



Press Release

January 03, 2025

**ZAGGLE PREPAID OCEAN SERVICES LIMITED (ERSTWHILE ZAGGLE PREPAID OCEAN SERVICES PRIVATE LIMITED)
Rating Upgraded and Withdrawn**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	50.00	ACUITE BBB+ Positive Upgraded Stable to Positive	-
Non Convertible Debentures (NCD)	50.00	Not Applicable Withdrawn	-
Total Outstanding	50.00	-	-
Total Withdrawn	50.00	-	-

Rating Rationale

Acuite has upgraded its long term rating of ‘**ACUITE BBB**’ (read as **ACUITE Triple B**) to ‘**ACUITE BBB+**’ (read as **ACUITE Triple B Plus**) on the Rs. 50.00 Cr. Proposed Non Convertible Debentures of Zaggles Prepaid Ocean Services Limited (Erstwhile Zaggles Prepaid Ocean Services Private Limited) (ZPSOL). The outlook is revised ‘**Stable**’ to ‘**Positive**’.

Acuite has withdrawn the long-term rating on the Rs. 50.00 Cr. Non Convertible Debentures of Zaggles Prepaid Ocean Services Limited (Erstwhile Zaggles Prepaid Ocean Services Private Limited) without assigning any rating as the instrument is fully repaid. The withdrawal is on account of request received from client due to the prepayment of the NCD based on the no due certificate (NDC) received from the trustee and in accordance with Acuite’s policy on withdrawal of ratings as applicable to the respective facility / instrument.

Rationale for the rating

The rating action takes into consideration the much improved financial and business risk profile of the company along with the healthy capitalisation levels post the company’s IPO in Sept 23 with a total issue size of Rs. 563.38 Cr. Accordingly, the net worth increased to Rs. 517.36 Cr. as on March 31, 2024 from Rs. 30.99 crores as on March 31, 2023 and has further increased to Rs. 617.52 Cr in H1FY25. Moreover, Zaggles has posted a revenue of Rs. 553 Cr. in FY23 which has now improved to Rs. 775.6 Cr. for FY24. Zaggles also expanded its corporate customers client base to more than 3200 corporate customers and over 5 crore cardholders for its prepaid card with a 16% market share in transaction value. The company’s revenue stood at Rs. 554.7 Cr. in H1FY25. Therefore, the profitability metrics has improved considerably year on year as PAT has almost doubled from Rs. 22.90 Cr. in FY23 to Rs. 44.02 Cr. in FY24. Furthermore there has been significant growth in all facets of the business in terms of business operations, business innovation and optimization of the most profit generating products. This has led to the profitability post tax increasing to Rs. 35.28 Cr. in H1FY25.

The rating also continues to derive strength from the extensive experience of the promoters having over two decades of experience in various fields including Fintech, Digital payments and Consulting space. The rating further takes into consideration the innovative product/service offerings by Zaggles in the form of ‘Propel’ - a corporate SaaS platform for channel rewards and incentives, employee rewards and recognition, ‘Save’ - a SaaS-based platform and mobile application expense management solution for business spend management allowing digitized employee reimbursements and tax benefits and ‘Zoyer’ - a SaaS based platform which is an integrated data-driven business spend management platform with embedded finance capabilities.

However, Zaggles is susceptible to competition from domestic as well as international IT service companies which can have bearing on the growth trajectory and earning profile in the coming years.

About the company

Zaggles Prepaid Ocean Services Limited is a spend management company based in Telangana with a unique value proposition and a diverse user base. Incorporated in 2011, the company operates in the business-to-business-to-customer ("B2B2C") segment with a diverse offering of financial technology ("fintech") products and services, along

with prepaid cards and has built a portfolio of software as a service ("SaaS"), including tax and payroll software, and a broad touchpoint reach. The company, with its recent alliance with Yes Bank has launched Corporate credit cards to expand its product portfolio.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone financial and business risk profile of Zaggie Prepaid Ocean Services Limited to arrive at this rating.

Key Rating Drivers

Strength

Experienced management

Incorporated in 2011, Zaggie Prepaid Ocean Services Limited is promoted by Mr. Raj P. Narayanam, Founder and Executive Chairman having over two decades of experience in various fields including Financial Services, Prepaid Internet Retail, Loyalty, Merchandising, Reward and Recognition, Open Banking, and Expense Management, Mr. Avinash Godkhindi, Managing Director and CEO having over two decades of experience overseas and in India in Digital Payments, FinTech and Cash Management businesses. The operations of the group is managed by a qualified and well experienced senior management team. This experience has enabled the company to introduce and develop its diverse set of interlinked product offerings.

