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February 11, 2025

To
National Stock Exchange of India Ltd.,
Exchange Plaza, C-1, Block G
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051

To
BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai – 400 001

Scrip Code: 544288, Scrip Symbol: BLACKBUCK, Series – EQ
ISIN- INE0UIZ01018

Dear Sir/ Madam,

Sub: Transcript of the Earnings Conference Call for Analysts and Investors conducted on February 05, 2025.

Ref: Disclosure under Part A of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Pursuant to Part A of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby provide the transcript of the Earnings Conference Call for Analysts and Investors conducted on Wednesday, February 05, 2025 during 05:00 PM (IST) to 6:20 PM (IST).

Enclosed is the transcript of the Earnings Conference Call, which is also hosted on the website of the company. The link to access the transcript is provided below:
https://www.blackbuck.com/investor-relations.html

Kindly take the above information on record.

Thanking you

Yours Sincerely,
For Zinka Logistics Solutions Limited

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CIN: U63030KA2015PLC079894

“Zinka Logistics Solutions Limited

Q3 FY '25 Earnings Conference Call”

February 05, 2025

MANAGEMENT: MR. RAJESH KUMAR NAIDU YABAJI – CHAIRMAN, MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ZINKA LOGISTICS SOLUTIONS LIMITED

MR. SATYAKAM G N – CHIEF FINANCIAL OFFICER – ZINKA LOGISTICS SOLUTIONS LIMITED

MR. ABHILASH ASWAL – ZINKA LOGISTICS SOLUTIONS LIMITED

Moderator: Ladies and gentlemen, good day and welcome to Zinka Logistics Solutions Limited Earnings Conference call. 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 Mr. Abhilash Aswal from Zinka Logistics Solutions Limited. Thank you and over to you, sir.

Abhilash Aswal: Thank you and good evening. Welcome to Zinka Logistics Solutions Limited Q3 FY25 earnings call. Please note that a copy of disclosure is available on the investor relations section of the website as well as on the stock exchanges.

Anything said on this call which reflects the outlook towards the future, or which could be construed as a forward-looking statement must be reviewed in conjunction with the risk that the company faces. Please note that the audio of the earnings call is the copyright material of Zinka Logistics Solutions Limited and cannot be copied, rebroadcasted or attributed in the PR media without specific and written consent of the company.

To give you an in-depth understanding of the company and answer all your queries, we have from the management side, Mr. Rajesh Kumar Naidu Yabaji, CMD and CEO and Mr. Satyakam Naik, CFO. With this, I would like to hand over the call to Mr. Rajesh. Thank you.

Rajesh Yabaji: Good evening, everyone. Welcome to our second earnings call. As a public company, this is our second quarter of performance, and we will walk you through what has happened in the last quarter.

Jumping straight into the snapshot of the results, the snapshot of Q3 is in front of you. We did close to about INR123 crores in overall revenues which is close to about 45% growth on a year-on-year basis. Because of the nature of revenues in our business which are largely software in nature and hence the direct costs to the business are fairly low, most of the revenues convert into contribution profits.

We at a contribution profit level have done close to about 93%. That has been the trajectory largely over the course of last 2-3 years as well. So, we made close to about INR115 crores in contribution profit which is a 48% growth on a year-on-year basis. With a model where revenues compound continuously and customers we have acquired over the period of time, there is no incremental cost of acquisition, there is a very strong flow through of revenue growth into adjusted EBITDA.

And this quarter, we have been able to deliver an adjusted EBITDA of close to INR42 crores which is close to 5 times growth over the last year. From last year, we did close to about INR7.5 crores in adjusted EBITDA. That number now has gone to INR42 crores. And these are the top-line financial metrics. Most of them get delivered by active work on operating metrics.

Few operating metrics to discuss. The number one is number of customers who use us. This is the metric on transacting customers in the last quarter for us.

We have 7,35,000 transacting customers which is a growth of 21% on a year-on-year basis. Then these customers broadly again if you look at it, these are like in excess of 20% of India's truck operators who are transacting with us and loyal to us. In these users, not only that they use us for probably one service, a lot of them use us powerfully.

3,50,000 users which is roughly half of the users of the transacting customers are using greater than or equal to two services on the platform which on an absolute basis is roughly a growth of close to about 30% on a year-on-year basis. One of our largest revenue verticals is payments. Under payments, we make revenue when the proxy for making revenue comes from the GTV of payments.

We made close to about INR6,100 crores of GTV in the payments vertical for us which is a combination of tolling and fuelling payments and that's a growth of close to about 35% year-on-year basis. So, at a broad level to summarize what we have done, we continue our trajectory of consistent profitable growth because most of our profits, all the profits are coming in from our core verticals which today are market leaders from a perspective of market shares, from a customer NPS perspective, customer love. I think we are doing phenomenally well.

Those are growing at a very healthy pace while we continue to invest into newer growth opportunities sort of which gives us a balance in being able to deliver profitability at the same time, continue to keep our goal at redefining India's trucking and continue to go on onto that particular path. Now again, you know, every earnings call probably I will narrate our problem statement which we are solving. So, this is our trucking industry where you know for India, we spend 15%-16% of India's GDP we spend on logistics and Indian logistics gets executed dominantly through trucks.

Indian trucking industry is a 200 billion dollar industry which is fast growing, largely operated by small and medium scale truck operators. 75% of these guys own less than 5 trucks. Now if you look at the life cycle of this particular truck operator right from buying a truck which again makes a truck costly by like 10%-15% because of intermediaries in the transaction to financing a truck where half the industry is local pawnbroker led with interest rates of like 24%-48%.

Then getting access to loads where there is again dead wastage of days because a truck runs in India only for like 14-16 daysa month remaining time he is searching for load, waiting to get unloaded etc. So, and on a transaction, he again loses 15%-20% of the brokerage commission.

So, if you pick up any value stream in a trucker's life, it is typically delivered through intermediaries and is inefficient. This leads to India's trucking, you know, being inefficient and this is something which is the root cause for India's logistics being bottlenecked, India's logistics being high cost and we believe that the route towards transforming this is to really transform the life of the truck operators.

This is the mission we have chosenin the midterm for us probably for the next 5-10 years, we will be solving at the core for the fleet operator and through solving for that we will try to dream about how can we transform India's trucking.

Narrowing that down into really what's our strategy to go after this particular problem, there are three pronged strategies. One is offerings.

Offerings is nothing but a resultant of problem-solving for this particular customer base. Year after year, quarter after quarter, we have continuously picked up problem statements for our customers and we have solved them because technology is a lever to solve like most of these particular challenges and we have been active to solve them.

As you can see, with the myriad of, you know, solutions we provide for the truck operator, a lot of them are in the growth phases and nascent phases of development and the core verticals are tolling and GPS which contribute to 87% of our revenue and we continue to execute in this direction of problem-solving for our customers.

Second area is the whole platform. Our customers get their services delivered through the mobile app. They come and use the platform. Platform continues to get stronger, you know, year after year, quarter after quarter. We have close to about 20% of India transacting on our app and their usage continues to go up. As you can see, there is one vertical called as fleet docs.

That's a feature for truck operators to manage all the documents at one place, their fitness certificate their pollution certificate, any challan on their vehicle driving, etcetera. All those alerts, insurance expiry, everything can get managed at one place. So, such a feature creates higher utility for the app for the customers.

