Zaggle Prepaid Ocean Services | BUY

Hypergrowth sustains, margin expansion tapered

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Zaggle delivered another strong quarter with continued momentum across segments with revenue growing 56% YoY (22% QoQ) to INR 5.3bn, led by sharp rise in program fees per user on an expanding client base. Operating leverage on employee costs and other expenses aided Adj. EBITDA margin expansion by ~80bps YoY to 10.0%. D&A expense increased to 1.9% of revenue as the company capitalises tech investments. Management reiterated its guidance of OCF breakeven in FY26 and OCF positive by FY27, with target of 40-50% EBITDA to OCF conversion in the medium-term. With rising cross-sell penetration, new product traction (Zoyer, Zatix, ZIP), and recent acquisitions bolstering the ecosystem, we believe Zaggle has long growth runway in an underpenetrated market. We reiterate BUY with Mar'27 TP of INR 480 (~58% upside), assigning 25x FY28 P/E multiple, conservative considering the robust growth trajectory.

- **Growth momentum sustained:** Zaggle continued its strong top-line growth momentum with 56% YoY (+22% QoQ) growth to reach INR 5.3bn on account of strong performance across segments. Software fees / Program fees / Propel platform revenue grew 25% / 56% / 58% YoY, driven by 1) addition of new clients and higher users per client, and 2) increased cross-selling and upselling. As of 3QFY26, company has 3,794 corporate customers (+14% YoY) with user base rising to 3.71mn (+17% YoY). Management noted that cross-selling (clients using 2 or more offerings) has improved further from 21% in 2Q. Management reiterated its guidance of 40-45% revenue growth (organic) for FY26 and expects standalone revenue to reach to ~ USD 1bn over the next 5-7 years with new offerings such as Zoyer, Fleet management, Zatix, ZIP contributing to growth.

- **Operating leverage leading to margin expansion**: Gross margin improved 138bps YoY (+78bps QoQ), mainly due to rising mix of program fees. Adj. EBITDA margin improved 80bps YoY (-10bps QoQ) to 10.0%, driven by operating leverage on employee cost (downsizing of IT team due to increased use of AI) and other expenses, despite increase in incentives and cashback expense (in-line with high transactions in the festive season). Notably, EBIT margin improvement was tad lower at 70bps YoY due to higher D&A on account of capitalisation of new technology and product developments. Management reiterated its guidance of 10-11% EBITDAM in FY26, likely to improve to 14-15% over 4-5 years on standalone basis. With robust revenue growth, strong operating leverage and cross-sell enabling minimal incremental cost of scaling businesses, we expect Adj. EBITDA to reach ~INR 3.6bn in FY28.

- **Maintain 'BUY' with Mar'27 TP reduced to INR 480:** Basis consistent strong growth in the past quarters, robust growth outlook due to higher cross-sell opportunities, better adoption of new offerings and strong management guidance, we increase our revenue estimates by c.2% over FY26-28E. However, we factor in increased incentives/cashbacks and other expenses to align with growth, leading to 1-2% cut in Adj. EBITDA estimates over FY26-28. Higher D&A expense due to capitalisation of tech cost results in EPS dropping by c.4-5% over FY26-28. We continue to value the company at 25x FY28 P/E multiple to arrive at Mar'27 TP of INR 480 (vs. INR 500 earlier), ~58% upside at CMP. Maintain 'BUY'.

