



Tanla Platforms Limited
(Formerly known as Tanla Solutions Limited)
Tanla Technology Center
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October 20, 2022

To,

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Scrip Code: 532790	National Stock Exchange of India Ltd. “Exchange Plaza” Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051 Symbol: TANLA
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Dear Madam/Sir,

Sub: Letter to Shareholders for quarter ended September 30, 2022.

With reference to the subject cited, we are enclosing herewith Letter to Shareholders for quarter and half year ended September 30, 2022.

Request you to take the same on record and oblige.

Yours faithfully,

For **Tanla Platforms Limited**
(Formerly known as Tanla Solutions Limited)

SESHANUR
ADHA
CHAVA
Digitally signed by
SESHANURADHA
CHAVA
Date: 2022.10.20
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Seshanuradha Chava
General Counsel and Company Secretary
ACS-15519

Half Yearly Report: April - September 2022

July- September 2022

- Revenue increased by 1% year-over-year to ₹8,510 million
- Gross profit at ₹2,056 million. Gross margin at 24.2%
- EBITDA at ₹1,395 million. EBITDA margin at 16.4 %
- Profit after tax at ₹1,104 million. Profit after tax margin at 13%
- Earnings per share at ₹8.14
- Cash & Cash Equivalents at ₹8,552 million.

April- September 2022

- Revenue increased by 12% year-over-year to ₹16,512 million
- Gross profit at ₹3,907 million. Gross margin at 23.7%
- EBITDA at ₹2,702 million. EBITDA margin at 16.4 %
- Profit after tax at ₹2,108 million. Profit after tax margin at 12.8%
- Earnings per share at ₹15.53
- Free cash flow at ₹302 million and Cash & Cash Equivalents at ₹8,552 million.

“Our significant investments in Wisely, the platform of platforms for digital interactions is seeing strong traction and we are accelerating our Go-to-market efforts. Our focus on ESG was recognized by our S&P Global ESG score where we ranked in the top 93-94 percentile of the industry.” - Uday Reddy, Founder Chairman & CEO

Significant events during the quarter

- Tanla has been recognized for the second consecutive year in the latest edition of the 2022 Gartner® Market Guide for Communications Platform as a Service (CPaaS).
- Tanla participated in the S&P Global CSA for the first time this June following an invitation by S&P Global. Our S&P Global ESG score is 32 points, while the industry average is 18 points, hence our percentile is in the range of 93-94. S&P Global ESG scores are used to select companies into indices like DJSI, S&P 500 ESG, S&P Global 1200 ESG or S&P Global Large Mid Cap Indices.
- Final dividend approved by the shareholders in the Annual General Meeting, and the dividend was disbursed in Oct 2022. The Company announced a dividend distribution policy allocating a payout of 30% of consolidated PAT to be disbursed as dividend annually. Interim dividend of ₹6 per share was proposed and paid. Total cash returned to shareholders ₹1,086 million.
- Third consecutive buyback announced by the Board of Directors. The Company proposes to buy back shares at ₹1,200 per share for an aggregate amount not exceeding ₹1,700 million through tender route mechanism, the shareholders approved the buyback resolution on Oct 11,2022. DLOF was submitted to SEBI on October 17, 2022.

Invitation to conference

Tanla will host a conference call and live webcast to discuss the financial results on Oct 21,2022 at 4.30 PM IST. Watch the presentation at <https://bit.ly/3COoEvV>

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Message from Chairman

We started the year saying that 2022 will be the year of Wisely. We have made significant investments and will share updates on our progress here. I will also provide an update on our Enterprise business, which is showing an improving trajectory.

