"Zaggle Prepaid Ocean Services Limited

Q1 FY '26 Earnings Conference Call"

August 14, 2025

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on August 15, 2025, will prevail.

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

Moderator: Ladies and gentlemen, good day, and welcome to the Zaggle Prepaid Ocean Services Limited Q1 FY '26 Earnings Conference Call hosted by Equirus Securities. As a reminder, all participants' 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 call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

Kindly note that 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 guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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

Rohan Mandora: Thanks, Maskan. Good evening, everyone. Thank you for joining the call. I extend a warm welcome to all of you. On behalf of Equirus, I welcome the management of Zaggle Prepaid Ocean Services Limited to give a brief update on 1Q FY '26 results and address investor queries.

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

We will now begin with a brief opening remarks from the management, post which we'll have Q&A. Thank you, and over to you, sir.

Raj Narayanam: Thank you so much, Rohan. Good evening to everyone. Thank you for joining the earnings call for Zaggle Prepaid Ocean Services Limited for the first quarter of fiscal year 2026. 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, Managing Director and CEO; Mr. Aditya Kumar, our CFO; and SGA, our investor relations advisers.

The financial results, press release and investor presentations 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 take you through the Zaggle business update.

Talking about our quarterly performance comparing Q1 FY '26 to Q1 FY '25, the company reported a healthy growth in revenues of INR331 crores, which is our first best ever quarter of Q1 at around -- and the growth has been around 31%.

Our adjusted EBITDA increased to INR33 crores, growing at around 28%. The PAT, surged to INR26 crores, growing significantly at around 55%. We are off to a promising start in 2026 as we continue to drive sustainable growth and strong returns through relentless product innovation, strategic collaborations and the momentum from our recent and proposed acquisitions.

Now I would like to take you through our investments and acquisitions. I want to give you a further overview of what we have done over the last 6 months -- or maybe a little bit more than 6 months. We have pursued the investment or acquisition of 6 companies, successfully completing 2 and are progressing with 4 more. Once finalized, this would add roughly about 600 to 700 people to our current workforce.

And this would actually, in fact, call for a change the way we have run the business. We'll need to evolve our structure to suit the business needs now that the total workforce probably would be more than double of what we have today.

To align with this growth, some of the changes we aim to bring in are as follows: we plan to consolidate the technology and engineering teams across this company and create technology as a central function.

We plan to unify the finance function under our group CFO, so that finances of all the companies can be centralized or centralized to an extent. We plan on centralizing the HR function, enabling best practices to enhance efficiency, effectiveness and cross utilization of services.

With these changes, we envisage savings of around INR25 crores over the next 1 year. And those savings, in my opinion, should only increase as efficiencies kick in as you will all understand that the acquisitions are easy, but integrations are tough. And there is where a lot of management bandwidth and effort would go in ensuring that the integration results is of highest plus.

Our existing acquisition and investments are performing extremely well. Mobileware has generated a profit before tax of INR2 crores in Q1 '26, surpassing its entire FY '25 PBT. On TaxSpanner, marquee customers signed, including Bosch for employee wellness -- financial wellness and KarmaLife for tax filings for their gig workers.

Leveraging the Zaggle unified gig worker savings platform, we are expecting a further boost and increase in the number of filings -- tax filings on account of extension of the deadline. Our proposed acquisition of EffiaSoft will strengthen our merchant servicing and payment processing along with Dice, which I last time gave a very detailed explanation about why we are going ahead and acquiring Dice, which is an enhanced suite of spend management and AI capabilities. It's a world-class product and company.

Our proposed acquisition of Greenedge, meanwhile, would enhance our offering in loyalty and rewards space, which will give a meaningful boost to our existing total platform. Our most interesting acquisition of Rio.money marks a strategic entry into the consumer credit card segment thereby allowing us to broaden our financial offerings to a much wider captive customer base of Zaggle.

This move not only diversifies our portfolio, but also leverages and strengthens the UPI ecosystem enabling seamless credit solutions for users. We continue to actively seek strategic M&A opportunities in the adjacent domains across both domestic and international markets with the U.S. and MENA regions being the key priority markets overseas.

Building on the globally proven strength of our existing acquisitions, we plan to further reinforce market entry, navigate regional dynamics effectively and leverage well-established partnerships through additional targeted acquisitions.

