

**ZAGGLE/23-24/67**

February 13, 2024

To Listing Department, NATIONAL STOCK EXCHANGE OF INDIA LIMITED Exchange Plaza, Plot No C/1, G Block Bandra Kurla Complex, Bandra (East), Mumbai -400 051, Maharashtra	To The Corporate Relations Department BSE LIMITED Phiroz Jeejeebhoy Towers, 25 <sup>th</sup> Floor, Dalal Street, Mumbai -400 001, Maharashtra
<b>Company Symbol: ZAGGLE</b>	<b>Company Scrip Code: 543985</b>

Dear Sir / Madam,

**Sub: Transcript of Earnings Call held on February 6, 2024****Ref: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015**

Pursuant to the Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 and further to our letter dated February 1, 2024, please find attached the Transcript of the said earnings call on the Unaudited Financial Results of the Company for the quarter and nine months ended on December 31, 2023, and the same has been uploaded on the website of the Company on the following web-link:

<http://ipo.zaggle.in/wp-content/uploads/2024/02/zaggle-earnings-call-transcript-Q3FY24.pdf>

We request you to kindly take the same on record.

Thanking you,

Yours faithfully,

**For Zaggle Prepaid Ocean Services Limited**

**Hari Priya**  
**Company Secretary and Compliance Officer**

Encl. As Above



“Zaggle Prepaid Ocean Services Limited  
Q3 FY2024 Earnings Conference Call”

February 06, 2024

Disclaimer: E&OE. This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on February 06 2024, will prevail



**ANALYST: MR. ROHAN – EQUIRUS SECURITIES**

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

**Moderator:** Ladies and gentlemen, good day and welcome to Zaggle Prepaid Ocean Services Limited's Q3 FY2024 Earnings Conference Call hosted by Equirus Securities. This conference call may contain forward looking statements about the company which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode, and you will get an opportunity to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohan from Equirus Securities. Thank you and over to you Mr. Rohan!

**Rohan:** Thanks Manav. Good evening, everyone and thank you for joining the call to give a brief update on the Q3 FY2024 results and address investor queries. We have with us from the management of Zaggle Prepaid Ocean Services Limited Mr. Raj Narayanam, Founder and Executive Chairman, Mr. Avinash Godkhindi, MD and CEO, and Mr. Aditya Kumar, CFO. We would request the management to start with the opening comments post which we can open the floor for Q&A. Thank you and over to you Sir!

**Raj Narayanam:** Thank you so much Rohan. Good evening, everyone. This is Raj I am the Executive Chairman of Zaggle. Thank you so much for joining us for Q3 FY2024 earnings call today. On behalf of the company I extend a very warm welcome to everyone who are on this call, and we are joined by Mr. Avinash, Managing Director & CEO of Zaggle and Mr. Aditya Kumar who is our CFO, and SGA who is our investor relation advisor along with Equirus.

The results and the presentations are uploaded on the stock exchange and the company website. I hope everybody has had a chance to look at it. So before I start on the other aspect, I would also like to highlight on the fintech ecosystem. Fintechs as you would know are at inflection point where there is a perfect concoction brewing between the increasing digital adoption, ever improving digital infrastructure and proactive regulations to create a lasting and sustainable ecosystem. To share a highlight from the latest budget there is a strong preference for digital transactions for government schemes translating into benefits totaling over Rs.2.7 lakh Crores for the government. This presents exciting opportunities for players in the fintech space such as your company. This trend will further drive growth and value for the fintech sector. For fintech companies like us achieving growth expansion and long-term sustainability relies heavily on scaling operations within the realms of regulatory framework. I am happy to share that in the last 12 years Zaggle the only profitable listed fintech company in India has established a robust business model within this framework creating sustainable growth.

I would now want to highlight how our operations for the last quarter and nine months has been. Our quarter in nine months performance ending December 2023 has been extremely strong. Our revenues grew at a healthy 35.1% on a Y-o-Y basis this quarter and respectively with the growth in adjusted EBITDA at about 56.4%. Overall, if you look at the nine months performance our total revenues are at Rs.502 Crores versus Rs.366 Crores last year showcasing a 37% growth and our EBITDA is at Rs.58.4 Crores versus Rs.37.6 Crores showcasing a 55.3% growth. We are constantly upgrading and innovating our products which provide us with a competitive advantage allowing us to offer better solutions to our clients and onboarding new clients every quarter. In Q3 of FY2024 we added 105 new clients taking our current total number of customers to 2837. The active users on our platform stand at about 2.56 million as on December 31, 2023.

