



Tanla Platforms Limited
(Formerly known as Tanla Solutions Limited)
Tanla Technology Center
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Hyderabad, India - 500081
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Date: October 19, 2023

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 |
|---|---|

Dear Madam/Sir,

Sub: Letter to Shareholders for the quarter and half year ended September 30, 2023.

With reference to the subject cited, we are enclosing herewith a Letter to Shareholders for the quarter and half year ended September 30, 2023.

Request you to take the same on record and oblige.

Thanking you,

Yours faithfully,
For **Tanla Platforms Limited**

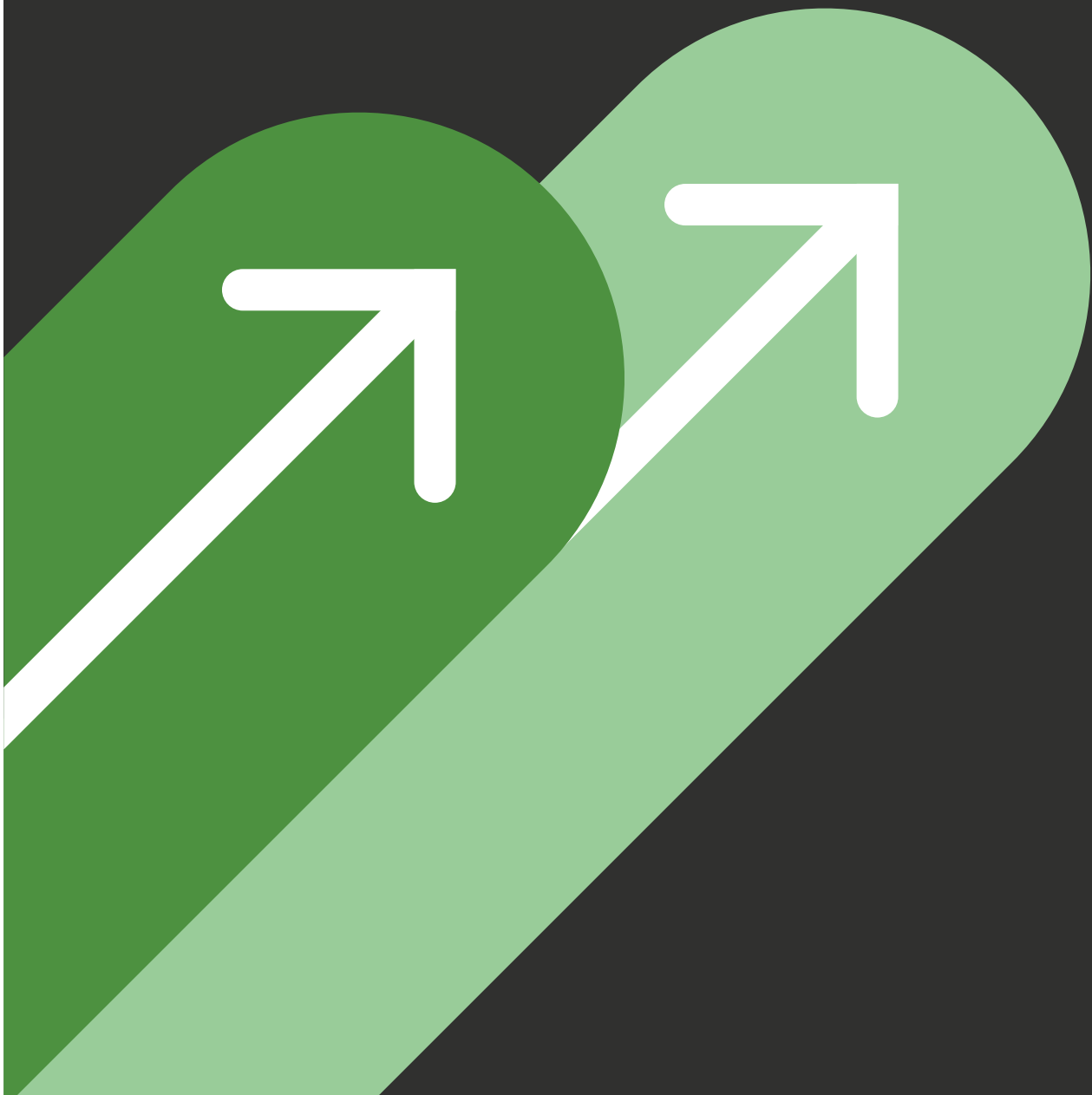
Seshanuradha Chava
General Counsel and Company Secretary
ACS-15519



SHAREHOLDERS

LETTER AND RESULTS

Q2 FY24 | OCTOBER 19, 2023



Financial Performance

Revenue

₹ 10,086 Mn

↑ 18.5% YoY growth

Gross Profit

₹ 2,762 Mn

↑ 34.3% YoY growth

EBITDA

₹ 1,968 Mn

↑ 41.0% YoY growth

PAT

₹ 1,425 Mn

↑ 29.1% YoY growth

EPS

₹ 10.60 Per Share

↑ 30.3% YoY growth

Cash and Cash equivalents

₹ 5,450 Mn

Digital Platforms

Revenue

₹ 953 Mn

↑ 26.9% YoY growth

Gross Profit

₹ 931 Mn

↑ 28.7% YoY growth

EBIT

₹ 691 Mn

72.5% Margin

Enterprise Communications

Revenue

₹ 9,133 Mn

↑ 17.7% YoY growth

Gross Profit

₹ 1,831 Mn

↑ 37.4% YoY growth

EBIT

₹ 1,051 Mn

11.5% Margin

Q2 has been a milestone quarter for us with revenues crossing ₹10 Bn for the first time. We have integrated ValueFirst India and delivered strong financial performance. We have a strong innovation DNA and deep domain knowledge, and we have been recognized as a Visionary in the Gartner Magic Quadrant for CPaaS.

- Uday Reddy, Founder Chairman & CEO

Significant events during the quarter

- Tanla Platforms has been recognized as a Visionary in the 2023 Gartner® Magic Quadrant™ for Communication Platform as a Service, for its Completeness of Vision and Ability to Execute.
- Karix has been awarded the 'Growth Partner of the year' at Meta Conversations for offering innovative conversational solutions on WhatsApp and driving growth for our customers & partners.
- Tanla acquired ValueFirst Digital Media Private Limited, India ("VF Digital India") (and its subsidiaries) from Twilio. The acquisition was closed on July 03, 2023, for an all-cash consideration of \$45.5 Mn (₹3,737 Mn)
- We released our first Tax Transparency Report and Sustainability Report reinforcing our commitment towards ESG
- Final dividend was approved by the shareholders in the Annual General Meeting, and the dividend was disbursed in Sep 2023. Total cash outflow of ₹538 Mn.

