"Zaggle Prepaid Ocean Services Limited

Q2 FY25 Results Conference Call"

November 13, 2024

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on November 13 2024, 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. Q2 FY25 Results Conference Call hosted by Equirus Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on a touch-tone phone. Please note that this conference is being recorded.

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

Rohan Mandora: Thanks Muskan. Good evening, everyone and thank you for joining the call. I extend a warm welcome to everyone. On behalf of Equirus, I welcome the management of Zaggle Prepaid Ocean Services Ltd. to give a brief update on the Q2 FY25 Results and address investor questions. We have with us from the management team, Dr. Raj Narayanam, Founder and Executive Chairman, Mr. Avinash Godkhindi, MD and CEO and Mr. Aditya Kumar, CFO. We will now begin with 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. A very good evening to everyone. Hope you had a great Diwali and season's greetings to all of you for the upcoming season. Thank you for joining the earnings call for Zaggle Prepaid Ocean Services Ltd. for the second quarter of fiscal year 2025. On behalf of the company, I extend a very warm welcome to all of you. On this call, we are joined by MR. Avinash Godkhindi, Managing Director and CEO, Mr. Aditya Kumar, our CFO and SGA, our Investor Relations Advisors.

The financial results, press release and the investor presentation are uploaded on the Stock Exchange and on the company website. I hope everybody has had a chance to take a look at it. Now, I would like to give the Zaggle business update. You know today as we assemble for this call, we have completed more than a year as a listed company and we feel very proud about it. The past year has been truly transformative for us. I extend my heartfelt gratitude to everyone who has been part of this journey. Your continuous support has been the foundation of our success.

Our IPO was a major milestone, strengthening our financial position and fortifying our dedication to delivering value to our stakeholders. The achievement highlights the trust our investors have placed in us and we take this responsibility very seriously. While some of our competitors and some in specific categories are facing a little bit of headwinds, listing has helped us consolidate our position as the number one spend management company in India.

I am very very happy and excited to share that we have generated our highest ever quarterly revenue in this quarter. Our revenue for this quarter stands at, INR302.6 crores, which is INR3,026 million, reflecting a growth of 64% compared to the same period last year. Our performance has exceeded our stated guidance and demonstrates the resilience and agility of our business model.

Similarly, in Q2 FY25, our adjusted EBITDA for the quarter reached INR29.5 crores or INR295 million, representing a growth of 36% year-on-year. So, for the overall total revenue has been INR302.6 crores, our adjusted EBITDA is INR29.5 crores, adjusted EBITDA margin is 9.8%, reported EBITDA is INR26.7 crores and the reported EBITDA margin is 8.8%. Our comprehensive offerings, combining cutting-edge technology with unparalleled customer service makes us a trusted partner for business across industries and geographies. We have signed some marquee brands last quarter, like HDFC Ergo, Baroda BNP Paribas AMC and Blue Star amongst others.

That said, as we had told last time that our focus is going to be on the cross-sell. Cross-sell continues to be a key focus area for us, which allows us to deeply integrate into our client's ecosystem. We from a product company are slowly moving towards a platform company and one such example is Subway, who has been our customer for some time now and was facing challenges with reconciliation and visibility of spending across its multiple stores, including cash payments for day-to-day expenses and there we offered our Zoyer Petty Cash Solution, enabled with QR payments, which has significantly reduced their cash payments, gained transparency across outlets and received regular reports that provide full visibility into what has been collected at the store.

Zaggle has a huge opportunity to cross-sell its solution to all existing customers and in this particular industry, which is like a QSR industry, the scope is very large and huge to be able to go the length and breadth of this industry. Like that, there are many other industries which we will be able to go in future. As per the industry articles, the global spend management market is expanding at 10.2% annually, while the Indian market is estimated to expand at a CAGR of 15.5%.

This actually highlights the need for better spend management solution to improve expense tracking, increase efficiency, improve compliance, enable decision-making and overall boost productivity. The spend management space is evolving at a fast pace and we are leading the way by introducing market-relevant products and newer use cases.

Requirements for efficiency, transparency, better compliance and regulation, which are the underlying thesis behind our products, continue to thrive and increase exponentially. As part of our growth strategy, we are actively looking for strategic alliances, as well as inorganic growth opportunities. During this quarter, we completed the strategic acquisition of TaxSpanner, which will allow Zaggle to add comprehensive tax services to our repertoire of products, which are under spend management solution. We have also received the board approval for an investment in Mobileware Technologies, a company leading the payment infrastructure development in India, closely working with NPCI.

We are strongly focusing on M&A with a combined strategy of small tuck- ins and larger investment opportunities. We are actively seeking opportunities in the fintech sector, including areas like NBFC, payments, SaaS, etc. Our focus is to expand our business by tapping into newer, deeper profit pools, increasing our customer base and building a foundation for a stronger growth.

