



Tanla Solutions Limited
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August 12, 2020

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 Sir/Madam,

Sub: Investors Updates for quarter ended June 30, 2020.

With reference to the subject cited, we are enclosing herewith Investors Updates for the quarter ended June 30, 2020.

Request you to take the same on record and oblige.

Yours faithfully,

For **Tanla Solutions Limited**




Seshanuradha Chava
General Counsel and Regulatory
ACS-15519



Investor Update

EXTERNAL

Quarter 1 FY 20-21

Tanla Solutions Limited
August 12, 2020



SAFE HARBOR STATEMENT

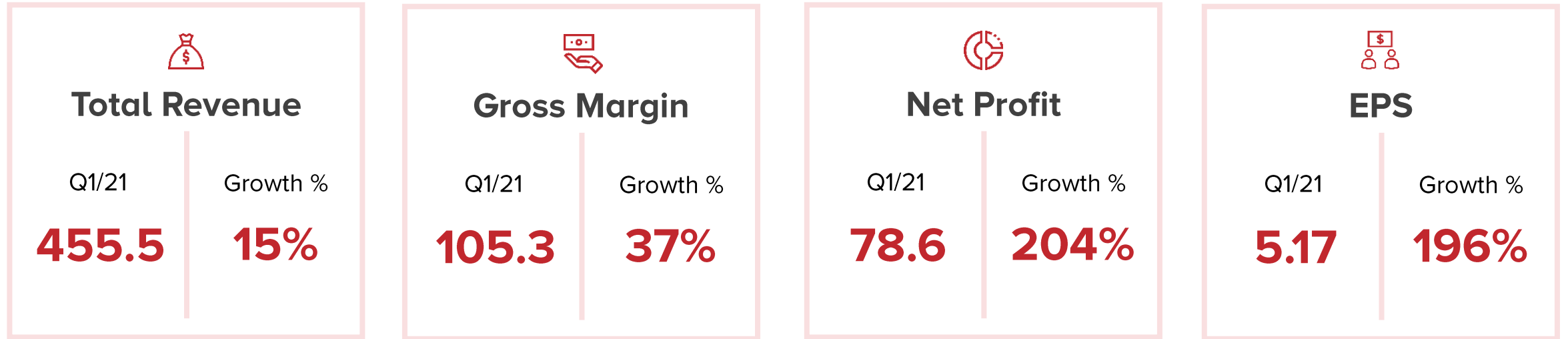
This presentation might contain ‘forward-looking statements’ that are based on our current expectations, assumptions, estimates and projections about Tanla Solutions Limited (the “Company”), our industry, economic conditions in the markets in which we operate, and certain other matters. Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. These statements are subject to known and unknown risks, uncertainties and other factors and they depend on future events and circumstances. Such statements do not guarantee future results or development and the actual results or outcomes may differ materially from those implied by the forward-looking statements. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, fluctuations in foreign exchange rates, our ability to manage growth, intense competition in the services provided by the Company, including those factors which may affect our cost advantage, wage increases, our ability to attract and retain highly skilled professionals, time and cost overruns on fixed-price, fixed-time frame contracts, client concentration, restrictions on immigration, industry segment concentration, our ability to manage our international operations, reduced demand for technology in our key focus areas, disruptions in telecommunication networks or system failures, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, the success of the companies in which the Company has made strategic investments, withdrawal or expiration of governmental fiscal incentives, political instability and regional conflicts, regulatory changes, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our industry. In light of these and other uncertainties, you should not conclude that the results or outcomes referred to in any of the forward-looking statements will be achieved. All forward-looking statements are based on information available to us on the date hereof, and we do not undertake to update these forward-looking statements to reflect future events or circumstances unless required to do so by law.



SOLID START TO FY21 AMIDST COVID-19 CRISIS

TOTAL REVENUE, GROSS MARGIN, NET PROFIT AND EPS UP

INR Crore



Note: Growth percentage is over corresponding quarter Q1/20



OTHER FINANCIAL HIGHLIGHTS

FIRST QUARTER 2021

- Gross margin percentage increased by **3.7%** to **23.1%**
- EBITDA percentage increased by **8.5%** to **16.4%**
- EBITDA to Cash conversion remained robust at **81.1%**
- Net profit up **204%** to **INR 78.6Cr**
- Other income **INR 13.2Cr**
- Capital expenditure is at **INR 8.2Cr**
- Tanla and all its subsidiaries remain **debt free**



