“Tanla Solutions Limited
Q1 FY11 Earnings Conference Call”

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MODERATORS: MR. UDAY REDDY
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MR. SATISH KATHIRISETTI

Moderator: Ladies and gentlemen good evening and welcome to the Tanla Solutions Limited Q1 FY 2010-2011 Results Conference Call. As the 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 "*" and then "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 Reddy of Tanla Solutions, thank you and over to you sir.

Uday Reddy: Thank you. Good evening everybody. Welcome to this first quarter conference call and I am with Satish who is our CTO, who will take us through our patent grant, then I Anoop who heads our Finnish Operations and Amit, Director Finance who is logged in, we need to excuse him and Gautam logged in from London, who is going to give us a quick update on the business. Amit would you like to add something here.

Amit Gupta: Everyone thanks for coming for the first quarter call. I wanted to be very much part of this call, but fortunately I have been blessed with a daughter just half an hour back and I would request everyone on this call to excuse me, because I would like to be with my wife and daughter. If anyone has any questions I will be more than happy to receive them on ir@tanla.com so anyway thanks and I will be logging out now. Thanks a lot.

Uday Reddy: Thanks Amit. Before I hand it over to Gautam, I would like to give a quick update in terms of numbers. As you know, our topline is on 76 Crores with EBITDA of 20 Crores and in terms of product mix 8.63 Crores has come from products, around 47 Crores has come from network aggregation business and around 1.3 Crores has come from professional services and around 18 Crores has come from mobile payments and the revenue is basically decreased by almost around 20% sequentially quarter-on-quarter mainly for two reasons, one is around 5 Crores drop is due to currency conversion and the second reason is on account of drop in products and licensed managed business vertical. In fact our licenses from fourth quarter of the last year to this quarter dropped to almost 50%, which Gautam will take you into the details. In terms of EBITDA margin from each revenue stream, we has around 3.8 Crores has come from products and around 13 Crores has come from network aggregation business and around 3.5 Crores has come from mobile payments and around 0.06 Crores has come from professional services. Now I would like to hand over to Gautam who will take us through the business.

Gautam Sabharwal: Thanks. As we pointed out I will just run you quickly through each of the revenue streams, Aggregation quarter-on-quarter has been pretty much flat. There is a small drop due to seasonal adjustments and as traditionally the summer months are a bit quite on aggregation due to lower success on the billing attempts as well as less we do not run many large campaigns during the summer months as traditionally a lot of people in UK are on holiday. So we expect that to come back to normal kind in the next quarter and grow from there on.

We have also been successful in adding some good new clients in the aggregation space particularly EVP and Alford's being one of the largest retailers in UK and EVP being a provider

of web to mobile payments worldwide. We have added some good new customers in the South African market particularly Quadra Mobiles, who we expect to drive significant revenues going forward. The business that has expectedly suffered the most in the last quarter has been the Tanla License Manager business as we have announced earlier to the market due to a change in Nokia strategy and there is a decision (05:34) to distribute Map free. We had expected a large drop in the shipment of licenses on Nokia phones. This has now materialized in the last quarter and we have seen as we have pointed a drop of over 50% in the month in license shipments.

Our Mobile Payment business, however, is the payments; the transactions revenue at the back of this is still holding strong and we expect that to continue as we go forward. In telecom products again there has been a sequential drop due to seasonal factors and again we expect this to come back strongly in the next quarter. Just going forward some of the customer wins, particularly in telecom products we have had a win with Aircel, where we are deploying our missed call alert platforms in six new circles and we will be handling all of Aircel's missed call alert traffic. We are also deploying our USSD Gateways with them and outbound dialer self for two new circles.

In License Manager just going forward for mobile payments, we are pushing strategy of preloading our License Manager and content on handsets to this effect we have signed up new customers in form of BO world CSL, which is a handset manufacturer based out of Malaysia. We are starting a project talk with them in September and from the month of September, we will be shipping on roughly about 100,000 handsets to start with and this will grow to about 400,000 to 500,000 handsets on a monthly basis in about six months' time. We have signed the number of ISVs, Tractor Software, Provider of Maps and Navigation Services, FPB has a number of titles for Windows Mobile, Symbian, and iPhone devices and the Paragon Software Group, which is Windows Mobile, Symbian, and Android products. Just to add to that License Manager has now been traditionally been seen as the Symbian solution, but now we have developed that on Android and Java devices and we now more of a cross platform house enabling us to target ISVs on every platform as well as handset manufacturers.