We are also on the verge of closing one more, which is a pretty decent sized deal. Fingers crossed, if we are able to do that, that will be great. But again, between cup and lip there is a slip. So all this we would want to be -- we would want to under-promise and over-deliver, but hoping for the best on that acquisition.

I would like to give you the industry and Zaggle product update. Take this opportunity to highlight other product developments, which have happened. As said by Eric Schmidt of Google, "The greatest breakthroughs won't come from AI alone, but from those who learn to harness it." Keeping this in mind, I would like to highlight some of the initiatives, which we are incorporating in Zaggle.

On sales automation side, we -- for our flagship conversational AI platform for Zintel, which enhances the multichannel customer engagement. On customers on -- we also want to launch our multilingual conversational AI tool in the upcoming months, maybe about 3 to 4 months is when it should be fully ready.

We have launched an AI-powered bill processing automation tool, which is already deployed which has led to about 80%-plus reduction in overall TAT for bill processing. We are also in the pilot stage of an AI-driven claim validation and approval workflow. So utilizing AI to as much means -- as high extent as possible.

As we move forward with other integrating AI tools across our organization, our priority is to chase high level -- is not to chase high-level fashionable trends, but to delve deeply into specific enterprise challenges faced by our customers.

With this, I would also want to give a guidance that we remain extremely bullish on our growth trajectory, driven by strong fundamentals, strategic investments and expanding the global footprint. With the robust pipeline of opportunities and the clear execution road map, we are confident in our ability to deliver sustained value and capture new growth revenues.

While I'm tempted to give you a guidance, which is probably higher than what we have earlier stated of 35% to 40%, but I would wait till Q2 to be able to give you, especially keeping in mind the ongoing geopolitical uncertainties and macroeconomic volatility. But we are fairly, fairly confident that we should be able to up our guidance from here, which was about 35% to 40%.

Now with this, I would hand over to our CEO, Mr. Avinash Godkhindi.

Avinash Godkhindi: Thank you, Dr. Raj, for your remarks. As mentioned by Dr. Raj, the start of FY '26 has truly been a good one for Zaggle. The momentum we have built is not just encouraging, it's indicative of the scalable, resilient and intelligent platform we have created.

Zaggle now serves over 3,500 customers across a wide spectrum of industries and sectors. Even more encouraging is the fact that we continue to maintain a churn rate below 1.5%, a clear reflection of the trust our clients place in us and the reliable ongoing value our platform delivers.

By leveraging AI at the core of our product strategy, we are unlocking new levels of scale and efficiency. Our AI-led approach positions us to stay well ahead of the curve, allowing us not just to respond to market trends, but to help shape them. Today, we are proud to report that we have around 3.4 million users using the Zaggle cards and software.

During this quarter, Zaggle platform fee contributed to about INR10 crores. Program fees contributed to about INR145 crores. And Propel points contributed to about INR176 crores. During this period, we also signed several marquee clients, including Hindustan Pencils, Apollo Health, MoEngage, Novozymes, DTDC, CK Birla Healthcare and Truecaller.

To provide a brief overview of one of our clients, they were managing a Pan-India incentive plan involving over 60,000 retailers. They faced significant challenges in tracking individual performance and the disbursement of rewards, which ultimately loss of retailers leading to a drop in the market share itself.

We addressed these issues by deploying the Propel platform. It streamlines the redemption process and automated the incentivization plan, offering more than 125 options for redemption.

For another one of our clients, they were managing all non-capex purchases, including services-related purchasing in an entirely manual manner. This led to further issues on invoice reconciliation, thereby increasing cost of processing. The client also faced a challenge of maintaining separate systems for travel and expense, which further added to the reconciliation woes.

We addressed all these issues by deploying the Save and Zoyer platforms, which gave them a unified platform across not only managing all their non-capex and service purchases, but also gave them a complete visibility on their travel and other expenses in a seamless manner.

As we move forward to our platform-based strategy, we anticipate rapid expansion supported by a robust influx of new clients and the ongoing success of our cross-selling efforts. In Q1 '26, we built on our cross-sell platform -- cross-selling momentum. Its successes are large clients -- large number of clients, including WhiteOak Capital, Daulat Ram, Apollo Health and Manipal TRUtest.

I'd like to take this opportunity to elaborate a little further by giving a couple of examples. Manipal TRUtest is an existing customer for the sales solution. We recognize the potential for further collaboration and successfully plugged in our drone solution, branch recurring operating monthly expenses solution for their diagnostic and pathology centers to streamline the petty cash expenses by automating the process of budgeting, usage and reconciliation.

