



Tanla Solutions Ltd. acquires Karix Mobile for ₹ 340 Crore in a cash and stock transaction from GSO Capital Partners, a Blackstone Company: Combined entity to be India's leading Enterprise Cloud Communications Company¹

Hyderabad, August 20, 2018

Key highlights

- Tanla Solutions (NSE:TANLA, BSE:532790) today signed a definitive share purchase agreement to acquire 100% of Karix Mobile (formerly known as mGage India) and its wholly owned subsidiary Unicel from GSO Capital Partners, a Blackstone Company, at an enterprise value² of ₹ 340 Crore.
- GSO will receive a cash payment of ₹ 112 Crore. This will be funded from Tanla's internal accruals. Further GSO will be issued ₹ 125 Crore worth of Tanla stock at a price of ₹ 56.79 per Equity share. Tanla will take over a Debt of ₹ 103 Crore.
- On a fully diluted basis, GSO will own approximately 14.6% in Tanla, Promoters 30.6%, Employees 5.6% and Public shareholding 49.2% on completion of the acquisition. GSO will have an observer seat on Tanla's board.
- The Promoters have to subscribe to 7.9 Mn number of shares to retain their pre-acquisition shareholding of 30.6%. The agreed price for subscription to shares is ₹ 40, subject to SEBI (ICDR) regulations and approval of shareholders.
- GSO is entitled to pre-emptive rights³ in future allotment of capital, to enable GSO to avoid dilution.
- Karix Mobile an 18-year-old global brand, has offices in four major Indian cities with over 1500 enterprise clients globally, and a revenue of ₹ 540.2⁴ Crore in FY2018.
- With combined revenues⁵ of ₹ 1170 Crore in FY2018, Tanla will emerge as a leading cloud communications company in India providing formidable digital transformation strategies to its enterprise clients.
- Tanla expects cost synergies⁶ of approximately ₹ 15 Crore, over the next six quarters of operations.
- This acquisition is expected to close by October 2018 and is subject to approval from Tanla's Shareholders and regulators, if any.

1. Based on FY2018 Revenues and volume of transactions processed

2. Based on 8.67 times FY 2018 adjusted EBITDA of Karix

3. GSO's right to participate in future equity investment rounds in order to maintain its shareholding in Tanla

4. Based on audited financials for the FY2018

5. Based on audited financials for the FY2018 after eliminating inter-company transactions of ₹ 162 Cr

6. Savings on indirect expenses in combined operations

Uday Reddy, Tanla Solution's Chairman and Managing Director, said:

"Tanla is excited to be partnering with Blackstone as we continue to grow the company. Karix is an ideal strategic fit furthering our stated objective of adding diverse and high value customer base and business, capable technocrats and incremental financial scale. Our combined entity will unarguably be a CloudCommunications behemoth with innovation led offerings in the Digital space for our partners and clients alike."

Jason New, Senior Managing Director of Blackstone, said:

"We are delighted to realise part of our investment and look forward to supporting the company in its next phase of growth with Tanla."

Jay Sheth, CEO of Karix, said:

"We are very pleased with the announcement of this deal. "The combined strength of Karix and Tanla will afford our enterprise customers a single source for a comprehensive suite of communications services, and an assurance that their future emerging requirements will be met timely."

Deepak Goyal, COO of Karix, said:

"This strategic integration will also provide new and exciting opportunities for our talented employees as they become part of the undisputed market leader."

Strategic Acquisition

Tanla Solutions Limited, (NSE:TANLA, BSE:532790), one of the largest cloud communication providers in the world, today announced a definitive agreement to acquire Karix Mobile Private Limited and its affiliate, a leading mobile engagement and communication provider from GSO at an enterprise value of ₹ 340 Crore. This acquisition accelerates Tanla's growth strategy and deepens its enterprise reach.

Globally, Enterprises increasingly rely on cloud communication services as part of their digital transformation strategy. This acquisition will be instrumental in strengthening Tanla's position as a leading Cloud communication services provider.

