



Date: August 16, 2017

To,

Bombay Stock Exchange Ltd. Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400001.	National Stock Exchange of India Ltd. Exchange Plaza, Plot No.C/1, Block-G, Bandra Kurla Complex, Bandra (East), Mumbai – 400051.
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Dear Sir/Madam,

**Sub: Q1 FY18 Earnings Conference Call Transcript**

With respect to the intimation given to Stock Exchanges dated July 22, 2017 regarding the Q1 FY18 Investor Call, please find enclosed transcript of Q1 FY 2018 Investor call held on July 28, 2017.

Request you to take the same on record and oblige.

Thanking you,

Yours faithfully,

For **TANLA SOLUTIONS LIMITED**

A handwritten signature in blue ink, followed by a circular purple stamp. The stamp contains the text 'Tanla Solutions Limited' around the perimeter and 'Seshanuradha Chava' in the center.

Seshanuradha Chava  
ACS-15519  
VP - Legal & Secretarial



## Tanla Solutions Limited

### Q1 FY18 Earnings Conference Call Transcript

July 28, 2017

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**Nishid Solanki**

Good afternoon and welcome to Tanla Solutions Q1 FY18 earnings conference call. Today, we are joined by senior members of the Management Team including Mr. Uday Reddy – Chairman and Managing Director; Mr. Srinivas G. K. – Chief Financial Officer; Ms. Seshanuradha Chava – Company Secretary; and Mr. Rajesh N. – Head (Accounts).

We will begin the call with opening remarks from the management following which we will open the forum for question and answers. Before we begin, I would like to highlight that certain statements made in today's conference call may be forward looking in nature and a disclaimer to this effect has been included in the investor update shared with you earlier. The company does not undertake to update them publicly. I would now hand the conference to Mr. Uday Reddy for his initial remarks.

**Uday Reddy**

Good afternoon everyone. I hope you had a chance to go through our investors update. What I would like to clarify now is, we normally do not announce the results during the market hours and also we do not normally do the investor call the same day, but because of certain reasons like one of our independent directors is not available on certain days, so we are forced to do both today and sorry for inconvenience and I am sure by end of today you will have a very detailed note from us and meanwhile I would like to give you the quick financial updates before you hit the Q&A.

Overall revenue, we did achieve 185.5 crore from 178 crores of last quarter. If you look at year-on-year, corresponding quarter of last year, we did clock around 98 crores, so there is a growth of almost 90% year-on-year. When it comes to business revenues, this quarter we did 180 crores, a growth of almost 8% quarter-on-quarter and almost 90% growth year-on-year. In terms of EBITDA, we are at 16.4 crore, where we have grown from 15.6 crore of last quarter, so there is a growth of 5% quarter-on-quarter and 47% on year-on-year. In terms of the quarterly EPS, we are at 1.11, a growth of almost 180% year-on-year.

I now request Mr. G. K. Srinivas to give some explanation on depreciation. Now, I request Mr. G.K. to explain about the depreciation.

**G. K. Srinivas**

Hello everyone, good afternoon. Basically, we have capitalized assets that were deployed during the last year i.e., at the end of March 2017. On account of the capitalization of these assets based on the deployment into various projects, the overall depreciation has increased over the last quarter. If you compare the last quarter with the current quarter, it stands at around 12 crores, 11.9 crore to be exact, against 3.8 crore during the previous quarter. This is in effect, the depreciation that we will be having going forward for the current year and also for



the ensuing quarters for the next financial year. As per the new Ind-AS guidelines for depreciation, we would be required to test the assets for impairment at the end of each financial year which we would be doing at the fag-end of the financial year for 2017-18 and if there is any impairment, that would be brought into financials as and when required.

All this depreciation is based on the assets that we already had in capital work in progress, which have been capitalized and this would be the depreciation that would be charged going forward. Based on our application of the Ind-AS depreciation method for fixed assets, we are charging depreciation for an average period of 5 to 10 years for all the intangible assets and that is the useful life of the assets which are being carried in the books., That is the period over which the economic benefits are expected to be realized, that is 5 to 10 years for the majority of the assets that we have. With that, I would like to hand over the procedure to Mr. Uday.

