21.6%	16.3%	16.4%	17.4%
EBITDA/Gross profit	78.7%	75.7%	77.6%	77.6%	77.7%	75.7%	70.6%	67.8%	69.8%
EBITDA/per share	9.33	9.85	9.89	13.17	14.97	13.55	9.63	10.28	11.15

Profit/(loss) after tax (In ₹ million)	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Profit/(loss) after tax	935	1,025	1,045	1,362	1,580	1,406	1,004	1,104	1,165
Profit after tax margin	14.3%	15.8%	16.7%	16.2%	17.9%	16.5%	12.5%	13.0%	13.4%

Earnings per share (In ₹)	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Basic earnings per share	6.87	7.54	7.68	10.04	11.66	10.36	7.40	8.14	8.58

Rule of 40-	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Revenue growth	21.3%	24.2%	38.0%	44.3%	35.3%	31.5%	27.7%	1.1%	(1.7%)
EBITDA margin %	19.4%	20.7%	22.0%	21.2%	22.9%	21.6%	16.3%	16.4%	17.4%
Rule of 40	40.7%	44.9%	60.0%	65.5%	58.2%	53.1%	44.0%	17.5%	15.7%

Free cash flow (In ₹ million)	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23	Q3 FY23
Free cash flow	2,147	1,361	1,285	2,217	302	444	718	(416)	(867)

Metrics/ Quarter	Growth				Efficiency			
	Organic revenue		Gross margin		EBITDA margin		PAT margin	
	Tanla	Best-in-class	Tanla	Best-in-class	Tanla	Best-in-class	Tanla	Best-in-class
July-Sep 2021	44%	44%- Twilio	27%	73%- Ring Central	21%	21%- Tanla	16%	16%- Tanla
Oct-Dec 2021	35%	35%- Tanla	29%	70%- Ring Central	23%	23%- Tanla	18%	18%- Tanla
Jan-March 2022	32%	35%- Twilio	29%	67%- Ring Central	22%	22%- Tanla	17%	17%- Tanla
April-June 2022	28%	33%- Twilio	23%	67%- Ring Central	17%	17%- Tanla	13%	13%- Tanla
July-Sep 2022	1%	33%- Twilio	24%	67%- Ring Central	17%	17%- Tanla	13%	13%- Tanla

Share performance and Ownership

Tanla is listed on two national exchanges, the NSE and BSE and included in prestigious indices such as the Nifty 500, BSE 500, Nifty Digital Index, FTSE Russell and MSCI.

Share capital

The Company has only one class of shares – equity shares of par value of ₹1/- each. The authorized share capital of the Company is 20,00,00,000 equity shares. As on Dec 31, 2022, paid-up share capital was ₹ 136 million

Share buyback program

Third consecutive buyback announced by the Board of Directors and completed on January 11, 2023. The Company bought back 14,16,666 shares at ₹ 1,200 per share for an aggregate amount of ₹ 1,700 million through tender route mechanism.

Shareholder Ownership

As of Dec 31, 2022, Company has about 2,69,555 shareholders as compared to 90,895 shareholders as on Dec 31, 2021. Promoters and employees hold 49% of the total equity.

Movement in shareholder pattern for last five quarters:

Shareholder category	31-Dec-21	31-Mar-22	30-June-22	30-Sep-22	31-Dec 2022
Promoters	43.7%	43.7%	43.7%	43.7%	43.7%
Employees	6.0%	5.6%	5.5%	5.3%	5.3%
Retail	32.2%	32.4%	32.6%	36.0%	36.9%
FII	15.3%	15.3%	15.4%	14.8%	14.0%
DII	2.80%	3.0%	2.8%	0.17%	0.08%
Total	100%	100%	100%	100%	100%

Key Policies

Basis for preparation of financial statements

The Consolidated financial statements of the Group have been prepared in accordance with Indian Accounting Standards ("Ind AS") as notified under Section 133 of the Companies Act, 2013 (the "Act") read with Rule 3 of the Companies (Indian Accounting Standards) Rules 2015 as amended, issued by Ministry of Corporate Affairs ("MCA"). Accounting policies have been consistently applied to all the years presented except where a newly issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use

Revenue recognition

Revenues are derived from our Enterprise and Platform business. Revenues from Enterprises are computed based on total transactions processed through our platforms at an agreed price per transaction. Platform revenues are computed by way of revenue share measured as a rate applicable to transaction processed on mobile carrier's network. Revenue is recognized upon provision of service to customers that reflects the consideration we expect to receive in exchange for those service.