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	480
Upside/(Downside)	57.8%
Previous Price Target	500
Change	-4.0%

Key Data – ZAGGLE IN	
Current Market Price	INR304
Market cap (bn)	INR40.9/US$0.5
Free Float	56%
Shares in issue (mn)	136.0
Diluted share (mn)	136.0
3-mon avg daily val (mn)	INR296.9/US$3.3
52-week range	470/266
Sensex/Nifty	83,675/25,807
INR/US$	90.6

Price Performance

%	1M	6M	12M
Absolute	-1.7	-18.3	-16.1
Relative*	-1.8	-21.3	-23.7

** To the BSE Sensex*

Financial Summary (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	7,756	13,038	18,477	24,690	32,130
Sales Growth (%)	40.1	68.1	41.7	33.6	30.1
EBITDA	706	1,140	1,806	2,631	3,566
EBITDA Margin (%)	9.1	8.7	9.8	10.7	11.1
Adjusted Net Profit	440	879	1,391	1,947	2,614
Diluted EPS (INR)	4.0	7.0	10.2	14.3	19.2
Diluted EPS Growth (%)	62.5	72.7	46.9	39.9	34.3
ROIC (%)	20.4	18.9	18.9	21.7	25.1
ROE (%)	14.1	9.6	10.5	13.0	15.2
P/E (x)	75.4	43.7	29.7	21.2	15.8
P/B (x)	5.7	3.1	3.0	2.6	2.2
EV/EBITDA (x)	55.2	30.0	19.4	13.3	9.6
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 12/Feb/2026

- **Margins improving but working capital requirement remains high:** While margins have steadily improved over the years, working capital intensity remains elevated. Management reiterated its guidance of Adj. EBITDA margin (on standalone basis) increasing to 14-15% over the next 4-5 years; OCF breakeven is expected in FY26 due to stronger inflows in 2HFY26. Further, management expects OCF to turn positive in FY27. Management is targeting steady state EBITDA to OCF conversion ratio to improve to ~40-50% over time, driven by scale efficiencies and working-capital discipline strengthening.

- **Update on acquisitions:** Zaggle continued to make steady progress on its inorganic roadmap. **(1) Greenedge:** The company completed the acquisition of Greenedge in 3Q, owning 100% stake for a consideration of INR 200mn along with an investment of INR 250mn. This has already started contributing, aided by strong 3Q performance with INR 290mn revenue and healthier margins. Greenedge benefits from partnerships with Amex for domestic and international golf programmes and NPCI. **(2) Taxspanner:** Recent draft income tax rules extending employee tax benefits (higher permissible limits for meals/gifts, etc.) to new regime as well is expected to further expand the addressable opportunity. In parallel, TaxSpanner is seeing improved traction driven by changes in tax regulations, with higher compliance requirements around salary structuring, TDS, GST etc. **(3) Mobileware**, now rebranded as “86400”, is scaling steadily, supported by faster adoption of credit-on-UPI and the addition of ~11 new partnerships in 3QFY26. **(4) Rio.Money** (now rebranded as Zagg.Money), provides access to a captive salaried user base, which management intends to monetise through cross-selling of BFSI products. The company has entered the retail card segment through partnerships with AU Small Finance Bank and Yes Bank and continues to engage with 2-3 additional banks to expand distribution. Management reiterated that the retail cards opportunity could scale to ~INR 5bn of revenue over the next 4-5 years with EBITDA potential of ~INR 500-600mn. **(5) Dice** acquisition is on the cusp of completion

Exhibit 1. 3QFY26 Actuals vs. JMFe and Consensus estimates

Financial Performance (INR mn)	3QFY26A	3QFY25A	*Change (YoY)*	2QFY26A	*Change (QoQ)*	*Estimate (JMFe)*	*Variance (vs. JMFe)*	*Estimate (Cons)*	*Variance (vs. Cons)*
Revenue from operations	**5,255**	**3,369**	***56.0%***	**4,322**	***21.6%***	**4,322**	***21.6%***	**4,972**	**5.7%**
Platform fee/SaaS fee/ Service fee	116	93	*24.8%*	118	*-1.2%*	118	*-1.2%*		
Program fees	2,111	1,355	*55.8%*	1,739	*21.4%*	1,739	*21.4%*		
Propel platform revenue/gift cards	3,028	1,921	*57.7%*	2,466	*22.8%*	2,466	*22.8%*		
Gross Profit	2,429	1,511	*60.8%*	1,964	*23.7%*	1,964	*23.7%*		
Gross margin %	***46.2%***	***44.9%***	***138bp***	***45.4%***	***78bp***	***45.4%***	***78bp***		
EBITDA	522	290	*80.1%*	440	*18.7%*	440	*18.7%*	520	**0.3%**
EBITDA margin %	***9.9%***	***8.6%***	***133bp***	***10.2%***	***-24bp***	***10.2%***	***-24bp***	***10.5%***	**-53bp**
Adj. PAT	364	198	*84.2%*	350	*4.0%*	350	*4.0%*	391	-6.8%
Diluted EPS (INR)	2.75	1.60	*71.9%*	2.60	*5.8%*	2.60	*5.8%*	7.18	-61.7%