**Uday Reddy**

I also would like to give the revenue breakup by geography, so out of 186 crores for this quarter, domestic revenue stands at Rs. 155 Crores against Rs. 134 Crores of last quarter and international revenues have seen a bit of dip, they have dropped to Rs. 25 crores from Rs. 33 crores of last quarter. In terms of property, we had Rs. 11 crores of revenue in Quarter-4 as against the 5 crores in this quarter. I would now like to hand over to Nishid who can help us with Q&A.

**Moderator**

Thank you. Ladies and Gentlemen, we will now begin the question and answer session. We take the first question from the line of BN Bhatt. Please go ahead.

**BN Bhatt**

I am having some sizeable holding of shares of the company, for the last two years I am holding, so no doubt turnaround of the company extremely are doing well, but it is not a market darling. For the last quarter, your performance is outstanding, but market it has come down like anything, even this quarter also because of the depreciation, the PAT has come down, my request is how the management will support the investors like me?

**Uday Reddy**

To answer your question, as you rightly said company has been doing good for the last couple of years and we are trying to do all right things, we brought in E&Y, earlier we had KPMG, now E&Y are the internal auditors, then we started having the investors call and we encouraged each one of you to attend the AGM personally, so that you have a chance to interact with management, so we are trying to do all the things right, Mr. Bhatt, in fact we appointed CDR as our IR consultant and we are trying to do all right things quarter-on-quarter.

**Moderator**

Thank you. The next question is from the line of Vipul Shah from Sumangal Investments. Please go ahead.

**Vipul Shah**

Please accept my apologies because I have just joined the call, so if I ask any question what you have answered, please accept my apologies. Why is the depreciation gone up so much?

**G. K. Srinivas**

As explained just before the first call, we had capitalization of assets due to further deployment into various verticals for the year ended March 31, 2017. Now, these assets have been deployed basically to take care of our new contracts both in cloud communication and the regular business that we have. These assets have a life of 5 to 10 years; as of March 31, 2017, and as of the close of the current quarter also. The estimated useful life is revisited at the end of every year, the assets are checked for impairment and if there is any impairment claim that needs to be accounted for, it will be accounted, but in the normal course they are all

useful assets which have been in the company's books which have been put to use now. That is the basic reason why the depreciation has gone up from 3.8 to 11.9 crore during the current quarter. If you look at the assets as of March 31, 2017, we carry all the assets now in a capitalized position, all are under fixed assets and they are being depreciated in the normal course as per Ind-AS guidelines.

**Vipul Shah** Sir, can you explain WhatsApp is giving you free service, use of messaging has been minimal, but our main revenue seems to be coming from messaging only, so what is the rationale, I cannot understand?

**Uday Reddy** Mr. Shah, WhatsApp is mainly the P2P (Peer to Peer) messaging application. I do not think they are going to expose their API to enterprises to send out any communication to the user. the industry experts are saying is all these messengers, are not going to expose their API to any enterprises to send any notification. In fact, WhatsApp also uses our platform to send their OTP messages to their users.

**Vipul Shah** In that A2P messaging vertical also, profitability has come down in this quarter, so what is the reason?

**Uday Reddy** No, profitability has not come down, in fact we have grown from Rs.157 crore to Rs.171 crore.

**Vipul Shah** That is revenue, I am talking about profitability, your net profit?

**Uday Reddy** Net profit is across all the verticals.

**Vipul Shah** From this particular vertical, what is the profitability?

**Uday Reddy** In terms of the gross margins or EBITDA, it remains same, it is not affected in the last 4-5 quarters.

**Vipul Shah** Here in messaging, how you are paid, you are paid per message or what is the billing criteria?

**Uday Reddy** Per delivered message, yes.

**Vipul Shah** Per delivery message Tanla Solutions is paid?

**Uday Reddy** It all depends, we process different kinds of messages like, some of them are transactional, some of them are promotional, some of them are Government. In overseas, we normally process both the transactional and promotional, so depending on the type of message which adds the message, so the rate card is different from one message to another and also the rate card is different from India to other market.

**Moderator** Thank you. We will take the next question from the line of Sameer Vithlani from Vithlani & Company. Please go ahead.

**Sameer Vithlani** My question is that based on the provisions that we have, are you aware as what our future EPS is going to be, for the present year and next year?

**Uday Reddy** Mr. Sameer, we would like to refrain giving any guidance that is what we mentioned even in our last investor call also.



