



“Zaggle Prepaid Ocean Services Limited
Q4 FY '24 Earnings Conference Call”
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Moderator:

Ladies and gentlemen, good day and welcome to Zaggle Prepaid Ocean Services Limited Q4 and FY '24 Earnings Conference Call. This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Raj P Narayanam, Founder and Executive Chairman. Thank you and over to you, sir.

Raj P Narayanam:

Thank you, thank you so much. Good evening to all of you. Thank you for joining us for the Q4, FY '24 and FY '24 Earnings Call. On behalf of the company, I extend a very warm welcome to everyone. On this call, we are joined by Mr. Avinash Godkhindi, Managing Director and CEO, Mr. Aditya Kumar who is our CFO and SGA, our Investor Relations Advisors. The results and the presentations are uploaded on the Stock Exchange and the company website. I hope everybody has had a chance to look at it.

Now I want to give you, take this opportunity to give you guidance and narrative. This is our first annual result post-listing and I am very happy to share that the results are as per our guidance and expectations. Zaggle has doubled its revenue over the last three years which is FY '22, FY '23, FY '24 and with the current business projections, we intend to double our revenue over the next two years.

So from three years doubling, now we want to move to an aggressive growth path of achieving, doubling our revenue in two years. Without compromising on the profitability and margins. In 2025, which is FY '25, we aim to grow our revenue by anywhere between 45% to 55%. What we are seeing in the industry is that B2B SaaS is experiencing massive traction and the opportunities in the spend management space, especially in India, are growing multi-fold.

There is an increased adoption by corporates and users on one hand and a digitization push by the government on the other. What we are seeing is improved propensity for companies to pay higher SaaS fees which was not the case earlier. There is a remarkable jump in terms of the fees what we are able to charge the corporates now per user, per platform basis than what it was before.

We intend to capitalize on this opportunity and capture a significant market share in the coming two years. You know why we are taking two years because this is a very evolving landscape and

FinTech as you know is a very, very heavily growing industry and that is why we want to keep the narrative to two years and not generally three years, but we want to keep it to two years.

We want to focus on garnering larger market share and make significant investments in technology, especially building deeper AI capabilities so that we can provide a differentiated enhanced value proposition to our customers. Zaggle has always partnered with and worked with very large banks to make sure that we maintain the highest level of regulatory and compliance standards.

For the past few months, all of you would have seen that there has been increased regulatory scrutiny and increased compliance which has been required by the regulator. This presents a challenge for many of the smaller firms and startups and companies which have not strictly followed the law of the land. But for a profitable and listed entity like Zaggle, it presents us with the opportunity as our partner banks and customers want to work with reliable and compliant partners.

Now I would want to take this opportunity to give you the Zaggle business update. The positive momentum that was witnessed in previous quarters continued throughout the Q4 FY '24 as well and Q4 FY '24 and FY '24 have been very fruitful for us, reflecting strong performance in revenue and other key profitability matrices. I am happy to share that we have upheld our guidance for the financial year. For the quarter Q4 FY '24, revenues grew at a healthy 37% Q-on-Q and 46% on a Y-o-Y basis respectively.

The growth potential is clearly visible in the kind of contract signed by the team in Q4 and the strong visible pipeline for FY '25. We intend to continue the momentum under the stewardship of a strong management team and double our revenues in the next two years. Just to give you a brief about the financials, our total revenue for the Q4 FY '24 was about INR273 crores compared to INR187 crores same last year Q4 FY '23.

In the EBITDA, it was INR27.16 crores against INR24.89 crores. Similarly, if you look at the FY '24, FY '23 whole year, our revenues stand at INR775.6 crores against INR553.46 crores, a jump of 40%. In terms of our EBITDA, it stands at INR85.57 crores against INR62.5 crores of FY '23, showing a Y-o-Y increase of 36.97%. Similarly, if you just take the H2, which has traditionally been our strong quarter and because of the seasonality in the business, 60% of our business typically comes in the H2 versus H1.

H1 is 40% and H2 is about 60%. So in H2 of FY '24, we did about INR473 crores against INR302 crores in H1 FY '24. The EBITDA is about INR50 crores in H2 FY '24 versus INR35.5 crores in H1 FY '24. Along with this, along with the numbers, I would also want to give you the new strategic developments which are taking place in the company. We have made a strategic investment in a company called Span Across IT Solutions Private Limited.