Although finding deals that are directly EBITDA accretive in the fintech sector is tough, but we are constantly looking at opportunities which will either boost EBITDA or increase our product portfolio or open a new market for us. As discussed last time, additionally, we are working on expanding internationally, leveraging our success in the domestic market to build a strong global presence.

As you are aware that spend management is a global concept, slightly new to India, but overall all over the world, it is a very large business. In the international markets, US market remains as a key opportunity due to its vast potential. There are particular segments and segues which could possibly provide us an easier landing and faster expanding. We also see that there is a strong customer demand in the US for products like ours.

Overall, with our cost structure in India, we should be able to provide the best service at best possible prices in the US market. In line with our growth plans, we have taken approval from the Board of Directors for a fund raise up to INR950 crores, which is INR9,500 million, subject to shareholders' approval.

Given our strong performance this quarter, we are upping our guidance to 50% to 55% growth in our top line for FY25. We are very confident of doubling our FY24 revenues in the next 2 years. As we rapidly grow our top line, we are committed to protecting and growing our margins over a period of time, which is of paramount importance to us. As we focus on our financial performance, we are also dedicated to social responsibility, integrating environmental stewardship with our business goals and offering financial wellness education.

Our CSR efforts support various causes, including education, gender equality, healthcare, and poverty elevation. We are committed to being a responsible and active participant in the societal progress. With this, I would now hand it over to Mr. Avinash Godkhindi, CEO and MD of Zaggle.

Avinash Godkhindi: Thank you, Dr. Raj, for your remarks and a very warm welcome to everyone on the call. With the backdrop that's been set by Dr. Raj's remarks, I would like to highlight that our growth coincides with an increase in the scale of our impact. With our insightful dashboards, we're transforming how companies track their spends and manage it. By diversifying our product portfolio and introducing more use cases, we have not only diversified our revenue streams, but also expanded our total addressable market, TAM, considerably. Looking back at the last quarter, the company has delivered yet another strong quarterly growth performance, improving profitability and compelling financial performance, underscoring a resilient momentum.

Allow me to spend a few minutes to reflect on the recent performance. Our SaaS fee, platform fee, or service fee, the revenue contribution of this line, stood at INR85 million or INR8.5 crores in the last quarter. Program fees, the revenue stood from program fees at about INR1,261 million Indian rupees or INR126 crores. Propel Points revenue stood at INR1,679 million INR or about INR168 crores.

The revenue recognition basis is on a gross basis for Propel Points, and the margins vary from 7% to 9%. Zoyer, our accounts payable platform, has found a high degree of acceptance, and a major use case that has emerged is petty cash expense management. We foresee high acceptance of this solution in businesses with multiple location operations.

Dr. Batra's Positive Health Clinic Private Limited is one such example. An existing customer with about 1,000 employees using the Zaggle SAVE solution, which encompasses employee expenses, reimbursements, and benefits. Recently, we were able to cross-sell Zoyer to Dr. Batra's to help them manage their accounts payable along with their petty cash management for their 130 stores across the country.

We anticipate a significant contribution from Zoyer in the coming years. The Bharat Bill Payment System, BBPS, is an RBI-mandated system which offers an integrated and interoperable bills payment services to corporate customers and other customers. This is also a major use case within Zoyer.

Berkowits Health and Skin Clinic recently signed up for our Zoyer BBPS solution. Corporates face challenges in paying their utility bills due to the manual process and the untimely submission of bills, leading to penalties and loss of early payment discounts. Additionally, erroneous entries in the ERP system due to manual input result in incorrect reconciliations, not to mention the fraud and potential fraud and leakage possibilities.

The BBPS solution provided by Zoyer ensures one-time registration for all billers on the platform with an automated bill fetch facility and a multi-level approval workflow. This streamlines bill payments and reconciliation, which helps avoiding penalties. The solution blends beautifully with our Zaggle business credit cards for seamless payments.

I'm happy to share that our first fleet solution for Torrent Gas also went live this quarter. Overall, the fleet solution space is a very large, addressable market of INR 79,000 crores as per Government of India data, and we continue to be bullish about this space. Zaggle International Payments, ZIP, which focuses on forex and remittances, also presents a significant growth opportunity to tap into a growing TAM on account of high overseas travel both for business and leisure.

We have tied up the card networks and partners for forex business to capture a significant market share in this space in the coming years. As more and more Indians fall in the tax regime, the requirement for tax solutions is becoming imperative. Our latest acquisition, TaxSpanner, is a leading provider of tax services to individuals and businesses.

TDS filing is an important activity for individuals as well as companies, and in our Zoyer solution, we work with vendors of companies who need to file their TDS returns. Similarly, in the Propel platform, we work with agents, retailers, and dealers who need to file their tax returns.

TaxSpanner's services and capabilities integrate beautifully with Zaggle solutions to provide tremendous value to our corporate customers and their users.

