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"Zaggle Prepaid Ocean Services Limited Q1 FY27 Earnings Conference Call"

August 14, 2026

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on August 14, 2026, will prevail.

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CHORUS CALL

MANAGEMENT: **DR. RAJ NARAYANAM – EXECUTIVE CHAIRMAN – ZAGGLE PREPAID OCEAN SERVICES LIMITED**
MR. AVINASH GODKHINDI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ZAGGLE PREPAID OCEAN SERVICES LIMITED
SGA, INVESTOR RELATIONS ADVISORS

Moderator: Ladies and gentlemen, good day, and welcome to Zaggle Prepaid Ocean Services Limited Q1 FY27 Earnings Conference Call.

Before we begin, a brief disclaimer. 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 it may 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Dr. Raj Narayanam, Executive Chairman. Thank you, and over to you, sir.

Raj Narayanam: Thank you so much. A very good evening to everyone. Thank you for joining the earnings call for Zaggle Prepaid Ocean Services Limited for the first quarter of fiscal year 2027. On behalf of the company, I extend a very warm welcome to all of you and an advanced Happy Independence Day. 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 look at it. Now I would like to take the opportunity to talk about Zaggle's financial update at a consolidated level. It's been a decade of sustained growth, and it has brought us to a natural and exciting reflection point. For FY27 for us is going to be about transformation through consolidation, optimizing our core operations, harnessing the power of AI and seamlessly integrating our recent acquisitions.

We are moving from a merely profitable growth paradigm that has served us very well in the past decade to a more focused approach on improving cash flows and calibrating capitalization, which will position us well for the next phase of growth with higher margins.

By taking a deliberate, focused approach to our fundamental performance today amidst rapid technological shifts and dynamic market, we ensure our business remains resilient, agile and positioned to drive long-term shareholder value and global scale. In Q1 FY27, we sustained our top line momentum, delivering revenue of INR423 crores, a 28% year-on-year growth compared to Q1 FY26.

Our adjusted EBITDA stood at around INR34.7 crores, reflecting key strategic transitions that I will detail shortly. What's more encouraging, however, is our expanding revenue footprint, a clear sign of strong growing demand for our core platform. Now I would like to take the opportunity to elaborate more on our 3 focus areas: revenue, EBITDA and operating cash flow.

On revenue, our total revenue growth of 28% reflects operational momentum across both our stand-alone business and our subsidiaries. On a stand-alone basis, Q1 FY27 revenue reached approximately INR390 crores, representing an 18% expansion over INR331 crores in Q1 FY26. This 18% top line is particularly resilient given that Q1 is historically a soft quarter due to seasonality.

Meanwhile, performance across our subsidiaries has been exceptional, and I look forward to detailing those results shortly. As always, we expect growth to accelerate through Q2 and remainder of the fiscal year. Now on EBITDA. In Q1 FY27, our adjusted EBITDA margin stands at around 8.2% as compared to 10.1% in Q1 FY26. Our overall cost base, which includes employee cost as well as other expenses went up by around 25% comparing Q1 FY27 to Q4 FY26 at a consolidated level.

While we were successfully able to optimize around 15% of the cost base throughout FY26, which would have reflected in FY27, there were 4 major areas, which contributed to the rise. Expenses related to DICE acquisition, which we absorbed when we absorbed around 100 talented AI professionals, costs, including their transfer onetime costs and also would want to highlight at this point that we will start realizing the revenue from novated DICE contracts only from Q2 FY27.

A moderated push of expenses into the P&L, which we were earlier capitalizing, and this is what we are going to continue to do it over the year. The standard employee increments, which come at the end of the year -- end of the financial year and gets reflected in the Q1 is also one of the reasons.

Added employee costs, marketing costs and other expenses from the acquisition of Zagg.Money. Expenses related to DICE acquisitions were predominantly relocation costs for transitioning 100 employees from Pune to Hyderabad between May and June, along with onetime tech vendor payments to ensure continuity between the transition, along with onetime transaction costs reflected primarily under other expenses. With the relocation now complete, the DICE team cost from Q2 FY27 will sit under our employee benefit expenses.

On the capitalization front, we are reviewing and updating our policies in close consultation with our advisers. Rather than waiting for a full policy rollout, we took immediate proactive measures in Q1 FY27 to moderate new capitalization levels. This calibrated moderation aligns with our focus on operational prudence and ensures our P&L better reflects our run rate costs.

On operating cash flow, strengthening our operating cash flow trajectory remains a key priority. We look forward to detailing our progress on the next earnings calls, highlighting not only the actions what we have already taken to improve cash conversion, but also the additional levers, which we are preparing to execute forward -- going forward.