In addition to that which we have in our previous two analyst calls we had informed that we have launched our accounts payable solution Zoyer which we launched last year, and it has started clocking revenues in this financial year. Over the last nine months we have received an extremely encouraging response from our customers. The positive momentum we have seen in the first half of the year is continue into Q3 and will further go into Q4 and we are committed to sustain this progress. Another very big contract which we won which we had uploaded on the website as well as on the exchanges is about the Torrent Gas opportunity. I am very excited to share a significant milestone for the company that is our entry into fleet loyalty card program through Torrent Gas. The order has the potential to have substantial volume and margin opportunity driven by our end-to-end closed-loop system with 500 fleets onboarded and 260 outlets ready to accept our cards to start with. This is a huge space globally and our endeavour is to onboard many more clients in this space. The total fleet spends market is estimated to be about Rs.73000 Crores in India and we have just started nibbling at it. Globally this is a multibillion dollar established business especially companies like WEX and FleetCard are leaders with multibillion dollars in revenue. In principle, our proprietary solutions have multitude of used cases which help us to enhance our offerings for our customers and our fleet loyalty card programs is just one of the examples.

As we have spoken about Zoyer again and again which are our accounts payable model the spend management space is essential for every business irrespective of the industry, it helps to streamline expenses, bringing transparency and accountability resulting in cost saving something that every company wants. At Zaggle we firmly believe in collaborating with a strong player in the ecosystem. Further our partnership with marquee banks enhances our access to a large corporate clientele elevating our reach and influence within the industry. Our customers are our influencers, and we benefit a lot from a positive word-of-mouth. Our constant endeavour is customer delight. As you know we have always been looking at how to grow faster and at a healthy pace, we are constantly scanning opportunities, so some of

the opportunities which we have looked at is to see that how do we capitalize on our cross selling. Our cross selling that means where one solution is already present in that particular company how can we cross sell or upsell one more business solution to them and that has been our constant endeavour to see if we can increase it from 15% over to roughly in the range of 17% to 18% to make sure that our product portfolio is in every corporate. It also creates an entry barrier for other companies in this space.

Your company's topmost priority is to increase shareholders value and is exploring multiple growth levers. We recently participated in SaaSBoomi Qafila 2024 event wherein about 45 SaaS companies from India were invited to Dubai to be part of a three-day exclusive event to unlock key regional market insight, make connections and explore business opportunities in the Gulf Cooperation Council which is the GCC region. We were able to garner significant learnings on the ground, meet big business houses in the UAE region and have insightful meetings. These are the initial steps taken towards our larger goal of going international. We are scanning the market for further growth opportunities, and we will keep this group updated on what is happening next.

In terms of our guidance, we continue to hold our guidance of achieving 40% to 50% revenue growth and the EBITDA margins of 11% to 13% and the performance in Q3 is in line with what we had projected. Now I would like to hand over to our MD & CEO, Avinash to take you through some business updates. Thank you.

**Avinash Godkhindi:**

Thank you Raj. Good evening, everyone. Before I talk about Zaggle's quarterly performance, I would like to update you that recently we won the Excellence in Innovation Business Spend Management Software India 2023 award presented by the Global Banking & Finance Review. This accolade stands as a testament of Zaggle's exceptional commitment to providing innovative and efficient spend management solutions to businesses and the market's recognition of the quality of our software. This quarter has been a phenomenal quarter for us both in terms of performance on revenue and other profitability matrix. This quarter we had a massive growth in program fees due to the increase in prepaid and credit card spends. Nearly 44% of our total revenue came from program fees which include interchange fees that we earn on every transaction executed using prepaid and credit cards across our three products. The growth in adjusted EBITDA continues at a healthy pace as well. We have seen growth in our corporate and purchase card offerings along with an encouraging fashion in our accounts payable platform Zoyer. This quarter we had spends of over Rs.2000 Crores on our Zoyer platform which bundled with our commercial credit card. Our nine months FY2024 topline grew at 37% and we expect to grow at 40% plus rate in the coming financial year as well. We have onboarded quite a few big clients this quarter and have visibility to find some marquee means in the coming months. Banking partnerships are a pillar of our growth. We are in advanced



*Zaggle Prepaid Ocean Services Limited*  
*February 06, 2024*

discussions with some marquee banks to onboard them as our banking partners in the coming quarters.

