

**P R S V & Co. LLP**

**Chartered Accountants**

202, Saptagiri Residency,

1-10-98/A, Chikoti Gardens, Begumpet,

Hyderabad - 500 016.

**Certificate on Basis of Offer Price**

**Date:** September 08, 2023

To,

**The Board of Directors**

**Zaggle Prepaid Ocean Services Limited**

301, III Floor, CSR Estate,

Plot No.8, Sector 1, HUDA Techno Enclave,

Madhapur Main Road, Rangareddi,

Hyderabad 500 081,

Telangana, India

**ICICI Securities Limited**

ICICI Venture House,

Appasaheb Marathe Marg, Prabhadevi,

Mumbai – 400025

Maharashtra, India

**Equirus Capital Private Limited**

12th Floor, C Wing, Marathon Futurex,

N. M. Joshi Marg, Lower Parel,

Mumbai – 400 013

Maharashtra, India

**IIFL Securities Limited**

10th Floor, IIFL Centre, Kamala City

Senapati Bapat Marg,

Lower Parel (W),

Mumbai – 400013,

Maharashtra, India

**JM Financial Limited**

7<sup>th</sup> Floor, Cnergy,

Appasaheb Marathe Marg,

Prabhadevi, Mumbai - 400 025

Maharashtra, India

*(ICICI Securities Limited, Equirus Capital Private Limited, IIFL Securities Limited and JM Financial Limited and any other book running lead managers that may be appointed, collectively referred to as the “**Book Running Lead Managers**”)*

Dear Sir/Madam,

**RE: Certificate on Basis of Offer Price**

**Sub: Proposed initial public offering of equity shares of face value of ₹1 each (the “Equity Shares”) of Zaggle Prepaid Ocean Services Limited (“the Company” and such offer, the “Offer”)**

We, M/s. P R S V & Co. LLP, the chartered accountants are an independent firm of chartered accountants, appointed by the Company in terms of our engagement letter dated October 28, 2022, in relation to the Offer.

We have been requested to verify certain key performance indicators of the Company and details pertaining to the primary and secondary transactions in relation to the shares (equity / convertible securities) of the Company and provide certain calculation of the basis for Offer price of the equity shares in the Offer.

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In this regard, we confirm the following:

**I.**

**A) The price per share of the Company based on the primary/new issue of shares (equity/ convertible securities)**

The Company has issued Equity Shares under pre IPO placement, excluding options granted under ESOP/ESOS and issuance of bonus shares, during the 18 months preceding the date of this certificate, where such issuance is equal to or more than 5% of the fully diluted paid-up share capital of the Company (calculated based on the pre-Offer capital before such transaction/s and excluding employee stock options granted but not vested), in a single transaction or multiple transactions combined together over a span of rolling 30 days:

The procedures carried out for such verification are included under **Schedule 1**.

Date of allotment of equity shares	Details of allottees and number of equity shares allotted	Total number of equity shares allotted	Face value per equity share	Issue price per equity share	Reason for/ Nature of allotment	Nature of consideration
			(₹)	(₹)		
August 16, 2023	Allotment of 44,51,219 Equity Shares	44,51,219	1	164	Preferential issue	Cash
August 21, 2023	Allotment of 15,24,390 Equity Shares to VALUEQUEST S C A L E FUND	15,24,390	1	164	Preferential issue	Cash

**B) The price per share of the Company based on secondary sale/ acquisitions of shares (equity/ convertible securities)**

There have been no secondary sale/ acquisitions of Equity Shares or any convertible securities, where the Promoter, members of the promoter group, selling shareholders, or shareholder(s) having the right to nominate director(s) in the board of directors of the Company are a party to the transaction (excluding gifts), during the 18 months preceding the date of this certificate, where either acquisition or sale is equal to or more than 5% of the fully diluted paid up share capital of the Company (calculated based on the pre-Offer capital before such transaction/s and excluding employee stock options granted but not vested), in a single transaction or multiple transactions combined together over a span of rolling 30 days:

The procedures carried out for such verification are included under **Schedule 1**.