He starts spending more amount of time. And as and when we keep improving each of our existing features, he spends more time. So, 45 minutes is the daily app usage in this quarter for our customers, which has moved up significantly about 15% over the last year, which was 39 minutes.

So, this continues to compound. And, as a nature of our customer, right, he essentially needs handholding. Our entire acquisition and servicing is offline. We have a 9000 physical touch point network across the country, which sells and services to this particular customer, and which has 80% presence. So, this is the strategy we've followed for the last, four, five years, we continue to double down on this particular strategy. And this strategy, is delivering.

Sothat's the problem we are solving. This is our strategy, in the midterm, for the next 5-10 years, how we will execute to get closer to solving this particular problem. Now, giving you a snippet of the operational metrics, growth.

Starting with monthly transaction truck operators, which I have spoken about, on a year-on-year basis, we've grown close to about 20%-21%. Moving from 6.1 lakh truck operators to 7.4 lakh truck operators in this particular quarter, that's a year-on-year growth of 21%. And next metric is on power usage. 45% of these users are using greater than equal to two services on the platform, where there's a growth of 30% on a year-on-year basis.

Then these users spending more time with us, 39 minutes was their usage in the last, year, same quarter, that number has gone to 45 minutes, which is roughly 15% on a year-on-year basis. So, that's the metrics at a very broad level that, in our overall marketplace, which we have floated in our whole platform, our customers coming, using us, and are they transacting.

Next, moving to some of the metrics which define the kind of volume at which they are transacting with us. So, core vector of, measure there is the GTV on payments. GTV on payments, we have done close to INR6100 crores in GTV on payments this quarter, which was INR4500 crores last year, same quarter, which is a growth of 35% on a year-on-year basis.

In terms of the number of payment transactions, it was about close to INR10.6 crores transactions in the last year. Now, that number has moved to close to INR14.5 crores transactions this year, just close to a 36% growth on a year-on-year basis. And I'm not narrating, but most of these numbers are largely tracking the nine-month growth as well.

There were nine-month growth, I need to highlight, I will highlight there, but largely, they will be tracking the same numbers. As a result of activity increase, as a result of volume of things which are happening increase, our gross revenues are compounding. Our gross revenues have compounded by 45% on a year-on-year basis, moving from INR85 crores in quarterly revenues to INR123 crores in quarterly revenues, this quarter.

And if you remove the interest income, because interest income because of IPO proceeds gave a little bit of kicker, the revenue from continuing operations have grown at 41% on a year-on-year basis, from INR81 crores to INR114 crores. And a strong sequential quarter growth as well of about 15% from Q2 to Q3, which is the number which is, not present on the deck at this point. Revenue from growth businesses, which is if you leave out the core verticals of tolling and vehicle tracking, that number has grown from INR7 crores to about INR14.5 crores, which is close to doubling on a year-on-year basis.

Now, all these metrics, when they flow into contribution profit, contribution profit has grown at about 48%, growing from INR77.5 crores to about INR115 crores in this particular quarter. And contribution margin percentage, which I was mentioning, nature of the business has not changed. So, the contribution margin levels are in the range of the 91% to 93%, 93% levels this particular quarter, which is similar, the last quarter as well.

And because of all of this happening, and the quality of revenues, adjusted EBITDA has grown much more stronger than all of this because of operating leverage at play. Most of the revenue growth flows into adjusted EBITDA. This is what we have spoken, to most of you, over the course of the IPO and the last quarter.

So, you can see we have delivered an adjusted EBITDA of INR42 crores this quarter, which is a growth of close to 5x from the previous quarter where we did INR7.5 crores. So, and if you even remove the interest income, this is a line item we are introducing for the first time. Most of the metrics we have continued reported at the older adjusted EBITDA.

Over the course of 2 to 3 quarters, we will move everything to adjusted EBITDA, excluding other income, because that is the right metric to measure. There, from a INR3.4 crores last year, we have grown to INR33 crores this year, which is again a growth of roughly about close to 10x, over the last year.

So, overall, as you can see, a very balanced growth from an overall revenue perspective, very strong growth on profitability because of operating leverage at play and the nature of the business is playing out, and like, continuous, aggression on the new initiatives as I will outlay as we move forward.

So, summarizing the key highlights from the numbers we have seen. The first part, I will comment on the core businesses of the company. We have continued to maintain strong growth momentum on the overall, business growing at 45% in the, from a quarter-on-quarter basis and 9 months, 50%.

What is important to track is that the core businesses continue to compound, 35%, this quarter growth, 43%, 9 months. As in the discussion with most of you, you have seen that even in the DRHP, the first, one of the biggest risks disclosed in our revenue is the fast track program management fee, which is linked to government policies. And roughly about between 30% to 35% of revenues come from such a line item.

And what is important to note is that in the past, government had given minimal visibility into how this particular program management fee is going to track into the future. What we are pleased to report is that in January, government has come out with a notification, clarifying really what this MDR, what this program management fee is going to be in the future, which gives a very strong cementing to the revenues, the quality of the revenues and the revenue visibility and predictability for our company into the future, which will help, us plan things better.

So, on an overall revenue, the update is that we are growing strongly and the quality of the growth and the quality of the revenues continue to get cemented. Coming to the next line item, in terms of new business verticals, we keep doing a lot of work, more importantly to note management teams, 80% of the bandwidth typically goes into like really driving the new initiatives growth, because you know, the core initiatives are really well oiled, does not really need that much of a, bandwidth from a management side.

So, one of the vectors, one of the, new businesses which we have been incubating over the last 18 months was the area of fuel sensor.

Fuel sensor was an initiative under the telematics hood, where we were selling units, but we were not able to sell at a particular price point where the Indian truck operator would be able to leverage value like from that.

We were able to really re-engineer that particular device, work with our suppliers over the course of period in Russia and in China, over the past 18 months and were able to launch a device at a price point where we are able to get the customers get more value at that particular price point.

And we were able to build the whole installation and service network in parallel to that per fuel sensor. These two initiatives went live over the past six months that led to a growth where the total sales we did in the last quarter is equal to the total lifetime sales we did till that point in time.

So, we have been able to unlock a category which basically will stabilize in the course of the next18-24 months, and we will be able to give rise to a new vertical which will deliver revenues equivalent to the current overall telematics revenues.

So, that's a big unlock for us and we believe that in every six months we will be able to create such a big unlock as we keep explaining you and delivering the earnings results, you know, quarter on quarter basis. Then next metric is on platform engagement because those are the lead vectors of growth for revenue because we need to acquire new customers, our GTV growth needs to keep coming through and users need to use us more.

On a year-on-year basis, as I reported, we've grown on like in excess of 20% on the monthly transaction truck operators, our payments GTV growth has come through at 34% and users are using us more by spending 15% more time on a year-on-year basis. So, that is the lead vector of growth where we are fundamentally, getting stronger year-on-year.

Now, moving to profitability metric, as I mentioned, in this financial year, already at a nine-month level, we have delivered INR85 crores of adjusted EBITDA profits, which is our operational profitability metric, which same thing, previous year we did negative INR3.4 crores, which is a jump of INR88.5 crores over the last financial year. And speaking about the quarter, from last year INR7.5 crores to this year INR42 crores, which is a jump of INR35 crores.

So, very strong profitability performance, which we've always articulated that we are in a technology-led business, where you will see strong operating leverage. We have minimal increase in costs year-on-year, but we continue to increase our acquisitions, and we continue to increase our revenue at a much stronger pace, as we keep delivering momentum.