Consistent demand for digitization, transparency, tracking and budgeting of spends gave birth to most of Zaggle's products. Today with our three powerful products Propel, Save and Zoyer with multiple use cases Zaggle has a unique value proposition to offer to its customers. Our product seamlessly manages the intricate process of tracking, scrutinizing and optimizing organization spends. We offer a compliance suite of products under a single roof coupled with competitive rates and stringent data security standards like GDPR compliance and we provide businesses with tools they need to adopt and thrive in today's dynamic landscape. With the churn rate of less than 2% per year our tailor-made solutions continue to resonate with our clients empowering them to navigate complexities with confidence and efficiency. Further, our well diversified business monetization model and partnership with multiple marquee banks and networks allow us to mitigate our risks efficiently. I have often said that as a profit focused company Zaggle is frugal, nimble and humble. This is at the core of our values and this has led to not just sustain but thrive and prosper in a rather competitive environment.

Allow me to throw some light on the monetization of our three various products along with revenue contributions in the last quarter. Program fees which is primarily our interchange earnings on transactions amounted to Rs.88.2 Crores which is about 44% of our topline. The SaaS fees were about Rs.8.2 Crores contributing to around 4% of our topline. This includes the fees for our proprietary software which couples with our products. This includes fixed monthly subscription fees paid by customers on a per user basis. Software continues to be the very foundation of our product solutions. Propel Points revenue stood at Rs.103 Crores constituting about 52% of our total revenue to anticipate robust growth across all our three revenue streams going forward. We continue to implement our growth strategies and we remain confident in our ability to effectively leverage our inherent strength, ensuring growth with margin expansion in the coming quarters. Now I hand over to Aditya, our CFO for financial highlights. Thank you.

**Aditya Kumar:**

Thank you Avinash. Good evening all. Let me walk you through our quarterly financial performance. In the past quarter we registered an impressive 35.1% Y-o-Y growth and 8.3% sequential growth in our topline. Also this quarter revenue is our highest ever. As explained in previous quarters for our Propel Points revenue recognition is based on a gross basis. As per program fee revenue is recognized on net basis. As a result gross profit and gross margins vary considerably depending on the product mix, which we do in specific quarter. During this quarter the gross margin is 51% compared to 38% in Q2, which is on account of an increase in program fee contribution in revenue mix. Having said that our cost structure across product categories is well maintained for ensuring better EBITDA margin.

During this quarter the employee cost rationalized from Rs.112 million in Q2 FY2024 to Rs.86.8 million in Q3 FY2024. The uptick in the previous quarter was due to salary hikes and annual bonus disbursement. Our adjusted EBITDA for the quarter has grown by over 56.4% on Y-o-Y basis and 5.1% sequentially to Rs.228.6 million. Following the IPO the company has successfully prepaid Rs.168 million in borrowings for which the finance cost reduction benefit is being observed in Q3 FY2024 with 27% lower cost compared to Q3 FY2024. Our cash PAT which includes net profit along with depreciation and ESOP expenses has surged by an impressive 92.7% on Y-o-Y basis. During FY2024 we expect to record total ESOP expenses close to Rs.180 million to Rs.200 million. For nine months FY2024 our revenues have soared by 37% on Y-o-Y basis to Rs.5022.3 million. Our adjusted EBITDA has experienced a substantial growth of 55.3% to Rs.584 million. Notably our cash PAT has surged by an impressive 78.4%. As on December 31, 2023, our net debt is around Rs.655.2 million. As seen in this quarter we expect the inherent visibility of our business to continue and for the Q4 to have surge in transaction volumes and increase in spends driven by users seeking to maximize their card balances before the end of the financial year. On this note now I will request moderator to open the floor for Q&A.

**Moderator:** Thank you very much. We will now begin with the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have our first question from the line of Prakshal Jain from Lucky Investment Managers. Please go ahead Sir.

**Prakshal Jain:** Thank you for the opportunity. Can you elaborate a bit more on the freight loyalty card program that we have started how we will earn from that and what can be the size of the opportunity in this space?