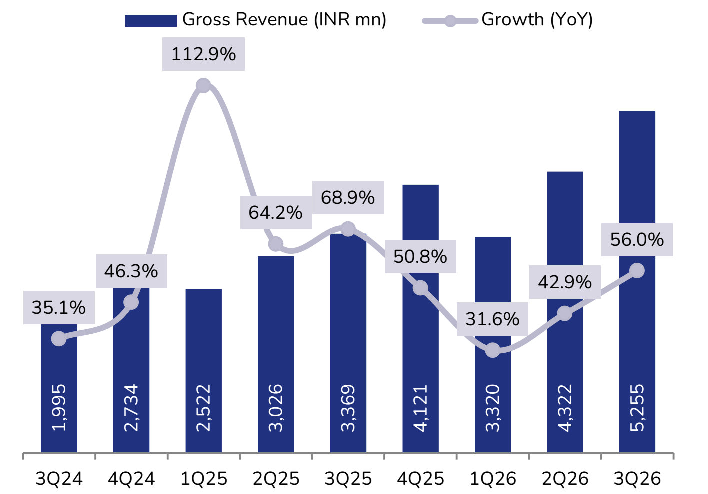
Source: Company, JM Financial estimates, Bloomberg estimates.

Exhibit 2. Key financials

All numbers in INR mn unless specified otherwise	1QFY25	2QFY25	3QFY25	4QFY25	FY25	1QFY26	2QFY26	3QFY26
Platform fee/SaaS fee/ Service fee	84	85	93	100	363	106	118	116
Program fees	1,269	1,261	1,355	1,571	5,456	1,455	1,739	2,111
Propel platform revenue/gift cards	1,168	1,679	1,921	2,450	7,218	1,759	2,466	3,028
Revenue from operations	**2,522**	**3,026**	**3,369**	**4,121**	**13,038**	**3,320**	**4,322**	**5,255**
Change (YoY)	113%	64%	69%	51%	68%	32%	43%	56%
COGS	1,105	1,619	1,858	2,216	6,798	1,678	2,358	2,826
Gross Profit	1,417	1,406	1,511	1,905	6,240	1,642	1,964	2,429
Gross margin %	**56.2%**	**46.5%**	**44.9%**	**46.2%**	**47.9%**	**49.5%**	**45.4%**	**46.2%**
Employee benefits expense	141	179	171	176	667	175	162	194
Incentives and cashbacks	896	790	829	1,084	3,599	956	1,159	1,417
Other expenses	156	170	221	286	833	207	205	296
Total operating expenses	**1,193**	**1,139**	**1,221**	**1,546**	**5,099**	**1,337**	**1,525**	**1,908**
EBITDA	224	267	290	359	1,140	305	440	522
EBITDA margin	**8.9%**	**8.8%**	**8.6%**	**8.7%**	**8.7%**	**9.2%**	**10.2%**	**9.9%**
ESOPs	31	28	20	13	93	18	-2	4
Adj. EBITDA	256	295	310	372	1,233	323	437	525
Adj. EBITDA margin	**10.1%**	**9.8%**	**9.2%**	**9.0%**	**9.5%**	**9.7%**	**10.1%**	**10.0%**
D&A	21	24	40	63	148	70	75	98
EBIT	203	243	250	297	992	235	365	423
EBIT margin	**8.0%**	**8.0%**	**7.4%**	**7.2%**	**7.6%**	**7.1%**	**8.4%**	**8.1%**
Finance costs	21	22	23	11	77	11	14	13
Other income	45	60	35	127	268	117	92	87
Share of profit of associate	0	0	0	0	1	6	19	0
PBT	**228**	**281**	**263**	**413**	**1,184**	**347**	**462**	**497**
Tax expense	60	78	65	102	305	86	112	127
PAT	**167**	**203**	**197**	**311**	**879**	**261**	**350**	**371**
Non-controlling interest	0	0	0	0	0	0	0	7
Adj. PAT (ex- minority)	**167**	**203**	**198**	**311**	**879**	**261**	**350**	**364**

