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Date: April 30, 2024

To,

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

**Sub: Transcript of the Earnings Call.**

Pursuant to Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015, please find attached herewith the transcript of the Earnings Call on Audited Financial Results of the Company for the quarter and year ended March 31, 2024, held on Friday, April 26, 2024, at 4:30 PM IST.

The transcript is uploaded on company’s website as well on below link:

Link: <https://www.tanla.com/investor-relations/quarterly-results>

Request you to take the same on record and oblige.

Thanking you

Yours faithfully,  
For **Tanla Platforms Limited**

SESHANURA  
DHA CHAVA  
Digitally signed by  
SESHANURADHA  
CHAVA  
Date: 2024.04.30  
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Seshanuradha Chava  
General Counsel and Company Secretary  
ACS-15519



**Tanla Platforms Limited**  
**Q4 FY24 Earnings Conference Call Transcript**  
April 26, 2024

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<b>Call Duration</b>	<ul style="list-style-type: none"><li>▪ <b>56 minutes</b></li></ul>
Management	<ul style="list-style-type: none"><li>▪ Ritu Mehta - Head of Investor Relations</li><li>▪ Uday Kumar Reddy - Founder, Chairman &amp; Chief Executive Officer</li><li>▪ Deepak Goyal - Executive Director &amp; Chief Business Officer</li><li>▪ Aravind Viswanathan - Chief Financial Officer</li></ul>
Participants that asked the questions	<ul style="list-style-type: none"><li>▪ Amit Agrawal – Individual Investor</li><li>▪ Anil Sarin – Individual Investor</li><li>▪ Amit Chandra -HDFC Securities</li><li>▪ Anil Nahata- Individual Investor</li><li>▪ Brahmanand Reddy – Individual Investor</li><li>▪ Anil Sarin – Individual Investor</li><li>▪ Sharad Kohli- Individual Investor</li></ul>



**Operator:** Ladies and gentlemen, good day, and welcome to Q4 FY24 Earnings Conference Call of Tanla Platforms Limited. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing \* then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Ritu Mehta, Investor Relations. Thank you and over to you.

**Ritu Mehta:** Good evening and welcome to Q4 earnings call. Joining with us today are Uday Reddy, Founder, Chairman and CEO; Deepak Goyal, Executive Director, and Chief Business Officer; and Aravind Viswanathan, CFO. After his opening remarks, we will be happy to engage with participants and address their questions.

Before we start the call, let me draw your attention to the fact that today's discussion may feature statements that are forward-looking in nature. All statements other than statements of historical facts could be deemed forward-looking in nature. Such statements are inherently subject to risk and uncertainties, some of which cannot be predicted or quantified. A detailed disclosure in this regard is mentioned in the results presentation that is uploaded on our website. Audio recording and the transcript will be available on the website soon.

Hope everybody got a chance to go through our investor presentation and shareholder letter. The management team will be happy to answer any questions.

We now request the operator to open the floor for Q&A

#### Question-and-Answer Session

**Operator:** Thank you very much. We'll now begin the question-and-answer session. Anyone who wishes to ask a question may press \* and 1 on their touch-tone telephone. If you wish to remove yourself from the question queue you may press \* and 2. Participants are requested to use handsets while asking your question. Ladies and gentlemen, we will wait for a moment, while the question queue assembles. Participants you may press \* and 1 to ask a question.

The first question is from the line of Amit Agrawal individual investor. Please go ahead.

**Amit Agrawal:** Good afternoon. My question is regarding the presentation is showing that in the quarter four, we have Platform business is going at the rate of 10%. Previously, it was going at a higher rate. So, is this the new normal and any particular reason that it has slowed down in the fourth quarter?

**Aravind Viswanathan:** Yeah. Thanks, Amit. So, Amit, if you remember, we had talked about, exiting one of the firewall deals with Vodafone sometime back. And this quarter showed a portion of that impact. If you normalise for it, the gross margin of the Platform business grew by 35%. So, in many ways, we've been having that impact and we overcome it. So, I would say the momentum of the business is very much intact. If anything, we are doing quite well there. We onboarded first commercial customer on ATP. We started seeing revenues flow in. So, we're quite bullish. I definitely don't see 10% as the new normal, 35%, that's the number I've already mentioned. So, we kind of seeing a very, very strong growth. And I think as the other platforms, particularly newer ones, scale up, Amit, you will see this go back to the growth rates that we've seen before.

**Amit Agrawal:** So, would you see the jump in the next quarter immediately or after two or three quarters?

**Aravind Viswanathan:** So, Amit, we don't really want to give a guidance, but let me put it this way. As we look out from the year ahead, we are quite bullish on the Platform business. So let me leave it at that.



