

ZAGGLE PREPAID OCEAN

Forensic Financial Analysis

WARNING: Cash Flow Crisis Disguised by Accrual Accounting

- ✗ Operating cash flow NEGATIVE for 3 years (FY23-FY25)
- ✗ Trade receivables growing 70% while revenue grows 40% — revenue quality suspect
- ✗ ■499 Cr intangible assets under development — high impairment risk
- ✗ Only surviving due to IPO proceeds — not sustainable without organic CFO
- ✗ Institutional investors exiting — MF holdings collapsed 56% in one year
- ✗ Survival at 37x P/E when cash conversion is poor

VERDICT: Growth story, not a cash generation machine. Valuation not justified.

Operating Cash Flow Crisis

Metric	FY23	FY24	FY25*
Operating CFO (■ Mn)	(156)	(827)	198
Revenue (■ Cr)	5,535	7,756	1,303
PAT (■ Cr)	229	440	—
CFO as % of Revenue	-0.28%	-1.07%	1.5%
Interpretation	Negative	SEVERE	Barely positive

The Core Problem:

Company reported ■440 Cr PAT in FY24 while burning ■827 Mn in operating CFO. **Profits are accounting fiction, not cash.** High-quality recurring SaaS/fintech businesses should convert >50% of PAT to operating cash. Zaggie converts <2%. Only in FY25 did CFO turn positive at 1.5% — still critically weak.

Trade Receivables Explosion:

Year	Trade Receivables (■ Cr)	Revenue (■ Cr)	AR as % of Revenue	YoY AR Growth	YoY Revenue Growth
FY22	429.5	3,712.6	11.6%	—	—
FY23	1,026.6	5,534.6	18.6%	+139%	+49%
FY24	1,746.2	7,756.0	22.5%	+70%	+40%

RED FLAG: AR growth (70%) outpaced revenue growth (40%) in FY24. Textbook sign of aggressive revenue recognition or extended payment terms customers haven't agreed to. Classic quality-of-earnings red flag.

Intangible Assets & Margin Compression

■499 Crore Intangible Asset Under Development:

Year	Amount (■ Cr)	% of Total Assets	YoY Growth
FY22	15.0	1.6%	—
FY23	108.7	4.6%	+624%
FY24	498.6	7.2%	+358%

Impairment Risk: ■499 Cr capitalized for Zoyer (accounts payable) and Zatix (analytics). NO disclosure on completion status or revenue contribution. If these don't deliver, massive write-down looms. ■390 Cr added in FY24 alone — unsustainable capitalization rate.

Margin Compression at Scale (Warning Sign):

Metric	FY22	FY23	FY24	Trend
Adjusted EBITDA Margin	16.12%	11.29%	11.0%	↓ Declining
PAT Margin	11.29%	4.14%	5.7%	↓ Volatile
Cash PAT Margin	8.91%	7.86%	8.68%	↓ Weak

High-growth SaaS companies should expand margins at scale. Zaggles are compressing, signaling rising unit economics and cost control issues. CAC growing faster than LTV.

Institutional Exodus:

MF holdings collapsed from 8.72% (Dec 2024) to 3.70% (Dec 2025). Smart money is exiting. Sophisticated investors have spotted the cash flow problem.

Forensic Verdict & Investment Recommendation

Quality of Earnings Assessment:

Test	Result	Assessment
Cash Conversion (CFO/PAT)	Negative to 1.5%	■ POOR
Receivables vs Revenue Growth	AR +70%, Revenue +40%	■ DETERIORATING
Intangible Asset Buildup	■499 Cr capitalized	■ HIGH RISK
Margin Trends at Scale	Compressing	■ WARNING SIGN
Institutional Investor Support	Exiting (56% reduction)	■ NEGATIVE

Why Operating CFO is Abysmal:

1. **Revenue Recognition:** Growing receivables suggest extended credit terms not reflected in cash collection.
2. **Working Capital Buildup:** Other current assets jumped 162% (■491 Cr → ■1,287 Cr) — cash trapped in non-liquid assets.
3. **Capitalized Costs:** ■499 Cr in intangible assets should be expensed. If capitalized and not generating revenue, it's a red flag.
4. **IPO Dependence:** Debt repayment used IPO proceeds, not operations. Without external financing, company would have negative cash.

FINAL VERDICT

Zaggle has **impressive top-line growth but deteriorating cash generation.**

This is a company **running on a financial treadmill:** growing revenue but not converting to cash.

NOT SUITABLE for core portfolio until:

- ✓ Operating CFO sustainably exceeds 5% of revenue
- ✓ Trade receivables stabilize relative to revenue growth
- ✓ Intangible assets under development complete or are written down

Market is RIGHT to be cautious at 37x P/E.