



LONG TERM SUBSCRIBE

IPO Report

12th Nov '24

Snapshot

Company is India's largest digital platform for truck operators (in terms of number of users), with 963,345 truck operators in the country transacting on its platform in Fiscal 2024, which comprises 27.52% of India's truck operators. India's growing economy needs the support of robust logistical capabilities and small and medium size truck operators are the backbone of logistics in the country. These truck operators are served through value chains which are unorganized and fragmented, making their operations inefficient

VALUATION

Company is bringing the issue at price band of Rs 259-273 per share at p/e multiple of 5x on post issue book value basis. Company is India's largest digital platform for truck operators (in terms of number of users) & have strong network effects of platform built over nine years of operations. Company have a repeatable playbook of creating and launching new offerings & have an omnichannel distribution network with robust sales and service strategy driving customer adoption. Company have a scalable and reliable in-house technology integrating with multiple stakeholders & have high growth business with operating leverage and strong unit economics & is a Promoter-led management team and have an experienced board. Hence looking after all above, we recommend "Long Term Subscribe" on issue.

Price Band (Rs./Share)	259-273
Opening date of the issue	13th Nov '2024
Closing Date of the issue	18th Nov'2024
No of shares pre issue	15,63,30,160 Eq Shares
Issue Size	Rs 1086-1115 Cr
Fresh Issue	Rs 550 Cr
Offer For Sale	20,685,800 Equity Shares
Face Value (Rs/ share)	Rs 1/share
Employee Discount	Rs 25/share
Bid Lot	54

BIDDING DETAILS

QIBs (Including Anchor)	75% of the offer (Approx 3,06,06,526 Eq Shares)
Non-Institutional	15% of the offer (Approx 61,21,305 Eq Shares)
Retail	10% of the offer (Approx 40,80,870 Eq Shares)
Employees	26,000 Eq Shares
Lead managers	Axis Capital, Morgan Stanley, JM Financial, IIFL Capital
Registrar to the issue	KFin Technologies Ltd

WHAT WE LIKE

India's largest digital platform for truck operators

Company is India's largest digital platform for truck operators (in terms of number of users) as of March 31, 2024, and company facilitated over 413.34 million transactions for 963,345 annual transacting truck operators in Fiscal 2024. Company served 27.52% truck operators in India and facilitated 32.92% of the commercial vehicles tolling payments in Fiscal 2024. Company's services are available across 628 districts, constituting 80% of India's districts as of June 30, 2024

High growth business with operating leverage and strong unit economics

Company's asset-light business model is based on offering services to truck operators, and generates revenue through platform fees, subscription fees and commissions. Company neither take any inventory risk nor own trucks on its balance sheet, and mainly distribute loans through its Financial Partners. Company's business model has predictable revenue streams such as tolling and fueling payments, that are daily use cases for its truck operators, and telematics has monthly recurring subscription fees. It is a high-growth company, given that the trucking industry offers vast revenue potential for companies that solve challenges and inefficiencies and enhance value for truck operators. As company have scaled its operations in the last three fiscal years, company have achieved high contribution margin and have been able to improve its operating leverage and Adjusted EBITDA margins.

Promoter-led management team and an experienced board

Company's management team comprises its Promoters, Rajesh Kumar Naidu Yabaji, Chanakya Hridaya and Ramasubramanian Balasubramaniam, who have played an active leadership role in shaping company's growth and cumulatively have 52 years of work experience. Company's Promoters are supported by an experienced management team (comprising SMPs and KMPs) of professionals who have strong functional expertise in their respective domains with average work experience of over 15 years.



COMPANY BACKGROUND

Truck operators use the BlackBuck mobile application (the “BlackBuck App”) for their diverse business needs. Set out below are certain key highlights in relation to company’s business:

- Company’s gross transaction value (“GTV”) in payments was ₹53,562.01 million and ₹173,961.93 million in the three months ended June 30, 2024 and Fiscal 2024, respectively. Company’s customers recharge for tolling and fueling through its BlackBuck App into the payment instrument of the FASTag and fuel partners. Significant portion of this amount is deposited into company’s account and onward remitted to company’s partners account. GTV payments do not represent the revenue of Company. Company’s commission income in any period/year is only an agreed percentage of the total GTV payments in that period/year. Company’s methodology of disclosing the GTV may not be comparable to the methodology used by other platform companies.
- Truck operators manage their truck-level tolling and fueling operations through the BlackBuck App, and gain cost benefits and effective control over expenses through decreased risk of pilferage and unauthorized spending.
- Truck operators purchase telematics services such as vehicle tracking and fuel sensors to manage their drivers and fleets. Company had 390,088 and 356,050 average monthly active telematics devices in the three months ended June 30, 2024 and Fiscal 2024, respectively.
- Truck operators use company’s loads marketplace product to search for loads to fill their empty capacities or to get a better price for a load. Company had 0.71 million and 2.12 million load postings in the three months ended June 30, 2024 and Fiscal 2024, respectively, which enabled 133,369 and 256,685 truck operators to get a load during the same periods.
- Truck operators avail used commercial vehicle financing through company’s platform. As on June 30, 2024, company have facilitated disbursements of 5,109 loans amounting to ₹2,527.56 million.