PROFIT & LOSS

FIRST QUARTER 2021

(INR Crore)

	<u>Q1/21</u>	<u>Q1/20</u>	<u>Δ %</u>
Revenue from operations	455.5	394.5	15
Cost of Services	(350.2)	(317.9)	10
Gross Margin	105.3	76.6	37
Gross Margin %	23.1%	19.4%	19
Operating Expenses	(30.3)	(45.4)	(33)
EBITDA	75.0	31.2	140
EBITDA %	16.4%	7.9%	107
Other Income	13.2	4.7	181
Depreciation and Amortization	(11.5)	(153.6)	93
Finance Cost	(0.7)	(1.5)	53
Share in Net profit/ (loss) of associate	-	(0.19)	100
Profit (loss) before tax	76.0	(119.3)	164
Tax Expense (including deferred tax)	2.6	43.6	(94)
Net profit (loss)	78.6	(75.7)	204
Earnings per share, basic (in INR)	5.17	(5.39)	196

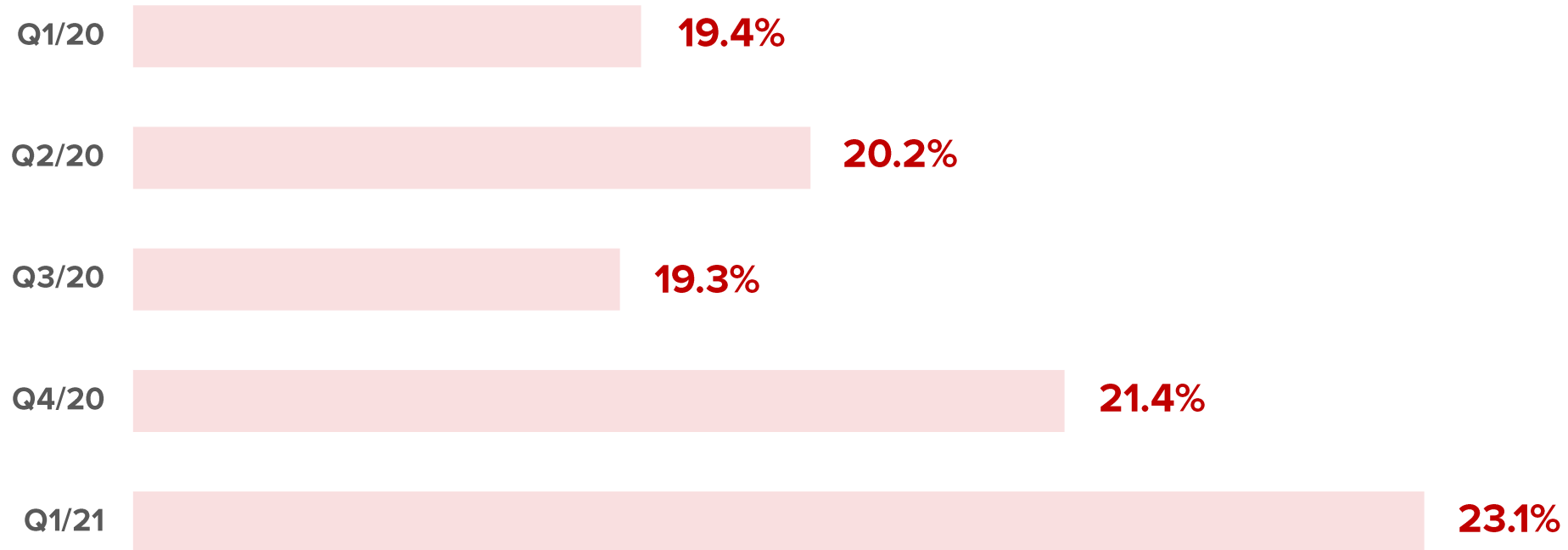
Note:

- Operating expenses includes one-time costs towards ESOPs of INR 11.5 Cr, Acquisition expenses of INR 7.69 Cr in Q1/20 and Buyback expenses of INR 1.13 Cr in Q1/21.
- Other Income:
 - Provision of investments (Franklin Templeton) INR 3.67 Cr and profit thereof INR 1.78 Cr now realized
 - Provision of debtors in TMAP (Singapore) of INR 2.92 Cr now realized.