Span Across offers digital products for online tax filing and financial wellness solutions. This is a strategic investment, it's a product decorative investment and access to Span's product, which would be integrated with our safe offerings. Thus increasing the value proposition for our customers.

So now I would go on to the customers and partners. In the recent months, we have onboarded multiple new customers, including marquee names such as Wipro, Quesada Corp, Emcure Pharma, amongst others. Zaggle's product offerings are sector agnostic and our extensive experience of serving clients in diverse industries positions us as an ideal partner of choice for any client seeking a spend management solution.

Also very glad to tell you that in the recent, the latest publication of Forbes, Zaggle was featured and they spoke about Zaggle's IPO journey, which was a very nice feature. Similarly, Zaggle has been awarded the best digital expense management platform in 2024 by Capital Finance International. The award highlights Zaggle's commitment to providing user-centric solutions that combines effortless expense tracking and powerful analytics tool.

You know, to talk about the future, you know, growth, as you know, already mentioned that we are looking at, 2x growth over the next two years. We ourselves look at that we are at cusp of our growth phase. The market looks fantastic, beautiful position for growth and as it is maturing, there is a growing recognition of the significance of spend management in uncovering key business value drivers.

We are set to drive growth by both acquiring new customers and cross-selling to the existing ones. This year, we are putting a special emphasis on cross-selling of our products as well as of our partners in the space of insurance, loans, taxation, investments, etcetera. We are actively looking at opportunities for inorganic expansion.

We are looking at companies which are EBITDA accretive or product accretive or the ones who will give us access to new geographies. We are in active discussions with few players across different, but synergistic domains like API banking platform, payments and possibly NBFCs. The revenues from these acquisitions would be in addition to our organic revenue growth which we have already mentioned that we would like to grow so that we double our revenues in next 2 years.

We are also pursuing international expansion plans as part of our growth strategy, leveraging our expertise in the domestic market of creating a profitable and successful business model. We are exploring markets in the US or North America. During our last call if you remember we spoke about our initial steps to explore the MENA market, but after doing significant diligence on the market we realized that MENA may not be deep enough for Zaggle to go and launch operations there.

Similarly, we had parallelly started work on the US and what it shows is that US is a very large TAM, a better right to win for us and to provide a better ROI. With this, I would hand over to our CEO and MD Avinash to take you through some business updates. Thank you.

Avinash Godkhindi:

Thank you Raj. Good evening and thank you to everyone for joining. Our consistent performance is a result of our commitment to innovation, focus on customer satisfaction and relentless execution of our strategy. Zoyer our accounts payable platform which is bundled with our business credit cards played a pivotal role in this year's performance. Launched just over a

year ago, Zoyer is strategically positioned to help us garner a significant market share in the accounts payable platform space.

Our strategy is to onboard corporate clients and their network of employees, channel partners and vendors who become our ultimate users of our solutions. This helps us to keep our CAC to a minimum. Allow me to throw some light on a few operational metrics. In Q4 of FY24, we added 179 clients on a quarter-on-quarter basis taking our current number of total customers to 3,016 as of March 31st, 2024, vis-a-vis 2,411 as of March 31st, 2023.

The active users on our platform stood at 2.73 million as of March 31st, 2024 with a growth of 20.3% year-on-year and 7% sequentially. We recently onboarded Axis Bank as one of our banking partners taking our total banking partners to a count of 14. By collaborating with numerous bank partners, we have strategically diversified our exposure and we maximize opportunities for growth.

Our partnership with Axis Bank and Nishi Forex will help us expand our offering in the space of forex cards. We have also partnered with some marquee other banks and institutions in Q4. I am extremely happy to announce that we got empanelled with three public sector banks – Punjab National Bank, Indian Bank and Canara Bank as their Fintech partners for providing digitization solutions.

Now we have public sector banks as our partners along with marquee private banks. We see substantial business coming from these PSB banks over the next 2 years to 3 years. We also partnered with Ease My Trip and Riya Travels wherein we would be integrating their travel solutions with our expense management solutions for our corporate clients. Our partners feel comfortable working with a large listed Fintech company which has already partnered with multiple large Indian banks and this gives us an edge over other smaller players and companies which haven't been strictly following guidelines in the letter and spirit.

Our combination of prepaid cards and credit card, bundled with our software, helps the corporate seamlessly manage their intricate process of tracking, scrutinizing and analyzing their organizational spends. As we provide multiple solutions to an organization it reduces their hassle of working with multiple vendors and making integrations with multiple platforms. Allow me now to show some light on the monetization of our various products along with revenue contribution in FY24.