Talking about operating leverage, because I've used that word multiple times in the course of my presentation, we presented the slide, same slide last quarter, presenting the same slide again. You look at Q3 FY25 to Q3 FY24, we've grown in revenues INR38 crores. Adjusted EBITDA has grown INR34 crores, which is a 91% efficiency flow-through on a year-on-year basis.

Same thing, looked at a sequential quarter basis. Like, if you look at Q2 FY24 to Q3 FY24, our revenue has grown roughly about 15 percentage points, which is INR19 crores growth. Adjusted EBITDA has grown from INR25 crores to INR42 crores, which is INR17.5 crores growth, which is again on a sequential basis, operating leverage of 93%.

Again, there's no secret sauce to this, no hidden sauce to this, that secret sauce we've explained multiple times. This is happening because majority of our revenues are recurring in nature. Like, we acquire customers, but these customers cost is charged off in the P&L, in the sales and marketing cost in this quarter. But these customers once acquired, because the kind of products we've built, they are sticky, and our annual churn is quite minimal. So, the recurring revenue continues to compound, right?

Second aspect is that inside the recurring revenue, one more compounding impact is that these customers off-take and take-up newer services. When they take up newer services, the revenue of these customers continue to compound. Second lever, when these revenues grow, the efficiency at which they convert into contribution margin is very high. With a 93% contribution margin this quarter, revenues have converted into contribution margin.

Third, year on year, the net revenue retention is fast, is very strong and user retention is very strong. That leads to revenues compounding at a much faster pace and all of this happening without any investment in asset because we don't have to invest in any hard capex. Like, you're not running in any balance sheet heavy business. So, it's an asset-light model.

All of this, results in typically our adjusted EBITDA mimicking our cash flows and our revenues typically flowing down to adjusted EBITDA with an efficiency of in excess of 90%, in broadly in the range of 75% to 90% depending on quarter on quarter. So, so essentially truly a platform, led revenues at work, which which is driving a strong P&L with a very strong operating leverage.

And if you map out the EBITDA chart consistently across the last seven quarters, if you look at it, we've grown in the last seven quarters from negative of six adjusted EBITDA, continuously we've grown every quarter on the sequential metric because of the operating leverage. And we are able to deliver INR42 crores in this quarter.

And that number, if you look at it, from a negative 9% has moved to plus 34% like in a 1.5 year sort of a horizon, which is like a plus 44 percentage points turnaround in profitability, which we've been able to manage because of high gross margin, because of operating leverage, which is helping us deliver this.

Coming back into basics in terms of explaining how the P&L looks like, we've covered the operational metrics, we've covered operating leverage, now back to P&L. Broad repetition of what I have spoken before, revenue from operations grown at about 41%, total income at INR123 crores growing at 45% year on year.

And as I mentioned, minimal increase in direct cost, direct cost should have grown at revenue, but they are not because of again, leverage in the operating costs as a direct cost as well. So, they have only grown at about 11%. Contribution margin has grown at 48%. And total expenses, if you see on a year-on-year basis have only grown at 4%.

Despite a very small growth in total expense of the company. Remember that we are aggressively investing in new initiatives. We are aggressively and increasingly acquiring more customers on a quarter level in each of our business verticals, which led to our adjusted EBITDA coming to about INR42 crores, which over last year has grown about close to 5x from INR7.5 crores.

And from adjusted EBITDA, if we remove the other income, INR42 crores becomes INR33 crores, compared to INR3 crores, INR3.5 crores last year, which is close to about 10x growth over the last year.

Now talking about much more stringent metric, which is PAT. In PAT, excluding exceptional items, in exceptional item, we largely have the share based payment cost, which is a one-time cost, which from Q2 and Q3, that cost is over. So, you can assume that exceptional items from a share-based payment cost and IPO -- one time IPO link cost also over.

So, if you remove those two costs, PAT of the company this quarter is INR30 crores, compared to negative INR6.5 crores last quarter. At a PAT level also, you can see a turnaround of close to about INR37 crores of profitability turnaround from a year-on-year basis.

And overall, PAT obviously negative because share-based payments is impacting this and one time IPO cost is impacting this. But with facts on the table and with the PAT which are known to us at this point in time, with sufficient confidence, we can probably give you a bit of guidance that we will probably not be having these exceptional items in the coming quarters, probably in the immediate quarter, we can expect none of these exceptional items to be repeating in the continued operations. So, you may be seeing very fast PAT excluding exceptional item and discontinued operations mimic the PAT at overall level.

Giving you a walkthrough of PAT to adjusted EBITDA, broadly, simple. From PAT of negative INR48 crores this quarter, exceptional items is the biggest number of INR78 crores. Then your depreciation amortization is roughly about INR8 crores. Your ESOP cost is roughly about INR3 crores. And which gives you the adjusted EBITDA number of INR42 crores and other income of INR8.98 crores makes the adjusted EBITDA other income to INR33 crores.

So that's broadly what we have and would love to open the floor for questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. The first question is from Sachin Dixit from JM Financial.

Sachin Dixit: Hi, Rajesh and team, congrats on a great set of results. My first question is more of an explainer, right? I love to add some segmented colour on the business, right? When you say, for example, growth business are growing 100%. Can we break down some of it? Where is it coming from? Secondly, again, because it's a bit tough to triangulate, right? You combine core business as tolling and telematics.

But when we are looking at GTV, we are getting payments GTV, which is fuelling and tolling. So, like, it's tough to triangulate for us. Would love to have some more clarity and some more breakdown if that's possible?

Rajesh Yabaji: Yes, so probably we are waiting for businesses to probably touch at least 15% to 20% of the revenue contribution, where they are a bit material, or at least on an absolute basis, if they can contribute to annual revenue of at least INR50-INR60 crores. I think that's when we wanted to start giving out segmental understanding. But from your question, let me give some colour on what's really happening under the hood in new businesses.

The growth in the revenue is led primarily today by two verticals. One is the marketplace vertical, which is driven by two business models. One is the classifieds model, where we charge customers a subscription. That model has seen a very strong momentum of growth in the last two quarters. And we would, I mean, we continue to expect strong growth there.

And we expect that business, we were expecting that business to break even probably by end of this year, as in December 25 to March 26, broadly. I think that business looks to be on track in that particular zone. The second vector of growth is the vehicle finance business, which is basically a partner-led model, where we originate loans for a origination fee and a loan service income for our partners.

That is the other vector of growth, which is again compounding at a very healthy pace of probably close to again doubling. Both these businesses are probably close to doubling on a year-on-year basis. And joining the party is basically now the fuel sensor model, where you will see probably in six to nine months down the line, you would see fuel sensor also starting to make material moves in the growth businesses, providing the much-needed lift in the revenues from the overall growth businesses.

So, I would say, I would say that broadly, whatever we are selling. So, so yes, so I think this is the colour on what is the split of these. So, today materially, the load marketplace business and the vehicle finance business are contributing to majority of this particular uptick. But as we move forward in the next couple of quarters, fuel sensor will also start contributing. This is the colour and the overall thing.

Sachin Dixit: Just to clarify, fuel sensor is not part of telematics, it's part of growth businesses. I believe telematics is within core?

Rajesh Yabaji: Fuel sensor is part of the telematics business vertical. Under telematics, you have GPS, and you have fuel sensor. Tolling and GPS are part of the core businesses. Fuel sensor is not part of the core business.