Acuité believes that the management's experience is expected to support the group in improving its business risk profile over the medium term.

Innovative product offering with reputed client base

ZPOSL major product offerings can be categorized under 'Propel' - a corporate SaaS platform for channel rewards and incentives, employee rewards and recognition; 'Save' - a SaaS-based platform and mobile application expense management solution for business spend management allowing digitized employee reimbursements and tax benefits and 'Zoyer' - an integrated data driven business spend management platform with embedded automated finance capabilities in core invoice to pay workflows which is expected to be launched in the current fiscal year. These product offerings cater the business-to-business-to-customer ("B2B2C") segment and the "B2B" segment. The company benefits from an ecosystem-based approach across SaaS and fintech which enables them to cross-sell products and services in partnership with other players in the operating ecosystems. This integrated product offering along with the experience of the management has helped the company to onboard reputed clientele engaged in sectors such as banking and finance, technology, healthcare, manufacturing, FMCG, infrastructure and automobile industries among others. Some of the reputed clients include names such as Tata Steel, Microsoft India, Infosys, Kohler India, AT&T Communications India, United Spirits, Greenply Industries.

Improving business risk profile

ZPOSL has witnessed robust growth in its business operations, revenue scale and its product based clientele. ZPOSL posted a revenue of Rs. 553 Cr. in FY23 which has now improved to Rs. 775.60 Cr. for FY24. Zaggie also expanded its corporate customers client base to more than 3200 corporate customers and over 5 crore cardholders for its prepaid card with a 16% market share in transaction value. The company's revenue stood at Rs. 554.7 Cr. in H1FY25. Acuité believes that the business risk profile of the company is likely to continue to improve on the back of reputed clientele and diversified product mix over the near to medium term.

Improved capital base

The company went public in the month of Sept 2023, where the shares were listed on BSE and NSE for the first time. The IPO consisted of a fresh issue of Equity shares worth Rs. 392.00 Cr. and OFS of Rs. 171.38 Cr. aggregating to a total issue size of Rs. 563.38 Cr. This fresh infusion of equity has bolstered the company's overall capital position. The increase in capital has helped the company expand its business and its overall volumes.

Weakness

Highly competitive nature of the IT industry

The global IT services industry is dominated by several large players and small niche technology players. ZPOSL is susceptible to competition from domestic as well as international IT service companies which can have margin pressure. The industry is highly technology oriented which keeps on changing time to time. Thus, the company has to keep upgrading the services it offers according to the needs of the clients and changes in the industry. However, the established relationship with clients and vendors, diversified sectorial presence and experienced management mitigates the risk to some extent. Further, the ability of the company to manage industry specific risks such as wage inflation and employee attrition levels determine the company's ability to sustain its business risk profile and will remain a key rating sensitivity.

Rating Sensitivity

- Sustained scale-up in business volumes
- Movement in earning profile
- Movement in capital levels
- Business operations post listing

Liquidity Position

Adequate

ZPOSL has adequately matched asset liability profile with no negative cumulative mismatches in the maturity buckets based on ALM as on September 30, 2024. The liquidity including cash, bank balances and unutilized lines stood at Rs 29.40 Cr. as on September 30, 2024.

Outlook:

Stable

Other Factors affecting Rating

None

Key Financials - Standalone / Originator

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	775.6	553.46
PAT	Rs. Cr.	44.02	22.9
PAT Margin	(%)	5.68	4.14
Total Debt/Tangible Net Worth	Times	0.16	4.42
PBDIT/Interest	Times	5.95	4.31

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Jan 2024	Non-Convertible Debentures (NCD)	Long Term	50.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE BBB Stable (Reaffirmed)
02 Nov 2023	Non-Convertible Debentures (NCD)	Long Term	50.00	ACUITE BBB (Reaffirmed & Issuer not co-operating*)
	Proposed Non Convertible Debentures	Long Term	50.00	ACUITE BBB (Reaffirmed & Issuer not co-operating*)
03 Nov 2022	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Not Applicable	INE07K307013	Non-Convertible Debentures (NCD)	30 Nov 2022	13.50	21 Feb 2024	50.00	Simple	Not Applicable Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Non Convertible Debentures	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	50.00	Simple	ACUITE BBB+ Positive Upgraded Stable to Positive (from ACUITE BBB)

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About Acuité Ratings & Research

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