



“Tanla Solutions Limited Conference Call”

October 21, 2010



**MODERATORS: MR. UDAY KUMAR REDDY
MR. AMIT GUPTA
MR. GAUTAM SABHARWAL**

Moderator:

Ladies and gentlemen good evening and welcome to the Tanla Solutions Limited Q2 FY'11 Results Conference Call. As a reminder, all participants will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference, please signal an operator by pressing "*" followed by "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Uday Kumar Reddy CMD of Tanla Solutions Limited. Thank you and over to you Mr. Reddy.

Uday Kumar Reddy:

Thanks Vivian. Good evening everybody. Thanks for coming in the call. We have circulated the investor's update and this investor update is quite exhaustive both in terms of business update as well as in terms of numbers. Amit, Director Finance has joined me. Gautam Sabharwal who has joined from London is going to give us update on business. I will give a quick update in terms of India business then Gautam will take over and will give you the update on our international business.

We have seen some traction in India; in fact we have launched a product called License Manager/Wrapper, which has gone live with Bharti Airtel this quarter. In fact the day we launched this Wrapper on the Airtel portal we have added more than 125,000 subscribers on the portal. We are talking to other mobile operators in India as well as outside India to launch these products and we are expecting a huge traction from this product. Probably Gautam will give you a quick update in terms of these products, features and highlights. In terms of the deployments with Airtel; they are quite on schedule and probably in next 20 days we should be able to finish our MCA deployments across India and we should be able to handle 50% of Airtel MCA traffic from our platforms. That was a major achievement last quarter. I think we expect to win more business from Airtel. We have deployed two more SMSCs with Airtel; one in Mumbai and other one in Delhi and we expect the commercial launch of both the

SMSCs in the next 20 days. In fact as you guys know we are the ones who are handling KBC traffic through Sony short-code, we have successfully handled the entire traffic and are seeing and expecting good revenues from KBC as we speak. This is a quick update from my side. Now I would like to hand it over to Gautam who will provide an update on international business.

Gautam Sabharwal:

Thanks Uday. I will start giving you update on our mobile payments business. As you have noticed this is the one area that we have shown a decline quarter-on-quarter. Just to elaborate on the reasons for this, as you are all aware in January of this year we faced a setback due to Nokia deciding to give free navigation on all its phones. As a result of that we have seen a decline in shipment of licenses in the fourth quarter of last fiscal this was down to **16** million and since then we had a dramatic drop of 8 million in the last quarter finally down to 3 million in this quarter. Having faced such a huge setback in our licensing business we have still managed to maintain our mobile payments revenue at a reasonable level showing just a 16% drop. This was due to several new initiatives that we have been successful in developing. On one hand with Nokia and also with several other customers. With Nokia for example we are working on and have gone live with several new initiatives around its core navigation business where license manager will be used. With other customers we are suggestive like our relationship with Nokia is continuing to grow although due we had a brief setback, but we are beginning to plough that back through other areas.

On mobile payments as we had announced last quarter our payments system is being used by Sony Ericsson and LG and we are beginning to see transactions steadily coming through those handset manufacturers. Again on the payment side we have had a significant success this quarter. We have a closed deal with TCL Alcatel, which is one of the larger manufacturers of handsets where we will be preloading our games and applications on to their Android handsets, which are increasingly becoming more and more popular all over the world. Over and above that we have closed a significant deal with

KingMax, which is one of the leading memory card vendors in the Far East. Again we will be preloading our content and applications along with license manager on these devices.

Moving on from Mobile Payments to our telecom product business as Uday highlighted we have had reasonable success in India. With Aircel we have deployments ongoing for MCA, SMSCs and OBD. Also as Uday pointed out we will be handling 50% or upwards of Aircel's missed call traffic, which is a significant achievement for Tanla. Again staying with products we have three pilot projects on the go, one with Reliance, one with Aircel and the other with BSNL for our 3G value added services platform and we have a live deployment with MTNL in Delhi. So again we expect some of these to move on to commercial deployment and as and when that happens we will keep the market informed.

As Uday highlighted we had a significant win with Airtel where our license manager is being used to support the games club on Airtel Live and as Uday pointed in a single day we attracted over 120,000 subscribers to the games club. That is an interesting development for Tanla and we are in talks with other operators, fairly advanced talks and as those deals materialize we will be announcing them to the market. Just to explain a little bit about the games club and where our product really fits in and how we add value to this offering. Basically Airtel Games club is a subscription service where subscriber can subscribe to it and get access to games on either a set of games or unlimited games. Our software wraps around each game that is uploaded on the Games Club and allows the user very flexible options for paying for the content as well as for using the content. Now a lot of games and other content that are used, do not have a potential use with the subscriber. People like to play them a few times and then may be get something new, which is the role that our license manager provides here. We provide various payment options, like pay per play, try and buy subscriptions to the subscriber as well as provide options to promote other games and other services. So we provide search and recommendation features within the game to

allow the operator to generate additional revenues from their Games Club offering.

Just again moving on from this product we have also had some success internationally in our telecom products business. We have sold our platform which is called CREAT, which is a fully managed mobile internet and campaign management solution to an operator called Speeda Mobile, which a startup operator is coming out of Uganda. Additionally, we have had a successful deployment of our InTunes platform in the US with Telescope. This is now due to go live with some of the largest brands in the world and we expect a steady stream of revenues coming in from this Telescope deployment.