GROSS MARGIN DEVELOPMENT

GROSS MARGIN UP 3.7 PERCENT YOY



Gross margin percentage increased by **3.7% to 23.1%** compared to corresponding quarter Q1/20



EBITDA MOVEMENT

EBITDA UP 3.8 PERCENT YOY

Particulars	FY 20	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21
Adjusted EBITDA (INR Crore)	240.3	50.8	60.9	63.7	64.9	76.1
Free Cash Flow (INR Crore)	189.8	42.5	48.6	52.5	46.3	61.7
Adjusted EBITDA to Revenue %	12.4%	12.9%	12.5%	11.3%	12.4%	16.7%
Adjusted EBITDA to Cash Conversion ratio	79.0%	83.6%	79.8%	82.4%	71.3%	81.1%

Note:

1. EBITDA to Revenue up on account of
 - Gross Margin increase
 - Reduction in operating expenses due to one-time cost in corresponding quarter
2. Adjusted EBITDA is EBITDA less one-time expense
3. Free cash flow is Adjusted EBITDA less Interest, Current tax, Dividend and Capex
4. Adjusted EBITDA to cash conversion is Free cash flow as a percentage of Adjusted EBITDA



COST RATIOS

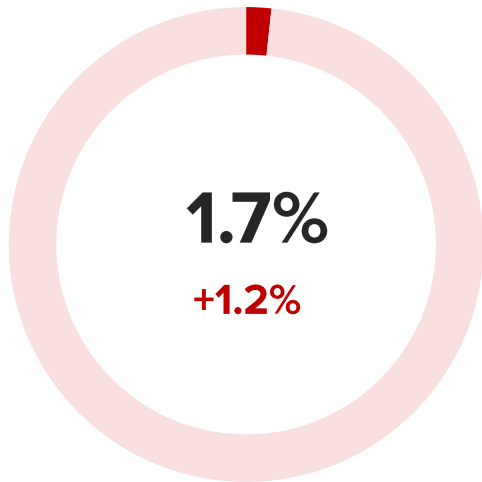
FIRST QUARTER 2021

455.5 Crore Total revenue for Q1

R&D

as % of total revenue

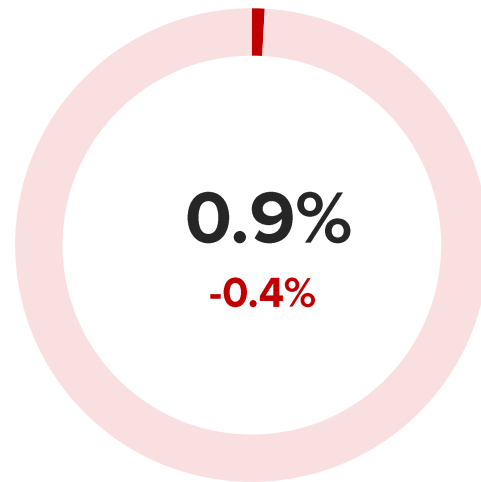
INR 7.9 Cr



S&M

as % of total revenue

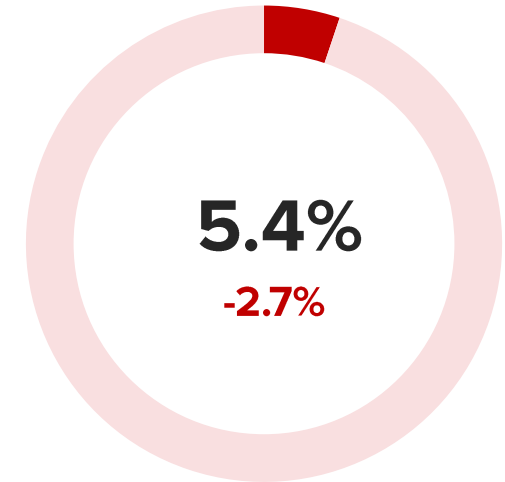
INR 4.4 Cr



G&A

as % of total revenue

INR 24.7 Cr



UNAUDITED BALANCE SHEET CONDENSED

JUNE 30, 2020

(INR Crore)

Assets	30-Jun-20	31-Mar-20
Goodwill	134.56	134.56
Intangible assets	95.83	95.14
Property, plant, and equipment	32.24	35.91
Financial Assets	2.12	4.45
Other non-current assets	131.30	152.21
Total non-current assets	396.05	422.27
Cash, cash equivalents and other financial assets	247.02	200.57
Trade and other receivables	294.34	325.77
Other current assets	306.56	251.08
Total current assets	847.92	777.42
Total assets	1243.97	1,199.69

