

# Zaggle Prepaid Ocean Services Ltd

Power your business growth



**Kyon ki bhaiya, sabse bada rupaiya.**

Not Rated

## Power your business growth

Incorporated in 2011, Zaggle Prepaid Ocean Services Ltd (ZPOSL) operates in a segment where it interacts and interfaces with its Customers (i.e., businesses) and end Users (i.e., employees) and are among a small number of uniquely positioned players with a diversified offering of fintech products and services, having one of the largest number of issued prepaid cards in India in partnership with certain of our banking partners (which constituted approximately 16.0% of India's total prepaid transaction volume, as of March 31, 2023), a diversified portfolio of SaaS, including tax and payroll software, and a wide touchpoint reach.

It is placed at the intersection of the SaaS and fintech ecosystems. It's SaaS platform is designed for: (i) business spend management (including expense management and vendor management); (ii) rewards and incentives management for employees and channel partners; and (iii) gift card management for merchants, which the company refers to as customer engagement management system ("CEMS"). As of March 31, 2023, ZPOSL had 1,832 corporate accounts, 579 SMB accounts and issued 10.83 million active cards (i.e., cards that had not expired as of that date) to 2,411 Customers across India.

ZPOSL's proposed issue size is INR 563.38 crore out of which INR 392 crore is a fresh issue and the remaining INR 171.38 crore is OFS. The Company proposes to utilise the Net Proceeds towards funding of the following objects:

- INR 300 crore of expenditure towards Customer acquisition and retention
- INR 40 crore of expenditure towards development of technology and products
- INR 17.083 crore towards repayment or prepayment of certain borrowings, in full or part, availed by the Company
- And the balance amount would be used for general corporate purposes

At the IPO price of INR 164 (upper price band), ZPOSL is valued at P/E of 89.2x.

<b>Industry</b>	Online services
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### Issue Details

Listing	BSE & NSE
Open Date	14th Sept 2023
Close Date	18th Sept 2023
Price Band	INR156-164
Face Value	INR 1
Market Lot	90 shares
Minimum Lot	1 Lot

### Issue Structure

Offer for Sale	15.28%
Fresh Issue	84.72%
Issue Size (Amt)	INR 563.38 Cr
Issue Size (Shares)	34,352,255 shares
QIB Share (%)	≥ 75%
Non-Inst Share (%)	≤ 15%
Retail Share (%)	≤ 10%
Pre issue sh (nos)	98,194,319
Post issue sh (nos)	122,096,758
Post issue M Cap	INR 2002.37 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	57.91	44.07
Public	42.09	55.93
<b>TOTAL</b>	<b>100</b>	<b>100</b>

### Key Financial Data (INR Cr, unless specified)

	Revenue	EBIT DA	PAT	EBITD A (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/Sales (X)	EV/EBIT DA (X)
FY21	240	27.3	19	11.4	7.9	1.6	-3.7	-0.4	126.4	105.3	8.6	75.7
FY22	371.3	59.4	41.5	16	11.2	3.4	-0.3	-11.7	100.9	48.2	5.6	34.7
FY23	553	47.6	22.4	8.6	4.1	1.8	4	0.5	27.7	89.2	3.8	44.2

## Growth Strategies

### **Continue to increase its customer base of corporate accounts, SMB accounts, start-ups and merchants**

As of March 31, 2023, India's workforce was estimated to be approximately 528.0 million. From 2018 to 2023, approximately 55.9 million new subscribers joined the Employees' Provident Fund scheme, giving it significant opportunities and headroom for future growth. ZPOS intend to continue to leverage its strong customer relationships, and invest in its direct and indirect sales and marketing capabilities, to continue to acquire new Customers in India.

### **Continue to scale and expand by increasing user penetration and cross selling within its existing Customer base**

The Customer base of approximately 2,411 organisations as of March 31, 2023 represents a growth opportunity through potential access to their employees, partners, and their customers. By offering its products and services to different departments within an existing Customer, ZPOS continues to grow its user base by increasing penetration within our existing Customers. As the annual amount of spending per employee increases, and more of its Customers offer its cards and solutions to an increased number of their employees and channel partners, the funds disbursed through its platform or wallets is anticipated to increase, and in turn the amount spent by such Users at various merchants available through the platform or who support its wallets, resulting in better growth.