Similarly, White Oak Capital has been an existing customer for our sales solution. We identified an opportunity to strengthen our partnership with them by implementing our Zoyer solution to drive greater efficiency in their procurement processes and overall vendor payouts.

Next, I'd like to share some strategic alliances and collaborations that are enhancing our market presence. We are entering into channel partnership agreement with Grant Thornton. And this partnership, Grant Thornton will promote and offer our spend management solutions to an extensive network of corporate and enterprise clients of Grant Thornton.

Leveraging GT's strong market presence and trusted relationships, this collaboration significantly broadens our reach by granting us access to a vast and fresh pool of potential customers.

We also further strengthened our relationship with Mastercard by signing a 7-year customer business agreement for Mastercard Premium Foreign Currency co-branded prepaid cards, which offers both launch- and spend-linked incentives to us.

Building on the capabilities of our innovative employee benefits solution, the Smart Employee Purchase Program, Smart EPP. We have expanded our ecosystem by onboarding Tata Capital as a leasing partner and OneAssist as an insurance partner.

Lastly, I'm very proud and humbled to share with you that Zaggle was awarded the title of the Fintech Brand of the Year at the fifth edition of the business week -- Business World Fintech Awards 2025.

Additionally, we were awarded the great Indian B2B Fintech brand at the third edition of the Great Indian Corporate Communications Leader Summit & Awards 2025 by Transformance. And we also received the Pioneering Fintech Innovation in Spend Management Award at the ET Excellence Telangana 2025, further underscoring our commitment to industry excellence.

I'll now hand over to our CFO, Aditya, to take you through the financial update. Thank you.

Aditya Kumar: Thank you, Avinash. I'm pleased to share that CARE Ratings has assigned Zaggle a credit rating of A- stable for availing credit facilities from banks. This rating underscores our strong financial discipline and strength of our well-established business model.

In Q1 FY '26, we delivered robust revenue growth of 31.4% Y-o-Y reaching to INR331 crores. All our 3 revenue streams contributed to this performance with the Propel platform surging 50.6% on Y-o-Y basis and SaaS fee increasing 19.8% on Y-o-Y.

Our adjusted EBITDA rose to 27.9 percentage year-on-year, reaching to INR33 crores this quarter versus INR26 crores in Q1 last year, reflecting strong operational leverage. As Dr. Raj and Avinash highlighted, product development and AI remain strategic priorities for Zaggle and we continue to invest heavily in these areas. Consequently, our intangible asset base have been expanding.

As a result, depreciation and amortization expenses for the quarter stood at INR7 crores compared to INR2 crores in Q1 FY '25. Our PAT increased to INR26 crores from INR17 crores in Q1 FY '25, a 54.8% Y-o-Y growth.

On cash PAT, which includes net profit along with depreciation and ESOP expenses, saw a 57.6 percentage increase on Y-o-Y basis, totaling to INR35 crores. Furthermore, our PAT rose by 54.8 percentage from the previous year reaching to INR26 crores.

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 Parikshit Kabra from Pkeday.

Parikshit Kabra: My question was regarding the -- first question is regarding the program fees. The revenue has increased by about 15%. I think last call, we had -- the guidance was that we will be growing this by 30% from this quarter going forward and it wouldn't be back loaded. Any commentary on that?

Avinash Godkhindi: Thank you for your question. So if you look at it, the overall guidance for growth for the year is 35% to 40%, and we are staying true to that and likely to increase that in the next quarter, depending on how things progress. Q1 traditionally has been a slow quarter for us because of the seasonality in the business.

Also, if you look at how we have tried to focus more on the PAT and PAT growth and the incentives, if you look at the incentives growth, incentives as a percentage of the program fees, both these line items correspond 1:1 to each other. That is 65%, 66% this quarter versus 71% last year.

So the efficiency that is being built into the business, not just focusing on growth. That has been our mantra for this quarter and this year.

Parikshit Kabra: So then let me just ask this way, Avinash. Should we assume that program fees this year will be at 15% growth? I know that you're saying that you've given a guidance of 35% at the company level, but at the program fees level, what is the guidance here for the revenue?