**Avinash Godkhindi:** Thank you Prakshal for your question. The space is an extremely large space. The government data for last year shows the fleet spends to be about Rs.73000 Crores and this is just fleet spends on fuel. Globally also this is a very large space. These are our first steps in this space but if you look at how fleet owners struggle today with managing their cash because they need to pay the drivers upfront for a trip which could be 30 days. Putting this money onto a prepaid card and giving it to the driver and loading this money on a periodic basis and daily basis helps fleet owners manage their cash flow much better and gets partners like Torrent Gas and others assured sales, so we see a tremendous growth here and growth revenue lines are both in terms of a percentage spend on the fleet program as well as overall there are other lines in terms of fees, etc., that come into play.

**Prakshal Jain:** So we plan to give the company who in turn will give the drivers a prepaid card or something or credit card?

**Avinash Godkhindi:** It is a prepaid closed-loop program. We work with partners like Torrent Gas and these cards would be issued to fleet owners, fleet owners would in turn pass it on to the drivers and the fleet owner and the Torrent Gas would have a dashboard on which they can monitor how the spends are happening on the card on a real time basis and they can block cards, unblock cards, and load cards so that is the whole value proposition in this case.

**Prakshal Jain:** Sir my next question is that your revenue from the Propel of the gift card revenue that has not been growing so much and gift card is higher margin revenue for us so if you can explain this, please?

**Avinash Godkhindi:** No overall it has grown if you look at it on a nine month basis Prakshal it is just that last quarter we wanted to allow some of our corporate customers to be able to open up the spends on prepaid cards and because this is a festive season so as a onetime activity we allowed some of those spends to come on to Propel Point spends to come on to the network cards so these are uptake in the program fees that is basically some of it is coming through on account of this.

**Raj Narayanam:** Prakshal just to add to what Avinash said the gross margin on a network card is much, much higher than on the gift point or on a gift voucher so there is a lot of difference between, and we are constantly trying to grow our gross margin and if you see because of that this quarter's gross margin is at about 55%.

**Prakshal Jain:** Sir if you can also tell us the revenue contribution from Zoyer for the nine months period?

**Raj Narayanam:** So Zoyer I would be able to give you that overall number on the Zoyer credit card if you have it handy.

**Avinash Godkhindi:** Yes, it is about Rs.30 Crores in the program fees.

**Prakshal Jain:** For the nine-month period, right?

**Raj Narayanam:** For the nine months exact number is about Rs.45 Crores.

**Prakshal Jain:** Thank you Sir. Those were my questions.

**Moderator:** Thank you Sir. We have our next question from the line of Kuneh Ghelani from Vivriti Asset Management Private Limited. Please go ahead.

**Kuneh Ghelani:** Good evening and thank you so much for the opportunity. My question was on the revenue growth side that we are seeing quarter-on-quarter sequentially, as per your previous answer



you mentioned that some of the growths that we are seeing on the program fee is on account of perhaps the gift card was not being routed through the card network but also trying to understand on account of our newer product Zoyer there would be some bit of gift card related GTV which would also be booked so how is that growth coming along and how do you see that outlook in the future quarters as well?

**Avinash Godkhindi:** Thank you for that. If you look at the Zoyer growth as I mentioned last quarter, we had more than Rs.2000 Crores worth of spends in Zoyer and we are seeing good reach in terms of both the interchange income and the revenues as well as spends and we anticipate that in the coming quarters we will see much stronger numbers and much greater growth in Zoyer.

**Kuneh Ghelani:** Got it thank you and also on the sale of Propel Point over there if we look at the Q2 numbers we did about Rs.128 Crores over there against which the cost of redemption was about 14% odd right so the margin on that line of business was a good 10% to 11% odd versus if I look at the numbers for Q3 I am looking at about Rs.103 Crores of revenue against the cost of redemption is about Rs.97 Crores right so which is about 6% kind of a margin so is that how we should be looking at it and if that is how it is then why are we seeing those numbers perhaps margins becoming thinner for the Propel Point business?

**Raj Narayanam:** If you really look at this quarter this particular quarter is a season it is a gifting season business and what happens is that there is huge demand for the gift vouchers and that is why you see a little bit compression in the margin and we will be able to go back to probably 11%, 12% and 13% in the current quarter and the idea is that even though we make 11% to 12% in this but the whole if you look at against the sales the cost of goods sold is something like about 88% to 89% on an overall basis so that is something which we are really not wanting to expand too much. We want to focus on our program fees and Saas fees because on the program fees our gross margins are at about 95% to 96%.

