"Zaggle Prepaid Ocean Services Limited Q4 & FY '25 Earnings Conference Call"

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E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 12, 2025, will prevail.

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MODERATOR: **MR. ROHAN MANDORA – EQUIRUS SECURITIES**

Moderator: Ladies and gentlemen, good day, and welcome to Zaggle Prepaid Ocean Services Limited Q4 FY '25 Earnings Conference Call, hosted by Equirus Securities.

As a reminder, all participant lines will be in the 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, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

This conference may contain forward-looking statements about the Company, which are based on the beliefs, opinions, and expectations of the Company as on the date of this call. These statements are not the guarantee of future performance and involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Rohan Mandora from Equirus Securities. Thank you, and over to you, Mr. Rohan.

Rohan Mandora: Thanks, Avirath. Good evening, everyone. Thank you for joining the call. I extend a warm welcome to everyone. On behalf of Equirus, I welcome the management of Zaggle Prepaid Ocean Services Limited to give a brief update on 4Q FY '25 results and address investor queries.

We have with us from the management team, Dr. Raj Narayanam – Founder and Executive Chairman; Mr. Avinash Godkhindi – MD and CEO; and Mr. Aditya Kumar – CFO.

We will now begin with brief opening remarks from the management post which we can have Q&A.

Thank you, and over to you, sir.

Raj P Narayanam: Thank you. Thank you, Rohan. A very good evening to everyone. Thank you for joining the earnings call for Zaggle Prepaid Ocean Services Limited for the 4th Quarter of Fiscal Year 2025. On behalf of the Company, I extend a very warm welcome to all of you.

On this call, we are joined by Mr. Avinash Godkhindi – MD and CEO; Mr. Aditya Kumar – CFO; and SGA, our Investor Relations advisors.

The Financial Results, Press Release and Investor Presentation are uploaded on the Stock Exchanges and on the Company Website. I hope everybody has had a chance to look at it.

Now, I would like to give you the Zaggle business update:

FY '25 has been an outstandingly remarkable year for Zaggle as we achieved our highest ever annual performance.

Talking about the quarterly performance:

Comparing Q4 FY '25 to Q4 FY '24, the Company reported a very healthy growth in revenues at Rs. 411 crores, growing at around 51%. Our adjusted EBITDA increased to Rs. 38 crores, growing at about 40%. The PAT surged to Rs. 32 crores, growing significantly at 67%.

Talking about the annual performance:

Comparing FY '25 to FY '24, the Company reported a healthy growth in revenues at Rs. 1,303 crores, growing at around 68%. Our adjusted EBITDA increased to Rs. 125 crores, growing at around 46%. But the beauty was the PAT surged to Rs. 88 crores, growing significantly at 99%, well above our earlier guidance.

I would want to give you an overview of Zaggle's investment and investments and acquisitions:

Our inorganic growth approach is aptly reflected in the words of Salesforce CEO, Marc Benioff. *"When you combine two companies or more, you just do not get scale, you get a new story".* Inorganic growth continues to be a key pillar of our growth strategy as we build a comprehensive bouquet of spend management solutions to further deliver value to our customers.

During the year, we closed the acquisition of TaxSpanner, completed the strategic investment in Mobileware Technologies, and have received Board approval for a strategic investment in EffiaSoft Private Limited. These investments are helpful in enhancing our client servicing capabilities in tax, UPI, and payment solution segments. We see massive growth opportunities for TaxSpanner in FY '26, with one such promising opportunity in the gig worker ecosystem where we have launched a solution called ZUGS, Z-U-G-S, Zaggle Unified Gig Worker Savings.

Nearly 20 million low income blue-collar workers in India face critical financial challenges. Despite having TDS deducted from their income, many do not file their income tax returns, preventing them from claiming tax refunds that could amount to nearly two weeks or more of earnings, a sizable amount for these blue-collar workers. ZUGS, our comprehensive solution featuring a DIY journey with multilingual support to enable gig workers to claim their refunds in a seamless manner.

While last year was a consolidation year for TaxSpanner where we invested a lot of time, money, and effort in the product, the growth was a little bit subdued at about Rs. 3.35 crores (Note: Rs. 3.35 crores is FY25 revenue of TaxSpanner). But this year, we look at a growth of about 60% to 70%, which we expect that we will be able to do it with relative ease.

Mobileware estimated revenues grew from Rs. 17.06 crores in FY '24 to Rs. 33.89 crores in FY '25, representing a remarkable Y-o-Y growth of 98%.

In FY '25, we signed marquee customers like IDFC Bank, Easebuzz, Catholic Syrian Bank, and CamsPay, amongst others. The largest growth contributor was the implementation of API banking layer in Suryoday Bank, allowing multiple merchants to take advantage of our UPI payment ecosystem. The stellar growth in FY '25 not only strengthens Mobileware's ability to onboard new banks in FY '26, it also enables Mobileware to command a higher price point, improving the overall financial middle fees.

We continue to explore M&A opportunities in adjacent spaces in domestic and international markets with a focus on opportunities in payment solution, loyalty management, merchant card software, and so on and so forth in the payment's domain. We focus on targets that have stellar management teams, sound business help, are product accretive, and easy to integrate across the Zaggle ecosystem to establish a strong strategic foundation that aligns with our long-term objective of scaling to 1 billion in annual revenue.