Avinash Godkhindi: So overall, for the year, the program fees guidance would also be in the range of 35% to 40% prediction. It's just the first quarter that it has been a little tempered. This is seasonality as well as the fact that some of the travel got impacted because of the geopolitical situation through the quarter. And the first quarter generally is a little tepid, but we are seeing already spends pick up reasonably well for us, and this was a little bit across the industry as well.

Parikshit Kabra: Got it. Perfect. The second question was on other expenses. We have seen a sharp decline in other expenses. Any commentary around that, Avinash?

Avinash Godkhindi: As I mentioned, Parikshit, we are focusing on efficiency, trying to increase our margins and profitability. And other expenses reduction is a reflection in that. We'll hopefully continue to work behind the scenes on this, and we'll try and deliver even better results in the coming quarters.

Moderator: The next question is from the line of Maitri from Sapphire Capital.

Maitri Shah: Yes. Firstly, congratulations on the results. Just 2, 3 questions I have. Firstly, on the growth guidance, you've guided for 35% to 50% on the stand-alone basis. What sort of incremental growth do we see happening from our inorganic acquisitions for this year? Could you quantify revenue for that?

Avinash Godkhindi: It's a little early for us because some of these acquisitions are still getting closed. While we hope to close 1 or 2 by end of -- September 30, but you would appreciate that sometimes these processes take a little while longer. So a little hard for us to quantify that and say.

But suffice to say, as we mentioned, the Mobileware performance, Mobileware is not an acquisition, but an investment. But there, we have seen fabulous results, already INR17 crores of revenue against -- in the just first quarter against the full year INR33 crores for the last full year. And the PAT also has exceeded the last year's full year number just in 1 quarter. So we hope to deliver great results with our other investments and acquisitions as well.

Maitri Shah: Okay. My second question is we mentioned in the last quarter that we'll be increasing our EBITDA margin 100 basis points every year for the next 3 years incrementally. Do we still stand on that guidance?

Avinash Godkhindi: Yes, we are working towards that. That's what the guidance is.

Maitri Shah: And could you please give us some drivers for this growth happening in our EBITDA margin?

Avinash Godkhindi: Efficiency, operating leverage. As we mentioned about the other expenses, reduction in incentive costs. This business is a tech-first business. And with AI coming in, in a big way and we leveraging it, we see a lot of exponential efficiencies kicking in. It's truly amazing what AI can actually do. If you strip out the fluff, there is a lot of value to be extracted using AI tools.

Maitri Shah: And any guidance on what the incentive cost will be compared to the program fees? Are we targeting any percentage over there for the next 2, 3 years? Currently, I assume it's 65%, if that's correct?

Avinash Godkhindi: At steady-state, we will be somewhere in the range of 50% to 60% depending on the nature of business, right? That is where these businesses, Zoyer would be on the higher side, other businesses would be on the lower side. But that is where these numbers should land in the next 3 years.

Maitri Shah: Okay. And just last question, so sorry. Just the ESOP cost for next year, FY '27, if you could guide on that?

Avinash Godkhindi: A little too early because we are making these acquisitions and there could be some ESOP costs that come in as part of those acquisition structures as well. A little too early for us to be able to guide for the next year in terms of the ESOP.

Maitri Shah: Okay. And we are -- hello? We are guiding for about 2 to 3 acquisitions for this year. Is that correct, right?

Avinash Godkhindi: So see, there is -- already we have spoken of the acquisitions that we have announced and we are doing. There could be one more large acquisition that we'll do this year, which we'll announce in due course.

Moderator: The next question is from the line of Rajit Aggarwal from Nilgiri Investment Managers.

Rajit Aggarwal: Congratulations on a good set of results. I have some 2 to 3 questions, if you may, please. One is on the collaboration that we do with the likes of Grant Thornton or Kotak Bank. So any customer onboarded through these collaborations, the margins for that customer would be a little lower than what we would have achieved as a direct -- if you had approached the customer direct, will that understanding be correct?

Avinash Godkhindi: See, when we get a customer from a partner bank, banks are not allowed to make money on nonbanking services like software sales, right? So basically, it's an introduction done by the bank to us and we then convert the customer.

The bank's expectation is that the service quality is very high and the experience is great. But banks don't make money on that. In the case of GT, they bundle GT and -- a company like GT, they typically bundle other services that they're able to offer like implementation services as a part of the contract, and that is something that we would charge the customer directly. So our margins are, by and large, the same.

Rajit Aggarwal: So GT is not deriving any benefit from us. I mean, is that correct? That would be...

