



“Tanla Solutions Q2 FY 2017
Results Conference Call”

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ANALYST: **MR. ANKIT TIKMANY - IIFL WEALTH AND ASSET MANAGEMENT**

MANAGEMENT: **MR. UDAY REDDY - CHAIRMAN AND MANAGING DIRECTOR – TANLA SOLUTIONS**
MR. GAUTAM SABHARWAL - DIRECTOR, GLOBAL BUSINESS DEVELOPMENT - TANLA SOLUTIONS
MR. G.K. SRINIVAS – CFO - TANLA SOLUTIONS
MRS. SESHANURADHA CHAVA – AVP- LEGAL AND COMPANY SECRETARY - TANLA SOLUTIONS

Moderator: Ladies and gentlemen good day and welcome to Tanla Solutions Q2 FY2017 Results Conference Call, hosted by IIFL Wealth and Asset Management. As a reminder all the 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 an operator by pressing “*” and “0” on your touchtone telephone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Ankit Tikmany from IIFL Wealth and Asset Management. Thank you and over to you Sir!

Ankit Tikmany: Thank you all. Good evening to all participants and I would thank the management of Tanla Solutions for taking out time today for today’s concall and discuss company’s business strategy and outlook post the declaration of the Q2 FY2017 Results. I would also like to thank the participants for taking time to join in. I would like to hand over the floor to Mr. Uday Reddy who is the Chairman and Managing Director. The other management team members in this call includes Mr. G.K. Srinivas, who is the CFO, Mr. Gautam Sabharwal, who is the Director, Global Business Development, and Mrs. Seshanuradha Chava, who is the Legal and Company Secretary. I would now hand over the floor to Mr. Uday. Thank you and over to you Sir!

Uday Reddy: Ankit, thank you very much and I would like to thank all the participants. I think this is our first investor call of probably after a break of eight years and as promised in the AGM we are here and we would like to continue this investor call after every quarterly result. So for the benefit of all the participants here I would like to give a quick update about what Tanla is all about. We have predominantly in telecommunication space so we have two verticals, which is one is A2P messaging and the second one is mobile payment.

In terms of A2P messaging as everyone knows we are the global leaders in terms of volume that we handle every month, we handle upward of 6 billion messages and we are predominantly in India in terms of A2P messaging, but in terms of mobile payments we are predominantly outside India. I am sure each one of you have got a chance to go through the investors update, but I would like to read out couple of numbers here. In terms of the breakup so we have grown from 98 Crores to 135 Crores in terms of top-line and in terms of the gross margin we have grown from 17.2 to 20.3 Crores. So in terms of EBITDA we have grown from 11.1 to 13.7 Crores effectively our gross margin last quarter was I am talking about only business gross margin here, we were around 17% and in terms of EBITDA we were around 11% but in Q2 it is the gross margin has come down to 14% and the EBITDA has come down to 9% I will also give you reasons why the both gross margin and EBITDA have come down.

In terms of verticals, in terms of messaging like messaging we have grown from 92 Crores we have clocked 92 Crores in quarter one but we have grown to 123 Crores in quarter two. In terms of mobile payments we have grown from 3.7 to 6.5 Crores this quarter, which is almost 77% growth in quarter two. So in terms of a geographic mix we were doing at 91% in domestic and 9% of revenues were coming from rest of the world in the quarter one, but in quarter two, we were doing around 9% from rest of the world that we have gone up to 14%.

In terms of domestic market it has come down to 86% from 91%. So there is a bit of change in the mix between the geographies these are all about numbers. In terms of business updates we have closed two large deals in this quarter and one is with one of the mobile telcos where we are going to deploy SMSC and so we are going to start the deployment very soon probably next one week time and we will be tracking the revenues in the next probably from November 15th that is what we are estimating at. So the value of that if you look at the potential of deployment is in terms of the topline it is going to be 100 Crores per annum. It is a big deal and so we have been persuading this deal for the last one year so we kind closed the agreement last week and so the potential size I have just said earlier it is around 100 Crores in terms of revenues but in terms of probably the EBITDA it may be around 8 Crores per annum. By end of March this year we should able to clock the full potential per month and from April 1st next year we will go full blown that means effectively next year, the 100% of potential revenues are going to come from these deployment.

