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## Zaggle Prepaid Ocean Services Limited

(Because they can haggle)

**Value Proposition** - Spend management solutions which provide corporations bring in transparency and control over expenditure that can mitigate risk, stimulate growth, boost profits and streamline operations across the organization

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## What made me look at this company at first sight?

- ***Recent B2B SAAS Fintech Platform IPO***
  - Innovative fintech platform which has identified white spaces in Vendor assessment and payments and Employee reimbursements.
- ***First-Generation Professional Entrepreneurs***
  - Promoters with proven track records in building and exiting businesses.
- ***Primary Raise Proportion in IPO***
  - 70% of the issue size for primary raise, indicating growth-focused funding.
- ***Market Opportunity and Share***
  - Management highlighting a significant market opportunity and strategy to gain market share.
- ***Capital Efficient Business Model***
  - Pre-IPO placement, they have diluted ~40% to GKFF ventures and Veantureast. Both the investors are early-stage VCs implying that the company haven't raised significant money in the past.
  - They raised Venture Debt of ~50 Cr. from Vivriti (*Source: Crunchbase*) which was paid Pre IPO.
- ***Historical & Projected Growth Rates***
  - The company doubled revenue in the last 2 years to reach INR 775 Cr.
  - Management is guiding for stable margins and organically doubling revenue in the next 2 years.
  - Inorganic growth on the cards in H2 FY24 with acquisition size of ~500 Cr topline
  - Video Link - [Management interview](#)
- ***Venture Capital Backing***
  - Raised money from reputable VC funds and grown profitably, showing strong product-market fit.
- ***Customer Success Stories***
  - Demonstrated positive impact on businesses through real-life success stories.
  - Big enterprise clients incl. IT services companies
- ***Strategic Partnerships***
  - Formation of key alliances with Banks to issue prepaid and credit cards.
- Video Links:
  - [Management interview](#)

## Dated IPO Rating Matrix

(Given I was asked about my opinion on IPO, what would I have done)

Criteria	Description	Zaggle Rating (Out of 10)	Comments
Business Model	Evaluation of the company's business model and market positioning	7-8	Zaggle operates a B2B SaaS fintech platform focused on vendor assessment, payments, and employee reimbursement
Innovation	Assessment of the uniqueness and innovation of the product/service	9-10	Identified white spaces in vendor assessment and payments, and employee reimbursement, creating innovative solutions
Market Potential	Assessment of market size, growth potential, and competitive landscape	7-8	Significant market opportunity with management highlighting a strategy to gain market share.
Financial Health	Analysis of revenue growth, profitability, and financial stability	7-8	Consistent revenue growth with a CAGR of 51.87% from FY2021 to FY2023. Operating Margin went from 16% in FY22 to 9% in FY23 due to onetime ESOP cost and building new products
Management Team	Experience and track record of the promoters and management team	9-10	Promoters have a proven track record of building and exiting businesses, such as Raj N's success with eYantra. Avinash also took a plunge with Raj by quitting his job and take up an entrepreneurial journey
Use of Proceeds	Allocation of IPO proceeds and their alignment with growth strategy	7-8	70% of the issue size (i.e. ~392 Cr.) is allocated for primary raise, indicating growth-focused funding
Capital Efficiency	Efficient use of capital and funding history	8-9	Pre-IPO placement involved diluting ~40% to early-stage VCs, implying efficient use of capital as they didn't raise any big capital round from VC
Valuation	Comparison of current valuation with industry peers and potential growth	6-7	It was available at FY23 PE of 66x & EV/EBITDA of 33x. The valuation might not be comfortable at that point of time given
GMP	Grey Market price	0-2	6-7% GMP
Video Links			<a href="#">Zaggle About the company-IPO</a>

**I might have avoided the IPO but surely keep track of the company given other business aspects were strong enough.**

## Recent Management Commentary and Con-call Highlights (4 Con-calls since IPO)

### Raj Narayanam, Executive Chairman, Earnings Conference Call:

- *"FinTech's are at an inflection point where there is a perfect concoction brewing between increasing digital adoption, ever-improving digital infrastructure, and proactive regulations to create a lasting and sustainable ecosystem. This trend will further drive growth and value for the fintech sector."*
- *"There is a remarkable **jump in terms of the fees what we can charge** the corporates now per user, per platform basis than what it was before. We intend to capitalize on this opportunity and **capture a significant market share in the coming two years.**"*
- *"Zaggle has always partnered with and worked with very large banks to **make sure that we maintain the highest level of regulatory and compliance standards**"*

### Avinash Godkhindi, Managing Director, and CEO, Earnings Conference Call:

- *"Innovation remains at the core of our strategy. We continuously invest in research and development to introduce new products and use cases that meet the ever-changing demand of our customers. **Innovation is a driving force behind our competitiveness.**"*
- *"Consistent **demand for digitization, transparency, tracking and budgeting of spends** gave birth to most of Zaggle's products"*
- *"We are **set to drive growth by both acquiring new customers and cross-selling to the existing ones.** This year, we are putting a special emphasis on cross-selling of our products as well as of our partners in the space of insurance, loans, taxation, investments, etcetera."*