All these products have higher adaptability for our customers, and we foresee robust growth in the future. We serve a wide range of industries, including BFSI, technology, retail, healthcare, manufacturing, FMCG, infrastructure, and automobiles, making our corporate customer network truly diverse and sector agnostic. Of late, we've been onboarding marquee clients, including Big Basket, Can Fin Homes, HDFC Ergo, Baroda BNP Paribas AMC, Equinox India, Pirelli Tyre, Blue Star, amongst others.

Through this year, there has been a heightened focus to find large enterprise accounts, which helps us to sell multiple products and use cases, lowers our CAC, and increases the lifetime value of the customer. This quarter, our founder and chairman, Dr. Raj P Narayanam, won the Lifetime Achievement Award at the International Startup Foundation 2024. Aligned with Government of India's pivotal initiatives like Startup India, Digital India, and Make in India, ISF aims to collaborate with over 50,000 startups, fostering their growth and bolstering the innovation of Aatma Nirbhar Bharat.

I'm also extremely happy to share with you that Chitkara University, Punjab, recently awarded our founder and executive chairman, Dr. Raj P Narayanam, an honorary doctorate degree honor scotia. Additionally, they inaugurated a dedicated center named the Dr. Raj P Narayanam FinTech Center for Excellence, within which we are launching specialized courses on FinTech, providing select MBA students at Chitkara University a comprehensive understanding of the rapidly evolving FinTech industry. As always, our focus remains on executing our defined strategy, building futuristic solutions, and developing a diverse pool of revenues, and dipping into diverse pools of profit as well that support our growth path.

Now, I hand over to our CFO, Aditya Kumar, to take you through a finance update. Thank you.

Aditya Kumar: Thank you, Avinash, and a very warm welcome to everyone on this call. I'm delighted to report that the company has delivered another quarter of strong performance with highest ever quarterly revenue, along with strong margin expansion, clearly demonstrating the value we are delivering to our customers. For the second quarter of 2025, the company reported a record revenue of INR3,026 million with a YOY growth of 64.2%.

This was on the back of strong growth across our both revenue lines, program fee, and propel points. Our adjusted EBITDA grew by 36% to INR295 million in the quarter compared to INR217 million in the same period last year. Our cash PAT, which includes net profit along with depreciation/ amortisation and ESOP expenses, has surged by an impressive 43% on a YOY basis to INR238.17 million, which is highest ever. Our PAT more than doubled to INR186 million compared to INR76 million in the previous year.

The company continues to have strong customer relationships with low churn and focus to expand existing relationships to build sustainable and reliable revenue streams. This is a substantial increase in the incentive and cash back, which is in line with business growth and high due to festival season match required for the customers to spend using Zaggle offerings.

The employee cost has increased on account of one-time incentives paid to employees during the quarter. During FY25, we expect to record total ESOP expenses close to INR100 million. For H1 FY25, our revenue from operations surged by 83% on a YOY basis to INR5,548 million. Our adjusted EBITDA has increased a substantial growth of 55% to INR551 million.

Notably, our cash PAT surged by an impressive 72% to INR458 million. As of 30th September 2024, our gross debt is INR555 million with a cash and bank balance of INR1,827 million. 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 Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: Hello, am I audible. Yes. So, firstly, if I look at the propel platform gross revenues those have further dipped during the quarter to about 3.5%. They were already lower in the Q1 at about 6% versus our normal range of about 8% to 10%. So, can you explain what is happening over there and how do you see this gross margin for Propel moving in H2?

Aditya Kumar: Thanks for the question, Aditya here. So, the current quarter the propel margins were reduced on account of high brand usage in terms of Amazon and Flipkart plus over the year-end, the margins will be disrupted because we will get overriding commission from brands on the volumes meeting. So, from next quarter onwards, end of this year H2, we will get the margins back to normalized margins of 7 percentage to 9 percentage.

Ankush Agrawal: So, for the full year, we will have that 7% to 9% margin?

Aditya Kumar: Yes.

Ankush Agrawal: Secondly, in terms of this QIP that we are looking to raise of about INR950 crores, it is obviously a huge sum. So, can you give some color on how much of this fundraise is towards organic growth and how much is for inorganic growth a broad split would help?

Avinash Godkhindi: Thank you for your question. As you are aware, we are yet to receive shareholder approval and this is for up to INR950 crores and the approval is valid for a year. The whole idea is to be able to have this enabling provision with us so that we are ready to be able to tap into any opportunities that we come across from time to time, both for organic growth, international expansion as well as inorganic growth. Difficult to say at this moment how much would the split be, but broadly that is the commentary that we can give you.

Ankush Agrawal: Okay. Lastly, in terms of M&A, we have been taking a couple of broad categories, which includes NBFC as well. So, wanted to understand, are we looking to acquire an NBFC to sort of do backward integration into payment instruments and if so, don't you think that would add additional risk to the business in terms of capital requirements and the need to bear capital credit risk as well in case of, say, something like credit cards?