### **Continue to innovate to introduce new products and use cases**

ZPOS plans to continue scaling its offerings through effective cross-sell and up-sell opportunities to offer new products to its existing Customers. Its Customer base and partnerships with its Preferred Banking Partners, financial institutions and merchants, provides it with the ability to cross-sell and up-sell its products and services to a large User base.

### **Leverage strategic partnerships with financial institutions and merchants**

Going forward, ZPOS intends to enable its Preferred Banking Partners to penetrate into large and small businesses, attracting a wider Customer base that provides an opportunity to cross-sell their offerings.

### **Pursue selective strategic acquisitions and investments to grow its business**

ZPOS intends to actively pursue strategic investments and acquisitions that are complementary to its business and in the fintech space that it operates in. These acquisitions could include companies providing access to software for payroll management, vendor payments, corporate credit cards, gift and loyalty cards, other products and services that may be seen as a VAS for its users to enhance their experience and increase user retention and loyalty, other SaaS companies and companies that provide it access to newer target demographics and markets within India and in international geographies that are positioned to support its business model and products.

## Key Risks & Concerns

- The recent revenue growth rates may not be indicative of its future financial performance. Failure to effectively manage its growth could materially and adversely affect the success of its business and/or impact its margins and profitability.
- Any termination of, or failure to maintain its relationships with the banking partners, including Preferred Banking Partners, or any changes to interchange fees due to a variety of factors, could adversely affect its business, results of operations and financial condition.
- It is dependent on third-party Payment Networks, channel partners and third-party providers for various aspects and any failure to maintain these relationships could adversely affect its business, results of operations and financial condition.
- It may encounter challenges with adoption and usage of its products if they are not able to successfully integrate with other software applications, which could adversely affect its business, results of operations and financial condition.
- ZPOSL experienced negative operating cash flows in Fiscal 2023 and negative net worth as of March 31, 2022 and March 31, 2021, which may make it difficult or expensive to obtain future financing or meet its liquidity needs.



## Issue Structure and Offer Details

ZPOS L's proposed issue size is INR 563.38 crore out of which INR 392 crore is a fresh issue and the remaining INR 171.38 crore is OFS. The price band for the issue is in the range of INR 156-164 and the bid lot is 90 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not less than 75.00% of the Net offer
NIB	Not more than 15.00% of the Offer
Retail	Not more than 10.00% of the Offer

*Number of shares based on a higher price band of INR 164*  
 Source: Company Reports

Details of the selling shareholders		
Promoter Selling shares	Amount offered	No of shares
Raj P Narayanam	Not more than 25.09 Cr	1,529,677
Avinash Ramesh Godkhindi	Not more than 25.09 Cr	1,529,677

*The amount is based on a higher price band of INR 164*  
 Source: Company Reports