Sachin Dixit: At least, I think telematics at least is roughly 15%-odd the size of overall revenue. Can we at least get the revenue number for telematics?

Rajesh Yabaji: We will probably, you know, take this request and we will come back probably next earnings. Yes, we'll look at it and we'll come back.

Sachin Dixit: Sounds good. And my second question is on the line of basically our platform partners. So, if there's any update in terms of people come joining us on FASTag side, on vehicle financing side, fuelling, I understand that there's a big scope, but any update on more partners?

Rajesh Yabaji: Yes. So, there's an update on partners. We've full-fledged launched one new partner in the FASTag space with commercials, much better than the existing commercials. So that's a, gives a good flip, point number one. Second is that as you all have seen that we've applied for the PPL license in the you know, DRHP, right? We are pursuing that strongly and we expect ourselves to be a full-fledged FASTag provider over the due course.

Next update on partners in the vehicle finance business, where we've been able to onboard a new bank to disburse loans on our platform. And againthis partner is more onboarded on a CLM2 model where they will take 80% of the vehicle loan originations, and then they will have full risk on that, right? Then, so again, there again, it's a partner-led model where whatever you see in the financials, that's the sort of risk sharing.

Then that's the, that's the model, right? Then in terms of telematics, it's not partners, but we've been able to crack very strong manufacturing partnerships, both in India and in China, which is giving us further advantages in procurement in the base GPS device and incrementally even in the AIS device, where, which is going to be the future device in the country, like on the GNSS side, etcetera.

So, in both the areas of basic GPS device, we've been able to crack manufacturing partnerships, which is enabling us to lower cost of procurement in the future. Then, obviously, as I was mentioning, in the fuel sensor, we were able to again crack a better quality product at a much better price with newer manufacturing partnerships, which is again helping us drive growth.

So, each of our businesses, as you rightly asked Sachin, that we are partnering with various different people, either be it manufacturing companies, or be it with financial services partners to originate loans, or be it banking partners to do prepaid cards, etcetera. In all of these, we are continually improving in the existing partnerships.

We are signing up newer partnerships with better terms, which is helping us improve our funnels, helping us improve our business. And we are continuing and that's a continual part of the business for us.

Sachin Dixit: Perfect, perfect. Can I squeeze in one more question or I should get it back to you? I'm fine either ways?

Rajesh Yabaji: Sure, Sachin, go ahead, please, quickly.

Sachin Dixit: So, the third question is largely on tolling market share. I understand like the tolling business, or I mean, the overall industry is growing roughly 13%-14%, while RGTV overall repayment side is growing 35%. Where do we stand in terms of market share roughly and where can we potentially play to? If that's one question you can take.

Rajesh Yabaji: So, last financial year, basically, we blended the market share was close to what 33%, right? As we remember, which will disclose in the DRHP this year, by June, we were at about 37. Right? By December, and by I think September and last time we gave that number that we were at 40. By December, and we already reached close to what 43%.

Sachin Dixit: And where can it potentially plateau if you see such a plateau happening ever?

Rajesh Yabaji: We continue to execute, we're going to execute markets pretty open for us, because nobody's really building customized specific products for truck operators. Our uptimes are the best, our incremental value props are the best. Our other products again are the best. So, customer sees like a total value prop to really work with us. Our servicing is the best. Nobody has 9000 people on the ground.

So, I mean, yes, so we will continue to execute, and I think whatever we're seeing in the hindsight, I think we will probably at least keep doing that for the next couple of years.

Moderator: Next question is from the line of Gaurav Rateria from Morgan Stanley.

Gaurav Rateria: Hey, hi. Congrats on good execution. I have actually four questions. Feel free to dodge it if you think it's too much. I'll get back in the queue. So, my first question is on program management fee update, the regulatory update, how frequently that update comes? Is there a annual revision that happens or is it ad-hoc like it can happen in two years, it can happen in four years? The second is what is the implication of getting a PPI that we have applied for you kind of you know, covered by regulatory guidelines which you are currently not?

And also from a unit economics perspective, you have the potential to get the entire unit economics rather than sharing it with a partner right now. The third question is on the fuel sensor, what's the starting price point right now versus alternate options available in the market which is making you completely disruptive in this market and you can kind of you know penetrate much deeper?

And lastly, why should the employee cost even X of ESOP fall on a sequential basis when you're growing the business so healthily? Shouldn't the employee cost also grow of course at a slower rate than revenue but why should it fall in absolute terms? Thank you.

Rajesh Yabaji: Yes, yes. So, first question on MDR certainty. Gaurav, in the history of the whole program management fee, by now it's roughly close to about 11-12 years government has been operating this program. The revision in MDR on the issuance side has only happened once, number one. Number two, the first time the revision happened was in the year, was basically in the year March 2022 - is when the revision happened. When the revision happened, first time they gave a visibility of two years which was up to March 2024.

And after that there was literally no visibility, and it was deemed that it will continue but there was still a bit of uncertainty lying around because it was deemed that it will continue but there was no official confirmation.

Now as we speak, typically government gives out a date, a sunset date for MDR as it gave in the last notification. As it currently stands out, it's an open-ended date given out saying that this is the MDR and this will remain as we keep moving forward because the minimum cost which any company incurs is a bare minimum cost in terms of running the entire issuance stack and that number for different banks and different players is a number where they just break even at that 1% scale because of the kind of market they are serving.

The market we are serving in the 2x2 is a market which basically has least number of tags but highest amount of GTV because it's a trucker segment. India has roughly 12 million trucks and total vehicles which have a FASTag in the country, roughly will be 65 to 70 million. So, these 12 million trucks, again if you break it down, only MHCV flies on national highways, 4 million trucks out of 65 million vehicles in the country, 65 to 80 million vehicles in the country roughly produces 70% of the GTV.

So basically, for players who are not operating in this segment, in the other segment, typically it's very unprofitable to operate even at 1%. So, for government, below that literally it's very tough to operate. That's the question on MDR.

Second point is on PPI. Our drive on applying for PPI and going for that for us is more becoming a full stack payments provider. Today we depend on a lot of different uptimes and downtimes on our partner servers, on our partner's uptimes and a lot of these involve a lot of high level of coordination, a lot of effort and cost. As we become full stack, the idea is not to really move out of partners but to also have a stack which can deliver better, number one.

And then second aspect is basically on obviously economics because we get to keep the whole share. But the economics will probably not improve 25% to 30%, probably will improve in the range of 15% to 20%. So, economics, yes, will definitely improve. That's the second question on PPI and economics.

Third question on fuel sensor. We used to sell a fuel sensor at INR20,000 when we launched. We were able to bring some volumes and bring it down to INR15,000. We used to sell it at INR15,000 about 4 months back. And at that price point, typically the demand was not taking off because we are talking about a truck operator, who typically net earnings probably would be INR15,000, INR20,000 per truck per month.

Now he needs to curtail theft on fuel, he needs this device but at the same time, the paying potential is low. So today in the market, we start selling the fuel sensor anywhere in the range of blended realization for us is roughly about INR10,500 to INR11,000 from the fuel sensor. In the market, you can find a fuel sensor, lowest is our price and the range of the price is up to INR25,000.

For our truck operator, really the sensitivity is that is the fuel getting stolen in the range of 5 litres and above. Sensitivity is not that if half a litre is gone or one litre is gone. So, the applications are wide. So, we are essentially building a product customized in such a way that we are able to produce a 99% plus plus accuracy.