Depreciation and Amortization

Fixed assets including IT assets are depreciated over their estimated useful lives using the straight-line method. Intangible assets created at time of acquisition based on purchase price allocation methodology. Intangible assets are amortised over their estimated useful lives using the straight-line method. Right-of-use asset represents leased assets (leased office space) and is depreciated over their useful life.

Capitalization of Platform cost: Research and development cost are aimed at developing new and innovative products, expanding features for our existing platforms and products. Development cost comprises of third-party product development and other direct related cost associated with it. Development cost incurred are capitalized on product go-live. Internal cost which are revenue in nature are not capitalized.

Provision for bad and doubtful debts

The provision for bad and doubtful debt policy is a norm-based policy approved by the Audit Committee Debtors are assessed at end of each reporting period and provided for based on the policy, 50%- debtor aged between 180-270 days and 100% for greater than 270 days for Enterprise customers and 100% for greater than 365 days for PSU and government. Provisions created shall be higher of Expected Credit Loss (ECL) or provision determined by the policy.

Investment policy

Investments can be in form of liquid funds- fixed deposits/term deposits with banks, housing finance companies and saving scheme/ securities/bonds issued by the central government which is approved by the Audit Committee. Investments are mainly in Fixed deposits with banks and housing finance companies having a credit rating of "AAA". Instruments with this rating are considered to have the highest degree of safety regarding timely servicing of financial obligations. Such instruments carry lowest credit risk.

Dividend policy

The dividend policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining funds for longer term sustainable growth of the Company. The Company would maintain a total dividend pay-out of 30% of the annual Consolidated Profits after Tax (PAT) of the Company. PAT means Profit after tax as per the audited consolidated P&L financials and available as distributable surplus to the shareholders.

Governance policies:

Code of Conduct:

Tanla is committed to follow the best business, commercial and legal practices. The Code of Conduct is intended to guide the Board in implementation of the code. The code is applicable to all employees of Tanla including the Directors of Tanla and its subsidiaries.

Supplier code of conduct:

We believe in conducting business with ethics and integrity, treating all people with dignity and respect, supporting our communities, and honoring the laws & regulations of the countries in which we operate. We will endeavor to choose reputable business partners who conduct their business in a manner that shows high ethical standards, safe and healthy work environments, protection of human rights and dignity, protection of environment and compliance with the law. The SCoC outlines our expectations regarding the workplace standards and the business practices of our suppliers and those in their supply chain.

Whistle Blower Policy:

This policy is formulated with a view to provide a mechanism for employees to report to the management instances of unethical behaviour, actual or suspected fraud or violation of the company's code of conduct.

Code for Insider Trading:

The Code prescribes the Internal Procedures and Conduct for Regulating, Monitoring and Reporting of trading by insiders of the Company.

The trading window shall be closed from 1st of month of every quarter till 48 hours after the declaration of the financial results. The Trading window will be closed from 1st March, 1st June, 1st September, 1st December until 48 hours after the declaration of financial results of the Company for the respective quarter.

Risk Management policy:

The Company is affected by general economic, financial, and regulatory developments at the domestic and international level. We have in place a structure, procedures, and control systems to detect & identify risks and implement appropriate measures to mitigate and prevent them.

Related Party Transaction Policy:

Related party transactions are subject to the Audit Committee's approval. As required by the applicable Regulations, all related party transactions are reported on a half-yearly basis to the Stock Exchanges. Our related party transactions are limited to inter-company transactions.

Environmental policy

We endeavour to reduce the impact of our operations and business activities on the environment while influencing the people in our value chain as well as our social interactions to follow the path of environmentally sustainable living.

Definitions

Platform business

Platform business refers to revenue generated from “Platform as a service offering”, where only cloud and hosting are a charge on revenue.

Enterprise business

Enterprise business refers to revenue generated based on total transactions processed at an agreed price per transaction, through multiple channels like SMS, emails, WhatsApp and others. Cost of services for enterprise business mainly consist of transaction fee paid to mobile carriers and other suppliers.

Gross profit

Revenue less cost of services. Cost of services comprises of service transaction fee paid to mobile carriers and other suppliers.

Gross margin

The gross margin reflects percentage of revenue less cost of services.

Sales and marketing expense

Sales and marketing expenses comprise of employee cost and expenses directly associated with sales, marketing, and promotional activities.