**II. WACA / Floor Price / Cap Price**

Please see below details of the weighted average cost of acquisition, based on the details set out under (I) – (A), (B) and (C) above, as compared to the floor price and cap price:

Types of transactions	Weighted average cost of acquisition (Rs. per Equity Share)	Floor price* (i.e. INR [•])	Cap price* (i.e. INR [•])
WACA of primary issuances	164	[•] times	[•] times

*\*To be updated at prospectus stage*

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**III. Key financial and operation performance indicators:**

The details of the key financial and operation performance indicators are set out under **Annexure A:**

The procedures carried out for such verification are included under **Schedule 2.**

We confirm that the information in this certificate is true, complete and correct and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

We confirm that the information in this certificate is true and correct and there is no untrue statement or omission which would render the contents of this certificate misleading in its form or context.

This certificate may be relied upon by the Company, the Book Running Lead Managers, and the legal counsels appointed by the Company and the Book Running Lead Managers in relation to the Offer. We hereby consent to extracts of, or reference to, this certificate being used in the red herring prospectus and prospectus or any other documents in connection with the Offer (collectively, the "**Offer Documents**"). We also consent to the inclusion of this certificate in the section '*Material Contracts and Documents for Inspection*' of the Offer Documents and submission of this certificate as may be necessary to SEBI, Stock Exchanges, Registrar of Companies and to any regulatory authority and/or for the records to be maintained by the Book Running Lead Managers in connection with the Offer and in accordance with applicable law. Further, we hereby consent to this certificate being disclosed by the BRLMs, if required (i) by reason of any law, regulation, order or request of a court or by any governmental or competent regulatory authority, or (ii) in seeking to establish a defence in connection with, or to avoid, any actual, potential or threatened legal, arbitral or regulatory proceeding or investigation.

We confirm that we will immediately communicate any changes in writing in the above information to the Book Running Lead Managers until the date when the Equity Shares allotted and transferred in the Offer commence trading on the relevant stock exchanges. In the absence of any such communication from us, Book Running Lead Managers and the legal advisors, each to the Company and the Book Running Lead Managers, can assume that there is no change to the above information.

All capitalized terms used herein and not specifically defined shall have the same meaning as ascribed to them in the Offer Documents.

Yours faithfully

**For M/s P R S V & Co. LLP,  
Chartered Accountants  
ICAI Firm Registration Number: S200016**

**Partner: Y. Venkateswarlu  
Membership No. 222068  
Place: Hyderabad  
UDIN: 23222068BGTVZJ9010**



Cc:

**Legal Counsel to the Company as to Indian Law  
S&R Associates  
One World Center  
1403 Tower 2 B 841  
Senapati Bapat Marg,  
Lower Parel, Mumbai 400 013  
Maharashtra, India**

**P R S V & Co. LLP**

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Hyderabad - 500 016.

**Legal Counsel to the Book Running Lead Managers as to Indian Law**

**Trilegal**

One World Centre

10th Floor, Tower 2A & 2B,

Senapati Bapat Marg,

Lower Parel (West),

Mumbai - 400 013

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### **SCHEDULE 1**

For calculation of WACA and identification of underlying transactions as described in (I) – (A), (B) and (C), we have performed the following procedures:

- (i) Obtain the list of Promoter, Promoter group, selling shareholder and share holder(s) having the right to nominate the director(s) as defined under ICDR regulations from the management of the Company
- (ii) Verified the details of primary issuance made by the Company relevant allotment forms, statutory registers of the Company filed with ROC
- (iii) Verified the details of secondary acquisition / sale / transfer in respect of Promoter, promoter group, selling shareholder and shareholder(s) having the right to nominate director(s) from share transfer forms, demat transfer statements, depository instruction slips and other documents and accounts as may be deemed relevant
- (iv) Relied on the details confirmation provided by the Company viz. details of ESOPs

For the purpose of calculation of *of the fully diluted paid-up share capital of the Company (calculated based on the pre-Offer capital before such transaction/s and excluding employee stock options granted but not vested), in a single transaction or multiple transactions combined together over a span of rolling 30 days*, criteria, only forward 30 days allotment/transactions have been considered.

