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February 14, 2025

To	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 **Company Symbol: ZAGGLE**	**The Corporate Relations Department** BSE LIMITED Phiroz Jeejeebhoy Towers, 25th Floor, Dalal Street, Mumbai -400 001, Maharashtra **Company Scrip Code: 543985**

Dear Sir / Madam,

Sub: Transcript of Earnings Call held on February 7, 2025

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 04, 2025, please find attached the Transcript of the said earnings call on the Company's operational and financial performance for the quarter ended on December 31, 2024, and the same has been uploaded on the website of the Company on the following web-link:

http://ir.zaggle.in/wp-content/uploads/2025/02/earnings-call-transcript-Q3FY25.pdf

We request you to kindly take the same on records.

Thanking you,

Yours faithfully,

For Zaggle Prepaid Ocean Services Limited

Haripriya
Digitally signed by Haripriya
Date: 2025.02.14 18:08:46 +05'30'

Hari Priya
Company Secretary and Compliance Officer

Encl. As Above

"Zaggle Prepaid Ocean Services Limited Q3 FY25 Earnings Conference Call"

February 07, 2025

E&OE: This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on February 7, 2025, will prevail.

MANAGEMENT: **DR. RAJ NARAYANAM – EXECUTIVE CHAIRMAN – ZAGGLE PREPAID OCEAN SERVICES LIMITED**
MR. AVINASH GODKHINDI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ZAGGLE PREPAID OCEAN SERVICES LIMITED
MR. ADITYA KUMAR – CHIEF FINANCIAL OFFICER – ZAGGLE PREPAID OCEAN SERVICES LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Zaggle Prepaid Ocean Services Limited Q3 FY '25 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company which are based on the beliefs, opinions and expectations of the Company as on date of this call. These statements are not 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 there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch-tone phone.

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

Raj P Narayanam: Sure. Thank you. Thank you so much. You know, very good evening to everyone. Thank you for joining the Earnings Call for Zaggle Prepaid Ocean Services Limited for the 3rd Quarter of Fiscal Year 2025. On behalf of the Company, I extend a very warm welcome to all of you.

On this call, we are joined by Mr. Avinash Godkhindi – Managing Director and CEO; Mr. Aditya Kumar, our CFO; and SGA, our Investor Relation Advisor.

The Financial Results, Press Release, and the Investor Presentation are uploaded on the stock exchange and on the Company website. I hope everybody has had a chance to look at it.

Now, I would take this opportunity to just give you a Zaggle Business Update.

This has been a milestone quarter for us with multiple accomplishments. I am happy to announce our highest performance this quarter and for the nine months ended in terms of revenue, adjusted EBITDA and PAT.

This quarter, the Company reported a healthy growth of 69% with revenues at INR 336.4 crores on a Y-O-Y basis. For nine months, the Company exhibited growth of 77% and the revenues for the nine months stood at 891.2 crores.

Our adjusted EBITDA for Q3 '25 grew at 38% on a Y-O-Y basis at INR 31.5 crores. For 9 months FY '25, our adjusted EBITDA stood at INR 86.6 crores, demonstrating a growth of 48% year-on-year.

The reported EBITDA for Q3 '25 surged to Rs 29.4 crores, increasing by 44% on a year-on-year basis, and for the nine months, the reported EBITDA grew significantly by 81% Y-on-Y to INR 78.6 crores.

The profit after tax for Q3 FY '25 increased by 33% on a Y-O-Y basis to INR 20.2 crores, and for 9 months FY '25, our PAT more than doubled to INR 55.5 crores, growing by (wrongly spoken on the call it should be read as 123%) on a Y-O-Y basis.

If you just look at it, I will do a revenue number. Total revenue in Q3 FY '25 was 336 crores against Q3 FY '24 of 199.5 crores, showcasing a growth of 69% year-on-year. Adjusted EBITDA 31.5 crores in Q3 '25 versus 22.9 in Q3 FY '24, which is 37.6%.

Similarly, our adjusted EBITDA margin is at 9.4% versus 11.5%. Our reported EBITDA number has been 29.4 crores versus 20.4 crores. Our reported EBITDA margin, as we previously have told, is about 9% to 10% rate, and that is what we had guided for.

I also want to highlight and thank all the investors in December 2024we successfully completed the QIP of INR 595 crores, and I would like to thank our investors for showing trust and confidence in the business. The fundraise is in line with our growth strategy of inorganic expansion.

We are currently very pleased to also inform that we are currently evaluating five targets in the spend management and adjacent space, such as merchant card software, payment infrastructure, etc. Out of this, two are at advanced stages and moving towards completion at a fast pace.

As you know, there are various steps to it. You know, there is a term sheet. Then there is a due diligence. Then there is a transaction document. And you know, if required we need to you know go ahead and take approvals from the statutory authorities. Okay.

So, in both these cases we are at very, very advanced stage and in due time, which is, you know, possibly in the next quarter, we would be able to give you a definitive timeline. We are looking forward to, you know, a closure of all these three transactions, you know, in this calendar year. We will continually share updates with you on a regular basis.

With this, I would also like to welcome Mr. Virat Sunil Diwanji to our team as the Non-Executive Director of the Company. He is a seasoned banker with over 30 years of experience in building, managing and growing businesses across assets and liabilities. He has been involved with Kotak Group for about three decades in variety of roles. During this journey, he has successfully managed the joint venture with international partners like Ford Credit International and executed the merger of mid-sized bank ING Vysya.

He also served as a Non-Executive Director for over 9 years on the Board of Kotak General Insurance Limited from its inception stage. His experience across diverse roles and business leadership will help accelerate our growth plans in the coming years.