Moving on to our aggregation business, we have had a successful quarter; not just in the UK but also in other markets where we have seen quarter-on-quarter growth of 10%. The reason behind really is we have attracted some new customers within this space, the likes of for Fortuna, which is one of the largest providers of web to mobile payments. We have been successful in securing the Royal British Legion campaign. Again this year for the fourth year running, Tanla will be running the Royal British Legion campaign in the UK. In addition, we have signed up companies like Zong, which is one of the largest providers of mobile payments. They are using us in both South Africa and in India. Mobile-First, EG Telecom, Get-Scouted just to name a few. So as we speak we are seeing good traction in the aggregation business particularly in markets like South Africa and in India we are getting a lot of traction from the operators that we support but we are still developing our offer in India and as we get it right we expect this market to explode forward for aggregation.

So that is all from me. We will open this up to Q&A from here on and please feel free to ask any questions.

- Moderator:** Thank you very Sir. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Sheetal Maheswari from Multi Act Research. Please go ahead.
- Sheetal Maheswari:** Can you throw some light on the net current asset and the total debt as on today?
- Uday Kumar Reddy:** We do not have any debts on the books from the beginning.
- Sheetal Maheswari:** What are the net current assets?
- Amit Gupta:** It is around 450 Crores.
- Sheetal Maheswari:** That is all from my side.
- Moderator:** Thank you. Mr. Maheshwari. The next question is from the line of Nikhil Pahwa from Media Nama. Please go ahead.
- Nikhil Pahwa:** Just wanted to get a sense of how you are placed with respect to the 3G rollout and the deals there, are they pieced out, that you may be in the process of closing what is compared to the scenario in terms of the 3G deals in India?
- Uday Kumar Reddy:** Nikhil, as we earlier said on the call we had one deployment with the MTNL and currently the test phase is running with three operators. We are also negotiating with other operators mainly with Airtel for different applications and platforms within 3G. . It would typically take one more quarter before the operator decides to finalize with applications and the platforms and we expect these operators to launch the VAS services probably by end of fourth quarter beginning next year. I will not comment on the RFPs that we are participating in.
- Nikhil Pahwa:** But just curious about what On Mobiles acquisition of Dilithium, what sort of an impact does it have? Are they competing with you in any spaces and overlap in terms of the services being provided?

- Uday Kumar Reddy:** Basically within 3G space we have a platform and we have the applications which we are going to see on the platforms, so we have bit of both, both in terms of platforms as well as applications, which we have deployed overseas and I cannot really comment on other companies.
- Gautam Sabharwal:** But to just to add to that way we see it is Dilithium is more of a network level, it does the switching to the HSDP, so enabling a 3G video call, whereas our platforms or applications that make use of video calling feature available on 3G networks and provide value added services like video chat, video conferencing, person-to-person, or person-to-many video entertainment services. So while Dilithium is lower level we are application layer.
- Nikhil Pahwa:** Also you just mentioned on the call that there are certain licensing agreements that you are working on with Nokia. Could you just elaborate on that?
- Gautam Sabharwal:** All I can say is really at this stage is that we are firmly entrenched in the navigation business unit and due to certain confidentiality clauses that we have within our agreement with Nokia, we cannot really go into further detail as to what specifically are the projects.
- Nikhil Pahwa:** Could you just elaborate on how the joint venture with Zed is coming along?
- Gautam Sabharwal:** Uday you want to take the Zed question?
- Uday Kumar Reddy:** Zed has closed a couple of deals in India recently to manage IDEA and other operator on-deck portal. That is going to live in the next 10 to 15 days. We have done one more deal with I think Ericsson last week and Ericsson in turn is managing one of the operation desks in India, so we have seen some traction on that front.
- Nikhil Pahwa:** Sir, these are essentially for managing the operator decks?
- Uday Kumar Reddy:** Yes.

- Nikhil Pahwa:** And where will the content for this be sourced from, is that from Zed?
- Uday Kumar Reddy:** Zed is sourcing the content mainly from the parent company, TZ-mobile is sourcing the content from Zed for international content and from the local I think they are sourcing from different vendors within India.
- Nikhil Pahwa:** Sir, just curious about what sort of a revenue impact you see that having in your business not that this is finally being operationalized?
- Uday Kumar Reddy:** I think I would like to see at least one or two quarters before I comment on that.
- Nikhil Pahwa:** Thanks and all the best.
- Sheetal Maheswari:** You were saying the current assets are around 450 Crores and what about current liabilities?
- Uday Kumar Reddy:** Current liabilities 36.2 Crores.
- Sheetal Maheswari:** Thanks a lot.
- Moderator:** Thank you. The next question is a follow-up from Sheetal Maheshwari. Please go ahead.
- Sheetal Maheswari:** Can you just give the bifurcation of the current assets? How much is Cash and investment component of that?
- Uday Kumar Reddy:** The loans and advances 161 Crores and cash and bank balance 121 Crores, and sundry debtors 162 Crores, and products under development around 43 Crores and the goodwill is around 83 Crores, then capital work-in-progress is around 88 Crores and the net block is around 299 Crores, and from there we have to deduct current liabilities and asset 36 Crores to arrive at 452 Crores current assets.
- Sheetal Maheswari:** Thanks a lot sir

Moderator: Thank you, Mr. Maheshwari. Thank you, Mr. Reddy. Sir, would you like to provide any closing comments?

Uday Kumar Reddy: If you have any questions please drop us an email and we will happy to answer your mail and all the best and thanks for coming on the call.

Moderator: Thank you, Mr. Reddy and thank you Mr. Sabharwal. Ladies and gentlemen on behalf of Tanla Solutions Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.