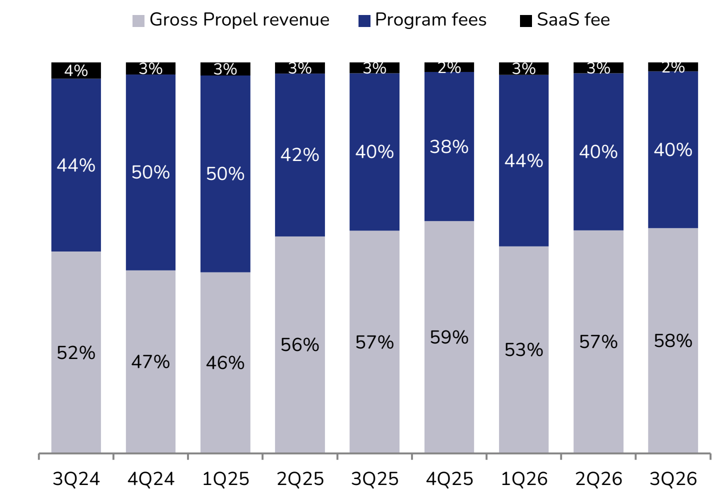
Source: Company, JM Financial

Exhibit 3. Gross revenue grew c.56% in 3Q



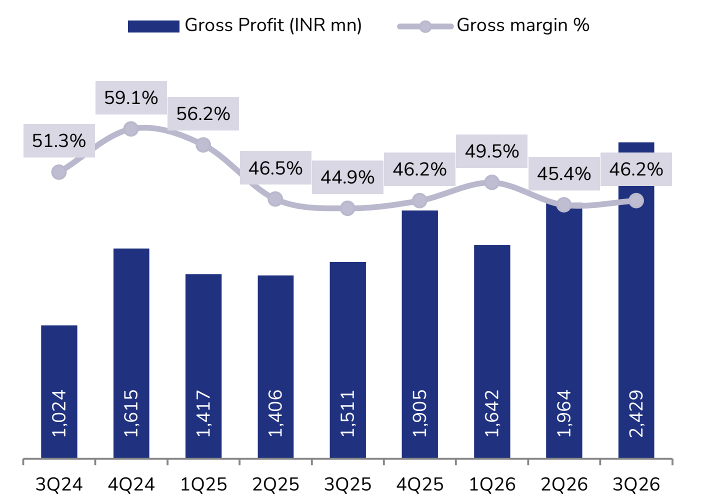
Source: Company, JM Financial

Exhibit 4. Gross revenue trend



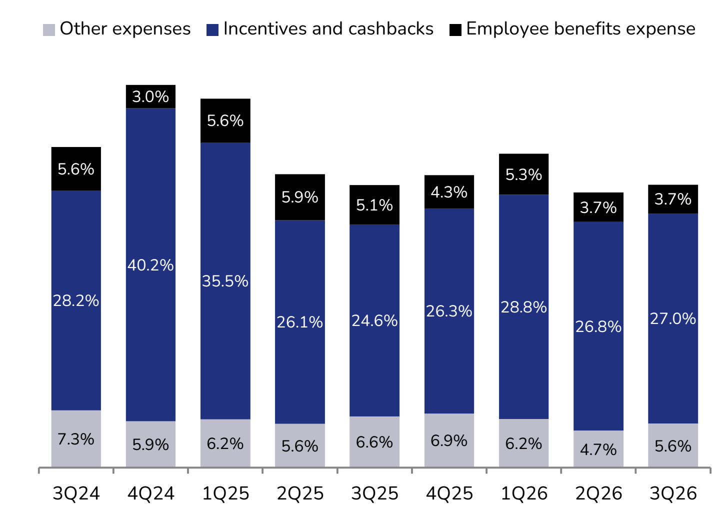
Source: Company, JM Financial

Exhibit 5. Gross margin trend



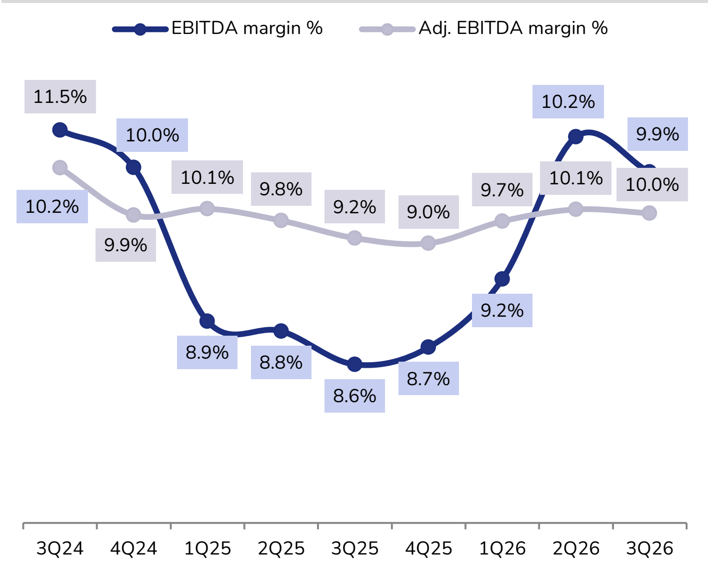
Source: Company, JM Financial