Our platform fee stood at INR31.2 crores that is 312.5 million. Program fees which is primarily our interchange earnings on transactions amounted to INR3,218.4 million. Propel points revenue stood at INR4,225.1 million. This is received from customers for issuing reward points, propel points to the customers, employees and channel partners. SaaS fees and program fees are reported both on a net basis with almost no direct expenses involved which give us a gross margin of about 94%, 95%.

In contrast, propel point revenues are recognized on a gross basis and the gross margin for this varies between 7% to 10%. Client-wise revenue concentration is limited with the top 20 customers contributing less than 20% of the revenues. Additionally, only 20% of the corporates

currently use both Propel and Save while Zoyer is a newly launched product. This abodes us a huge opportunity to cross-sell our products to our existing customers.

This year, we also added 127 new team members strengthened our leadership across multiple levels in the company. This is an A-Team at Zaggle which would support our growth ambitions over the coming years. Our tech team is also working on multiple AI use cases and one of them is Raz bot, an AI-enabled chatbot which would help both our customers as well as our employees.

It is still in the learning phase and its performance would improve over time, but our initial reads are very encouraging. We are positive about leveraging emerging technologies to propel our growth further. Thank you, and now I hand it over to Aditya to take you through the financial updates.

Aditya Kumar:

Thank you, Avinash. Good evening, everyone, and thank you for joining today. I would like to walk you through our latest quarterly and annual financial results. Here are the key points. In the past quarter, we saw a healthy growth rate of 46% compared to last year and a 37% growth rate compared to the previous quarter in our operational revenues. Also, this is our highest-ever quarterly revenue.

This quarter, our gross profit grew by an impressive 78.5% on Y-o-Y basis and 57.7% on Q-o-Q basis. Gross margin is 59.1% compared to 51.3% in Q3 and 48.3% in Q4 FY23 which is on account of increase in program fee contribution in revenue mix. During this quarter, the employee costs were consistent amounting to 83.2 million in Q4 FY24. Our adjusted EBITDA for the quarter has grown by over 9.1% on Y-o-Y basis and 18.8% sequentially to INR271.6 million.

Our cash PAT which includes net profit along with depreciation and ESOP expenses has had an uptick of 29.4% on a year-on-year basis. For FY24, our revenues have surged by a remarkable 40.1% Y-o-Y to INR7,756 million compared to INR5,534 million last year. Our adjusted EBITDA has achieved substantial growth increasing by 36.9% to INR855.7 million. Significantly, our cash PAT has experienced a notable surge of 54.8%.

As on 31 March 24, our gross debt reduced to INR736 million as compared to INR1,210 million in FY23. This will lead to reduction of finance costs in FY25. Now, I will request moderator to open the floor for Q&A. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

Rohan Mandora:

Good evening, sir. Thanks for the opportunity and congrats on a good set of numbers. Sir, on slide 7 and 8 of the presentation we have given certain strategic alliances that we have done recently. We just want to get a sense on how should one look at revenue opportunities as well as EBITDA opportunities from these alliances over the next two years?

Avinash Godkhindi:

Hi, Rohan. Thank you for your question. These are exciting partnerships, whether it is our PSB banks, public sector banks like Indian Bank, Canada Bank, and Punjab National Bank, or our

travel partnerships. Each of these partnerships allow us to expand our reach. If you look at the public sector banks, they have a great base of corporate and consumer base. And by embedding our SaaS platforms with their current offerings, we are able to reach to a much larger audience across different geographical spread as well as different sectors.

Similarly, with Riya and EaseMyTrip, as we all understand, travel is a very critical expense and that's growing very rapidly. And by adding the capabilities of Riya and EaseMyTrip, we are augmenting our current expense management platform to offer much more flexibility for corporates to do self-booking on our platform. What this means is that a lot more spends would flow through our platform.

In this case, we also earn commissions for every booking that happens through our platform. That's again true with partners like Nishi Forex, where Forex is a huge opportunity. And whether it's Axis Bank as a Forex card partner or Nishi, we have the opportunity to be able to tap into the Forex space. Currently, our prepaid cards work in India as per RBI regulations, but with Forex cards being launched, we are now able to bundle our software expense management platform with a Forex card for the same set of employees and users who would be traveling abroad and incurring expenses.