The second deployment what we announced yesterday in fact it was due to go live last month but because got a technical glitches from our partner side we could not go live in last month September. We went live yesterday and again the potential value of this deal is around in fact before I say the numbers we have now gone live full blown on this product yesterday and will be one of the features have gone live because other features are not ready from our partner side. That will go live by end of March this year but potential size of this feature that we went through the market yesterday is around 60 Crores topline full one year, but in terms of EBITDA it is upwards of around 16, 17 Crores we are expecting only from this deployment with one feature live. So these are two deployments will be closed last month and we have been following as I told you earlier almost it took almost one year for before we closed both the deals and in terms of the guidance we already shared the guidance with all of you we are pretty confident that we can achieve these numbers and we should able to share the guidance for the next year by the end of this coming March.

We are pretty confident that we will achieve these numbers what we shared and our top priority is now is to improve both gross margin as well as EBITDA. We were around I think around in terms of 14% in terms of gross margin and in terms of EBITDA it is only 9%. I am talking about business revenues. Our priority for the next 12 months is to improve both in terms of gross margins as well as EBITDA. So for which we are looking for two more deployments in the next six months other than what we have already declared last quarter and our visibility towards the new deployments is almost 60% to 70% that as and when we did not need deployments definitely we will update you we will announce to the market but in terms of this year numbers we are pretty confident that whatever we shared we will minimum achieve all these numbers; Ankit that is it from my side and I more than happy to answer any questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. We have our first question from the line of Mr. Lalit Kumar.

Lalit Kumar: Of the total year guidance which you have given which is roughly supposed to be about 510 to 532 can you give more light on the 100 Crores project, which

you have bagged and the set of kind of perpetual contract or a onetime implementation stuff which you are targeting this?

Uday Reddy: All the projects in fact are perpetual in the sense like we work on the revenue share basis so 100 Crores that I am talking about is per annum so this is a long-term contract and we work on the initiatives.

Lalit Kumar: And in this year how much of this will be recognized?

Uday Reddy: See by the time we deploy this product which will be around 15th November and probably by end of March we should be able to book around 8 to 10 Crores per month so it would answer the question like it is not more than probably 10 to 12 Crores.

Lalit Kumar: Can you throw some light on number of employees on the attrition rate please?

Uday Reddy: Number of employees?

Lalit Kumar: Attrition rate.

Uday Reddy: We have around 103 people on our payroll and attritions are as low as 6%.

Lalit Kumar: Perfect! Thank you. Congrats for the fantastic quarter.

Moderator: We have our next question from the line of Devendra Thakur from KDI Advisors. Please go ahead.

Devendra Thakur: Sir at the outset let me congratulate the chairman and the team for the extraordinary results. My specific question is with respect to the fixed assets, which include capital work-in-progress. So I just want to know how much is the capital work-in-progress in the fixed assets?

Uday Reddy: Mr. Devendra thank you very much for congratulating us and in terms of so if you look at our March 2016 the capital work-in-progress was at Rs.502 Crores. On September 30, 2016 it has come down to 400 Crores effectively we have capitalized 100 Crores this quarter.

Devendra Thakur: Sir when will this capital work-in-progress be capitalized?

Uday Reddy: See the way we work, Mr. Devendra is like as and when we have the deployment contracts with the mobile carriers we will go for deployment as and when we start commercializing the product we will capitalize the product, capitalize the assets like. So since now we have got all the assets under parent company we are lining up a lot of deployments very soon and then we should be able to push the assets as and it is possible to capex.

Devendra Thakur: So when the deployment will be there that time you will be capitalizing or when you complete the total acquisition of all assets intangible or movable you will capitalize it?