I am happy to announce that we have also signed a MOU with Mesh Payments, a US-based, AI-powered travel and expense management platform backed by a seamless technology exchange. This partnership not only reflects our offering to Indian customers looking to streamline and manage their global expenses, it also unlocks access to global go-to-market opportunities. While we continue to consolidate the market in India, this partnership gives a boost to our international expansion plans.

Now I would like to give you the industry and Zaggle product update:

Building on Steve Jobs' classic idea, *"innovation distinguishes between the leader and a follower"*. We at Zaggle have reimagined the idea as – *"AI-powered innovation, separating the disruptors from disrupted"*.

We aim to fundamentally transform how businesses approach spends by becoming the default spend management infrastructure for companies and establishing ourselves as a truly AI-powered SaaS Company.

We are transitioning from static rule-based systems to a dynamic, intelligent, context-based platform that continuously evolves and self-optimizes over a period of time. We are seeing the emergence of Model Context Protocol (MCP) within the Agentic AI. Agentic AI does not just support decisions but takes autonomous action. MCP is an open protocol that acts as a bridge between applications, such as Zaggle, and the large language models. MCP standardizes how agents would interact with other tools, datasets, and associated environments within the Zaggle ecosystem, which would translate into a faster onboarding, accelerated revenue realization, and a greater satisfaction and retention.

We are implementing these AI workflows across our EMS, Zoyer, Propel offerings to keep delivering innovative solutions that set a new benchmark in industry. Currently in the pilot phase, "Zaggle Co-Pilot" would serve as an AI assistant for our finance teams, streamlining workflows and enabling smarter, faster decision-making and reducing human interface. We are currently leveraging advanced conversational AI technologies to fundamentally reshape the way we engage with customers and users, delivering multilingual personalized and real-time interactions at scale.

Looking ahead, our strategy is clear, focusing on intelligent automation, invest in product-led growth, and scale responsibly. We are building capabilities for global enterprises while delivering long-term value to our stakeholders.

Now I would like to give our guidance for FY '25-'26.

Amid global geopolitical uncertainties and macroeconomic volatility, we currently project our standalone, and I repeat the word standalone, FY '26 revenue growth to range between 35% to 40%. Last year, FY '25, our guidance on standalone EBITDA margin was between 9% to 10%, and we are happy to announce that we are upping our guidance to 10% to 11% in the coming year, in FY '26. Hopefully our entire goal of achieving 12% to 15% EBITDA margin over the next three, four years, this year would be a deciding year for that goal to be achieved.

I now hand over to our CEO – Mr. Avinash Godkhindi.

Avinash Godkhindi: Thank you, Dr. Raj, for your remarks. This year has truly been a landmark year for Zaggle. Reflecting on our journey, I am pleased to share that Zaggle now serves over 3,455 customers across diverse industries and sectors. We continue to maintain a churn rate which is below 1.5%, highlighting the strong trust our customers place in us, and the reliable value our platform consistently provides.

Our growth engine remains strong and predictable. We are harnessing the power of AI to drive strong, scalable and sustainable growths to unlock new business opportunities. Our AI-led approach positions us to stay ahead of the curb, and create long-term value across our core markets.

Today we are proud to report that we have over 3.28 million active users using Zaggle-powered cards and platform software. This is not just a milestone, it's a clear validation of our platform model and execution. We have launched the new Zaggle app to simplify expense tracking, wallet management and incentive monitoring. Our goals are to scale, enhance customer engagement, and increase automation, positioning Zaggle to drive financial innovation in India and beyond.

Coming to numbers:

During this quarter, our SaaS platform fee contributed Rs. 9.3 crores, our program fees contributed Rs. 157 crores, and our Propel Points contributed Rs. 245 crores. Not just that, we signed multiple marquee clients, including Indus Towers, Honasa Consumer, which is Mamaearth, Forbes Marshal, Truecaller International, Aster DM Healthcare, and many more, expanding our client base.

To elaborate further on how we are helping our clients, one of our clients were providing in-house meals to their employees while deducting the cost from their salaries during payroll. This client faced challenges with manual tracking and post-months reconciliations, which made employees unhappy due to the deductions being applied to their post-tax income. To resolve this, we implemented the Zaggle Save solution, which provided tax benefits for their employees and automated the transactions, improving operational efficiency by implementing the need for reconciliations.

As we continue to pursue our platform-based approach, we anticipate rapid growth driven by a strong pipeline of new client acquisitions and effective cross-selling strategies. In Q4, we were able to cross-sell to a number of clients, including Tech Mahindra, Neuroglia Health, Physics Wallah, Zepto, and Wonder Home Finance, amongst others.

I would like to touch upon a couple of these examples:

Tech Mahindra is an existing customer for our Save solution. We recognize the potential for further collaboration and we successfully plugged in our Zatix solution along with a corporate credit card to enable seamless payments with complete visibility.

Likewise, for Physics Wallah, which is an existing customer of our Save solution, we were able to extend the BROME solution, which is Branch Recurring Operating Monthly Expenses, to streamline and manage their 850 branches across the country more effectively with complete visibility.

During the quarter, we announced key collaborations. As a part of the ongoing growth strategy, we entered into strategic collaborations with GIFT City, where we are launching a co-branded prepaid citizen card designed to streamline payments and deliver seamless user experience across a range of services within the city. Additionally, we will implement a robust visitor management software system aimed at enhancing administrative efficiency across the GIFT City ecosystem. These initiatives position us as a key enabler of GIFT City's smart city vision, which also is opening up long-term revenue opportunities through recurring transactions and data-driven service enhancements.