Rohan Mandora: Sir, out of the total revenues in FY'24, what proportion of revenues will be contributed by Forex-linked cards and what is our expectation for FY'25?

Avinash Godkhindi: In FY'24, Forex has not yet started to add revenues, Rohan. We are currently yet to go live full-fledged on the Forex programs. This year, we'll see those programs getting launched. As you would be aware, any of these programs have a gestation period because of the API integrations and other arrangements that need to be made. But we believe a substantial amount of customers would get onboarded this year and revenues will start to flow in this year.

Rohan Mandora: Secondly, on the take rates in the gift card business, this quarter was around 12%, previous quarter was around 6%. How should one look at this going ahead into FY'25? What kind of take rates can we see and overall, what kind of growth will we see in the gift card business?

Avinash Godkhindi: In the Propel Points revenue, Rohan, we would typically give a guidance of about 7%-10% in terms of margins. As previously mentioned, last quarter was a bit of an aberration, Q3, but Q4 things are back on track and we expect the margins going forward also to be in this range itself of about 7%-10%.

Rohan Mandora: Sure. And in terms of growth in this business?

Avinash Godkhindi: This business is growing steadily and it's growing well. Of course, the highest growth has come from program fees, which we expect to grow well in this year as well. SaaS is a great SaaS fees is a great line of revenue, which is again growing very healthily and we are investing a lot of our bandwidth in ramping that up as well.

Rohan Mandora: Sure. And sir lastly, when we are guiding for revenues doubling in two years, how should one think on EBITDA over the next two years? Will there be any operating leverage benefit playing

out or we should build in a similar EBITDA growth over the next two years similar to the revenue growth?

Avinash Godkhindi: It's a great question, Rohan. It's a dynamic environment that we are in and we would want to give you a slightly conservative guidance in this regard. We would currently estimate that the margins would be similar to current levels. Having said that, operating leverage is very much something that's going to kick into this business. The question is, would it kick into the next two-three years or would it happen after that?

Our focus right now is to capture maximum market share and we believe we are well poised to be able to do that.

Rohan Mandora: Sure, sir. Thanks. I'll get back in queue for further questions.

Moderator: Thank you. The next question is from the line of Darshan Garg from Sameeksha Capital. Please go ahead.

Darshan Garg: Hello. Thanks for the opportunity. If we see, other assets have increased in the last three years which has impacted our cash flows and the major reason for that is the prepaid cards with loadings. So going forward, how it will be going?

Avinash Godkhindi: Thank you, Darshan, for your question. As we mentioned, we are poised for a lot of growth and the growth, if you see this year as well, a very large part of the growth has come from program fees where the growth is about 90%. While Propel Points as a line would continue to grow, we would be calibrated in that growth. Also, we are working very diligently to improve our cash flows.

Having said that, we see a tremendous opportunity in the market and we are deploying the cash or investing the cash to be able to grow and expand the business and expand the reach that we have.

Darshan Garg: Okay. My second question is, what would be the effective tax rate going forward as there has been a fluctuation historically?

Aditya Kumar: Aditya here, Darshan. So effective tax rate from this year onwards, if you see, will be around 26%-27%.

Darshan Garg: Okay. That answers my question. And the last question is, going forward, can you give the guidance on the receivable days?

Aditya Kumar: Sorry, Darshan, come again.

Darshan Garg: Going forward, what would be the receivable days?

Aditya Kumar: It will continue to be at 55 days-60 days, but we are working on it. Best to leverage that in the upcoming couple of years.

Avinash Godkhindi: Darshan, our view in these matters is to give you a slightly conservative guidance while we continue to work internally very hard to improve this. We believe as we are adding more bank partners, public sector banks, other banks, newer customers, some of these things take time in terms of processes, etc., with them to settle down. So that's our guidance, which is a conservative guidance.

Darshan Garg: Okay. Thanks.

Moderator: Thank you. The next question is from the line of Grishma Shah from Envision Capital. Please go ahead.

Grishma Shah: Thank you for taking my question. Congratulations to the management team on a very good set of numbers. I'm curious to know why should, in quarter four, the cashback and incentives see a strong jump? That's question number one.

Avinash Godkhindi: So, if you look at the cashback and incentives line item, it's linked to the program fees. Program fees has grown very significantly as well, point number one. Point number two, if you look at a lot of space got created because of certain regulatory events in the last quarter. And we wanted to take advantage of this opportunity and these opportunities come rarely to capture market share because we have taken a conservative view on the compliance side by directly integrating with partner banks through APIs and not using third party platform solutions like BPSP and others. We were in a healthy position to capture that space that had been vacated. But to capture that space, we had to pass on some additional cashback and incentives.