- Moderator** Thank you. We will take the next question from the line of Deepak Chokhani. Please go ahead.
- Deepak Chokhani** Sir, congratulations on good numbers. I have couple of questions for the company, so Mr. Sabharwal 's exit, has there been any effect on the business because he used to head the marketing initiative?
- Uday Reddy** Mr. Deepak, Mr. Gautam was heading international business for quite some time, but most of our revenues do come from domestic market so that way we do not see any challenge, and secondly, when Mr. Gautam was here, we brought in one very senior person from Vodafone who has taken over from Gautam in terms of International business, so we do not see any issue.
- Deepak Chokhani** The next question Sir is we just heard that there has been increase in depreciation this quarter because of additional assets being deployed last quarter, now I guess there is a mismatch in terms of depreciation getting first and the revenues coming thereafter, is this assessment correct, and if yes, when do you expect that additional asset which has been deployed for the revenue to start flowing in?
- Uday Reddy** Mr. Deepak as we discussed last time, we have gone live on our cloud communication platform, if you get a chance please I encourage you to look at our Tanla website, we went live and our offering is different now because this deployment is in the progress for the last 5 to 6 months, so yes, we see a bit of impact even in this quarter, but there is a long way to go. In the long-term, we would like to see a huge positive impact both in terms of top line and bottom line. For example, to answer your question slightly differently, this quarter we spent only 46 lakhs towards our deployment, so we have used all our existing assets and as mentioned in the investors update, one of our biggest deployment is in progress, it is little behind schedule, but it is expected to close by end of this December because our carrier is going to get one of the big 4 consultants to do the security audit and also DoT is going to conduct the audit on our platform, so the point I am trying to tell you is we have not spent any money this quarter on the CAPEX, in the sense we do not need to invest further money on any of the deployments, we are going to use our current platform to drive the different placement, revenues not only from India but also in International market, so we will have more of a centralized deployment.
- Deepak Chokhani** I understand that there will not be further CAPEX, so coming to the deferred tax, are we then expecting this deferred tax because your depreciation is affecting PAT and I do agree that depreciation is a non-cash item, but it is affecting the PAT and investors do look at PAT, the profits this quarter has more or less been maintained because of deferred tax reversal, so would this continue going forward or no?
- G. K. Srinivas** Mr. Deepak I am sure you understand how deferred tax works because we have explained the reversal and things like that, deferred tax reversal would continue till the difference persists between the tax depreciation and the companies tax depreciation and we expect that to go on for at least this financial year definitely and to a part in the next financial year also, post which both the depreciation will be on par and there would be a reversal of the deferred tax reversals that we are making as of now.
- Deepak Chokhani** Now the question, if you may allow, is that the margins have been constantly going down, Q1 last year it was 11.4%, then 10, then 9, now 8.8 and I do remember you had a special mention that you will start focusing on increasing the margin, when do we expect that to start inching up?

**Uday Reddy** If you look at the vertical wise be it voice, messaging, or payments, or even the property, if you leave out the property, remaining verticals, the profit margins remain same more or less in the last 4 to 5 quarters, but you see the consolidated margin vacillating because of the mix in the products, so that is the reason you see the change in the percentage of gross margin in consolidated numbers, but if you look at vertical wise, we do not see any issue, we do not see any margin pressure.

**Deepak Chokhani** If I recollect last quarter there was some loss on account of cloud, do we have some loss on account of cloud this quarter as well which is why the margins have got impacted?

**Uday Reddy** We have not seen any loss on our platform because of the voice, we kind of break even in this quarter, so in terms of the margins in other verticals it involves the same.

**Deepak Chokhani** Do you expect this 8.8, 9% to continue or do you think coming next quarter you will see a ramp up in that?

**Uday Reddy** It all depends on how the product mix is going to pan out over a period of time, for example, our margins are much better in mobile payments, certain things I do not want to really comment on this call whenever we see the change in the product mix, you tend to see the effect on the consolidated number.

**Deepak Chokhani** This is regarding the share price which I am sure most of the participants in this call have worries about, we are aware that Mr. Gautam has been selling in the market and we are also aware of the disclosure we have seen some time back that you had held one investor meeting, now since the last call is that the only meeting which has happened with the institutional investors?

**Uday Reddy** Yes.

**Deepak Chokhani** Do not you think that the company should be spending more time because there are hardly any institutional investors, and because of this selling pressure which is coming in the market every week which is not being absorbed by any institutional investors, of course the company is doing excellently well on the financials, on the business, but I guess somewhere the focus on getting in the investors which is very important aspect as well, it is completely getting lost?