General and administrative expense

General and administration expenses comprise of employee cost (excluding the salary forming part of S&M), cloud and data center hosting charges, and expenses incurred for day-to-day operations such as rent of facilities, office maintenance, professional fee, and other general expenses.

EBITDA

Earnings before interest, taxes, depreciation, and amortization reflects profit derived based on revenue less of operating expenses. It is reflection of profitability of operating business.

Adjusted EBITDA

Adjusted EBITDA excludes one-time expenses such as one time acquisition, buy back, ESPS and other event related costs.

Operating cash flow

Operating cash flow is a measure of amount of cash generated from business operations.

Free cash flow

Free cash flow is derived by reducing capital expenditure from operating cash flow. It measures how much cash is at disposal after covering cost associated with business operations.

Return on capital employed (ROCE)

ROCE including CCE:

EBIT divided by capital employed. Capital employed is derived by reducing current liabilities from total assets.

ROCE excluding CCE:

EBIT divided by capital employed. Cash and cash equivalents (CCE) are not considered while computing capital employed.

Rule of 40

Rule of 40 metric is used to measure performance of SaaS companies. This metric which is a summation of Revenue growth and EBITDA margin is expected to be at or above 40%.

New customer

New customers include every unique new contracting entity added in the year.

Customer segments

Customer segments are arrived at on a quarterly annualized basis (quarter revenue multiplied by four)

About Tanla:

Tanla Platforms Limited transforms the way the world collaborates and communicates through innovative CPaaS solutions. Founded in 1999, it was the first company to develop and deploy A2P SMSC in India. Today, as one of the world's largest CPaaS players, it processes more than 800 billion interactions annually and about 63% of India's A2P SMS traffic is processed through Trubloq, making it the world's largest Blockchain use case. Wisely, our patented enterprise grade platform offers private, secure, and trusted experiences for enterprises and mobile carriers. Tanla Platforms Limited is headquartered in Hyderabad. Tanla is listed on two national exchanges, the NSE and BSE, and included in prestigious indices such as the Nifty 500, BSE 500, Nifty Digital Index, FTSE Russell and MSCI.

Guidance

Tanla does not provide any guidance.

ESG

The purpose of our ESG is to build solutions & services which offer security & transparency, earning the trust of customers, investors and governments while acting responsibly towards employees and communities. We envision in building a resilient organisation that engages with the customers, suppliers, and employees to provide an unparalleled global communications platform while being steadfast to ethics and integrity that result in a better future and a committed triple bottom line of People Planet and Profit. To build strong ESG principles and process a wide range of initiatives are being implemented under ESG- achieving net zero neutrality by 2025.

Forward-looking statements

This document might contain statements that are forward looking in nature. All statements other than statements

Board of Directors

Mr. Uday Reddy
Founder Chairman & CEO

Ms. Amrita Gangotra
Independent Director
Ex CTIO -Vodafone

Mr. Rahul Khanna
Independent Director
Chief Investment officer
Habrok Capital Management LLP

Mr. Rohit Bhasin
Independent Director
Ex-Partner - PWC India

Mr. Sanjay Kapoor
Non-Executive Director
Ex CEO - Airtel

Mr. Deepak Goyal
Executive Director

Auditors

Statutory Auditor
M/s. MSKA & Associates
Amit Agarwal - Partner

Internal Auditor
Deloitte Touche Tohmatsu India LLP
Vishal Shah - Partner

GST Auditor
M/s. MSKA & Associates
Rajitha Boorugu - Partner

Consultants

Process consultants
KPMG in India
Purushothaman KG - Partner
Amit Jain - Director

Tax consultants
PWC in India
Amit Jain - Partner

ESG consultants
PWC in India
Hemal Uchat-Partner

of historical fact could be deemed as forward-looking in nature. Such statements are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. By receiving this document, you acknowledge that you will be solely responsible for your own assessment of the market and our market position and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of our business.

Certification

The CEO and CFO certify that financial results do not contain any false or misleading statements or figures and do not omit any material fact which may make the statements or figures contained therein misleading.

Headquarters

Tanla Technology Centre,
Hi-Tech City Road, Madhapur,
Hyderabad – 500 081,
Telangana, India.
CIN: L72200TG1995PLC021262
www.tanla.com

For additional information, please contact:

Ritu Mehta
Investor Relations
ritu.mehta@tanla.com

Aravind Viswanathan
Chief Financial Officer