



# “Zaggle Prepaid Ocean Services Limited Q1 Earnings Conference Call”

**July 30, 2024**

E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on July 30 2024, will prevail.



**MANAGEMENT: MR. RAJ P. NARAYANAM -- FOUNDER & EXECUTIVE  
CHAIRMAN, ZAGGLE PREPAID OCEAN SERVICES  
LIMITED  
MR. AVINASH GODKHINDI – MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER, ZAGGLE PREPAID OCEAN  
SERVICES LIMITED  
MR. ADITYA KUMAR – CHIEF FINANCIAL OFFICER,  
ZAGGLE PREPAID OCEAN SERVICES LIMITED**

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

**Moderator:** Ladies and gentlemen, good day and welcome to Q1 FY25 Results Conference Call of Zaggle Prepaid Ocean Services Limited hosted by Equirus Securities.

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

As a reminder, all 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 call, please press “\*” then “0” on your touchtone phone. Please note that this conference is being recorded.

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

**Rohan Mandora:** Thanks, Shlok. Good afternoon, everyone, and thank you for joining the call.

I extend a very warm welcome to everyone. On behalf of Equirus, I welcome the management of Zaggle Prepaid Ocean Services Limited to give a Brief Update on the 1Q FY25 Results and address investor questions. We have with us from the Management Team, Mr. Raj P. 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 can have Q&A. Thank you, and over to you, sir.

**Raj Narayanam:** Thank you, Rohan. Very good evening to everyone and thank you for joining the Earnings Call for Zaggle Prepaid Ocean Services Limited for the 1st Quarter 2025.

On behalf of the Company, I extend a very warm welcome to everyone. On this call, we are joined by Mr. Avinash Godkhindi – MD and CEO of Zaggle; Mr. Aditya Kumar – our CFO; and SGA, our Investor Relations Advisor. The Financial Results, Press Release and Investor Presentation are uploaded on the Stock Exchanges and on the Company website. I hope everybody had a chance to take a look at it.

At the start of every Financial Year, I remember our humble beginnings in 2011, when we decided to embark on a journey to digitize corporate spends. We built our business on 4 tenets, which were very close to my heart. And these were that every business what we build should be scalable, should be tech focused, global in nature, and we should have some experience in it.

Every year since the inception, we have grown at a steady and healthy pace. And this journey reached a crucial milestone when we got listed on the stock exchanges in September of 2023. It has been almost a year and we are very happy that we have been able to create value for our

shareholders. But let me assure you that this is just the beginning. We, as a team, are committed to create sustainable scale of the business and constantly work towards increasing stakeholders' value. With this, I will also briefly touch upon the business updates.

Very, very happy and pleased to see that Zaggle has started the Financial Year on a high note, delivering a very strong performance in the 1st Quarter of FY25, and this is higher than what internally we had expected.

For Q1 FY25 ending June 30, 2024, I am pleased to inform that the revenue grew at a healthy rate of 113% on a Y-o-Y basis. Our adjusted EBITDA registered a growth of 85% on Y-o-Y basis. If you look at our total revenue of Q1 FY25, Q1 FY24, in '24 we did Rs. 118.4 crores, against that we have done Rs.252.2 crores. Our adjusted EBITDA, which was Rs. 13.8 crores, is Rs. 25.5 crores.

And we are very pleased that this is something which we had anticipated that as we grow into the season and typically, as you are aware that Zaggle has a seasonality where 35% to 40% of our business comes in the first 2 quarters, which is H1, and about 60% to 65% comes in H2, which is the Q3 and Q4.

Now, I would like to give you a little bit of industry and Zaggle Update:

The future of spend management is poised for significant evolution, driven by advancements in technology, by increased focus on digitization, changing workforce dynamics, and the increasing need for financial transparency and control. Corporate customers are looking for AI-enabled solutions that provide enhanced visibility, automation, advanced compliance, increased collaboration, and personalized spend control to improve efficiency, productivity, and optimize cost.

I also want to take a use case, which I think all of you would be able to relate with it very closely, is that when we work with our clients, the whole idea there is to garner deep customer insights. The engagement with the client helps us to continue to enrich our offerings by exploring various use cases and aligning our strategy with an evolving marketplace. One such example is our petty cash solution for enterprise customers to manage corporate tailspends. And here, I will give you the example of a Company, our very large enterprise customer.

The Central Finance Team of a large enterprise customer was facing a lot of challenges in managing petty cash expenses for its multiple business units, multiple locations, various expense categories, leading to reconciliation issue, wastage of time, monetary losses, and leakages. What we created was a beautiful generic solution involving a comprehensive budget module with centralized control and reconciliation processes. Zaggle's petty cash solution is configurable to map complex organizational hierarchy and could be clubbed with multiple payment modes such as prepaid card, corporate card, and UPI. This helped our customer to digitize its entire petty cash management process. The Central Finance Team can now gain centralized control and real-time visibility into petty cash expenditure across all departments, locations, and expense

categories. Zaggle application has been able to empower them to implement organizational controls, enhance efficiencies, and optimize costs.