1. Platforms

Our Platforms business gross profits grew 25% YoY and 11% QoQ in Q2 on the back of strong growth from existing platforms like Trubloq and new platforms under Wisely. Wisely, our platform of platforms for digital interactions is a gigantic platform and we have invested ₹1,230 million on it so far. Let me give you an update on this

- a. Wisely Communicate: We are seeing maximum traction in the banking space. We have gone live with two banks. For one of the banks, 30% of the critical UPI messages flows through Wisely with end-to-end encryption today. We are delivering on customer KPIs by reducing failure rate by 25%, resulting in operational cost reduction for the customer. This case study will enable Wisely to become the platform of choice for all critical communication.
- b. Wisely OTT: Our unique value proposition with Truecaller has resonated with customers. We have started our business with customers in the banking space from August and we have over 40 customers who are in advanced discussions. We delivered volumes of over 700 million in Q2 at healthy gross margins.
- c. Wisely Network: Our AI/ML based firewall has been deployed and we have processed ~35 billion messages across A2P and P2P in Q2 through our AI/ML engines. This is unprecedented scale – we are on track to get to ₹1 Bn annual run rate of gross margin in this platform.
- d. Wisely Engage: We are building strong solutions for performance-based marketing coupled with conversational AI. We are seeing early success in POC with click through rates jump of 2X. We are at early stages here and will update you on the progress we are making.

Innovation is very core to our DNA and all the platforms we are building under Wisely have potential gross profits of ₹1 Bn. We are investing in a best-in-class innovation team who are being housed in a truly world class Innovation and Experience center in Hyderabad. We will be showcasing this center to our customers and partners in Q3.

2. Enterprise

On the enterprise business, Q2 was an improvement over Q1, with QoQ growth of 6% with close to 1% gross margin expansion despite significant headwinds of Euro depreciation of the dollar.

We have deep customer relationships and we have 208 customers giving us more than ₹10 Million revenue, up from 175 in Q2 of last year. Our product penetration in customers is improving. We have gone live on Whatsapp with one of the largest banks in the country. We continue to add new customers with 45% of them in newer channels.

3. Financials

Our consolidated Revenues grew 1% YoY and 6% QoQ. EBITDA margins improved 0.1% QoQ to 16.4%, impacted by 1.5% due to currency loss arising on EUR depreciation to dollar in Q2 compared to Q1. We delivered a PAT of ₹1 Bn, QoQ growth of 10%. Our cash balances was at ₹8,552 million, lower due to dividend payout and drop in free cash flow.



Our free cash flow was impacted in the quarter due to investments in working capital with respect to our partnerships as well as increased capex investments

4. ESG

ESG is embedded in everything we do. Tanla got S&P Global ESG score of 32 points, compared to industry average of 18 points. We would be in the 93-94 percentile in the industry. We are looking at ESG holistically.

- a. Environment – we have an ambitious target of becoming carbon neutral and the Board has approved our environment policy. We have completed one year of ban on Single Use Plastic across all locations.
- i. Social – we are enhancing disclosures around diversity, attrition, and employee wellness.
- ii. Governance – we have enhanced financial disclosures with detailed quarterly shareholder report and adopted the shortest trading window for insiders as per the revised Insider Trading policy.

We have a transparent capital allocation policy. We paid ₹1,086 million of dividend in the current quarter and announced a buyback of ₹1,700 million (excluding buyback tax). We have a dividend policy of paying 30% of our consolidated PAT as dividend. With the buyback and dividend policy, we are likely to return around 70% of our consolidated PAT in FY23 – we are probably one of the few companies in India to return this level of cash to shareholders.

In summary, we are building an institution on the bedrock of innovation, customers and ESG. We have an incredible future.

Thank you for your support.

Hyderabad, October 20, 2022

A handwritten signature in black ink, appearing to read 'Uday Reddy'.

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 Sep 30 (Un-audited)		Six months Ended Sep 30 (Un-audited)	
	Q2 FY23	Q2 FY22	6M FY23	6M FY22
	Revenue from operations	8,510	8,416	16,512
Gross profit	2,056	2,302	3,907	4,037
Gross margin	24.2%	27.4%	23.7%	27.5%
EBITDA	1,395	1,787	2,702	3,132
EBITDA margin	16.4%	21.2%	16.4%	21.3%
EBITDA/Gross profit	67.9%	77.6%	69.2%	77.6%
EBIT	1,295	1,683	2,509	2,936
EBIT margin	15.2%	20.0%	15.2%	20.0%
Interest Income	51	31	94	55
Interest yield	4.3%	3.4%	4.0%	3.3%
Profit after tax	1,104	1,362	2,108	2,407
Profit after tax margin	13.0%	16.2%	12.8%	16.4%
Free cash flow	(416)	2,217	302	3,497
Earnings per share (In ₹)	8.14	10.04	15.53	17.71
EBITDA per share (In ₹)	10.28	13.15	19.91	23.04
Cash and Cash equivalents	8,552	8,457	8,552	8,457
ROCE - (Including CCE)	-	-	33%	54%
ROCE - (Excluding CCE)	-	-	76%	247%
DSO days	61	48	68	56
Average number of employees	610	590	622	570

