

Tanla Solutions acquires Karix Mobile at an enterprise value of Rs 3.4 billion

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Tanla Solutions Limited, one of the largest cloud communication providers in the world, has acquired Karix Mobile Private Limited and its affiliate from GSO Capital Partners at an enterprise value of Rs 3.4 billion. This acquisition has accelerated Tanla's growth strategy and deepened its enterprise reach.

GSO will receive a cash payment of Rs 1.12 billion which will be funded from Tanla's internal accruals. Tanla will take over a debt of Rs 1.03 billion. Further GSO will be issued Rs 1.25 billion worth of Tanla stock at a price of Rs 56.79 per equity share.

On a fully diluted basis, GSO will own approximately 14.6 per cent in Tanla, promoters will own 30.6 per cent, employees will own 5.6 per cent and public shareholding will be 49.2 per cent, on completion of the acquisition. GSO will also have an observer seat on Tanla's board and will be entitled to pre-emptive rights in future allotment of capital. This will enable GSO to avoid dilution.

The promoters have to subscribe to 7.9 million shares to retain their pre-acquisition shareholding of 30.6 per cent. The agreed price for subscription to shares is Rs 40, subject to SEBI (ICDR) regulations and approval of shareholders.

Mumbai-based Karix Mobile Private Limited is a business cloud communications provider with reach to over 1,500 enterprise clients in various industries across the country. With this transaction, the combined company will be one of India's leading enterprise cloud communications providers with marquee customers in banking, insurance, automotive, DTH, retail, consumer products, e-commerce, m-commerce, and the government.

This strategic acquisition leverages Tanla's strong telecom carrier partnerships and Karix's enterprise selling expertise to build a rationalised yet comprehensive solutions portfolio that can quickly generate revenues & reduce go-to-market timelines.

Tanla Solution's Chairman and Managing Director Uday Reddy said, "Tanla is excited to be partnering with Blackstone as we continue to grow the company. Karix is an ideal strategic fit furthering our stated objective of adding diverse and high value customer base and business, capable technocrats and incremental financial scale. Our combined entity will unarguably be a cloud communications behemoth with innovation led offerings in the digital space for our

partners and clients alike.”

“We are very pleased with the announcement of this deal. The combined strength of Karix and Tanla will afford our enterprise customers a single source for a comprehensive suite of communications services, and an assurance that their future emerging requirements will be met timely,” said Jay Sheth, CEO of Karix.

The combination of Tanla and Karix will create significant cost and efficiency synergies. Annual cost synergies with an estimated value of approximately Rs 150 million are expected to be realised over the next six quarters post-closure of the transaction. The acquisition is expected to close by October 2018. The major expected source of cost and capex synergies include - rationalising platform infrastructure; optimising connectivity and generating operational efficiencies; potential better negotiation with partners; optimised operational, general and administration costs as a result of scale benefits.

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