Invitation to conference

Tanla will host a conference call and live webcast to discuss the financial results on Oct 20, 2023 at 4.30 PM IST. Watch the presentation at <https://bit.ly/3tEfeSO>

India : +91 22 6280 1141 / +91 22 7115 8042

Hong Kong : 800964448

United Kingdom : 08081011573

Singapore : 8001012045

United States : 18667462133

Message from Chairman



"Q2 has been a milestone quarter for us with revenues crossing ₹ 10 Bn for the first time. We delivered strong YoY growth both on revenue and profitability, while generating free cash flows of ₹ 1,310 Mn (more than 90% of PAT).

Let me start by giving you my perspective on the emerging trends in the market. Over the past few years, we have seen an explosion in the digital economy resulting in strong tail wind for the CPaaS industry. UPI transactions crossed 10 billion in August for the first time. As enterprises embrace digitalization, we see three very important trends:

1. Customers are looking for innovative solutions to drive efficiencies, higher conversions, and better customer experience. We see a big shift in our customers – they are looking for partners who can provide solutions across channels.
2. Large OTT players like Meta WhatsApp and Google RCS are making big bets in the CPaaS space and competing with SMS by addressing use cases of enterprises.
3. With the DPDP Act, there is a significant change in the regulatory environment. This is the step in the right direction. Enterprises are reassessing their strategy around digital interactions to ensure this is done in a compliant and responsible way.

I am very excited by these trends as they are aligned to our purpose – empower consumers and enable companies. We see tremendous opportunity as we are best prepared to capitalize on these defining trends. Let me share some evidence on our track record.

We have made significant investments in OTT channels. Over the past 18 months, our WhatsApp quarterly revenue has grown 4X. Karix was named 'Growth Partner of the Year' at the Meta Conversations event. We have a strong partnership with Google RCS and we are winning large opportunities. We have an exclusive

partnership with Truecaller. We have made all the right investments to build leadership in this space.

The regulatory environment is focused on protecting the consumers. We have a tremendous track record of creating greenfield opportunities around the evolving regulatory framework and Trubloq is a great example.

We have the vision to identify trends ahead of time, innovation-DNA to come out with greenfield solutions and execution rigor to commercialize – this is what differentiates Tanla and makes us unique. We believe these traits made it possible for Tanla Platforms to be recognized as a Visionary in the first-ever Gartner® Magic Quadrant™ for Communication Platform as a Service.

We have delivered strong financial performance in both our businesses – Digital Platforms and Enterprise Communication. Digital Platforms delivered another quarter of 20% YoY growth. We have exited our relationship with Vi on the Wisely Network, and we expect the revenue impact to start from Q4. Wisely ATP continues to see a lot of traction and we are in final stages of negotiations with our banking customers. We have a strong pipeline of new platforms, and we are quite excited to build a strong platform business globally.

Our Enterprise Communication showed strong growth on the back of ValueFirst acquisition. We saw an increase in pricing and we saw an impact on volumes as enterprises have rationalized spends. I expect things to stabilize in Q3 and we are closely monitoring the market environment. We have integrated ValueFirst India, and I am happy to share that ValueFirst India delivered double digit EBITDA already in Q2.

In summary, we are optimistic about our opportunities ahead of us. It gives me great pride that we are not just building a great business but a great institution. Just in Q2, we released our Sustainability Report as well as Tax Transparency Report. We are setting the benchmark, and we look forward to the continued support from all our stakeholders."

Hyderabad, October 19, 2023



Uday Reddy
Founder Chairman & CEO

We have attempted to address below the key questions that we anticipate investors will ask, as well as some questions that have been posed to us in recent times.

Q1. Please provide an overview on Q2 performance?

Revenue grew by 19% YoY to ₹ 10,086 Mn in Q2 FY24 and 11% sequentially. Digital Platforms revenue grew by 27% YoY and 8% sequentially. Enterprise Communication revenue grew by 18% YoY and 11% sequentially. Organic revenue growth of 7% YoY.

Gross profit grew by 34% YoY to ₹ 2,762 Mn and gross margin improved by 322 bps in Q2 FY24. On a sequential basis gross profit grew by 14% and gross margin improved by 91 bps. Organic gross profit growth 7% YoY.

EBITDA grew by 41% YoY to ₹ 1,968 Mn and EBITDA margin improved by 312 bps in Q2 FY24. On a sequential basis EBITDA margin decreased by 49 bps.

EBIT grew by 35% YoY to ₹ 1,742 Mn and EBIT margin improved by 206 bps in Q2 FY24.

Below table presents the quarterly breakdown of Revenue, Gross Profit and EBIT for our two main business segments:

| (In ₹ Mn, unless otherwise stated) | Q2 FY23 | Q3 FY23 | Q4 FY23 | Q1 FY24 | Q2 FY24 |
|------------------------------------|--------------|--------------|--------------|--------------|---------------|
| Revenues | | | | | |
| Digital Platforms | 751 | 782 | 815 | 879 | 953 |
| Enterprise Communications | 7,759 | 7,914 | 7,520 | 8,232 | 9,133 |
| Total revenues | 8,510 | 8,696 | 8,335 | 9,111 | 10,086 |
| YoY % change | 1.1% | (1.7%) | (2.3%) | 13.9% | 18.5% |
| Gross Profit | | | | | |
| Digital Platforms | 724 | 751 | 781 | 851 | 931 |
| Enterprise Communications | 1,332 | 1,418 | 1,508 | 1,562 | 1,831 |
| Total Gross profit | 2,056 | 2,169 | 2,289 | 2,413 | 2,762 |
| YoY % change | (10.7%) | (16.9%) | (5.9%) | 30.4% | 34.3% |
| EBIT¹ | | | | | |
| Digital Platforms | - | - | - | 609 | 691 |
| Enterprise Communications | - | - | - | 1,049 | 1,051 |
| Total EBIT | - | - | - | 1,658 | 1,742 |

Notes:

1) We have started providing EBIT for Digital Platforms and Enterprise Communications only from Q1 FY24 and hence comparative figures are not available.

Q2. Can you elaborate what is driving growth for Digital Platforms?

