Tanla Platforms Limited

April 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	5.00	CARE A+; Stable	Reaffirmed
Short-term bank facilities	15.25	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation in the ratings assigned to the bank facilities of Tanla Platforms Limited (TPL) continues to derive strength from experienced promoters and qualified management team, long proven track record of operation, established market position in Application to Person (A2P) messaging segment, consistent improvement in the financial performance during FY22 (refers to the period April 01 to March 31) and 9MFY23, strong net worth base, favourable capital structure with absence of any external debt, strong liquidity position with a free cash and bank balance of around ₹800 crore and stable industry outlook. The ratings however are tempered by, high technological obsolescence risk, threat from increasing competition from unorganised players and regulatory risk.

Rating sensitivities: Factors likely to lead to rating actions.

Positive factors

- Total operating income improving to ₹4000 crore or above, while maintaining operating margins at the existing levels.

Negative factors

- Increase in the overall gearing of the company over and above 0.50x
- Any notable deterioration in the liquidity position

Analytical approach: **Consolidated**

TPL, the Holding company, operates seven wholly owned subsidiaries. TPL along with its subsidiaries and associates is engaged in a similar line of business, different entities are set up to cater to different markets/regions. (List of subsidiaries/ associates is mentioned at annexure-6)

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that the entity will continue to benefit from the extensive experience of the promoters and management in the industry.

Key strengths

Experienced promoters and professional management with long track record of operations

TPL has been promoted by Uday Kumar Reddy, the Chairman & CEO of the company. He is a management graduate with more than two decades of experience in Information Technology and Telecom Sector. He spearheads the company as the chief. The company is also supported by other directors and experienced management team.

Significant improvement in the total operating income and profitability margins

During FY22, the revenue of TPL grew by 36.91%, y-o-y over FY21 and it registered total operating income of ₹3205.97 crore as against ₹2341.58 crore in FY21 mainly on account of increase in the revenues backed by increased customer base (TPL added over 270 new customers in FY22), launch of new platforms and higher revenues from the existing business. Platform revenue grew by 73.83%, driven by launch of Trubloq and Wisely, which created a completely new stream of revenue. Enterprise revenue grew by 34.49%.

Backed by increase in scale of operations, the PBILDT margins improved from 18.56% in FY21 to 21.89% in FY22. Improvement in platform contribution mix in FY22 resulted in better profitability margins during FY22 as against FY21.

During 9MFY23, the company reported total operating income of ₹2520.81 crore (9MFY21: ₹2352.92 crore) with PBILDT of ₹421.56 crore (9MFY22: ₹516.05 crore).

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Favourable capital structure
The financial flexibility of the company is strong backed by a healthy net worth base of ₹1,354.04 crore as on March 31, 2022 coupled with absence of any bank debt. Furthermore, the company does not utilise working capital limits and maintains a significant cash balance throughout the year.

Established market position in Application to Person (A2P) messaging segment with tie-up in place for providing service for majority of telecom players operating in India
Founded in 1999, it was the first company to develop and deploy A2P (application to person) SMSC in India. Today, TPL operates as one of the world's largest Communications Platform as a Service (CPaaS) players, it processes more than 800 billion interactions annually and about 63% of India's A2P SMS traffic. Furthermore, TPL has developed platforms like Fastrack , Trubloq and Wisely. These platforms are used for various purposes like deliver messages to all the mobile subscribers across all telecom operators; empowers individual mobile subscribers to own, control and manage commercial communications which helps reduce scams and spam messages. These platforms also provide unique marketplace for enterprises and suppliers by offering a global edge-to-edge network that helps to communicate in a private, secure, and trusted manner.

Development of robust platforms
Major platforms developed by TPL include Fastrack, Trubloq and Wisely
Fastrack: It has capability to handle from 20 to 2000 SMS TPS (Transaction Per Second) with advanced routing facilities. Fastrack is deployed at the core operator network across the country with leading telecom operators to deliver messages to all the mobile subscribers across all telecom operators.
Trubloq: It is world's first block chain enabled commercial communications stack that empowers individual mobile subscribers to truly own, control and manage commercial communications . As on December 31, 2022 63% of India's A2P SMS traffic is processed through Trubloq, making it the world's largest Blockchain use case .In FY22 Trubloq, contributed to 44% decrease in complaints against registered telemarketers.
Wisely: Developed with Microsoft it provides a unique marketplace for enterprises and suppliers by offering a global edge-to-edge network that helps to communicate in a private, secure, and trusted manner. Vodafone and Truecaller are the major users of Wisely platform. Furthermore, TPL has launched Wisely ATP an end-to-end solution aimed to combat the global challenge of SMS phishing.