Avinash Godkhindi: No, GT is -- so let me clarify, right? So there's the sale of the software services or the SaaS business, right, which is our income and then GT is able to monetize on the implementation services that they are able to bundle.

Rajit Aggarwal: All right. Okay. Understood, sir. Okay. Second question is on the global footprint that was mentioned during the initial part of the call. Can you throw some more light on how we are trying to achieve that? And a related observation is that we did invest in some funds. So is that part of that strategy? And do we plan to invest more amount in those funds or any other fund?

Avinash Godkhindi: Yes. So see, global footprint, we want to be very calibrated and very wise. We try to be as wise as we can. As to how we enter into those markets, with maximum impact with minimum investment, right?

So keeping that in mind, one, of course, is a strategy where we take our solution to markets where there's greater profit pools like the Middle East and willingness to pay for SaaS software. Although it's increased a lot in India today, but markets like the U.S. and Middle East, that is higher.

Of course, some of the markets are very dynamic, things are changing on a very frequent basis. So in those markets, we tend to also do a little bit of wait and watch. The other strategy is to make small-ticket investments through VC funds. We'll go ahead and deploy this capital in early-stage SaaS companies in markets like the States.

That gives us tremendous insight as to how the market responds. We get direct access to the founders and their thought process, potential partnerships, some of them potential acquisition opportunities depending on how those companies are performing and how they fit into our overall scheme of things.

So basically, we are getting exposure and understanding of what's happening in those markets without actually being present in those markets physically and spending a lot of money in setting up a branch office or office in those markets.

Rajit Aggarwal: So have you earmarked a certain amount that we will invest through this funds? Or is this something which we do on a case-by-case basis? I mean, is there a limit on those kinds of investments?

Avinash Godkhindi: These are relatively small amounts that we're investing.

Rajit Aggarwal: Okay, okay, okay. And the last question is on the acquisition of Dice. Now there was a reference to Dice in the initial part where it was said that there was a detailed discussion on it and an explanation on why and how the Dice acquisition made a lot of sense for us. So was this part of the Q4 call or was there a separate call on this because I seem to have missed that?

Avinash Godkhindi: The Q4 call.

Rajit Aggarwal: Okay. Fair enough. So I guess, I'll revisit the transcript. But coming to the consideration that was paid for Dice, I don't think that was discussed in Q4 call because it happened in June, I think.

So I mean, though we understand you would have some basis for it, but can you objectively take us through some bit of rationale on the amount that we paid for it? Because it looks like a very small company and it's not -- it's, I think, 5 or 6 years old company only?

Avinash Godkhindi: Yes. I think, it's a great company in terms of the capabilities that they have built in terms of AI and technology, especially in the spend management space. This year, revenue should be in the range of INR20 crores to INR22 crores, right? So it's a 6x multiple or there or thereabouts to the forward-looking revenues.

Also, if you look at it, the great opportunity that we have on table is to bundle our payment capabilities to that INR20 crores, INR22 crores software sales that they do because the revenues that they generate is pure software -- SaaS revenue, right?

And just to give you a sense, last year, our SaaS revenue was about INR35 crores. right? So now you can see the opportunity that we have when we bundle our payment capabilities and offer it to their customers, there's a lot of value that can be extracted.

Moderator: The next question is from the line of Aadipta Ghosh from Invesmate Insights Private Limited.

Aadipta Ghosh: Many of my questions are already covered, but I want to ask one question. The Dice acquisition was expected to accelerate international operations plan for FY '26. Can you provide an update on specific markets you are entering and expected revenue contribution time line?

Avinash Godkhindi: Yes. So the market that we are looking at is MENA. So that's the Middle East region largely. And the U.S., U.S. at the right time. But these are the 2 reasons that we are looking to take the solution. A little early for us to talk of revenue contributions there, but that's what we are looking at in terms of target markets.

Moderator: The next question is from the line of Ankush Agrawal from Surge Capital.

Ankush Agrawal: So just one clarification on this Dice. So like as we have mentioned that Dice currently monetizes only through SaaS fee and not the payments flow. So would it be possible for you to give a sense of what kind of, say, payments transaction would be flowing through Dice's platform currently? And the kind of take rate, would it be similar to what we are generating on our platform in terms of the payments that are flowing through our platform?