**Uday Reddy** I take your good suggestion Deepak, whenever any investors would like to talk to the company, we are more than happy to talk to them, but now as you rightly said, we are not aggressive enough to reach out to do any kind of road shows. We are working out some plan of action, which may not be in the near future but we have our own plan of action.

**Deepak Chokhani** If I may just understand, what is stopping the company to do that, why you are not engaging with broker community, why not reaching out, investors will not reach to you, you will have to reach out to the investors?

**Uday Reddy** To be very honest with you, we are busy generating the revenues for our shareholders, yes, we understand the fact that like we have to reach out to the potential investors, but definitely we would like to do at the right time.

**Deepak Chokhani** Honestly Sir, I do not understand is the right time, this is parallel work along with the business, maybe you need to then hire a full-time employee who can do this?

**Uday Reddy** Sure, I have taken your input, we will consider that Mr. Deepak.

**Deepak Chokhani** Thank you, Sir. One more passing remark, in the past I have been in touch with company secretary, and I had suggested that post Mr. Sabharwal's exit, maybe the management should come on the television and assure the investors that there is nothing wrong, the share price had a major day and there was no communication from the management to assure the markets or the investors, it is a suggestion I leave it to you. I guess there should be more communication maybe you should come on the TV, educate the investors or the investing community about what the company does, so that there will be more interest because the company's financials, the business looks pretty good, but it is just that this aspect is completely missing.

**Uday Reddy** Mr. Deepak, as Anuradha communicated to you through email, Mr. Gautam has left by the time we had the call last time, we explained our position, we answered all your questions, so there is nothing to be explained on TV or in the media, so we have covered all that in the last investors call.

**Deepak Chokhani** That is one aspect, but generally about its part of the investor relations...

**Uday Reddy** Deepak, we have taken your inputs, let us give a chance to others also.

**Moderator** Thank you. The next question is from the line of Smita Motha from Fort Share Broking. Please go ahead.

**Smita Motha** We are a long term shareholders of your stocks from the niche segment when you all started up, looking at your consolidated results and the standalone results what we find here is that your income from operations have doubled year-on-year and so has your cost for services which has doubled, but looking at the profit, it is not even driven year-on-year basis of even 50%, so can you please explain the reason for the same and when do we expect at least 25% to 40% increase in your profits with this kind of escalation in the top line and the services segment?

**Uday Reddy** It is a good question and in fact I tried explaining in the earlier call, we have different verticals though now we are in cloud communication platform; through cloud communication platform, we do offer different services, be it messaging, be it voice, be it notification, so each of these functions has their own margins. For example, messaging - normally in international market A2P messaging margins are really, really low if you compare with payments. It all depends on how each of these revenue streams is growing. If we register growth in a stream which has got better margins, if they grow faster, than other revenue streams, apparently, we will have a huge impact on gross margins on net profit, so it is a function of which stream is growing.

**Smita Motha** Still I would like to ask you with the top line and the bottom line, it is not showing any relation in such so at least when do we, second quarter or next quarter or next year, when do we expect some movement in the bottom line?

**Uday Reddy** Ms. Smita we do not want to give you any guidance as on today, but all I can tell you is we do not have any revenue pressure on any of these verticals, as I told you we do not want to give any guidance.

**Smita Motha** You have given an investor update saying that you are in progress with a leading telecom ILD hub, so how do you think that how much will that add to your revenue going ahead if this goes through?

**Uday Reddy** You asked two questions, when do you complete the deployment, we are likely to target to complete this deployment by end of this December, which we should have

completed around September-October but got delayed because of security audit and DoT audit. We hope to go live around January which is in Q4. In terms of the potential of this deployment, it is sizeable for Tanla's revenues, but having said that I do not want to quantify that amount in terms of revenues or margins.

**Moderator** Thank you. The next question is from the line of Punit Mittal from Global Core Capital. Please go ahead.

**Punit Mittal** I think I asked a question last time regarding the warrants issue and I think the management replied saying that in the hindsight probably they did not issue the warrants and because the money was probably not needed, now the question is that given where the market valuation is which is obviously I am sure the management thinks the market valuation of the company is much lower than the intrinsic value of the company, and there is some selling pressure I understand from the previous participants, why would not the management think of doing a buyback?