Key Financial Ratios

Key financial ratios	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
Rule of 40	36.4%	40.7%	44.9%	60.0%	65.5%	58.2%	53.1%	44.1%	17.5%
Revenue growth	19.7%	21.3%	24.2%	38.0%	44.3%	35.3%	31.5%	27.7%	1.1%
Gross margin %	23.0%	24.6%	27.3%	27.7%	27.4%	29.5%	28.5%	23.1%	24.2%
EBITDA margin %	16.7%	19.4%	20.7%	21.5%	21.2%	22.9%	21.6%	16.3%	16.4%
EBIT margin %	15.0%	18.0%	19.2%	20.0%	20.0%	21.7%	20.4%	15.2%	15.2%
Net profit margin %	14.0%	14.3%	15.8%	16.7%	16.2%	17.9%	16.5%	12.5%	13.0%
Free cash flow	1,534	2,147	1,361	1,285	2,217	302	444	718	(416)
Day sales outstanding	59	60	58	58	48	54	59	74	61
ROCE (Including CCE)	42.0%	47.0%	46.0%	50.0%	54.0%	51.0%	47.0%	31.7%	32.7%
ROCE (excluding CCE)	63.1%	101.0%	129.0%	169.0%	247.0%	170.0%	141.0%	89.0%	73.9%

Condensed Consolidated Income Statement

(In ₹ million, unless otherwise stated)

	Three months Ended Sep 30		Six months Ended Sep 30	
	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22
	(Un-Audited)		(Un-Audited)	
Revenue from operations	8,510	8,416	16,512	14,680
Cost of services	(6,454)	(6,114)	(12,605)	(10,643)
Gross profit	2,056	2,302	3,907	4,037
Operating expenses				
Sales and Marketing	(84)	(74)	(157)	(145)
General and administrative	(577)	(441)	(1,048)	(760)
Total operating expenses	(661)	(515)	(1,205)	(905)
EBITDA	1,395	1,787	2,702	3,132
Depreciation	(100)	(104)	(193)	(196)
EBIT	1,295	1,683	2,509	2,936
Finance cost	(4)	(6)	(7)	(7)
Other income	111	31	155	74
Profit before tax	1,402	1,708	2,657	3,003
Tax expenses	(298)	(347)	(549)	(597)
Profit after tax	1,104	1,362	2,108	2,407
Earnings per share (In ₹)	8.14	10.04	15.53	17.71

Condensed Consolidated Balance Sheet

(In ₹ million, unless otherwise stated)	Sep 30, 2022 (Un-Audited)	Sep 30, 2021 (Un-Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	492	317
Platforms	982	587
Customer Relationships	195	319
Brands	3	21
Technology	7	25
Non-Compete	27	33
Intangible assets under development	165	123
Goodwill	1,346	1,346
Right-of-use-lease assets	448	349
Capital work in progress	502	-
Financial assets	136	73
Deferred tax assets (net)	383	379
Other non-current assets	367	168
Total non-current assets	5,053	3,740
Trade receivables	5,671	4,429
Cash and bank balances	8,523	8,457
Other Financial assets	4,212	3,386
Other current assets	924	549
Total current assets	19,330	16,821
TOTAL ASSETS	24,383	20,561
EQUITY AND LIABILITIES		
Equity share capital	136	135
Other equity	14,731	10,286
Total equity	14,867	10,421
on current liabilities		
Financial liabilities		
Lease liabilities	448	359
Other financial liabilities	4	3
Provisions	23	48
Other non-current liabilities	6	5
Total Non Current Liabilities	481	415
Current liabilities		
Trade payables	5,405	6,950
Lease liabilities	63	18
Other financial liabilities	3,144	2,390
Other current liabilities	83	271
Short term provisions	2	12
Liabilities for current tax (net)	338	84
Total Current liabilities	9,035	9,725
TOTAL EQUITY AND LIABILITIES	24,383	20,561