- Uday Reddy:** No till the time unless until the assets are put to the use we do not capitalize.
- Devendra Thakur:** No assets put to use, that only depreciation is applicable if you put to use otherwise once you complete the tangible asset acquisition and the intangible assets whatever they have to be capitalized because only when you use the depreciation will be there and next question is about is there any impairment in this or everything is good?
- Uday Reddy:** No there is no impairment.
- Devendra Thakur:** Okay that means this around 500 Crores capital work-in-progress they are all intangibles or it includes movables also?
- G.K. Srinivas:** This is G.K. Srinivas, CFO. The capital work-in-progress basically includes software development kits, stacks and other software platforms that we use for deployments. The depreciation of these will happen only when it is capitalized and the deployment will happen as and when a new product or a new vertical is opened up. Once a new product is opened there is a deployment software will be deployed with the project and then the depreciation starts for that.
- Devendra Thakur:** So this entire capital work-in-progress is intangible?
- G.K. Srinivas:** It is predominantly intangible it is in the form of software development kits predominantly intangible.
- Devendra Thakur:** How much is a percentage of movables?
- G.K. Srinivas:** Movable are there that are around 10% of the total.
- Devendra Thakur:** Otherwise the rest is all intangibles?
- G.K. Srinivas:** Exactly.
- Devendra Thakur:** And these intangibles are developed in house only?
- G.K. Srinivas:** We buy software development kits and then develop the programs using that, software platforms are developed using the software development kits.
- Devendra Thakur:** So in short the entire capital work-in-progress, which has not been capitalized, is totally good no provision for write-off is necessary?
- G.K. Srinivas:** No.
- Devendra Thakur:** Thank you.
- Moderator:** Thank you. We have our next question from the line of Mr. Prabhakar Reddy who is an Investor. Please go ahead.
- Prabhakar Reddy:** I am an ordinary investor from Nellore. Just I got a question regarding dividend because of the progress in software company's everybody's seems happy so I am

happy. Last time your dividend payout is very, very less when are you going to pay the respectable dividend out 25% of EPS as a dividend that is my question?

Uday Reddy: Can you please repeat Sir I did not get that last one.

Prabhakar Reddy: When are you going to pay 25% of EPS as dividend?

Uday Reddy: Since we have not discussed on the board yet.

Prabhakar Reddy: Sir please give me a direct reply not ambiguous circumvent reply Sir.

Uday Reddy: I am giving you direct reply Sir we have not discussed in the board meeting yet as and when we finalize and discuss we will inform the shareholder.

Prabhakar Reddy: Okay, Thank you.

Moderator: Thank you. We have our next question from the line of Mr. Ritesh Vora from Incido. Please go ahead.

Ritesh Vora: Sir what exactly we do as a messaging application means can you just briefly describe what exactly we do in that business?

Uday Reddy: Mr. Ritesh it is a good question. What happens is in the messaging space for example if you look at your if any of us check our mobile phone inbox in mobile phone, you see lot of messages coming from banks it could be Flipkart, it could be from the Government of India, it could be from tax authority. Nowadays I do not think any of your friends or your family are sending any message to you in the sense you are using WhatsApp. So that is called peer-to-peer messaging, you text to me, I text to you of course peer-to-peer messaging. So any alerts that comes on your mobile phone that is called application-to-peer messages. For example, if you go and withdraw the money from ATM you get an alert on your mobile phone saying that you are trying to withdraw the money etc., or onetime password or a bank balance these are all alerts. So what we do in that environment is we have built a product called short message service center, but that is called SMSC so we build the product. The way we build is we buy a lot of hardware from the market and we build the software on top of the hardware and we go and deploy our products with our mobile carriers be it Airtel, be it Vodafone etc., that means we are part of the mobile carrier network. If anybody wants to connect or send any SMS to their users be it SBI, State Bank of India or Flipkart anybody they have to connect to our SMSC which are sitting as part of the mobile carrier. So SBI will send the message to us saying that this is my customer number. It is a message please go and deliver this message to our in turn and then we will take the message and we find the location we find different parameters then we go and deliver the message and we also get back as soon as the message is delivered we go back and inform the State Bank of India saying that this message is delivered to so and so customer, that is the core business. So the way it happens if State Bank of India pays the money to us we keep our revenue share we pay the remaining amount to mobile carrier like Vodafone that is how it works.

Ritesh Vora: And how much your share and how much Vodafone share?