Digital Platforms revenue grew by 27% YoY to ₹ 953 Mn and 8% sequentially. Revenue growth was led by Trubloq and Wisely OTT. Gross profit grew by 27% YoY in Q2. We have seen 13th consecutive quarter of 20%+ YoY gross profit growth. Digital Platforms are operating at 73% EBIT. Digital Platforms is operating close to Rule of 100. (Revenue growth 27% + EBIT margin 73%).

Q3. Will there be any impact on Digital Platforms revenue due to the closure of Vi deal on Wisely Network?

We have exited our relationship with Vi on Wisely Network, and we expect the revenue impact of the same from Q4 FY24.

Q4. Please provide update on Wisely ATP?

Wisely ATP continues to see a lot of traction and we are in the final stages of negotiations with our banking customers.

Q5. Moving on, what is driving Enterprise communications growth?

Enterprise communications revenue grew by 18% YoY to ₹9,133 Mn and sequentially grew by 11%. Organic revenue growth of 6% YoY. We are continuing to witness growth momentum in WhatsApp and have reached an annualized run rate of ~₹ 3000 Mn at a group level. We have added 43 new customers on WhatsApp across the group.

Enterprise Communications gross profit grew by 37% YoY to ₹1,831 Mn. On a sequential basis the gross margin increased by 108 bps to 20% in Q2.

Q6. Can you throw some color on NLD price impact on revenue?

NLD price hike went live during in the month of August 2023, however we have witnessed drop in volumes from Enterprises as they have rationalized spends in the near term. We are closely monitoring the market environment and are expecting stability in Q3.

Q7. As usual, can you please provide an update on customer metrics?

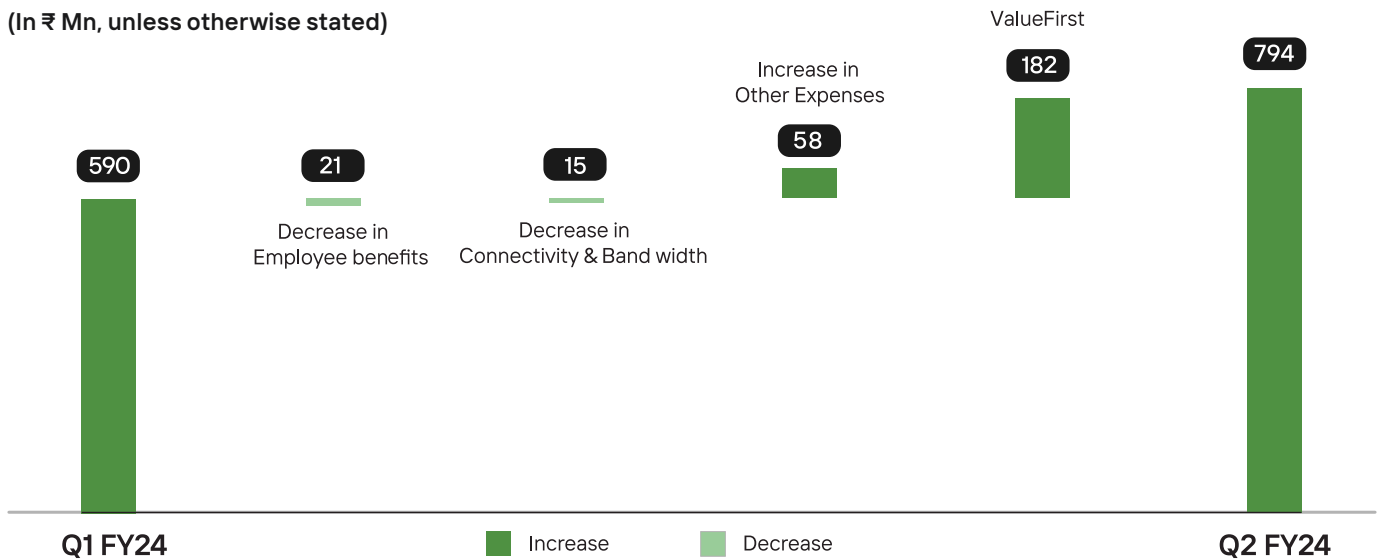
We continue to add new customers across various segments. We have onboarded 121 new customers across the group in Q2, out of which 36% are added on newer channels such as WhatsApp. We are also seeing traction on Google RCS. Contribution from customers greater than ₹10 Mn annual revenue grew by 17% in Q2. Customer concentration among the top twenty customers was at 48% in Q2.

| Customer segment | Q2 FY23 | | Q2 FY24 | | Change in count | Change in revenue |
|------------------|---------|---------|---------|---------|-----------------|-------------------|
| | Count | Revenue | Count | Revenue | | |
| >₹500M | 19 | 5,037 | 17 | 4,475 | (11%) | (11%) |
| >₹100M - < ₹500M | 37 | 1,902 | 62 | 3,294 | 68% | 73% |
| >₹10M- < ₹100M | 152 | 1,327 | 236 | 1,868 | 55% | 41% |
| Total | 208 | 8,266 | 315 | 9,637 | 51% | 17% |

Q8. There has been growth in absolute EBITDA on a sequential basis, however the EBITDA margin has decreased. Can you throw some color on the same?

Our total indirect cost was at ₹794 Mn for Q2. On sequential basis excluding ValueFirst, other expenses have increased due to incremental spends on Sales and Marketing. Below is the movement of indirect cost spends

(In ₹ Mn, unless otherwise stated)



Q9. Please provide some insights into ValueFirst India Business?

We have completed the acquisition of ValueFirst India business from Twilio on July 3, 2023, and is fully consolidated in our Q2 FY24 results. We have had a good quarter both in revenues and profitability. We are sharing a few customer and financial related metrics. We have onboarded 52 new customers in Q2 FY24, with 29% of new additions on WhatsApp. Revenue contribution from new customers wins was at ₹14 Mn in Q2.

Q10. It was largely anticipated that EBITDA margins would decline because of ValueFirst acquisition, however EBITDA margin saw a very minimal basis point impact. How did we sustain that?

ValueFirst India business was operating at ~5-6% EBITDA margin levels for FY23. We have been able to deliver double digit EBITDA in Q2. We have improved profitability on the back of better gross margin and reduction of indirect cost.

Q11. Can you share an update on acquisition of ValueFirst International Business?

The overseas entities acquisition is not yet completed and is expected to be closed in Q3 FY24 subject to regulatory approval. Complete consolidation of revenues from international business will be reflected in Q4 FY24.

Q12. On sequential basis, there seems to be sharp increase in Depreciation and Amortization. Can you provide some insights on the movement?