We've been able to deliver with a product, which the current product is providing 99.5%. We've been able to establish a product which is again providing a 99.5% kind of a reliability in our reading to the customer. And that we've been able to dramatically work on costs, right? And we've been able to bring that down.

And that is the reason why we are able to operate at a INR10,000 plus plus price point. And at the same time, we will be able to deliver a contribution margin profile of 70% to 80% on the on the stabilized unit-economics perspective, right? So that's the fuel sensor story on what the market is selling, where we are selling and why we will be able to out beat because of focus on the customer segment, what he needs, reliability of the device, because like we have a set of a comprehensive lab, which tests out the reliability. And we've done like all this brunt work over the last 18 months, which we've been able to crack this device at this point in time.

Now, your last question, employee cost reduction, why? Right? Satya, you want to take that question?

Satyakam Naik: So, Gaurav, I think two things. One, as you have consistently said, we continue to move more towards the variabilization of the workforce, so that you would see that the other expenses has gone up. And that includes manpower and consultancy charges. I think we have explained this on every quarter that that's the intent to variabilize. That's one. Second, as always, we continue to run the lean team and the execution focus.

I think the third point, just a one time, is that in December, some of our leave lapses, etc. happen. So, there are some reversals in leave encashment and gratuity. So, that is to the extent of INR1.5 crores to INR1.7 crores. But other than that, as I said, continuous focus is on variabilizing the workforce. So, you will see the other expenses go up if the employee benefits expense reduce.

Gaurav Rateria: Thank you for the detailed response. All the best.

Moderator: Thank you very much. Next question is from the line of Prateek Poddar from Bandhan AMC. Please go ahead.

Prateek Poddar: Firstly, congratulations. I think this quarter EBITDA is more than what you did in H1. So, congrats for that. A couple of questions. One is, just when I see your GTV versus MTUs, right, the GTV has outperformed MTUs by almost 10%. Just curious, I would have thought that MTUs should have also grown, but that hasn't. Why is that so?

Rajesh Yabaji: Yes. So, the overall transacting truck operators if you look at it does not only come from payments business, comes from loads marketplace, comes from telematics, comes from multiple other sources of interactions. And what you are essentially looking at is basically the GTV on payment side. Point number one.

If you look at the user growth on in terms of the trucks growth, etcetera only on like-to-like payments basis that number is a little higher than the monthly transacting user growth. 20% number is the overall monthly transacting user growth. A truck on payments would have grown at about 24%, 25% point number one. Point number two, we get the benefit of, sorry...

Prateek Poddar: I was asking this was on a Y-o-Y basis that's what you are saying now?

Rajesh Yabaji: Year-on-year basis. Second factor of growth is that our GTV in payments gets a compounding impact of India's national road network. India's national road network over the last 3 years to 5 years has been growing at a CAGR of 5% to 7%. Now, when India's national highways get built out, the state highways which are typically narrow roads and are inefficient roads from a truck fuel mileage perspective, etcetera.

And from a reachability perspective the state highway usage is cannibalized by the national highway introduction. Because of that, you will see more road ton per kilometre happening on national highways. That's factor number two. Factor number three is that there is an inflationary increase in the prices of toll fares year-on-year. Roughly in the past, toll fares have inflated at the range of anywhere in the range of 6%, 7% on a year-on-year basis.

That again leads to the overall GTV growth. So, trucks growth on the platform, which is I mentioned to you like 23%, 24% multiplied by the same trucks doing more number of kilometres on national highways multiplied by the fare increase itself, all of this leads to GTV growing at a much faster pace than the primary metrics growing.

Prateek Poddar: Got it. Now, that's really helpful. The second question was on fuel sensor. You said you've localized etcetera. Just from a monetization perspective this is SaaS basis in the sense you charge per month subscription service. Is that a fair understanding?

Rajesh Yabaji: Yes, it's again – yes, it's the same model we charge upfront for the first year because that includes the device cost. And after that it's annual recurring subscription which again comes for annual and it's an annuity income again, nature of revenue again will be similar as the GPS revenue.

Prateek Poddar: Got it. Fantastic. And lastly when I look at, let's say your growth areas and when I see sequentially now this question is sequentially, if you see sequentially your growth area revenue increase is lower than your core business revenue increase, I would have thought that others which is basically your new growth area should have grown at a faster rate, but that hasn't happened. Obviously, it's a very short time. It's on sequential basis. But any thoughts why this has happened?

Rajesh Yabaji: Yes. So, it's more as I was mentioning, it's two vectors of growth there the AUM of lending, AUM of the loans we're disbursing in the financial services vertical and the marketplace growth, marketplace growth has continued to grow very strong. The entire, from a financial services perspective, as you are aware our partners have been cautious in the past two quarters, that's led to a little bit of dampening in the growth over there.

But other than that, there is no other challenge, you would see that growth coming through in the subsequent quarters.

Prateek Poddar: Got it. Because Q4 is generally quite strong from a disbursal perspective, etcetera and even from an overall movement perspective, so Q4 we'll see the growth coming back?

Rajesh Yabaji: But this time, it is not. I would saying but this time, that second quarter growth as you rightly said, can you hear me, Prateek.

Prateek Poddar: Yes, loud and clear.

Rajesh Yabaji: Sorry. Sorry, can you complete your question, please? I couldn't hear you.

Prateek Poddar: No, I was saying please go ahead.

Rajesh Yabaji: Yes, so I was saying, the Q2 for us in terms of disbursements did not see a strong uptick because of measured approach by the partners. As we see into this quarter that measured approach slowly is going away. So, we expect to see better disbursements, but yes Q3 was definitely measured by our partners.

Prateek Poddar: And sorry my follow up was see if you have added one new partner, he'll get his own demand. So, from that perspective, is that a fair understanding because the new partner is a bank etcetera?

Rajesh Yabaji: That's a fair understanding, but Prateek, every partner starts off very cautious. So, every partner typically has a strong incubation, like a good long incubation time, because it's not like if it's a payments business you can take off very fast, because in payment you flow through, there is no chance of fraud, etcetera. So now when a bank is onboarded which is basically very cautious about credit quality and all of that.

So, they typically start off slow, start off with only few areas start off with only like the better quality files, gain trust over a period of time. So, I would say in lending a partner senses us for a good 6 months, 9 months before they go really exponential, and which is also probably a cautiously good approach. And yes, so that's how a launch of a partner happens always.

Prateek Poddar: And lastly, any update on GNSS?

Moderator: Prateek, sorry to interrupt you. Come back for a follow up.

Prateek Poddar: Yes, fair.

Moderator: Thank you very much. Next question is from the line of Devendra Wadhwa from Value Prolific. Please go ahead.

Devendra Wadhwa: Sir, thank you for the opportunity. I wanted to ask that, that your new segment - your load matching and vehicle finance, how they're performing and what - what is the growth coming in?

Rajesh Yabaji: We were not able to hear you. No, you were not audible. Can you please repeat your question?

Devendra Wadhwa: Sir basically I'm asking your new segment like load matching and vehicle finance, what is the growth percentage coming in?

Rajesh Yabaji: What is the growth prospects in the future? Is that your question is?

Devendra Wadhwa: Yes, sir. What is the growth percentage coming in currently?