We have also partnered with Thomas Cook with the aim of transforming the global travel experience, corporate travel experience, by leveraging their comprehensive travel management expertise to complement our AI-driven expense solution. This will help us provide a seamless integrated offering for domestic and international corporate travel with streamlined workflows and complete visibility.

We are also co-developing an innovative employee benefit solution, the Smart Employee Purchase Program, Smart EPP, in partnership with Redington Limited, which is in collaboration with Google. This offering will be a tailored solution for corporate clients of Zaggle, enhancing our value proposition in the employee engagement and benefit space. I am also pleased to share with you that Zaggle has been empaneled by Bank of India as an authorized issuer of prepaid cards, further strengthening our presence in the banking ecosystem and expanding our distribution network.

Overall, as we build and scale Zaggle into a truly comprehensive fintech platform, I am proud to share some key milestones this quarter:

1. We received the TPAP approval from NPCI. This means we can now facilitate UPI-based payments directly through our app and our platform, impacting and enabling over 3 million users across all our services. This is a truly significant step in our mission to create India's most seamless and integrated fintech ecosystem.
2. I am delighted to announce that we have been recognized with an industry accolade. Zaggle has been named Financial Institution of the Year at Franchise India's fifth edition of Successprenuer Awards. This recognition, again, reflects the innovation, impact, and trust we continue to build across the ecosystem.

As always, our focus remains clear to deliver a comprehensive offering in the spend management space, expanding our reach to new clients, while increasing wallet share amongst existing ones. With every step, we move closer to becoming the platform of choice for companies across India.

I now hand over to our CFO, Aditya, to take you through the finance updates. Thank you.

Aditya Kumar: Thank you, Avinash. Good evening, everyone. And thank you for joining today. I am delighted to report that the Company has delivered another quarter and year of strong performance with robust revenue growth coupled with margin expansion.

I would like to give you an overview of our latest quarterly results first.

In Q4 FY '25, we saw robust revenue growth of 51% Y-o-Y, reaching to Rs. 411 crores. This growth was seen across all revenue streams with the Propel platform raising up by 91% Y-o-Y, while program fees grew by 15% Y-o-Y. Other expenses increased primarily due to higher sales and marketing spent during the quarter. Employee costs remained stable on sequential basis, but increased Y-o-Y basis, driven by additional headcount to support business growth. This quarter also included certain transactional and legal expenses related to our inorganic expansion.

Our adjusted EBITDA grew by 40% reaching to Rs. 38 crores this quarter compared to Rs. 27 crores in the same-period last year. The increase in depreciation expenses is primarily driven by product capitalization during the year which includes our new office building as well. Our cash PAT which includes net profit along with depreciation and ESOP expenses saw an 86% increase Y-o-Y basis, totaling to Rs. 39 crores. Furthermore, our PAT rose by 67% from the previous year reaching to Rs. 32 crores.

For FY '25, our revenue from operations has increased by 68% Y-o-Y basis to Rs. 1,303 crores. Our Propel platforms saw an increase of 71% Y-o-Y basis and our SaaS fee saw an increase of 12% Y-o-Y basis. We observed a 70% Y-o-Y increase in the interchange fee which has become a significant contributor to our revenue. This growth is largely driven by performance of our Zoyer and BROME solutions along with organic growth in the Save and Propel businesses.

Additionally, there has been a notable rise in credit card issuance under the Zoyer offering. Our adjusted EBITDA surged by 46% reaching to Rs. 125 crores. PAT rose significantly totaling to Rs. 88 crores which represents a 99% Y-o-Y increase. Additionally, our cash PAT experienced a substantial growth increasing by 66% to Rs. 111 crores. During FY '26, we anticipate recording ESOP expenses in the range of Rs. 9 crores to Rs. 10 crores.

Our cash flow generation has improved significantly compared to last year. The cash flow from operations stood at Rs. 19.8 crores in FY '25 compared to negative number in FY '24. Our DSO improved from 82 days in last year to 60 days at the end of this year.

With that, I would like to conclude my update, and we are happy to open the floor for questions. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Swayam from PinpointX Capital. Please go ahead.

Swayam: Sir, my question is related to our program fee growth. So, as we know that one of our main focus is on the growth of our program fee, so is there any reason why suddenly growth has been at 15% around? And what is your outlook going forward, like how are we going to increase the transaction volume in this segment going further?

Avinash Godkhindi: Thank you. Thank you for your questions, Swayam. So, as you see in the year, we grew about 70% on program fees, right? I think you are looking at a quarter-on-quarter basis where we grew by about 15%. We have been focused on growing in a profitable way where we are able to increase our overall margins, and that has been the approach while working on improving our cash flow position. So, we want to grow, of course, but we want to grow profitably, and we want to grow in a manner which allows us to improve our cash flows as well. So, going forward also we see very strong growth in program fees. And overall, we have given a guidance of 35% to 40%, and we see program fees also growing in line with the same assessment for the year.

Swayam: And my second question is on the Propel part. So, the gross margin of Propel which is almost 10% this quarter assuming mainly due to the ORC. But if I look at that on the FY '25 basis, it's somewhere around 6%. So, can you please elaborate, like, why are these margins this year are at these levels? And also like in previous investor meet we were mentioning about acquisition of merchant platform, so can you briefly tell like how this is going to help us in this segment going forward to increase the margins?