Depreciation and Amortization increased by ₹ 61 Mn on sequential basis. On provisional fair valuation of net assets as on date of acquisition of ValueFirst India, we added ₹ 560 Mn as intangible assets. The impact of amortization for intangible assets is ₹ 28 Mn for the Q2. Incremental depreciation of ₹ 16 Mn can be attributed to net addition of assets from ValueFirst India.

| (In ₹ Mn, unless otherwise stated) | Q2 FY24 | Q2 FY23 | H1 FY24 | H1 FY23 |
|---|---------|---------|---------|---------|
| Amortisation on Platforms | 51 | 36 | 101 | 61 |
| Amortisation on Customer Relationship | 22 | 31 | 54 | 62 |
| Amortisation on Trade Name | - | 1 | - | 1 |
| Amortisation on Technology | - | 1 | - | 7 |
| Amortisation on Non-compete | - | 1 | - | 3 |
| Amortisation on Software | - | - | 2 | - |
| Depreciation on tangible assets & right of use assets | 153 | 30 | 233 | 59 |
| Total Depreciation & amortisation | 226 | 100 | 390 | 193 |

Q13. Can you give a view on effective tax rate (ETR):

Profit after tax was at ₹1,425 Mn and Profit after tax margin is at 14.1% in Q2 FY24. Profit after tax grew by 29% YoY. On sequential basis profit after tax growth impacted due to decrease in interest income generation (cash outflow for acquisition payout) and higher depreciation on intangible assets arising out of acquisition. Effective tax rate for Q2 was at 20%.

Tax contribution to exchequer in Q2 was ₹2,242 Mn. The contribution includes corporate income taxes and contributions by way of withholding taxes and indirect taxes such as GST in India.

| (In ₹ Mn, unless otherwise stated) | Q2 FY24 | Q2 FY23 | H1 FY24 | H1 FY23 |
|------------------------------------|---------|---------|---------|---------|
| Profit before tax | 1,787 | 1,402 | 3,487 | 2,657 |
| Tax expense | (362) | (298) | (707) | (549) |
| Profit after tax | 1,425 | 1,104 | 2,780 | 2,108 |
| Effective tax rate | 20% | 21% | 20% | 21% |

Q14. Could you provide more information on cash flows?

We had a third consecutive quarter of strong cash flow generation. Cash generated from operations for Q2 FY24 was at ₹1,603 Mn (112% of PAT) and Free cash flow of ₹1,310 Mn (92% of PAT). Day sales outstanding (DSO) increased by 7 days to 75 days in Q2 FY24. ValueFirst operates at slightly higher DSO days contributing to increase in DSO days.

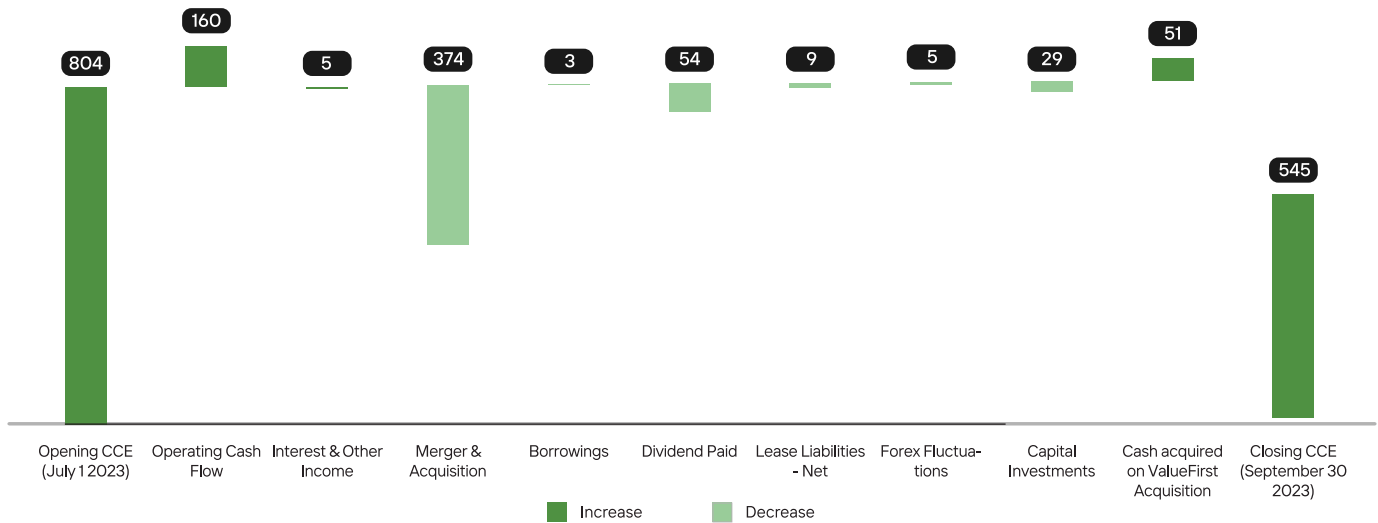
| (In ₹ Mn, unless otherwise stated) | Q2 FY24 | Q2 FY23 | H1 FY24 | H1 FY23 |
|------------------------------------|---------|---------|---------|---------|
| Operating cash flow | 1,602 | (115) | 2,895 | 850 |
| Capital expenditure | (292) | (457) | (716) | (705) |
| Free cash flow | 1,310 | (572) | 2,179 | 145 |

Total acquisition cost net of working capital adjustment of ₹3,737 Mn was paid to Twilio to complete 100% acquisition of ValueFirst India.

A final dividend of ₹4 per share for FY23 in line with our dividend policy was paid to shareholders resulting in cash outflow of ₹538 Mn.

Cash flow movement from Q1 FY24 to Q2 FY24 explained below:

(In ₹ Mn, unless otherwise stated)



Q15. Please share an update on the cash balance at the end of Q2 FY24

Cash, cash equivalents (CCE) was at ₹ 5,450 Mn in Q2 FY24 as compared to ₹ 7,115 Mn in Q1 FY24. We acquired ₹ 506 Mn as CCE on acquisition of ValueFirst India. Sequential decline in CCE balance is primarily due to completion of acquisition of ValueFirst India and distribution of final dividends to shareholders. Below table shows CCE investment by category for last five quarters.

| In Mn, unless otherwise stated | Q2 FY23 | Q3 FY23 | Q4 FY23 | Q1 FY24 | Q2 FY24 |
|--|--------------|--------------|--------------|--------------|--------------|
| Cash | | | | | |
| Restricted cash | 185 | 250 | 261 | 263 | 593 |
| Current accounts- INR | 720 | 470 | 417 | 1,089 | 247 |
| Current accounts- USD | 1,690 | 1,480 | 1,747 | 1,704 | 1,750 |
| Investments | | | | | |
| Fixed deposits | 5,957 | 5,480 | 4,691 | 4,982 | 2,860 |
| Cash and cash equivalents (CCE) | 8,552 | 7,680 | 7,116 | 8,039 | 5,450 |

On a quarterly basis independent confirmation for 100% of cash and bank balances are obtained by our statutory auditors. Restricted cash is held as margin money deposits given for bank guarantees and cash credit limits.