Avinash Godkhindi: So, if you look at all of these, these are opportunities that we explore. We are exploring because at the end of the day, we are looking to increase our profits and deepen our penetration with our customers right. And these are demands that are getting generated today, where we are partnering with various NBFCs and lenders. If you look at it, a credit card is also a three-part product with one part being payment, the other part being lending and the third part being a marketing instrument.

So, there is an angle there when we are doing credit cards. So, I would say, again, too early for us to talk about the nature of the acquisition, if there will be an acquisition and how it will pan out.

Ankush Agrawal: Yes, but as a strategy, is the business comfortable in doing that kind of backward integration of being the issuer of payment instruments? Do you want to be that? Is what I'm trying to understand?

Avinash Godkhindi: We are not averse to it, to be a issuer of a payment instrument or an instrument which is regulated. For us, what matters is where are the profit pools, what's the demand from our customers and where is our sustained growth going to come from.

Ankush Agrawal: Got it. I'll get back in the queue for further questions. Thank you.

Moderator: Thank you. The next question is from the line of Aman Saifee from iWealth Management. Please go ahead.

Aman Saifee: Hello, I hope I am audible. . Thank you for the opportunity and congrats on a super set of numbers. But I wanted to understand that our Chairman mentioned in our opening remarks that our competitors are facing some headwinds in their respective segments. If you can Sir elaborate on to that, and how are we benefiting out of it?

Raj Narayanam: Thank you so much for your question. See, what you have seen is that there has been a funding winter for the Fintech industry or in general funding has been very, very tight in the private space. So you know, what is happening is that a lot of companies which possibly were trying to grow very fast have abandoned that plan and the focus is a lot more on profitability. And while it's tough for them to do profitability at their size.

What we see is that a lot of those companies are abandoning or getting closed down which gives us another beautiful opportunity to bite into their customer pool. And that is what I meant by when I said that there are a little bit headwinds to some of the smaller companies who are trying to copy our model or some of the more prevalent models in the Fintech industry.

Aman Saifee: Okay, sir. I understood that. And Sir the second question is that, previously like last quarter, we have added so many high-profile customers, as you mentioned. We have added some new products Zaggle fleet management, international payment and we are also targeting our international, sorry, inorganic expansion as well. So, sir, I remember last quarter as well and in our AGM as well we have been saying about 55% growth this year and doubling in 2 years, the numbers in 2 years. I'm not seeing any change in our guidance Sir. Am I missing out something on to this?

Raj Narayanam: Yes. So, the change in our guidance is from we had earlier said 45% to 55%. Now we are saying that it is 50% to 55%. So, there is no just that the - if you just look at the numerator it has moved by 5 bps and we might pleasantly surprise you with a little bit more growth than what we have stated. We are going to be very, very aggressive in the market while protecting our margins, we want to give a very clear indication to the market that we are after growth, okay at sustained margins or bettering the margins at the cost of a lot of other players who are there in the market, because we have moved away from just selling a product, we are moving to a platform.

Now in platform, you have multiple products in a single platform and with which the CAC, the cost of acquisition will go down, the productivity will improve, the dependence of the corporate or the enterprise is going to be higher on us. And what we have to do is execute it ruthlessly. So, the only thing which I can tell you is that while every time we have gone ahead and given our guidance, we have stuck to it, we have done probably a little bit better or in and about that, but we are going forward we are possibly going to grow aggressively and looking at the opportunities which the market is giving us.

So, there is no better time than today to expand as fast as possible, because the markets are very, very good for our kind of business. While a lot of other sectors are slowing down, when other sectors slow down, what happens is to do their sales, they have to do a lot of incentives to their channels, that also helps us, they also need to control costs, wherever expense management and our accounts payable systems and the product comes in. So, overall, it is slowly, slowly turning out to be a beautiful market to dive in. Did I answer your question?

Aman Saifee: Yes, sir. That helps. That answers my question. Thank you so much, sir, and all the best.

Moderator: Thank you. The next question is from the line of Shreyash Kumath from Equirus Securities. Please go ahead.

Shreyash Kumath: Hello, am I audible. So, I have some questions. So, the first question is, our incentives and cashbacks are lower in Q2 versus Q1, what is driving that?

Avinash Godkhindi: See, ultimately, we are always trying to optimize and make sure that we are able to control our cashbacks and incentives. It is a function of how much we are able to penetrate into existing customers versus new customers, how much you are - what's the cycle that the business is and for the customer as well and a variety of factors, but by and large we are always keeping an eye on trying to control the cashbacks and incentives and some of those efforts have borne fruit this quarter.

Shreyash Kumath: Got it, sir. And sir what is our revenue share from verticals like ZatiX, fleet management and international payments and how do we look at that revenue share growing over the next 2 years, 3 years?