Avinash Godkhindi: So, as explained in the last call as well, we were expecting the margins in Propel Points to go up to 6% and we were able to achieve that, because of the ORCs as you rightly pointed out. Margins as this line of business has grown, will stay in this range of 6% to 7% for the coming year as well, and that's how we have estimated it. This is where the margins we anticipate to be on a standalone basis. Of course, the acquisition would help as and when we are able to close that because that allows us to be able to actually start issuing the gift cards for various merchants and dip into commissions from the merchants for issuing those vouchers, which is a SaaS income, as well as expanded margins through breakage, etc. So right now the guidance that I am giving of 6% to 7% is on a standalone basis, assuming that the acquisition would happen as and when it happens.

Swayam: Okay, sir. I will get back in the queue and all the best for the future.

Avinash Godkhindi: Thank you.

Moderator: Thank you. The next question is from the line of Devesh Kasliwal from Antique Stock Broking. Please go ahead.

Devesh Kasliwal: Yes. Good evening, sir. And congratulations on a good set of numbers. First question was on the Mobileware acquisition. So, as far as I understand, this includes UPI payments for our platforms going ahead. So how is the revenue going to be recognized? And what is our take on it, as in, what will be the margin for this integration of our products with the UPI platform?

Avinash Godkhindi: So Mobileware is an investment. We have about 38% shareholding today there. And they have a very comprehensive, robust platform for a variety of NPCI technologies, obviously, UPI being the first, but IMPS, AePS, BBPS, etc. And they work with over 90 banks today. Obviously, post our investment it's been a plus for them to be able to acquire these banks and other fintechs. So from our perspective, we are today also acting as a customer of Mobileware, where we are using their pipes to be able to connect to NPCI for both our TPAP and our BROME solution, right? And that's how we look at it. But of course, we support the Company through our relationships and our connections to be able to increase their business.

Devesh Kasliwal: Okay. Thank you for that. Second question, in terms of customer acquisition cost, what was the number this year for the entire financial year? And additionally, the cash sitting on our books, so how are we going to deploy that over the current financial year, FY '26? What plans do we have on that front?

Aditya Kumar: So customer acquisition cost, it's around Rs. 360 crores, which we have spent in the current year. The cash sitting on the bank account side will be used for our regular working capital requirements, so which needs to be regularly invested on the product atomization and all other stuff. But otherwise the money what we had in terms of QIP, that will be utilized towards the respective objects, mainly towards the investment activity, acquisitions.

Devesh Kasliwal: Okay. Thank you so much, sir. I will jump back in the queue for additional questions.

Moderator: Thank you. The next question is from the line of Jalaj from Svan Investment. Please go ahead.

Jalaj Manocha: Thanks for the opportunity. So Avinash, just delving a little deeper, so specifically on the program fees, so you said that we are looking for a profitable business. So does that mean that we are saying no to a few transactions on some sort of business so as to ensure the profitability?

And on what parameters is exactly that decision or what is deciding? Because I thought that it will be a standard margin product which is being sold right now. Could you talk a little about it?

Avinash Godkhindi: Yes. So look at it in conjunction with the incentives that we give, and incentives we give to both users in Propel and Save, as well as incentives that we give at times to corporates in Zoyer. For the growth which has gone up from Rs. 137 crores to Rs. 157.1 crores in program fees, our incentives on the other hand have come down from Rs. 110 crores to Rs. 108 crores, right? So while the program fees has gone up by Rs. 20 crores, and I am doing a Q-on-Q comparison here, Q4 FY '24 to Q4 FY '25, the incentive number has actually gone down. So that is what I was trying to allude to, and thank you for your question, because you see the top-line has grown and the cost have come down, right.

Jalaj Manocha: Okay. And then specifically on the program fees or intercharge, how is the traction specifically on the Zoyer cards? Because as per our understanding or whatever discussions we got that the product was a super star product and should have started to see a lot more traction. So are we seeing rather how far we from that inflection point of this Zoyer product? So what sort of traction are we seeing right now?

Avinash Godkhindi: Traction is very good. Traction is very good and we are continuing to grow there. The whole idea is to be able to, as I mentioned, optimize on profitability, optimize on cash flow while we grow, right? There is no point in our view to grow blindly without looking at these two other factors and that's why we are trying to balance it out.

Jalaj Manocha: Okay. And anything specifically is there a pressure or the take rates are different on Zoyer product versus the Save product per se, is that the reason why the growth hasn't as quick as you were expecting? Because ideally it's the products were so great that Y-o-Y I see, specifically for this quarter, it's just a 15% growth.

Avinash Godkhindi: No, no, take rates are not too different, they are all in the same range, in the range of about 1.7% to 1.75%. And the idea is, again, I am repeating myself that the whole idea is not to just grow but also to grow with better margins. We could have probably shown you much higher growth than at 15%, maybe we could have grown at 30%, 40% if we had given more incentives, right? We wanted to control the incentives and build that discipline in the market because we are not building for one quarter or one result, we are wanting to build that discipline and improve our incentive position over time for the coming quarters and coming years as well.

Jalaj Manocha: Fair point. Okay. So could you talk a little about the big quick commerce deal we had talked about? I guess that was for the Zoyer again. How is that shaping up and what sort of traction are we seeing there?

Avinash Godkhindi: Again, in each of these cases, there are multiple of these quick commerce deals that we have done with BigBasket, Zepto, Blinkit, etc. And each one of them is shaping up well. Traction is good. And we are now juxtaposing that with our ZUGS platform, Zaggle Unified Worker

Savings. And that would then again further deepen our penetration with these companies and enhance the value proposition with these companies.