- Uday Reddy:** I am not allowed to say all that in public because we have given a mandate to Vodafone but I can tell you that like we have share of 20%.
- Ritesh Vora:** 20% your share.
- Uday Reddy:** I am not referring to Vodafone deal but I am talking in generally.
- Ritesh Vora:** So you basically interface with SBI server and then get that data from their server throw the data to the user collect it and again throw back to it the SBI. So some sort of an interface with the banking system server is that the right way to put it.
- Uday Reddy:** 100% yes absolutely right.
- Ritesh Vora:** So how dependable this business is supposing SBI wants to move to any other provider what kind of arrangement do you have it is a long-term contract or what kind of what is your key competitive strength?
- Uday Reddy:** That is again a good question, Mr. Ritesh and the way it was seen SBI may have more than one vender like Tanla then your question is why should SBI should give the traffic to us why not to XYZ so we have different parameters and almost minute by minute. For example if I have to deliver the message within five seconds. If I do not deliver in five seconds SBI will not be happy. The next message may go to some of my other competitors but having said that we process 70% of India A2P messaging market and 100% of our OTP one time password you always get one time password whenever you as for, you go to the ATM they will ask for one time password they are all time sensitive messages. And all the messages from all the banks, Flipkart everybody even then the Government of India they go through our platform.
- Ritesh Vora:** 100% is it?
- Uday Reddy:** Yes.
- Ritesh Vora:** So who is the client there because there are different agencies like there are several banks there are several carriers so when you say 100% of your OTP message goes through your platform is all our client is exclusively with us all the banks out of India as well as the carrier?
- UDAY Reddy:** When I said 100% right it could be 5% here or there, but I am talking generalized the way I said was like I am talking of one time password notification. State Bank of India may send other than OTP messages like there your bank balance, cheque is credited; bank balance is so and so etc. It is different to the quality of services that Tanla offers to our customers. Onetime passwords, which are otherwise, time sensitive messages, go through us. For example your credit balance will be delivered in one minute does not really matter they are not time sensitive they are delivery sensitive. So it may go to anybody else it does not it come to Tanla so because there are not time sensitive.
- Ritesh Vora:** But is it the case for even ICICI Bank, HDFC Bank or it is only SBI Bank?
- UDAY Reddy:** No I am just giving illustration. I am giving only illustration that is all.

- Ritesh Vora:** So majority of banks are with you on this OTP password?
- UDAY Reddy:** Most of the banks, yes.
- Ritesh Vora:** Sir second question I have with respect to we have a very large fixed assets as well as we have large depreciation also so can you explain what is this fixed asset and what is the depreciation is all about?
- Uday Reddy:** As we announced to the market like the depreciation will be around 20 Crores this year so that is what we have explained in the earlier call so as like in Tanla has got the history in the sense like we have various subsidiaries outside India, we have subsidiaries from Singapore, Dubai, Finland, UK, South Africa and US and we are into different activities of lines of business line, that is why we end up buying lot of assets, lot of software's, lot of databases. So what we decided these to consolidate it in one place and offer the services on the same platform.
- Ritesh Vora:** Sir my question was as for your last year March 2016 your gross plant and equipment of 600 Crores the estimated depreciation of 193 Crores so what is this as basically the software's consist of what 600 Crores asset this is a computer system and software?
- Uday Reddy:** Yes that is what we explained in the earlier call it is a combination of software and hardware.
- Ritesh Vora:** Thank you very much Sir.
- Moderator:** Thank you. We have our next question from the line of Rahul Jain who is a Private Investor. Please go ahead.
- Rahul Jain:** Congratulations on a good setoff numbers. Sir I have two questions; first one is like are we looking for dilution of equity and my second question would be can you throw some light on the competition intensity in the market you cater to?
- Uday Reddy:** The first question is big no. We do not have any intention or plans to dilute in the near future, absolutely no plans at all. And in terms of competition like of course we have a lot of competitors like mainly some global companies but we are the market leaders undoubtedly in India.
- Rahul Jain:** So Sir what would be the market share in India?
- Uday Reddy:** In terms of A2P messaging we have upwards of around 65% to 70% overall.
- Rahul Jain:** Sir can you just give the names of the key competitors you have in the market?
- Uday Reddy:** Rather I would like to avoid giving the names here, but you could always write to investor section. Tanla will always be more than happy to help you to reach out.
- Rahul Jain:** Thank you Sir. That is it from my side.

Moderator: Thank you. We have our next question from the line of Arun Devaraj an Individual Investor. Please go ahead.

Arun Devaraj: First of all congrats for the fantastic results and I do have few questions. One is do you foresee any change in most of receiving onetime passwords like mobile as well as emails in certain foreign countries have two options like receiving onetime passwords like mobile and email as well so right now I think we are receiving in India so right now we are receiving onetime passwords through mobile so in future so whether they can opt receiving onetime passwords through email as well so this is my first question?