Now, I want to just give you a little bit of global macro conditions in the spend management space. Globally, the spend management space is rapidly evolving with the introduction of AI powered solution to automatically detect the unauthorized spends and impactful dashboards, enabling users to control spend, save time, increase compliance, and improve efficiency.

We are very proud and pleased to tell you that Zaggle is also using AI and machine learning models on multiple fronts. Zaggle's AI-driven chatbot, RazBot, it is called RazBot, has achieved a deflection rate of 60%. And we intend to enhance the deflection rate to about 99%. While 60% is extremely encouraging, but ideally we would want to move it to 99% plus.

Deflection rate is the percentage of the queries that the bot is able to resolve by itself without any human intervention. We intend to increase the expanse of our usage for our AI bot across different product functions and to enable efficient business decision making.

Travel and expense is an integral and important part of our corporate spend. Zaggle has entered into agreements with multiple travel companies such as EaseMyTrip, FCM, Riya Travels and recently the TBO Paxes to offer bundled expense and travel solutions to our customers facilitating seamless travel booking, payment, reconciliation and filing of the expense directly into the GL. We are also building a tightly bundled self-booking tool that will integrate with preferred travel suppliers, thus ensuring consistency and cost savings in travel bookings.

Also want to take a minute and highlight that the current Union Budget 2025 introduced important tax reforms aimed at boosting consumption. There have been many questions and queries about how does this impact our revenues and profits.

We want to take this opportunity to clarify that we see very little or no impact of this change in our SAVE business, which comprises of employee expense management, reimbursements and benefits. The employees in the 5 to 15 lakh salary range only take meal benefits, which form a meager 0.48% of our current revenue.

Incrementally, we see significant demand across our corporate customers for non-tax-dependent wallets and payments. We have recently launched a health and wellness wallet for our corporate customers. Along with that, we have also launched a cafeteria solution, employee gadget solution, etc. We see a significant uptick in the number of wallets in our card to continuously increase, and lot of these solutions which we have offered would be lapped up by lot of employees within this, you know, corporate.

Also, to state that, you know, we have not seen any kind of customer complaint or customers coming back to us and saying, you know, we want to do away with this particular program. So, we have not heard that.

Simultaneously, I also want to clarify that the OTR, which is the old tax regime, is still continuing while we had expected since last two years that the old tax regime would be removed, and only new tax regime would be used. But contrary to our belief, it is that they are still continuing with OTR, which would be slightly beneficial to us. But as we go forward in our business, we really do not want to depend on any tax benefits per se.

Additionally, we have partnered with multiple service providers in areas like financial services, healthcare, taxation, et cetera to provide value-added services to over 3 million plus active users.

We have recently enabled BBPS, Bharat Bill Payment System, on our platform through which users can pay their bills directly from the Zaggle app. Zaggle app also allows our customers to book FDs and multiple such instruments, and we are able to service them while offering very attractive FD rates of up to 9% per annum from various banks.

Now, I would want to take a minute and explain about the customer updates. We, as you would have seen in our filings, we have signed significant marquee clients including Blinkit, Can Fin Homes, Mumbai Metro, Hitachi, Mahindra First Choice Wheels, Narayana Hrudayalaya et cetera.

With commerce is gaining prominence in our day-to-day lives, we have also tapped into this space, you know, by signing contracts with clients such as Blinkit, Zepto.

Blinkit has signed up for our BROME, which is one of the most newest offerings from Zaggle's fold. It is called Branch Recurring Operating Monthly Expense. It's a solution which is a new case within our Zoyer product, wherein corporates or retail brands can effortlessly manage their branch, store-level expenses with secure payments, compliance checks, and real-time insights for better financial control.

You know, right now, as we speak, we have hundreds of demos going on on this particular solution. And we think that this could be our star performer in the coming year, next year, with absolutely zero dependence on any of this statutory or regulatory environment.

We have a strategic focus on BROME with a goal of deeper penetration within select industry segments. Our partnership with Zepto and Blinkit exemplifies this strategy. We are implementing an automated bill fetch and utility payment reconciliation system for Blinkit, providing comprehensive visibility and control across their 500 dark stores on a unified platform.

Given our strong performance, we are upping our guidance. You know, previously, if you remember the Q1 we had said, you know, we possibly will be growing at about 45 to 50%. Then in the quarter, you know, after the closure of quarter 1, we had said that we might grow at about 50 to 55%. And now we are upping our guidance that we possibly will be able to do in the range of about 58 to 63% and this also may be a little bit outdone if the trends are to be seen.

This is the kind of growth in our top line for FY '25. As we rapidly grow our top line, we continue to focus on protecting and growing our margins over time through increased operating leverage, enhanced efficiency and cross-selling. Additionally, our focus on new areas of organic and inorganic growth with deep profit pools is also expected to contribute significantly to our margin expansion in the coming years.

Thank you. With this, I now hand it over to our CEO, Mr. Avinash Godkhindi.

Avinash Godkhindi: Thank you, Dr. Raj, for your comments.

Over the years, we have pivoted from a product-based approach to a platform-based approach where we provide a bouquet of offerings to our customers to address their multiple requirements through our spend management solutions, be it for rewards, expense management, Procure-to-Pay, BROME, which is our Branch Recurring Operating Monthly Expenses solution, Fleet, Forex, and much more.

The opportunity to digitize business plans through our software solutions bundled with payments is a highly accretive opportunity for us. During the quarter, our SaaS fee / platform fee / service fee contributed to about INR 8.9 crores. Our program fees contributed about INR 135 crores. Propel Points revenue consisted of 57% of our revenue, which contributed 192 crores.