By strategically broadening our solutions, we have been able to cater to a broader spectrum of customer needs and preferences, thereby fortifying our competitive position and capturing new market segments. And this is a solution which can be put horizontally across industries, whether it is FMCG, it is manufacturing, it is financial services, or any such industry. So, this is a very comprehensive generic solution which has been built. Our efforts have shown results in the quarterly numbers and in the robust pipeline of potential enterprise customers. We intend to double down on our efforts to garner a larger market share and serve diverse enterprise customer base.

The growing adoption of AI machine learning has proved to be a game changer for Zaggle and the spend management industry as a whole. Zaggle's AI-driven chatbot called RazBot is powered with NLP, which is natural language processing, and machine learning to auto detect intent from a user's query and intelligently map these queries to body of knowledge. We intend to increase the expanse of usage for our AI bot across different business functions to enable intelligent decision making.

As mentioned in the last quarter, we are augmenting our OCR, which is Optical Character Recognition modules, with AI capabilities so that we go beyond simply digitizing information to contextualizing it. Duplication and tampering of invoices, bills are a key concern for finance back offices as they review expense reports from employees, contractors, and vendors. We are developing means to detect such attempts through computer vision algorithms and logical business rules. Moreover, 5%-15% of the bills attached to expense reports are fraudulent. So, by catching these at OCR level, we are able to save substantial cost to companies. In expense management, receipt bills come from a non-finite set of formats. Because of this unpredictable nature, the Optical Character Recognition accuracy stays low.

We are enabling a human feedback loop to reinforce the learning of our OCR plus AI model with every user interaction and push our accuracy levels higher. We are targeting an accuracy rate of above 95%, and in cases where our models are uncertain over the values, we plan to send out confidence levels back to the users so that they can review and update as needed. We are further optimizing our OCR models to consistently bring down the processing time to under 3-5 seconds.

Now I would take the opportunity to give you the guidance and narrative:

We expect our current performance to continue in the coming quarters, supported by an increased customer base, newer use cases, deeper penetration into the existing customers, and cross-selling of our solution. I am tempted to say that FY25 will be higher than our old guidance, but do not want to revise it now, but will definitely revisit after the Q2 Results.

So, with that, I would want to reiterate our guidance for the Fiscal Year as 45% to 55% revenue growth over the previous fiscal year. We remain very confident of doubling our FY24 revenues, which were Rs. 775 crores, to double in the next two years.

We envision Zoyer as a key driver for future growth, and we project that by FY26-27, its contribution to total revenue will increase to anywhere between 40%-50% of overall Zaggle's revenue. Profitability focus is part of our DNA. We expect our adjusted EBITDA to hold steady around current levels. Every effort is being made to increase the adjusted EBITDA to expand to 15%-16% by FY27-28.

Now, I will give you the future growth plan:

We continue to explore inorganic opportunities with companies in the spend management space, but EBITDA-accretive Company's opportunities in these areas are not easily available, which all of us know. We are in active discussions with a few players across synergistic domains like payments, B2B SaaS, NBFCs, etc., These companies are either EBITDA-accretive or product-accretive or the ones who will give us access to newer geographies. These potential acquisitions would help Zaggle to scale faster. As per our previous conversation, we continue to work on our U.S. entry strategy and are actively exploring both organic and inorganic routes for this expansion.

With this, I now hand over to our CEO – Avinash, to take you through business updates.

**Avinash Godkhindi:**

Good evening, everyone. Thank you, Raj. We have presented a very healthy set of figures, thanks to the robust customer demand and our ever-developing market leadership in the space of spend Management.

Our revenues from SaaS fees, program fees, and Propel platform revenue have grown steadily by 20%, 165%, and 84% respectively on a year-on-year basis.

Our customers appreciate Zaggle's ability to provide a suite of solutions in the spend management space through SAVE, our employee expense management and benefits platform; Propel, our channel incentive platform; and Zoyer, which is our accounts payable solution. All 3 of these are bundled with our payment instruments, whether it's our corporate credit cards or our prepaid cards as a payment instrument. This helps our customers save on time, effort, and cost. In turn, this benefits Zaggle with higher customer stickiness, and we become a partner of choice for our enterprise customers.

One of the key factors contributing to our performance is our strategic approach in identifying and prioritizing high-impact use cases, which helps us drive growth and unlock new opportunities. A prime example of our success in this area is the fleet management solution, which we developed for one of our clients a few quarters ago. We see this as an attractive, untapped space in the country, and we are confident to onboard many more clients on this solution, pilots for which are already underway with multiple other customers.

We endeavor to build symbiotic business relationships and believe in partnering with various industry players to stitch value-accretive use cases. Cross-border payments are an important spends category, and we are entering into this space through a strategic partnership with Skydo Technologies. This partnership would help us facilitate cross-border payments for export businesses of our customers. We see this segment bringing us fruitful results in the coming quarters. Overall, Forex payments are a huge opportunity with significant profit pools, and currently we are working on partnerships and API integrations to offer this solution. Travel is an important element of corporate spends, and we are looking to tap into this space with our key partnerships with EaseMyTrip, Riya, Yatra, amongst others.

The above factors have helped us expand our enterprise corporate base. In this quarter, we have added about 100 new customers. As a strategy, we aim to onboard large enterprise accounts where we have higher revenues and profit potentials. I also want to share with you some of the awards that we have received this quarter.