Uday Reddy: Mr. Arun it is very good question. The way I see is like even in India onetime passwords are being shared with the user two different channels of communication there. One way to look at this SMS, the second one is email and third one is voice and in future they may add in Whatsapp also so they would like to have as many channels as possible in the market because this communication is not expensive but OTPs being very time sensitive they would like to use different channels to reach out to the users. So I do not see any issue over there. Have I answered your question?

Arun Devaraj: Yes say for example if some people are opting for receiving onetime password through email so in that case the processing of messages will get decreased so that was my question so say for example?

Gautam Sabharwal: Mr. Devaraj, I just add to that see we provide onetime passwords whether they delivered by email or by voice it is a time sensitive message so usually what tends to happen SMS being a big channel that is usually the first point that everybody tries to deliver onetime password if for some reason you are out of coverage area then they send an email or they send a voice call so the way we have designed our system and going forward as you know one of the announcements that we made just a couple of days ago where we went live with our new cloud communications platform that is designed not only to deal with SMS but also to deal with voice so what could happen in the future is if the onetime password is not delivered by SMS the first time we would well try the user by voice or by email or by other channels as well , it is not purely about delivering an SMS it is more about delivering that piece of communication of that password by whatever channel. Is that clear?

Arun Devaraj: One more thing Sir, how does the international business works here so like Singapore hub so I can see one more thing like contract to signed with LinkedIn so what are these things. So like it was as same as domestic market internationally also or Tanla is trying to grab international market share as well?

Gautam Sabharwal: There are two things when we are talking about Singapore hub we talk primarily about what is called ILD messaging into India so basically ILD messaging is internationally originated message coming from application sitting outside India into India. For example Facebook is the biggest generator or LinkedIn as we said, our social networks so the applications are sitting somewhere servers are sitting in San Francisco and they after deliver messages to the millions of Indian users on their platform. So what would happen in that case is the message originated in San Francisco and then TRAI has implemented certain rules and regulations

a certain routes that this kind of message has to follow. For that we have set up this infrastructure specifically in Singapore. Now 70% of all internationally originated messages that come into India come through our Singapore platform as we have stand today. In Q2 the Singapore platform processed around 1.2 billion messages and gets generated upwards of 8 Crores in revenue.

- Arun Devaraj:** Okay, sounds good. Thank you very much.
- Moderator:** Thank you. We have our next question from the line of Neerav Ganga and Individual Investor. Please go ahead.
- Neerav Ganga:** Congratulations Sir on good governance policies and other that you are all doing. I have a couple of questions. The first question is that you said that your revenues in the Vodafone messaging kind of app the A2P messaging is around 20% so do we book gross 100% and show expenses 80% and the net profit of 20% or only in the revenues the 20% issued directly?
- Uday Reddy:** We always book the gross revenues and remaining whatever we are supposed to pay to the operator that goes as a cost of sales.
- Neerav Ganga:** No problem, and second is that you said that gross margins and EBITDA margins have declined from the last quarter and in the going future you are saying that you want to increase this margins and you said that this 100 Crores contract is at 8% EBITDA margins which is lower than the current quarter. So how do you plan to increase the margins?
- Uday Reddy:** That is again very good question in the sense like if you look at this market A2P messaging market the way it works for example I have the deployment with Vodafone as we speak so whenever somebody sends a message to the user that users can be with the Vodafone or can be with the Airtel for example if the message goes and lands on to the Vodafone user my margins are upwards to 20% gross margins. If this same message lands on to Airtel user through Vodafone network my margins are very thin. The reason being that is off net for us. In the sense like Vodafone has to pay to Airtel towards interconnect charges so our revenue shares with Vodafone is only after paying the interconnect charges to Airtel. So to answer your second question how to improve the margins is to have deployment even with Airtel. So that becomes more of on net game rather than off net game so that is where we are going to confident in the next eight to nine months.
- Neerav Ganga:** Okay.. Thank you.
- Moderator:** Thank you. We have our next question from the line of Ankur Munjal he is an Individual Investor. Please go ahead.
- Ankur Munjal:** Good evening Mr. Reddy. Congratulations to the entire team of Tanla for delivering excellent set of numbers. My question is can you throw some light in regard to the top-line and the bottomline for the current financial year?
- Uday Reddy:** Mr. Ankur, thank you very much for congratulating us but we have already shared the numbers in the investors update which is topline is around between

510 Crores to 530 Crores and EBITDA will be around 57 Crores to 61 Crores and the PAT will be around anywhere between 30 to 35 Crores.