It is very heartening to see that Zoyer, which started clocking revenues only in April 2024, is contributing significantly to Zaggle's growth. We have achieved high acceptance levels for this product amongst our corporate and enterprise customers. We are providing payment solutions for Zepto's rapidly expanding network of dark stores and branches, addressing the diverse spend needs through our BROME solution.

Zepto also signed up for Zaggle's SAVE solution to offer their employees expense management and benefits for a significant number of their employees using multiple wallets to enhance their benefits management.

Another significant win for the BROME used-case is our partnership with one of India's largest retail players to digitize all their store expenses. The solution, once implemented, will be deployed across extensive networks of tens of thousands of stores.

On the fleet side, we entered with an agreement with AGP City Gas, which is Pratham and Think Gas and successfully conducted the product launch in December 2024 with thousands of cards being issued and hundreds of gas stations being enabled to accept our cards. There are several other clients in the pipeline, and we see very good demand and deep profit pools in large addressable markets and the fleet payment space.

Going forward with our platform approach, we anticipate growth rapidly on the back of new client additions along with much higher cross-sell in our existing clients. Our partnerships with multiple travel partners, such as EaseMyTrip, FCM, Riya, TBO, Yatra, etc., also de-risk the travel options and provides numerous choices to large enterprises for our travel and expense solution.

During the quarter, we also announced key collaborations that Dr. Raj spoke about. We have signed a significant agreement with Mastercard, which is a seven-year partnership. Under this partnership, Mastercard will recommend our software platform and card solutions to their corporate customers and other entities like banks and fintechs. Mastercard did an extensive evaluation of solutions in the market before inking this partnership with us.

This highlights our capability to provide value to our customers through multiple solutions such as expense management. Zoyer, our rewards programs, etc. This partnership is a global partnership.

Further, the much awaited HDFC Bank partnership has come in as a major addition to the list of our partner banks. In this agreement, HDFC credit cards will be bundled with our software, expense management and employee benefits as well as our Zoyer platform and offered to their corporate customers.

We also strive to build symbiotic relationships, and we believe in partnering with various industry players to stitch value accretive collaborations.

We have entered into a strategic partnership with Strada, which is a large MNC HRMS solution provider working with multiple global Fortune 500 companies, wherein they offer the Zaggle SaaS and payment products to Strada's clients.

I am delighted to share that we have won quite a few awards this quarter. Zaggle won the “Deloitte Technology Fastest 50 2024 Transformation Tech Award”. We also won the “19th Employer Grand Award's Telangana's Best Employer Brand”. Zaggle also won the “Best use of Customer Loyalty Program FinTech” at the FINIXX 2024 and the “Best use of Print Ad FinTech” at the FINIXX 2024.

These awards only highlight our ability to go the extra mile and provide value accretive solutions to our users and corporate, and we continue to keep the momentum going ahead.

As always, our endeavor is to provide comprehensive solutions in the spend management space and to maximize our reach to new clients and increase our wallet share with our existing clients.

With this, I now hand it over to our CFO – Aditya, to take us through a Financial Update. Thank you.

Aditya Kumar: Thank you, Avinash, and a very warm welcome to everyone on this call.

I am pleased to share that the Company has achieved another strong quarter of operational performance driven by robust and broad-based revenue growth of 69% Y-o-Y basis reaching to INR 336.4 crore.

This growth is fueled by healthy expansion across all three revenue streams with program fee increasing by 54% Y-o-Y and the Propel platform witnessing a significant 87% sequential growth in Q3 FY '25.

The rise in incentives and cashback aligns with business growth, driven by increased rewards offered to the client's users for spending through our product offerings. Other expenses have risen due to higher sales and marketing costs during the quarter, while employee costs remained stable sequentially but increased Y-o-Y basis, reflecting the additional headcount needed to support business growth.

Our adjusted EBITDA grew by 38% to INR 31.5 crore in the quarter compared to INR 22.9 crore in the same period last year. The increase in depreciation expenses is attributable to the capitalization of new products.

Our cash PAT, which includes net profit along with depreciation and ESOP expenses, increased by 34% on a Y-o-Y basis to INR 26.2 crore. Our PAT has increased by 33% compared to previous year to INR 20.2 crore.

For 9 months FY '25, our revenue from operations reached an all-time high, recording a substantial 77% Y-o-Y growth to 891.2 crore. This was driven by robust expansion in program fee, which more than doubled with 110% Y-o-Y increase, along with impressive 62% Y-o-Y growth in our Propel platform.

Our adjusted EBITDA has surged by an impressive growth of 48% to INR 86.6 crore.

PAT has more than doubled, rising by 123% Y-o-Y to INR 55.5 crore. Notably, our cash PAT has seen significant growth in increasing by 56% to INR 72.0 crore.

During FY '25, we expect to record total ESOP expenses in the range of INR 9 to 10 crore.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on the touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Ankush Agrawal from Surge Capital. Please go ahead.

Ankush Agrawal: Yes, hi, thank you for taking my question. Firstly, on the gross margins for Propel, I mean, this quarter the margins are now about at 3% even though I think in Q2 we have sort of indicated that based on the volume-based discount that we get from merchants, the full-year margin should revert to about 7 to 9%, but that hasn't happened. So, your thoughts on…

Moderator: I am sorry to interrupt you, Mr. Agrawal, but you are not that clearly audible, sir. Your voice is sounding very muffled.

Ankush Agrawal: Is it better now?