Key weaknesses
High concentration of revenue in A2P messaging segment
Messaging revenue is the major business segment and continues to contribute about 96%-97% of the total revenue for the past three years. The revenue contribution from this segment is around 96%-100% during FY19 – FY22.

Technological obsolescence risk
The OTT (Over-the-Top) services changed the way of communication in a broader sense and people has gradually shifted from P2P (Person to Person) messaging to OTT communication which uses the internet on the smartphone of the subscriber rather using the service providers network, directly. The A2P segment is indirectly benefitted from OTT services. Due to dynamic nature of technological innovation, the A2P business is exposed to obsolescence risk with better alternative mode of communication between enterprises and customers.

Susceptibility to regulatory risks
Telecom Regulatory Authority of India (TRAI) regulates all promotional and transactional messaging services in India. TPL derives a significant portion of its income from bulk messaging services and hence is susceptible to any change in regulatory policy impacting its operational revenue from that segment. However, TPL has been consistently diversifying its product portfolio thereby reducing the risk of revenue concentration from a particular segment.

Liquidity: Strong
Liquidity is marked by strong accruals against negligible repayment obligations and liquid funds to the tune of ₹902.15 crore as on March 31, 2022 and ₹852.32 crore as on December 31, 2022. Average utilization of working capital limits remained NIL during the past 12 months period ended February 2023.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks
Environmental risk: Industry is subject to environmental risk such as carbon footprints, GHG emissions etc. TPL mitigates the risk by adopting the policies like collaborating with environmentally conscious partners to ensure that total CO2 emissions were at par with environmental standards.
Social Risk: The social risk for TPL is low as the objectives of TPL's business include developing platform to combat the global challenge of SMS phishing and offer a global edge-to-edge network that delivers private, secure, and trusted communication experiences. Further, TPL uses its resources to educate and employ skill development and placement for building an inclusive society. Its platforms like Trubloq and Wisley are developed to prevent fraud & spam to strengthen national security.
Governance Risk: TPL practices adequate governance and has professional and well experienced senior management to ensure proper code of conduct.

Applicable criteria
Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Service Sector Companies
Policy on Withdrawal of Ratings

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Information Technology	Information Technology	IT - Services	IT Enabled Services

TSL, incorporated on July 28th, 1995 has been promoted by Uday Kumar Reddy. TSL has its headquarters and development facilities in Hyderabad, India and serves global customer base through its subsidiaries, JV with Zed Worldwide Holdings S.L. Spain and one associate. The company provides a range of services which includes product development and implementation in wireless communication industry, aggregator services and off-shore development services. The services can be classified into three major categories viz. Mobile Messaging [majorly into Application-to-Person (A2P)], Mobile Commerce and Mobile payments.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	891.88	1,246.87	2,520.92
PBILDT	133.33	133.22	421.56
PAT	158.56	118.68	327.36
Overall gearing (times)	0.00	0.00	-
Interest coverage (times)	454.75	506.36	-

A: Audited; UA: Un-audited; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	5.00	CARE A+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	15.25	CARE A1+

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	5.00	CARE A+; Stable	1)CARE A+; Stable (01-Apr-22)	1)CARE A; Positive (06-Apr-21)	-	1)CARE A; Stable (21-Feb-20) 2)CARE A- (CW with Developing Implications) (11-Sep-19) 3)CARE A- (CW with Developing Implications) (02-Apr-19)
2	Non-fund-based - ST-Bank Guarantee	ST	15.25	CARE A1+	1)CARE A1+ (01-Apr-22)	1)CARE A1 (06-Apr-21)	-	1)CARE A1 (21-Feb-20) 2)CARE A2+ (CW with Developing Implications) (11-Sep-19) 3)CARE A2+ (CW with Developing Implications) (02-Apr-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Annexure-6 : List of Subsidiaries/ associates
Subsidiaries (wholly owned):

- Tanla Mobile Asia Pacific Pte Ltd., Singapore
- Capitalsiri Investments Pvt Ltd., India
- Karix Mobile Private Limited (From April 10, 2019 – Formerly Tanla Corporation Pvt Ltd, India)
- Gamooga Softech Private Limited (From October 24, 2019)
- Tanla Digital Labs Private Limited (From December 18, 2019)
- Tanla Digital (India) Private Limited (Wholly owned subsidiary of Tanla Digital Labs Limited From July 02, 2021)
- Tanla Foundation (From July 06, 2021)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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