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## **SCHEDULE 2**

To evaluate the accuracy, validity and completeness of KPIs:

We have compared the amounts in the relevant **Annexure** hereto to the corresponding amounts appearing in the restated financial statements, accounting records, other financial and / or operational records and registers, including, management records, internal financial and operational reports, reports used for periodic MIS reporting, and other applicable committees and any other relevant records and documents of the company necessary or required for verification of the relevant information, and found all such amounts to be in agreement.

In relation to the details with respect to comparison with peer group Companies, we have relied on the industry report from Frost & Sullivan that states the following: *“The Company does not have any listed direct competitors or peers in India”*

**Annexure A**

**1. Basic and diluted Earnings per Share (“EPS”) at face value of ₹1 each:**

Financial Year	Basic EPS (₹)	Diluted EPS (₹)	Weight
2023	2.48	2.46	3
2022	4.57	4.57	2
2021	2.11	2.11	1
<b>Weighted Average</b>	<b>3.12</b>	<b>3.11</b>	<b>6</b>

\* Not annualised

Notes:

1. Weighted average = Aggregate of year-wise weighted EPS divided by the aggregate of weights, i.e. (EPS x weight) for each year divided by the total of weights.
2. Basic and diluted EPS are based on the Restated Financial Information.
3. The face value of each Equity Share is ₹1.
4. Earnings per Share (₹) = Profit after tax excluding exceptional items before other comprehensive income attributable to equity shareholders for the year divided by the weighted average no. of equity shares.
5. Basic EPS and diluted EPS calculations are in accordance with the relevant accounting standard.
6. The above statement should be read with significant accounting policies and the notes to the Restated Financial Information.
7. The above has been calculated after taking into account the effect of the: (i) sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each pursuant to a resolution passed by the Board at their meeting dated July 14, 2022 and the Shareholders at their extraordinary general meeting dated July 27, 2022, and (ii) bonus issue in the ratio of 50 Equity Shares for every 1 Equity Share held in our Company pursuant to a resolution passed by the Board at their meeting dated July 28, 2022.

**2. Price/Earning Ratio in relation to Price Band of ₹[●] to ₹[●] per equity share:**

Particulars	P/E at the Floor Price (no. of times)*	P/E at the Cap Price (no. of times)*
P/E ratio based on basic EPS for Fiscal, 2023	[●]	[●]
P/E ratio based on diluted EPS for Fiscal, 2023	[●]	[●]

\*To be updated at Prospectus stage.

**3. Industry Peer Group Price / Earning P/E ratio**

There are no Indian listed companies or global listed companies that are of comparable size, belong to the same industry as us or with a business model similar to that of our Company.

**4. Average return on Net Worth (“RoNW”)**

Financial Year	RoNW (%)	Weight
2023	46.98	3
2022	(1,178.22)	2
2021	(42.44)	1
<b>Weighted Average</b>	<b>(376.32)</b>	<b>6</b>

Notes:

1. Return on Net Worth (%) is calculated as profit after tax attributable to the equity shareholders of the Company divided by total as equity as of respective year end. Total equity = equity share capital + instruments entirely equity in nature + other equity.
2. Weighted Average = Aggregate of year-wise weighted RoNW divided by the aggregate of weights, i.e., (RoNW x Weight) for each year/total of weights.

3. The above statement has been calculated after taking into account the effect of the: (i) sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each pursuant to a resolution passed by the Board at their meeting dated July 14, 2022 and the Shareholders at their extraordinary general meeting dated July 27, 2022, and (ii) bonus issue in the ratio of 50 Equity Shares for every 1 Equity Share held in our Company pursuant to a resolution passed by the Board at their meeting dated July 28, 2022.

#### 5. Net Asset Value (“NAV”) per Equity Share (face value of ₹1 each)

Financial Year	Net Asset Value per equity share (₹)
For the Financial Year ended March 31, 2023	5.29
After the completion of the Offer	
- At the Floor Price	●
- At the Cap Price	●
- Offer Price	●

\* Not annualized

Notes:

- (1) Net asset value per equity share is calculated as net worth as of the end of relevant year divided by the number of equity shares outstanding at the end of the year. Net worth represents aggregate value of equity share capital, instruments entirely equity in nature and other equity and are based on Restated Financial Information.
- (2) The above has been calculated after taking into account the effect of the: (i) sub-division of equity shares of face value of ₹10 each to equity shares of face value of ₹1 each pursuant to a resolution passed by the Board at their meeting dated July 14, 2022 and the Shareholders at their extraordinary general meeting dated July 27, 2022, and (ii) bonus issue in the ratio of 50 Equity Shares for every 1 Equity Share held in our Company pursuant to a resolution passed by the Board at their meeting dated July 28, 2022..
- (3) As adjusted for the bonus issuance dated July 28, 2022.