### Strategic Investment in Span Across IT Solutions & Inorganic Expansion Opportunities:

- *"We have made a strategic investment in a company called **Span Across IT Solutions** Private Limited. Span Across offers digital products **for online tax filing and financial wellness solutions.** This is a strategic investment, it's a product decorative investment and access to Span's product, which would be integrated with our offerings. Thus, increasing the value proposition for our customers."*



- *"We are actively looking at opportunities for inorganic expansion. We are looking at companies which are EBITDA accretive or product accretive or the ones who will give us access to new geographies. We are in active discussions with a few players across different, but synergistic domains like **API banking platform, payments and possibly NBFCs**. The revenues from these acquisitions would be in addition to our organic revenue growth which we have already mentioned that we would like to grow so that **we double our revenues in the next 2 years.**"*

#### Strategic Role of Zoyer Platform:

- *"Zoyer, our accounts payable platform, which is bundled with our business credit cards, played a pivotal role in this year's performance. Launched just over a year ago, Zoyer is strategically positioned to help us garner a significant market share in the account payable platform space. **Our strategy is to onboard corporate clients and their network of employees, channel partners and vendors who become the ultimate users of our solutions. This helps us to keep our CAC to a minimum.**"*

#### Strategic Roadmap

- *"Client-wise revenue concentration is limited with the **top 20 customers contributing less than 20% of the revenues**"*
- *"Additionally, **only 20% of the corporates currently use both Propel and Save** while Zoyer is a newly launched product. This abodes us a huge opportunity to cross-sell our products to our existing customers"*
- *"**We are augmenting our current expense management platform to offer much more flexibility for corporates to do self-booking on our platform. What this means is that a lot more spends would flow through our platform.**"*

## Con-call Highlights

S. No.	Investor Question	Management Answer	My Understanding
1.	What are the primary drivers of revenue growth for Zagggle? <i>Roban Mandora, Equirus Securities</i>	"Our revenue growth is driven by the expansion of our customer base, increased product adoption, and strategic partnerships. For instance, our Propel platform has seen significant uptake, contributing to the overall revenue increase."	<ul style="list-style-type: none"> <li>• Strategic Partnerships</li> <li>• Cross sell and upsell</li> <li>• Enhancement of product (add new platforms)</li> </ul>
2.	How does Zagggle plan to maintain its competitive edge in the market? <i>Ankur Sharma, HDFC Securities</i>  How is Zagggle leveraging technology to drive growth? <i>Rahul Jain, Credit Suisse</i>	"We are continuously innovating our products and enhancing our technology platform. Our partnerships and investments in AI and blockchain technologies are key to maintaining our competitive edge. Our AI chatbot, Raz bot, is in the learning phase but shows promising initial results."	The current churn is ~1.5%. Stickiness with enterprise customer is the key to maintain edge
3.	What measures are in place to manage credit risk effectively? <i>Rajat Bhatia, HSBC</i>	"We have stringent credit risk management policies, including regular monitoring of credit limits and obtaining security deposits from customers."	Security deposits from customers – INR <b>13.6 Cr as on 31 March 2023</b> Given these are enterprise clients backing employees, credit risk should be a problem here
4.	How do regulatory changes impact Zagggle's operations? <i>Naitik Mobata, Sequent Investments</i>	" We work with 14 banks, including banks like SBI, ICICI, Axis, Kotak, PNB, BOBCARD. So, these are very big names in the industry, and they also both bring us customers and references as well as the fact that they have evaluated our platform and software and found it secure, found it compliant, and found it highly valuable, adds to the ability to command or expect a premium."  "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"	This is a highly regulated business and a lot of players have come under radar of RBI and other agencies for non-compliances.  Regulatory risk is the biggest risk for Zagggle but is the biggest opportunity for them given they are listed and bigger player in the pond now  Some of the compliances to be taken care of – <ol style="list-style-type: none"> <li>1. Prepaid Payment Instruments (PPIs) Compliance</li> <li>2. Anti-Money Laundering (AML) Regulations</li> <li>3. Customer Protection and Grievance Redressal</li> <li>4. Data Privacy Regulations</li> </ol>
5.	What are Zagggle's capital allocation priorities? <i>Pooja Patel, UBS</i>	"Investing in technology, expanding product offerings, and strategic acquisitions are our capital allocation priorities."	Management has clearly laid out a plan to utilize cash incl. <ul style="list-style-type: none"> <li>• Inorganic opportunities</li> </ul>