**Kuneh Ghelani:** Understood got it and also on SaaS fees as well because you mentioned while there is program fee that is coming in through the Zoyer offering and that is showing up on the program fee when do we start seeing SaaS fee also because we have been in that Rs.7 Crores to Rs.8 Crores region for two to three quarters now so SaaS fee coming from Zoyer product and corporates willing to pay more for the service offering when do we see those revenues start to come up as well?

**Raj Narayanam:** Generally if you just look at in terms of SaaS fees in Q3 FY2023 we had Rs.5.7 Crores in Q3 FY2024 we had like Rs.8.2 Crores so if you see we have grown by about 43% and in terms of when the fees will start coming from Zoyer we have already started seeing it. In the coming couple of years that will really get ramped up as more and more intelligence is put into the software and more analytics are thrown at the customers they would start

paying more and more fees on it so it is just a product adoption has to happen so as Avinash rightly said that Rs.2000 Crores of spends we did last month what we are looking at is that how we are able to increase the spends and then put the fees on SaaS fees and slowly and slowly start increasing the SaaS fee on Zoyer as well but to give you an answer may be around next four quarters is what we would be able to then tell you how it is shaping up.

**Kuneh Ghelani:** Thank you. One last question how are we doing on trade receivables I could not find that number on the presentation if you could just help on what that number is looking like?

**Raj Narayanam:** It is more or less in the same range as last quarter about Rs.135 Crores is the trade receivables.

**Kuneh Ghelani:** Got it. Thank you so much.

**Moderator:** Thank you Sir. We have our next question from the line of Darshan Garg from Sameeksha Capital. Please go ahead.

**Darshan Garg:** My question is on the side of cost of acquisition of customers like there is a significant increase in the cost of acquisition per customer between FY2021 and FY2023 so wanted to know your guidance on that?

**Avinash Godkhindi:** I think you are referring to our cash backs and incentives that we give so look as the business grows and as the revenues grow and new product lines require more investment so that investment needs to be made to increase the uptake or usage of these products but over time we have been successfully able to rationalize these expenses or investments both for our previous two products Save and Propel and we anticipate that to be the case with Zoyer as well.

**Darshan Garg:** Second question is on side of trade receivables like they have increased par from Rs.22.6 Crores in FY2021 to like Rs.120 Crores till the September quarter so like what are the terms of the contract with the companies you deal so what is the reason of that?

**Aditya Kumar:** So our TR comprises of three parameters one is on the SaaS fee which we generate to corporate clientele, prepaid period is around 55 to 60 days and second is on the program fee which we generally bill to bankers and the credit period is again anyway ranging between 45 to 60 days and the Propel Point is on the gross basis where that also takes anyway between 30 to 35 days. If you look at the combination of all these, put together the days comes around on an average of around 40 to 45 days which is in line and as the business is growing the trade receivables will get elevated on the quarterly basis, but it is in line with the business growth.

- Aditya Kumar:** As a percentage it remains the same.
- Darshan Garg:** My last question is like are you planning to expand in any other countries and what are your strategies and in which countries you are going to expand?
- Raj Narayanam:** Darshan right now our software is made, our product is already ready, and it has been deployed in hundreds of companies so in India it is doing very, very well. Now the thought was that if the same software has to be deployed anywhere else it really does not require too much of customization so we just wanted for the next two, three and four years growth we need to start planning today so there is like very, very large market in India but the amount of SaaS fees which they pay for the per user fees way to less than what internationally the companies pay for so what we are looking at is that if there are market outside India where they could pay us a much larger differential on the SaaS fee and that is why we went to SaaS Qafila to look at how the GCC market would look at us and in the near future or let us take 18 months to 24 months we definitely look forward to go international.
- Darshan Garg:** In which countries?
- Raj Narayanam:** So right now we have looked at US and GCC market and at the right time we will be able to update you as to which geography have, we chosen.
- Darshan Garg:** Thank you for the opportunity.
- Moderator:** Thank you. We have our next question from the line of Grishma Shah from Envision Capital. Please go ahead.
- Grishma Shah:** Good evening. Thank you for taking my question. Sir I want to understand this loyalty program a little better when we will start accruing to us and the move is ultimately going to pay, is this through the bank that we would earn like we earn for our program fees, how will this entire thing work if you could help me understand a little better?
- Avinash Godkhindi:** Sure. Thank you for your question, Grishma so basically the whole concept is that we have a partner in this case Torrent Gas and Torrent Gas is ultimately benefiting in terms of sales, so they pay us a percentage of the spends that they get or percentage of business that they get. They also earn fees from the fleet owners, the fleet owners also benefit in terms of transparency, being able to manage their cash flows better, etc., and hence we earn from a fee from the fleet owners and then there are some other incidental lines of income.
- Grishma Shah:** Sir where will this get reflected in our P&L is this in the program fees or is it in that which line item will it get reflected and when will it start?