#### 6. Key Performance Indicators

The table below sets forth the details of the certain key financial performance indicators which have been approved by the Audit Committee pursuant to its resolution dated September 08, 2023

S. No.	Metric	As of and for the Fiscal		
		2023	2022	2021
1.	Revenue from operations (₹ million)	5,534.60	3,712.55	2,399.66
2.	Gross profit <sup>(1)</sup> (₹ million)	2,181.38	2,151.15	1,944.48
3.	Gross margin <sup>(2)</sup> (%)	39.41	57.94	81.03
4.	EBITDA <sup>(3)</sup> (₹ million)	480.96	598.54	276.27
5.	Profit/ (loss) after tax for the year/ period (₹ million)	229.01	419.21	193.30
6.	EBITDA Margin <sup>(4)</sup> (%)	8.69	16.12	11.51
7.	Net Profit Ratio/Margin <sup>(5)</sup>	4.14	11.29	8.06
8.	Return on Equity (RoE) <sup>(6)</sup> (%)	46.98	(1,178.22)	(42.44)
9.	Debt to Equity Ratio <sup>(7)</sup>	2.48	(18.12)	(1.52)
10.	Interest Coverage Ratio <sup>(8)</sup>	6.30	18.00	6.21
11.	Debt Service Coverage Ratio <sup>(9)</sup>	2.66	5.17	4.63
12.	Current Ratio <sup>(10)</sup>	1.49	1.46	0.55
13.	Net Capital Turnover Ratio <sup>(11)</sup>	9.52	19.05	(8.00)
14.	Return on Net Worth <sup>(12)</sup> (%)	46.98	(1,178.22)	(42.44)

Notes:

\* The Audit committee in its resolution dated September 08, 2023, has confirmed that the Company has not disclosed any KPIs to any investors at any point of time during the three years preceding the date of this Red Herring Prospectus other than as disclosed in this section.

1. Gross profit includes subscription fees, Program Fees, Propel platform revenue/gift cards, merchant revenue and value added services fees earned reduced by customer support, software support, network charges, costs of propel points/gift cards and other direct costs. Merchant revenues refers to the commission paid by merchants to the Company for increasing footfall in their stores and driving spends to such merchants. Value added services fees refers to the fees the Company earns by offering third party services to existing User base through the app/ platform. For example, a finder's fee for a loan disbursed through a VAS partner to a User from one of the corporates/ SMBs.
2. Gross margin refers to gross profit as a % of total revenues earned during a financial year.



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3. *EBITDA refers to earnings before interest, taxes, depreciation and amortisation. EBITDA excludes other income but includes reversal of provision for doubtful debts.*
4. *EBITDA Margin refers to EBITDA during a given period as a percentage of revenue from operations during that period.*
5. *Net Profit Ratio/Margin quantifies our efficiency in generating profits from our revenue and is calculated by dividing our net profit after taxes by our revenue from operations.*
6. *Return on equity (RoE) is equal to profit for the year divided by the total equity during that period and is expressed as a percentage.*
7. *Debt to equity ratio is calculated by dividing the debt (i.e., borrowings (current and non-current) and current maturities of long-term-borrowings) by total equity (which includes issued capital and all other equity reserves).*
8. *Interest Coverage Ratio measures our ability to make interest payments from available earnings and is calculated by dividing cash profit after tax plus interest payment by interest payment. Cash profit after tax is the sum of profit before tax and depreciation and amortisation expense but excludes current tax.*
9. *Debt Service Coverage Ratio measures our ability to meet principal and interest payment obligations from available earnings and is calculated by dividing the sum of (i) earnings available for debt-service, i.e., the profit after tax, (ii) depreciation, (iii) interest, (iv) loss on sale of assets; by the sum of (i) interest and (ii) principal repayment (which excludes repayment of optionally convertible debentures pursuant to the term loan availed from ICICI Bank Limited) during the year.*
10. *Current Ratio is a liquidity ratio that measures our ability to pay short-term obligations (those which are due within one year) and is calculated by dividing the current assets by current liabilities.*
11. *Net Capital Turnover Ratio quantifies our effectiveness in utilizing our working capital and is calculated by dividing our revenue from operations by our working capital (i.e., current assets less current liabilities).*
12. *Return on Net Worth (RoNW) is a measure of profitability (expressed in percentage) and is defined as net profit after tax attributable to our equity shareholders divided by the Total Equity for the year.*