			<ul style="list-style-type: none"> <li>Expanding product offerings</li> </ul>
6.	Can you provide details on the investment in Span Across IT Solutions? <i>Robit Singhania, Motilal Oswal</i>	"The investment is aimed at integrating their digital products with our offerings, enhancing our value proposition."	Interested in investing in stressed product companies which can be integrated in their product and enhance customer value proposition. Span IT – tax solutions is one such opportunity to fill white space in payroll management
7.	How does Zagggle manage currency risk given its international operations? <i>Deepak Sharma, Edelweiss</i>	"We use hedging strategies and robust currency risk management policies to mitigate potential adverse effects of currency fluctuations."	The company has just tied up with a partner for Forex card.  Need to understand more from management
8.	What steps is Zagggle taking to improve profitability margins? <i>Shweta Timari, Macquarie</i>	"We focus on optimizing our cost structure, increasing operational efficiencies, and leveraging economies of scale."	Management is focused on market share gain and guiding for same margins. Cost cutting isn't on the cards
9.	How significant is Zoyer's contribution to Zagggle's revenue? <i>Arjun Mehta, DSP Merrill Lynch</i>	"Zoyer has been a substantial contributor to our revenue, particularly through its adoption by large corporate clients."	Account Payable management is ₹ 1750+ Bn market. Quarterly spend run rate ~2,000 Cr. for Zoyer
10.	What is Zagggle's customer acquisition strategy? <i>Ankit Singh, ICICI Prudential</i>	"Our strategy involves targeted marketing campaigns, leveraging partnerships, and offering customized solutions to meet specific customer needs."	Given CAC is very low till date (except Incentives & Cashback offered to increase usage), company will continue to go same way
13.	Will it be possible to quantify for a period like a two-year or three-year period, how the prices have evolved (SaaS fees)? <i>Naitik Mobata, Sequent Investments</i>	"Well, in the last two years, the price has gone up significantly. If you look at it, our rack rate about two and a half years ago was INR99 per user per month. This is now INR249 per user per month. So, while the final price is a negotiation with our corporate customers, depending on the Zagggle Prepaid Ocean Services Limited May 23, 2024, Page 11 of 16 volumes and the overall opportunity size, this is the price movement that has happened."	SaaS revenue per user- FY21 – Fy22 – FY23 – FY24 –  With platform enhancement and cross selling, this should go higher
14.	We have ZatiX as a product which is coming out. So will this be an additional stream of revenue <i>Bhavik Shah from MK Ventures</i>	ZatiX has a very clear monetization irrespective of whether the ZatiX card is issued in partnership with Zagggle or it's a card issued directly by the bank to a corporate who is a customer of the bank. When the ZatiX platform is used for analytics, we earn a decent amount of commission or fees which is recurring in nature for all transactions that are done on Zagggle Prepaid Ocean Services Limited May 23, 2024, Page 15 of 16 the platform	Zatix itself might not fetch revenue individually but it can surely add to the existing platform. Rack Rates & billing rates can enhance with new analytics platform.  Given that the platform isn't only tied to Zagggle products is a good sign.

## Investment Thesis

### **Company addressing pain point in Spend Management, Rewards & other white spaces–**

- Given the company is successfully identifying the white space in enterprise tools and building platform to fill those gaps is a major win for the company.
- Company has been innovating and adding products to make enterprise clients life easier is the biggest strength of the company

### **Negligible CAC**

- Zaggle goes through B2B2C route to reduce the CAC with an innovative business model which gives it an edge vs competitor
- With discounted monthly SaaS fees, Company is more focused on earning money by getting commission on spends through branded cards

### **Flexible Product / Deployment**

- Zaggle can deploy its platform in any enterprise grade HRMS/ERP tool starting from Tally to SAP. This makes it easier to onboard customer and reduced the onboarding time to minimal
- There is no limitation for the corporate to use Zaggle co-branded corporate cards, Client can keep using only the platform

### **Win-win proposition for all stakeholders**

- Banks –
  - Banks get an entry into a large pool of corporate salary relationships.
  - Also, they can deploy their co-branded cards at 0 CAC
  - There is no tech cost for banks as all the API/ integration is done by Zaggle
- Corporate -
  - get the card, which is a system of transactions,
  - to tightly couple with Zaggle system, which is a system of engagement
  - with their system of records which is their ERP
- Zaggle –
  - Earns commission on propel points and card spends
  - Earns SaaS fees platform deployment

## Unique business model

- Given it is a Fintech, Zagggle earns at the point of payment by building the processes (which are given to client at minimal cost)
- Lower SaaS fees entice corporates of all sizes to opt for Zagggle platform

## Growth Levers

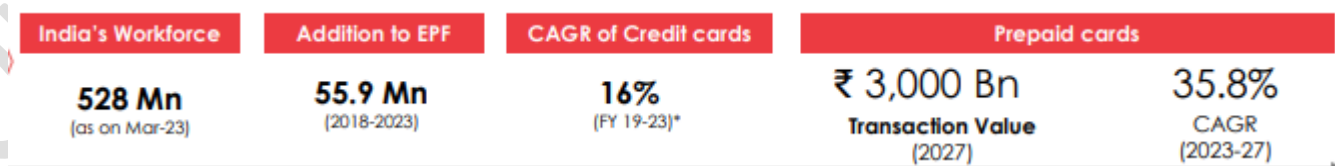
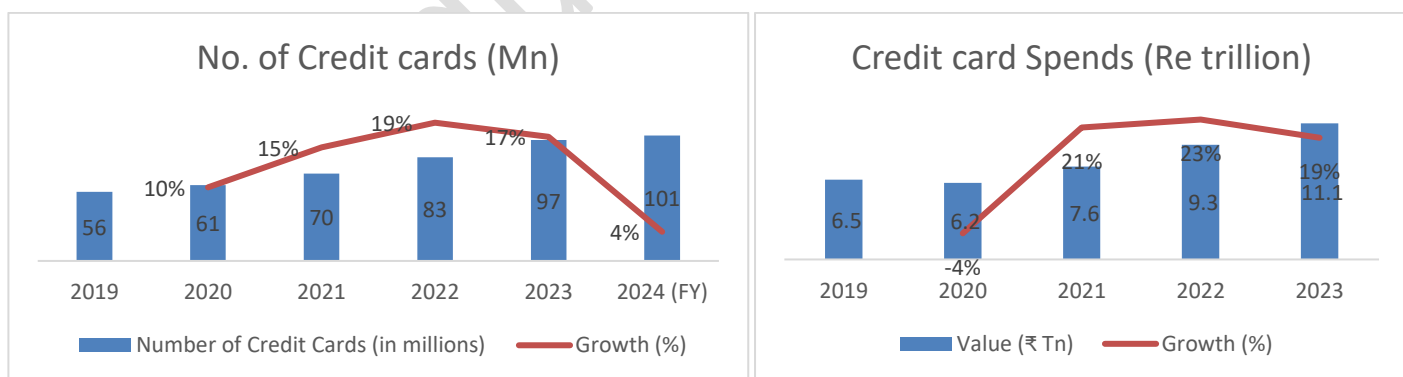
There are 4 levers of growth for Zagggle