Jalaj Manocha: So, does it typically take a lot of quarters or a few quarters to scale up the businesses while you onboard a client? Again, just on an absolute terms program we should have scaled up because these are usually larger clients having huge expenses, per store I guess a few crores should come in. So, obviously, revenue will not flow but take rate is put in. So, sensible amount of revenue should have started to flow from them. So, does it take a few quarters to scale up?

Avinash Godkhindi: Yes, it takes a few quarters to scale up because there is adoption, there is education. You need to make sure that you are doing it in a manner which is giving the confidence to the CFO and her team that they have control on the spends. So, you are talking of large enterprises and hundreds of crores of spends, so each Company has their own pace at which they want to roll it out.

Jalaj Manocha: Okay. So, how far are we from that inflection point or broadly in those accounts or for these larger accounts?

Raj P Narayanam: So, in three of these larger accounts we are live, and then there are like about four or so which would go live in, let's say, anywhere between four to six months, okay? And once you have gone live then the adoption starts. So you go live with, let's say, the 100 branches, then you expand it to maybe 500 branches. See the system stability, etc., and figure out that, okay, what are the various kinds of issues are there for that particular enterprise. Solve them and then scale them to however many stores. So post that initial setup of that 300 to 500 stores then you are able to expand it to maybe even to 3,000-odd stores, okay. So, that is how this entire thing functions. So from signing of the contract typically you will take anywhere between four to six months to go live in a very, very large account. Does that answer your question?

Debashish Mazumdar: Yes. This is Debashish, sir, so I work with Jalaj. So, just a small follow-up with a question that Jalaj was asking. So is it fair to assume that then this quarter is a kind of transition quarter for us, where because of the large size account capability that we have we are kind of sacrificing growth for those accounts where profitability is low? And that's why this quarter there is a lower growth in the program fees and going forward we will see much traction there?

Raj P Narayanam: So, let's not over simplify it, okay, because there is no clear cut formula for this. So, I would say that the growth has been healthy, okay, over last year. On the Q4 account what happens is this is Q4, Q4 there is like, last year Q4 was a bumper, bumper year and it has grown by another 15% over the Q4 of last year. What we see is that as we sign up more and more clients, overall, the pace of if you see Q4 of FY '26, you would see much, much more larger revenue increase over this quarter, last Q4 of FY '25. So, cannot say transition, but it is a constantly improving growth is how you would be able to see it.

Debashish Mazumdar: Got it. And one last question, quickly on the margins, so if we close the --

Moderator: Hello, Mr. Jalaj, sorry to interrupt. May we request that you return to the question queue for follow-up questions as there are several participants waiting for their turn?

Debashish Mazumdar: Thank you.

Moderator: Yes. Thank you. The next question is from the line of Prateek Poddar from Bandhan AMC. Please go ahead.

Prateek Poddar: Yes, hi. Sir, two, three questions. One is, on a sequential basis I see a very sharp increase in other expenses, so maybe you can help me understand what has happened over there. The other is when I look at your cash flow statements there is something called other current assets where a substantial amount of cash has been blocked, close to Rs. 40-odd crores, so you can help me understand what is that? That's second. And lastly, I see CAPEX which is quite high. Maybe you can just break that down between product development and other CAPEX, whatever you would have done. So three sets of questions.

Aditya Kumar: Yes. Hi, Prateek. So the other expenses sharp increases on account of the business promotion advertisement expenditure, which we have done in this quarter, like we did multiple conferences and all of the stuff. That's one. And second is also increase on account of the network charges and the switch cost what we have to bear when we have to integrate with any of these clients. So this typically comes when a new client addition happens and all of those things. As a percentage of revenue, if you see, it will be the standard thing.

And moving on to the CAPEX item. So in the current year, if you see, we have launched two to three new products like Zatix and Fleet Solution and ZIP, etc., which was in the stage of under development stage that has been capitalized and moved to the intangible asset stage. And when it comes to the PPE, the new office building, which we have shifted, that is the standard increase.

So third one on the other assets, other assets typically, this I have explained earlier also. So it includes you of two components. One is the voucher stock which we maintain on every monthly basis in order to meet the demand of the customers and clients. And second is the preloaded cards. So these two put together, we have close to around Rs. 152 crores. And rest of the total other current assets is around Rs. 170 crores, what you see in the balance sheet. These two put together as Rs. 152 crores and balance Rs. 14 crores, Rs. 15 crores are the reconciliation statement, which we do with the pool accounts. Out of this Rs. 152 crores, around Rs. 60 crores pertains to the gift voucher stock and around Rs. 90 crores pertains to the preloaded cards.

So why this number is higher is because on account of two reasons. One, the business is increased significantly compared to last year and now. And second, if you see the March, especially what happened is 29, 30, 31 are the holidays. 31 is on account of Eid, it's an holiday. So where we have received the orders from the clients, but fulfillment was not done. So what happens is, in order to meet the demand on the timely demand and meet the SLAs with the clients, we have to load the cards upfront and deliver to them at the later point of time as soon as we receive the orders. Since three days are the holidays where we received the orders and fulfillment was not able being done because of the holiday structure. So these are the reasons.

Prateek Poddar: No. This is very helpful. And lastly, just on the trajectory of other expenses, is this the new normal we should think about? Because other expenses generally are rising faster than, let's say, our sales growth, obviously on a low base. But is that something which will happen next year also?

Aditya Kumar: So cannot comment as of now, Prateek, but this is like one of the activities. But typically, as a percentage of revenue, you see, it will be in the range of 1% to 2% on the specific items which we spoke other than the employee cost.