Avinash Godkhindi: Yes, the take rates would be similar, right, because the payment instruments and the use cases are on the travel and expense side and the procure-to-pay side, very similar. The overall volumes of spend would be hard to quantify because they are happening in third-party platforms there, right, in third-party instruments, payment instruments or NEFT, RTGS. So that -- but it's very significant is what I can tell you.

Ankush Agrawal: Okay. And how fast would it be possible for you to get those payments flow to through our platform? Would it be immediate or like it would be like a couple of quarters down the line?

Avinash Godkhindi: It would take some time, too.

Moderator: The next question is from the line of Ashish Soni from Family Office.

Ashish Soni: Sir, we keep on hearing about agentic AI in your model, the primary Software as a Service model. So in that, what threats and opportunity we are seeing compared to -- because we hear from Microsoft chief also about this thing. So what are the threats and what are the important things you're adopting for your business?

Avinash Godkhindi: Sir, our objective with agentic AI or any of these capabilities is how can we bring more efficiency and value to our customers, right? The use cases that some of the larger organizations like Microsoft and others are building are in a very different way, in a different space. Our usage is to create very custom capabilities for travel and expense or rewards or source to settle or procure to pay for our own solution.

And those capabilities are what -- ultimately, our customer really doesn't care whether a lot of AI is used or AI is not used. They want their reconciliations, their processes to be extremely efficient and for them to save time and money and have a reduced manpower in doing these mundane tasks. So that's what we are working to deliver to our customers.

Ashish Soni: And in terms of pricing, we recently saw the news that Jio is coming with a very disparate pricing for tax filing, which is a small part of your acquisition business, right? So if such sort of set, how are you going to handle that?

Avinash Godkhindi: Yes. I think, again, there TaxSpanner our use case has never been to approach it from a pure mass market perspective. What we offer in TaxSpanner is very sophisticated services for people who require consulting on income that comes to them through, say, foreign income or other sources, which are a little more complex, and that's the value that we bring.

Because a lot of people have diversified their income, young people, whether it's income from foreign sources of mutual funds or rental income or some of them even invest in crypto and earn income and the tax laws, etcetera, are quite strict. So you need to be able to make sure that you are fully compliant.

And that's where we are approaching this through the corporates. Like we mentioned, Bosch, and we have other customers like HCL and Accenture, etcetera. We are approaching it through the corporate to the employee.

Ashish Soni: And last question regarding upcoming acquisitions, for which are the target areas you are targeting? Like in terms of like adjacencies, what are you targeting in the upcoming solutions, if you can throw some light on that. Not -- I know it will be September or somewhere this year. So if you can throw some light on that, that will also help?

Avinash Godkhindi: So it's in around the space that we are as a SaaS fintech in the space -- spend management space, but giving specifics beyond that in terms of adjacencies is hard because we are looking at a variety of companies.

The thesis has been consistent. And in the previous years, we have shared what our thought process is, that it has to be either EBITDA accretive or product accretive. And culturally, it has to be a good fit. So those are the kind of things that we are looking.

Moderator: The next question is from the line of Manishankar Mandal from Alembic Pharmaceuticals Limited.

Manishankar Mandal: Congrats on the great set of numbers. My question -- I have 2 questions, actually. One is, obviously, there was a mention of a lot of AI initiative and development, which are at different phases of deployment. Wanted to understand, are they completely in-house or through a third party or some collaboration with some other companies as well? That is the first question.

And second, how much of the how much of expenses are their intake -- or capex intake, especially in FY '25?

Avinash Godkhindi: Yes. So First question, basically, is this in-house or is this through partnerships, this is largely in-house but across our different acquisitions and investee companies. As Dr. Raj mentioned, we are consolidating our tech and engineering teams, bringing the capability together. So that's the thesis. I didn't catch the last part in terms of...

Manishankar Mandal: What kind of capex are we incurring in specifically developing tech in-house in FY '25?

Aditya Kumar: In FY '25, we invested close to INR40 crores.

Manishankar Mandal: Just in developing tech, right?

Aditya Kumar: Developing, yes. Solely on this.

Moderator: The next question is from the line of Akshay from AK Investment.

Akshay: Sir, my first question is that I am new to this company. So can you put some color on what types of products? And currently, we have mainly 3 products, Zoyer, Save and Propel. So what are the different use cases of all the 3 products and how it adds value to the -- our customers and its employees.