1. More number of corporates,
2. Users within that corporate,
3. Greater number of solutions i.e. cross sell and upsell opportunities,
4. The amount of spending which the users do on the cards

Deeper penetration in existing customer groups; currently, only there is only a ~20% overlap in Propel and Save customers

## Wide addressable market

- Opportunity size for spends management software pegged at Rs 139bn by FY27
- Credit card & Prepaid card issued and spent are increasing at rapid pace
- ARR Payments amounting to ~Rs 8,000 cr. is being done using Zoyer platform
- Increase in formal workforce is another growth trigger for Zagggle



### **High customer retention rates**

- Zaggle has strong customer retention capabilities with the churn rate for customers terminating contracts being consistently low (annualized sub-2%)
- With its integrated offerings, the company has been successful in reducing the negative impact of low-switching costs associated with a SaaS business

### **Experienced promoters with deep domain knowledge**

- The senior management team is ably supported by a professionally qualified workforce with extensive knowledge, understanding and experience in the fintech, banking, technology, infrastructure, and healthcare industries. *(Refer- Board of Directors & Management Team section)*

## What is Zaggle?

- Company X has 5,000 sales executives. These executives spend money on travel, customer entertainment, hotel stays, etc.
- These sales executives get variable incentives as and when deals get closed. This includes vouchers, Meal cards, Diwali gift cards, etc.
- A sales executive spends ~8-10 hours/month to put all the reimbursements. He feels it's a cumbersome process. Lot of to and from happens with Finance personnel also. Company also employs additional finance executives to validate these expenses
- All this led to time wastage for Sales executives, additional cost for company and cost leakages due to irregularities in reimbursements
- Company X has ERP integrations with most major ERP providers like SAP.

### Solution

- Using Zaggle, Company X can go ahead and say that for this project, I want to limit my overall travel cost to say, INR5 crores. Irrespective of whether the individual cards that have been given to employees, the total limit may be INR30 crores on those cards, across say 1,000 cards or 3,000 cards, but the travel cost should be limited to INR5 crores.
- Now Zaggle will ensure and enable through spend analytics platform on each card spent, link it to the limits and controls that we have set on platform.
- A standalone card platform would not be able to understand what the project code is itself, because the standalone card platform doesn't have an API integration with the ERP. Because Zaggle's platform sits in the middle of the card management system, which is the system of transactions, and the system of records, which is the ERP.
- In addition, Company X can see through pie charts, bar graphs, etc. a breakup of where the spends are happening across different spend categories, like saying where is the money being spent for T&E, client entertainment, how does it break up for different geographies, how do employees in Jaipur spend, how do employees in Bombay spend.
- Given Zaggle is integrated with Network partners, it automatically recognizes the vendor category and reduces employee limit from that category when any expense is made.

## About Zaggle

### 2012- 2015

- *Raj N Phani (while running eYantra) & Avinash met*
- *They launched “Zaggle App”*
- *Started focusing on customer & dealer / Distributor loyalty program (digitized the physical program)*

### 2017- 2019

- *Launched Prepaid card with IndusInd Bank & Yes Bank*
- *Launched “Zaggle Propel” & “Zaggle Save” - comprehensive expense management solutions, creating an integrated platform for corporate financial management.*

### 2018

- *Diluted approximately 40% of shares to early-stage VCs*
- *Launches the Zaggle corporate website and Employee benefits& Expense Management platform.*

### 2019

- *Launched Prepaid card with IndusInd Band*
- *They launched “Zaggle Propel” & “Zaggle Save”*

### 2022 - 2023

- *Zaggle launches Zoyer to simplify and automate B2B payments*
- *Raised ~400 Cr in Primary Capital*

### 2024

- *Acquired Tax solutions and financial wellness company*
- *To be launched ZatiX platform (for analytics)*