Condensed Consolidated Statement of Shareholders' 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	136	4,645	8,519	241	13,540
Opening balance 01 April 2022	136	4,645	8,519	241	13,540
Profit for the period	-	-	2,109	-	2,109
Other comprehensive income	-	-	-	197	197
Issue of equity shares	-	-	-	-	-
Shares bought back	-	-	-	-	-
Dividend declared	-	-	(1,086)	-	(1,086)
Others	-	-	-	107	107
Closing balance 30 June 2022	136	4,645	9,542	545	14,867

Condensed Consolidated Statement of Cash Flow

Cash flow (In ₹ million)	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22
Cash flow before changes in working capital	1,449	1,836	2,962	3,217
Changes in working capital	(1,046)	846	(1,324)	982
Cash generated from operations	403	2,682	1,638	4,199
Taxes	(362)	(326)	(632)	(468)
Cash flow from operating activities	41	2,356	1,006	3731
Net investments in tangible and intangible assets	(457)	(138)	(705)	(229)
Interest and other income received	87	31	105	74
Movement in other cash balances	-	-	600	-
Cash flow from investing activities	(370)	(107)	0	(155)
Issue of shares	-	-	-	-
Buyback of shares	-	(819)	-	(819)
Dividend paid during the year	(1,086)	(135)	(1,086)	(135)
Payment and Interest paid on lease liabilities	64	(9)	(21)	(6)
Cash flow from financing activities	(1,022)	(963)	(1,107)	(961)
Cash flow for the period	(1,351)	1,286	(101)	2,615
Cash and cash equivalents at the beginning of period	9,873	7,171	8,623	5,841
Fixed deposits with maturity > 1 year	29	-	-	-
Cash, cash equivalents closing balance	8,552	8,457	8,552	8,457

Management Discussion & Analysis

July- September 2022

Revenue

Revenue grew by 1% YoY to ₹ 8,510 million in Q2 FY23. Growth was driven by Platform business while Enterprise business was flat. The enterprise business was also impacted by weakness in EUR relative to the U.S. dollar.

Business performance

The following table shows revenue by platform and enterprise business for the three- and six-months period ended Sep 30, 2022 and Sep 30, 2021 were as follows.

(In ₹ million, unless otherwise stated)	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22
Platform Business	751	624	1,432	1,178
Enterprise Business	7,759	7,792	15,080	13,502
Total	8,510	8,416	16,512	14,680

On QoQ basis, revenue grew by 6% to ₹ 8,510 million driven by increased volumes and price increase from ILD business, growth in OTT channel and new customer additions.

Platform revenue grew by 20% YoY to ₹751 million, led by Trubloq. Enterprise revenue grew 6% QoQ, driven by volume and price increase in ILD business, sustained growth in OTT and partly offset by lower volumes in domestic business.

We added 143 new customers for H1 FY23 in our focus segments such as digital natives and financial services. Revenue from new customers for six months at ₹126 million.

Contribution from customers with greater than ₹10 million annual revenue at ₹8,266 million in Q2 FY23. On QoQ basis contribution from customers with greater than ₹10 million annual revenue grew by 6%. Customer concentration from top twenty customers at 60% in Q2 FY23 as against 66% in Q2 FY22.

Customer segment	Q2 FY22		Q2 FY23		Change in Count	Change in Revenue
	Count	Revenue	Count	Revenue		
>₹500M	19	5,382	19	5,037	-	(6%)
>₹100M - < ₹500M	29	1,824	37	1,902	20%	4%
>₹10M- < ₹100M	127	982	152	1,327	19%	35%
Total	175	8,188	208	8,266	20%	1%

Gross profit

Gross profit at ₹ 2,056 million and gross margin at 24.2% in Q2 FY23. On QoQ basis gross profit grew by 11% to ₹ 2,056 million. Gross margin of enterprise business improved by 82 basis points to 17.2% driven by improved margins in domestic business.