After that on our License Manager we have also had some good success in India. We have signed up one of the largest content providers in the Indian market for games and they would be using our License Manager to deploy their services on all mobile carriers in India. In addition, in the Indian market we have had good success with Sony Entertainment India where Tanla was handling all the traffic for Indian Idol and currently the ongoing Kaun Banega Crorepati game show where Tanla is handling all the voting and response messages for the KBC show. In Aircel, our SMSE handled over 223 million bulk SMS messages in a single month, which is milestone for Tanla and as well as with MTNL we have deployed very new services and our processing live traffic for video messages on any missed call.

Again Telescope has licensed our InTune solution, which is audition software, which we expect rollout is now complete and we expect that go live with media clients in this quarter. Again if you have any other questions, please feel free to ask during the question time and I will now hand over to Mr. Satish, to give you an update on our recent patent grant. Thanks.

Satish Kathirisetti: Thanks Gautam good evening everyone. I think in the last conference call I had given a brief overview on the patent grant in Singapore for our AMR and wireless mesh networking protocol and I am quite happy to inform you that we have been now granted the patent in India as well and this is especially very important for us as now that we have patents for the India operations as well we can now look at a commercial model of taking this patent forward. We also have the patent examination now happening in Malaysia and we should now be expecting the same to happen in the European patent office, so with this our coverage what we fairly comprehensive and as explained previously we will give you a very, very quick overview of what we have done. We have actually patented an innovative method of communication, wireless communications especially for sensor networks, which uses a wireless mesh network. It transfer information using extremely low cost RF devices, but over large distances because of the hopping mechanism that we have invented to ensure that data can be moved to large distances and this is what we have applied for a patent in terms of meter reading capabilities and we have been granted the same in Singapore and India and expect the same again in Malaysia and Europe. For any other information, please feel free to contact. You can have a conversation as to how it can work and where all it can be applied. There are many applications for this technology apart from just meter reading and we are happy to discuss this same with anyone who is interested.

Moderator: Thank you very much Sir. We will now begin the question and answer session. The first question is from the line of Vijay Nahar an individual investor. Please go ahead.

Vijay Nahar: Thank you. Good evening. Last year on 24/07 NDTV the company executive had given us a revenue target of about 1000 Crores for this year from 669 Crores of the 2009 year ending, but in fact it has dropped down by 50%, where did the revenue go down and how are we going to achieve the target and when?

Uday: I do not think any of our executives went on NDTV and gave any projections. We never gave any projection, but having said that when we signed Nokia agreement for five year agreement recently when one of our anchors who were insisting on giving the projections like and we are trying to substantiate with our License Manager business that is number one. Number two why the revenues are down, as we explained in the last 10-15 minutes call, our revenues are basically down for two reasons, one is because of the currency conversion rates that is number one. Number two is as we explained the last two quarters, our License Manager with Nokia has been stopped shipping in some of the handsets on Nokia, primarily Nokia has decided to offer free navigation services to mobile users wherein they do not need our License Manager. Number two is since Nokia has decided to offer its free navigation services, even now our mobile payments from Nokia business mainly from navigation sales it has also dropped very drastically.

Vijay Nahar: How are we going to increase the revenue in the coming quarter?

Uday: Our strategy is like we have to stick to our core competence in terms of mobile products and mobile payments. We are going to concentrate in India. India is a big opportunity for us. We expect to do good in India and we are also looking at Africa where we are talking to the Zain

Telecom through Bharti in India and we also have our business in South Africa, which has been established for the last one and a half years started showing targeted growth out here.

Vijay Nahar: About the 3G Spectrum business are you expecting good revenue out of that?

Uday: Our view is that operators will take I think, couple of more quarters. We thought operators will announce their operations by the end of this December, but the way I see is, it is my personal view, it will take two more quarters before they announce 3G services, full-fledged services and it will definitely take some time before we see any revenues from 3G vertical.

Vijay Nahar: But are we looking out at very good revenue from them, what kind of revenue we could look forward from 3G Spectrum?