I am very proud and happy to share that we have won many awards this last quarter. Our Chairman, Mr. Raj, was awarded the Fintech Leader of the Year by Business World. We were also awarded as a Company the Best Spend Management System and the Best Card Initiative for Zaggle ZatiX in the 11th edition Payments Industry Awards by KamiKaze B2B Media. Zaggle also won the Fintech Brand of the Year award by Business World. Overall, if you look at it, these awards are a testament of Zaggle's commitment towards innovation, customer centricity, and it motivates us to go the extra mile in providing the best-in-class solutions to our customers.

I now hand it over to our CFO, Aditya, to take you through some Financial Updates.

**Aditya Kumar:**

Thank you, Avinash, and a warm welcome to everyone on this Call.

We are proud to report that the Company has posted another strong set of Results in the 1st Quarter, with continued improvement across all the key Operating and Financial Metrics, contributing to robust revenue growth and margin expansion on a Y-o-Y basis. Steady performance on the top line and bottom line in a seasonally soft quarter underlines the strength of the business model and the value we are delivering to our customers.

I would like to provide an overview of our "Quarterly Financial Performance":

On a Y-o-Y basis, our business reported a revenue of Rs. 252.21 crore with a healthy growth of 112.9%. We had well-rounded growth from all 3 revenue line items, with program fee contributing 50% of total revenue. This is driven by growth in Zoyer business, which was not present in the same quarter of the previous year. Typically, we experience seasonality in our business, with H2 being stronger due to elevated volume of transactions owing to year-end tax planning and various vendor payments. This explains the sequential drop in different metrics in Q1 FY25.

During the quarter, our gross profit margin expanded by 5 percentage points, resulting in 133.8% per cent growth on Y-o-Y basis. This improvement is largely on account of change in revenue mix, with increase in program fee contribution.

Our adjusted EBITDA for the quarter grew by 85.3% on Y-o-Y basis to Rs. 25.5 crore. Our employee cost grew by 35.1% and OPEX grew by 13.4% on Y-o-Y basis, in line with increase in business. Our cash PAT grew 2.2x compared to last year, coming to Rs. 22 crores, up from Rs. 9.9 crore, which includes net profit along with depreciation and ESOP. We expect the ESOP cost for this year to be in the range of Rs. 7 crores to 9 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 Amit J. from Jawade & Partners. Please go ahead.

**Amit J:** Sir, thank you for the opportunity and congratulations to one and all for a robust set of numbers. I have a very basic question. Obviously, the finances and all are very good for the quarter. I myself am a user of a Zaggle card, but I just wanted to understand, a very layman's terms, how the Company is earning its revenues. Like, when you issue the card, do you get paid per card basis or on the percentage of some spend? That is number one. It is a basic question and some differentiation on what you call as the platform business and what you call as the card business. So, just basic questions, please. Thank you.

**Avinash Godkhindi:** Thank you, Amit, for your question. So, how we earn revenues is very simple. We earn revenues in 2 ways, 2 broad buckets. One is through software fees that we charge to our corporate customers. This is typically a per user per month fee that we charge. It also includes some one-time fees that we may charge for the setup, etc., And then the second is through transactions that happen on the payment instrument, whether it's a corporate credit card or a prepaid card. And every time you spend on the card, there is a certain amount of interchange that is generated. This interchange is shared between the issuing bank and Zaggle. Our share typically is in the range of about 90% depending on our commercials with partner banks. And for every spend, we earn anywhere between 1.7% to 1.8% of the spend. So, if Rs. 100 is spent, we earn anywhere in the range of Rs. 1.7 to Rs. 1.8, right?

To your second question, what is the program fee and platform fee. Platform fees largely are software fees that we charge as the SaaS fees. On the program fees, a very large component of program fees is the interchange that is generated on every card swipe. It also includes some incentives that we get from banks and networks like Visa, Rupay, Mastercard, etc., for the volume of spends that we generate.

**Amit J:** And sir, so from the perspective of the Company, which is availing your services, one is, as you rightly suggested, that the spend management, visibility in what they are spending is there, but do they also have any tax benefit by using your cards?

**Avinash Godkhindi:** So, the tax benefit is to the employees of these companies. These are employees who avail tax benefit for meal allowance, leave travel allowance, internet, mobile, books and periodicals, driver's salary. The CBDT offers multiple categories of tax benefits. Most of these categories typically don't get availed because either the Company is not offering it because there's no digital solution provider like Zaggle there, or the whole experience is broken and non-digital. So, we provide a digital solution to these companies to be able to offer employee benefits to their employees.

**Amit J:** Okay, but they still can avail these benefits even if they don't use the card. Card is just to make it easier. Is that right?

**Avinash Godkhindi:** So, typically, the card in this case is a prepaid card with multiple wallets, and each of those wallets is restricted to spend categories like meal, mobile, internet, books and periodicals, etc.,. The easiest way of availing this benefit is by taking the card. There could be potential ways of getting this as a reimbursement for certain categories, like an LTA, etc., which we offer. But largely, we recommend to our corporate customers that this is driven through a multi-wallet card. We offer a card with 99 wallets, and that's the option that companies typically choose.