Avinash Godkhindi: So, the revenue share from these three lines is very nascent today akin to what Zoyer was a couple of years ago right. And we consistently spoke of our belief in Zoyer during our roadshows and during IPO, etc as well. And now Zoyer is doing phenomenally well and we believe that these lines of businesses as we work to acquire more customers, get these systems more embedded in our customers, workflows, we'll see significant revenues come from these lines of businesses in the coming years.

Shreyash Kumath: Is there any number you would like to write in terms of revenue share?

Avinash Godkhindi: Hard to give you a pinpointed answer right now, but we are seeing great green shoots. We are seeing a whole host of, for example, on the fleet side, very large customers signing up for LOIs and pilots which have been very successful, not just Torrent Gas. And those are very large companies. So, we are seeing a lot of uptake kicking in, in all these solutions.

Shreyash Kumath: Got it sir. And my last question is so on our Slide 19, we have mentioned the different contract wins that we have had during the quarter. For repute, it is said that Zaggle Save will be published on their marketplace. What do you mean by that?

Avinash Godkhindi: So, basically, look we are always trying to look at these different platforms where we can make our solutions available for their customers to come and avail of our services, our solutions because if you look at our SMB strategy, we don't aggressively go and sell directly to SMBs. We sell through these sort of platforms and this is a partnership which helps us do that.

Shreyash Kumath: Got it, sir. Thank you.

Moderator: Thank you. The next question is from the line of Arpit Shah from Stallion Asset. Please go ahead.

Arpit Shah: Yes, hi. Congratulations on a good set of numbers. I have a couple of questions. I'll list all of them down. I just wanted to have a sense on what would be our GMV number for the Zoyer product and what kind of take rate we have on that. And is it possible to publish those numbers every quarter that is possible. Second question would be on around what would be our revenue stream on the ZIP product which is our foreign exchange product. So, would it be on the program fee? Would it be on the SaaS fees?

How would that product look like. Just listen all my questions then you all can go to the answering part. On the QIP part, we have taken a resolution to raise around INR950 crores. So, this INR950 crores would be focused on customer acquisition, would it be focused on acquiring companies or would it be focused on infusing equity to an NBFC, which you all made a comment earlier in the call. Just wanted to understand on that bit.

The fourth question would be around how does RBI view some of your products? Because if I see SBI cards, one of the listed peers, I've seen a very, very big decline in their corporate card spends. So, how are your products different from SBI cards products which are on corporate spends? And I just missed the earlier comments on the NBFC. What is our view on that?

Avinash Godkhindi: Great. So, thank you so much for your questions. I'll take the most difficult one first, which is the RBI view of our products. Well, RBI's view is RBI's view. I think we would not be the right people to comment on their view, but I can assure our investors and listeners on this call and everyone else that we've always held on the side of caution and taken a very conservative view when it comes to compliance and regulation. We've always looked to integrate directly either with banks or systems that are very widely accepted, so that we don't end up using platforms that are in the gray area.

We always look at regulation to make sure that we are adhering to it in letter and spirit. And we partner with a whole host of banks and issuers of corporate credit cards, including Axis Bank, ICICI Bank, SBI cards, BOB cards, we have Yes Bank and a whole host of others. So, we work with all of them. The biggest differentiator is that we are a software led solution. The software that we bring, whether it's petty cash, whether it's BBPS, whether it's Zoyer, whether it's the expense management, that makes a huge difference in the value that we bring to the customer.

The card is just an enabling instrument, which makes sure that the transactions are completed. And the reconciliation happens between the data that we get from the receipts that are invoices that the users can and the transaction information which the bank or the issuer holds. So, that's the larger view, but beyond that, I think it would not be right on our part to comment as to how RBI would view our products.

Regarding the QIP, we are as I said previously, we are - it's an enabling resolution. The shareholder approval is yet to come in. The board approval has come in. It is up to INR950 crores. The approval is valid for a year. It allows us to be able to go ahead and potentially raise capital at the right time for both organic growth, inorganic growth, and look at international expansion.

And we don't want to be underprepared when the right opportunities arise and we want to be ready in terms of all the approvals so that when the right opportunities come up, we are able to take full advantage of it. With regards to NBFCs, we are looking at a variety of potential inorganic opportunities. NBFCs is one of them. Any of these plays that we look at, we look at it from are these tech-led place and not as traditional businesses.

So, the whole thesis is that there's a significant component of the value that is coming in from a differentiated tech play or Fintech play and there are potential accompanying licenses, could be NBFC, could be others. So, that's our view. With regards to ZIP, revenue streams, ZIP itself is a very comprehensive space. One is the forex card partnerships that we have with a variety of players like Axis Bank, with Nishi forex, with Wall Street forex. Here, the revenue streams are varied.