Also, this line includes the cost of funds for the credit that is offered, free credit that is offered in credit cards. Mind you, there is no risk sharing or any risk that we bear, but we do bear the CoF and this line item includes that as well.

Grishma Shah: Okay. So what is the outlook going ahead given that Propel will grow at a decent rate? SaaS business has its own way to grow. So how will this line item for us -- I mean, earlier you were guiding that we will do only INR100 crores of cashback incentives. Now, this is at least at INR217 crores for FY'24. So how does it grow going ahead?

Avinash Godkhindi: So this line item has three different aspects, Grishma. One is cashback for prepaid cards, the second is cashback for business credit cards and the third is the cost of funds, right? And last, FY'23, this only had one component which was cashback against, you know, for incentives on prepaid cards. So please bear that.

We anticipate program fees to grow very healthily this year as well. Our overall guidance is, earlier guidance for growth was 40% plus, if you remember, for this financial year. We have upped that guidance to 45% to 55% for this financial year. So we are very bullish about our overall growth, and a large part of that growth would come from program fees.

Grishma Shah: Okay. So we should look at it in that context. Understood. And these other current assets have grown from INR49 crores last year to INR128 crores this year. So what is the reason for that?

- Aditya Kumar:** Thank you, Grishma. Other current assets largely include prepaid cards for loading and gift vouchers in stock. So this March being the last month, 30th and 31st being holidays, so we have kept the cards loading in order to make the fulfilment where we have done the fulfilment in the April 1st week. That's why the number on the month end, it looks a little bit higher.
- Grishma Shah:** Okay. And a lot of intangible assets under development. So is there a new product in the office or...?
- Aditya Kumar:** Those are existing products only. One is Zoyer, which is yet to go completely live. Possibly, we will capitalize that somewhere in Q3 this year. And ZatiX, which we started building in the last year, the analytical platform. So that also over a period of time, we will capitalize once it gets completely done.
- Grishma Shah:** Thank you.
- Moderator:** Thank you. The next question is from the line of Naitik Mohata from Sequent Investments. Please go ahead.
- Naitik Mohata:** Yeah. Good evening, sir, and thank you for the opportunity. So my first question would be, what would be the ESOP guidance for FY'25?
- Aditya Kumar:** With the existing set of costs, without any new issuance of ESOPs, this year it will be around INR8 crores.
- Naitik Mohata:** Okay. Sir, in your opening commentary, you had mentioned that customers are willing to pay a higher SaaS fee for the kind of product that we offer. So have we taken any price hikes for our software or do we plan to do that anytime in future?
- Avinash Godkhindi:** Thank you for your question. Yes, our rack rates have gone up significantly over the last couple of years, Naitik, and as we are expanding our capabilities and using technologies like AI, etcetera, we believe we would be able to command a premium. Also, one of the things is there is a very clear network effect here. More corporates, large names like Wipro, etcetera, who are onboarding, they allow us to be able to onboard other customers who are then able to use our platform, as well as the quality of the banks that we work with today.
- We work with 14 banks, including banks like SBI, ICICI, Axis, Kotak, and PNB, BOBCARD. So these are very big names in the industry, and they also both bring us customers and references as well as the fact that they have evaluated our platform and software and found it secure, found it compliant, and found it highly valuable, adds to the ability to command or expect a premium.
- Naitik Mohata:** Will it be possible to quantify for a period like a two-year or three-year period, how the prices have evolved?
- Avinash Godkhindi:** Well, in the last two years, the price has gone up significantly. If you look at it, our rack rate about two and a half years ago was INR99 per user per month. This is now INR249 per user per month. So while the final price is a negotiation with our corporate customers, depending on the

volumes and the overall opportunity size, this is the price movement that has happened. And we believe there is a significant headroom available in the coming years for this to go up.

Naitik Mohata: Okay. Thank you for the opportunity, sir. That was helpful.

Moderator: Thank you. The next question is from the line of Sanidhya from Unicorn Assets. Please go ahead.

Sanidhya: Yeah. Okay. So, firstly, congratulations on great set of numbers. So, two questions, starting with the program fee propel and platform. So, I was just checking the program fees like 90% growth, propel is 60% plus growth and platform is like 30% growth. So, are we introducing any new line into the business or are we seeing the 45% growth which we are targeting for the next year from these fee only?