- Amit Agrawal:** And the second and last question is, like, if you read the newspaper, the UPI transaction is going at the rate of 40% or 50%. But that doesn't show in our -- and we are I think that is proportionate to UPI transactions. But this is not growing at that rate. Any particular reason?
- Aravind Viswanathan:** Deepak, do you want to answer that?
- Deepak Goyal:** Yeah, is it question pertaining to the UPI transaction you're talking about?
- Aravind Viswanathan:** Yes. The question is UPI transaction is growing very fast and how is that reflected in our growth rate given our share? That's the question.
- Deepak Goyal:** Yeah, right. So, yeah, the UPI transactions are growing, but what has happened is that banks are not sending notifications or messages on each and every transaction, so they are curtailing that, though that is, and this is under discussion. So, I mean let's say some banks have not sending messages for up to ₹100 of transactions. So not everything is actually resulting into messaging business for us.
- Amit Agrawal:** So, that's a disappointment or in the future that would likely be proportionate to our growth rate?
- Deepak Goyal:** No. So, how we see it is that the discussions are going on even banks are talking to a regulator and all that is going on right now. And I would see that that should in the future, the transactions will start coming. I mean, notification will start going for those messages as well.
- Amit Agrawal:** Okay. Thank you.
- Operator:** Thank you. Next question is from the line of Anil Sarin Please go ahead.
- Anil Sarin:** Good evening, management team. Congratulations on good results for the quarter. I have two questions. One is that if you could give details about OTT revenue as a percentage of total revenue in the fourth quarter and similar percentage for the fiscal '24? So that is one question. Second is that if you could throw some more light on ATP, we were expecting more licensing deals to happen this quarter. So, if you could give an update regarding where ATP is based on expectations, what has been the performance? Thank you.
- Aravind Viswanathan:** So, let me give a view on the first question that you asked, Anil. For the quarter, the OTT contribution was around 18% of our total consolidated revenues. For the full year, it was about 12.5% and for FY '23, that number was about 4%. So, it kind of indicates to you the kind of shift that we have done and the kind of pivot that we have done to scale our business from an OTT standpoint. So, on ATP, I think see anytime you are launching a platform, which is greenfield without competition in the market. The process of price discovery, process of sale is always trickier and longer. The sales cycles are longer. Now we've got our first kind of, signed client in January, when we disclosed to the market. So, we are having multiple talks. And definitely, there is a lot more definitive traction because there is one proof of the pudding is there in terms of one deal. So that is happening. And I think Uday mentioned it last quarter. I mentioned it this quarter. Obviously, the pace is a little slower than what we would like, because the problem is real. The solution addresses this problem. But I still see a good amount of funnel and interesting fraction as far as this concern.
- Anil Sarin:** Okay. I had a couple follow-on questions. One was regarding ATP itself. In this, I mean earlier on, we have articulated a vision of achieving ₹100 crores gross profit in each of the segments of Wisely. So, would we be able to achieve this ₹100 crore gross profit in the case of ATP Wisely in the coming year? That was one follow-on question.
- The second follow-on question is, if you could also break out what was the SMS revenue last year full-year, this year full-year, last year fourth quarter and this year fourth quarter?



**Aravind Viswanathan:**

So, Anil, your first question on ATP. That is obviously, if you look at the problem that we are trying to address, definitely, there is a market which is probably much higher than the number that you mentioned. So obviously from a perspective of the opportunity ahead of us and these are global opportunities. They're not just limited to India. Definitely, we see that potential. Now the timing of how quickly we will realise it, whether we will realise it in here, whether we will realise that's very difficult to kind of predict. But all I can tell you is a from opportunity size for this area and this platform, it's quite high. But I can't give you a timeline on by when we can reach it. So, I've given the numbers for on OTT. Everything other than OTT effectively is SMS. So, if we have like 18% of our revenues to be OTT in Q4, I mean there's a very small component of email and voice, but everything else largely is SMS.

**Anil Sarin:**

Okay. I was more interested in knowing whether the international SMS headwinds that you have been facing, have we sort of -- has that process bottomed out? Has it got completed? Or is it like in the third quarter, there was a volume decline in international or ILD SMS. What was the experience? Was it still declining in the fourth quarter, and can you say that that process is now over or a few more quarters are more left for that, for international SMS's to find their bottom and then start growing from there again?

**Aravind Viswanathan:**

So maybe I will give an answer, and then I will request Deepak to supplement this, Anil. So we talked about this entire shift to OTT and having that as an impact on the International Messaging business. I think we had some residual impact of whatever decrease in volumes happened in Q3 and Q4. But I would say that there was not necessarily incremental impact beyond the residual impact or carry forward impact of Q3. So, I would think it has bottomed out in that sense from an opportunity. So today, the international messaging business contribution for us is around 25%, and not all of it is subject to what we call ILD. So, there are also international businesses that we have. But I will also ask Deepak to give you a perspective on how he sees it and what we are doing on this case. Deepak?