Now I would like to give you an overview of Zaggle investments and acquisitions. I would like to start off by talking about our latest investment. We have made a strategic investment of around INR8 crores in Unobanc Private Limited, which operates under the brand of moneyHOP. Unobanc now holds an authorized dealer Category 2 license from the Reserve Bank of India, which allows it to offer digital cross-border payments, remittances and foreign exchange services as well as forex cards.

Much like Zaggle, Unobanc operates a powerful B2B, B2B2C model, partnering with leading NBFCs and money changers to power seamless cross-border payments for their clients while simultaneously driving direct-to-consumer remittances through its established B2C channel.

The investment comes at an opportune time with significant regulatory tailwinds working in our favor. Under the new guidelines of AD Category - II entities are now permitted to process cross-border trade-related transactions up to INR25 lakhs per transaction. The investment strategically aligns with our Save and Zoyer products to further enable forex cards, cross-border payments and remittances for our corporate and retail base in the future.

Next, I would like to elaborate further on DICE acquisition. Just to refresh, the deal has transitioned to an asset purchase from the erstwhile share purchase, we have secured the complete spend management product suite and intellectual property, along with their entire enterprise and partnership contract portfolio for approximately INR68 crores, excluding GST, a significant INR55 crores optimization from the initial INR123 crores valuation.

As highlighted earlier, we have completed the relocation of around 100 talented AI professionals. The contract novation of around 85-plus clients is underway, and we should complete by the end of Q2 FY27.

One point I would like to reiterate, the revenue accruing from these contracts has not been realized in Q1 FY27 and will only start from Q2 onwards as part of the deal. As a part of the novation, we have seen marquee names getting successfully novated and onboarded already, including the likes of Hindalco, Bajel, Trident Group, IDFC First Bank, Lenskart, XpressBees, amongst others. To note, we have already merged existing sales pipeline of DICE as well as, and we will keep you posted in upcoming quarters on updates regarding the same.

The acquisition of DICE has proven to be a vital catalyst for our technology road map, significantly accelerating our AI capabilities across both Zaggle Save and Zoyer. By integrating DICE AI-driven core technical expertise, we are enhancing automated spend analytics, intelligent approval workflows and predictive expense management within these products, allowing us to deliver far greater operational efficiency and value to our corporate clients.

This capability positions Zaggle very well to tap into other global markets like UAE and U.S. as well. And in the coming quarter, we would also take the opportunity to showcase these capabilities of AI by holding our Investors Day, and we will let the exchanges know in advance.

Next, I would like to talk about our acquisition of Rio.Money, which has been rebranded as Zagg.Money. We have continued -- we have seen continued transaction with continued traction within the entire credit card on UPI and TPAP ecosystem. In our last earnings call, we had reached an annualized run rate for new acquisition of 36,000 cards within just an 8-week window.

Now I'm happy to announce that we have increased the annualized run rate by almost 2.3x to now reach around 84,000 cards in a short span of time. Along with this, we have also launched a first-of-its-kind Twin co-brand card with Punjab National Bank across Visa and RuPay, which has been issued on a biodegradable plastic.

Along with this, we have also gone live with AU Small Finance Bank on both networks, which is Visa and RuPay. The program with AU not only rewards contactless and UPI spends, but also our custom value packs, enabling hyper-personalized features and reward points for consumers.

On the marketing front, Zagg.Money, we are actively engaging our B2B2C user base by positioning ourselves as a vibrant digital-first brand through targeted social campaigns. This quarter, we focused on major cultural movements, launching thematic campaigns around the FIFA World Cup and the release of the movie Odyssey to drive user engagement. Parallel to this, we completely revamped our co-brand user journey across both app and web, seamlessly aligning it with our upgraded brand identity, Zagg.Money.

I would also like to give you a little bit of policy tailwinds, which we have seen. This opportunity to welcome the proposed amendments in the taxation and other laws Amendment Bill 2026 regarding a limited MDR on high-value merchant transactions. Crucially, this policy -- since this policy focuses on large enterprise transactions, our sustained investments in building out the UPI ecosystem now positions us perfectly to capture enhanced transaction monetization.

Next, I would like to talk about our investment in 86400 earlier known as Mobileware, which is poised to enjoy the benefits from the MDR on UPI. Revenues grew from around INR17 crores in Q1 FY26 to INR22 crores in Q1 FY27, representing a Y-o-Y growth of 29%.

EBITDA grew from around INR2.8 crores in Q1 FY26 to around INR8.8 crores in Q1 FY27, representing 400% (Wrongly said on call, the correct number is 214%) (14:07)Y-o-Y growth. This unprecedented growth stems from the massive growth in UPI transaction volumes. Even with a large base, 86400 is seeing 2% to 3% month-on-month growth in volumes they currently support with various banks.

On the new customer acquisitions, I am happy to announce that 86400 signed its first major international partner, having partnered with LankaPay to strengthen their digital payment ecosystem. Along with this, 86400 also signed up with Union Bank of India for their Bharat Bill payment stack and signed up with Maharashtra State Cooperative Bank for their UPI transaction.