Moderator: Yes, please go ahead.

Ankush Agrawal: Yes, so the question was around the Propel business gross margins. So, this quarter, the margins have come down to about 3%, even though in Q2 we have sort of indicated that based on the volume-based discount that we will get from merchants, the margins should recover next year and over the full year, we should get to about 7 to 9% gross margins for this business. So, your thoughts on why we are not seeing any improvement in this business, given that even at 192 crores of kind of revenues, we are earning about 6% of gross profit on this business. And we know that this business requires a lot of capital, right? So, I just wanted to understand what is happening in this business.

Avinash Godkhindi: Yes, thanks for your question. I heard part of it, but I think I got it. Basically, a lot of the ORCs, overriding commissions, are something that come in the Q4. Q3, very small merchants were able to cross some of the base thresholds. These are slab structures. So, the real increase in the margins, we anticipate to see some of it, we anticipate to see most of it actually in this. quarter. And then that's where, you know, that number is looking the way it is.

Ankush Agrawal: But for the full year, do you expect that we will reach that 7 to 9% for the full year?

Avinash Godkhindi: It's a little premature for me to comment whether I will absolutely reach there or we will reach there or thereabouts, but we will be more or less there or thereabouts somewhere in that range.

Ankush Agrawal: Got it. The second question is on the overall cost base. So, the good part about Zaggle now is that lower cashbacks is sort of that we have been able to curtail that. You had guided earlier as well that over time, as the usage of Zoyer**0** increases, we are able to curtail the maintenance costs, which has been possible.

But if I look at the other remaining cost base, that has been expanding at quite a rapid pace, even though in a business like ours, given that's a platform-based business, the cost base should ideally expand at the lower pace versus the revenues, and now we are like sort of the cost base is growing at a faster pace than the revenues itself.

So, wanted to understand where is this cost increase happening? Like where are you investing because of which this cost base is growing?

Avinash Godkhindi: See, I think the cost base in a business, a rapidly growing business like ours, where we are on the one side, trying to cross-sell more to existing customers, on the other side, developing capabilities like BROME, it's fairly understandable, I believe, that the cost base is going to grow. Overall, our focus is on our EBITDA and PAT. And that's growing very healthily. Of course, there is always room for improvement, and we want to improve on this in the coming years. But investment obviously is happening in building capabilities.

And as I mentioned in my speech, you know, when one of the largest retail chains in India, largest conglomerates in India signs you up for tens of thousands of stores for your solution, then you don't worry about anything. You just see if the contract is, you know, highly profitable or doing well, then you deploy or you invest capabilities to be able to make sure that program works and for BROME, for example, we have signed so many of these accounts.

I am going to name the ones which we have announced, the Blinkit, the Zepto, the BigBaskets, the Dr. Batra, the Berkowits, the Subways. So, you can see that the number of these accounts that we have been talking of that these are only a small set of the ones that we have announced to the street, right. So, there is a lot of traction there.

Ankush Agrawal: Okay, got it. So, that was helpful. Thank you.

Moderator: Thank you. The next question is from the line of Manish Ostwal from Nirmal Bang Securities. Please go ahead.

Manish Ostwal: Yes, sir. Thank you for the opportunity. I have a couple of questions on the business model. First question on the, sir, when I am referring to Slide #27 of the presentation, and when look at the performance of last 3-4 years, the Company has grown strongly in terms of top line, but in terms of operating margins and even the PAT margins, things not playing out in terms of improvement of the margin. Basically, the operating leverage is not playing out, but when you talk about the platform business, any platform business, the basic fundamental is the operating leverage benefit translating into the PAT and the ROCE etc. But it is not reflecting our number. So, can you help us apart from the 65% kind of growth we are looking at, when you see your growth converting into the higher profit growth also, sir? Thank you.

Avinash Godkhindi: Thanks, Manish. I think it's important to understand that the revenue mix has gone through a change. The Propel Points revenue that even the previous questioner was asking us, has a much lower gross margin profile, right? That line of revenue, we have three lines of revenue, software / SaaS fees, program fees and Propel Point fees. Propel Point fees has grown very significantly in the last three years, and that has a much lower gross margin profile, and hence some of these metrics may not look as encouraging.

The way we look at it is how was our solution bringing value to our customer, A, and overall is our EBITDA and margins growing? We can see operating leverage kick in. It's just that the way the accounting Ind AS rules are, we need to account for Propel Points as a gross number.

Manish Ostwal: Okay, sir, and can you guide us in terms of trajectory of our margin in next couple of years where we see margins playing out?

Avinash Godkhindi: So, we are looking at margins of about 15 to 16% in the next four years. That's something that we have already spoken of. And that's what we are aiming towards.

Manish Oswal: And lastly on this recently equity raise which we have done, so what are the areas where we will be making the investment, especially in inorganic side? So, can you highlight the areas where we are putting our money?

Avinash Godkhindi: So, we are looking at the areas like the merchant card systems. We are looking at payment systems. These are the kind of areas that we are looking at.

Manish Oswal: Okay, sir. Thank you.

Moderator: The next question is from the line of Parikshit Kabra from Pkeday Advisors Limited. Please go ahead. Parikshit Kabra, please go ahead with your question. Your line is unmuted. Parikshit Kabra?

Parikshit Kabra: Hi, Avinash. Congratulations on a good set of results. I was wondering if it was possible to provide guidance separately for your revenue guidance, separately for your two different businesses, that is the program fees and the Propel Points, instead of giving a collective guidance of 60%.