The following table shows Platform and Enterprise business gross profit and gross margin percentage for the three- and six-months period ended Sep 30, 2022 and Sep 30, 2021 were as follows:

(In ₹ million, unless otherwise stated)	Q2 FY23	Q2 FY22	6M FY23	6M FY22
Gross profit				
Platform Business	724	578	1,377	1,112
Enterprise Business	1,332	1,724	2,530	2,925
Total gross profit	2,056	2,302	3,907	4,037
Gross margin percentage				
Platform Business	96.4%	92.7%	96.2%	94.3%
Enterprise Business	17.2%	22.1%	16.8%	21.7%
Gross margin	24.2%	27.4%	23.7%	27.5%

Platform business gross profit grew by 25% YoY to ₹ 724 million in Q2 FY23 driven by Trubloq and new platforms under Wisely. Platform business gross margin contribution to total at 35%, improved by 10%.

Operating expenses

The following table shows Operating expenses for the three- and six-months period ended Sep 30, 2022 and Sep 30, 2021 were as follow:

(In ₹ million, unless otherwise stated)	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22
Sales & Marketing (S&M)	84	74	157	145
Percentage of revenue	1.0%	0.9%	1.0%	1.0%
General & Administrative (G&A)	577	441	1,048	760
Percentage of revenue	6.8%	5.2%	6.3%	5.2%
Operating expense	661	515	1,205	905

Sales & Marketing

Sales & Marketing expense remained constant during at 1% of revenue in Q2 FY23. S&M expenses have increased due to investments in sales team and participation in large marketing events. We continue to make focused investments in S&M.

General & Administrative

General & Administrative increased by 153 bps to 6.8% of revenue in Q2 FY23. Expenses have largely gone by due to increase in employee cost and other general expenses.

Employee cost

Employee cost increased by 16% to ₹ 383 million in Q2 FY23 driven by yearly increments and RSU cost of ₹ 45 million. 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. 41 employees (6%) of the total headcount (611) are part of this program.

A summary of the Company's restricted stock unit ("RSU") activity and related information for the three months ended Sep 30, 2022 is as follows:

	No. of RSUs
Balance as on June 30, 2022	4,15,000
RSUs Vested	42,000
RSUs exercised	34,000
Balance as on Sep 30, 2022	3,81,000

Other General Expenses

Currency translation has resulted in a loss of ₹ 68 million due to EUR depreciation. Going forward we have converted our pricing with customers predominantly to USD and therefore the impact of cross currency movement will be minimized. We have provided ₹ 10 million as provision for bad and doubtful debts as per norm-based policy.

Earnings before Interest and Taxes (EBIT)

EBIT at ₹1,295 million and EBIT margin at 15.2% in Q2 FY23. Depreciation at ₹ 100 million in Q2 FY23. During the quarter platform cost of ₹ 560 million capitalized towards Wisely OTT deployment which will be amortized over a period of six years. Depreciation for the quarter was at ₹ 100 million.

The following table shows Amortisation & depreciation for the three- and six-month period ended Sep 30, 2022 and Sep 30, 2021 were as follows:

(In ₹ million, unless otherwise stated)	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22
Amortisation on Platforms	36	20	61	38
Amortisation on Customer Relationship	31	31	62	62
Amortisation on Brand	1	9	1	18
Amortisation on Technology	1	6	7	11
Amortisation on Non-compete	1	1	3	3
Depreciation on tangible assets & right of use assets	30	36	59	64
Total Depreciation & amortisation	100	104	193	196

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".

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 Sep 30, 2022 and Sep 30, 2021 were as follows:

(In ₹ million, unless otherwise stated)	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22
Interest income	51	31	96	55
Interest on income tax refunds	56	-	56	19
Others	4	-	3	-
Other income	111	31	155	74
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 Q2 FY23. Cash balance held in current (USD accounts) generate no interest. Refer to cash, cash equivalent section for more details. We have received ₹ 56 million as interest on income tax refund for one of our subsidiaries for AY20-21.