Exhibit 6. Indirect expenses (as % of revenue) trend



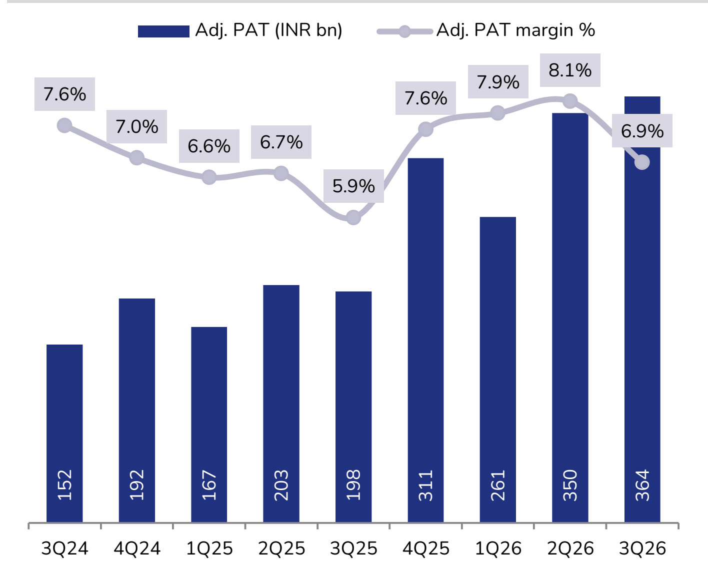
Source: Company, JM Financial

Exhibit 7. EBITDA and Adj. EBITDA margin trend



Source: Company, JM Financial

Exhibit 8. Adj. PAT and Adj. PAT margin trend



Source: Company, JM Financial

Maintain BUY; TP reduced to INR 480

Exhibit 9. What has changed in our forecasts and assumptions?