Avinash Godkhindi: Thank you, Parikshit. The guidance is very strong on both items, right? Both items are both revenue lines are going to grow very healthily. As you can see for the nine months as well, the growth on both Propel Points as well as Program Fees has been extremely strong. And even our SaaS fees has grown pretty well. So, we are seeing growth across all three lines, especially Program Fees as well as Propel Points.

Parikshit Kabra: Got it. All right, fine. And then, but with the announcements that you have made and the fact that, you know, there are even more under the hood, I would have thought that your Program Fees should be outpacing the growth of your Propel Points. That's not something that you are seeing.

Avinash Godkhindi: So, current year, yes, that's going to happen. If you look at the nine-year numbers, I think nine month numbers, this has grown at about (wrongly spoken on the call it should be read as 110%) Program Fees, right. So, that's higher than Propel Points, and the momentum is very strong.

Parikshit Kabra: All right, great. All right, thanks. Thanks a lot, Avinash.

Moderator: Thank you. The next question is from the line of Devesh Kasliwal from Antique Stock Broking. Please go ahead.

Devesh Kasliwal: Yes. Good evening, sir, congratulations on a great set of numbers. First question was like, what I understand is that the basis of the margin expansion is on the fact of reduction of cash back expense as well as acquisition cost. And I think you had mentioned around 33% of the overall revenue is cash back currently what you are estimating. So, what can that be over the longer period of time? What can it come down to? That was the first question.

Avinash Godkhindi: See, the margin expansion would be through multiple ways. Obviously, operating leverage kicks in. Obviously, our cashbacks go down over time. We will see a lot of our other costs also go at a much smaller, lower pace than our revenues. The acquisitions that we are looking at are highly

EBITDA accretive and they are coming at a great multiple for us. So, those all would contribute in expanding margin.

Devesh Kasliwal: Okay. So, a much concentrated question, so if you look at the acquisition and retention cost, given the fact that we were trying to get customers with higher revenue potential, it had gone up in FY '24 to around 1.4 million, right. So what can that be? Like will that be a consistent number now? Or are we expecting that to increase, given we are trying to achieve better customers and create a better system for them?

Avinash Godkhindi: No, see, every year we keep adding new customers and over time we see that a lot of these customers, the amount of revenue that we generate on a per year basis because we cross-sell, upsell, there is more deeper penetration for the same product within the organization. You know, the quantum of revenue grows disproportionately when comparing with regular inflation et cetera, right?

So, that's the benefit of a SaaS business because this sort of business allows you to acquire the corporate and then keep generating more and more revenues on a year-on-year basis as long as your platform is valuable to the corporate.

Devesh Kasliwal: And sir, the recent partnerships that we had HDFC Bank for the three-year period and the other clients like Strada and all, so this will definitely increase the revenue per user that we are getting, right, which has already seen a uptick from around Rs. 1,000 to around Rs. 1,066. So, what can the limit on that on a yearly basis be? Like can it go to around 2,000, 3,000 basically?

Avinash Godkhindi: So, the partnerships will also help in a big day. HDFC, Mastercard, Strada, all these partnerships are great partnerships which would add both to our top line and bottom line. It's a little premature for us to attribute a certain number saying this is how much we will benefit from these partnerships in terms of our per user revenue. But we are very confident that these are great names, great companies with great customer bases, and we are very confident that this is going to add a lot of value to our top line and bottom line in the coming years.

Devesh Kasliwal: Thank you, sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Shrinarayan Mishra from Baroda BNP Paribas. Please go ahead.

Shrinarayan Mishra: Hi, thank you for the opportunity. So, my question was again on the revenue mix. So, directionally, in medium term, how do you see the revenue mix and how big can the Propel revenue be of the overall pie, let's say, in one or two years?

Avinash Godkhindi: Sir, we are seeing great growth in all three lines, right? But in the next two, three years, we see our Program Fees grow at the fastest pace because there is a lot of traction there. And then, of course, SaaS is very critical for us, and that's growing healthily as well. Propel Points continues to grow. There is a lot of momentum in the ecosystem there. So, that's also growing. So, hard for us to say how the mix would look in the next two, three years, but we definitely believe that Program Fees would be growing the fastest.

Shrinarayan Mishra: So, the new customers which you are onboarding, is there any possibility to categorize? So, most of them are the revenues are going to Propel or towards program and software fees. Any kind of color on that?

Avinash Godkhindi: Sir, so the customers that you are signing, for example, for BROME, their revenue sits with SaaS and program fees, right?

Shrinarayan Mishra: So, most of the customers are there in those buckets. So, this should go meaningfully. That's what we should really try.

Avinash Godkhindi: Yes, because you can't earn Propel Points revenue on those products, sir. Propel Points revenue only comes on the Propel contracts.

Shrinarayan Mishra: Right. And whenever you do cross-selling, then there are chances that the Propel Points could increase. But as of now, that's not how it looks like, right? So, in the near term, these two buckets would grow faster, right?

Avinash Godkhindi: Yes, these two buckets grow fast.

Shrinarayan Mishra: And just last question. So, in Q4, so seasonality wise if we see propel, so Q4 would be bulky, right? So, Q4, Propel would have higher sell, right, in the overall revenue mix?

Avinash Godkhindi: Not necessarily, sir.

Aditya Kumar: Revenue wise, yes.

Avinash Godkhindi: Net revenue wise.

Aditya Kumar: Net revenue wise obviously it is lower margin. But on a gross revenue wise, yes.

Avinash Godkhindi: Gross revenue wise, yes.

Shrinarayan Mishra: So, because for Propel, the seasonality is in Q4. So, in again Q4, we can see margins to look optically on the lower side.