Another noteworthy and heartening point was on ease, 86400 processed over 2 crores transactions, underscoring the scalability and reliability of the platform, supporting peak value execution. Next, I would like to talk about GreenEdge, which runs the golf privileges program for various banks and networks like ICICI, Amex and others, along with the entire reward program for NPCI -- for NPCI.

Revenues grew significantly at around 160% from INR17 crores to around INR44 crores in Q1 FY27. EBITDA grew 66% from INR2.6 crores in Q1 FY26 to about INR4.3 crores in Q1 FY27.

We are seeing significant growth with NPCI, especially on the RuPay benefit program quarter-on-quarter, having driven deeper technical integrations to ensure seamless service delivery among an unprecedented growth in UPI transactions.

On new customer acquisitions, we are in talks to onboard new banks in the coming quarters. Now I would like to talk about TaxSpanner. As guided in the last earnings call, we made a few changes in our approach, having appointed new Board members to have a fresh look going into FY27.

We have also begun the initiative of rebranding TaxSpanner to Z.tax and we'll keep all of you posted with updates on the same in the coming quarters. Happy to share that TaxSpanner reported revenues of INR80 lakhs in Q1 FY27, marking a 65% increase over Q1 FY26.

This performance keeps TaxSpanner well on target to breakeven this financial year.. What is more heartening to see is that we will have a growth of around 120% on B2B side of the business, which primarily caters to the income tax and GST compliances of the enterprise corporates.

To further enhance our scope, we are also undergoing integrations with external partner ecosystem, including large payroll companies to further strengthen the embedded tax filing opportunity.

Lastly, we seek to accelerate TaxSpanner growth by placing AI automation at the heart of the platform, allowing us to disrupt traditional tax filing models, deliver superior speed and accuracy and expand our market footprint. Lastly, we would like to take a disciplined, highly selective approach to M&A, prioritizing value-accretive acquisitions in adjacent domestic and international markets.

Moving forward, we intend to deploy our QIP proceeds into adjacent sectors, ensuring every transaction drives meaningful synergies and accelerate our long-term growth trajectory. Now I would like to take this opportunity to address our AI investments as well. For us, investing in AI is a very crucial driver in transforming Zaggle from a traditional platform into an indispensable autonomous financial operating system.

As enterprise market requirements rapidly shift from simple digitization towards real-time governance and predictive intelligence, our AI investment ensures we stay ahead of evolving client expectations. By embedding AI natively across Save, Zoyer and Propel, we automate complex spend patterns and compliance workflows at scale. We are actively taking on larger and more complex enterprise problem statements.

Beyond basic spend reporting, our platforms now solve sophisticated corporate challenges, including multi-entity accounts -- multi-entity accounts payables and procure-to-pay automation, dynamic tax compliance, predictive cash flow visibility and deeper ERP integrations.

Solving these mission-critical pain points for larger corporates naturally is leading to significantly higher contract values and margins. Stickier client relationships and significantly increased switching costs, cementing Zaggle, as an essential operational engine for enterprise clients.

While we continue to invest and actively look at building these next-generation AI capabilities, I want to reassure our shareholders that we remain deeply mindful of our cost structure. We are disciplined in moderating our execution expenses, ensuring that capital is deployed prudently without compromising on operational efficiency.

However, we firmly believe that the long-term strategic returns will far outweigh current development costs. History has shown us that moments of foundational technology shifts, much like the advent of the Internet or the migration to cloud computing reward those who build ahead of the curve.

By absorbing these upfront development costs today, we are positioning Zaggle to capture a lion's share of tomorrow's market, securing high-margin recurring revenue and a structural competitive advantage that will compound value for years to come. Now I would like to give an update on our international expansion plans.

Now we are in the process of opening a subsidiary in ADGM, Abu Dhabi Global Markets International Financial Center and Free Economic Zone within this quarter, which is Q2 FY27. While we remain mindful of regional volatility, our engagement with local government, banking and commercial partners has met with overwhelming interest.

Furthermore, through the DICE acquisition, we inherited key client relationships that clearly validate our product market fit. As a result, we are prepared to enter the UAE with our core product stack, Save, Zoyer and Propel to capture significant market share in an expanding sector with a fragmented competitive landscape.

With this, I now hand over to our CEO and MD, Mr. Avinash Godkhindi.

Avinash Godkhindi: Thank you, Dr. Raj. A very warm welcome to everyone joining us on the call today. I would like to give an overview of a few key metrics. I'm happy to share that today around 4 million users actively use Zaggle powered cards and platform, software platform, a strong testament to the scalability and adoption of our platform.