## Board of Directors & Management Team

Name	Designation	Description
Raj P Narayanam	Executive Chairman	<ul style="list-style-type: none"> <li>Associated with the company since Apr'12 and has experience in technology and FinTech industry</li> <li>Holds PGDP in Business management with specialization in finance from FORE School of Management, New Delhi, Certificate in digital marketing from MICA, Ahmedabad</li> <li>Previously made varying levels of investments in certain companies at different points in time</li> </ul>
Avinash Ramesh Godkhindi	MD and CEO	<ul style="list-style-type: none"> <li>Associated with company since May'12 and has experience in banking and financial services</li> <li>Holds B. Eng from Bangalore University, Bengaluru and an MBA from University of Chicago, Chicago</li> <li>Previously was an AVP at Citibank India</li> </ul>
Arun Vijaykumar Gupta	Non-Executive Director	<ul style="list-style-type: none"> <li>Associated with company since Sep'22</li> <li>Directorships: Route Mobile, Absolute Sports Private Limited</li> </ul>
Aravamudan Krishna Kumar	Independent Director	<ul style="list-style-type: none"> <li>Associated with company since Sep'22</li> <li>Non-Executive Chairman at UCO Bank</li> <li>He retired in 2014 from State Bank of India as MD</li> </ul>
Abhay Deshpande Raosaheb	Independent Director	<ul style="list-style-type: none"> <li>Associated with company since Aug'22.</li> <li>He has experience in the IT industry and is currently a director at Payswiff Technologies</li> </ul>

## Customers

Recently signed up with Hero MotoCorp, PNB MetLife, Wipro, etc.



## Products & Revenue Model

	<u>Save</u>	<u>Propel</u>	<u>Zoyer</u>
Platform features	<ul style="list-style-type: none"> <li>Employee expense management and benefits</li> <li>Expense Management</li> <li>Employee Reimbursements</li> <li>Employee tax benefits</li> </ul>	<ul style="list-style-type: none"> <li>Rewards and recognition platform</li> <li>Channel rewards and incentives</li> <li>Employee rewards and recognition</li> </ul>	<ul style="list-style-type: none"> <li>Embedded finance</li> <li>Integrated data-driven business spends management platform with embedded finance capabilities</li> </ul>
What do employees get	<ul style="list-style-type: none"> <li>Co-branded Prepaid and Credit card are issued to employees</li> </ul>	<ul style="list-style-type: none"> <li>Reward points are credited to employee's corporate wallet to be redeemed for any voucher on the platform</li> </ul>	<ul style="list-style-type: none"> <li>Co-branded credit cards are issued to accounts payable / finance personnel</li> </ul>
Revenue Model	<b>SaaS Fees for Platform (rack rates 99-249-/month/ subscriber)</b>		
	<b>Overall ~1.8% take rates on card spends</b>	<b>7-10% margins on voucher redemption</b>	<b>Overall ~1.8% take rates on card spends</b>

## Where do Zaggle fit in?

### Employee Landscape

Employee Landscape					
Recruitment	Core HR	Time & attendance	Learning & Development	Compensation Management	Rewards & Recognition
Onboarding	Payroll	Performance Management	Employee Engagement	Analytics & Reporting	

### Vendor Landscape

Vendor Landscape					
Potential Vendors	RFP	Vendor Selection	Vendor Interviews	Invoice Processing	Performance Monitoring
Evaluate Proposals	Vendor Due dilligence	Negotiate Terms	Contract Signing	Payment disbursement	Relationship Monitoring
				Post payment reco.	Vendor Onboarding

Zaggle presence

## Porter five forces

FORCE	FACTORS	IMPACT ON ZAGGLE	NOTES
<b>THREAT OF NEW ENTRANTS</b>	Barriers to Entry	High	High regulatory requirements, economies of scale, B2B stickiness
	Capital Requirements	Moderate	API Infra and cloud infra is built by company. Technology building isn't the edge
	Access to Distribution Channels	High	14/15 bank partners and 3 network partners, these are core to company
<b>BARGAINING POWER OF SUPPLIERS</b>	Supplier Concentration/ Dependence on supplier	Low	Many potential suppliers for technology and financial services.
	Switching Costs	Moderate	Some costs involved in switching suppliers but not prohibitive.
<b>BARGAINING POWER OF BUYERS</b>	Buyer Concentration	High	Large corporations with significant bargaining power.
	Price Sensitivity	High	Cost is a critical factor for corporate clients.
	Switching Costs	Low	Customers can switch providers with minimal disruption.
<b>THREAT OF SUBSTITUTE PRODUCTS OR SERVICES</b>	Availability of Substitutes	High	Many alternative financial and HR management solutions.
	Performance/Price Trade-off	Moderate	Some substitutes may offer different value propositions.
	Buyer Propensity to Substitute	High	Easy access to alternatives increases the threat.
<b>INDUSTRY RIVALRY</b>	Number of Competitors	Moderate	Numerous players in the financial and HR technology space.
	Rate of Industry Growth	High	Growing market attracts more competition.
	Product Differentiation	Moderate	Need for continuous innovation to stand out.