Equity and liabilities	30-Jun-20	31-Mar-20
Total equity	799.19	701.73
Financial liabilities	4.94	4.58
Provisions	6.46	6.45
Other non-current liabilities	3.88	4.29
Total non-current liabilities	15.28	15.31
Trade and other payables	213.74	280.6
Provisions	0.03	0.94
Other liabilities	215.73	201.1
Total current liabilities	429.50	482.64
Total liabilities	444.78	497.95
Total equity and liabilities	1,243.97	1,199.69



CASH FLOW STATEMENT

(INR Crore)

Particulars	<u>Q1/21</u>	<u>Q4/20</u>	<u>Q3/20</u>	<u>Q2/20</u>	<u>Q1/20</u>	<u>FY 20</u>	<u>FY 19</u>
Net cash provided by (used in)							
Operating activities	26.3	94.4	79.4	101.6	(36.3)	239.2	(30.4)
Investing activities	2.4	(26.4)	(12.9)	(47.7)	(113.0)	(200.1)	20.1
Financing activities	17.7	(72.7)	7.3	-	(1.9)	(67.3)	73.7
Net increase in cash and cash equivalents	46.4	(4.71)	73.8	53.9	(151.2)	(28.2)	63.3
Cash and cash equivalents at beginning of year	200.6	205.3	131.5	77.6	228.8	228.8	165.4
Cash and cash equivalents closing balance	247.0	200.6	205.3	131.5	77.6	200.6	228.8



CAPEX SPENT

(INR Crore)

	<u>Q1/20</u>	<u>Q2/20</u>	<u>Q3/20</u>	<u>Q4/20</u>	<u>Q1/21</u>	<u>FY 20</u>	<u>YTD</u>
Platforms	2.1	10.9	2.2	13.6	7.9	28.7	36.6
Computers	1.6	0.2	1.2	-	0.1	3.0	3.1
Other assets	3.1	-	-	3.1	0.2	6.4	6.6
Total Capex Spent	6.8	11.1	3.4	16.7	8.2	38.1	46.3



KEY METRICS

Total Revenue +15% 455.5 Crore	Revenue Mix Domestic International 55% : 45%	Gross Margin +37% 105.3 Crore	EBITDA +140% 75 Crore
EBITDA to Cash conversion 81.1% 61.7 Crore	Net Profit +204% 78.6 Crore	EPS[^] 5.17 +196%	DSO 59 Days
Book Value* 58.95 +4.8%	Gross Margin % 23.1%	EBITDA % 16.5%	Net Profit % 17.3%

Note:

1. Growth percentage is over corresponding quarter Q1/20
2. *Book Value compared post buy-back of shares
3. ^ Not annualized



KEY RATIOS

Current Ratio

1.97
+37%

Quick Ratio

1.82
+37%

Cash Ratio

0.58 times
+231%

ROCE

37.7%
+108%

Fixed Assets
Turnover Ratio

35.93 times

PE Ratio*

7.20

Price to Book Value*

2.52
+91%

Enterprise Value/
Adjusted EBITDA*

5.82
+16%

Price to Sales Ratio*

1.1 : 1
+68%

Note:

1. * Is calculated as per the market value on Aug 07, 2020.
2. Price to Book Value, Price to Sales Ratio, Enterprise Value / Adjusted EBITDA is calculated post buy-back of shares
3. Growth percentage is over corresponding quarter Q1/20





Investor Update

EXTERNAL
Quarter 1 FY 20-21

Tanla Solutions Limited
 August 12, 2020



Tanla announces un-audited financial results for Q1FY2021.

HYDERABAD — August 12, 2020 [NSE-TANLA; BSE-532790] — The Board of Tanla Solutions Limited at its Board Meeting held on August 12, 2020 announced the un-audited financial results for the quarter ended on June 30, 2020 for FY21.

- Revenue at ₹455.5 crore increased by 15% sequentially from first quarter of FY20.
- Gross Margin at ₹105.3 crore increased by 37% sequentially from first quarter of FY20.
- Net Profit at ₹78.6 crore increased by 204% sequentially from first quarter of FY20.
- EPS at ₹5.17, increased by 196% sequentially from first quarter of FY20.
- Tanla and all its subsidiaries remain debt free.
- Provision of ₹3.7 crore for loss of investment in liquid funds and a provision of ₹2.92 crore created for doubtful debts in FY20, have been reversed in the current quarter, as the same have been realized.
- Tax refund of ₹1.44 crore has been received during Q1FY2021.
- Interest income of ₹3.42 crore comprises of ₹1.4 crore as interest on TDS and ₹2.02 crore realized as interest from fixed deposits made in HDFC Bank.