The following table shows the Company's cash, cash equivalents composition as of Sep 30, 2023.

| (In ₹ Mn, unless otherwise stated) | Current accounts- INR | Current accounts-USD | Fixed deposits | Restricted cash | Total |
|------------------------------------|-----------------------|----------------------|----------------|-----------------|-------|
| Cash, cash equivalents composition | | | | | |
| HDFC Bank | 147 | 3 | 2,518 | 531 | 3,199 |
| HDFC Limited | - | - | - | - | - |
| State Bank of India | 29 | - | 47 | - | 76 |
| Axis Bank | 19 | - | 1 | 1 | 21 |
| Kotak Mahindra Bank | 10 | - | 189 | - | 199 |

| | | | | | |
|----------------------|------------|--------------|--------------|------------|--------------|
| Citibank (Dubai) | - | 440 | - | 5 | 445 |
| DBS Bank (Singapore) | - | 1,307 | - | 30 | 1,337 |
| ICICI Bank | 31 | - | 105 | - | 136 |
| Others | 11 | - | - | 26 | 37 |
| Total | 247 | 1,750 | 2,860 | 593 | 5,450 |

Q16. Why did we break down our business into two segments – Digital Platforms and Enterprise Communications. What is the strategic rationale behind this?

We have two synergistic businesses – Digital Platforms and Enterprise Communications. We have been disclosing revenues, gross margins and now EBIT separately for these two businesses. Our view is that these businesses have different growth drivers and financial characteristics and believe that it would help investors understand our business better by looking at them separately. In addition to the revenues and gross margins that have been shared historically, we have started to share split upto EBIT

Q17. What is the update on ESG?

The adherence to and disclosures of ESG commitments and actions gain immense importance with the first year of mandatory filing of BRSR for the top 1000 listed companies. And, with SEBI setting calendar for Core BRSR and disclosures of ESG for value chain partners, ESG now has presence and relevance in the woof and warp of all our operations.

In Q2, we have released our first Sustainability Report and Tax Transparency Report and also trained selected employees to become Certified Internal Auditors EMS (ISO 14001:2015)

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, 2023, paid-up share capital was ₹ 134.4 Mn

Shareholder Ownership

As of Sep 30, 2023, Company has about 2,00,796 shareholders as compared to 2,44,997 shareholders as on Sep 30, 2022. Promoters and employees hold 48.7% of the total equity.

Movement in shareholder pattern for last five quarters:

| Shareholder category | 30-Sep-22 | 31-Dec-22 | 31-Mar-23 | 30-Jun-23 | 30-Sep-23 |
|----------------------|-----------|-----------|-----------|-----------|-----------|
| Promoters | 43.7% | 43.7% | 44.2% | 44.2% | 44.2% |
| Employees | 5.3% | 5.3% | 4.8% | 4.8% | 4.5% |
| Retail | 35.9% | 36.9% | 36.8% | 36.0% | 35.4% |
| FII | 14.8% | 14.0% | 14.2% | 14.6% | 15.2% |
| Mutual Funds | - | - | - | 0.4% | 0.7% |
| DII | 0.09% | 0.08% | 0.08% | 0.02% | 0.0% |
| Total | 100% | 100% | 100% | 100% | 100% |

Annexure- 1 Quartely Discloures

| (In ₹ Mn, unless otherwise stated) | Three months Ended | | Six months Ended | |
|------------------------------------|--------------------|--------------|------------------|--------------|
| | Sep 30 | | Sep 30 | |
| | (Un-Audited) | | (Un-Audited) | |
| | Q2 FY24 | Q2 FY23 | H1 FY24 | H1 FY23 |
| Revenue from operations | 10,086 | 8,510 | 19,197 | 16,512 |
| Gross profit | 2,762 | 2,056 | 5,175 | 3,907 |
| Gross margin | 27.4% | 24.2% | 27.0% | 23.7% |
| EBITDA | 1,968 | 1,395 | 3,790 | 2,702 |
| EBITDA margin | 19.5% | 16.4% | 19.7% | 16.4% |
| EBITDA/ Gross profit | 71.2% | 67.9% | 73.3% | 69.2% |
| EBIT | 1,742 | 1,295 | 3,400 | 2,509 |
| EBIT margin | 17.3% | 15.2% | 17.7% | 15.2% |
| Interest Income | 35.2 | 51 | 82.7 | 94 |
| Interest yield | 5.2% | 4.3% | 5.1% | 4.0% |
| Profit after tax | 1,425 | 1,104 | 4,476 | 2,108 |
| Profit after tax margin | 14.1% | 13.0% | 13.3% | 12.8% |
| Free cash flow | 1,130 | (416) | 196 | 302 |
| Earnings per share (In ₹) | 10.60 | 8.14 | 33.05 | 15.53 |
| EBITDA per share (In ₹) | 20.54 | 10.28 | 38.48 | 19.91 |
| Cash and Cash equivalents | 5,450 | 8,552 | 7,166 | 8,552 |
| ROCE - (Including CCE) | 38.5% | - | 37.5% | 33% |
| ROCE - (Excluding CCE) | 55.0% | - | 53.6% | 76% |
| DSO days | 75 | 61 | 79 | 68 |
| Average number of employees | 658 | 610 | 651 | 622 |