We now serve more than 4,000 customers across a wide spectrum of industries and sectors. Talking about our consolidated revenue mix this quarter, the SaaS platform fees contributed around INR12.5 crores; program fees contributed around INR160 crores; Propel points contributed around INR251 crores.

Now to talk about a few business highlights. I'd like to start talking with the Save business. As Dr. Raj mentioned, on the tax benefit side of the business, as guided last quarter, we have seen significant favorable tailwinds with the new income tax regulations, which not only added wallets for the new taxes regime but has also increased the amount for meal, Gift and other wallets. With this, we have seen a tremendous growth in new contracts side along with an increase (23:17) in the per user wallet for existing as well as new corporate customers. We have multiple marquee names, including Radisson Hotels, SCA, Avighna India, Slice Small Finance Bank, Bikaji Foods, Bureau Veritas, Nuvama Wealth, amongst others and have a large pipeline to showcase for Q2 and forward.

Post income tax regulations, we also seen a significant increase in the onboard user count across our entire customer base. While the focus has been on new client acquisition, around 73% of the new user onboarded came from our existing corporates, where we were able to upsell new wallets and add new users.

On the travel and reimbursement side of the Save business, while we have onboarded marquee names such as APAC Financial Systems, Ark Info solutions and GSK India amongst others. As highlighted by Dr. Raj earlier, we have also invited clients from DICE such as IDFC First Bank, Manipal Hospitals, DARCL amongst others, whose billing will begin in Q2 FY27.

Next, I would like to talk about key updates in our Zoyer business. We have seen a very positive uptake in the Zoyer business with focused AI-driven rollouts of earlier signed customers. One such example is a large retail chain we signed up a few quarters back, where we have already onboarded about 2,000 stores with an impending rollout of the balance 17,000-odd stores in the coming months.

We signed up a few marquee names as well as Diesel Fashion, Mokobara Lifestyle, AppsForBharat, CBM Retail, amongst many others. We have also invited clients from DICE such as Hindalco, (25:10) Bajel, Dezerv, Navi and many others, whose billing is going to begin from Q2 of FY27.

Next, I'd like to talk of a few -- key updates in our Propel business and would like to start with a small case study. A strong example of Propel's enterprise traction is a recent deployment in a large entity managing 5,000-plus channel partners. The client was constrained by legacy offline voucher business tied with a significant working capital and prevented real-time program tracking.

We address this by implementing Propel, automating their incentive delivery, while providing real-time analytics to boost partner engagement. Additionally, transitioning from what they were using as a single brand voucher to a multi-brand vouchers and multi-brand digital point system effectively release gross working capital for the customer and created a vastly superior partner experience. During the quarter, we have signed up marquee names such as Saint Gobain, Supreme Pipes, Phoenix India, amongst others.

Next, I would like to talk about the key updates in our fleet business. Having captured a majority market share in the CDG, city gas distribution companies, we have seen major traction coming with much faster rollouts in these programs.

Compared to Q1FY27 -- comparing Q1 FY27 to Q1 FY26, we have seen a remarkable 43% increase in the total transactions, along with a resounding 5.8% increase in transaction value, which has reached an annualized spend rate of INR100 crores as of today. We have focused over the last few quarters on driving higher revenue and transaction volumes in the existing programs, and we look for fleet programs to meaningfully contribute to our top line and bottom line in the coming quarters.

I'm also very happy to announce that we have signed our first contract with 1 of the 3 OMCs, oil marketing companies, which highlights the effort we have been putting in this space over the last 2, 3 years. We signed a 5-year agreement with HPCL as an aggregator for their flagship Driver Track Plus, DT Plus program to facilitate purchase of petroleum products and enable additional discounts and benefits to the entire corporate and retail base of Zaggle.

As a part of this agreement, we also get to add incentive for driving these spends towards HPCL, so Zaggle also get bottom line benefit. I will keep you all posted on the go-live and the corresponding monetization of this program in the subsequent quarters.

Now I want to briefly touch base on our cross-sell initiatives. Leveraging AI, we have equipped our on-ground sales teams to pitch and solution for multiple products in the same go, while dealing with different stakeholders across various problem statements. In Q1 FY27, we saw cases like APAC Financial Services, where we were able to cross-sell Save and Zoyer products right at the initial stage itself. Other marquee cross-sell wins have been Campus Activewear, Purple Panda Fashion, V-Bazaar, Impresario Entertainment, Quest Corp, amongst others.

To elaborate a few cases further, Campus Activewear is an existing customer for the Zoyer solution, mainly leveraging the BROME solution for their retail stores. In light of the new income tax regulations, we recognize the potential for further collaboration and successfully plugged in our Zaggle Save solution for their employee base for tax benefits.

Similarly, Quest Corp is an existing customer for our Save solution for its large corporate base. Keeping in mind the complex procurement workflow requirements, along with the corresponding compliance requirements, we recognize the potential for further collaboration and successfully plugged in not only our Zoyer solution, but also the TaxSpanner solution.