Prateek Poddar: Got it. And lastly, I just wanted to confirm, look, next year I think you are guiding for 35%, 40% growth with some margin expansion. And given that we have had some years of hyper growth, the 35%, 40% should result in now a decent cash flow accretion, right? We would not get into a situation where there is negative OCF. Obviously, this year you have generated some OCF, though very small as a percentage of what the EBITDA is. But the EBITDA to OCF conversion next year should improve, that's a fair understanding, right?

Aditya Kumar: So definitely, yes, Prateek, it will improve because like last year it was much, much negative. And as we promised to the wider investors, etc., and even in the current year. So the idea is to focus on this much more and be capital efficient, and OCF EBITDA also will increase gradually. So, in fact, one of the first step what we did, if you see, is our DSO days, right? So, which used to be 82, that has come down to 60. So, we potentially go ahead and reduce that further, that's where the focus will be. As well as that gets reduced, automatically the cash flows return positive.

Prateek Poddar: And maybe some guidance, maybe not today but in future calls on conversion from EBITDA to OCF helps a lot. So that's one suggestion I would leave you guys with. But otherwise, thanks so much for this.

Aditya Kumar: Definitely. Thanks, Prateek.

Moderator: Thank you. The next question is from the line of Shrinarayan Mishra from Baroda BNP Paribas. Please go ahead.

Shrinarayan Mishra: Hi. Thank you for the opportunity. So, my first question was on EBITDA margins. So, we can see your Propel margins going up to 10% this quarter versus 3Q, but we cannot see the overall EBITDA margins moving up in that direction. So, from 3.3% something to 10% is the margin which we see in Propel, but EBITDA margin is flat. So, can you throw some light why this did not flow through?

Avinash Godkhindi: So, we explained this last time as well, the Propel margins were supposed to expand in any case because of the overriding commissions that were due for the sales that we generated through the first nine months. So that has flown through now. Overall, if you look at it, our EBITDA margin guidance was 9% to 10% and we are at about 9.6% for the year. And next year our guidance is for 10% to 11% and we will look to meet that. If you look at Q4 of last year as well, Q4 is a high growth quarter for us, but margins are generally a little compressed in Q4 because a lot of the corporates also meet their spend thresholds in Zoyer, etc. And they tend to get some of their commissions etc. from us, incentives from us. So this is the nature of our business that Q4 does tend to have much higher growth but a slightly compressed margin profile.

Shrinarayan Mishra: Okay. And these expenses we cannot even these out over the course of the year, so the 4Q lumpiness I mean by way of accounting it is required, or can we do some provision in earlier quarters for these expenses, is that not possible?

Avinash Godkhindi: It's hard because we do not know who will cross what thresholds. Just the same way as we are not allowed to take revenues in earlier quarters because we are also not able to prove to the auditors that we will cross those thresholds in Propel Points, that's the nature of this whole piece.

Shrinarayan Mishra: Okay. Understood. And secondly sir, on BROME if you can highlight in terms of DMV what we have achieved or in terms of revenue, gross or net revenue, that would be great.

Avinash Godkhindi: Overall, on BROME we have grown very significantly in terms of number of clients which have gone live and where we have signed up. It's a little too early for us to give you more data specifically in BROME which is part of Zoyer as to how much we have done in terms of revenues, etc.

Shrinarayan Mishra: Sir, do you have any sense, I mean, in direct maybe by when you see that to be a significant chunk of the business and you start giving numbers on that?

Avinash Godkhindi: So, it will always be part of Zoyer but specific numbers probably we will give sometime in this year depending on how numbers pan out and how it is. But you will see in our business more and more as we push for cross-sell that a lot of these numbers are going to be intertwined. The whole idea is to capture all the spends of the corporate. While we explain the solution to you as a separate use case, when the team goes and sells to the corporate, the thesis is all about trying to give you a comprehensive spend management solution, right?

Shrinarayan Mishra: Okay. Got it.

Moderator: Yes. Thank you. The next question is from the line of Rohan Nagpal from Helios Capital. Please go ahead.

Rohan Nagpal: Hi. Thanks for the opportunity. Sir, since you have booked overriding commissions in Q4, the actual growth that we are seeing in the underlying volumes is a little hard to gauge. Could you give some sense of how much growth we are seeing in the underlying Propel volumes, ex of the overriding commissions that were booked this quarter? Thanks.

Avinash Godkhindi: See, the volume growth is what it is. We have told you, it has grown from Rs. 128 crores in Q4 FY '24 to Rs. 245 crores. Of course, the margin gets added to that. So, largely the growth is pretty strong. It's just that the ORCs come in, in the last quarter.

Rohan Nagpal: Okay. Understood. Thank you. That's it from my end.

Moderator: Thank you. The next question is from the line of Parikshit Kabra from Pkeday Advisors, LLP. Please go ahead.

Parikshit Kabra: Hi. Sir, first, I just want to clarify. In the first question I was asked about program fees growth guidance for next year, I think Avinash said that it will grow in line with the overall guidance. That implies that program fees will also be about 30%, 35% for this year. Is that a fair understanding?

Avinash Godkhindi: Yes. 35%, 40% is what we have projected as our overall growth. And program fees should also grow in line with that, yes.

Parikshit Kabra: Okay. Perfect. And will this be front-loaded, back-loaded, anything along those lines? Same thing by the way for EBITDA guidance, are we expecting it to gradually ramp up or are we expecting it to come from Q1 itself?