Obviously, your interchange which is much higher for forex. You have fees that can be charged to the user because there are ATM withdrawal fees, loading fees, etc card issuance fees. And there is, potentially there's a forex markup also that the bank or the issuer is able to earn because of the difference in the bank's rate of forex and what the customer gets. And that's the revenue streams and we work with our issuers to share the revenue basis, the volumes that we generate.

Regarding, lastly, on the GTV for various lines of businesses, we are seeing a lot of cross-usage of our cards, corporate credit card which is issued to a user, is being used for petty cash as well as their corporate expenses. So, the GTV is getting on the same card also now because we are pushing hard for cross-sell, used across Zoyer, used across expense management which is part of SAVE.

So, it's a little hard for us to actually give a precise breakup of GTV for each of these businesses. And that's by design because we are pushing the same corporate, the same user on the same card to use it in more ways for more use cases, married to different products, software products that we offer. So, that would be a little tricky for us to be able to bifurcate because people are using the same card for both Zoyer's use cases as well as SAVE.

Arpit Shah: When you say you want to tech led products on the financial on the NBFC side, so what exactly you mean by tech led products on that front?

Avinash Godkhindi: See, basically our thesis is that it has to be a differentiated play. When I mean tech, basically it has to be a differentiated play, not a very traditional space where there is - it becomes a - it's a race to the bottom. We are always looking for these differentiated plays where we have some unique or very interesting value proposition that gets created and because it's a very powerful value proposition, we are able to extract higher value from our customers and partners. So, that's what I mean when I say tech led.

Arpit Shah: Got it. And any PAT number guidance for FY25 and FY26?

Avinash Godkhindi: Too early, sir.

Arpit Shah: Okay. Got it. Thank you.

Moderator: Thank you. The next question is from the line of Aayush Rathi from Aditya Birla Money. Please go ahead.

Aayush Rathi: Thanks a lot for taking my question. Firstly, congratulations on a great set of numbers. So, firstly, I have a few accounting related questions. Firstly, on the trade receivables, it has increased from INR175 crores to INR202 odd crores. So, any particular reason on that? And do we plan to end on a similar kind of number or will it be higher than what it is right now for the Fiscal Year, FY25?

Aditya Kumar: So, Aayush, thanks for the question. So, the TR largely is increased on account of one business growth. And secondly, the businesses whatever invoicing to the banks happened that has come in the last month of the segment. So, for whatever we raise invoices in September, we have received that money in the current month as well. It's a phenomenon of business growth along with invoicing on the last month. For this year, it should be in the similar lines on the totality basis if you compare.

Aayush Rathi: All right, got it. So, most of my questions have been already answered. So, one question, sir, in the opening you mentioned about the BBPS solution, which Zaggle has started. So, could you talk about in a more explicit manner? And apart from that also, sir, there are three opportunities which I can understand of. One is fleet management. Second, it's BPL which we have mentioned and the one which I have already mentioned earlier, which is ONDC. So, could you throw some more light on how is it ramping up and what are the steps which we are taking right now for the ONDC opportunity as well? If you can just throw some more light on that?

Avinash Godkhindi: Yes. So, on the BBPS, look, one of the things which is very adjacent to the petty cash use case that we have seen is anybody like an NBFC, like an AMC, like an insurance company or anybody who has stores, could be a retail store. They have very clearly two sets of problems. One, how do you reconcile your petty cash and second how do you make sure all your utility bills are being paid on time whether it's electricity, whether it's your water, whether it's phone and how do you make sure that there is no leakage there.

The bills are paid on time. If there's any early payment benefit that you can get, can you avail of that and how do you make sure that the correct amount is being paid at the right time. So, our Zoyer platform allows you to do both. One, we have the BBPS integration today with NPCI through Yes Bank and that allows us, for us to be able to offer the ability for these companies to centrally sit and make that payment rather than ask each branch to send a bill and wait for that branch or that store to send that bill and then assess it and make the payment. And the payment happens seamlessly through our platform using a business credit card.

So, that's the whole idea with BBPS and now with NPCI stepping in to make that platform very powerful and most billers are today part of BBPS, literally the entire country is covered to be able to offer this solution. Could you repeat your second question, please?

Aayush Rathi: Yes. The second thing was on ONDC. So, you have already mentioned about that as an opportunity. So, how is it cramping up anything on that side?

Avinash Godkhindi: So, ONDC, the card is yet to be launched. We have signed with ONDC which was the first step. We were hoping to tap into the Diwali season, but of course, these programs and products take a certain amount of time. We see a great opportunity as ONDC grows for us to be able to ride on that growth. We also anticipate a lot of corporates, both public sector and government itself, state government, central government, as well as private sector companies to do more and more of their rewards gifting on the ONDC platform in the coming years.

And we want to be able to tap into that demand and that sentiment of a platform which is an Indian platform, a Bhartiya platform helping small Bhartiya businesses.