Rajesh Yabaji: Growth percentage. See, I can't like, I mean, we as we discussed last call, like we as a philosophy have taken not to provide guidance, but yes you can continue to expect the current growth coming through. And we'll keep you posted on your incremental information if it is there, more subjectively on the growth initiative.

Devendra Wadhwa: Okay, sir I wanted to ask a follow up question on this, that what is the cost of acquisition of a customer on these segments in load matching?

Rajesh Yabaji: What is the cost of acquisition of a customer?

Devendra Wadhwa: Yes.

Rajesh Yabaji: Yes, so basically like the way to look at is that as a company, as a whole we spend about 45 lakhs in marketing across the board. And other than that, which is a broad-based marketing, other than that, every other cost of acquisition is loaded on each of the categories, right?

So essentially, the customers for cost of acquisition of truck operators for the load matching platform becomes free, because I acquire a customer for FASTag. And, and customer pays me revenue on FASTag, right? I make revenue on FASTag. After that, the customer becomes free for usage across upsell, cross sell for any other category, right?

So, the way we have structured on how we look at customer acquisition costs on our platform, is that all the categories like, all the categories of tolling and GPS are essentially our acquisition categories, not only acquire, but also deliver profits today. And these customers when they are cross sold into loads matching platform, the cost is essentially, zero, right? So that's the philosophy in which we run this, run the whole vertical.

Moderator: Thank you. Next question is from the line of Parikshit Kabra from Pkeday Advisors. Please go ahead.

Parikshit Kabra: Hi, thank you and congratulations on a great quarter. I would want to discuss a little bit on the fuel payments vertical, which you haven't mentioned as one of the key verticals that is, giving you the great growth number in your new business verticals. I want to understand why that is the case?

I know that the FASTag tolling business has regulatory push supporting you. But essentially, the value proposition to the customer between the tolling business and the fuel business is very similar and the quantum is higher here. So why isn't the fuel vertical growing as quickly?

Rajesh Yabaji: Yes, see, basically, , if you look at the landscape of how India operates, right? And as you rightly said, we launched the fuel vertical also from perspective of a very high value proposition, and also looking at the markets, looking at the Western markets where companies like Fleetcor, WEX have done phenomenally well, they have done phenomenally well in the fuel card space, right?

So Indian market structure, why is it different from those markets is that point number one, we have a oil marketing company structure, where there are largely four oil marketing companies, there's only one private and three government owned, right? So the real intensity to fight, for customers in terms of loyalty, etc., isn't that high, that's point number one.

Point number two is that customers receive good amount of money in hand in cash. So they continue to still transact fuel in cash, right? So, these are two big headwinds, which basically create a -- create issues in customer stickiness, right? So, if you look at our fuel vertical, our fuel vertical, we make money in that fuel vertical, it's a good vertical, it provides ample value proposition for a customer to, really solve his problems.

A digital savvy customer uses very powerfully, the fuel card program, and, becomes very sticky. And this drives humongous loyalty for our, oil marketing partners as well, because they partner with us, so that their customers, can be loyal to us with them, right?

So, obviously worked on this vertical continuously, what we've been able to, come to terms with is that because of the nature of the customer we are talking about, and because of the market structure, what India has, we have been able to comfortably position a growth rate of 20%, 25% year-on-year in that vertical.

And we are growing in that manner. And, that's a growth rate, which we are expecting and that's coming through. Until and unless we crack a dramatically different value proposition, which we are again, obviously, experimenting at this point in time, which really, moves the market to adopt this offering very fast, right?

So, at the moment, I will say that this mark, this business will grow with the modernization tailwinds of this industry, how aware a customer becomes, how digital a customer wants to transact, how much, really -- they want to really save money and handle their business in a much more professional way, right?

Probably, the run rate of growth will get limited to this. And until and unless we unlock something, which, we continuously are trying to, right? Until and unless something we are able to massively unlock, or a government tailwind provides us that particular opportunity.

Parikshit Kabra: Got it. All right. And my second question is, from the perspective of the other expenses and the manpower costs within other expenses? So, what I try to do is try to compute from what I understand the other manpower costs sitting on the other expenses is mostly a number towards the variable fees that you're paying people to acquire your customers, right?

So, what I did was I took, I also we have been told that you have a churn of about 15%. So, I took the number of new net new additions, I took out another churn rate of 15% and added that as well. And then divided your manpower cost by the number of operators that you have added to gross number of operators estimated gross number. And I've come to a number that should be a manpower cost for each customer added. Is that method more or less, right? The number is coming to about 3000?

Rajesh Yabaji: No, I think that will be that will have like multiple errors. Because remember that we are, onboarding customers in such a way that let's assuming a customer gets onboarded, via marketing campaign, but only does, a load board classified transaction, not a brokerage transaction, that will get counted as a transacting customers, right? But would not appear in the manpower cost, which you are looking at, right? Number one.

Number two is that, a lot of different customers, get onboarded on various different services. So, the LTV attribution is very different, right? So, the, the way to look at is, I would say that we typically spend to acquire on any one of the verticals, right? Like, the cost of acquisition of a customer on any one of the verticals for at a truck level, typically hovers in the range of like, INR1300, INR1400, like kind of number, right?

And then if you look at it, if they are doing, like, if you're acquiring them on multiple services on a month level, that number probably would be a little bit higher. But the method in which you're doing that may not be the, the right method and will probably have a lot of errors and a lot of divergence in the calculation.

Because the churn of the platform, which you are mentioning in terms of 15% is not that much, because different cohorts have different churn, if it's an early cohort, because of stabilization on the platform will probably have a higher churn. But let's say, financially 2022, a customer on boarded will have minimal, like, churn on the platform.

So maybe it needs to be fine tuned a bit to look at how to look at, that particular number. Better would be to work on GTV and probably estimate how many trucks are transacting, from that perspective, on the truck individual, category wise, and then link back the manpower cost to the new customers getting acquired on those verticals.

Moderator: Thank you very much. Parikshit, I'll request you to come back for a follow up question, please. Next question is from Shubham Jain from NV Alpha Fund. Please go ahead.

Shubham Jain: I want to understand a little more on the new initiatives or, the new segments that we've been speaking about. Which of these segments do you think can become a large scale for us? And what is the addressable opportunity in some of these pieces that we're trying to build? I know you mentioned about the fuel transfer that can be added at the telematics business. But I was reading more towards the loads management and the vehicle financing business?

Rajesh Yabaji: See, I mean, the one question to ask is also that, in terms of, what are the key profit pools in this market, right? A, or second question to ask is, how are profit pools evolving over the period of time, right? The answer to the first question is, yes, can you hear me now?

Moderator: Yes, sir, we can hear you. Can I request you to repeat once again?

Rajesh Yabaji: Yes. So, to answer this question on, emerging opportunities and, where can we see big growth, right? We can look at this question in two dimensions. First dimension is that, where are the profit pools existing today? And how are our initiatives geared up to, get them, number one? Second question is that, in the market, where are profit pools evolving and are, do we have strategies to tap into the evolving pools, right?

So, I like, because this is how our segments are also divided, right? In terms of, first, where are profit pools today? If you look at it, one of the biggest profit pool segment in the industry is the brokerage commission profit pool, which is excess of $15 billion, because, taking out a 15%, 20% on a, $150 billion kind of a pool, gives you that number.

The initiatives going at that are basically the entire marketplace loads vertical, which has a strategy to it, where the first strategy is to bring liquidity on the platform through a classified network, which again pays its bills by the classified revenue. And the revenue projection of that vertical probably will be max INR200 crores in probably 5-6 years down the line on an annualized revenue basis.