- Avinash Godkhindi:** A part of it would be in the SaaS fees right because it is a recurring nature and that is how it would reflect.
- Grishma Shah:** Somewhere I read the opportunity some Rs.200 Crores is what you had mentioned is that the number that we are working for a year one fees that we will earn?
- Avinash Godkhindi:** This is the volume that we anticipate as of now on a conservative basis with one program. The first program is that we are doing with Torrent Gas. The opportunity in the market as we mentioned is much larger. Obviously, we need to start with one dependable reliable partner and that partner we have found in Torrent Gas.
- Grishma Shah:** Sir all the folks who come with pure car at Torrent Gas outlets to refuel or put fuel in their system once they swipe the card is when you earn the fee or once the fleet owner loads an amount on the fee what is it?
- Avinash Godkhindi:** So it is both combination so when we invoice Torrent Gas that is when we earn when the spends happen and overall when the card is issued to the fleet owner there is as well for issuing the card.
- Grishma Shah:** Initially there would be a lot of money which you would earn because the cards are issued?
- Avinash Godkhindi:** See it is a question of the program getting traction. Initially we will obviously go step-by-step and offer it to different fleet owners. Torrent Gas is growing and there are multiple such use cases in the oil and gas industry and there are multiple players with whom we will eventually partner with in the coming quarters and years.
- Grishma Shah:** Sir the revenue will start accruing from Q4 or Q1 of FY2025?
- Avinash Godkhindi:** So we are yet to go live with the program per se so we anticipate that revenues will start coming in the subsequent quarters.
- Grishma Shah:** Thank you so much and best of luck.
- Moderator:** Thank you. We have our next question from the line of Pranav Gupta from Aionios Alpha Investment Managers. Please go ahead.
- Pranav Gupta:** Good evening. Just a couple of questions so one is on the previous comments that you made that we are moving more clients away from Propel Points and more towards spending on the card given that it is a higher gross margin that we are seeing is that understanding, correct?

**Raj Narayanam:** Moving away from the gift vouchers business where Propel points used to buy gift vouchers we are moving that business to using Propel Points to buy more gift cards. From gift vouchers we are moving to more network cards is the right word to use so to go more and more on the platform it gives us a much, much higher gross margin profile.

**Pranav Gupta:** So effectively the overall profile business that you would do anyway is by issuing prepaid cards directly right so instead of issuing those cards directly we are pushing more and more customers to redeem those points again with gift cards versus gift vouchers is that understanding right?

**Raj Narayanam:** Yes, network cards is how you can put it.

**Pranav Gupta:** Understood. The second question is on the incentives payouts this quarter if I look at it as a percentage of program fees which is essentially what the money that we make on cards that has actually shot up and if I sort of adjust at least part of this program fees for the money earned on the Rs.2000 Crores of card spends for Zoyer this number seems to be significantly high, how should one look at that for this quarter and then over the medium term?

**Aditya Kumar:** Zoyer has been kick started in this year right. If you compare the products Save and Propel those are in line with whatever we are saying in the previous quarters, there is no incremental on this. Zoyer because last Q2 and Q3 and Q3 being ramped up business we have to give little bit higher incentive cost towards it and over a period of time of course like what we did for Save and Propel we reduced it we will focus and reduce the incentives on Zoyer as well. That is why you see this quarter as an elevated percentage but on an overall level if you compare the total incentive divided by the program fee whatever so that will be only 5% increase.

**Pranav Gupta:** May be there is a gap in my understanding so you can correct me if I am wrong typically incentive fees will be paid out on sense that would happen on the prepaid cards right and if my memory serves me right the Zoyer product is tailored around the credit card offering in that case just wanted to understand what are the incentive payouts on this credit cards if you are paying out higher on the Zoyer products?