Mumbai-based Karix Mobile Private Limited is a leading business cloud communications provider with reach to over 1,500 enterprise clients in various industries across the country. With this transaction, the combined company will be one of India's leading enterprise cloud communications providers with marquee customers in banking, insurance, automotive, DTH, retail, consumer products, e-commerce, m-commerce, and the government.

This strategic acquisition leverages Tanla's strong telecom carrier partnerships and Karix's enterprise selling expertise to build a rationalized yet comprehensive solutions portfolio that can quickly generate revenues & reduce go-to-market timelines.

Tanla is excited to be partnering with GSO as we continue to grow the company.

Both Tanla and Karix will synergize to upsell & cross sell offerings to enterprises and mobile carriers.

Transaction Details

- This acquisition is a combination of cash and stock of Tanla, with an aggregate purchase consideration of ₹ 340 Crore.
- GSO will receive ₹ 112 Crore in cash and ₹ 125 Crore worth of shares (2.19 Crore equity shares of Tanla at a price of ₹ 56.79 per share), Tanla to pay ₹ 112 Crore from its internal accruals and take over the net Debt (term loan and net working capital) of ₹ 103 Crore.
- GSO is entitled to pre-emptive rights in future allotment of capital, to enable GSO to avoid dilution.

Synergy Opportunity

The combination of Tanla and Karix will create significant cost and efficiency synergies:

- Annual cost synergies with an estimated value of approximately ₹ 15 Crore, expected to be realized over the next six quarters post-closure of the transaction.
- The major expected source of cost and capex synergies include:
 - Rationalizing platform infrastructure, optimizing connectivity(ies) and generating operational efficiencies.
 - Potential better negotiation with partners, optimized operational, general and administration costs as a result of scale benefits.

Key Financials

FY 2017-18 (₹ in Crore)	Tanla (Ind AS)	Karix Mobile (Ind AS)
Revenue	791.6	540.2
EBITDA	65.2	39.3 ⁷

- ends -

7. Based on audited financials of Karix and pursuant to agreed adjustments

About Tanla

Tanla started its journey as the new millennium set in with a small group of mobile messaging experts, with base in Hyderabad, India, to create a world-class messaging service. Today, Tanla is a global leader in its domain as one of the largest Cloud Communication providers, handling over 90 bn 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 to meet the discerning needs of a diverse clientele, from enterprises to carriers across geographies. Tanla is a public limited company listed on leading Indian stock exchanges (NSE:TANLA, BSE: 532790). It had consolidated revenues of ₹ 791.6 Crore for the 12 Months ended 31st March 2018.

About Blackstone / GSO Capital Partners

With \$ 440 bn assets under management, The Blackstone Group is an American multinational private equity, alternative asset management and financial service firm based in New York City. As the largest alternative investment firm in the world, Blackstone specializes in private equity, credit and hedge fund investment strategies.

GSO Capital Partners LP is the global credit investment platform of Blackstone. With approximately \$ 92 billion of assets under management, GSO is one of the largest alternative managers in the world focused on the leveraged-finance, or non-investment grade related, marketplace. GSO seeks to generate attractive risk-adjusted returns in its business by investing in a broad array of strategies.

About Karix

Founded in 2000, Karix Mobile (formerly mGage India) is an industry-leading mobile engagement and communication provider helping enterprises execute communication campaigns across multiple channels. The company has deep expertise in key industries serving over 1,500 enterprise customers across BFSI, DTH, Government, Auto, Retail & FMCG and e-Commerce segments. The company has 250 employees across its four offices in India.

Advisors to Tanla

Financial and Tax Advisors: EY and Deloitte

Legal Advisors: AZB & Partners

Investment Bankers: O3 Capital

Advisors to GSO capital Partners

Tax Advisors: PwC Associates and KPMG

Legal Advisors: Nishith Desai & Associates, India
White and Case LLP

Enquiries

Tanla

Investor relations investorhelp@tanla.com

Media relations marketing@tanla.com

GSO andrew.dowler@blackstone.com

Forward Looking Statements

This presentation contains '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, regulatory changes, 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, 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.