## Pre-requisite - How to read financials of Zagggle

- **SaaS fees and program fees are reported both on a net basis** with almost no direct expenses involved which give us a gross margin of about 94%, 95%.
- In contrast, **propel point revenues are recognized on a gross basis** and the gross margin for this varies between 7% to 10%.
- Program fees (**revenue side**) encompass various revenue streams including interchange income and incentives from networks like Visa and Rupay.
- Program fees (**expense side**) have 3 components –
  - cashback for prepaid cards,
  - cashback for business credit cards
  - cost of funds.
    - FY'23 - had one component which was cashback against on prepaid cards.
- What are **Intangible assets under development**?
  - One is Zoyer, which is yet to go completely live.
  - ZatiX is the analytical platform, will capitalize once it gets completely done.
- **ESOP guidance for FY'25**
  - With the existing set of costs, without any new issuance of ESOPs, FY25 will be around INR8 crores & INR3 crores is FY'26.
- Will the **take rates** remain constant
  - It is evolving as more and more expenses are being incurred on recharges. Gas, fuel, electricity, etc. which have lower take rates but overall take rates should remain constant at 1.8%.
- **Seasonality:** Business does anywhere between 35% to 40% of revenue in the H1, and 60% to 65% of the business in H2
- Working capital will be in three categories -
  - SaaS fee - 50-60 days,
  - Program fee, which Zagggle largely charge towards the banks - 50 - 60 days
  - Propel point redemption - sometimes Zagggle must give them redemption upfront – 30 days

## Projected P&L

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	% rev	
							FY25E	FY26E
I. Subscription Fees	129	166	242	312	464	638	4%	4%
<i>Growth %</i>		29%	46%	29%	49%	38%		
II. Program Fees	1,955	2,008	1,695	3,218	5,069	7,386	44%	46%
<i>Growth %</i>		3%	-16%	90%	58%	46%		
III. Propel Platform / gift card	316	1,539	3,598	4,225	5,989	7,861	52%	49%
<i>Growth %</i>		387%	134%	17%	42%	31%		
<b>Total Revenue</b>	<b>2,400</b>	<b>3,713</b>	<b>5,534</b>	<b>7,756</b>	<b>11,522</b>	<b>15,885</b>	<b>100%</b>	<b>100%</b>
<b>Growth</b>		<b>55%</b>	<b>49%</b>	<b>40%</b>	<b>49%</b>	<b>38%</b>		
Cost of Gift Cards	297	1,435	3,189	3,797	5,450	7,153	47%	45%
	94%	93%	89%	90%	91%	91%		
<b>Net Revenues (Ex- Gift card Cost)</b>	<b>2,103</b>	<b>2,278</b>	<b>2,346</b>	<b>3,959</b>	<b>6,072</b>	<b>8,732</b>	<b>55%</b>	<b>55%</b>
<i>Growth %</i>		8%	3%	69%	53%	44%		
Consumption of cards	15	18	18	12	38	53		
% revenue (program + propel)	1%	1%	0%	0%	0%	0%		
Employee Cost	125	154	292	363	539	744	5%	5%
<i>Growth %</i>		24%	89%	24%	49%	38%		
% revenue	5%	4%	5%	5%	5%	5%		
Other exp	307	330	410	560	750	1,005	7%	6%
<i>Growth %</i>		7%	24%	37%	34%	34%		
% revenue	13%	9%	7%	7%	7%	6%		
Incentive and cash back	1,380	1,176	1,002	2,168	3,548	5,170	31%	33%
% of Program fees	71%	59%	59%	67%	70%	70%		
Adj EBITDA	277	600	625	856	1,196	1,760		
<i>Growth %</i>		117%	4%	37%	40%	47%		
% revenue	12%	16%	11%	11%	10%	11%		
ESOP Expenses			144	150	80	30		
EBITDA	277	600	481	706	1,116	1,730		
<i>Growth %</i>		117%	-20%	47%	58%	55%		
% revenue			9%	9%	10%	11%		
Other Income	3	4	11	113	240	240		
Finance Cost	77	70	114	137	88	106		
Depreciation	20	21	62	84	84	84		
PBT	182	513	316	598	1,185	1,781		



Tax expense	(11)	93	87	158	312	469
% of PBT		18%	28%	26%	26%	26%
PAT	194	421	229	440	872	1,312
<i>Growth %</i>		117%	-46%	93%	98%	50%
<i>% revenue</i>	8%	11%	4%	6%	8%	8%
Cash PAT	214	441	291	524	956	1,395
<i>Growth %</i>		106%	-34%	80%	82%	46%
<i>% revenue</i>	9%	12%	5%	7%	8%	9%