**Moderator:** The next question is from the line of Aditya Joshi from DSP Fund Managers. Please go ahead.

**Aditya Joshi:** First of all, congratulations for a great set of numbers. Sir, my question is with respect to the gross margin improvement. Sir, can you share the product mix change versus last year or Q-o-Q, which has led this?

**Avinash Godkhindi:** The gross margin mix has improved because the program fees have grown a lot. And the program fees have grown significantly because we have started to clock significant revenues from Zoyer, right? About 40% of the program fees this quarter is coming from Zoyer, right? And Zoyer, last year for Q1, the revenues were negligible, right? So, that's the key differentiator here.

**Aditya Joshi:** The next question is with respect to the duration. Can you share the average duration of contract that you have with your corporate banks?

**Avinash Godkhindi:** So, typically, the duration is anywhere in the range of 3 to 5 years. There are some contracts which run into perpetuity as well. And there are some contracts which are shorter duration. But typically, the contract duration is 3 to 5 years.

**Aditya Joshi:** All right. And lastly, what are your plans for international expansion?

**Avinash Godkhindi:** So, international expansion, as Raj also mentioned, is something which is very much on the top of our mind, and we are working on it. Our focus is clearly the US market. We are looking at both organic and inorganic opportunities to be able to enter the US market. We want to get the product market fit and the go-to-market strategy right. And that is where we are investing a significant amount of time and effort in getting that combination right.



- Aditya Joshi:** And lastly, from my side, any guidance you want to share with us for FY25?
- Avinash Godkhindi:** So, we have already shared a guidance of 45% to 55% growth for this FY. As again, Mr. Raj mentioned, we are very tempted to up this guidance. But right now, we will refrain from doing that. And maybe we will look to revise the guidance in Q2.
- Moderator:** The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** Just a few clarifications. I mean, we mentioned in our opening remarks that we expect our adjusted EBITDA margins to hold steady around the current level. So, this year, we are looking at about 10% kind of EBITDA margin, I mean, the one which we have achieved in the 1st Quarter?
- Avinash Godkhindi:** Yes, that's the range that we are looking at.
- Deepak Poddar:** So, 10% kind of EBITDA margin. And whatever guidance we have given, I mean, 45% to 55%. So, that is purely an organic effort, right? And also doubling the revenue in the next 2 years. So, we have not factored in any kind of inorganic acquisition or aspiration that we are having. I was just trying to ask that the guidance that we have given is purely an organic effort or any kind of inorganic aspiration that we have is also factored in the growth outlook we have given.
- Avinash Godkhindi:** Deepak, this is organic that we are talking of. Any inorganic growth would be over and above this.
- Moderator:** The next question is from the line of Ankush Agarwal from Surge Capital. Please go ahead.
- Ankush Agarwal:** First question is about seasonality. So, I wanted to know that with Zoyer coming in, does that reduce seasonality a little bit in a business compared to the past, given that Zoyer brings a lot of general expenses or spends into the table versus, say, Save or Propel, which are much more employee benefit and incentives, which would typically come in festive and year-end. The reason for asking this question is because Q1 is almost equal to Q4, which is huge. So, can you share a bit about it? Has Zoyer started reducing seasonality a bit? Because I think the presentation also states that Q4 and Q1 are heavy. Not sure whether it's typo or it's actual change that you have seen.
- Avinash Godkhindi:** You are right that the business has clear seasonality. Historically, it would be anywhere between 35 to 40 percent in H1 and 60 to 65 percent in H2. Zoyer, the seasonality is there, but not as pronounced as Propel and Save. So, overall, the seasonality would come down a bit. But there is a natural seasonality for a couple of reasons that companies grow. So, H2 would always be higher. We are a growing economy. Second reason is that typically spends across categories tend to happen in H2 more because business picks up more then. And also, your submissions of claims, etc., and incentives go up in H2. But you are right that Zoyer has a lower seasonality tendency compared to Propel and Save.

**Ankush Agarwal:** So, on the presentation Page 10, I believe it's a typo when you say Q4 and Q1 are heavy revenue quarters.

**Avinash Godkhindi:** Yes, that's a typo, Ankush.

**Ankush Agarwal:** The second question is on the M&A. So, I think a month or so back, the chairman on a TV interview was talking about M&A. And the talk was around a large M&A. I think Rs. 400 crores revenue was a number, if I remember correctly. So, I wanted to understand, are we looking for that kind of size of M&A? And what kind of opportunities are there? Like where do they fit in our overall business? Like would they expand the product portfolio, deepen the product portfolio, or some additional existing businesses all together, if you can provide some clarity? Because I think the chairman is talking about closing something in Q3 of this year.

**Avinash Godkhindi:** Yes, we are. We are looking to try and close something in the second half, preferably Q3. We are looking at opportunities across sizes. Some of them are tuck-ins, as he had mentioned in his interview as well, and others are larger opportunities. As you would appreciate, Ankush, larger opportunities always take more time to assess. We are also a Company which looks at these opportunities very carefully. We either look for these opportunities to add to our product portfolio and be EBITDA accretive, or at least one of the two, or provide us access to newer geographies. So, we are looking at a range of opportunities. We are not restricting ourselves. But we are looking for opportunities where we are getting significant value at a reasonable price. Those are the factors that we are looking at.