CONDENSED CONSOLIDATED INCOME STATEMENT

| (In ₹ Mn, unless otherwise stated) | Three months Ended | | Six months Ended | |
|------------------------------------|--------------------|--------------|------------------|----------------|
| | Sep 30 | | Sep 30 | |
| | (Un-Audited) | | (Un-Audited) | |
| | Q2 FY24 | Q2 FY23 | H1 FY24 | H1 FY23 |
| Revenue from operations | 10,086 | 8,510 | 19,197 | 16,512 |
| Cost of services | (7,324) | (6,454) | (14,022) | (12,605) |
| Gross profit | 2,762 | 2,056 | 5,175 | 3,907 |
| Operating expenses | | | | |
| Sales and Marketing | (156) | (84) | (260) | (157) |
| General and administrative | (638) | (577) | (1,124) | (1,048) |
| Total operating expenses | (794) | (661) | (1,384) | (1,205) |
| EBITDA | 1,968 | 1,395 | 3,790 | 2,702 |

| | | | | |
|----------------------------------|--------------|--------------|--------------|--------------|
| Depreciation | (226) | (100) | (390) | (193) |
| EBIT | 1,742 | 1,295 | 3,400 | 2,509 |
| Finance cost | (18) | (4) | (29) | (7) |
| Other income | 63 | 111 | 116 | 155 |
| Profit before tax | 1,787 | 1,402 | 3,487 | 2,657 |
| Tax expenses | (362) | (298) | (708) | (549) |
| Profit after tax | 1,425 | 1,104 | 2,780 | 2,108 |
| Earnings per share (In ₹) | 10.60 | 8.14 | 20.67 | 15.53 |

CONDENSED CONSOLIDATED BALANCE SHEET

| (In ₹ Mn, unless otherwise stated) | Sep 30, 2023 (Un-Audited) | Sep 30, 2022 (Un-Audited) |
|-------------------------------------|------------------------------|------------------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 2,101 | 492 |
| Platforms | 773 | 982 |
| Customer Relationships | 435 | 195 |
| Brands | 45 | 3 |
| Non-Compete | 208 | 27 |
| Technology & Software | 22 | 7 |
| Intangible assets under development | 837 | 165 |
| Goodwill | 2,639 | 1,346 |
| Right-of-use-lease assets | 713 | 448 |
| Capital work in progress | 100 | 502 |
| Investment Property | 13 | |
| Financial assets | 284 | 136 |
| Deferred tax assets (net) | 432 | 383 |
| Other non-current assets | 726 | 367 |
| Total non-current assets | 9,328 | 5,053 |
| Trade receivables | 8,941 | 5,671 |
| Cash and bank balances | 5,450 | 8,523 |
| Other Financial assets | 4,621 | 4,212 |
| Other current assets | 495 | 924 |
| Total current assets | 19,508 | 19,330 |
| TOTAL ASSETS | 28,835 | 24,383 |

EQUITY AND LIABILITIES

| | | |
|--------------------------------------|---------------|---------------|
| Equity share capital | 134 | 136 |
| Other equity | 17,345 | 14,731 |
| Total equity | 17,479 | 14,867 |
| Non current liabilities | | |
| Financial liabilities | | |
| Borrowings | 14 | - |
| Lease liabilities | 628 | 448 |
| Other financial liabilities | 7 | 4 |
| Provisions | 21 | 23 |
| Other non-current liabilities | 7 | 6 |
| Total Non Current Liabilities | 677 | 481 |
| Current liabilities | | |
| Trade payables | 6,674 | 5,405 |
| Lease liabilities | 150 | 63 |
| Other financial liabilities | 3,378 | 3,144 |
| Other current liabilities | 137 | 83 |
| Short term provisions | 80 | 2 |
| Liabilities for current tax (net) | 260 | 338 |
| Total Current liabilities | 10,679 | 9,035 |
| TOTAL EQUITY AND LIABILITIES | 28,835 | 24,383 |

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

| (In ₹ Mn, unless otherwise stated) | Share capital | Reserves | Retained earnings | Other contributions | Total |
|--------------------------------------|---------------|--------------|-------------------|---------------------|---------------|
| Opening balance 01 April 2022 | | | | | |
| Profit for the period | 136 | 4,645 | 8,519 | 242 | 13,542 |
| Other comprehensive income | - | - | 4,476 | - | 4,476 |
| Issue of equity shares | - | - | - | 200 | 200 |
| Shares bought back | - | - | - | - | - |
| Dividend declared | (2) | (2,124) | - | - | (2,126) |
| Others | - | - | (1,086) | 169 | (917) |
| Closing balance 31 March 2023 | 134 | 2,521 | 11,909 | 611 | 15,175 |
| Opening balance 01 April 2023 | 134 | 2,521 | 11,909 | 611 | 15,175 |
| Profit for the period | - | - | 2,780 | - | 2,780 |
| Other comprehensive income | - | 17 | - | - | (3) |
| Issue of equity shares | - | - | - | - | - |
| Shares bought back | - | - | - | - | - |
| Dividend declared | - | - | (538) | - | (538) |

| | | | | | |
|-------------------------------------|------------|--------------|---------------|------------|---------------|
| Others | - | - | - | 45 | 45 |
| Closing balance 30 June 2023 | 134 | 2,538 | 14,152 | 655 | 17,479 |

CONDENSED STATEMENT OF CASH FLOWS (Un-Audited)

| (In ₹ Mn, unless otherwise stated) | Q2 FY24 | Q2 FY23 | H1 FY24 | H1 FY23 |
|--|----------------|----------------|----------------|----------------|
| Cash flow before changes in working capital | 2,055 | 1,449 | 3,934 | 2,962 |
| Changes in working capital | (163) | (1,046) | (448) | (1,324) |
| Cash generated from operations | 1,893 | 403 | 3,486 | 1,638 |
| Taxes | (291) | (362) | (591) | (632) |
| Cash flow from operating activities | 1,602 | 41 | 2,896 | 1,006 |
| Net investments in tangible and intangible assets | (292) | (457) | (716) | (705) |
| Purchase/(Sale) of Investments in Subsidiary/associate | (3,737) | - | (3,737) | - |
| Interest and other income received | 48 | 87 | 100 | 105 |
| Movement in other cash balances | - | - | - | 600 |
| Cash flow from investing activities | (3,981) | (370) | (4,353) | 0 |
| Issue of shares | - | - | - | 0 |
| Buyback of shares | - | - | - | 0 |
| Dividend paid during the year | (538) | (1,086) | (538) | (1,086) |
| Payment and Interest paid on lease liabilities | (89) | 64 | (88) | (21) |
| Borrowings | (33) | - | (33) | - |
| Cash flow from financing activities | (660) | (1,022) | (659) | (1,107) |
| Cash flow for the period | (3,040) | (1,351) | (2,116) | (101) |
| Cash, cash equivalents at the beginning of period | 8,039 | 9,873 | 7,116 | 8,623 |
| Forex Fluctuations | (55) | - | (55) | - |
| Cash Acquired on ValueFirst Acquisition | 506 | - | 506 | - |
| Cash and cash equivalent | - | - | - | - |
| Fixed deposits having maturity greater than 12 months | - | 29 | - | - |
| Cash, cash equivalents closing balance | 5,450 | 8,552 | 5,450 | 8,552 |