**Uday Reddy** Mr. Punit we did discuss various issues in the board meeting. We do also consult our auditors and others. As and when we decide to act on anything, of course we will be the one; I mean all the shareholders will get to know immediately.

**Punit Mittal** I understand Sir, I am not asking whether you have discussed, I am just asking of course you must have considered and if there is, what is the reason that you would not use the cash that the company has to...

**Uday Reddy** I remember Mr. Punit that you did ask the same question, let me give you the same answer again, all we are trying to say is as you know we have grown almost 90% year-on-year, we are growing in terms of numbers both in terms of top line and bottom line for which we need lot of working capital, so that is what we exactly told you last quarter also, we need lot of working capital to grow the business and we are also trying to expand in international market for which we need lot of money towards working capital. We do not need any money for our CAPEX because we have deployed all our assets towards our cloud communication and definitely we would like to use this money towards working capital.

**Punit Mittal** The second question is I think you explained that some of the fixed assets are capital work in progress has been capitalized, so entire capital work in progress is capitalized or is there something and also the intangible asset is still there or part of that is capitalized as well?

**Uday Reddy** We have capitalized all our assets which were in capital work in progress. We have no assets in working progress because all the assets have to be deployed towards the cloud communication platform.

**Moderator** Thank you. The next question is from the line of Vivek Asodariya. Please go ahead.

**Vivek Asodariya** My first question is that how our cloud business is doing in terms of profitability and revenue?

**Uday Reddy** Mr. Vivek, we went live with cloud communication, when I say cloud communication earlier, we used to offer messaging and also a bit of voice and payment on separate API, but when we say cloud communication, under one API we would like to offer messaging, voice and payments. If you combine voice, messaging, and mobile payment, it is nothing but cloud communication. The second one is we used to have lot of deployments both in India and outside India, going forward under cloud architecture, we do not need to have so many





deployments, so we will have only one deployment where any of our clients can access our services and also, we do not need to have deployment with any of our partners on case-to-case basis, we can use the same infrastructure which is nothing but cloud communication, both in terms of partners and also towards our clients.

- Vivek Asodariya** What is the off-net and on-net ratio for this quarter?
- Uday Reddy** off-net is the major, on-net is the same, so I cannot really quantify in terms of percentage, but it is swinging towards off-net.
- Vivek Asodariya** If I correctly understand the depreciation, if I am working in IT industry, if we have a 500-crores worth of server, so it is only virtual asset, intangible asset, so if you are saying that if you are going to capitalize in next 10 years, so what I am thinking every year you have to capitalize 50 crores, is my understanding correct?
- Uday Reddy** All we are saying is we have our views; all those assets are deployed towards our cloud communication platform and they are subjected to depreciation. As on today, we strongly believe that the lifespan of these assets is anywhere between 5 to 10 years life based on which we have provision which is the depreciation as on today, but going forward it may change. As G. K. explained in his earlier statement, we definitely would like to conduct the impairment test at the fag-end of every year and then we will decide whether to continue or decrease or increase our rate of depreciation.
- Vivek Asodariya** The next question is that why we have not increased bottom line, we made a growth on top line but it is not as much on profit, so is company not able to manage realization?
- Uday Reddy** Mr. Vivek as explained in the earlier call exactly before your question I, we do not see any revenue margin pressure as on today in any of this revenue stream, but if you see the consolidated number, this is a combination of different vertical, every vertical has got its own revenue margins.
- Vivek Asodariya** If I saw your revenue breakup 92% is A2P messaging, 30% is property, and 3% is mobile payment, so where our cloud business is, is it in A2P messaging?
- Uday Reddy** Vivek, that is what I told you it is a combination of messaging, voice and payments, all three come under cloud communication.
- Moderator** Thank you. The next question is from the line of Amit Mishra. Please go ahead.
- Amit Mishra** Again, good numbers, good revenue growth, we were bit down on profits but all the things you have explained, I have two questions, one is just a query just for my knowledge, once the warrants are issued, you cannot cancel them, is there a provision that warrants can be cancelled, the unconverted warrants?
- Uday Reddy** I am not an expert here, but my knowledge says that like if you do not convert on the due date, they will be cancelled.
- Amit Mishra** Is your plan to convert? I do not think there are many remaining now, only 10 lakhs or something or 15, I think, but are you going to convert all of them?
- Uday Reddy** Yes, our intent is to convert all of them.