- Ankur Munjal:** Alright Sir, that is it. Thank you so much and wish you all the best for future.
- Moderator:** Thank you. We have our next question from the line of Mr. Pranav Gulani. Please go ahead.
- Pranav Gulani:** My question is like we have tie-up with Vodafone only or any other carrier or an operator for the SMS?
- Uday Reddy:** In India, we work predominant with Vodafone to start with but as I told you in my earlier call like we have won one more deal which we are going to announce once we complete the deployment, we are going to share the name in the next quarterly call.
- Pranav Gulani:** The reason for asking this question is at any point of time say for example Vodafone is not providing services or may be Vodafone increases the rate then our margin could decrease to a great extent. So do we have any alternate arrangement for this or this is an exclusive tie-up with Vodafone?
- Uday Reddy:** See as I told you there our strategy is to concentrate on the strategy to have more deployment in the Indian telcos that is what we have been working for the last eight to nine months and we are very close to a couple of large deals but we will definitely inform you as and when we impose these deals.
- Pranav Gulani:** As of now we are working with Vodafone only right?
- Uday Reddy:** No no. Mr. Pranav I did not say that, we have our deployment for Vodafone but we work with Idea, we work with Airtel, we work with BSNL, we work with Aircel, we work with Reliance, we work with all Telcos in India.
- Pranav Gulani:** Ok. So I guess maximum as you have mentioned earlier also the maximum share would be through Vodafone?
- Uday Reddy:** Yes.
- Pranav Gulani:** Thank you Sir.
- Moderator:** Thank you. We have our next question from the line of Mr. Anil Jeswani from Stallion Assets. Please go ahead.
- Anil Keswani:** Hi sir, congratulations on a great quarter. I joined the conference a little late so this question might be repeated but on the fixed asset side Sir we hold 555 Crores worth of fixed assets could you give some light on that?
- Uday Reddy:** Out of 500 Crores we have already capitalized 100 Crores this quarter and still for course is work-in-progress we will push these products to the work-in-progress assets to the capital assets as and when we deploy the product.

Anil Keswani: So Sir what kind of assets is there are these technology investments that you have made for this product?

Uday Reddy: What happens is see we are in the lines of telecommunication line in the sense like for us to communicate with any telco infrastructure, I have to build the infrastructure in such a way that is like our product communicate with the telco environment for which I have to buy hardware's in terms of the servers, I also have to buy the stacks that they called stacks and we have to write lot of software onto the a bit of stacks and we also have to buy the lot of other software like for CRM software, we have to buy lot of databases so with all these things we will go and deploy with our products with mobile carrier side.

Anil Keswani: So all these assets were broadly created between 2010 and 2013 am I right.

Uday Reddy: No they have been created from 2007 onwards.

Anil Keswani: So these assets are basically now they are use, you are using these assets right?

Uday Reddy: No 100 Crores has been capitalized last quarter. There is still 400 Crores of work-in-progress and in fact this is a very good question, Let me clarify once again in fact these are all existing assets and in future it gives an great opportunity for us to use their assets for our future deployment and for example this year we have spend only 2.2 Crores from our internal accruals to buy the software so we have been using the only existing hardware even in the next six months I do not think we are going to spend anything more than 1 Crore though we have budgeted 5 Crores for this year next year also I think we will have the same story we do not have any intention or we do not have any need for us to invest any money from our internal accruals going forward. So in other words we are going to use the same assets for the next one or two year's deployment.

Anil Keswani: Sir my next question is what percentage of these assets are tangible because I believe most of them are intangible assets right?

Uday Reddy: Yes, around 90:10, 10 are tangible and 90 are intangible.

Anil Keswani: Ok, now I understand. Thank you so much.

Moderator: Thank you. We have our next question from the line of Mr. Gautam Shukla he is an Investor. Please go ahead.