Underneath that vertical, we have the brokerage vertical, which is trying to close loop these transactions and make money out of the commission income, where we have already launched, basically, we've launched one city, we've moved to five cities in the last quarter, each of these operations are stabilizing, we are creating a matching engine internally.

There's a lot of product work happening, there's a lot of R&D work happening in terms of how do you really do a very effective matching of these users and are able to close transactions, which is giving benefit to the customers and truck operators. So, this is one of the very big vectors of growth for us in the future.

If you're asking me, this is a very long drawn effort, I've mentioned this in the last quarter, we will, we as a company started off actually to crack this, but we have to take the route of solving for truck operators and generating the platform activity, so that we can crack this business vertical. So, this is one of the very first and foremost vectors of growth, which, today management is investing significant amount of time to crack this vertical.

Second area of growth, as you rightly mentioned, is the area of vehicle finance origination, where there is a $7 billion of pool origination and, NIM available. Now, our method of going at that market is basically the origination play, digital origination play on how can we really partner and originate loans for people. That's a business vertical, which is growing, probably every six months it's doubling. And, we spoke about that in the last earnings call and this earnings call as well.

These are, this is basically the profit pools, which basically exist today, and we are going after them. Next answer to the question is where are the profit pools -- which are profit, how are profit pools moving? As you are aware, we are in the telematics vertical, we are in the telematics business.

Under telematics business, GPS is one vertical we are focusing on very heavily. Under GPS is a normal GPS and then there is AIS GPS. In multiple states across the country, GPS has become mandatory for permit renewal, passing, and etcetera. That device is basically AIS device. And AIS device is also the same device, which government wants to mandate in the era of GNSS based tolling. So, this is how the profit pool essentially, this is a new profit pool, which is getting created and profit pool is essentially moving.

We are prepared with probably the lowest cost AIS device in the country today, which we are certified with, and we have a strong installation network, which we are able to train and go after this particular opportunity. So, this is where the profit pool is moving. We are future ready, in line with that profit pool. So, a telematics opportunity, GPS, opportunity for us is big and we are aligning towards it.

Next biggest opportunity, which we have already cracked, as I was mentioning to you, customers are becoming tech savvy, are modernizing, want to save money on fuel, want to say no to getting fleeced on fuel by their driver continuously. So, they are adopting fuel sensor. What they need is a cost-effective solution in the Indian market, which can work in a rugged way in the Indian market, so, that we are providing too.

That's again a profit pool, which is not, doesn't exist, but it's getting created essentially, over a period of time. And like this, as I showed in the initial slide in terms of our business opportunities, which we as a company are building, as you can see over here, fuel payments, vehicle finance, loads platform, brokerage platform, fuel sensor platform, fleet docks platform, all of these are the newer verticals, which we are going after.

And each one of these is actually targeting TAMs of multi-hundred-million-dollar TAMs, which is, which, because we have a strong platform, which is a strong way to push the product, and we have a distribution platform, which is a strong way to service and sell the product, we are the best position to be able to gain lion's market share in each of these verticals.

Shubham Jain: Got it. Thanks so much for such an elaborate answer. I have two follow-up questions. In the loads management business, how exactly does the brokerage model work? I get the listing and classified piece, but in brokerage, what is the value addition that we do? Do we ensure fulfilment? How does that exactly work?

Rajesh Yabaji: Yes. When you look at a marketplace transaction, typically, in any marketplace transaction, you enable discovery -- discovery and matchmaking, that's one clear area where customer is trying to get a truck, if he doesn't get a truck, his *dhanda* doesn't happen that day. A trucker is trying to fill his load, like fill his truck capacity, because if he idles, he loses on an average 3000 rupees a day.

So, discovery matchmaking is the biggest value prop, which we are providing in the classified as well. But when we launch brokerage, we are doing this in a much more concerted way, right? Once the discovery matchmaking happens, second area is the area of pricing.

You price a transaction, you make both the parties agree on one particular pricing and say that this particular price *pay transaction agay badega*, right? Now, in classifieds, we don't price a transaction. In brokerage, we price a transaction. After pricing a transaction, the transaction moves into the area of fulfilment. Fulfilment essentially is that quality of the truck, validation of the truck operator, validation of the driver, truck reaching the loading point, it getting loaded, in transit performance, truck reaching, truck unloading the goods in the right condition.

Fulfilment experience, we don't provide in the classified. In brokerage model, we take care of the fulfilment experience, because we have onboarded this trucker, we know which village this guy lives, we have validated, we know this trucker much better than anyone else, we know this driver much better than anyone else, we do all host of validations before we assign a truck to a particular shipper, so that's one of the biggest value proposition in this.

Next, after you do fulfil a transaction, you create customer experience, you coordinate payments, payments flow through us. In the classified transactions, we don't do payments. In the brokerage transactions, payments flow through us. Trucker gets a guaranteed payment. We become the face.

One of the biggest problems for truckers in this market is that they conduct a transaction, but the payment doesn't come. And that's a big problem on the classifieds platform, which we solve for trust through ratings and reviews. But in India, ratings and reviews is not enough. It's important that if can somebody come in between, and he solves for the trust in the transaction.

So, in a brokerage transaction, it's BlackBuck load, it's called, on the platform, it's called BlackBuck super loads, so, loads where we are the broker, we call those loads as super loads. On a super load, he gets the payment guarantee on the platform. We are responsible for the money to flow through, because we have validated the shipper on the other side. We have gone to him, we've seen where the shipper lives, we've done the KYC, we do few orders, and we can check whether this guy pays effectively the trucker properly or not.

That's the payments part of the whole transaction. So, this is the value add in brokerage, where we enable a trucker, fill his truck faster, because loads are available online, he unloads, he books a truck immediately, shipper books a truck in a hassle-free way, both of them have a hassle-free experience on both payments, because many times, customer also pays and trucker runs away with the goods and the value of the freight as well. So, for both sides, it's very highly valuable, 10x experience to partner with a organized company to broker the deal for them.

And that's the value prop which we bring to the table. And because of a platform which is used by 20% truckers in the country, we have very strong matching rates, very strong fulfilment rates, and we've operated freight business in the past. So, we are coming in with the learnings of what really goes wrong in this business and are able to get it first time right in terms of expansion, in terms of onboarding, in terms of getting the product made.

Moderator: Thank you very much. Shubham, I request you to come back for a follow-up question. Participants kindly restrict to two questions per participant. Next question is from the line of Nilesh Jain from Astute Investment Management.

Nilesh Jain: Congratulations on an excellent set of numbers. So, I had a question on the telematics side, on the GPS side. So, currently, we have around 7 lakh active monthly truck operators. And the number, what you all had reported in the RHP, right, around 4 lakh of them have telematics devices installed, which roughly comes out to be around 60% of the users.

First question was that what penetration rate, you expect going forward when you acquire new users? And secondly, the already acquired users, what will be the renewal rate or retention rate for the next year when they come for renewal? What do you expect? That would be my first question. And then I'll ask my second question after this.

Rajesh Yabaji: Yes. So, basically, as we mentioned, the first question was asked by Sachin and he was asking the same question in terms of, can we provide some visibility, at least on telematics from a segmental results perspective? I think at this point in time, what you can infer is that broadly the growth is trending, how it was trending before in terms of telematics devices.