Aayush Rathi: Got it, sir. So, lastly, on the fleet management. Sir, first of all, congratulations that in this quarter we have already executed some with Torrent Gas, but just wanted to understand that one competitor called VEX which is like a global player which almost drives up around, I guess, 60% of the revenue from fleet management solutions.

So, just on that bit, sir, how big is it for us? And in the coming years, how big can we scale the fleet management solutions, assuming that it's somewhere around INR79,000 crores opportunity? And if it is big then how are we, what steps are we taking for the execution part of it and will it grow linearly or like exponentially in the coming years for Zaggle?

Avinash Godkhindi: Well, this can potentially grow exponentially for us in Zaggle. And this is, again, a space where globally there are a lot of mature players. India also, this has become very much relevant, because in the last few years the road network, the highway network has really improved in India. And that allows for a lot of and also the volume of goods that are being transported from point A to point B, etc, has grown a lot.

A lot of Make in India is happening. So, that also requires goods to be transported from places where manufacturing setups are there. And all that basically leads to more transport of goods through the road network. And this is an unorganized space in terms of fleet management, largely it's untapped. We are one of the few players who are offering a solution here today. And there's a crying need from both the fleet owners as well as the oil marketing companies and the CNG providers to be able to provide a solution which allows for the fleet owner to be able to control the spends, track the spends and make sure that those are happening at the partner outlets.

We are also seeing interest come in from manufacturers of automobiles who want to partner in this ecosystem and link it to their vehicle service because the life of the vehicle is a very important metric for the fleet owner and while the fleet owner wants the vehicle to be serviced at a authorized service center of a Tata Motors or any of these companies or the manufacturers of the trucks or the fleet, the driver may or may not have the same thought process.

By creating a wallet which forces the driver to go to authorized service center because the money is only going to be used at those outlets through that wallet, within this ink card, we have an opportunity to be able to tap into that potential as well. So there are a lot of these use cases again which we are working on with some of these OEMs who are already our customers for Propel and other use cases to be able to extend it to the fleet solution.

Aayush Rathi: Got it, sir. Thanks a lot for the detailed explanation and all the best for your future.

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

Deepak Poddar: Hello, am I audible. Yes. Thank you very much sir for this opportunity. So I just wanted to understand, I mean, in your one of the remarks you mentioned as we increase our top line, we would also be looking to increase our EBITDA margins. So I mean, on an annual basis, what sort of EBITDA margin improvement we are looking at for maybe next 2 years to 3 years?

Avinash Godkhindi: See right now we have given a guidance that we hold to current to similar levels, but in the coming years we see a significant growth in the EBITDA margins. And we believe that in the next few years, we will see a very different EBITDA profile in the coming few years.

Deepak Poddar: Can you give some range of the aspiration that we are looking at over the next 2 years, 3 years?

Avinash Godkhindi: I think wouldn't want to put down a hard number right now, but this business has high operating leverage and naturally this leads to expanded expansion in the margins over time. Cross sell also allows you to be able to expand margins very significantly. So we believe that those margins are going to expand very significantly in the coming years.

Deepak Poddar: Okay, okay, because earlier, I think we were of the view, I mean, 15%, 16% is what we might look at, I mean, over the medium to long term.

Avinash Godkhindi: Yes, so you already have the answers.

Moderator: The next question is from the line of Debashish Mazumdar from Svan Investments.

Debashis Mazumdar: Good evening to the management team and congratulations on the very good set of numbers. So just wanted to get some sense that what is the program fee breakup between Save, Propel and Zoyer, if you can give me for this quarter and last year's same quarter.

Avinash Godkhindi: Again, as I mentioned, we are seeing a lot of use cases where the same instrument that has been given to a user, we are trying to get that user to use it for across a Save user to use it for Zoyer, a Propel user to use it for Save and Propel. So giving a breakup would be a little difficult for us because the same card is being used for multiple use cases and that's by design. You want more and more spends to flow through the same user in the same instrument that's issued.

Debashis Mazumdar: Okay, so just for my understanding, so Zoyer number was like around INR47 crores last quarter. So if you can give some idea how that number has turned out in this quarter?

Avinash Godkhindi: It's done well, sir. It's about in the similar range and it's done well and overall we are seeing a lot of growth in variety of use cases there.

Debashis Mazumdar: So similar range means INR47 crores is the number that you are quoting?

Avinash Godkhindi: No, I'm telling you, we have not been able to arrive at a number because there's a lot of cross usage of the card, but the numbers are healthy because we are tracking it in multiple ways in terms of number of corporates, number of overall transactions and numbers are pretty healthy for us.

Debashis Mazumdar: Okay, understood. And the second question is if I see the Propel margin which is coming to like 4% approx today net revenue from Propel. So should we assume like 4% to 5% kind of gross margin on the Propel platform going forward or there is an increase there possibility?

