

September 13, 2023

IPO Note

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Issue Details

Price Band: ₹ 156 to ₹ 164
Issue Opens on: September 14, 2023
Issue Closes on: September 18, 2023
Lot Size: 90 Shares & in Multiples thereafter

Issue Highlights

Issue Size: ₹ 563.38 Cr.
No of Shares: 34,352,255
Face Value: ₹ 1

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	392.00
Offer for Sale	171.38
Total	563.38

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	75	422.53
HNI	15	84.51
Retail	10	56.34
Total	100	563.38

Listing

BSE & NSE

Lead Managers

- JM Financial Ltd.
 - ICICI Securities Limited
 - Equirus Capital Private Limited
 - IIFL Securities Limited

Registrar

KFin Technologies Limited

ANALYST

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COMPANY OVERVIEW

Established in 2011, Zaggle Prepaid Ocean Services specializes in providing innovative fintech products and services designed to streamline corporate business expenses. With a diverse clientele spanning industries such as banking and finance, technology, healthcare, manufacturing, FMCG, infrastructure, and automobiles, the company has carved out a significant presence in the fintech sector. Prominent clients include TATA Steel, Persistent Systems, Inox, Pitney Bowes, and many more.

They are a leading player in spend management, with more than 50 million prepaid cards issued in partnership with banking partners and more than 2.27 million users served, as of March 31, 2023. They offer a differentiated value proposition and diversified user base. The company is placed at the intersection of the SaaS and fintech ecosystems, and their SaaS platform is designed for: (i) business spend management (ii) rewards and incentives management for employees and channel partners; and (iii) gift card management for merchants, which it refers to as customer engagement management system ("CEMS").

Company's core product includes 'Propel', a corporate SaaS platform; 'Save', a SaaS-based platform; 'CEMS', a customer engagement management system; 'Zaggle' Payroll Card, a prepaid payroll card and 'Zoyer', an integrated data driven SaaS based business spend management platform. As of March 31, 2023, it had issued 10.83 million active cards to 2,411 Customers across India.

HIGHLIGHTS

1. Differentiated SaaS-based fintech platform, offering a combination of payment instruments, mobile application and API integrations.
2. In-house developed technology and strong network effect.
3. Business model with diverse sources of revenue and low customer acquisition and retention costs.
4. Diversified customer relationships across sectors.
5. Seasoned management team with deep domain expertise.

OBJECTS OF THE ISSUE

Fresh Issue proceeds utilization:

1. Expenditure towards Customer acquisition and retention (₹ 300 Cr.).
 2. Expenditure towards development of technology and products (₹ 40 Cr.).
 3. Repayment or Prepayment of certain borrowings, in full or part, availed by the company (₹ 17.08 Cr.)
- Offer for Sale of up to 10,449,816 Equity Shares. The Company will not receive any proceeds from Offer for Sale.

OUR VIEW

Founded in 2011, Zaggle Prepaid Ocean Services Limited is a fintech company dedicated to simplifying corporate expense management through technology. They provide fintech and SaaS solutions to a wide range of industries, including banking, finance, technology, healthcare, manufacturing, FMCG, infrastructure, and automobiles.

The company is well positioned with its In-house developed technology and strong network effect. It is a business model with diverse sources of revenue and low customer acquisition and retention costs. Objectives of the IPO proceeds include expenditure towards Customer acquisition and retention and development of technology and products.

The dependence on third party Payment Networks, channel partners and third-party providers for various aspects of business disruption in these relationships forms one of the risks to the smooth operation of the business. The Indian fintech market is highly competitive. Also, fintech apps may be subject to legal rules and regulations anytime at the discretion of the governing authorities. The revenue of the company grew at a CAGR of about 52% over FY21 to FY23. Operating on an EBITDA Margin of 8.69% and PAT margin of 4.14% for FY23. The operations generated ROE of 46.98% for FY23. The company is asking a multiple of 67x on the upper end of the price band over the diluted EPS of FY23 and is priced at a P/BV of 31 based on its NAV of Rs. 5.29.

The company experienced negative operating cash flows in financial year 2023 and had a negative net worth in FY22 & FY21. This factor could make getting future financing difficult or expensive for the firm. Looking at all the factors the investment in the company may be avoided and one can look for further conducive environment to investment for better returns.

Brief Financials

PARTICULARS	₹ in Million		
	FY '23 (Consolidated)	FY '22(Standalone)	FY '21(Standalone)
Total Income	5,545.75	3,716.64	2,402.93
Total Expenditure	5,229.40	3,204.86	2,220.95
EBITDA	480.96	598.54	276.27
Profit Before Tax	316.35	511.78	181.98
Profit After Tax	229.01	419.21	193.30
E.P.S. (Diluted)	2.46	4.57	2.11
P/E (x) (Diluted)	67	-	-
RONW (%)	46.98	(1,178.22)	(42.44)

PRICE CHART (@ ₹ 164) (Retail Category)

LOT SIZE	Amount
90	14,760
180	29,520
270	44,280
360	59,040
450	73,800
540	88,560
630	103,320
720	118,080
810	132,840
900	147,600
990	162,360
1,080	177,120
1,170	191,880

HNI Payment Chart

Category	No. of Shares	Minimum Bid Lot Amount (Rs.)
Between ₹ 2 to ₹ 10 Lakhs (Minimum Shares)	1,260	206,640
Between ₹ 2 to ₹ 10 Lakhs (Maximum Shares)	6,030	988,920
Above ₹ 10 Lakhs	6,120	1,003,680

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	22/09/2023
Initiation of refunds/unblocking ASBA Fund	25/09/2023
Credit of Equity Shares to demat accounts of Allottees	26/09/2023
Commencement of trading of the Equity Shares on the Stock Exchanges	27/09/2023

For more details, please refer RHP,

https://www.sebi.gov.in/filings/public-issues/sep-2023/zaggle-prepaid-ocean-services-limited-rhp_76732.html

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