Profit after tax

Profit after tax at ₹1,104 million and Profit after tax margin at 13%. Effective tax rate at 21.2% for Q2 FY23.

The following table shows Profit after tax for the three- and six-month period ended Sep 30, 2022 and Sep 30, 2021 were as follows:

(In ₹ million, unless otherwise stated)	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22
Profit before tax	1,402	1,708	2,657	3,003
Tax expense	(297)	(347)	(549)	(597)
Profit after tax	1,104	1,362	2,108	2,406
Effective tax rate	21.2%	20.3%	20.7%	19.9%

Tax contribution to exchequer in Q2 FY23 was ₹1,671 million. The contribution includes corporate income taxes and contributions by way of withholding taxes and indirect taxes such as GST in India. Assessments for AY20-21 have been completed for the Company and its subsidiaries.

Earnings per share

Earnings per share at ₹ 8.14 in Q2 FY23.

The following table shows the computation of basic and diluted earnings per share for the three- and six-months period ended Sep 30, 2022 and Sep 30, 2021.

(In ₹ million, unless otherwise stated)	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22
Numerator:				
Profit after tax	1,104	1,362	2,108	2,406
Denominator:				
Weighted-average basic shares outstanding	13,57,45,523	13,56,72,304	13,57,45,523	13,56,72,304
Effect of dilutive shares	1,53,931	17,010	1,53,931	17,010
Weighted-average diluted shares	13,58,99,454	13,56,89,314	13,58,99,454	13,56,89,314
Basic earnings per share	8.14	10.04	15.53	17.71
Diluted earnings per share	8.13	10.04	15.52	17.71

Property, Plant and Equipment

The following table shows the net carrying cost of Property, Plant and Equipment as of Sep 30, 2022 and Sep 30, 2021.

(In ₹ million, unless otherwise stated)	Sep 30, 2022	Sep 30, 2021
Property, Plant and Equipment, Net		
Land	77	77
Buildings	21	24
Furniture	5	3
Computers	378	214
Office equipment	6	5
Vehicles	1	1
Air conditioners	1	2
Total	489	326

Increase in net block of Property, Plant and Equipment due to additions of ₹218 million towards IT & networks.

Intangible assets and Intangible assets under development

The following table shows the net carrying cost of Intangible assets and Intangible assets under development as of Sep 30, 2022 and Sep 30, 2021.

(In ₹ million, unless otherwise stated)	Sep 30, 2022	Sep 30, 2021
Intangible assets		
Platforms	982	587
Customer Relationships	195	319
Trade Name	3	21
Technology	7	25
Non-compete	27	33
Total Intangible assets	1,214	985
Intangible assets under development	165	123

Platform deployment cost of ₹560 million was capitalized towards Wisely OTT during the quarter. 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.

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 Q3 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.

Trade receivables

The Company has trade receivables outstanding with enterprise, wholesalers, PSU and government customers. Aged receivables greater than 365 days at 5% of total trade receivables as of Sep 30, 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)	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
Cash					
Restricted cash	502	107	196	315	185
Current accounts- INR	605	407	597	782	720
Current accounts- USD	3,295	3,006	3,208	3,013	1,690
Investments					
Fixed deposits	4,055	5,287	5,221	5,763	5,957
Cash and cash equivalents (CCE)	8,457	8,807	9,222	9,873	8,552

Cash, cash equivalents (CCE) grew by 1% to ₹ 8,552 million in Q2 FY23, as against ₹ 8,457 million in Q2 FY22. Independent bank balance confirmation for cash and investments are obtained by our statutory auditors on quarterly basis.

Restricted cash are held as margin money deposits given for bank guarantees and cash credit limits. Decrease in restricted cash due revocation of Bank Guarantees on completion of tenure period.

On sequential basis, CCE decreased due to return of cash to shareholders in form of dividend payouts of ₹ 1,086 million including taxes. Decrease in USD current balance is due to payment of dividend by subsidiary to the parent and working capital investments towards strategic partnership.

The following table shows the Company's cash, cash equivalents composition as of Sep 30, 2022.