Avinash Godkhindi: No, it's again premature. So, Q3, Q4 both is season for Propel. Q3 being the festive season in India for rewards. So, I think it's hard for us to comment right now. But what we are seeing is that, you know, the momentum is great across BROME, across our expense management platform, and as well as Propel is growing very well as well.

Shrinarayan Mishra: Okay, thank you so much.

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

Rohan Mandora: Good evening, sir. Thanks for the opportunity. Sir, I just want to understand your guidance for FY '26, because what you said is for FY '25. So, both on top line and EBITDA margins, how one should look at it?

Avinash Godkhindi: So, on the guidance, we just upped the guidance to 58% to 63% for our top line, right?

Rohan Mandora: That's for FY '26?

Avinash Godkhindi: What's that?

Rohan Mandora: For FY '26 as well it's similar guidance. I was asking about FY '26?

Avinash Godkhindi: 25. This is FY '25. This is FY '25. FY '26, we will come back to you on that one.

Rohan Mandora: Sure. Second was that there was recently an announcement from RBI wherein a prepaid card can be used on UPI with a third-party payments app. So, just want to understand its impact on our business.

Avinash Godkhindi: Yes, these are all great pieces of news Rohan. This opens up engagement on our app, and there are certain steps to take to qualify and to get there, but we are in the process. And those are all very positive pieces of news for us.

Rohan Mandora: Right. So, I understand that the addressable market here maybe increases, but just on the interchange, will there be any impact here or do we have any bargaining power here? Just want to understand that things.

Raj P Narayanam: So, if you look at it, Rohan, the interchange on UPI on prepaid is about 1.1%. You know, what we see overall is that when the mix happens and the number of transactions which will start happening on UPI specifically from the system, I think it will have a very positive blend to the overall interchange numbers. So, there will be a positive spike on the number is how we look at it. And if you see, you know, one of the acquisitions which we are doing is also on these lines, you know, to be able to actually run the entire UPI switch per se.

Rohan Mandora: Sure. And lastly, just on the OPEX line items for 3Q, the employee expense at 17 crores, which is higher than, say, the earlier run rate of 14, 15 crores that we were having. So, is this a normalized run rate incrementally? Does this build in the annual incentives and everything in this run rate? Just want to check that. And also on the other OPEX, there is a jump from 17 crores to 22 crores. If you can explain that.

Aditya Kumar: So, employee cost is normalized. That includes 2 crore of ESOP expenses, Rohan. And this is factored in normal employee growth level, which we had in the paper. And OPEX growth, because as we are in the growth phase, right, we are investing so much in the products. There were multiple products which were launched in Q3 in terms of the fleet, etc. All those investments are happening in that. That's why OPEX has been growing.

Rohan Mandora: So, this again will be normalized on that incrementally or is there any one-off in this other OPEX?

Aditya Kumar: It's not like, since the amount is not higher compared if you look at it as in quantification, just 4 crores, which is like reasonable for our set of the operations. So, possibly you might see a little bit of lower expenditure in the Q4, but as the business grows, even that will be under the percentage of revenue if you look at it, that will be a normal number, Rohan.

Rohan Mandora: Got it. And lastly, the conglomerate account that we talked about where we have entered into partnership recently, what kind of an annual revenue potential can this kind of an account have? If you can just share some outlook here.

Raj P Narayanam: So, you know, depends on the conglomerate person, you know, what kind of use in a conglomerate, but on an average, per account, you can take the potential could be to do about anywhere, about 50 to 65 crores per conglomerate is how you can look at it. That is the number which we have done. This is one conglomerate, and we are thinking that in and about, more or less, the behavior would be same.

Rohan Mandora: Sure. Thanks. Sorry, just lastly, if I can fill in one more. The Program Fees revenue that we have, if you give the break-up between the three business lines for nine months?

Raj P Narayanam: Yes, we will do that offline. We will send it to you, Rohan.

Rohan Mandora: Sure, okay, fine. Thank you.

Raj P Narayanam: Thank you.

Moderator: Thank you. The next question is from the line of Debashish Majumdar from SVAN Investments. Please go ahead.

Debashish Majumdar: Good evening. Thank you so much for taking my question, and congratulations on a very good set of numbers, and also, congratulations for adding names like Zepto and Blinkit to our kitty. So, I have three questions, basically.

So, first question is linked to the Program Fees. If I see my Program Fees post Zoyer's launch in Q3 FY '24, we have reached a number of 137 crores on a quarterly basis and since then we are kind of at that range only. So, the two points I am trying to understand. One is, is it like Zoyer is not firing up the way we thought from the initial benefits that we got in Q4?

And the second question is, are we at the, I mean this is a contra to the first question itself. Are we at the inflection point for Zoyer's revenue to be booked going forward because of the big names that we have signed in the last two to three months? So, that is my first question.

Avinash Godkhindi: There is a certain amount of seasonality there at play, and overall, a lot of these contracts are going through their go-live and you will see, you know, the benefit or impact of that in Q4. I will just leave it at that.

Debashish Majumdar: So, should we take it like this way that in Q4 the sequential growth in Zoyer revenue or the Program Fees revenue would be significantly higher?

Avinash Godkhindi: I mean that would be too specific for me to comment, but I think, you know, the reads are good.