Now as Dr. Raj highlighted earlier, on our investments in AI, allowing us to pick more complex use cases. I'd like to elaborate further on one specific use case of one of our large clients in the manufacturing space.

The client is currently facing with an entire manual reconciliation process with complex workflows and currently uses one of the larger ERP systems to facilitate the entire procure to pay journey. We are working with them on the following solutions, which involve purchase order, invoice processing and validation across 24 parameters for offline and online channels.

Purchase orders, which require inspection will now be able to have 3 and 4 matching of purchase orders, invoices, goods received notes and delivery challans, along with facilitating validation of more than 24 parameters, enabling complete automation of the validation and exception routing workflow.

As a part of the workflow, we have inherited a fully automated liquidation damages evaluation, calculation and routing workflow for late delivery [inaudible 0:30:58] scenarios, where the relevant commission terms are extracted from PO and measured against the goods received, moved, and invoiced along with the E-Way Bill.

Payment retention and goal automation, which holds all the users' payments to vendors, once all relevant compliance checks of the shipment have been made -- have been met, measuring against all documented touch points, removing all human intervention barring as requested specifically by the client.

Auto picking of relevant tax compliances on TDS and GST in a preconfigured tax rule engine, which applies relevant tax rates depending on the nature of the supply and vendor categories on the basis of threshold limits. The creation and deployment of the configuration of solutions in a very short span of time has been made possible by leveraging AI solutions at scale.

Lastly, I would like to take all of you through some of the key financial updates. With reference to Propel points margin on a consolidated basis, we have reached a margin of 7.1% with heavy attribution to Greenedge higher margins. On a stand-alone basis, Propel margin stood around 5% with a significant improvement from our Q4 FY26 margins. As mentioned previously, we had a spillover [inaudible 0:32:26] of a few overriding commissions that we realized in Q1 of FY27.

With reference to cash back as a percentage of program fees, we saw cash back of 66.3% in Q1 FY27, which is a marginal increase to the cash back of 65.7% in Q1 FY26, but a significant drop from our Q4 FY26 where the cash back was closer to 69%. The marginal increase as compared to Q1 FY26 is primarily on account of mix of higher corporate credit cards as compared to prepaid cards.

As you know, credit cards have a higher share of cash back attached to it because we include the cost of funds there and hence, the marginal increase. With reference to stand-alone employee costs, we expect employee costs to go up in Q2 FY27 to the tune of DICE employees who have come onboard during the quarter, as highlighted previously.

With reference to other expenses, Dr. Raj addressed the onetime nature of the increase. Going forward, we expect this to taper down starting Q2 to give more realistic picture on how this P&L will be shaping up.

With that, I would like to conclude my update, and we are happy to open the floor for questions. Thank you so much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Siva from Ithought PMS.

Siva: So firstly, on our revenue growth, it has slowed down significantly. So this is majorly due to both program fee and SaaS fee. So why is this exactly the case? Could you explain?

Raj Narayanam: Yes. So on the revenue growth, I think Q1 is typically about 18% out of the entire year, okay? And the growth rate, which is about 27%, we see that in the coming months, it would significantly increase.

Siva: But I'm asking this question, sir, because we've been growing at 40% to 50% for the past 5, 6 quarters. And I believe we've also guided for 40%, 45% on a consol basis this year. And we've already dropped to 28%. So do we still keep up with that guidance?

Avinash Godkhindi: Sir, Avinash this side. I just want to add what Dr. Raj said. Two clear factors the SaaS revenue gets augmented starting Q2 with DICE numbers. So while we have taken the cost and done the work for those contracts in Q1, that revenue has not come in. So that's on the SaaS side. On the program fee side, we have taken a very conscious call overall itself the business, sir, we've taken a very conscious call to optimize for both cash flow and to work on controlling or calibrating our capitalization.

And hence, those banks, where our working capital cycles have been longer, we have taken the decision this financial year that we will move some of those customers to a different bank. So that re-carding process also takes some time. But that's a call that we have taken to make sure that as we go through the year, the cash flows improve and we are moving volumes to those banks where we are getting realization of our revenues faster.

Raj Narayanam: Our guidance was 40% on a consolidated basis, and we are not moving away from that guidance as yet.

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

Deepak Poddar: Sir, just wanted to understand now with this DICE consolidation, I think you mentioned that you're going to provide the EBITDA guidance, right? So can you throw some more light? I mean, how should one look at your EBITDA margins going forward or this year?

Raj Narayanam: This year, if you look…

Deepak Poddar: Hello? Sir, you're not audible, sir.

Raj Narayanam: Am I audible now?

Moderator: Yes, sir.