Avinash Godkhindi: So, largely, if you look at it, Sanidhyaji, thank you for your question. Largely, in our business, we earn through software, which is SaaS fees and through transaction, which is program fees and through propel points. So, these are wide enough in terms of range. We, of course, would get these lines of income through a wide variety of cross-sell and up-sell and that would augment more opportunities to monetize. But these are the lines of revenue that we are looking at broadly right now.

Sanidhya: So, I was just checking that the program fee, we have reduced our gross margins from like 40% to 33% now. And like for propel, if I am not sure if that's the right calculation, cost of point redemption gift card is the cost for propel, right, for the propel business. And it was like INR320 crores last year with the revenue of 260 versus INR423 crores revenue this year and INR380 crores cost. So, is this the right attribution? Like the propel business has turned profitable now on the gross basis?

Avinash Godkhindi: Propel business has been profitable for long. And, the propel business also contributes to the program fees. So, it's not a direct -- because when the points are issued to a user, she can choose to redeem it for either voucher for over 300 brands. And in such a case, we recognize revenue as propel points revenue, which is a gross basis. And if the redemption is for a prepaid network card, network as in Visa, RuPay, Mastercard card, which we issue in partnership with banks, in such a case, we earn program fees.

Program fees comes from, you know, Propel comes from Save, comes from Zoyers. Program fees comes from prepaid cards as well as credit cards. It's everything that we earn on transactions by invoicing to partner banks and networks.

Sanidhya: So, this cost of point redemption versus gift card is the combined cost of all the fee different segments?

Avinash Godkhindi: No, it's the cost of only the points that are redeemed to buy vouchers from partners. So, whenever the redemption is for a voucher of, say, a shopper's Stop voucher, when we procure this shopper's Stop voucher, whatever is our cost to procure that voucher comes under the cost of redemption of points.

- Sanidhya:** So, is there a thing that these vouchers could be there in the inventory as well, right? We're seeing the current assets, these vouchers could be there, the cost that we have bared in FY '24?
- Avinash Godkhindi:** There is a component there. And the reason being, especially at the end of the financial year, we get favourable commercial terms and we hit overriding commissions, etc. And so, for a brief period, we keep this in our inventory and this gets used in a very short time.
- Sanidhya:** Okay, just a bookkeeping question. So, INR11.27 crores income in the other income, that's entirely from the cash back you have in the balance sheet?
- Aditya Kumar:** This is relating to interest income to a large extent from the IPO funds, whatever has been received with that has been kept in the FDs.
- Sanidhya:** And since we have so much of cash in the balance sheet, are we really actively looking into M&A or we are just exploring on a normal basis, like if we get some deal, then we will do, otherwise we are good on our own. We have a good INR350 crores of cash, which really gives us a huge opportunity, I think?
- Aditya Kumar:** The funds which are lying in the bank shall be used towards the IPO proceeds, whatever we have given in the prospectus. But having said that, we are exploring, as Raj explained in his initial opening remarks, we are exploring for any EBITDA-accredited companies in similar to our space.
- Sanidhya:** Okay, and just to, if you can throw some light on...
- Moderator:** Sorry to interrupt sir. May I request you to rejoin your queue for the follow-up question?
- Sanidhya:** Yes, sure, no problem.
- Moderator:** The next question is from the line of Rohan Nagpal from Helios Capital. Please go ahead.
- Rohan Nagpal:** Yes, hi. Thanks for the opportunity. I have a couple of questions relating to Zoyer. So, could you, I think in previous calls you have broken out what traction of the program fees is coming from Zoyer. So, what was that number for this quarter?
- Avinash Godkhindi:** The overall Zoyer has done very well and about 30% of our revenues, of our program fees particularly, is coming from Zoyer now.
- Rohan Nagpal:** Okay, so that's about INR42-INR45 crores. Am I audible?
- Avinash Godkhindi:** Yes. You are audible, yes.
- Rohan Nagpal:** Okay, so that's about INR40-INR42 crores, right?
- Avinash Godkhindi:** The program fees was about INR312 crores and 30% of that would be...
- Rohan Nagpal:** So, I was saying for the quarter, sorry.
- Avinash Godkhindi:** Q4, yes, okay, yes.