Uday: I may not be able to substantiate any numbers, any projections, but what I can tell you is we have a couple of deployments already with MTNL in India and we are talking to BSNL in fact, BSNL they have been using couple of our platform, 3G platform, but we have not yet finalized the commercial and we have tremendous expertise in the 3G products and we hope to see lot of deployments in 3G space in India. So I am afraid I cannot really put any numbers in terms of terms of predictions and all.

Vijay Nahar: Last question. Tanla standalone, Tanla Solution is showing the losses. Can those losses not be ruled out? Standalone Tanla Solution like this quarter they have 7.57 Crores losses, is not that we cannot get rid of these losses, why are the losses coming in?

Uday: One is like you know as I told you we are going to concentrate heavily in India and all the revenues that are going to come from India are going to be booked in standalone and I hope we are back in track in the next couple of quarters in terms of standalones business.

Vijay Nahar: Thank you, very much.

Moderator: Thank you. The next question is from Naval Sheth from ICICI Direct. Please go ahead.

Naval Sheth: Good evening. Actually we have been sharing, we are getting and we are expanding into different markets, but from last few quarters it is not visible in revenues, that revenues are not being growing. So how is the business expected to grow in the near future and we had expected around close to 50% decline in our overall revenue in FY'10 compared with FY'09. So if this is the scenario going forward itself, so again we will be witnessing a dip in FY'11 revenues also, so that is the stage we are on, so how you will guide for FY'11?

Uday : I cannot really give you any projections for 2010 and 2011. As we have told you like we are going to concentrate in India and Africa and we are expecting a lot of deployments in India as well as in Africa. We are pretty confident about our business, but they maybe because of the Nokia business which was proposed to take off the last eight months mainly suddenly Nokia has announced free navigation services, that has really pulled our numbers and we hope to see in fact

we are going to launch a couple of new products in both in mobile payments as well as in mobile products. I think our revenues from both these new products should really bring something in terms of number side.

Naval Sheth: But from when these numbers will we be seeing the numbers in the results, from when it will kick in?

Uday : As Gautam explained we have launched a new product called Intunes and we have the commercial agreement with a company called Telescope in US. They are expected to commercialize this product in this quarter and in terms of mobile payment I think Gautham is the right person. We are going to launch a product called Market Line product, which is going to be launched in the next 15-20 days probably I will request Gautham to explain a little bit about what is the core product is all about. Gautam, can you please explain about that.

Gautam Sabharwal: Very quickly as I pointed out earlier we have done the tradition has increased in the Indian house hence the strong Nokia focus but License Manager has now being developed across platform solutions which enables us to target all handset manufacturers especially the new and emerging handset manufacturers using the Android platform as well as all software vendors on all different types of platforms whether it is Android, whether it is Blackberry, whether it is Symbian, or Windows Mobile. So we are launching a web based solution to target application developers around the world to simply integrate with our billing and licensing platform through pin code mechanism on the web and through that basically bill and distribute their applications and software in any part of the world, so basically the advantage is that as you know there is an explosion in mobile application around the world and everybody needs new ways to monetize these application as well as through applications tool to distributing it on preloading on handsets, or through selling their application direct to consumers, so Tanla will be providing a simple-to-use in application billing and on device payment mechanism to application developers worldwide, with simple integration on the web. This is a product that is coming to market in the next few weeks and we expect this to have a positive impact on our numbers along with that we have signed a number of preload contracts with handset manufacturers like we pointed out CFL, where we expect to see in the next month a 100,000 handsets shipping with our products and that number will grow to about 400,000 to 500,000 within six months on a monthly basis. So these are the things that we have, lot of works in progress, we have deals with SanDisk where our License Manager is being installed on 17.5 million memory cards in this financial year. So as these products begin to come to market we will see an uptake in our mobile payments business and again we expect that to take around two quarters before we see that materialized.

Naval Sheth: Thank you.

Moderator: Thank you. The next question is from Nirav Dalal from Capital Markets. Please go ahead.

Nirav Dalal: Good evening sir. I just wanted to know whether the bottom has been reached in terms of the mobile payments because we have seen the impact of the Nokia strategy change in the last

quarter of last year and in the first quarter of this year, so just wanted to know whether the bottom has been reached in that.