**Aditya Kumar:** The Zoyer product when you talk of this expense line there are of course certain cost of funds that are important for issuance of a credit card because somebody has to bear the cost to the free credit because that aspect and for the uptake of the platform, we had to give some cash back and incentives to the users and the corporates to be able to push this platform and we have seen great reaps there.

- Pranav Gupta:** These incentives would essentially not be on individual cards or to the corporate clients as a whole to push them to spend to cards on the Zoyer platform?
- Aditya Kumar:** Yes.
- Pranav Gupta:** Which has led to the Rs.2000 Crores spends that you mentioned in this quarter to Zoyer?
- Aditya Kumar:** Yes, and we are seeing great reaps in Q4 as well.
- Pranav Gupta:** Sure. I have more questions and I will join the queue. Thank you so much.
- Moderator:** Thank you, Sir. We have our next question from the line of Darshil Zaveri from Crown Capital. Please go ahead.
- Darshil Zaveri:** Good evening, Sir. Thank you so much for taking my questions. Firstly congratulations on a great set of numbers. Sir I joined the call a bit late so just wanted to catch on our ESOP cost so currently our ESOP cost is around Rs.24 Crores so that will tread more down right as we go forward how will that be?
- Avinash Godkhindi:** It is Rs.2.47 Crores Darshil. It has already gone down from last quarter which was Rs.7.2 Crores and yes that number is now going down further.
- Darshil Zaveri:** Sorry and Sir in terms of our guidance you will be able to maintain our 40% growth rate and as we go ahead our margins should ideally move towards the upper end of the range to 13% would that be a fair assumption?
- Avinash Godkhindi:** So guidance wise yes on the growth we are in the range of 40% to 50% and in terms of adjusted EBITDA our guidance is 11% to 13% and we will fall in that region.
- Darshil Zaveri:** I was asking for FY2025 Sir?
- Raj Narayanam:** For FY2025 we would definitely be, there are too many tailwinds for us so we should definitely be able to gain 40% plus kind of growth in what we would say.
- Darshil Zaveri:** With the introduction of a new product our margins would get impacted in a positive way or negative way how would that workout for us Sir?
- Raj Narayanam:** It will be much, much more positive.

**Darshil Zaveri:** Thank you so much. That helps me a lot Sir and Sir just wanted to ask like any kind of speed bump or risk that we see going like anything that comes to our mind and may be dampen a bit of our speed or everything what would you say any micro or macro variable?

**Avinash Godkhindi:** I think it is focus on execution. It is staying true to being nimble, humble and frugal. Those are the core values and I think if we stay true to that whatever happens on the macro side that happens to everybody in the economy, and we are no different but keeping that aside I think we do not see any specific head winds for our business. We see more and more confidence growing with corporate customers and banks to work with us as a profitable listed entity.

**Raj Narayanam:** Just to give you a very small example. You know with Paytm kiosk what is happening so we are looking at adding roughly about 200 plus clients over the next two to three quarters just from Paytm so if some of these things happen God forbid should not happen to some of the companies out there fintech companies we will definitely stand to gain a lot.

**Darshil Zaveri:** So just wanted to ask like in relation to the Paytm we would not face kind of similar issues right so, sorry my expertise is not in this field may be, but then just a broad based like we do not see any sudden kind of regulatory challenge for us, right?

**Avinash Godkhindi:** No and the reason being that we today work overall with 10 banks and we that way have three networks, so we have very significantly derisked ourselves. Of course all the kind of banks that we work with the ICICI, the Kotak, SBI card, Bank of Baroda, IndusInd, and Yes if something happens to all banks, we will get affected but that is very highly unlikely.

**Darshil Zaveri:** Perfect Sir. Thank you so much. That helped me a lot Sir. Again Sir Congratulations on a great result and looking forward to the next quarter. Thank you.

**Moderator:** Thank you, Sir. We have our next question from the line of Grishma Shah from Envision Capital. Please go ahead.

**Grishma Shah:** Thanks again for giving me a chance. Sir I wanted to know what is happening with our association with Kotak credit card and also the Visa order or the association that we have signed last quarter if you could help us understand that?