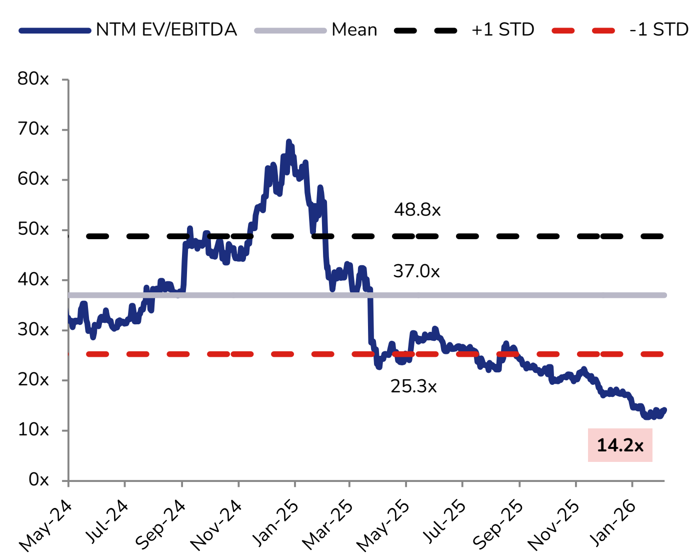
	Old			New			Change		
Numbers are in INR mn	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Revenue	18,137	24,227	31,486	18,477	24,690	32,130	*1.9%*	*1.9%*	*2.0%*
Gross Profit	8,324	10,825	13,776	8,515	10,938	13,751	*2.3%*	*1.0%*	*-0.2%*
Gross Profit margin (%)	45.9%	44.7%	43.8%	46.1%	44.3%	42.8%	*19bps*	*-38bps*	*-96bps*
EBITDA	1,833	2,654	3,587	1,806	2,631	3,566	*-1.5%*	*-0.9%*	*-0.6%*
EBITDA margin (%)	10.1%	11.0%	11.4%	9.8%	10.7%	11.1%	*-33bps*	*-30bps*	*-29bps*
Adj. EBITDA	1,878	2,714	3,647	1,846	2,671	3,606	*-1.7%*	*-1.6%*	*-1.1%*
Adj. EBITDA margin (%)	10.4%	11.2%	11.6%	10.0%	10.8%	11.2%	*-36bps*	*-38bps*	*-36bps*
Adj. PAT	1,449	2,008	2,682	1,391	1,947	2,614	*-4.0%*	*-3.1%*	*-2.6%*
Diluted EPS (INR)	10.77	14.92	19.93	10.27	14.31	19.21	*-4.6%*	*-4.1%*	*-3.6%*

Source: Company, JM Financial

Key Risks

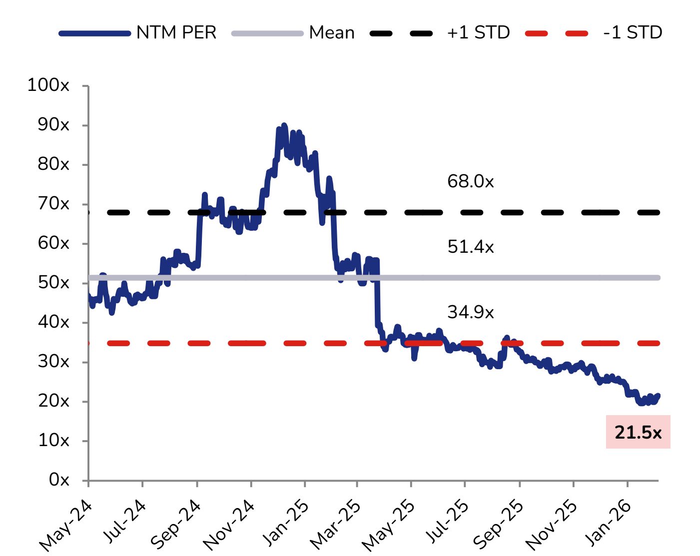
- **Key upside risks** are: 1) Faster than expected adoption of newer products such as Zoyer, Zatix, ZIP and fleet management, 2) accelerated cross-sell among the existing corporates and increased realisations per users could drive higher revenue growth and margin expansion, 3) rapid scaling of the recently launched retail card business and successful integration of acquisitions could expand the addressable market.
- **Key downside risks** are: 1) Slower adoption of new product launches or weaker customer traction could impact growth momentum, 2) large banks introducing in-house corporate/prepaid card solutions may heighten disintermediation risks, 3) Aggressive investments in new verticals, international expansion, or AI-driven initiatives could increase volatility in margins and delay profitability improvement.