## Valuations

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## Historical Ratios

Ratios	31-3-2021	31-3-2022	31-3-2023	31-3-2024
<b>Profitability</b>				
Return on Equity %	NA	NM	101.3%	14.1%
<b>Margin Analysis</b>				
Gross Margin %	81.8%	56.6%	34.1%	44.3%
SG&A Margin %	4.8%	3.5%	3.7%	NA
EBITDA Margin %	11.0%	15.8%	8.2%	37.1%
EBITA Margin %	11.0%	15.8%	8.1%	36.0%
EBIT Margin %	10.7%	15.6%	7.6%	36.0%
Earnings from Cont. Ops Margin %	8.1%	11.3%	4.1%	5.7%
Net Income Margin %	8.1%	11.3%	4.1%	5.7%
Net Income Avail. for Common Margin %	8.1%	11.3%	4.1%	5.7%
Normalized Net Income Margin %	4.7%	8.6%	3.5%	4.8%
<b>Short Term Liquidity</b>				
Avg. Days Sales Out.	NA	32.3	48.0	65.4
Avg. Days Payable Out.	NA	33.8	10.0	4.7
Avg. Cash Conversion Cycle	NA	(1.1)	38.1	60.9
<b>Growth Over Prior Year</b>				
Total Revenue	NA	54.7%	49.1%	40.1%
Gross Profit	NA	7.1%	(10.0%)	81.7%
EBITDA	NA	122.4%	(23.0%)	534.4%
EBITA	NA	122.3%	(23.9%)	525.6%
EBIT	NA	125.8%	(27.5%)	566.0%
Earnings from Cont. Ops.	NA	116.9%	(45.4%)	92.2%
Net Income	NA	116.9%	(45.4%)	92.2%
Normalized Net Income	NA	180.8%	(38.5%)	90.6%
Diluted EPS before Extra	NA	116.9%	(46.1%)	63.8%

## Key risks

### **Agreement/regulatory changes adversely impacting interchange revenues**

- Company's revenues are largely dependent upon Banks sharing a part of interchange on the co-branded cards. Banks currently share a significant part of the interchange with ZAGGLE as
  - they get float on the card balances,
  - they get to bundle value added products along with bank's own core products which creates differentiation viz competition
- Any change in the agreement/Regulatory environment can adversely impact the interchange revenues.

### **Slowdown in new customer acquisition**

- If any of the above 4 growth levers stops working for Zaggle, business could see lower growth rates

### **Change in Tax laws**

- The risk isn't that significant but might impact Zaggle to an extent

### **Incentives and cashbacks as a proportion of program fees do not decrease across products**

- A key thesis for EBITDA margin expansion is that incentives and cashbacks will moderate over time across each product as these incentives and cashbacks are largely linked towards onboarding and activation of new customers to drive usage of ZAGGLE's products.
- With Zoyer having a higher incentive payout currently (at above 80%), we expect overall incentives and cashbacks as a proportion of program fees will increase over the next couple of years. However, if the proportion of Incentives and Cashback's doesn't decline that the operating leverage may not play out but earning growth can be in line with the revenue growth.

### **Increase in competitive landscape**

- There are many start-ups as well as incumbent entities globally that are offering spends management solutions. As the spends management ecosystem matures, there could be an increase in competitive intensity thereby impacting growth for ZAGGLE. Given the customer low churn rate in this business, it is essential that the company focuses on onboarding clients at an accelerated pace.