Debashish Majumdar: Okay, thank you. The second question is, when you look at my margin, obviously currently it is under pressure or it is stagnant because of the Propel platform revenue growing faster than our overall revenue. So, just wanted to get some sense that what is the incremental revenue or what is the margin for the Program Fees or Interchange revenue that we can book at the EBITDA level because we seem to be very confident of 15, 16% kind of EBITDA margin over next four years. And this is like from 9% to 16%. This is like almost doubling our margin levels. So, is it like our Zoyer margin or Interchange margin is double of the Propel platform margin that we report?

Raj P Narayanam: See, thank you for this question, and I will give you a detailed answer for this. Obviously, one of the acquisitions which we are doing is on a merchant card system. When you deploy that particular SaaS product at the merchant store level, your Propel margins are going to increase significantly. So, today, we just buy and sell. Okay. And that is why those incremental margins on the issuance side don't come to us. The ability to enjoy the breakage does not come to us. You know, when both of these come, the rendered margin is much higher.

Second is the rate of growth in SaaS as well as in Program Fees is going to be much, much higher. As I just told another analyst is that, you know, these conglomerate accounts, which we have started cracking, have a huge potential of anywhere between 50 to 65 crores, you know, per conglomerate, okay? If we are able to get about, you know, 10, 15 corporates over the next two, three years, you are talking about the 500 to 600 crores revenue coming from these conglomerates, okay, where the margins and these conglomerates operate more and more on the program and SaaS fee and less and less on the Propel.

So, the way we are looking at it is that the Propel margin has to go up. The revenue on the program fees and the SaaS fees has to go up. That is how we are looking.

Moderator: I am sorry to interrupt.

Raj P Narayanam: This is two more points.

Moderator: Yes, sir, we can hear you now. Please go ahead.

Raj P Narayanam: Yes. So, I am saying that, you know, there is a, you know, maximum possible expansion of margin in Propel. Beyond that, it might not go. But, you know, on the program fees, you know, the ability to grow is much higher.

So, how we look at it and why we are confident, we have guided about 9% to 10% EBITDA margin for this year, and we had said that maybe 10% to 11% next year. So, our range remains between 9% to 11% for this year and next year. But post that, there will be significant expansion as both these acquisitions which are in play would come into action and the blended margins would be much, much more higher.

So, if you remember, if you have tracked this for some time, you please look at our '22 margins. '22, you know, we were at 16% EBITDA. Okay. And from that 16% EBITDA is what we came down when we started investing heavily, you know, into the various kinds of other programs which we started, you know, to sell more and more. And there was a significant cost, you know, which we had to incur in developing Zoyer. Plus Propel also started expanding.

So, if I were to go back to those 2022 days, it is not very difficult for me to see how we will achieve about 16% EBITDA. And that is our stated goal, that we will reach about 15 to 16% EBITDA in the next 3 to 4 years.

Debashish Majumdar: Sure. So, thank you very much for the detailed answer. So, just one addition to this. You must be tracking your Interchange fees EBITDA separately. Has it already used to that 14-16% bracket that you were talking about?

Raj P Narayanam: In terms of if you could just repeat the question or rephrase it?

Debashish Majumdar: So, what I am saying is the inter-charge EBITDA margin for your intercharge fees or program fees that you must be tracking.

Raj P Narayanam: Interchange is much higher. Oh no, no. Much, much higher. Much, much higher.

Debashish Majumdar: Okay. So, that is what is giving us confidence of...

Raj P Narayanam: Oh, yes, absolutely. Absolutely. You put that, you remove Propel, it's much, much higher.

Debashish Majumdar: Okay. And the last question is, you have said that two announcements of acquisition, I mean, two announcements which are at the final stage of discussion. Can we expect the acquisition announcement to happen to this financial itself?

Raj P Narayanam: No, this financial year may not be possible while we will try our best. As I explained earlier also, there are various processes which we have to follow. So, all those processes take time. We are at advanced stage. May not be able to tell you exactly, precisely that we will be able to do it within this quarter. But we are very, very hopeful that all the three, actually two are big ones, the third one is a smaller one, that we should be able to complete all three in the next year. And before the next year ends, we should be able to close it.

Debashish Majumdar: Sure. Thank you so much. Thank you so much for answering the question and wish you all the best.

Raj P Narayanam: Thank you.

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

Aman Saifee: Thank you so much, sir, for the opportunity. And congrats on a very good set of numbers. Sir, I wanted to understand on our Program Fees business, sir, what I see is that you are consistently expanding your customer numbers quarter-on-quarter basis from past four quarters. And your existing client GMV would also have been increasing. Then sir, while our program fees number has been flat from past four quarters, it has been in the similar range of 136 crore.

Avinash Godkhindi: No, I think there is a lot of seasonality as I mentioned on the call as well. So, looking at it from comparing Q4 of a year with Q1, Q2 or even Q3 of the next year is not necessarily a fair comparison.

The other thing also, of course, is a lot of these contracts that we have signed are large enterprises. So, they have their own gestation period to go live. And many of them, they go live, but they don't start, you know, the cards, for example, on the prepaid cards, the cards need to be, first of all, issued, then loaded. And, you know, the whole training has to be done from the software. And then the card usage starts, right? So, we see that and a lot of the usage happens in the Q4. So, we anticipate Q4 Program Fee numbers to be much more robust.

Aman Saifee: So, Avinash, you are trying to say that the customer which you would have signed in the quarter of March 24, wouldn't have actually started contributing to you yet.

Avinash Godkhindi: See, there is a lot of different behaviors. Many of them have started to contribute. Many of them can contribute a lot more. Some of them, you know, are in the process of contributing, right? Because you are talking of hundreds and hundreds of corporates here. So, behavior will be different.

Aman Saifee: So, what is an average gestation period to come live on to your business?