**Ankush Agarwal:** Sir, the third question I want to ask is, so if I observe you correctly and one of your peers in the US, so basically the overall trend is, once you have access to the business trends of a corporate, you basically try to capture more value out of those spends. So, for example, like travel, you have started partnering with travel OTAs to capture bookings directly through you or through your referral to get an additional, say, a referral fee or something out of that. Forex is another place that you have done it. Fuel is something that you are looking at. So, what else kind of material trends that are there that could be captured more value from in the future according to you?

**Avinash Godkhindi:** So, there are a wide range of spend categories, and as companies grow and opportunities in the overall ecosystem grow, the spend categories grow. For example, a decade ago, we hardly had any cloud spends, we hardly had any marketing spends for social media, etc., These are new categories which are growing very rapidly, right? Subscription fees and subscriptions for SaaS software is another such category. So, we are seeing a wide range of categories which are coming in. There are also a lot of categories which are coming into play, Ankush, which are historically not in play because India is getting more and more digitized. For example, fleet. A decade ago, fleet was, people thought here only cash will work. That was the thought process probably a decade or a decade and a half ago. But today, very clearly, with a lot of regulation coming in and a lot of opportunity to be able to digitize coming in, so both things happening, the stick and

the carrot. It seems to be like a no-brainer across-board for fleet owners and solution providers like us to be able to stitch up a solution for that use case.

**Moderator:** The next question is from the line of Shreyash K. from Equirus. Please go ahead.

**Shreyash K.:** So, my question was around the customer base that we have acquired for Zoyer and the split of this customer base between new to Zaggle customers and the existing Save or Propel customers that you have.

**Avinash Godkhindi:** So, we have a large base that is developing in Zoyer. Zoyer also has a tendency where once you penetrate into a corporate, the opportunity to be able to get a larger pie of their spends fairly quickly is much higher because the decision makers are essentially the CFO and her team, right? And if vendor payments have to happen this way, that's the decision that they take, and a large number of payments then move on to the platform. It's a mix of cross-sell to our Save and Propel base and a decent number of new acquisitions as well. So, it's a combination of both where we are seeing new acquisitions, and we are also seeing reverse. We are seeing customers who have come in as Zoyer customers now really pick up a Save opportunity or a Propel opportunity as well.

**Shreyash K.:** Sir, can you give a rough split of the new customers versus your existing customers in Zoyer?

**Avinash Godkhindi:** So, it would be about give or take about 50:50 today, right, in terms of split.

**Shreyash K.:** And what is the average employee base that is getting added per customer?

**Avinash Godkhindi:** So, that also is a number that's growing year on year because we are focusing more on larger enterprises and that is about 925 right now.

**Shreyash K.:** And lastly, I wanted to know the revenue split among Zoyer, Save and Propel and the incentive split as well for FY24 and 1Q FY25, if you could share those numbers?

**Avinash Godkhindi:** So, if you are looking at Zoyer split versus Save and Propel, Zoyer on the program fees, about Rs. 47 crores was Save, about Rs. 27 crores was Propel, about Rs. 54 crores was Zoyer.

**Shreyash K.:** This is for 1Q, right?

**Avinash Godkhindi:** This is Q1 of this year.

**Shreyash K.:** And for FY24?

**Avinash Godkhindi:** FY24, so that would be about Rs. 100 crores in Save, about Rs. 127 crores in Propel and about Rs. 95 crores in Zoyer.

**Shreyash K.:** Sorry, but I will slip in a last question. Would you be able to give the incentive splits as well?

**Avinash Godkhindi:** We will let you know later.

**Moderator:** The next question is from the line of Jaiprakash from Korman Capital. Please go ahead.

**Jaiprakash:** I just wanted to know how Zoyer is different from other Propel as well as Save. Because it seems that it's a corporate credit card and it is maybe used only for vendor payments. So, does it mean that it is used only by very few employees? If you can just throw some light on that.

**Avinash Godkhindi:** So, if you look at the way a corporate overall spends, right, any corporate today spends outside of budgeted CAPEX. There are 3 large categories of segments where they spend. There is employees, there is channel partners, and there are vendors. If you look at a typical Company, vendor payments is the largest bucket amongst these 3, right? In the case of Zoyer you are right. The number of users for Zoyer is lower than Save, number of employees, but the volume of transactions or the size of each transaction is higher because these are vendor payments. These vendors could be vendors across various categories, right? So, for example, utility bills are a vendor. You have vendor payments for petty cash would be a vendor where there are a vast number of long tail vendors. You have your vendors who are for your raw material. You have vendors for, as I mentioned, cloud marketing spends, subscriptions for SaaS software that the Company is using. All of these get classified as vendors.

And this solution of Zoyer coupled with a purchase card or a commercial credit card fits in beautifully for the corporate to be able to digitize these things. Even your GST payments and other statutory payments can be done through the Zoyer platform.

**Jaiprakash:** I was reading about one of the US companies, I think a few of them, and one of the large revenue shares is coming from the fleet. I think you talked about it. So, if you can just talk in India's context, is it a large opportunity or where we are in terms of the maturity of that particular category?