Gautam Sabharwal: Just to clarify that, there are two elements in our mobile payments business; one is the transaction revenues and the other is license revenues. In terms of license revenue there was a big margin driver for us in the mobile payments business and that was primarily been driven by Nokia Map where we were installing licenses on all Nokia handsets with the shipping. So within Nokia we were working with two different platforms one was S60 and the other was S40. So the S60 was the largest volume driver as far as our licenses were concerned and as far as that is concerned I think now we are pretty much in the back of S60 and more or less that is now almost negligible. In terms of S40 we are still shipping on S40 platform and on that platform Nokia is not currently distributing it free so we do not have any outlook as far as S40 is concerned at the moment and not really comment on Nokia strategy on how that would change in the near future. As we get a view on that we will share that with the market. But currently I think the more or less volumes are down towards small fraction, so we are more or less near the bottom as far as mobile payments are concerned.

Nirav Dalal: Okay, off the mobile payments how much should be the transaction revenues for the quarter and for the sequential quarter?

Uday: I do not have the breakup with me. I think Amit is the right person there.

Nirav Dalal: Right, I will send him an email, and when you had announced the Nokia deal you had spoken about 60-65 million revenues in FY'11, 125 million in FY'12. Was this on the back of only Maps or where there any other licenses that you would be selling to Nokia?

Gautam Sabharwal: See we are working with Nokia on many fronts, but the biggest revenue generator for us, the biggest margin driver for us been the Maps business, so the forecast that we did throughout in the market last year was off the back of large contributor to that what has been Maps. But we do have other lines of business with Nokia in the form of License Manager is being used on for project is a project in India. We support Nokia software market, which is that again is a License Manager; we just talked about the software market. There are other lines, there are other forms with Nokia, we are preloading other kinds of contents on the handsets, but really this is the big margin driver and the big business on which we have built a lot of our forecasts. As we have seen last year and early part of this year we have had tremendous growth with Nokia and we were shipping on roughly 6 million devices every month. So based on that we have built our forecast and obviously the adverse news of Nokia deciding to distribute that free has impacted our plans pretty drastically. But saying that, we are pursuing different lines and different strategies to preloading contents with other handset manufacturers. Today Tanla is not just working with Nokia, we have built our software on Sony Ericsson devices, on LG and we are targeting the new and emerging handset manufacturers particularly in these markets and we have seen pretty good success in that workspace.

Nirav Dalal: Thanks a lot.

Moderator: Thank you. The next question is from Hari Bhaskar from Anuj Shares and Securities. Please go ahead.

Hari Bhaskar: Good evening sir. I would just like to know what would be the provision for taxation for this Q1 FY'11?

Uday: That will be minimal, right now we are operating out of SEZ and then we have lots of depreciation on other subsidiaries, so it is going to be a very minimal amount.

Hari Bhaskar: And what about your CapEx plan for your business in India? You are planning to setting to turn back to India, so what would be your CapEx for your FY'11 and FY'12?

Uday: It all depends on the number of orders that we are going to get, the number of deployments that we are going to have. For example, like right now in terms of Aircel, we participate in a couple of deployments in northern regions and in fact I cannot name the vendor we have just replaced their MCA with our MCA and this deployment is going on and with this deployment we would be handling half of Aircel MCA traffic which effectively says like we will completely handle northern part of MCA, miss call alert traffics and mainly for this product we should be able to recover our money in the next one year's time. So going back to your question like it all depends on the number of deployment that we have, the more deployments we have the more CapEx that we would like to spend.

Hari Bhaskar: Thank you, Sir.

Uday: Thank you.

Moderator: We have a followup question from Nirav Dalal from Capital Markets. Please go ahead.

Nirav Dalal: Could you give us a geographical distribution of your revenues?

Uday: I think I am afraid you have to send a mail to Amit.

Nirav Dalal: Not a problem. The standalone revenues include only India or there are other revenues?

Uday: The standalone would be of course it does include India, yes.

Nirav Dalal: Is it entirely India or is there any subsidiary as well?

Gautam Sabharwal: We do not have any subsidiaries in India.

Nirav Dalal: Okay. Thanks a lot.

Gautam Sabharwal: Thanks.

Moderator: Thank you. As there are no further questions I would now like to hand over the floor back to the management for the closing comments.

Uday Reddy: Thank you. Thanks for coming on the call. If you have any questions please send it to ir@tanla.com and we will come back as early as possible. Thank you very much.

Moderator: Thank you. 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.