Avinash Godkhindi: See, all of it will gradually ramp up because the nature of our business is also such that Q1, Q2 generally are lesser in terms of revenue. Q3, Q4 are higher contributions. So, historically, it used to be at 65%, 35%, now it's gone down to about 57%, 58%, 42%, 43% type of a number with Zoyer's increased contribution. But there is always a skew towards Q2.

Parikshit Kabra: Got it. But from a year-on-year growth perspective, when I compare it Q1 to Q1, Q2 to Q2, I am talking from that perspective, should I not be seeing 30%, 35% growth from Q1? Because then it would imply then that for the year-on-year guidance to be met, then in Q3, Q4 you will be giving upwards of 40%, 50% growth.

Avinash Godkhindi: Yes. It's pretty much like that. You should see growth, because Q1 of last year was also a lower number, I think Rs. 118 crores for program fees. So, you will see that the number pan out at that 30%, 35% range.

Parikshit Kabra: Okay. Got it. Perfect. So my second question is from the GTV perspective, so on the gross transaction value, is it possible for you to start disclosing from our program fee what is the gross transaction value we are seeing? Because over the last year we have added so many clients, but the program fees has not grown as much, and the take rate has also not changed as per your previous response. So that means the GTV has not managed to grow, is that correct?

Avinash Godkhindi: No, the GTV has grown, it's grown fairly well. Because if you look at it, the whole year the program fees, sir, has grown by 70%, right? And it's not at a small base, the base last year also was Rs. 322 crores, and on that we have grown by 70%. So, I think somewhere maybe we want to highlight this that overall you should look at the year's numbers and how the number growth has been. And overall, the number has grown very healthily at 70%.

Parikshit Kabra: Okay. Understood. All right. Thanks. Thanks a lot, Avinash.

Avinash Godkhindi: Thank you.

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

Ankush Agrawal: Yes. Hi, thanks for taking my question. So I think the first question is, a bit on change in commentary, so till last quarter the commentary was more around that we are more focused on growth because the opportunity is so huge. And even if that sort of keeps our margins subdued in the near term, we are fine with it, whereas this quarter we have been talking a lot more about margins and better cash flows, and that reflects in your guidance as well wherein you expect margins to improve in the coming year. So, I wanted to understand what has led to this change, wherein earlier the guidance was more growth-focused, and now it has changed to a more balanced growth perspective. Has something changed?

Raj P Narayanam: So, nothing has changed. Sir, if you look at last year, when we came in March of 2024 we said, we possibly will grow by 45% to 50%, okay. And we ended up growing by about 68%. So, the whole idea this year is that while we look at growth, we also look at improving our margins. And improvement in margin is a part of the long-term objective, which is that we have to take it to about 15%, 16% over the next three to four years, okay.

While the margin expansion will come, it will also come at scale, okay. The scale which we have to achieve will come only by having a little bit aggressive growth plan. What we are referring to 35%, 40% is, please see it is on a Rs. 1,300 crores base, okay. Last year the base was Rs. 775 crores. Previous to that year was Rs. 553 crores.

So if you look at it, if we are saying this year that we are growing at about 40%, that is about Rs. 1,800 crores plus. If you compare the two years back, we were at Rs. 553 crores and next year we would be at about Rs. 1,800 crores. So that is like 3x jump in about span of three years, okay? And at every base we are growing. The idea is not to let the growth slowdown, but idea is to improve margins while we improve growth.

Ankush Agrawal: Got it. The second question is around the M&A. So it has almost been a year or so whereas we have been talking about doing some major M&A. It's almost been about five, six months since we have raised a substantial amount of capital. So just trying to understand like what is happening over here. Like, have we sort of pinpointed some M&A and the due diligence itself is taking long time or we are still figuring out which Company to acquire? Because the timeline between capital raise and not being able to acquire itself has been like six, seven months now. So if you can share some insights like if the due diligence is taking time or you are not able to figure out the right M&A, like what is happening over there, it would help.

Raj P Narayanam: Sure. Very good question and I will answer it in detail for you. When we raised the money that was like end of December, okay? And since January in fact we had started looking at multiple companies, we are in very advanced stage. But even when I say very advanced stage, between the closure and very advanced stage, it could be a quarter, okay? And these are like little bit large acquisitions with multiple investors on the other side. And also the due diligence typically takes about three to four months because there is FDD, which is financial due diligence, then tax due diligence and then legal due diligence. And then the final terms which we have to agree with the acquiring Company, okay?

So what's happening is that we have set up about seven to nine players and there is a lot of amount in time and effort which goes from the management side as well when we are looking at these companies, though we have a dedicated set of team which is looking at it, but the management time also goes in. So what we have done is, and in spite of coming very, very, very, very close, sometimes it just stretches at the last moment, okay? And that stretch is what we have seen in one or two cases. But we should be able to very soon tell you as to what's the status on all these acquisitions.

Ankush Agrawal: Okay. So the takeaway would be that we have figured out what we want to acquire. It's just that the due diligence is taking time, but we have figured out what we want to acquire.

Raj P Narayanam: 100%. And we would not raise money, or we would not go ahead and dilute ourselves if we had not a clear-cut thought process on whom to acquire.

Ankush Agrawal: Got it. That was very helpful, sir. Thank you.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Just a couple of clarifications first. I mean, what was the TaxSpanner revenue for FY '25?

Raj P Narayanam: So FY '25, it was about Rs. 3.35 crores.

Deepak Poddar: Rs. 3.35 crores, okay, understood. And in terms of, I think you mentioned something, 6% to 7% standalone. So, what was it you were referring to? I mean, some outlook you have shared to 6% to 7%, I understand.