**Deepak Goyal:**

Yeah, sure. Hi, Anil, yes so as Aravind said, that process has bottomed out absolutely. We shared in the previous quarters that even WhatsApp, some business move to WhatsApp, now you must have heard that WhatsApp has increased their prices for ILD messages and they are going to relaunch it from July or something. So how we see? We see it as an opportunity for us to grow that business now, so not only on the ILD SMS side, but also you see that this tech giants would adopt to WhatsApp, and we are in good situation to have a play there and new use cases would emerge around that. And we see that overall, this business, we will see some growth in going forward basis.

**Anil Sarin:**

Okay, great. I think if I were to just get one more comment from you. Is that, look, there is a kind of a cancelling out that was happening during especially the third and maybe the fourth quarter also where SMS revenue was -- on the international side was declining and WhatsApp and RCS revenue, OTT revenue was going up. So, this can be taken, fiscal '24 can be taken as a year of adjustment you can see. As you look ahead, I mean assuming that the ILD SMS revenue has bottomed out and the national SMS anyway has its own growth momentum, and now you mentioned that 18% of fourth quarter revenue came from OTT and also in the letter it is mentioned that ₹500 crores run rate for only WhatsApp. So, I mean, can you sort of throw some light on fiscal '25 where the headwinds no longer are operating, and the tailwinds come up? So, what is the outlook, I guess taking into account the slowdown of SMS and the rapid growth in all these OTT platforms that you have invested in?

**Deepak Goyal:**

Yeah. Absolutely. Yeah, Aravind, please.

**Aravind Viswanathan:**

No. So maybe I'll give a view, and then Deepak and Uday can additional. So, we don't give guidance, unless you well know. So, you will not be able to get me to give a number on that. But clearly, as we said, and we've kind of talked about it in our launches, in our partnerships, we are betting big on OTT. We are betting big on platforms and those should definitely accelerate. And as Deepak said, we have a good rhythm. We've added a lot of customers in FY '24. That will also



schedule well. I think we are definitely optimistic in terms of the opportunities ahead of us. Some of them we need to see how quickly they translate. But that's how I would kind of summarise our outlook at this point.

**Anil Sarin:**

Great. I will come back in the queue. Thank you.

**Operator:**

Thank you. Participants you may press \* and 1 to ask a question. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

**Amit Chandra:**

Yeah. So, thanks for the opportunity. So, my question is on the OTT revenue, obviously, we have seen significant scale in OTT coming. So, from here on, how to see the growth rate for OTT? If you can throw some light on how big the market would be and what our market share would be in the OTT space and how far the market is expanding? And also, in terms of the recent tie ups we have done on the ONDC side and build tie-ups with Google and Meta. So how this would impact our OTT revenues and how do we see it say from the two years from here?

**Aravind Viswanathan:**

So, Deepak, do you want to give a perspective on what we are seeing on OTT? I can come with the numbers later, but maybe it'll be good to get a perspective on where you are seeing the opportunities on OTT.

**Deepak Goyal:**

Hi, Amit. As far as OTT as a market is concerned, if you see that each and every band is adopting it in a big way. Earlier it was more about marketing messages, promotional messages and so on. Now there's a big focus is there on utility where enterprise customers want to send bills, they want to send all those PDF files, statements, all of that on OTT. I mean even largest of the banks you would see; they are using WhatsApp and other channels a lot. So, as far as growth is concerned of this overall OTT as a space, I mean, is growing by 60%, 70% if you really see. So, it's a huge growth, which is happening in this particular space and brands are adopting it in a big way.

**Amit Chandra:**

And in terms of market share, if you can share a number that how big the market would be in India right now? And obviously, like is it fair to assume that we are the one of the largest player operating in OTT or, like, second largest?

**Deepak Goyal:**

Aravind, you would like to answer.

**Uday Kumar Reddy:**

So, Amit, Uday here. The way I see it, if you look at the Meta revenues of last year, our estimate is they have clocked around ₹1,600 crores for last year. The total revenues of Meta, that is WhatsApp revenues for India, ₹1,600 crores. Out of that, we did around, ₹365 crores to around ₹400 crores last year. This year Meta, which is WhatsApp is expected to do around probably ₹2,500 crores. And we have plans to double our revenues from last year, which is around from ₹370 crores should be able to move to around ₹700 crores. That's on Meta, which is on WhatsApp.

Secondly, when it comes to RCS, as we mentioned in my last letter, we are the market leaders, and we would like to retain that. So, it's too early to comment. RCS just started the journey last year, and as RCS revenues, the Google revenues from RCS from India is pretty, I mean, basic last year. But this year, I think we are expected to do well. And out of that, we would like to retain, we would like to have at least 50% revenue market share.

As we mentioned earlier, we are deploying our MaaP platform with Vodafone. So that I mean, with that what happens is our margins will be better off on the RCS. And definitely, we would like to have 50% revenue market share on RCS. That's the second one. When it comes to Truecaller, we have the exclusive partnership. We have been doing with the business for the last two years with them, and we have extended our partnership with the Truecaller for the next two years on the exclusive basis.