Raj Narayanam: Okay. So our consolidated EBITDA margin is about 8.2%. And what we see is in the coming months, we will come to know more closely as the revenue from DICE also kicks in. Right now, only the cost has come in, but the revenue has not come in, and we will guide in the coming quarters about on the EBITDA margin.

Deepak Poddar: Yes. So when you say only cost has come in and revenue has not come, so ideally when the revenue comes in coming quarters, you will see only upside potential on your margins, right?

Raj Narayanam: Correct. So it came in about INR3 crores is the cost which came in, in the last 2 months of the last quarter. And we were not able to have any revenue because contractually, the revenue is to start from July 1st. So we are hopeful that when revenue kicks in, margin should improve.

Deepak Poddar: Margins should improve. So ideally, this is the lowest point of the margin, I mean, 8.2%. I mean ideally, coming quarters, you will see a better margin profile, right?

Raj Narayanam: there, we are improving on -- if you see, we have reached about 80,000-odd cards on Zagg.Money. And if you see that on Zagg.Money, we have lost, which is what we had earlier guided that about INR2.5 crores is what we have lost on Zagg.Money. So the whole idea is that while we are continuously bringing in operational efficiencies, but all the other investments which we had taken, we have to keep that into account as well.

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

Ankush Agrawal: The first thing, I want to understand is this selective pushing of expense, which were earlier capitalized now to P&L. So firstly, if you can explain what is the nature of this expense? Why were earlier these being capitalized and not pushed into expense? And now also when you're looking to sort of expense it out, why are we still doing it selectively and not the whole sort of amount?

Raj Narayanam: Ankush, there is no selective capitalization, which is there. This is a part of the process that eventually we are moving towards expensing all the -- if in an ideal state, I would say that we'll go ahead and expense all the costs. But as a process, it will take us a significant period of time to be able to do it. What we are doing is the cost, whichever we can -- whichever we think that it can be expensed is what we are moving towards expensing it.

Ankush Agrawal: Okay. So what are the...

Avinash Godkhindi: Just to add -- just to add. Sorry, just to add a couple of points here, Avinash this side. One, we are looking at our capitalization policy and we will give more clarity in the coming quarters. The second, of course, sir, you will appreciate that this is a decision that we need to take in conjunction with our auditors and we need to be able to convince them also as to what are the expenses that come into the P&L straight of the back and what gets capitalized.

Ankush Agrawal: Yes. So I just wanted to understand just like what are the expenses which were already being capitalized and now you feel that you should develop expense them. So if you can, whether it's a product development expense or something else, if you can add?

Raj Narayanam: Yes. So some of this is infra costs.

Avinash Godkhindi: Sorry, go ahead.

Raj Narayanam: Yes. Just some of the product development costs, which we have taken. Okay, on one particular product, which is like an immediate product, which is required by the clients in the market. What we did was that particular cost which we did, which was about -- roughly about INR6-odd crores is what we have gone and expensed it completely. And the policy is going to be that we expense more than we capitalize over a period of time.

Moderator: The next question is from the line of Anil Nahata from Parami Financial.

Anil Nahata: I would just have a couple of questions. The first set of questions are around the DICE acquisition. So congratulations on completing the DICE acquisition. Have we completed the technical integration of our payment rails with the DICE software? And have we started converting customers on the payment rails on DICE?

Raj Narayanam: So majority of the integration is done, okay? Last bit of integration, which is pending will get completed probably by August 31st or max September 10th. Once we have done that, it will be like a complete integration.

Anil Nahata: So basically, can we look forward to Q3 onwards having some sort of payments-related revenues coming from DICE as well?

Raj Narayanam: 100% without a doubt.

Moderator: The next question is from the line of Piyush Narang from Narang Family Office.

Piyush Narang: I wanted to check on what's the median revenue per customer, if you can share that?

Raj Narayanam: So it is roughly if you take about INR423 crores divided by about 4,000 customers, that is what is the revenue per customer.

Piyush Narang: Okay. Just to confirm on DICE, you're saying the revenue starts flowing from Q2 or Q3?

Raj Narayanam: Actually revenue starts from by Q2, okay? So July 1st was the date. So -- and it has already started. Some of the money has already started coming in. And it will pick -- it will -- the full pickup will happen from Q3 when we hope that by Q3, all the contracts would have novated.

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

Ankush Agrawal: The second question that I had was around this slowdown in program fee. So though you have alluded a bit about it, but for the rest of the year, how should we sort of look at it? Would it be one of those years, wherein you sort of consolidating the program fee growth would be like low teens, mid-teens because 15% -- sorry, 10% program fee growth is the lowest what we have seen in the last 3-odd years of our journey.

So and since this is one of the major revenue for the stand-alone business and wherein you have guided for 20%, 30% -- 25%, 30%. So just trying to understand if we are still on that track or we are again changing some guidance around that?