Further, set forth below are some of the key operational performance indicators as of and for the periods indicated which have been approved the Audit Committee pursuant to its resolution dated September 08, 2023.

S. No.	Metric	Unit	As of and for the Fiscal		
			2023	2022	2021
1.	Platform fee / SaaS fee / Service fee <sup>(1)</sup>	₹ million	242.32	166.30	129.23
	Program Fees <sup>(2)</sup>	₹ million	1,694.53	2,007.03	1,954.89
2.					
3.	Propel platform revenue/gift cards <sup>(3)</sup>	₹ million	3,597.75	1,539.22	315.54
4.	Total Customers catered to	#	2411	1,753	1,092
5.	Aggregate Users on the platform <sup>(4)</sup>	#	22,74,138	1,723,350	904,713
6.	Average Users per account <sup>(5)</sup>	#	943	983	828
7.	Customer Acquisition and Retention Cost <sup>(6)</sup>	₹ million	327.40	185.83	136.17
8.	Customer Acquisition and Retention Cost per Customer <sup>(7)</sup>	₹ million	0.50	0.28	0.20
9.	Cash back expense per ₹1 earned from revenue from operations <sup>(8)</sup>	₹	0.18	0.32	0.58
10.	Churn <sup>(9)</sup>	%	1.54	0.37	1.17
11.	Average revenue per customer (annualised)	₹ million	2.30	2.12	2.20
12.	Number of new Customers added during the year	#	685	665	670

Notes:

The Audit committee in its resolution dated September 08, 2023 has confirmed that the Company has not disclosed any KPIs to any investors at any point of time during the three years preceding the date of this Red Herring Prospectus other than as disclosed in this section.

1. *Platform fee / SaaS fee / Service fee refers to all fee income received by our Company from the Customers, including the fixed monthly subscription fees paid by our Customers on a per User basis and any one-time setup fees and any other fees that may be levied from time to time by our Company to the Customers.*
2. *Program fees refers to the sum of (i) interchange fees earned on the spend that Users make on the cards; (ii) any other income which we receive from our Preferred Banking Partners and Payment Networks; and (iii) inactivity fees which is earned on the balance amount left on the cards..*

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3. *Propel platform revenue/gift cards refers to revenue which is received from our Customers for issuing reward points (Propel points) to Customers' employees and channel partners.*
4. *Aggregate Users on the platform refers to the total number of Users served by our Company as on date.*
5. *Average Users per account refers to the total number of Users divided by total number of Customers.*
6. *Customer acquisition and retention cost refers to digital marketing campaign costs, business promotion costs, feet on the street (FOS) and strategic partnership team salaries costs and other advertisement and marketing costs incurred for all the new customers added in the business in the period.*
7. *Acquisition and retention cost per Customer is calculated as customer acquisition and retention cost divided by the number of new Customers added during the period.*
8. *Cash back expense per ₹1 earned from revenue from operations is calculated as revenue from operations divided by expenses towards incentives and cash back.*
9. *Churn refers to corporates and SMB customers discontinuing their subscription and other services on our platform.*

## **7. Comparison with listed industry peers**

The Company is among a small number of uniquely positioned players with a diversified product offering and is placed at the intersection of the SaaS and fintech ecosystems. Given the business model and its diversified product portfolio, there are no direct listed companies in India, or internationally, whose business portfolio is comparable with that of the business and comparable to the scale of operations. Hence, it is not possible to provide an industry comparison in relation to the Company.