Exhibit 10. NTM EV/EBITDA



Source: JM Financial, Bloomberg

Exhibit 11. NTM PER



Source: JM Financial, Bloomberg

Financial Tables (Consolidated)

Income Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	7,756	13,038	18,477	24,690	32,130
Sales Growth	*40.1%*	*68.1%*	*41.7%*	*33.6%*	*30.1%*
Other Operating Income	0	0	0	0	0
Total Revenue	**7,756**	**13,038**	**18,477**	**24,690**	**32,130**
Cost of Goods Sold/Op. Exp	3,809	6,798	9,962	13,752	18,379
Personnel Cost	513	667	721	809	908
Other Expenses	2,728	4,432	5,988	7,498	9,278
EBITDA	**706**	**1,140**	**1,806**	**2,631**	**3,566**
EBITDA Margin	*9.1%*	*8.7%*	*9.8%*	*10.7%*	*11.1%*
EBITDA Growth	*46.8%*	*61.5%*	*58.4%*	*45.7%*	*35.5%*
Depn. & Amort.	84	148	335	384	424
EBIT	622	992	1,471	2,247	3,142
Other Income	113	268	391	348	350
Finance Cost	137	77	49	49	54
PBT before Excep. & Forex	598	1,183	1,812	2,546	3,438
Excep. & Forex Inc./Loss(-)	0	1	45	50	55
PBT	598	1,184	1,858	2,595	3,493
Taxes	158	305	460	649	879
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	0	0	7	0	0
Reported Net Profit	440	879	1,391	1,947	2,614
Adjusted Net Profit	**440**	**879**	**1,391**	**1,947**	**2,614**
Net Margin	*5.7%*	*6.7%*	*7.5%*	*7.9%*	*8.1%*
Diluted Share Cap. (mn)	109.2	126.3	136.0	136.0	136.0
Diluted EPS (INR)	**4.0**	**7.0**	**10.2**	**14.3**	**19.2**
Diluted EPS Growth	*62.5%*	*72.7%*	*46.9%*	*39.9%*	*34.3%*
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Balance Sheet (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	5,754	12,490	13,934	15,921	18,574
Share Capital	122	134	134	134	134
Reserves & Surplus	5,631	12,355	13,800	15,786	18,440
Preference Share Capital	0	0	0	0	0
Minority Interest	0	0	0	0	0
Total Loans	736	85	121	162	210
Def. Tax Liab. / Assets (-)	-39	-27	-54	-54	-54
Total - Equity & Liab.	**6,451**	**12,548**	**14,002**	**16,029**	**18,731**
Net Fixed Assets	725	1,898	2,683	3,079	3,348
Gross Fixed Assets	46	440	1,024	1,613	2,278
Intangible Assets	580	1,400	1,940	2,099	2,088
Less: Depn. & Amort.	21	43	378	763	1,187
Capital WIP	119	101	97	129	168
Investments	3,025	6,818	5,657	5,915	6,234
Current Assets	3,173	4,408	6,478	8,002	10,315
Inventories	4	3	0	0	0
Sundry Debtors	1,746	2,152	2,872	3,500	4,290
Cash & Bank Balances	79	382	714	672	1,081
Loans & Advances	0	0	0	0	0
Other Current Assets	1,344	1,871	2,891	3,830	4,943
Current Liab. & Prov.	472	575	816	967	1,166
Current Liabilities	150	161	256	304	346
Provisions & Others	322	415	560	663	820
Net Current Assets	2,702	3,832	5,661	7,035	9,150
Total – Assets	**6,451**	**12,548**	**14,002**	**16,029**	**18,731**