**Avinash Godkhindi:** Yes so, the Kotak co-brand is in the work from the prepaid side and that is something which we are working on with Kotak to bundle the Kotak corporate salary account along with launching a Kotak Zaggle co-brand prepaid card. This is a bundle offering that we are taking to the market where Kotak as well as Zaggle sell the offering both the salary account and the prepaid card along with our expense management and employee benefits software

right so that is something that we are hoping would go live sometime early next quarter and we are on track to taking that live. We find that there is a lot of integration work that is in progress. Coming to the forex card launch we should be able to announce the partner with whom we would launch this in the coming quarter, and we should be going live in the next couple of quarters with that product as well.

**Grishma Shah:** On the IPO proceeds now whatever money is remaining that we raise through IPO would be appearing in the P&L line item where we need to provide those incentives to nudge the user to come on our platform to spend?

**Aditya Kumar:** There will be line item called incentives and cashback, business and advertisement business promotion. You can notice all these expenses through those line items.

**Grishma Shah:** Thank you.

**Moderator:** Thank you. We have our next question from the line of Pallavi Deshpande from Sameeksha Capital. Please go ahead.

**Pallavi Deshpande:** Thank you for taking my question. Sir I have three questions actually. I wanted to understand if you could this Propel versus the prepaid cards, or the network cards which you explained when you say network you are talking about the 300 brands also with any other partnership and so we get a 10% to 15% on those is that the correct way to look at it?

**Avinash Godkhindi:** Thank you for your question. Basically cards where there is a card association or a card network involved like a RuPay, Mastercard or Visa typically issued in partnership with banks so that is what we are talking about here.

**Pallavi Deshpande:** The Propel does not have the Visa in this that is more with the merchants like Amazon, etc.?

**Avinash Godkhindi:** Yes, those are different; those are gift vouchers which are issued by merchants.

**Pallavi Deshpande:** So what I understood is like why would the corporate because you get a higher margins on prepaid but for the corporate also to shift from Propel to prepaid there would be a cost involved?

**Avinash Godkhindi:** No, cost is not borne by the corporate or anybody. Basically a cooperate wants to give their users maximum choice and along with these gift vouchers which are issued by merchants from time-to-time we open up those catalogues to include network cards right which is issued with partner banks especially with Q3 having festivals like Diwali there were



requests from corporates to include the network cards in the catalogues and which we obliged and we saw spends come in there as well but consequently the redemptions on the gift vouchers were down a little bit.

**Pallavi Deshpande:** Right Sir this was due to the Diwali and so then are we saying that the Q4 goes back to more that it shifts back to Propel versus the prepaid?

**Avinash Godkhindi:** We anticipate to see that the numbers in Q4 for Propel Points also to be a good growth.

**Pallavi Deshpande:** Right Sir and the second question would be on the Kotak the salary account so just wanted to understand on the regulatory side whether or not we are concerned given that this is an indirect way of Kotak getting an indirect advantage over ICICI or HDFC Bank by this arrangement that you have fostered and can that create problems?

**Avinash Godkhindi:** From a regulatory point of view our understanding or our assessment is the regulator is very happy to allow banks to cross sell a salary account holder with a prepaid card of the same bank, the regulator has no objection for any of the banks to go ahead and offer to an existing salary account holder a prepaid card or a credit card and that is what exactly is happening here where we are along with a Kotak salary account which comes with a Kotak debit card we are offering a Kotak prepaid card which is co-branded with Zaggle where the employee benefits and the expense management and the reimbursement happens right so the management happens on the software and reimbursements get created on the prepaid card.

**Pallavi Deshpande:** Thanks and Sir lastly since you have shared the spends on the Zoyer side would it be possible to share the similar spends for Propel for the quarter?

**Avinash Godkhindi:** See spends have been quite healthy overall right and we have seen good growth in all the three lines per se.

**Pallavi Deshpande:** Will it be possible to share the users between Propel, Save and Zoyer numbers of users?

**Avinash Godkhindi:** We can take that offline yes.

**Pallavi Deshpande:** Thank you so much Sir.

**Moderator:** Thank you. That was the last question for today and I would like to hand over to the management for the closing comments.



*Zaggle Prepaid Ocean Services Limited*  
*February 06, 2024*

**Raj Narayanam:** Thank you everyone for giving us the opportunity and we will continue to grow with our guided numbers should try to outdo those numbers in the coming quarter. Thank you very much for patiently listening to us. Thank you.

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