Raj P Narayanam: No, no. 60% to 70% growth.

Deepak Poddar: So, it was not in context of TaxSpanner, but on a standalone basis.

Raj P Narayanam: No, no. Not standalone.

Deepak Poddar: But on standalone basis, you were saying something 6% to 7%. Just wanted that clarification.

Raj P Narayanam: So, 6% to 7% is the Propel margins. Propel margins would be about 6% to 7% range is what we are saying on a standalone basis.

Deepak Poddar: Understood. Fair enough. And just sir my first question is in terms of acquisition, whatever we are targeting, are we looking at them as a margin accretive one? I mean, how should one look at?

Raj P Narayanam: So, majority of them, I would say 95% of them would be margin accretive, but one of it could be product accretive as well.

Deepak Poddar: Fair enough. That's very clear. And when we see 30% to 40% outlook in terms of growth, are we being conservative there?

Raj P Narayanam: Sir, 35% to 40% is what we have projected. Let's look at it how the year goes by and let's also see how the market shapes up. And right now this is what we have a very clear-cut plan to achieve this. But maybe in coming quarters we would be able to give you a better guidance.

Deepak Poddar: Okay. Understood. And just last thing, in terms of margins you mentioned we are looking at 15% to 16% in next three to four years. So per annum, I mean, 100 basis points is what we are looking at, I mean, internally in terms of improvement?

Raj P Narayanam: Yes, that's a smart assessment. That is what is our thought. So, this current year we are looking at 10% to 11%, okay. And as we go on, every year we would look at improving the margin.

Deepak Poddar: By 100 basis points?

Raj P Narayanam: Yes, it depends. Next year I will be able to tell you about next year how it goes.

Deepak Poddar: Fair enough. Got it. That's very helpful, sir. I think that would be from my side. All the very best. Thank you.

Raj P Narayanam: Thank you.

Moderator: Thank you. The next question is from the line of Rohan Nagpal from Helios Capital. Please go ahead.

Rohan Nagpal: Hi. Just a follow-up. If there are overriding commissions that have been booked this quarter, then the revenue that you book under Propel will be the Propel revenue from your gift cards that you have sold plus the overriding commission, right?

Avinash Godkhindi: Yes.

Rohan Nagpal: Yes. I am just trying to understand, so that does not really give us a picture of what the underlying growth rate is within the Propel business, because the overriding commission is distorting that growth rate. So, could you give us a sense of what the underlying growth rate is within Propel?

Aditya Kumar: Excluding overseas, Rohan, it is 78% on Y-o-Y quarterly basis.

Rohan Nagpal: Okay, understood. That's helpful. Thank you.

Moderator: Thank you. The next question is from the line of Rahul Rajani from MIPL Family Office.

Rahul Rajani: Thanks a lot for the opportunity and congratulations to the management for the great results. Wanted to just have one update that is, in the last conference call you had mentioned that you had signed a contract with one of the largest retail chains in India, which is one of the largest conglomerates. So, how is that shaping up? How is that going about? And when we can see the revenues kicking in for that?

Avinash Godkhindi: So, yes, thank you for your question. As we explained, some of these large ones take a while to go live. And in this case, the POC was successful and we have gone live. But you would understand that scale up, when you are talking about thousands and tens of thousands of branches, has its own gestation period. And that's what we are seeing. Revenues have started to come through, but it would take us a little while for us to be able to really see very significant revenues. Also, please note that right now the base of revenues that we are looking at is Rs. 1,303 crores, right? So, it has to be significant with that base, and that's a little while away.

Rahul Rajani: Sure. Thank you.

Moderator: Thank you. The next question is from the line of Devesh Kasliwal from Antique Stock Broking. Please go ahead.

Devesh Kasliwal: Thank you. Circling back on the guidance, so you are saying that standalone guidance will be around 35% to 40%, which I am presuming will be a conservative estimate right now. But apart from the acquisitions and the acquisitions that we are projecting to come forward in the next quarter, obviously, that will also add to the revenue. So the overall consol guidance can you give a number, if possible?

Avinash Godkhindi: See, if all of them come before September, then Devesh, we should be at about 80% odd as a growth. So standalone is what we have said 35% to 40%. Consolidated if we get all the acquisitions which we have planned, we are able to complete before September, then we will be able to take the whole year. And it would be about roughly in the range of another 40% it should easily add.

Devesh Kasliwal: Okay. Thank you for that, sir. And one last question. So normally given our platform is a SaaS platform, so we have plans that are recurrently using our platform on a monthly basis. So, is there a possibility that you could give a monthly recurring revenue number that we are at right now? Because obviously, it is always going to grow going forward unless we have clients exiting. So that would be a fairer assessment of how things are shaping up on a standalone basis for the overall Company.

Avinash Godkhindi: Sure. We will look at that and come back.

Devesh Kasliwal: Okay. Thank you, sir.

Avinash Godkhindi: Thank you.

Moderator: Thank you. Due to time constraints this was the last question. I would now like to hand the conference over to the management for closing comments.

Raj P Narayanam: Sure. So, thank you all for participating in today's call. We hope we have addressed all your queries and provided valuable insights. We remain optimistic and focused on the future growth of the Company. And we are excited about the opportunities ahead. For any further information, we request you to get in touch with SGA, our Investor Relations Advisor. Thank you, and have a good night.

Moderator: Thank you. On behalf of the Equirus Securities, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.