So, 100% will be with us, and we're doing good, and we're going to accelerate even on the Truecaller. So, if you look at the blended OTT, probably we'll be the largest OTT player from India. I think the second and third, fourth, three of them together are not even equal to us in the next 12 months. So, I'll let to leave it like that.

**Amit Chandra:**

Thanks for the explanation. And also on the enterprise side, if I exit WhatsApp, so there has been softness in the enterprise organic revenue ex of like ValueFirst, if I see. So that obviously is coming through the ILD weakness. And you have mentioned that it has come down from say 40% revenue to 25%, 100% of revenue. So, if you can quantify what has been the drop in revenues for ILD in FY '24, that would be helpful. And in terms of the fourth quarter contribution, how do we see it, whether it has bottomed out or we can see some more softness? And also, the volumes that are coming on to the ILD as of now, is it more like critical volumes or there is a probability of these volume also to shift to other alternate channels?

**Aravind Viswanathan:**

So maybe I'll start, Amit, and then I'll request Deepak to add on to it. See you're not calling out at a channel level on growth rates for all of these. So, we more giving a perspective, I would say that we had a sequential degrowth starting from Q2, which also flew into Q3 and had an impact in Q4 also more from a residual perspective. I think it is kind of bottomed out now, because most of the use cases are really not so replaceable in that sense.

But I don't see this to be a very big or kind of flattish kind of business or marginal growth. It's not going to be a big growth engine per se in the coming year. But Deepak, it'd be grateful for you to share the perspective.

**Deepak Goyal:**

No Aravind, I mean, I think you said it. So, yes, I agree with you.

**Amit Chandra:**

Okay. And on the platform side, so we had the ATP revenues coming in and also, we had the impact of the exit of Vi deal. So how much like would be the exit impact and how much would be the residual impact as you said will kind of come in quarter one as well. So, if you can just give some sense on that. And also, on the ATPs and the ATP revenue side, you mentioned that the ATP talks are going on with banks, but the conversions are a bit lower. So, what is the reason as per your understanding why the conversions are lower? And also, in terms of the ATP revenue contribution, whether it's a start and we can see some more adoption or is it or the ATP like revenues is linked to volumes, how is the revenue model out there?

**Aravind Viswanathan:**

So, Amit, let me answer the first question. Like, we said we exited the deal. There will be some impact in Q1, but I think we are also seeing a lot of traction in the platforms that we have deployed. So, I don't want to give a guidance at a platform level, but definitely, I don't expect a repeat of what happened in Q4 and Q1 from a sequential standpoint.

From an ATP, two elements to it. One is it's a very unique deal in the sense that it's a subscription-based revenue stream. In the purest of the sense, it's a pure SaaS subscription-based billing per user, per month kind of construct that one has. So that's the kind of nature of the revenue there.

The reason for delay of them, it's a product that doesn't have too many comparable. So, there are a lot of internal discussion that ends up happening with the customer just to get the process right. A lot of questions. The sales process is long. So, we're going through it. We've created a lot of leads and then we are hopeful to convert a few.

**Amit Chandra:**

Okay. Thank you. And all the best

**Aravind Viswanathan:**

Thanks Amit.

**Operator:**

Thank you. Participants, you may press star and one to ask a question. Next question is from the line of Anil Nahata. Please go ahead.



**Anil Nahata:**

Yeah, hi. I will just follow-up on the question from Amit regarding the pending losses or whatever losses are still to be there on the Vi firewall deal. I mean, if I look at the gross profits, margins that you have reported and the gross profits, I mean, you have mentioned that 13% has been the gross profit year-on-year growth. And but for the Vi deal, going away, it would have been 35%. Basically, it means that ₹17 crore nearly has gone out of this quarter. If I just add up these numbers and do the mathematics, and if I also recollect the Vi entire impact was supposed to be around ₹65 crores to ₹70 crores, which you had reported a couple of quarters back. So, I mean, ₹17 crores annualised will lead up to that number. Then why are we saying there's still some more pain to come on that account?

**Aravind Viswanathan:**

So, I don't think you're doing the math right, Anil. I'll share with you separately. See you have to remove both from the current quarter as well as the base. So, what we are saying as 35% growth is the growth if there was no network Vi deal in Q4 of last year vis-à-vis Q4 of this year. So, the base also changes and that's the basis of this. As we have captured, the total revenue size on a quarterly basis, which we communicated is very much true, that's about ₹18 Cr to ₹19 Cr, a quarter. That's the cumulative impact of the Vi deal, which is kind of getting spread out over Q3, Q4 and some amount of residual in Q1.

If you remove it from both the numerator and denominator from Q4 of this year and Q4 of last year, then you would see the full impact. And that's why if you see this growth, and just to give you a sense, if we say that, we delivered a GM in this quarter of ₹88 Cr. And we delivered a GM last year same time of ₹78 Cr. And let's say ₹78 Cr the full impact. So, excluding that would be something like ₹59 Cr. So that's how you should do it, then you will understand why this 35% is coming in.