- Rohan Nagpal:** Okay, all right. So you said 30% of, even for the year...
- Moderator:** Sorry to interrupt you, sir. May I request you to please use your handset?
- Rohan Nagpal:** Yes, just a second. Okay and could you -- and are take rates broadly stable compared to the rates that you've had through the year?
- Avinash Godkhindi:** Broadly, yes, but as use cases are expanding, look, take rates for transactions fluctuate depending on the use category, right? So, if you're filling gas in a gas station or using the cards to pay your utility bills, obviously, the take rates are lower. And as we have started to offer business credit cards, both along with Zoyer and Save, you know...
- Moderator:** Yes, sir. Mr. Rohan, may I request you to please repeat your question again?
- Rohan Nagpal:** Yes. So, are take rates broadly stable? I do understand that there are different take rates depending on the nature of the transaction, but are they in the 1.8% range that you had mentioned earlier or are we seeing some compression as usage expands?
- Avinash Godkhindi:** As usage expands, naturally, you know, the take rates would go a little lower, which is what we are seeing. But right now, we are seeing the full bloom in terms of usage across GST payments, utility bill payments, fuel and right now we are seeing that it is still at a very healthy rate.
- Rohan Nagpal:** Got it. And the last thing I want to know is within the incentives and cashback line item, what fraction of this would be cost of funds?
- Avinash Godkhindi:** It would be about 25%-30% would be cost of funds.
- Rohan Nagpal:** And how should one think about the evolution of this cost of funds line item as program fees and credit card usage expands?
- Avinash Godkhindi:** Of course, this cost of funds is something that is going to be, as per our arrangements currently, going to be a part of our expenses. But as we scale up, we hope to be able to have more favourable terms because we will have more banks competing for the same pool of spends and hopefully we will be able to see that come down over the coming years.
- Rohan Nagpal:** Got it. Thank you. I will rejoin the queue.
- Moderator:** Thank you. The next question is from the line of Bhavik Shah from MK Ventures. Please go ahead.
- Bhavik Shah:** Congratulations, sir, on a good set of numbers.
- Moderator:** Sorry to interrupt you, sir. May I request you to please raise your handset?
- Bhavik Shah:** So my first question is on the forex part. Can you take an example and help us understand how will these partnerships or travel partnerships and foreign partnership, forex card partnerships work out? What will be the economics here? How much will we earn? What will be the impact

on our, say, balance sheet? Will we need to give a loan, a working capital loan to them? How will it work?

Avinash Godkhindi: Yes. Thank you for your question. See, if you think of any employee, they don't want to use different apps or different platforms to submit their claims, right? Whether they are incurring expenses domestically, whether they are incurring expenses on an international travel, as long as it's a corporate business expense, they would want to use the same app, the same dashboard to be able to file their expenses.

So historically, our expense management platform worked very well for domestic expenses, but when the employee would go abroad, they would have to use a different forex card which would not be API integrated or coupled with our software. And hence, they would have to manually collate these bills, scan these bills in our app, and then those would have to be reconciled with the transactions against the forex card statement by somebody in the back office in the finance or accounts team of the corporate.

By issuing forex cards in partnership with issuers, we will now be able to give an automatic reconciliation and knock-off of all the expenses that are incurred against bills that are scanned in the Zaggle app. We obviously have optical character recognition. So the same way the corporate credit card or the domestic prepaid card, domestic currency prepaid card works, your forex card would also work very similarly.

So it's a uniform experience, it's automatic recon, and all the dashboards and all the analytics that we are able to provide, that also automatically gets populated and those expenses are shown in the dashboard. Our unit economics also is very similar. There is a SaaS fee, there is program fees for transactions that are there on forex.

Forex has higher lines of income because of both the interchange being higher on forex transactions, significantly higher, as well as there is income on ATM transactions the exchange rate itself that you buy the card. So overall pool of income is higher and hence our unit economics works better with our partners.

Bhavik Shah: Right. And so what portion of the program fees revenue will come from forex cards in FY '25 or '26?

Avinash Godkhindi: It's a little early for us to give you a concrete guidance there because we are yet to start clocking revenues on forex. We hope to do that in the coming quarters. So maybe it would be too early for us to give you a concrete guidance on that, sir.

Bhavik Shah: Right. And so we are making, like as you told, under intangibles, we have ZatiX as a product which is coming out. So will this be an additional stream of revenue or will this be just an enabler for all the other three services like platforms which we have without any coming out?