Annexure- 2 Quartely trends

| Key financial ratios | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
|-----------------------|--------|--------|--------|-------|-------|--------|--------|-------|-------|
| | FY22 | FY22 | FY22 | FY23 | FY23 | FY23 | FY23 | FY24 | FY24 |
| Revenue growth | 44.3% | 35.3% | 31.5% | 27.7% | 1.1% | (1.7%) | (2.3%) | 13.9% | 18.5% |
| Gross margin % | 27.4% | 29.5% | 28.5% | 23.1% | 24.2% | 24.9% | 27.5% | 26.5% | 34.3% |
| EBITDA margin % | 21.2% | 22.9% | 21.6% | 16.3% | 16.4% | 17.4% | 20.0% | 20.0% | 19.5% |
| EBIT margin % | 20.0% | 21.7% | 20.4% | 15.2% | 15.2% | 16.0% | 18.2% | 18.2% | 17.3% |
| Net profit margin % | 16.2% | 17.9% | 16.5% | 12.5% | 13.0% | 13.4% | 14.4% | 14.9% | 14.1% |
| Free cash flow | 2,217 | 302 | 444 | 718 | (416) | (867) | 1,472 | 869 | 1,310 |
| Day sales outstanding | 48 | 54 | 59 | 74 | 61 | 67 | 62 | 67 | 75 |
| ROCE (Including CCE) | 54.0% | 51.0% | 47.0% | 31.7% | 32.7% | 31.2% | 34.0% | 38.4% | 38.5% |
| ROCE (excluding CCE) | 247.0% | 170.0% | 141.0% | 89.3% | 73.9% | 57.8% | 61.4% | 71.8% | 55.0% |

| Revenue (In ₹ Mn) | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
|-------------------|-------|-------|-------|-------|-------|-------|-------|-------|--------|
| | FY22 | FY22 | FY22 | FY23 | FY23 | FY23 | FY23 | FY24 | FY24 |
| Platform | 624 | 658 | 687 | 680 | 751 | 782 | 815 | 879 | 953 |
| Enterprise | 7,792 | 8,191 | 7,844 | 7,321 | 7,759 | 7,914 | 7,520 | 8,232 | 9,133 |
| Total | 8,416 | 8,849 | 8,531 | 8,001 | 8,510 | 8,696 | 8,335 | 9,111 | 10,086 |

| Gross profit (In ₹ Mn) | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | FY22 | FY22 | FY22 | FY23 | FY23 | FY23 | FY23 | FY24 | FY24 |
| Platform | 578 | 598 | 650 | 653 | 724 | 751 | 781 | 851 | 931 |
| Enterprise | 1,724 | 2,012 | 1,784 | 1,197 | 1,332 | 1,418 | 1,508 | 1,562 | 1,831 |
| Total | 2,302 | 2,610 | 2,434 | 1,850 | 2,056 | 2,168 | 2,289 | 2,413 | 2,762 |

| Gross margin | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
|--------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | FY22 | FY22 | FY22 | FY23 | FY23 | FY23 | FY23 | FY24 | FY24 |
| Platform | 92.7% | 90.9% | 94.7% | 95.9% | 96.4% | 96.0% | 95.9% | 96.8% | 97.7% |
| Enterprise | 22.1% | 24.6% | 22.7% | 16.4% | 17.2% | 17.9% | 20.1% | 19.0% | 20.0% |
| Total | 27.4% | 29.5% | 28.5% | 23.1% | 24.2% | 24.9% | 27.5% | 26.5% | 27.4% |

| EBITDA (In ₹ Mn) | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 |
|---------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | FY22 | FY22 | FY22 | FY23 | FY23 | FY23 | FY23 | FY24 | FY24 |
| EBITDA | 1,787 | 2,028 | 1,841 | 1,307 | 1,395 | 1,513 | 1,661 | 1,822 | 1,968 |
| EBITDA margin | 21.2% | 22.9% | 21.6% | 16.3% | 16.4% | 17.4% | 20.0% | 20.0% | 19.5% |
| EBITDA/Gross profit | 77.6% | 77.7% | 75.7% | 70.6% | 67.8% | 69.8% | 72.6% | 75.5% | 71.3% |
| EBITDA/per share | 13.17 | 14.97 | 13.55 | 9.63 | 10.28 | 11.15 | 12.36 | 13.56 | 20.54 |

| Profit/(loss) after tax (In ₹ Mn) | Q2 FY22 | Q3 FY22 | Q4 FY22 | Q1 FY23 | Q2 FY23 | Q3 FY23 | Q4 FY23 | Q1 FY24 | Q2 FY24 |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Profit/(loss) after tax | 1,362 | 1,580 | 1,406 | 1,004 | 1,104 | 1,165 | 1,203 | 1,354 | 1,425 |
| Profit after tax margin | 16.2% | 17.9% | 16.5% | 12.5% | 13.0% | 13.4% | 14.4% | 14.9% | 14.1% |

| Earnings per share (In ₹) | Q2 FY22 | Q3 FY22 | Q4 FY22 | Q1 FY23 | Q2 FY23 | Q3 FY23 | Q4 FY23 | Q1 FY24 | Q2 FY24 |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Basic earnings per share | 10.04 | 11.66 | 10.36 | 7.40 | 8.14 | 8.58 | 8.88 | 10.07 | 10.60 |

| Free cash flow (In ₹ Mn) | Q2 FY22 | Q3 FY22 | Q4 FY22 | Q1 FY23 | Q2 FY23 | Q3 FY23 | Q4 FY23 | Q1 FY24 | Q2 FY24 |
|--------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Free cash flow | 2,217 | 302 | 444 | 718 | (416) | (867) | 1,472 | 869 | 1,310 |

| RSU's vested yet to be exercised for FY 23-24 | No of RSU's |
|---|-----------------|
| Opening Balance July 1, 2023 | 3,07,000 |
| RSU's granted | - |
| RSU's vested | 26,500 |
| RSU's exercised | 33,003 |
| RSU's lapsed | - |
| Balance as on Sep 30, 2023 | 2,73,997 |