**Anil Nahata:**

Okay. That's a very unique way of doing this thing, but fair enough. I will do it in that way, Aravind. So, can you quantify what is left to be absorbed in the quarter or that is something that is not possible?

**Aravind Viswanathan:**

It will be around ₹5 Cr left, Anil.

**Anil Nahata:**

Okay. That's good enough. Thank you so much for that. The second thing is, on the Wisely ATP. I mean, this was, Uday had touted it as one of the best products to come out of Tanla. And sincerely, I had seen a demo, and I believe that's to be true. And it's an extraordinary product. And it has been like nearly four, five months when the three banks' trials were over and everything. And probably one of those banks have picked up a deal with two or maybe it's another bank. I don't know the answer to that.

I mean, with this kind of a product, which are able to bring down the more, the losses and the spamming and everything else, I mean, even after the commercial trends, I understand there's a price discovery mechanism and all, but it is still a lot of time. So, are there any regulatory hurdles that you are seeing in this? Or there is lack of regulatory tailwind, which is impacting this? I mean, price is one thing, but price can be discovered. But other than prices, are there anything else that is going on?

**Uday Kumar Reddy:**

So, Anil, I think a lot of people wants to know more of on the ATP. Let me -- I owe you guys an explanation here. Let me explain that. So, the problem is so big. A lot of scams are happening on SMS. A lot of scams are happening on the voice. The problem statement is so big in India. Not only in India, globally. That's number one.

And secondly, the platform is able to curtail the scams that we have demonstrated to all three banks. That is also fact. That's the second one. Where we are facing the bit of challenge is see, for example, I cannot really pick up any bank here. What is happening here is, probably, the central bank is not very clear whether who's going to carry this liability.



So, for example, somebody's going to, I mean lose the money, because somebody's was scammed. And if other banks are liable for the money or the individual is liable for the money. The banks strongly believe that it is an individual who has to take care of themselves. They are the one who has given their credentials to the other scammer. Bank never ask you to share your credentials. So that there is a bit of confusion here, unless until the regulation is clear. Once any bank customer who loses the money, who's going to take the liability? Is it the customer himself or herself like or the bank?

There's a bit of confusion here. So that's where the banks are saying that, like, we are not liable to pay the money to our customers. Because they are the one who has given away their credential's life. So that is one of the reasons why though the banks are under the impression that like that their customers are losing a lot of money. And secondly, they're also worried about their brand. Not that I'm not saying that the banks are not worried about their customers. They're not worried about the brand. But there is a bit of the confusion here. Who's going to pay that liability?

So that's the reason, like it's -- yes, the banks are agreeing with us that this problem statement is so big. The solution is very good. But like, why should we pay the money to you guys? So why don't we collect the money from the users? So, there is a bit of confusion here. Till the time the regulators are very clear about who's going to carry the liability.

**Anil Nahata:** Thanks, Uday. That seems more understandable, because otherwise there's no reason much product. Thank you for that answer. Thank you so much.

**Uday Kumar Reddy:** Thanks.

**Operator:** Thank you. Next question is from the line of Brahmanand Reddy, Individual Investor. Please go ahead.

**Brahmanand Reddy:** Hi, Uday and team. Congratulations for the excellent performance. Two questions I had is, one in digital platforms. I am assuming that based on your numbers, it contributed 50% on the gross margins. In the ₹759 crores, what we achieved almost 50% is contributed by digital platforms. If so, when can we see a growth of 25% range in the digital platforms? And do we see any competition in the digital platforms with other companies?

**Aravind Viswanathan:** So, Brahmanand, digital platforms contribute about 34% of our gross profits for the full year. We've kind of had a track record of growing over 20% gross profit YoY for almost 14 quarters in a row. This is the first quarter; I think in the last 15 quarters where the growth rate has been sub ~20%. And that's because if you've seen some of the earlier questions in the call, which we addressed on one particular transaction kind of scaling down. So, this is something that we are quite bullish on. We've done a lot of work on this. So that's how we are seeing it. So, we have a lot of potential here and platforms to take us to the growth rates that you are talking about and beyond.

**Brahmanand Reddy:** Any foreseeable competition from any other companies?

**Uday Kumar Reddy:** Yes and no. Okay. For example, when it comes to the threat intelligence, which you call it as a Wisely ATP. So, we don't have any competition, not only in India, but global market. But certain platforms, we may tend to -- for example, when it comes to our DLT platform, which we call it as a Trubloq platform, there we have the consortium with Tech Mahindra and IBM. So, we cannot afford to say that we are the only one player in India. We kind of have the consortium between, I mean among ourselves life. So yes and no. Certain places, like we collaborate. Certain places, we compete.