Avinash Godkhindi: So yes, so as we alluded in the speech as well, the primary focus is on cash flow optimization as well as calibrated capitalization. Having said that, the growth in program fees should improve in the coming quarters. There have been some geopolitical tailwinds, especially for travel as well, which has had an impact overall in terms of the spend. But frankly speaking, we are more worried on 3 things. One is the cash flow.

The second is the capitalization. And third, if you were to ask me how much of a percentage of program fees is cash back rather than just rupee or dollar value of program fees. So we are primarily optimizing on these and not so much on the raw number in terms of program fees.

Raj Narayanam: But just to answer your question, you would see a significant improvement in the coming quarters on the program fees. So the 10% growth is by design, and the growth should improve in the coming months -- in the months itself.

Ankush Agrawal: But that should mean that when we have Q2 results, there should be a meaningful improvement in cash flows and the incentives as well because if you're optimizing for that and the growth is obviously slowed down substantially, that should reflect in your working capital cash flows and improvement in the incentive cost, which again, in Q1 isn't there. But by H2, that should happen, right, if you're saying that you are further optimizing for it.

Avinash Godkhindi: So the attempt is that, but all these actions have their own gestation period. And to be very honest, we don't have a real immediate handle that we press a button and this happens. So you would appreciate that you have gestation period. That's what the effort is. And we are hopeful that you'll see some improvement across these metrices.

Moderator: The next question is from the line of Gaurav Shukla from Finvestors.

Gaurav Shukla: Sir, you said that your guidance is 50%. What is the key growth areas for this -- how we grow, as -- in first quarter, we had 425 revenue. So in the last -- next three quarters, we have to do 1.5x on this.

Raj Narayanam: Sorry, sir, unable to hear you clearly at all.

Moderator: Sir, can you please use your handset.

Gaurav Shukla: Yes. I'm using handset. Sir, am I audible?

Moderator: Your voice is little muffled, sir. We can't hear you properly.

Gaurav Shukla: Sir, am I audible?

Moderator: No, sir. We'll request you to come back in the queue for the next question. The next question is from the line of Abhi from AJ Capital.

Abhi: So my first question was on the revenue growth itself. Now obviously, you are also alluding that we should start looking at revenue excluding the cash back because that gives us the right picture.

So just on a net revenue basis, what I'm calculating is that versus quarter 1 of FY26, this quarter, we are up almost about close to about 16%, if I talk about excluding the cash taxes. And program fee seems to be up about almost 10% and revenue per customer seems to be up almost about 3%.

And this quarter revenue also includes INR44 crores of GreenEdge gross revenue that wasn't there in the previous quarter. So I just want to understand what was the organic net revenue growth, excluding GreenEdge and Zagg.Money. If you just talk about the core engine that was there in the last quarter versus this quarter because it feels like that, that has slowed down a bit this year.

Raj Narayanam: So it is about 18% is the growth on a stand-alone basis and which we had projected that overall, it would be about in the 25% range is what we had projected for the stand-alone, and we still stand by that guidance that we would be able to grow to that number for the entire year. And the growth which you are seeing on a consolidated basis is roughly about 28%, which we hope to be in the range of 40% as we go through the year.

Abhi: Okay. I had another question. Can I pitch in. Okay. Obviously, this quarter, the DICE acquisition has hurt the operating margins, and I understand that that's completely just fine. It's a good practice that you are bringing out capitalized costs back into the P&L. It helps the company in the long run.

So -- but what takes it away is that because of these adjustments, that EBITDA margin that we have always been guiding for, for the last many years in many interactions with investors, etcetera, that we have, we will be targeting a 13% to 15% EBITDA margin.

That seems to be -- the clarity around it seems to be vanishing every quarter because the EBITDA margin per say in itself has become quite volatile. It has become very difficult to project what our EBITDA margin would be.

So could you help us understand when will that trajectory come back? So when will we see a salience in the EBITDA margin -- whenever becomes stable, it can be 10%, it can be 11%, but when will we see stability because it's almost been 6 quarters of quite a volatile EBITDA margin?

Raj Narayanam: No, no. So if you really look at it, it is not -- we have been in the 9%, 10% range for the last 8 quarters, okay? And that has been the case all around for the last 8 quarters. And what we have guided that 14% to 15% margin is over a period of 5 to 7 years. The measures which we are taking today are basically to moving the trajectory towards that margin of 14% to 15% over a period of 5, 7 years.

And that is the reason we are doing a lot of this capitalization, we are bringing it into expense that keeps the balance sheet more clean. The second thing is to focus on the free cash flows. It takes any cash flow, which has to be corrected from a negative cash flow to a positive cash flow would take about 16 to 18 months over a time -- that period, that kind of a period of time, okay?