**Avinash Godkhindi:** It's a very large opportunity and it's a growing opportunity because of a variety of reasons. One, as the road network is improving in India, you are seeing more and more goods being transported through the road network, right? And if you look at it, more and more gas providers, CNG providers, fuel providers are coming in who are private players. So, there's an opportunity across both public sector as well as state public sector as well as private to be able to offer this and everybody is looking to garner greater market share. And for example, in FY23, the figure published by the government, for the fleet itself, the spends were about Rs. 73,000 crores, right? So, this was the fuel purchase or fuel consumption alone for fleets.

And that is how large that market is and that market is growing very rapidly. It is largely untapped and it's a space where we are seeing great momentum in terms of different companies partnering with us. We are also seeing interest emerge from automobile companies who want to participate in this ecosystem and a variety of other companies who are looking to run programs through us on this space.

**Jaiprakash:** Just last question. Do you have any integration with this ERP, basically accounting software providers?

**Avinash Godkhindi:** Yes, we integrate with a lot of ERP systems for our corporate customers, yes.

**Jaiprakash:** And is there any revenue sharing with them or it's just the additional value-added service?

**Avinash Godkhindi:** Basically, it's a product integration. By integrating with these ERPs, we are able to do 2 things. One, get on our platform, their cost codes, project codes, location codes, to be able to set accounting budgeting policies about how much people can spend and where. And also, to be able to make direct postings, automatic postings to the ERP on any spends that happen through our platform.

**Moderator:** The next question is from the line of Akhil Gulecha from Pkeday Family Office. Please go ahead.

**Akhil Gulecha:** First of all, congratulations to the Zaggle team on great numbers for this quarter. My first question is on Zoyer. So, can you explain in very simple terms, what is the value proposition of Zoyer for me as a customer? Like, why would I empanel with Zoyer for my vendor payments? What am I getting out of it? And also, could you explain your revenue model there? Is it similar? Is the take rate of 1.8% similar in Zoyer? Or is there anything different out there?

**Avinash Godkhindi:** Thank you for your question. From a corporate perspective, if you look at corporates, there are corporates who don't have a platform for making their vendor payments, who temporarily stop onboarding vendors. This is a common phenomenon that you see in companies where they say, no more vendors to be onboarded for this quarter or this year. Why does that happen, right? I mean, this is simply because managing vendors and managing their payments becomes a nightmare for finance and accounts teams.

If you look at the government rule, that the rule says that, MSMEs should be paid within 45 days. Now, we know that some of the best companies in the country are also not able to adhere to this rule, not because there's an intent issue, but because being able to make sure that the right amount of money is being paid to the right party, when they have complied with the contractual obligations, ascertaining that becomes extremely difficult when you are doing it through email and Excel. Email and Excel works at a small scale. Moment you have more vendors, moment your payouts are larger, this whole process collapses. And I think we have cases where customers have ended up making wrong payments to vendors in absence of a platform. Recovery is a nightmare, because there is no check that happens when a simple RTGS is done, right?

Through the Zoyer platform, you are able to actually ascertain that the person to whom you are trying to make the payment, the vendor, that entity is the one that it is going. There's no repeated typing in on an Excel sheet of the account numbers. I'm going to the low-level details of telling you why this is useful. This saves manpower, this prevents fraud and leakage, this prevents manual errors, and it can be a very significant saving to a Company, not to mention the benefit in terms of driving transparency, driving ESG goals, going paperless, etc., right? So, there are

very significant benefits that companies derive. As you can see, the market has lapped up the product.

From a revenue model, yes, the revenue model is similar. There is software fees, there is transaction income. Software fees right now in Zoyer is relatively low, simply because the product is new and we want it to proliferate. We want the usage to grow. As the time goes, we will ramp up the software fees component also. And the take rates, of course, in credit cards is very much similar to prepaid cards on a corporate card. So, yes, the take rates are also similar.

**Akhil Gulecha:** My second question is, can you just throw a little bit of light on the market landscape for this? So, you've repeatedly said that you are trying to gain market share. So, is there any rough estimate on what is the market share currently and how is it progressing, going ahead? You currently have around 3,100 corporates. How many corporates could you target like 5 years, 10 years down the line? And second part of this, if you could just give a rough number on the growth of per spend of existing cards that is happening at Zaggle?

**Avinash Godkhindi:** So, if you look at the market space, think of it like this, every corporate may or may not have channel partners. Some companies may have very small employee base, but literally every Company has to have vendors, right? If you are in business, you have vendors. And if you have vendors, you have to be making payments to them. So, the market size for a product like Zoyer is much larger than a product like Propel or even Save. The market landscape has largely been open. And some of the RBI actions in the last year or so have really opened up the market. We have chosen a more conservative route of directly integrating with banks and networks and not trying to use a third-party system. And that has helped us a lot while other players in the space had taken the other route, which was probably a shortcut, if I may use the word. We chose the longer path and that has held us in great stead today because our solution is obviously more compliant.