Annexure –

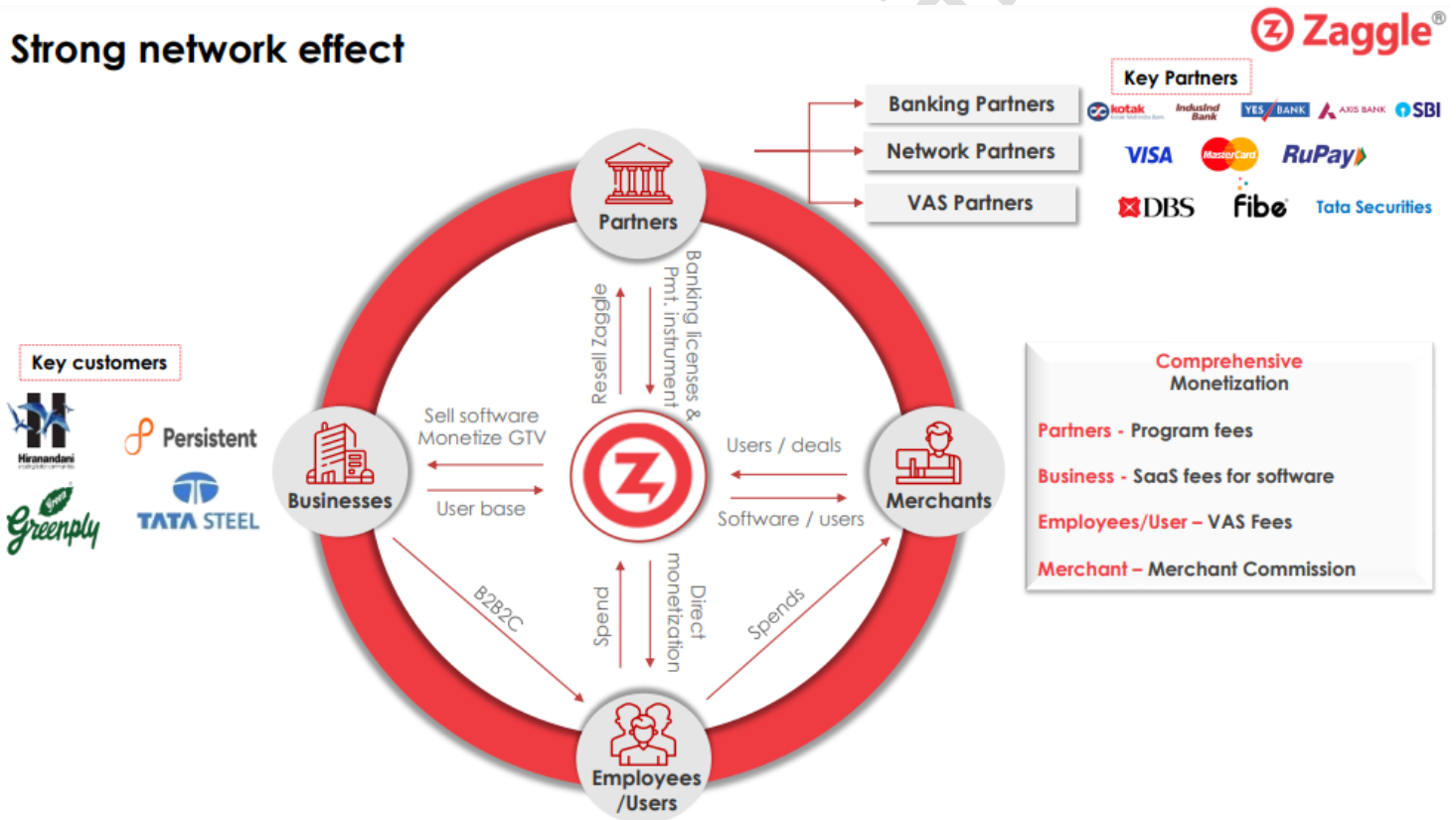
**Partner Banks**

SBI	ICICI	Kotak
NSDL Payments Bank	Yes Bank	DBS Bank
Axis Bank	IndusInd Bank	
PNB	Indian Bank	Canara Bank
BOB		

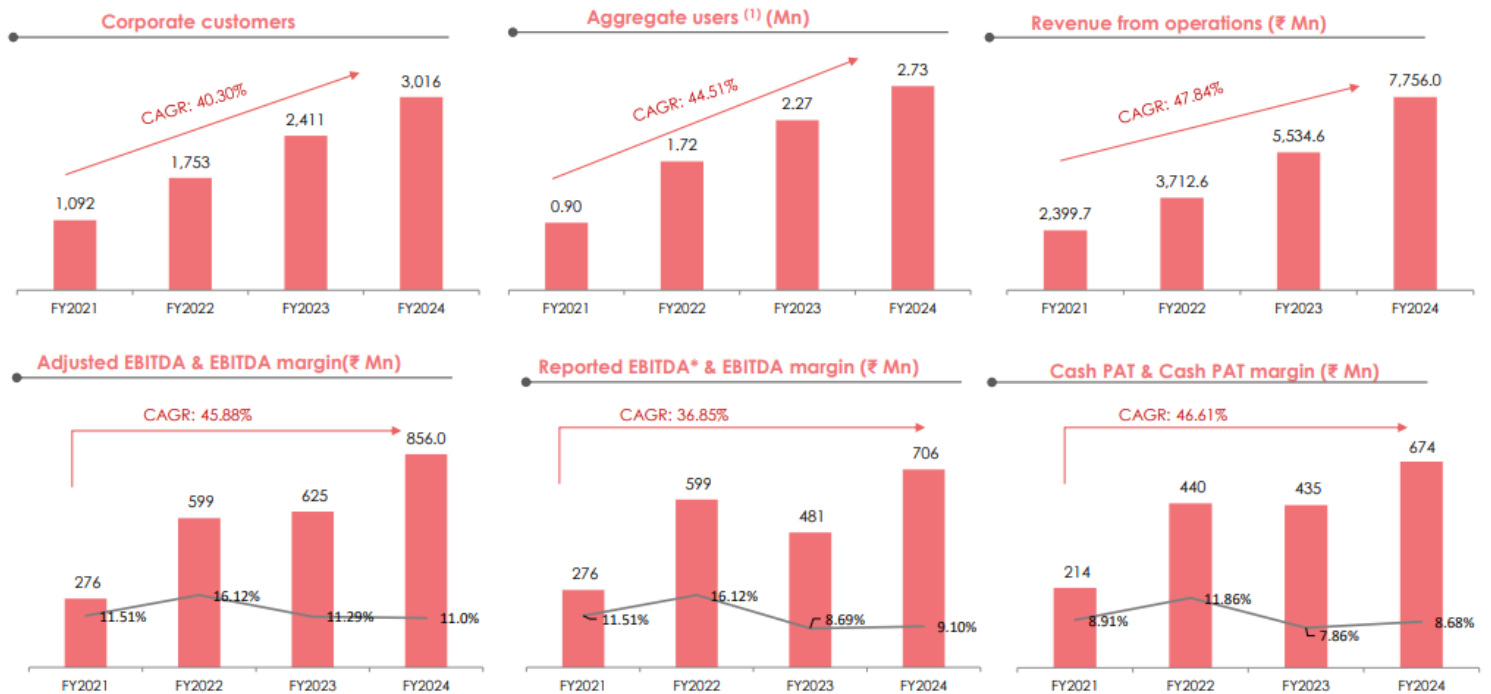
**Other Partners**

Travel Partners	EaseMyTrip	Riya Travels	
Forex Partners	Nishi Forex	WSFx Global Pay Limited	
Network partners	Visa	Mastercard	RuPay

**... Strong network effect**



## Historical financial and operating metrics



Only for