| RSU's vested yet to be exercised for FY 23-24 | No of RSU's |
|---|-----------------|
| RSU's vested yet to be exercised as on Sep 30, 2023 | 26,500 |
| FY 23-24 | 50,000 |
| FY 24-25 | 1,09,999 |
| FY 25-26 | 74,998 |
| FY 26-27 | 12,500 |
| Balance as on Sep 30, 2023 | 2,73,997 |

| Other Income (In ₹ Mn, unless otherwise stated) | Q2 FY24 | Q2 FY23 | H1 FY24 | H1 FY23 |
|---|---------|---------|---------|---------|
| Interest income | 35 | 51 | 83 | 96 |
| Interest on income tax refund | 8 | 56 | 8 | 56 |
| Others | 20 | 4 | 26 | 3 |
| Other income | 63 | 111 | 116 | 155 |
| Interest yield | 5.2% | 4.2% | 5.1% | 3.3% |

| Property, Plant and Equipment (In ₹ Mn, unless otherwise stated) | Sep 30, 2023 | Sep 30, 2022 |
|---|--------------|--------------|
| Property, Plant and Equipment, Net | | |
| Land | 77 | 77 |
| Buildings | 145 | 21 |
| Leasehold improvements | 606 | 0 |
| Furniture | 322 | 5 |
| Computers | 817 | 378 |
| Office equipment | 44 | 6 |
| Vehicles | 45 | 1 |
| Air conditioners | 2 | 1 |
| Platforms & Deployments | 43 | |
| Total | 2,101 | 489 |

| Intangible assets (In ₹ Mn, unless otherwise stated) | Sep 30, 2023 | Sep 30, 2022 |
|---|--------------|--------------|
| Intangible assets | | |
| Platforms | 773 | 982 |
| Customer Relationships | 435 | 195 |
| Trade Name | 45 | 3 |
| Non-compete | 22 | 7 |
| Software | 209 | 27 |
| Total Intangible assets | 1,484 | 1,214 |
| Intangible assets under development | 837 | 165 |
| Goodwill | 2,639 | 1,346 |

| Goodwill (In ₹ Mn, unless otherwise stated) | Karix | Gamooga | Value First | Total | Useful life | Impairment/ Amortization | Net Carrying value |
|--|-------|---------|-------------|-------|-------------|-----------------------------|--------------------------|
| Goodwill | 1,586 | 250 | 1,293 | 3,129 | - | 490 | 2,639 |

Definitions

| | |
|---|--|
| Platform business | Platform business refers to revenue generated from “Platform as a service offering”, where only cloud and hosting are a charge on revenue. |
| Enterprise business | Enterprise business refers to revenue generated based on total transactions processed at an agreed price per transaction, through multiple channels like SMS, emails, WhatsApp and others. Cost of services for enterprise business mainly consist of transaction fee paid to mobile carriers and other suppliers. |
| Gross profit | Revenue less cost of services. Cost of services comprises of service transaction fee paid to mobile carriers and other suppliers. |
| Gross margin | The gross margin reflects percentage of revenue less cost of services. |
| Sales and marketing expense | Sales and marketing expenses comprise of employee cost and expenses directly associated with sales, marketing, and promotional activities. |
| General and administrative expense | General and administration expenses comprise of employee cost (excluding the salary forming part of S&M), cloud and data center hosting charges, and expenses incurred for day-to-day operations such as rent of facilities, office maintenance, professional fee, and other general expenses. |
| EBITDA | Earnings before interest, taxes, depreciation, and amortization reflects profit derived based on revenue less of operating expenses. It is reflection of profitability of operating business. |
| Adjusted EBITDA | Adjusted EBITDA excludes one-time expenses such as one time acquisition, buy back, ESPS and other event related costs. |
| EBIT | Revenues – Cost of sales (where applicable) – indirect cost (includes platform operational cost, people cost and overheads, SG&A) – depreciation – allocated corporate 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 60 | Rule of 60 metric is used to measure performance of SaaS companies. This metric which is a summation of Revenue growth and EBIT margin is expected to be at or above 60%. We are tracking this metric only for Digital Platforms. |
| 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). |

Key Policies

Basis for preparation of financial statements

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

Revenue recognition

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

Depreciation and Amortization

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

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

Provision for bad and doubtful debts

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

Investment policy

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

Dividend policy

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

Governance policies

| | |
|--|--|
| Code of Conduct: | Tanla is committed to follow the best business, commercial and legal practices. The Code of Conduct is intended to guide the Board in implementation of the code. The code is applicable to all employees of Tanla including the Directors of Tanla and its subsidiaries. |
| Supplier code of conduct: | We believe in conducting business with ethics and integrity, treating all people with dignity and respect, supporting our communities, and honoring the laws & regulations of the countries in which we operate. We will endeavor to choose reputable business partners who conduct their business in a manner that shows high ethical standards, safe and healthy work environments, protection of human rights and dignity, protection of environment and compliance with the law. The SCoC outlines our expectations regarding the workplace standards and the business practices of our suppliers and those in their supply chain. |
| Whistle Blower Policy: | This policy is formulated with a view to provide a mechanism for employees to report to the management instances of unethical behaviour, actual or suspected fraud or violation of the company's code of conduct. |
| Code for Insider Trading: | <p>The Code prescribes the Internal Procedures and Conduct for Regulating, Monitoring and Reporting of trading by insiders of the Company.</p> <p>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.</p> |
| Risk Management policy: | The Company is affected by general economic, financial, and regulatory developments at the domestic and international level. We have in place a structure, procedures, and control systems to detect & identify risks and implement appropriate measures to mitigate and prevent them. |
| Related Party Transaction Policy: | Related party transactions are subject to the Audit Committee's approval. As required by the applicable Regulations, all related party transactions are reported on a half-yearly basis to the Stock Exchanges. Our related party transactions are limited to inter-company transactions. |
| Environmental policy | We endeavour to reduce the impact of our operations and business activities on the environment while influencing the people in our value chain as well as our social interactions to follow the path of environmentally sustainable living. |

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

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
Ananthkrishnan Govindan - Partner

Internal Auditor
Deloitte Touche Tohmatsu
India LLP Vishal Shah - Partner

GST Consultants
M/s. BDO India LLP INDIA
Rajitha Boorugu - Partner

Consultants

Process consultants
KPMG in India
Amit Jain - Partner

Tax consultants
PWC in India
Amit Jain - Partner

ESG consultants
Ernst & Young
Sayooj Thekkevariath -Partner

principles and process a wide range of initiatives are being implemented under ESG- achieving net zero neutrality by 2025.

Forward-looking statements

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

Certification

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

Headquarters

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