Gautam Shukla: Congratulations for a good set of numbers. What I would like to know in the world of disruptive technologies I think since we are concentrating more on telecommunication area what you see in the long-term future of the current technologies, which have been used by us and do you foresee any invest in the near future and if at all what is the kind of risk hedging you are doing to prevent that happen?

Uday Reddy: Mr. Gautam like this technology is also fast moving. There are no two ways about it, but we have been in the business for last more than 15 years so we are going along with the newer technologies whenever we see the change in technologies right from 2G to 3G, 3G to 4G now we are talking 5G and now look

at the Jio so they are all new technologies we always work along with the telco protocols so we always one of the first companies to deploy our products in newer technologies. So we are always go and work with any telco, which is offering newer technologies.

Gautam Shukla: Is there any kind of risk going forward in future which we anticipate and if at all then what is the kind of risk hedging?

Uday Reddy: Absolutely no risk for example if you look at Vodafone they bought in \$7 billion last quarter to upgrade their network and we also work closely with networks to understand their future plans so we will be fully geared up and we do not see any threat.

Gautam Shukla: So what is the kind of projections you have for future years to come the kind of growth you are anticipate?

Uday Reddy: As I told earlier in the last 10, 15 minutes like we are more than happy to share the guidance for the next year sometime by end of coming March.

Gautam Shukla: Thank you.

Moderator: Thank you. We have our next question from the line of Mr. Ritesh Vora from Incido. Please go ahead.

Ritesh Vohra: My question was with respect to previous question also about the capital work-in-progress and the tangible asset so on. What kind of life you are saying that 400 Crores is still to be moved to tangible asset so what is the life of this asset which we have is it to be a fast what kind of depreciation rate which will be apply once we transfer to a tangible asset?

Uday Reddy: It all depends Mr. Ritesh like we normally depreciate over a period of six years once we deploy the assets we normally depreciate over a period of six years. So as I told you earlier like we have capitalized 100 Crores of assets last quarter because we have upgraded our hub in Singapore we went live on voice yesterday for which we used all these assets so which we will be normally depreciate over a period of six years time.

Ritesh Vohra: So is it fair to assume that suppose are you planning all 400 Crores to be capitalized this year or it will move?

Uday Reddy: No.

Ritesh Vohra: So how it will be capitalized sir every year there is a lot of capital work-in-progress so you keep on adding every year this kind of capital assets every year to move that because in 2015 it was 280 Crores in 2016 it is 360 Crores 800 Crores of capital work-in-progress every time you do it or how this work goes?

Uday Reddy: Mr. Ritesh, if you look at the assets in the balance sheet be it computers, and software's and buildings and furniture and cash flow work-in-progress, if we add up all these assets so the total asset like they have not gone up and work-in-progress it will not go up further from here it will come down and as I told you

earlier, we do not have any intention to spend any money on any of the assets going forward we just spent only 2.2 Crores this year, we may spend other 1 Crore in the next six months, next year also we are expecting around 4 to 5 Crores that is the maximum utilization. So we are not going to add anything for work-in-progress or any other assets. So as I told you earlier we are going to use the current assets for our newer deployments.

Ritesh Vohra: Let me hold you over there Sir you said that you do not want to add any capex in a new asset right but we already have as per the last balance sheet we have already 362 Crores of capital work-in-progress if we are stopping a new capital capex will all this 362 capital work-in-progress when it will get deployed it is in six months one year time when it will come into tangible assets?

Uday Reddy: That is why I told you Mr. Ritesh what I am saying is we have capitalized 100 Crores last quarter as and when we win the new deployment, we will use these assets partially some of the added for a new deployment line. So from that time onwards, we will depreciate over the next six months and to answer your question I do not have any view when I am going to deploy these products unless and until we win that unless and until I close the contract mobile carrier I do not have any visibility when I am going to deploy these products.

Ritesh Vohra: Is it hardware the 362 work in progress asset is it the hardware or is it software developed by yourself over the years what is it contained actually?

G.K. Srinivas: It is a combination of software and hardware.

Ritesh Vohra: Ok, alright sir, Thank you.

Moderator: Thank you. We have our next question from the line of Mr. Vishwanath Swamy an Individual Investor. Please go ahead.