“Tanla’s quarterly performance bucks the trend amidst the raging pandemic disrupting global economies,” said Uday Reddy, Chairman & Managing Director of Tanla. “Our unique market standing as a leading Digital and Cloud Communications player have resulted in robust topline and bottom-line growth both YOY and QOQ.”

Commenting on TRAI’s directive for commercial launch of DLT services from Sept 1, 2020, Uday Reddy said, “With the commercial rollout of Trubloq slated for September 1, this blockchain enabled platform has the traction to become the gold standard in its space. For Regulators, Telco’s and Enterprises alike spams and mobile fraud risks can be mitigated and additionally provide the end users with the power to choose.”

Business Highlights

- During Q1FY21, 80 new customers were signed up with an annual potential revenue of ₹80 crore, constituting a healthy mix of customers from leading verticals (e-commerce, BFSI, EdTech, Telecom etc.) including established brands to high potential startups.
- Tanla was awarded a contract by a leading telecom service provider in Dubai for deploying the subscriber consent management system for promotional/bulk SMS based on blockchain technology.

Corporate and other Highlights

Update on Buy-back

- In the buyback offer, 1.67 Cr number of shares were tendered, representing 87.80% of the buy-back offer size, resulting in the paid-up share capital reducing to 13.55 Cr equity shares of ₹1/ each from *15.22 Cr equity shares of ₹1/ each.
- Post buy-back, the number of shareholders reduced by 3614 shareholders from 50,711 on June 12, 2020 to 47,097, on July 31, 2020.

- Total buy-back proceeds of ₹135.2 crore were discharged to the shareholders on July 22, 2020 and buy-back tax of ₹29.5 crore was paid on August 5, 2020.
- The Shareholding pattern pre and post buy-back is as given below:

Particulars	Pre-Buyback (as on June 12th, 2020)			Post-Buyback (as on July 31st, 2020)		
	No. of shareholders	No. of shares	% of shareholding	No. of shareholders	No. of shares	% of shareholding
Promoters	6	5,36,10,558	35.21	6	5,36,10,558	39.55
Banyan Investments Limited	1	2,19,99,824	14.45	1	2,19,99,824	16.23
Employees	45	85,32,785	5.6	42	80,47,835	5.94
Public	50,659	6,81,14,390	44.74	47,048	5,19,06,588	38.27
Total	50,711	*15,22,57,557	100.0	47,097	13,55,64,805	100.0

*Note: Listing approval from BSE Limited is pending for listing of 62,85,858 Equity Shares allotted on April 3, 2020 pursuant to conversion of warrants.

Update on Merger

- The Hyderabad bench of the Honorable NCLT, approved the merger of Karix Mobile Private Limited ("Karix") and Unicel Technologies Private Limited ("Unicel") with Tanla Corporation Private Limited ("Tanla") on June 30, 2020.
- As per the NCLT Order, the appointed date for the merger is April 09, 2019.
- As approved in the NCLT Order, Tanla shall be named as Karix subject to regulatory approvals.
- As an impact of Merger, Goodwill amounting to ₹158.4 crore is now available as a tax allowable expense for Tanla.

HR Update

The annual appraisal of the employees has been conducted and the employees have received the increments and promotions as per the Company Policy, for FY2021, resulting in the total resource cost increase by ~ 10%.

For Further Financial updates, visit <https://tanla.com/investors.html>

Auditors

Internal Auditors: Deloitte Touche Tohmastu India LLP

Statutory Auditors: MSKA & Associates

About Tanla

Tanla is a Hyderabad, India-based company, established in 1999. It is a global leader in its domain as one of the largest Cloud Communication providers, handling over 200 billion business communications annually. Tanla is innovating the way the world communicates, continuously raising the bar through enhanced speed, ease, and simplicity of Cloud Communication solutions, adopting cutting-edge technologies like blockchain, Artificial Intelligence, Machine Learning to meet the discerning needs of a diverse clientele, from enterprises to carriers across geographies. Tanla has always adopted new technologies and has many patents to its name including world's first blockchain based commercial communication stack "Trubloq" to address the growing concerns for spam and fraud. Tanla is working with all leading Telco's in India creating India's first Telecom Blockchain Network. Tanla is a public limited company listed on leading Indian stock exchanges (NSE: TANLA & BSE: 532790)

Safe Harbor:

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