**Akhil Gulecha:** Sir, my second part of the question was, the growth is largely going to come from 2 areas. One is adding new customers as well as increasing spending on existing cards. So, any rough data on how far increasing spending on existing cards is going? Is it going in single digits, double digits, high double digits, low double digits?

**Avinash Godkhindi:** So, existing card spend has grown dramatically. And the reason why I didn't mention that is because historically, our existing card base until the beginning of last year was only prepaid cards. And prepaid cards, there's a limitation of Rs. 2 lakhs per card limit at any given point of time in terms of balance. Here, in corporate credit cards or commercial cards, the spends can run into tens of lakhs, right, to vendors, even crores. So, if I give you that metric, that number would be off the charts and may not be a very metric which is very educative. So, that's the reason why I would refrain to give it. But that metric would be not a few percentage points, but it's many, many, many fold times, right?

**Moderator:** The next question is from the line of Lakshminarayanan from Tunga Investments. Please go ahead.

**Lakshminarayanan:** I just want to understand how much of your revenue is dependent or are directly correlated to MDR revenues? And how you think about that from an opportunity or a risk point of view going ahead?

**Avinash Godkhindi:** The program fees part of the revenue is largely interchange, not MDR. But interchange in some ways does link to MDR. MDR is what the merchant pays, merchant discount rate. Interchange is what the issuing bank gets from the network and the acquiring bank. So, there is a correlation there. By broad basing our revenue streams between Propel points and software revenue and program fees, we believe we are sufficiently derisked. Within program fees also, there is incentive suspense and then there is interchange. And also that interchange has a prepaid component and a credit card component, right? So, we have broad based it as much as we can right now. And we continuously try to increase our revenue split across all 3 so that we are not dependent on any one category.

**Lakshminarayanan:** And this is more relevant for the Propel platform revenue, right, and less for software and program fees? Or is it more interchanges? If there is a change, it will impact program fees or Propel?

**Avinash Godkhindi:** It will impact program fees per se, sir. Program fees is largely interchange.

**Lakshminarayanan:** And Propel is nothing related to interchange, right?

**Avinash Godkhindi:** So, the Propel platform revenue is not linked to interchange, yes.

**Lakshminarayanan:** So, it's only the program that's the business lever which will get possibly a negative impact.

**Avinash Godkhindi:** Propel platform revenue is totally independent. The program fee has interchange component there.

**Lakshminarayanan:** And my second question is related to the number of employees you have on roll. What is it at the end of March and now and how many of them are in the technical side?

**Avinash Godkhindi:** So, March, we had about 303 employees. In end of this quarter, we have a little over 360 employees. About half of them or a little less than half of them are on the technical side.

**Lakshminarayanan:** So, from a sales team, you have increased a lot in the last 1 year or so. Can you just give a color on that?

**Avinash Godkhindi:** Yes. Because the business is growing. We are seeing the opportunity. And so we have increased capacity across all levels and all departments, whether it's engineering, whether it's a tech product, whether it's a business product, whether it's around sales, marketing. So, we have added high quality talent across board.

**Lakshminarayanan:** Can you just give a little bit about the Skydo thing? How it will help us?

**Avinash Godkhindi:** So, if you look at any Company which is to receive payments from an international partner or a customer, right, if you look at it today, there is a lot of friction there, sir. There is a huge amount of fees that companies end up paying. And in spite of that, there are delays. Through the Skydo partnership, we are able to provide a seamless experience at a very affordable cost to these corporates to be able to receive these payments from their customers internationally.

**Lakshminarayanan:** This is mostly for SMEs or is it corporates also use this facility?

**Avinash Godkhindi:** This is corporate customers. Mid-market customers, we see a large opportunity here because a lot of mid-market customers still struggle to have a very seamless solution, especially with more focus on make in India and China plus one. We are seeing more and more companies really be able to accelerate their exports, but they do need to receive payments against that. And in a timely manner to be able to do that, this partnership is extremely helpful.

**Moderator:** The next question is from the line of Bhuvnesh Garg from Magma Ventures. Please go ahead.

**Bhuvnesh Garg:** Thank you for the opportunity. So, a couple of questions from my side. Basic question regarding the product proposition. So, firstly, in terms of our competitors, so if you can mention that who are our main competitors across the various product lines? That's the first thing. And what is our differentiating factor? For example, in Zoyer, what is our differentiating factor versus the competitors? That's my first question.

**Avinash Godkhindi:** Thank you for your question, sir. Overall, there is, in our view, no like-for-like competition for Zaggle in the spend management space in India. Globally, of course, there are providers of solutions in this space, like there's Brex, Ramp, Clio, Corpay, which is earlier called Fleetcor, Vex. There are a lot of those players there. In India, we don't have a direct like-for-like competitor. The reason why we stand to gain over point solution providers in India is because we are horizontal. In one single solution, we are able to provide you both the software as well as the payment instruments, and literally for all the spend categories that a corporate has, employee, vendor, as well as channel partner.

So, think of it from a corporate perspective. If instead of choosing Zaggle, they take individual point solutions from our competition, they could potentially have to have instead of one integration for their ERP and one integration for their HRMS and one integration for their CRM, they could have had to do as many as 6 different integrations for each of these three categories. So, that's 18 different integrations.