Vishwanath Swamy: I am speaking from Bangalore. By any standard Q2 results is fantastic for that I congratulate Mr. Uday Kumar Reddy and entire team. Mine is not a technical question it is just a commonsense question. As a shareholder, I feel the visibility of Tanla should be increased in the market for that various market intermediaries should be involved in that direction what the company is doing?

Uday Reddy: Mr. Vishwanath, we have been using for social media very aggressively in the last eight to nine months and we urged all the shareholders to subscribe to our channels and they were like they will get an update on whenever there is an update from Tanla so that is number one. Number two is definitely as you rightly said very good suggestion like we would like to come on TV, we would like to have a media coverage very soon so for which we have plans to have some PRs we are also talking to couple of PRs and that will be in place very soon.

Vishwanath Swamy: Well because soon means maybe by before the next Q2, Q3 results?

Uday Reddy: The social media has already started so that is already in action so the other one it could happen very soon yes.

Vishwanath Swamy: We will wait and see I hope so. Thank you.

Moderator: Thank you. We have our next question from the line of Mr. Amit Jeswani from Stallion Asset. Please go ahead.

Amit Jeswani: Sir this is second question that I wanted to ask about your depreciation as you said your life of intangible assets about six years so you will start depreciating this year so what kind of depreciation expectations we should have next year to be it for around 450 Crores of intangible assets broadly so does that means our depreciation rate will be somewhere around 70, 75 Crores for the intangibles next year?

Uday Reddy: Amit, all I said was we have capitalized 100 Crores last quarter and whenever we capitalized assets we depreciate over a period of six years so in other words next year's depreciation will not be more than 22 Crores.

Amit Jeswani: Why are we having so many asset, is there something that I am missing? we have a very nice product we have got great market share but I do not understand why we have 600 Crores of assets like 550 Crores of fixed assets. That is one thing which I cannot understand Sir. Is there investment we have done in the past to make this product because our ROE is very low, our ROE somewhere around 6%?

Uday Reddy: Amit, I think this is fourth or fifth time I have answering the same question again and again.

Amit Jeswani: I missed the first part.

Uday Reddy: No problem. I think this issue is that like it is something investors are bothering about these assets. Let me clarify. I am more than happy to answer your question. All I am trying to say is these assets have been built for probably last nine to ten years. As I told you earlier we have the subsidiaries outside India be it in Singapore, Dubai, US, UK and Finland also as everybody knows on the call like we used to have a company in Finland which we acquired from the Finland so what happened was in UK for example we used to have lot of revenues coming from UK, we used to have a lot of revenues coming from Finland so we used to have lot of deployments outside India from which we bought all these assets but what happened was when there is a change of regulation in UK and when Nokia was in trouble our revenues came down and we have withdrawn all the assets which were deployed with the various telcos and mobile handset manufactures. Meanwhile we also have billed lot of products thinking that we can add some more products with Blackberry, some more products with Nokia, some more products with mobile carriers globally. So change in regulations and problems with Blackberry and Nokia we pulled out we could not go ahead and deploy all these assets so we have been holding all the assets for quite some time but the good part of whole discussion was we can use all the assets for our new deployment so in other words we do not need to spend any money going forward on the new deployments.

Amit Jeswani: So we will have no impact on the cash flow I understand that.

Uday Reddy: Absolutely yes.

Amit Jeswani: Sir just one last question can we impair these things can you impair these intangibles going forward is there something that management thinking about it?

Uday Reddy: We did discuss in the board meeting we will also consulted our auditors and they said there is no need to do that because we got the permission from RBI to transfer the assets from subsidiary to our parent company so we valued all the assets so there is no reason for us to impair as on today.

Amit Jeswani: Thank you so much for your patient Sir. That is great numbers again.

Moderator: Thank you. As there are no further questions I would now like to hand the floor over to the management for closing comments.

Uday Reddy: Ankit would you like to take over from us.

Ankit Tikmany: That was a good concall I think you can proceed with the closing comments.

Uday Reddy: Thanks for all participants again and I would like to thank even India Infoline who has organized this call and see you in the next investor call. Thank you very much for being here.

Moderator: Thank you very much. Ladies and gentlemen on behalf of IIFL Wealth Management and Asset Management that concludes this conference for today. Thank you for joining us. You may now disconnect your lines.