So all this we are doing is in the short term, which is, I would say, you take 15 to 18 months is how you take that period. And post that, it is the normal growth. The other thing you look at is that some of the acquisitions which we have done and the company has concentrated a lot of time and effort in acquiring these companies. okay?

And some of these companies, valuations have shot up like by 5x, 6x, okay, which is not getting reflected in our stock today. And what we hope is that by keeping on this trajectory, ensuring that we use capitalization very, very -- we expense -- we use our expense policy rather than capitalization going forward, focusing a lot on our cash flow and grow the revenue would be the 3 levers, which would help us in the future.

So it is -- so to answer your question, partly that the volatility has not been there. It has been in the 9%, 10% range. And this quarter, it has come down. And as we had told that we are doing an acquisition. And some of these acquisitions take time to prosper and flower.

Moderator: The next question is from the line of Achuth from Rockstar Equity Research.

Achuth: I have only one question. Like this quarter, previously, the growth was good, sir, but the cash flows are not there. Now you are mentioning that you are focusing on cash flows for which you need to get all the growth. So I want to understand when can we expect both, when can we expect good growth with good cash flows?

Raj Narayanam: What you are asking is something, which we are striving for, okay? And as you know, it's a process. We are -- every quarter, you will see that we'll work harder and harder on ensuring that we grow, okay, and we grow positively, which means that the growth is there and cash flow positiveness should come. So every quarter is what our focus is, every month is what our focus is. Every day is what our focus is right now. And we want to ensure that we don't compromise either of the two.

Achuth: Okay. Sir, and one more thing. I think in the -- I mean, in the last interview in some TV channels, you mentioned that you're planning to buy shares from open market. But after that, I mean, we haven't seen much purchase from promoters. So is there any plan of purchasing shares at this price, sir, as stock is down a lot?

Raj Narayanam: Employed professionals in the company, sir. And whatever money we came in and last time was also, as I said, we immediately had like INR5 crores liquidity. We immediately bought INR5 crores worth of stock. As we get liquidity, we'll keep on buying the stock. And that is our standard, and this is not something, which we announced last time when we bought.

Previous to that also, we had bought shares. Previous to that also, we had bought shares. So every time we have not even -- we have not sold a single share, we have been only buying shares.

Moderator: The next question is from the line of Shivam Rathore from MB Investment.

Shivam Rathore: Sir, as you are investing heavily in AI across Zoyer and Save and Propel, at what point do you expect AI to become a meaningful revenue driver rather than primarily a cost efficiency initiative?

Raj Narayanam: So, I'll tell you on AI, the impact of AI on the business, there are 2 kinds of impact. One is the internal impact and one is the external impact, okay? Key point which I addressed in my speech was that last year, we were able to optimize a fair degree of entire cost base. through FY26 only on account of internal development done using AI. This is around 12.5% of the expense cost base.

But the whole idea is that we have reduced new feature launch time lines by up to 50%, okay? On the external if you look at it, now we are able to go to our client, tell them that we are able to solve much more complex problems for them, okay? And to significantly large corporates, we have been able to do it with our AI.

In fact, our Project Shiva, which is called Zaggle Brain, will showcase that, and we'll probably file it on the exchange also in the coming months is a beautiful philosophy for which we'll go for patent as well, okay? All of these are already started to show some kind of payback period itself -- right itself, okay?

So even every contract we are seeing that we are able to go ahead and make some money basis AI. And as Avinash had also mentioned, some of the large customers, very, very large -- these are very, very large customers who have come in is on the strength of our product Propel AI, Save AI on P2P AI and expense management. A lot of these things have been -- but the payback will become much, much faster in the coming months and quarters.

Shivam Rathore: And as you have told, our DICE expected from -- DICE revenue expected from FY27. So how much percentage are we expecting? What revenue we are expecting from DICE?

Raj Narayanam: Sir, last year, they had done about INR12-odd crores, okay? And we expect that at least we are able to achieve anywhere between INR15 crores to INR16 crores this year, okay? As you know, gross margins there are about 90% plus. And we expect that we should be able to do that. And next year, probably much, much better because the full year impact will come in as well as all the efficiencies related to we're putting the payment rails into DICE software will also yield good results.

Moderator: Thank you, sir. Ladies and gentlemen, in the interest of time, that was the last question for today. I would now like to hand the conference over to management for closing comments. Thank you, and over to you, sir.

Raj Narayanam: Thank you all for participating in today's call. We hope we have addressed all your queries and provided valuable insights. We remain optimistic and focused on the future growth of the company, and we are excited about the opportunities ahead. For your -- any further information, we request to -- you to get in touch with SGA, our Investor Relations Advisor. Thank you, and have a nice day and a great Advance Independence Day to all of you.

Moderator: Thank you, sir. On behalf of Zaggle Prepaid Ocean Services Limited, that concludes this conference call. Thank you for joining us, and you may now disconnect your lines. Thank you.