The amount of bandwidth that it takes, the amount of checks that they need to make in terms of whether the software is secure, whether the software is compliant, because we are GDPR certified and compliant. We are SOC 1, type 2, SOC 2, ISO 27001, PCI DSS, all the major certifications that are required in our space, we already have them.

**Avinash Godkhindi:** So, that's the benefit that corporates get that they in a single system, in a single platform, they are getting both the payment solution, multiple types of payment solutions, whether it's prepaid



cards, corporate credit cards, UPI, different software solutions, whether it's for employee, vendor, or channel partner, all of it in an integrated solution, which is secure and also the fact that we are a profitable listed Company with 14 top banks as partners gives a lot of comfort and confidence to corporates that we are here to stay and we will be there to serve them for today and tomorrow.

**Bhuvnesh Garg:** So, more like, would it be fair to say, for example, there's a Company called Zoho. So, they also offer, I mean, solutions across different use cases. So, would it be similar to that Company? Would it be fair to say?

**Avinash Godkhindi:** We would not want to mention any other Company. In our case, we are very clearly focused on the spend management space as a SaaS fintech, as a B2B2C SaaS fintech. Zoho, to our understanding, is possibly in a different space. We focus on enterprise and mid-market and they are probably in a different category as a software provider.

**Bhuvnesh Garg:** And in terms of our working groups, for example, our Zoyer platform, so does it work with any corporate card or it will work only with the Zaggle co-branded corporate card?

**Avinash Godkhindi:** The software works independently, whether you use a corporate credit card or you use RTGS, NEFT, UPI, the IMPS, the software has the capability to be able to support everything. The value from the solution gets maximized when you use a card, which is issued by a partner bank of Zaggle because you are then able to automatically reconcile. You are able to actually get the feeds into the Zoyer platform of the card transactions and to be able to set policies, to be able to do analytics around it. So, the value that you will be able to extract from the platform is significantly higher when you use a payment instrument which is brought to you by us. Having said that, the software works perfectly fine with multiple payment instruments and there's a lot of value that can be derived even without using a card issued by a Zaggle partner bank.

**Bhuvnesh Garg:** Sir, in case the card is normal credit card, I mean, not the Zaggle prepaid card, in that case, what is our program fee, sir?

**Avinash Godkhindi:** The program fees would not be there. Then we earn basically from the software.

**Bhuvnesh Garg:** And in case if it is a prepaid, I mean, if it is a Zaggle card, then we would be getting somewhere around 1.7%, 1.8%, right?

**Avinash Godkhindi:** Correct.

**Bhuvnesh Garg:** In case of Zoyer as well?

**Avinash Godkhindi:** Didn't get that last part?

**Bhuvnesh Garg:** In case of Zoyer as well, I mean, in Propel, I understand we used to get 1.7%, 1.8%. I'm asking whether for Zoyer as well, sir, we will be getting the same amount?

**Avinash Godkhindi:** In the similar range, Zoyer has a vast number of use cases. So, if the card is used for making utility bill payments or tax payments, the interchange overall that gets generated is much lower, right? It's because the spend categories are larger, the blended interchange may be lower depending on how the spends are happening across which categories. But the top rate is the same, right?

**Moderator:** The next question is from the line of Ram Sharma from Kenexa Limited. Please go ahead.

**Ram Sharma:** This is a great set of numbers. My question is regarding levers for future. I presume your revenue is largely India-centric right now, and is there an active kind of strategy to grow into international markets, US, Europe, Middle East, or Southeast Asia? And if yes, then what's the infrastructure in terms of sales, marketing team or alliance partnerships that you are putting in place for that?

**Avinash Godkhindi:** As we have already communicated to the market, we are looking to enter the US market. That's the market that we have chosen after a lot of research. We are working on both the go-to-market strategy and assessing our product market fit for the US market, and there's extensive work that's happening in the background to be able to ascertain this. We don't believe that we will generate significant revenue from the US entry this year, but in the coming years, that could be very, very significant. And this is an endeavor that we are making, keeping the future in mind in terms of revenue growth. The growth that we have given a guidance of 45% to 55% is all organic in all India for this year.

**Ram Sharma:** And just a follow up on that. Have you put in place a sales team or it's being done from India or you have struck some alliance partnerships or working on that? Like what's the GTM plan for the US?

**Avinash Godkhindi:** That's what we are assessing right now, both the product market fit followed by the GTM and what would be the right pain point to address and what's the correct go-to-market strategy for that pain point for the right ICP is how we are looking at it. That's what we are trying to assess.

**Moderator:** The last question is from the line of Devesh Kasliwal from Antique Stock Broking Ltd. Please go ahead.

**Devesh Kasliwal:** Congratulations on a great set of numbers. Just one accounting question that I had. If possible, can you share the receivables at the end of the 1st Quarter, the total receivables number?

**Aditya Kumar:** Total receivables for the 1st Quarter is around Rs. +180 crores plus.

**Moderator:** As there are no further questions, I would now like to hand the conference over to the management for closing comments.

**Raj Narayanam:** Thank you so much. Once again, I appreciate all your support and look forward to continued growth. Thank you so much.



*Zaggle Prepaid Ocean Services Limited  
July 30, 2024*

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