Avinash Godkhindi: Thank you. So the 3 products, basically, sir, cater to all the expenses that corporates incur outside of budgeted capex. So Propel caters to channel incentives. Save caters to employee -- all expenses related to employees whether it's their travel and other expenses of that kind or benefits. And Zoyer is largely focused on all the vendor payouts and other payables that the companies have.

So we try to digitize all of these, integrate deeply with the corporate ERP, corporate's HRMS systems. And the whole idea is because there's a lot of decisions or a lot of policies that need to be enforced before a payment or a payout happens, right, as to who's approving this? Is this approved/not approved?

The person who is approving it, does he or she have the authority limits? Does it require 2, 3 levels of approvals? All of that gets configured. The policies get configured and implemented on our platform.

And then there's a lot of analytics and lots of insight that gets generated through the dashboard that we have. And that also is a lot of value to the corporate, to the user who's typically an employee, or a channel partner.

Through the mobile app, we get the ability to be able to seamlessly file their expenses; to be able to actually, in real time, see where their money is and how their money can be spent most effectively. So that's the benefit that the user gets. Especially in terms of being able to file their expenses on the go is a big value add for them.

Akshay: Okay. So basically, our product is the large-scale enterprise product like CRM, which is solely focusing on spend management and vendor payment, right?

Avinash Godkhindi: Yes. So 30 years ago, sir, ERPs were relatively unknown. 20 years ago, HRMS was unknown. 10 years ago, CRM was a little unknown. We believe in 10 years' time, spend management would be a very established category. And we hope to be the ones who are the torchbearers of this category, at least in India.

Akshay: Okay, sir. And my second question is how many currently -- how many players are there in India that provides the same type of product? So spend management like us. And what is the competitive intensity in the products that we are working in? And I have also seen that Razorpay and all these payment gateways do have some typical product line as ours. So can you put some light on that also?

Avinash Godkhindi: Yes. Surely, sir. So if you look at the spread of our solution, the horizontal split of our solution -- or our platform rather, where we span across rewards, we span across accounts payable, we span across employee expenses and benefits. To the best of our knowledge, nobody does this at an enterprise grade level across all these 3 segments and then covering prepaid cards, corporate credit cards, UPI, etcetera, which we do today.

Regarding other companies, I wouldn't want to comment specifically on any other company. The company that you mentioned is also a partner of ours, payment solution to their customers as part of RazorpayX. So I'll leave it at that.

Akshay: Okay, sir, understood. And sir, my last question is we are doing significant expansion in terms of inorganic growth, and we have acquired many companies in the past 1 to 2 years. So what is the logic behind this? Is that for the cross-selling of other products to our existing clients? Or is that for expanding our capabilities in terms of service offerings and increase the consolidated top line?

Avinash Godkhindi: So we believe this space is right for consolidation. There's a lot of value that gets built through scale and operating efficiency. And we are able to today attract a lot of opportunities given the position that we are in. And we are able to hopefully close those deals at very attractive valuations. So this is a mechanism that we are using to be able to scale up rapidly and consolidate our market leadership.

Moderator: The next question is from the line of Kushal Goenka from Mangal Keshav Financial.

Kushal Goenka: Sir, my question was how is the cash flow looking for Q1? And what is the direction for the whole year? Like what percentage of EBITDA can we expect to convert because since the last 4, 5 years, I can see that cash flow conversion was one of the main issues. So if you can just let me know what steps that we are taking for that? And what can be the guidance on?

Aditya Kumar: So sir, if you look at it in the FY '25, right, we just done 1st June. And obviously, as we're in the growth phase, the cash flows -- operational cash flows were negative in the last couple of years back to FY '25. We turn post in FY '25. And we envisage this year also will continue the momentum, and we will do the same.

So because we are in the growth phase of 50% to 60% in the last 2 years, obviously, the investment has to go back to the operations. That's where it resulted in negative cash flow. Optimistically, we will turn positive. We'll continue the momentum and we'll be in the positive in the current year as well.

Kushal Goenka: Okay. But like any percentage do you want to give in the range, like how much EBITDA can you convert?

Aditya Kumar: Early Q1. So possibly, we will give an update on the September next quarter.

Moderator: Thank you. Ladies and gentlemen, due to the time constraint, we will take this as the last question. I would now hand the conference over to the management for the closing comments. Over to you, sir.

Raj Narayanam: 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 Advisors.

Thank you, and have a nice Independence Day in advance.

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