**Amit Mishra** It is just to say that this number of shares will increase upon warrant conversion, you have admitted last time that in hindsight we would not have done the warrants if we knew that our cash position would be okay what we have now, so now you have...?

**Uday Reddy** There are couple of things, definitely this warrants money is being used towards working capital, I can tell you that we have grown the business, we are expanding into other markets, definitely all this money is being put to use towards working capital and the expansion plan, so let us not keep on discussing about this issue. We have already subscribed and we should appreciate the fact that I have subscribed at the rate of 33 or 34 whatever it is like.

**Amit Mishra** I was just synchronizing what you are saying during the last call and why we are still converting, but it is okay it is your prerogative I was just concerned about the EPS dilution, anyway we can manage the way we are growing, and of course we can manage. One more question, any dividend consideration, and interim or because the dividend was not very good last time considering our cash position, I know you said that we will use the cash for working capital?

**Uday Reddy** We have declared dividend of 25% for last year and it is subject to approval of our shareholders including you and let it go through our AGM.

**Amit Mishra** Just wanted to say one of the thing investors see is regular dividend income, the long-term investors basically who do not want to book out, I am your long-term investor...

**Uday Reddy** Amit, I appreciate what you are trying to say we have declared the annual dividend.

**Amit Mishra** Of course not, some companies do the interim in September or December, I am just asking for your consideration basically?

**Uday Reddy** I am not the one who is going to decide, the board has to decide.

**Moderator** Thank you. We will take the next question from the line of Tejas Shah from Unique Stockbro Pvt. Ltd. Please go ahead.

**Tejas Shah** Three questions, one is -are you planning to increase the promoter holding and the other partner who had basically gone out of the promoter group, he is selling in the open market so any plans of you buying from the open market to ease the price pressure?

**Uday Reddy** Tejas, I think it is too personal to discuss on this call, I have subscribed almost 1 crore share myself and my wife at Rs. 33, first of all I do not think I am allowed to buy for the next one year either in the open market or in any other form, I am not allowed to increase my stake if I am right, so there is no way I can increase my holding as of today.

**Tejas Shah** Now what is the promoter holding as on today?

**Uday Reddy** Around 30%.

**Tejas Shah** Once you convert the balance warrants then it will increase to what level?

**Uday Reddy** It is more or less same, I think only 14 lakh shares are outstanding, it does not affect much, probably 0.5%.

**Tejas Shah** What I see from your balance sheet is your mobile and voice, messaging service, top line is 180 crores and you are saying segment reserves profit and loss before other income and tax, that has gone to 2.51 crore, now that is down quarter-on-quarter also huge and year-on-year, any particular reason for that?

**G. K. Srinivas** Basically, there has been an effect of depreciation on the current quarter which you would have observed from the depreciation figures that has been given and the depreciation was much lower in the earlier quarter and property has remained more or less the same, there is a small variation in the property that is basic, depreciation is the result of this.

**Tejas Shah** The last person who had asked question, actually the voice got distorted, so I was not able to understand, the depreciation charged on IT products is 10% or 60%?

**G. K. Srinivas** There are two depreciations, one is the income tax depreciation and the other is the companies act depreciation. As per companies act with the revised detailed guidelines coming into force, we now have to use the life of the assets as the basis for charging depreciation. For intangible assets, we have taken the useful life as 5 to 10 years based on our estimate and within the guidelines prescribed under Ind-AS, so based on that we are saying that the estimated useful life of these assets is 5 to 10 years. At the end of every year, we need to revisit this and correct the useful life if it is still going to change, but the 60% that you are saying is as per income tax and not as per the companies act.

**Tejas Shah** Any plans of bonus issues since we have lot of cash and, can you work on bonus?

**Uday Reddy** Mr. Tejas we have not discussed that point in the board meeting, I cannot really comment for you on this.

**Uday Reddy** I am not able to understand you Tejas, can you please repeat?

**Tejas Shah** One-off expenses which is going up in terms of depreciation at one time, last quarter it was other expenses which had gone up which had dented the profit?