(In ₹ million, unless otherwise stated)	Current accounts- INR	Current accounts-USD	Fixed deposits	Restricted cash	Total
Cash, cash equivalents composition					
HDFC Bank	480	60	3,020	156	3,716
HDFC Limited	-	-	2,000	-	2,000
State Bank of India	20	-	295	-	315
Axis Bank	80	-	396	-	476
Kotak Mahindra Bank	24	-	166	-	190
Citibank (Dubai)	-	138	-	-	138
DBS Bank (Singapore)	-	1,492	-	29	1,521
ICICI Bank	110	-	54	-	164
Others	6	-	26	-	32
Total	720	1,690	5,957	185	8,552

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 Sep 30, 2022 is 23% 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 Sep 30, 2022 and will be paid within due dates.

Other financial liabilities

Other financial liabilities comprise of cost of services not yet billed to the Company and payable to capital creditors. Cost of services grew by 37% to ₹ 2,921 million as on Sep 30, 2022 driven by growth in volume of transactions.

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 six-month period ended Sep 30, 2022 and Sep 30, 2021 were as follows:

(In ₹ million, unless otherwise stated)	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22
Cash flow				
Cash, cash equivalents, beginning balances	9,873	7,171	8,623	5,841
Cash flow from operating activities	41	2,356	1,006	3731
Cash flow from investing activities	(370)	(107)	0	(155)
Cash flow from financing activities	(1,022)	(963)	(1,107)	(961)
Cash flow for the period	(1,351)	1,286	(101)	2,616
Fixed deposits with maturity > 1 year	29	-	-	-
Cash, cash equivalents, ending balances	8,552	8,457	8,552	8,457

Cash, cash equivalents (CCE) increased by ₹ 95 million to ₹ 8,552 million in Q2 FY23. Overall CCE increased primarily driven by growth and working capital management. Cash generated from operations for H1 FY23 at ₹ 1,006 million and free cash flow at ₹ 302 million.

On sequential basis, cash inflows from operating activities decreased primarily due to working capital investments done towards strategic partnership with our partners. Operating cash flow if adjusted would have been higher by ₹ 680 million if those investment were not made.

Day payable outstanding (DPO) stood at 93 days in Q1 FY23 as against 76 days in Q2 FY23. DPO days are down by 17 days due to 5% increase in cost of services and 14% decrease in payables. Day sales outstanding (DSO) stood at 74 days in Q1 FY23 as against 61 days in Q2 FY23. DSO days are down by 13 days due to 6% increase in revenue and 13% decrease in receivables.

The following table shows operating and free cash flow for the three- and six-month period ended Sep 30, 2022 and Sep 30, 2021 were as follows.

(In ₹ million, unless otherwise stated)	Q2 FY23	Q2 FY22	H1 FY23	H1 FY22
Cash flow				
Operating cash flow	(115)	2,356	850	3,731
Capital expenditure	(457)	(139)	(705)	(229)
Free cash flow	(572)	2,217	145	3,502

Investments in platforms and IT& network increased by 85% as compared to Q1 FY23. Free cash flow at 14% of PAT for H1 FY23. Free cash flow decreased largely due to lower generation of operating cash flow and higher outflow due to investments in innovation center.

Net cash outflows from financing activities at ₹ 1022 million in Q2 FY23, as compared to ₹ 963 million in Q2FY22. The cash outflows in Q2 FY23 resulted from dividend payouts of ₹ 1,086 million.

Quarterly Summary

Revenue (In ₹ million)	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
Platform	327	477	463	555	624	658	687	680	751
Enterprise	5,505	6,064	6,023	5,709	7,792	8,191	7,844	7,321	7,759
Total	5,832	6,541	6,486	6,264	8,416	8,849	8,531	8,001	8,510

Gross profit (In ₹ million)	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
Platform	313	451	437	533	578	598	650	653	724
Enterprise	1,030	1,161	1,332	1,202	1,724	2,012	1,784	1,197	1,332
Total	1,343	1,612	1,769	1,735	2,302	2,610	2,434	1,850	2,056

Gross margin	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
Platform	95.6%	94.6%	94.5%	96.2%	92.7%	90.9%	94.7%	95.9%	96.4%
Enterprise	18.7%	19.1%	22.1%	21.0%	22.1%	24.6%	22.7%	16.4%	17.2%
Overall gross margin	23.0%	24.6%	27.3%	27.7%	27.4%	29.5%	28.5%	23.1%	24.2%