Aditya Kumar: So generally, sir, the Propel contribution always includes of two to three categories. One is on the commissions what we earn and second is from the overriding commissions which we receive from the brand after reaching certain limits etcetera. So on a overall level, anyway, the margin should lie between 7% to 9%.

Debashis Mazumdar: Okay. And the third question is, if I may, we have seen the corporate customers have obviously gone up because of customer addition, your user per customer is currently around 940 per customer. So with this, new corporate additions, where do you think this number to settle down the user per customer number? Over the period of next two, three quarters, I'm not asking for a very long term guidance.

Avinash Godkhindi: Our focus is on large enterprise customers. And these enterprise accounts don't, add on their users right at the get go, right? The users get added over a period of time. So this number will grow as we go along is what our belief is. And, in the next two, three quarters, this should grow. But of course, please keep in mind that as we keep adding newer customers, the newer customers and the newer cohorts will always, sort of clear dampening effect on that, right?

Debashish Mazumdar: Correct, okay understood. Thank you very much for taking my questions and wish you all the best

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

Rohan Nagpal: Hi, thanks for taking my question. Congratulations on a good set of numbers. I had a question on the incentive and cashback line item. So in previous quarters, when the incentive and cashback number was a much higher proportion of program fees to program fee revenue, the explanation was that incentives and cashbacks are just a feature of the industry and customers are habituated to receiving incentives and cashbacks for their spend.

Now that the number has gone down materially, I mean, the incentives and cashback has reduced significantly. Could you provide some color on the kinds of efforts that you've undertaken that have found success?

Avinash Godkhindi: See, there are multiple things that we do, right? One, as you start getting new users on the platform, initially you need them to register, you'll need them to also use the card and sort of key it into their whatever online platform that they are transacting, right? So there's a friction there because there's an OTP that gets generated, etcetera.

So there's a certain amount of incentivization that you need to do for people to kickstart using. Right. Now you're seeing a lot of the usage, which is also repeat of people who are using more and more on the same card, right? Which is what I was talking about using for the same use case. So one of the effort is to get people who are already carded to use the cards more.

And to spend it for a variety of use cases, whether it's petty cash, whether it's BBPS, whether it's employee expenses, reimbursements, etcetera, etcetera. The other effort, of course, is as you negotiate with customers, as more and more marquee names start to use the platform, your need to on Zoyer offer higher cashback starts to go down.

Because there's more trust and more belief in the platform, both for the market as well as our sales folks. Our sales folks realize that you possibly don't need to offer such significantly higher cashbacks. So there's always an attempt to encourage our sales teams to keep the cashback at as low a level as possible.

So those are, things that we've done both internally and externally to be able to get the cashbacks at a lower level right now.

Rohan Nagpal: And while I understand it's certainly difficult to give an estimate of revenue contribution of Zoyer-Propel, Zoyer and Save due to the program fee comment, a couple of questions. One, is there any component of incentives that we've received from the card network that is in the program fee revenue this quarter?

And second, while you may not be able to provide payment volumes, would it be possible to give a sense of the number of cards that have been issued across Save and across let’s say prepaid and credit and how that number has moved over the last few quarters?

Avinash Godkhindi: So if I'm understanding your first question right, you're asking if there is some component of Propel in the program.

Rohan Nagpal: Sorry. Not Propel, but in the past you've talked about incentives from the card networks like Visa, whereas if you drive a certain amount of payment volume, you trigger an incentive. Is there any component of any such incentive in the program fee line item this quarter?

Aditya Kumar: So generally the incentives are paid at the end of the year, sir. So for them it's the calendar year and we typically get it after completion of the calendar year. So in initial to Propel it doesn't consist, but it will be part of the program fee. Historically also that will be very minute. It's a 2% of the total program fee, kind of less than 2%.

Rohan Nagpal: Okay, and would it be possible to provide some numbers of the number of credit cards and prepaid cards, or the number of cards, credit cards and prepaid cards that have been issued, or just credit cards because prepaid card number is enormous. Just a number of the credit cards that have been issued.

Avinash Godkhindi: Yes, so great question. The thing with the corporate credit cards or business cards is the number of cards is not necessarily the right metric to look at the business at all, because each card has significant spends. Unlike a retail card where say for the accounts in force or cards in force is a very critical metric, in commercial cards or business cards the metric that the industry tracks always is the spends, right.

So our spends are growing per card and our spends are growing overall well. So that's what I can share with you.

Rohan Nagpal: Would it be possible to provide a payment volume across credit cards and prepaid cards in that case?

Avinash Godkhindi: If it is required we can connect separately.

Moderator: Thank you. Ladies and gentlemen, as that was the last question for the day, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Raj Narayanam: Thank you so much for patiently listening to us. We look forward to continue the good work which we have been doing, and I really appreciate all the investors across Board, all the shareholders who have been consistent with their support. We look forward to another great quarter and another great year for all of us. I thank you very much and very humbly and remain grateful to all of you. Thank you.

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.