Broadly, we are in the same course. That's answer number one in terms of growth pattern. And just to correct for you, the number mentioned there was actually devices. So, the number of users is actually lesser, because one trucker typically has 1.5, 1.6 active devices. So, the number of users will be a little lesser. So, you can find these details in the offer document.

The second question which you asked along with it was basically the renewal rates. We typically have that the first year annual rate typically is roughly in the range of like early 70s in terms of annual rate. After that, typically, the renewal rates are in the early 80s to late 80s on a continual basis.

Nilesh Jain: Okay, thank you. My second question is on the load side. Currently, I wanted to understand, what are the challenges you are facing on the demand side, that is from the shippers and on the supply side, the trucker side? And, what are the fulfilment rate right now we have?

And, I mean, you mentioned that we have a second model, which is a freight brokerage, wherein we would be getting commission out of the overall fulfilment. There's another model, which FTA follows. I mean, obviously, it would be a sort of future thing, but I just wanted to get, is it feasible for India where FTA charges from the trucker side as well for selected cities, where there is, great demand.

It charges some commission from them separately, and provides them a separate add on services, wherein they would get a load before they would, they would get to access the loads before when, and then goes to the other users, if they are not interested. And they earn a good amount of money from that side of the business as well. So, would that be in the long term, be applicable here as well?

Rajesh Yabaji: Yes. So, some of the functional metrics you're asking, as we mentioned, I think for the new businesses, we'll not be providing those metrics, by no one. On the question which you have in terms of brokerage model, yes. I think in FTA, as you are aware, they report the subscription revenue and the brokerage, the other line item which we are trying to talk about, right, the closed looping the transaction view, the marketplace commission view.

So, you can assume, because see, FTA operates in China, a very different demography of execution, because 85% of the truck operators are owner-drivers. So, the app location and the truck location is same, right? In our case, like 70, I would say, like large part of the market, 85% of the market is basically still, like, truck operator dependent who employs the driver. So, the truck operator location of the app and the truck location is different, right?

So, ability to really create, the marketplace platform needed us to take this route. That's point number one. Point number two, equivalent of the revenue which you are mentioning, like, that is our brokerage business for India and expect to see incremental updates on that business in, the subsequent quarters on our earnings call.

Nilesh Jain: I mean, I take your point that the freight brokerage business which FTA has is a similar one which you are also, you are also implementing. The third is the transaction commission, what FTA has, wherein it charges separately from the trucker, apart from earning the brokerage between the shipper and trucker.

Rajesh Yabaji: No, no, no, when I mentioned the brokerage business, when I said we make commission on the transaction, we charge from the truck operator.

Nilesh Jain: Okay, okay. So, that part of the business, you feel that, given the freight listing, you said, over the four, five years, it will be 200 crores maximum. Freight brokerage could be a large number, is what you see. Obviously, it depends on the execution and all of that.

Rajesh Yabaji: The TAM is very big. We need to out-execute. If you are asking me when, I have no answer because it is a very, nascent initiative. And if you are asking me whether we are putting all the impetus to really crack that and get that going, answer is yes. But by when and how much, I think we need to wait for at least six to eight quarters to get some understanding in that business.

Nilesh Jain: Thank you so much and all the best.

Moderator: Next question is from the line of Prateek Poddar from Bandhan AMC.

Prateek Poddar: Yes, hi. Thanks for taking my question again. Just on GNSS, any update?

Rajesh Yabaji: No update. Pilots are happening continuously because in terms of vehicle identification, government also wants to have a little bit of fallback arrangement as well. So, I think, wanted to have multiple mechanisms to identify the vehicle. NPR technology is also, they are piloting. Sorry.

Can you hear me now? Yes. On GNSS, they are stalling. No, like really incremental updates. Government obviously continues to be active in terms of pursuing this. And the plan is staying the same, broadly executing on the same notification, which they released a couple of quarters back. They are trying to create a fallback for, vehicle identification in terms of, automatic number plate recognition as well.

So, yes, so they are like, I think a lot of work is happening. They are making heavy moves more on the back end side first, because that's an area they have to prepare first. Otherwise, front end, if we start acquiring users on the new mechanism, back end has to be solid.

So back end work is the toll charge of work, which will calculate the distance, which will map the toll plazas, do the lat longs, and like, send on a real time basis really how much money to be deducted, etc. So that work is on a priority happening, but materially, we don't have any updates on that.

Prateek Poddar: Got it. And lastly, you called out INR4000 of cost cutting or localization efforts for the fuel sensor. Just wanted to check, is there more room to get this down? And at INR11,000, are you making any money or, or it's only via subscription?

Rajesh Yabaji: Yes, at between INR10 to INR11,000, we will be in money in the first sale.

Prateek Poddar: Like in the sense you assume you've got INR4000 down. Can you get it more down? Is there a room for you to localize this even?

Rajesh Yabaji: No, no, we've got down the sale price by 4000 Prateek.

Prateek Poddar: Yes, I understand. Can you get it down more?

Rajesh Yabaji: Yes, I mean, because right now, we are only talking numbers like mere thousands. And as soon as we hit 10,000s, right, we can definitely get more. Because if I remember, I had articulated the story that on GPS, our first procurement was at like 2200, right, we kept going down, kept going down.

Now the numbers are like close to one fourth of that, right. So, I think telematic fuel sensor also will broadly have the same story. Because I think manufacturing really works, it's charm at scale, we are now pretty much upscale. And as we continue to grow, so broadly to a given estimate, at whatever scale we're doing right now, if we grow by 6x, right, we will in the monthly run rate of sale, we will be able to hit the GPS numbers.

So broadly, at that scale, we probably can have one more price point emerging. And, yes, we should. But yes, even with the current plan on procurement with the device, which we will be able to do, we will be in money in the first sale.

Moderator: Thank you very much. Ladies and gentlemen, we'll take that as a last question. I'll now hand the conference over to Mr. Rajesh Yapaji for closing comments.

Rajesh Yabaji: Yes, I think, thank you, everyone for joining and listening in and asking very good questions. I think last quarter, again, to repeat, I think it was a good result. More importantly, the whole core is being cemented with more serenity in revenues, in terms of the FASTag MDR, in terms of new initiatives going live.

And in terms of operating leverage, really getting showcased in a magnified way. And by being able to deliver nine month, INR85 crores, I think it's a good start to this whole financial year. And that's what we just expect that we continue to execute on the same lines.

And if nothing materially changes in the external environment, we should be able to continue to execute in these lines into the coming years as well. Because majority of our businesses, which today provide majority of the profits and majority of the revenues are largely, India centric growth execution, because India is growing, truckers are growing. We build products very special customized to them.

We've built servicing networks very customized for them. So, I think whatever we're doing, I think should continue to happen as we keep executing into the next quarters. Thank you so much. And as we promised last quarter, we will not really be doing the earnings call in a haphazard way, because last time we gave you probably 5-10 minutes before the earnings call, we uploaded the results. This time, I hope you guys had good time to go through it and ask questions. So, we are improving our internal cadence in all of this.

We are new to this. But I think in few quarters, we should have the similar discipline which you guys experience with your other public market company portfolios. And we will get there with the discipline and rigor what is needed to operate a public company. We're learning and we're in the journey. Thank you so much for joining and look forward towards meeting you in the next quarter.

Moderator: Thank you very much. On behalf of Zinka Logistics Solutions Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines. Thank you.