Gross Margin for Platform are arrived after deducting cloud hosting charges

EBITDA (In ₹ million)	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
EBITDA	975	1,269	1,340	1,345	1,787	2,028	1,841	1,307	1,395
EBITDA margin	16.7%	19.4%	20.7%	21.5%	21.2%	22.9%	21.6%	16.3%	16.4%
EBITDA/Gross profit	72.6%	78.7%	75.7%	77.6%	77.6%	77.7%	75.7%	70.6%	67.8%
EBITDA/per share	7.00	9.33	9.85	9.89	13.17	14.97	13.55	9.63	10.28

Profit/(loss) after tax (In ₹ million)	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
Profit/(loss) after tax	815	935	1,025	1,045	1,362	1,580	1,406	1,004	1,104
Profit after tax margin	14.0%	14.3%	15.8%	16.7%	16.2%	17.9%	16.5%	12.5%	13.0%

Earnings per share (In ₹)	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
Basic earnings per share	5.85	6.87	7.54	7.68	10.04	11.66	10.36	7.40	8.14

Rule of 40-	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
Revenue growth	19.7%	21.3%	24.2%	38.0%	44.3%	35.3%	31.5%	27.7%	1.1%
EBITDA margin %	16.7%	19.4%	20.7%	22.0%	21.2%	22.9%	21.6%	16.3%	16.4%
Rule of 40	36.4%	40.7%	44.9%	60.0%	65.5%	58.2%	53.1%	44.0%	17.5%

Free cash flow (In ₹ million)	Q2 FY21	Q3 FY21	Q4 FY21	Q1 FY22	Q2 FY22	Q3 FY22	Q4 FY22	Q1 FY23	Q2 FY23
Free cash flow	1,600	2,147	1,361	1,285	2,217	302	444	718	(416)

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

Share Performance and Ownership

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 Sep 30, 2022, paid-up share capital was ₹ 135.7 million.

Dividend payouts

The final dividend of ₹ 2 per share (200% of face value), approved by the shareholders in the Annual General meeting was disbursed in Sep 2022. Dividend Policy allocating 30% of our consolidated PAT as dividend payable annually was approved by the Board in August, 2022. An interim dividend of ₹ 6 per share (600% of face value) was proposed and paid. Total cash returned to shareholders ₹ 1,086 million including dividend tax.

Share buyback program of up to ₹ 1,700 million

The Board of Directors approved a share buyback program on September 8, 2022. The Company plans to buyback equity shares at ₹ 1,200 per share for an aggregate amount not exceeding ₹ 1,700 million through tender route mechanism. The resultant equity shares to be bought back will not be more than 14,16,666, representing 1.04% of the total paid-up capital as on Sep 8,2022. The shareholders resolution approving the buyback was passed on Oct 11,2022 and DLOF was submitted to SEBI on Oct 17, 2022.

Shareholder Ownership

As of Sep 30,2022, Company has about 2,44,997 shareholders as compared to 71,231 shareholders as on Sep 30, 2021. Promoters and employees hold 49% of the total equity.

Movement in shareholder pattern for last five quarters:

Shareholder category	30-Sep-21	31-Dec-21	31-Mar-22	30-June-22	30 Sep 2022
Promoters	42.5%	43.7%	43.7%	43.7%	43.7%
Employees	5.9%	6.0%	5.6%	5.5%	5.3%
Retail	32.9%	32.2%	32.2%	32.7%	35.9%
FII	16.8%	15.3%	15.3%	15.4%	14.8%
DII	1.9%	2.80%	3.0%	2.8%	0.17%
Total	100.0%	100.0%	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:

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.

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.

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.

Operating profit-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.

We endeavor 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.

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
Abhinav Shrivastav

Consultants

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

Tax consultants
PWC in India
Amit Jain - Partner

ESG consultants
E-cube in India
Mukund Rajan- Managing Director

Forward-looking statements

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

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Aravind Viswanathan
Chief Financial Officer