Avinash Godkhindi: Completely depends on the nature of the contract and whether they are taking only one solution, two solutions. We are also trying to now bundle solutions, like I gave the example of Zepto, where they are both on Zoyer and SAVE. It's very effective to try and sell both or all three solutions right at the time of sign up, right? So, that's our Endeavour now.

Aman Saifee: No, Avinash, when I say about the seasonality, what is it exactly? Because when I see your Program Fees business and I divide it by 1.71%, which is generally your interchange income, from the past four quarters, your GMV would have been at 8,000 crores. It is not growing. That means the spends are not growing at the customer end. Is this the right understanding?

Raj P Narayanam: No, it is not the right understanding because if you do 1.71, that is a blended rate, you know, which has come in, okay? So, there will be spends, you know, which are happening at a lower interchange. There are spends which are happening at a higher interchange. So, while our GMV has been constantly growing quarter-on-quarter, you know, the blended margin which comes in, you know, certain areas like on fuel, you have like a surcharge on fuel, okay?

So, if you look at that grocery, there is a less percentage, you know, which is there. You know, like that, there are various categories, okay? Only the e-com category which is higher is like you have about 2.2%, okay?

So looking at that, what happens is, it's not GMV if you track on, you know, quarter-to-quarter basis is consistently and constantly growing. What the mixture which you are seeing is, this is the spends happening on lower interchange category and the spends which are happening on higher interchange category.

That blend which is coming looks like, to you, it will look like as if, you know, the spends, there is no growth in the GMV, whereas we are seeing very, very decent, about 15% to 17% growth on a quarter-to-quarter basis.

Aman Saifee: I understand, sir. So, sir, last question and my request from my side that sir, is it possible for you to share the, say, Propel and Zoyer's contribution on the Program Fees side? Because, sir, as an analyst, it's very hard to track how the growth is happening on the Program Fees side. Because, you see, Propel has been increasing on a very healthy stage, right?

Avinash Godkhindi: Yes.

Aman Saifee: So, it is rightly possible that your Propel program fees would have been increasing, but not the SAVE and Zoyer one. So, it is…

Raj P Narayanam: If you see on Propel, there is hardly any program fees is a limited part of, you know, on the Propel platform. And Propel Points, there is, you know, the margin is always a little bit here, there. There is no on Propel Points per se. You know, we don't see that there is any deviation there. Okay.

But in terms of, if you look at SAVE as well as this, they have been growing very, very healthily. So, both of these, SAVE as well as Zoyer. And we will be very happy to share. Please set up a call with us separately, and we will be very happy to give you any detailed information which you may want to seek.

Aman Saifee: Sure, sir. Sure. Thank you so much. That's it from my side. All the best, sir.

Raj P Narayanam: Thank you.

Moderator: Thank you. The next question is from the line of Prateek from Bandhan Asset Management. Please go ahead.

Prateek: Yes, hi. Sir, just one small question on your software side of the business. Look, the growth rates are quite muted. Are they tracking the number of corporates which you have onboarded or it's slightly lower? Can you just talk a bit about that?

Avinash Godkhindi: So, we are tracking obviously both the number of corporates as well as number of users. And the nature of SaaS businesses is that because we are dealing with enterprise and not SMBs, you know, these are very sticky types of revenue, but their growth rates obviously will take longer for those to grow at a much faster pace than, you know, say a Program Fees or Propel.

Prateek: And just with the BROME product, which has been now live, and you are onboarding quite a few of customers, will we see an inflection? I think that is what you were trying to hint on the software side of the business, that in the next couple of quarters, we could see an inflection over there where the growth rates would be quite higher than what they are in the previous past.

Raj P Narayanam: Yes, absolutely, Prateek. We will definitely see that next two to three quarters, there will be marked improvement specifically in terms of the software contracts. And all contracts which we have signed in the last three, four quarters are also going live at a hectic pace. So, overall, we see a huge positive in terms of the next two, three quarters.

Prateek: Got it. And one last question. I think you called out other expense increase is because of investments which you are doing. I would have thought the nature of your business such that the employee costs would have been major heads in which you will do investments, right, in terms of building out software, etc. So, just curious, why other expenses? What is this which has led to this increase of 4 crores on a quarterly basis Q-o-Q?

Aditya Kumar: So, basically, Prateek, there were a couple of products which went live during the quarter, right? That requires one kind of, and which can't be capitalized. Those are ad hoc expenses, which we need to put it every time whenever the new product launch happens. So, especially in the Q3, we have launched fleet solutions with the couple of clients who also went live on that process. That requires an additional cost.

Prateek: Understood, understood. And given the healthy gross margins which are there in the software side of the business and what we just discussed, next couple of two quarters, we will see margin expansion happening, right? I mean, just inferencing from what you said. Obviously, how the part of businesses how they will shape up. But a lot of the software should flow down, right? That's a fair understanding.

Avinash Godkhindi: Yes, the software, literally almost everything flows down and that's the intent that we expand on the margins. That's what Is our continuous focus internally with all our teams. That's what we are pushing for. And that's the endeavor, Prateek. Yes.

Prateek: Fantastic. Thanks and best wishes.

Raj P Narayanam: Thank you.

Avinash Godkhindi: Thank you so much.

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

Avinash Godkhindi: Thank you all for participating in today's call. We hope we addressed all your queries and provided some valuable insights. We remain extremely optimistic and focused on the future growth of the Company. And we are excited about the opportunities ahead. For any further information, we request you to get in touch with SGA, our Investor Relations Advisor. Thank you and have a great day and a great weekend. Thank you. Bye.

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