Avinash Godkhindi: ZatiX has a very clear monetization where irrespective of whether the ZatiX, the card is issued in partnership with Zaggle or it's a card issued directly by the bank to a corporate who is a customer of the bank. When the ZatiX platform is used for analytics, we earn a fairly decent amount of commission or fees which is recurring in nature for all transactions that are done on

the platform. So this is, in some ways, you can look at it almost like a SaaS fees. It's a recurring fees where the sale is done by the bank and annuity income keeps coming through for us.

Bhavik Shah: So we recorded where in the line item, like where does this revenue fit in?

Avinash Godkhindi: So this will also be part of our SaaS fees.

Bhavik Shah: And just to check, you told the margins would be similar and just to some other participants, you told the margins would be in the range of 7% to 10%. So is that the range or will it be northwards of 10%?

Avinash Godkhindi: The 7% to 10% guidance was specifically for the gross margins and propel points. This is one of the three line items in terms of revenue. One is SaaS fees, the other is program fees and propel points revenue.

Bhavik Shah: Right. Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: Hi, sir. Thanks for the opportunity. So again, on the incentive cost, if I look at the number, say Q3 versus Q4, our program fees increased by INR50 crores and the incentive cost itself has increased by INR50 crores. So ideally, we have not made any gains. And I can understand that we're trying to as an introduction to Zoyer to increase the adoption, we're spending higher on that. But going ahead for the next two years, three years, do you believe that this number will reduce? Because, say, for this quarter, we spent as much as 80% of program fees on incentive costs.

Avinash Godkhindi: As I explained to you, sir, the cashback and incentives line item also includes the cost of funds. And obviously, as we are ramping up Zoyer and issuing business credit cards, which includes both corporate credit cards and charge cards or purchase cards, initially, the CoF line item also is more significant.

As usage becomes more ubiquitous, you will see that, the overall blended CoF goes down. And as I also previously explained, we have taken a clear call to capture the market because of an opportunity that has opened up given the recent regulatory actions, over time, we expect this to stabilize.

Ankush Agrawal: Okay. Because, see, I think a couple of quarters back, we had guided for an EBITDA, adjusted EBITDA margin of 15% to 16% in a couple of years. And I think in today's call, you have mentioned that you expect it to remain stable at 11%. So, has there been a change in an understanding that, the growth for the company would be much higher than what you had anticipated maybe a couple of quarters back and the outlook on the margins has reduced because of that?

Avinash Godkhindi: No, our long-term EBITDA guidance would be higher, right? But it was not for the next couple of years. We do believe this is a hyper-growth phase for us. And we would want to capture the

market, and the tailwinds for digitization, the tailwinds for working with a, stable, profitable FinTech is very high. And we are beautifully poised to take advantage of that opportunity for the next couple of years.

Ankush Agrawal: Right, but at least we maintain this current year margin, right? Even if we are investing behind growth?

Avinash Godkhindi: I don't want to give a very specific answer to that because the landscape is changing rapidly. And, it could go a little bit up and down, but broadly in the same range.

Ankush Agrawal: Secondly, and lastly, so like we are now looking to enter the US. Market, so do you have a certain investment that we would be needing to break into that market? Do you have some guidance that you can highlight that? Or it would be a nominal amount, say just, that would be spent on marketing our existing products?

Avinash Godkhindi: It would be just a nominal amount because the US. market is a big opportunity for us. Having said that, it's probably too early for us to give you a concrete number because we are also learning more about how our platform would be received in the market, which is the right target group to go after. And we always take this approach that we are very slow and calculated and methodical in our planning phase.

And if you look at it, even with Zoyer and credit cards, we gave a good one year to understand the market and to build the platform according to the market needs. And we didn't try to hurry up clocking revenues. So a whole year went into that. And, last year you've seen how it's performed. So right now, we wouldn't want to give you a specific answer.

But, we are committed to going into the market and we are assessing it very carefully and assessing as to what's the offering that would work well, the product market fit and what's the go-to-market strategy. Both PFM and GTM is something which is in the works.

Ankush Agrawal: Okay. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question. I would now like to hand the conference over to Mr. Raj P. Narayanam, Founder and Executive Chairman for closing comments.

Raj Narayanam: Sure. Thank you so much for all of you to wait and patiently hear us out. With this, I conclude the call. If you have any further questions, please contact SGA or Investor Relations Advisors. Thank you once again everyone for joining us today on this earnings call. Thank you so much.

Moderator: On behalf of Zaggle Prepaid Ocean Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.