**ZPOSL financial summary and analysis**

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
<b>Income Statement</b>				<b>Per share data &amp; Yields</b>			
Revenue	240.0	371.3	553.0	Adjusted EPS (INR)	1.6	3.4	1.8
YoY Growth (%)	251.2	54.7	49.0	Adjusted Cash EPS (INR)	1.7	3.6	2.3
Raw Material Cost	31.5	145.8	320.8	Adjusted BVPS (INR)	(3.7)	(0.3)	4.0
RM Cost to Sales (%)	13.1	39.3	58.0	Adjusted CFO per share (INR)	0.3	1.6	(2.3)
Employee Cost	12.5	15.4	43.5	CFO Yield (%)	0.2	1.0	(1.4)
Employee Cost to Sales (%)	5.2	4.2	7.9	Adjusted FCF per share (INR)	2.0	1.1	0.1
Other Expenses	168.7	150.6	141.1	FCF Yield (%)	1.2	0.7	0.1
Other Exp to Sales (%)	70.3	40.6	25.5	<b>Solvency Ratio (X)</b>			
EBITDA	27.3	59.4	47.6	Total Debt to Equity	(1.5)	(18.1)	2.5
Margin (%)	11.4	16.0	8.6	Net Debt to Equity	(1.4)	(17.1)	2.1
YoY Growth (%)	142.7	117.6	(19.9)	Net Debt to EBITDA	2.4	1.0	2.1
Depreciation & Amortization	2.0	2.1	6.2	<b>Return Ratios (%)</b>			
EBIT	25.3	57.3	41.4	Return on Equity	-42%	-1166%	46%
Margin (%)	10.5	15.4	7.5	Return on Capital Employed	1.1	77.8	17.6
YoY Growth (%)	169.5	127.0	(27.8)	Return on Invested Capital	126.4	100.9	27.7
Other Income	0.3	0.4	1.1	<b>Working Capital Ratios</b>			
Finance Cost	7.7	7.0	11.4	Payable Days (Nos)	29	11	6
Interest Coverage (X)	3.3	8.2	3.6	Inventory Days (Nos)	0	0	0
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	34	42	68
PBT	17.9	50.7	31.1	Net Working Capital Days (Nos)	6	32	62
Margin (%)	7.4	13.7	5.6	Net Working Capital to Sales (%)	1.6	8.7	16.9
YoY Growth (%)	274.6	183.9	(38.6)	<b>Valuation (X)</b>			
Tax Expense	(1.1)	9.3	8.7	P/E	105.3	48.2	89.2
Tax Rate (%)	(6.3)	18.2	27.9	P/BV	(43.9)	(562.3)	41.1
PAT	19.0	41.5	22.4	EV/EBITDA	75.7	34.7	44.2
Margin (%)	7.9	11.2	4.1	EV/Sales	8.6	5.6	3.8
YoY Growth (%)	411.0	118.3	(45.9)	<b>Cash Flow Statement</b>			
Min Int/Sh of Assoc	0.0	0.0	0.0	PBT	17.9	50.7	31.1
Net Profit	19.0	41.5	22.4	Adjustments	(11.7)	7.1	9.2
Margin (%)	7.9	11.2	4.1	Change in Working Capital	(3.9)	(28.5)	(59.3)
YoY Growth (%)	411.0	118.3	(45.9)	Less: Tax Paid	1.1	(9.3)	(8.7)
<b>Balance Sheet</b>				<b>Cash Flow from Operations</b>	<b>3.4</b>	<b>20.1</b>	<b>(27.7)</b>
Share Capital	0.2	0.2	9.2	Net Capital Expenditure	(1.0)	(7.6)	(16.7)
Total Reserves	(45.7)	(3.7)	39.5	Change in Investments	(0.0)	(2.3)	(7.6)
Shareholders Fund	(45.6)	(3.6)	48.7	<b>Cash Flow from Investing</b>	<b>(1.0)</b>	<b>(9.9)</b>	<b>(24.3)</b>
Long Term Borrowings	37.7	48.3	51.3	Change in Borrowings	2.0	(5.3)	53.5
Deferred Tax Assets / Liabilities	(10.7)	(2.5)	(2.3)	Less: Finance Cost	(7.7)	(7.0)	(11.4)
Other Long Term Liabilities	3.2	5.1	15.9	Proceeds from Equity	0.0	0.0	16.7
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	0.6	0.7	1.1	Dividend Paid	0.0	0.0	0.0
<b>Total Liabilities</b>	<b>(14.8)</b>	<b>48.1</b>	<b>114.7</b>	<b>Cash flow from Financing</b>	<b>(5.7)</b>	<b>(12.3)</b>	<b>58.8</b>
Net Block	7.3	11.9	28.9	<b>Net Cash Flow</b>	<b>(3.3)</b>	<b>(2.0)</b>	<b>6.9</b>
Capital Work in Progress	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0
Intangible assets under development	0.0	1.5	10.9	Opening Balance of Cash	6.1	2.8	0.7
Non Current Investments	0.0	0.0	0.5	<b>Closing Balance of Cash</b>	<b>2.8</b>	<b>0.7</b>	<b>7.6</b>
Long Term Loans & Advances	7.9	15.2	16.3				
Other Non Current Assets	0.0	0.0	0.0				
Net Current Assets	(30.0)	19.5	58.2				
<b>Total Assets</b>	<b>(14.8)</b>	<b>48.1</b>	<b>114.7</b>				

Source: Ventura Research

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