Source: Company, JM Financial

Cash Flow Statement (INR mn)

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	598	1,184	1,858	2,595	3,493
Depn. & Amort.	84	148	335	384	424
Net Interest Exp. / Inc. (-)	35	-159	-341	-299	-296
Inc (-) / Dec in WCap.	-1,597	-766	-1,539	-1,692	-2,036
Others	146	63	47	40	40
Taxes Paid	-92	-274	-486	-649	-879
Operating Cash Flow	**-827**	**197**	**-128**	**380**	**745**
Capex	-459	-675	-584	-589	-664
Free Cash Flow	*-1,287*	*-478*	*-711*	*-209*	*81*
Inc (-) / Dec in Investments	-241	-913	1,187	0	0
Others	-2,619	-3,271	-150	189	361
Investing Cash Flow	**-3,319**	**-4,858**	**453**	**-400**	**-304**
Inc / Dec (-) in Capital	4,663	5,753	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	-475	-685	36	41	49
Others	-158	-105	-29	-63	-81
Financing Cash Flow	**4,030**	**4,963**	**6**	**-22**	**-32**
Inc / Dec (-) in Cash	**-116**	**302**	**332**	**-42**	**409**
Opening Cash Balance	196	80	382	714	672
Closing Cash Balance	79	382	714	672	1,081

Source: Company, JM Financial

Dupont Analysis

Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	5.7%	6.7%	7.5%	7.9%	8.1%
Asset Turnover (x)	1.8	1.4	1.4	1.6	1.8
Leverage Factor (x)	1.4	1.1	1.0	1.0	1.0
RoE	14.1%	9.6%	10.5%	13.0%	15.2%

Key Ratios

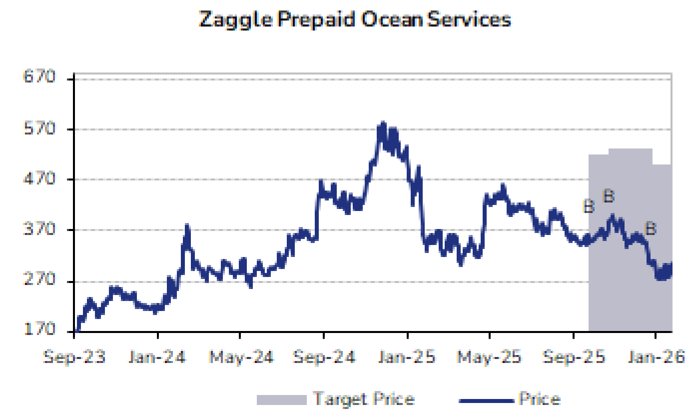
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	53.1	99.3	102.4	117.0	136.5
ROIC	20.4%	18.9%	18.9%	21.7%	25.1%
ROE	14.1%	9.6%	10.5%	13.0%	15.2%
Net Debt/Equity (x)	-0.4	-0.6	-0.4	-0.4	-0.4
P/E (x)	75.4	43.7	29.7	21.2	15.8
P/B (x)	5.7	3.1	3.0	2.6	2.2
EV/EBITDA (x)	55.2	30.0	19.4	13.3	9.6
EV/Sales (x)	5.0	2.6	1.9	1.4	1.1
Debtor days	82	60	57	52	49
Inventory days	0	0	0	0	0
Creditor days	1	1	3	3	2

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
13-Oct-25	Buy	520	
11-Nov-25	Buy	530	1.9
12-Jan-26	Buy	500	-5.7

Recommendation History



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Research Analyst(s) Certification

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