

JULY 29, 2015

CARE ASSIGNS 'CARE A-' AND 'CARE A2+' RATINGS TO THE BANK FACILITIES OF TANLA SOLUTIONS LIMITED

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long-term Bank Facilities	60	CARE A- (Single A Minus)	Assigned
Short-term Bank Facilities	20	CARE A2+ (A Two Plus)	Assigned
Total Facilities	80		

Rating Rationale

The ratings assigned to the bank facilities of Tanla Solutions Limited (TSL) are based on the consolidated financials of TSL and its subsidiaries. The ratings assigned to TSL factors in experience of the promoters, long track record of operations, established relationship with key clients in the telecom sector, established market position in Application to Peer (A2P) messaging segment, short-term agreements with telecom operators and content aggregators, comfortable capital structure as on March 31, 2015, favorable outlook for A2P messaging on account of increased e-commerce and banking transactions. However, the ratings are constrained on account of high technology obsolescence risk, high revenue concentration from messaging segment exposing to technological changes in Short Messaging Services (SMS), revenue exposed to government regulations in the telecom sector, loss during FY13 (refers to the period April 1 to March 31) & FY14, stretched collection period and high capital Work In Progress (WIP) for last 3 years ending March 31, 2015. The ability of the company to improve its scale of operations and profitability without impacting the capital structure, capitalize the capital WIP and generate income from the assets and manage working capital efficiently would be the key rating sensitivities.

Background

TSL was promoted by Mr Uday Kumar Reddy in 1999 with its headquarters and development facilities in Hyderabad, India. TSL listed on National Stock Exchange & Bombay Stock Exchange in 2007. TSL's range of services includes product development and implementation in wireless telephony industry, aggregator services and offshore development services and serves global customer base through its 2 overseas subsidiaries located in Singapore & United Kingdom; 4 overseas step-down subsidiaries located in UAE, Finland and Ireland and 1 subsidiary in India. The services of TSL can be classified into three major categories, namely, Mobile Messaging (majorly into A2P messaging), Mobile Commerce and Mobile payments. Apart from telecom operations, TSL through its subsidiary Tanla Corporation Private Limited (TCPL, erstwhile known as Mufithumb Corporation Private Limited) is into property development and has a land bank of 42.2 acres of land at Kondakal Village, Ranga Reddy District, Telangana. TCPL entered into Joint Development Agreement with leading real estate company for developing land into plots.

TSL has established relationship with major Telecom Operators in India and Original Equipment Manufacturers (OEM). TSL has recently deployed a solution, namely, "Fastrack" a Messaging Hub Platform which performs immediate delivery of messages without relying on the system's Store & Forward technology or capacity. Fastrack is deployed at the core operator network across India's leading telecom operators to deliver messages to all the mobile subscribers across India and across all telecom operators. The other services provided by TSL are license Manager Platform "Wrapper" which provides right for usage of games and apps on smartphones. The other Value Added Services (VAS) provide by TSL are "GameOn" which provides social enablement of any game for enhanced user engagement & Monetization, "Gamebox" portal which gives access to games preinstalled by OEMs, "Singing Audition Solution" which can effectively measure the singing output on multiple dimensions and "Video Club" an integrated licensing, billing, distribution & promotion of mobile videos.

¹ Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

In FY15, TSL reported PAT of Rs.2.59 crore (net loss of Rs.19.83 crore in FY14) on a total operating income of Rs.244.14 crore (Rs.106.36 crore in FY14).

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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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