**Uday Reddy** If we say there is an expense, we need to express right.

**Tejas Shah** What happens is at the end of the day, we are not...

**Uday Reddy** You need to hear me out, you asked the question right, till last March we had KPMG auditors, now we have the E & Y as internal auditors and we need to consult different auditors and that is why we brought in this auditor and we also have to go by what the new regulation, the companies act is changed, Ind-AS has come into picture, so we need to abide by all that. Only Tanla is not the one which is going to impair the assets or change the depreciation policy. If you see any other company to my understanding though I am not an expert here that is what they do, so what other expenses we have explained about the sale of assets or impairment of assets and we have been trying to explain to you why the depreciation because all the assets are capitalized under cloud communication platform,. You need to appreciate the fact is we are the one who had organized this investors call; we are trying to talk to each one of you.

**Tejas Shah** What happens is as an investor I am not too much technical into accounts, but what happen is everybody is not used to it, in your company, institutional investors are not there, all are individual investors, people get swayed by this number, there is a pressure on the price, so what I am just requesting is communicate like how you are communicating right now, saying this is a normal thing and every company

is doing the same because of the accounting principle and there is nothing wrong in the accounting what you are doing.

**Uday Reddy**

This is what we explained in the call, can you please go back and read our last transcript and can you please read again what we said in the opening remarks.

**Moderator**

Thank you. The next question is from the line of Gopinath Choppa. Please go ahead.

**Gopinath Choppa**

My question is related to the business, we now have built up momentum in India and this is something that you have said before as well that you will replicate success in India and International markets and I wanted to understand if there is any progress that we have made on that trend and if we did, when would we probably be seeing the results on that?

**Uday Reddy**

Mr. Gopinath, it is a good question, in fact this is what we did, that is what we mentioned even last conference call, as we speak in fact we have recruited two senior people from other Telcos and this team is mainly meant to expand our International plan, yes, our intent is to grow our International business though it is very competitive, very competitive in international market. I hope we will see the light very soon, so as and when we see the progress we will definitely update you.

**Moderator**

Thank you. The next question is from the line of Smita Motha from Fort Share Broking. Please go ahead.

**Smita Motha**

I wanted to know just one thing, our business is of mobile VAS and messaging services, thereby we see 92% growth in the same segment that is 99% is what we work on that, but looking at the profitability from this segment, we are seeing that it is deteriorating taking into account the June and the March results where it was 3 and 9 where we were growing, so our concern remains the same, Sir, when are we going to see any increase in the profitability that the percentage increase whereby we had seen from June to March?

**Uday Reddy**

Smita, that is what I explained to you earlier and I am more than happy to explain to you again; for example, we have different revenue streams under cloud communication now, we have messaging, we have voice, we have payments, and we have notifications. For example, payments, which is more of an international business for us, that has got better margins. If you look at last year's product mix between messaging and the payment predominantly, payments had got better revenue mix than the messaging, if you look at the mix between the messaging and the payments, but unfortunately the payments business in the International market is under stress whereas the messaging and the voice business is growing in domestic market where our margins are very thin, but if you combine the overall gross margin EBITDA or any other margin that is where you see the difference, but if you look at individual revenue stream margins, we do not see any pressure, so to answer your question, the minute we see the increase in the revenue stream where we see better margins that is where we see the consolidated numbers will be better off.

**Smita Motha**

By when can we see better realization, Sir, if you can just say about the quarter, which quarter or by which year can we see the realizations to grow?

**Uday Reddy**

That is what I tried answering to Mr. Gopinath, like we have recruited and also recruiting a dedicated team to expand our business in international market where our margins are likely to be better off, we are working towards that, so I cannot really give you any date or quarter, but yes, we have a dedicated team who is

going to chase International business and we would like to, as and when we see the revenue is coming from International market, our overall margins will be better off.

**Smita Motha** Can you name some clients of yours, Sir, and what percentage of revenue comes from your largest client?

**Uday Reddy** We work with predominantly most of the e-commerce and mainly International markets we work with most of the large enterprises, I am not supposed to mention all the names on the call, we have the NDA, but we work with most of the social media companies from US who are trying to terminate their messages in India.

**Moderator** Thank you. Ladies and Gentlemen, that was the last question. I now hand the conference over to the management for their closing comments.

**Uday Reddy** Thank you Nishid for organizing this call and I hope it helped all of us. I request each one of you to attend our AGM. If you cannot make it, please send out mails to our Investor cell, we are more than happy to answer all your calls. Thank you for being here.

**Moderator** Thank you. Ladies and Gentlemen, on behalf of Tanla Solutions that concludes today's conference. Thank you for joining us.