**Brahmanand Reddy:** That will be helpful. Thanks, Uday.

**Uday Kumar Reddy:** Thanks.



- Operator:** Thank you. Next question is from the line of Anil Sarin. Please go ahead.
- Anil Sarin:** Thanks for the opportunity once again. So, Uday, this is on a broader basis. See, you've been investing very heavily on technology, and you've been hiring top talent over the past many quarters. So obviously, this is in anticipation of some developments. And in the past, you have shared that perhaps, I mean, the Indian regulators are not moving in terms of data privacy, et cetera, at the pace which you would have liked. So, if you can give a fresh comment on that, that is one part.
- Second was that on ATP now, we have some actual data like real-time, real-world data is available of how it is performing with one of the banks. Within India, there is a confusion regarding who carries the liability, individual or the bank. And you had opened a subsidiary in Saudi Arabia also some time back. Can this not be sort of taken overseas based on the real-world data that we have now and approaches the Telcos who might rightly be the candidates for buying ATP?
- Uday Kumar Reddy:** So, Anil that's a good question. So let me, when I say regulators, I'm not intending at Indian regulators, whether it is central regulator or be it the telecom regulator. I'm talking about the global regulators. But having said that, as I reported earlier like, for example, Singapore came out with the regulation, and so is Australia. The governments are now coming out with the regulations plan.
- In the sense, like, who's supposed to implement this product, whether it is a bank or the Telco, whether in case of Singapore, what the Singapore regulators that are for examples, telecom regulator has closely worked with the banking regulator. And both decided to take the ownership saying that, now we both have to come together and take the ownership of curtailing the scams. So, it all depends on the regulator. So, who's going to blink first?
- But at the end of the day, the regulation has to be in place, whether it is a telecom regulator or the banking regulator. They have to have regulation. Before for example, even if you look at the DLT platform, which we deployed in 2019 February. Till the time we have the regulations, nobody has deployed to prevent the spam.
- Similarly, we are looking for a regulation, whether it is in Saudi, whether it is in Australia or in Singapore. So, we definitely, this product needs bit of regulation. And what we see, the problem statement is so big. The solution is there. And who's going to pay the money? It all depends on the regulations; we'll clarify who's going to pay the money. So here we're just waiting for the regulation in India and outside India.
- Anil Sarin:** Great. And considering that, the Singaporeans have already taken a few steps. Can one expect in the coming quarters something on the overseas side as regards to ATP?
- Uday Kumar Reddy:** No. That won't move that fast, Anil. Like once the regulation comes, they give for almost a year to deploy the platforms. It's not that only Tanla has got the platform. We don't know who's going to dollar fit. So, it takes a bit of time. Once the regulation is clear, they'll give a bit of time to the banks and the Telcos to implement any in the platform. It takes a bit of time. But once we have the regulation is in place, it's a question of time.
- Anil Sarin:** Okay. Great, Uday. And one last thing on GDPR, etc, like in Europe etc data privacy has really acquired a lot of importance Anything on India side that you are seeing and where your products can be more relevant?
- Uday Kumar Reddy:** So, when it comes to data privacy, the DPDP bill, as you know, this is passed by both the parliament and but the Board has not formed as yet. Probably, they'll form the government,



post-election, they'll form the Board. Once the Board is in place, they come out with the regulations and business rules. And probably, they may give one year's time for us to implement with the consent of different management, the tool.

**Anil Sarin:** Okay. And this is for EU, not for India, right?

**Uday Kumar Reddy:** I'm talking about India. So, both the Parliaments in India, how fast the DPDP bill? But for them to implement DPDP bill like, they need to have a Board. The Board comes with the business rules. We are expecting the Board to form and come out with the business tools by sometime in August of this year.

**Anil Sarin:** Great. Thank you so much.

**Uday Kumar Reddy:** Thanks.

**Operator:** Thank you. Next question is from the line of Sharad Kohli, Individual Investor. Please go ahead.

**Sharad Kohli:** Hi, guys. I just had a few questions around the gross margin. Now that WhatsApp has scaled to a reasonable number of roughly ₹400 crores, could you just share what the gross profit, rather gross margin on that business is relative to the rest of the enterprise. I know the blended number for the Enterprise business is close to 19.7%. But can you just specifically give me an idea of what it is for the WhatsApp business?

**Aravind Viswanathan:** Yeah. So, we're not calling our gross margin, but it will be reasonably similar to the enterprise margins. Given that we are in a little bit of investment phase, it may be marginally lower, but not very different for the year.

**Sharad Kohli:** And is the model, similar to what it was with the Telcos wherein you get like, what are the numbers, like close to 20% or 15% to 20% of the what you collect on behalf of the Telcos, so that as the business grows, at least on the Telco side, what I understood is that if they jack up the prices by, they doubled the prices from 12 paise to 25 paise. Is the pricing for WhatsApp similar to that? So now WhatsApp is doubling its pricing starting what Deepak shared sometime in July. Does that automatically mean that Tanla received double that amount?

**Aravind Viswanathan:** Say, in general, the philosophy is same, when it comes to the fact that if the input cost goes up, the output revenue goes up. That model is not different. But there are a lot of nuances. Billing is not per transaction in WhatsApp. It's per session. It's about a 24-hour session. So, there are nuances, but obviously, input price goes up, the output goes up also.

**Sharad Kohli:** Got it. And on the collection part.

**Aravind Viswanathan:** But one other clarification, Sharath, is just from what Deepak mentioned. That was specifically on international messaging. So, there is a huge price difference between international messaging and domestic messaging. But from a WhatsApp perspective, the pricing was not different. So, there was a very big arbitrage of WhatsApp being much cheaper than international SMS messaging. So that is getting normalised in some way with the price increase that WhatsApp was mentioning. It is not for domestic price, which is majority of the market today. Just to clarify that.

**Sharad Kohli:** Got it. And on the receivable side, is it again similar that you collect to disperse with basically negative working capital for the most part?

**Aravind Viswanathan:** No. I cannot say it will be negative working capital, but it will not be too dilutive. I think on an average, you collect in about 60 odd days from invoicing, and you may pay in 60 odd days from invoicing. So, it'll be more neutral, I would say.

**Sharad Kohli:** Got it. And do you expect the same kind of model for RCS when it gets implemented? Or is it going to be different?



**Uday Kumar Reddy:**

No. I think so when it comes to RCS, what the Google is trying to do is, at least for India, like if they have decided to go through Telcos. Like, the way we buy the SMS from the Telcos, we do the same thing with the RCS also same model. Effectively, we have to buy from the Telcos, and we have to build our solutions on top of that and sell it to our customers. So, the Google model is slightly different from WhatsApp. Google have decided to go through Telcos. At least in India, I don't know much about the global market, and they have to decide. But for India, like they decided to go ahead with go through Telcos. Whereas other OTT channels including the Truecaller and the WhatsApp, we have nothing to do with the Telcos. It is more to do with the OTT platforms.

**Sharad Kohli:**

Got it. And my last question just to understand, after this rise in prices from WhatsApp, what is the gap between call it the Telco side, which is roughly equivalent after I saw it, what is the catch up coming up to now? Because one of the debates here is the Telcos have been complaining that OTT has been -- you have not had to spend any money on the infrastructure, we spend all this money da, da, da. So, the question then becomes, is there a regulatory move there where they now money to compensate for the investment capital that Telcos have put together? Can you shed some light on that and how the price catch up that's happening in July? How much of the gap that bridges?

**Uday Kumar Reddy:**

So, Sharad, the way I see is, first, it all depends on the use case. For example, the banks cannot afford to use WhatsApp or any OTT channel to disseminate onetime password. The Central Bank, which is RBI in this case, is not allowing any banks to send OTPs other than SMS. Other enterprise other than banks are not allowed to send OTPs. That's number one.

Number two, even in case of other use cases, the price per -- there is a bit of difference with WhatsApp is definitely expensive than SMS, when it comes to pricing. What you're referring to is the ILD messages. For example, the Telcos are selling at \$0.05 per SMS for ILD messages. And I think, Deepak, I think WhatsApp is coming out with \$0.03, right?

**Deepak Goyal:**

About \$0.03, yes.

**Uday Kumar Reddy:**

\$0.03. So, they are directly competing with the Telcos. Because, like most of these messages are either from the Facebook or from the Google or from the Amazon. We are not there. They're not regulated either by the RBI or by any other regulator in India. So, they're free to use whichever channel they want to use. So, net-net effect like, there is -- I strongly believe that the TAM of the ILD market may further reduce. But I think, WhatsApp is going to eat into on the ILD SMS messages. But when it comes to CPaaS plus providers like us, it doesn't really matter, because our margins are same. It may have bit of impact in terms of top line, but in terms of our margins, it's going to be intact.

**Sharad Kohli:**

Got it. The one thing that, I'm just not able to grapple my head around there. Maybe it's just me being slow. But I would have thought that WhatsApp I mean, obviously, I carry an India phone and I cannot get all these marketing messages, all these promotional messages and it's now especially from the banking perspective, now getting statements doing transactions to WhatsApp has become really convenient. My logical brain tells me that the margin profile for WhatsApp and I get this whole thing about who initiates the session, is it the customer who initiates the session or the enterprise that initiates the session, there is a pricing differential there. I am just not able to grapple the fact that the margin for the WhatsApp is similar to the traditional SMS margins. I would have thought it's a lot higher. And so, I would have thought that the -- as WhatsApp and RCS get a bigger proportion of enterprise revenues, I would have thought that margin profile for the enterprise business will actually be significantly higher. So maybe you can just help me understand why the margins are the same?

**Aravind Viswanathan:**

So, in many ways, Sharad, I think it's also a question of where we are from an evolution standpoint. So today, we are doing a lot of investments as far as the business is concerned. And you will find that at a sense everybody knows what the input price is. So, there is always a certain amount of profitability on top. So, if you look at WhatsApp, it's somewhere between, it's aligned to the domestic business, obviously much better than the international business. But, as we build



more solutions, build more IP, we have a headroom for improvement in profitability. But as it stands today at the growth rate that we are doing right now, the profitability is broadly similar.

**Sharad Kohli:**

And just one last question on the pricing front. When you negotiate these prices, can you just like help me understand the process, because I know from a standpoint of when you were Telcos, you're just a price taker, right? Is it similar to on the WhatsApp and RCS side or there is some negotiating room there, like in terms of what you can carry from the enterprise side?

**Aravind Viswanathan:**

There is negotiating room on both sides. You have negotiating room on the enterprise side. You have negotiating room on the supplier side. And that all is a subject of scale that you bring to the table. So, to that extent, it is not very different in that sense, but the sale process, the value proposition tends to be very different when you are doing a solution sale on OTT compared to maybe a transaction messaging that one is doing on SMS. So that process is different, but I wouldn't say that some of the rules are not very different.

**Sharad Kohli:**

Got it. And is there any, I know we are early in the investment cycle, but is there a vision that you guys think that over time as the volumes on WhatsApp, RCS, the OTT channels become significantly larger in the business profile? Again, I'm going back to the same question. Logically, I would think that given the investments that have been made, it's more attraction driven. Do you see this margin profile changing in the next three to five years?

**Aravind Viswanathan:**

So, the margin profile of the OTT business, whether it would change over the next three to five years. It's early to comment. I think let me put it this way. I think Uday made this point. We did our first win on the MaaP platform from an RCS standpoint. The minute you have with your MaaP platform, chances are that you will run at much higher profitability. So, in some way, OTTs will give you an opportunity both on the platform side and on the enterprise side.

At a collective basis, definitely you can drive higher profitability. But you will have to see how it evolves. Like today, I would say on Truecaller channel, we drive higher profitability.

**Uday Kumar Reddy:**

So, Sharad, the way I see is for any channel, even be it SMS. Even if you look at SMS, we have a revenue share at SMSC level, and we have a revenue share at the Trubloq level, which is a DLT platform. And then we have the margins at SMS when Karix, the ValueFirst buy and sell as a channel. So, the crux of the issue here is we need to have the platforms. And secondly, we need to have the control on end-to-end from the Telcos to enterprise or in case when it comes to OTT, we'd like to deploy our platforms at OTT, as well as with enterprise. That's where we have tremendous control in terms of quality of services and in terms of the better margins. For, example, RCS. There we have two choices. One is we just go and tie-up with the Telcos. There we have the margin is only on RCS. But when with the minute we deploy a platform with the Telcos, okay, our margins will double just by default. Not only we have the control on the quality services, but the margins will double. So, my point is like, the enterprise business will drive the platform business. Once we have the scale, once we have the volumes, they will allow us to deploy the platform either with the Telcos or with the OTTs.

**Sharad Kohli:**

Got it. And I know I'm just saying last question, just because I promise this is the last one. On the capitalisation of expenses, so I know that the comment that was made in the shareholders letter is that you're capitalising both the employee costs and the platform costs under the balance sheet obviously. Can you just give me a sense of how you capitalising 100% of the employee cost or there's something that's flowing through the income statement for the platform side? And on the enterprise side, is there a similar dynamic or all of that is being expensive and consistent?

**Aravind Viswanathan:**

Yeah. So, the straightforward question, answer to the question is it's not all of the expenses. It is people who are working on the product development of new products where there is a new revenue stream. And that is the only component of the employee cost that is getting capitalised, which are purely working. So, people who are on support.

**Uday Kumar Reddy:**

So, in other words, in case of ValueFirst and Karix, we expense it out 100% of our service. That's number one. When it comes to Tanla, wherever we have to run garages, we will expense it off.



Wherever we have built garages in the sense like, OTT platforms are still in the build phase. Where the salary of that garage will be capitalised, Sharad Am I clear?

**Sharad Kohli:**

Okay. Yeah, and just a follow-up to that. And what is the typical split like? I mean, I'm guessing it's -- I don't want to throw numbers there, but is the employee cost working on product development 80% of the cost and the tech is 20% like what is the split between employee versus product?

**Uday Kumar Reddy:**

So, it depends. When the platform is under the build, most of the money is going to be salaries. But once it goes to the deployment, then it's other way around. Like, we need to deploy with lot of hardware, a lot of stack, a lot of -we need to integrate with a lot of tools and so on and so forth. During the build, it's going to be mainly to employee cost. When it goes to deployment, it's other way around.

**Sharad Kohli:**

Okay. Thank you.

**Operator:**

Thank you very much. Ladies and gentlemen, we'll take that as the last question. I now hand the conference call over to Ms. Ritu Mehta for closing comments.

**Ritu Mehta:**

Thank you everyone. In case we could not take your questions due to time constraint, please feel to reach out to Investor Relations team. Good evening. Thank you.

**Operator:**

Thank you very much. On behalf of Tanla Platforms Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you.

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