Company’s offerings solve critical problems for its customers and form an integral part of their daily lives. In the three months ended June 30, 2024 and Fiscal 2024, company’s monthly transacting truck operators were active for more than 16.26 days and 16.18 days, respectively, in a month and on an average spent 41.54 minutes and 39.56 minutes, respectively, daily, on the BlackBuck App. The needs of the trucking industry are very specific and the truck operator’s demography in India is unique. Company have built its offerings and distribution strategy specifically for these users and the industry, and company believe that this is the key underlying reason for the strong truck operator engagement on the BlackBuck App and the market share company possess.

Company follow an omnichannel customer onboarding and servicing strategy, which is made specifically for the demography of its customer base. Company have a digital-led marketing strategy which provides awareness of its solutions and brand to customers. Using a combination of an on-ground sales force, channel partners and telesales company support customers through their entire onboarding process. Among new-age digital platforms in the trucking sector, company have the largest physical network (in terms of number of Touchpoints) across India and as of June 30, 2024, company have sold and serviced company’s products across 628 districts constituting 80% of India’s districts, including in all of the major transportation hubs and across 76% of the toll plaza network in India. Company have a digitally enabled network of 9,374 touchpoints to conduct onboarding and servicing activities as of June 30, 2024. Company’s network is one of its core strengths and enables company to build trust with customers and provides the necessary service infrastructure for its customers.

Company’s offerings comprise the following:

Payments: Company’s payments platform provides solutions in relation to two significant expenses of truck operators, i.e., tolls and fuel payments. Company enable truck operators to make these payments efficiently and securely through its platform.

Tolling: Company provide tolling solutions (FASTags) in partnership with FASTag Partner Banks. Company is the largest distributor and technology provider of FASTags for truck operators in Fiscal 2024 (in terms of GTV). In addition, company is the largest player with a market share (in terms of GTV payment) of 32.92% in Fiscal 2024 (compared to 26.42% in Fiscal 2023 and 22.55% in Fiscal 2022) in tolling for truck operator segment with a GTV of ₹147,936.77 million in Fiscal 2024, growing at 47.82% year on year from Fiscal 2023.

Fueling: Company provide fueling payments solution through a cashless fuel payments platform, in partnership with multiple oil marketing companies (“OMCs”). Company is the largest fuel loyalty management platform for truck operators in India, in terms of GTV in Fiscal 2024, with coverage enabling 72% of total fuel stations in India. Company generate revenue through these offerings primarily through (i) commission margins from FASTag Bank Partners on the toll transaction flowthrough (based on the monthly transaction value of the FASTags distributed by company); and (ii) commission margin from OMCs in fueling transaction flowthrough (based on either the monthly consumption volume of fuel or monthly transaction value of fuel purchased). In addition to this, company also earn revenue through an activation or convenience fee from truck operators in relation to FASTags, subscription fees to access specific services on the platform in relation to its tolling offering and service fees in relation to company’s fueling offering for providing services such as distribution and recharge of fuel cards, dedicated customer support, alerts and transaction history.

Telematics: Company offer telematics solutions for truck operators that provide real-time visibility into fleet movements, route optimization and enhanced fuel management, with the aim of increasing cost savings and improving efficiency. Company provide vehicle tracking and fuel monitoring solutions on its platform. Company is one of the largest players for vehicle tracking solutions in the trucking segment in India, with 356,050 average monthly active telematics devices in Fiscal 2024 and 390,088 average monthly active telematics devices in three months ended 30 June 2024.



INVESTMENT RATIONALE

<p><i>Strong network effects of platform resulting in robust customer retention rates and higher monetization</i></p>	<p>Company have a wide network of truck operators built over nine years of operations. Company have been able to build a nationwide truck operator base through targeted digital and telemarketing campaigns and effective nationwide on-ground teams. Through this, company have been able to grow its customer base of annual transacting truck operators to 963,345 in Fiscal 2024 from 482,446 in Fiscal 2022. As company’s platform attracts more truck operators, it becomes increasingly appealing to partners seeking access to its wide network. As a result, the platform facilitates additional payment transactions, more active telematics devices and other essential services, resulting in enhanced fleet management efficiency</p>
<p><i>Repeatable playbook of creating and launching new offerings</i></p>	<p>Company focus on addressing challenges faced by truck operators in India by creating innovative solutions. Company aim to create new offerings that fill market gaps and meet customer needs. Using an agile product development approach, company utilize feedback from its customers, to develop products which address their pain points in operations. When company’s product is primed for release, company implement a launch strategy that leverages its existing marketing channels and physical touchpoints to target a faster adoption among customers, at a lower cost.</p>
<p><i>Omnichannel distribution network with robust sales and service strategy driving customer adoption</i></p>	<p>Truck operators in India are spread across metro, urban and rural communities. Building trust with truck operators on digital platforms requires significant handholding, due to a perceived lack of trust and familiarity with smartphone applications . Company aim to solve this gap in trust and familiarity through its sales and service strategy. Company’s distribution strategy, covering both sales and servicing, is a mix of digital and physical Touchpoints to cater to the specific requirements of this set of users.</p>
<p><i>Scalable and reliable in-house technology integrating with multiple stakeholders</i></p>	<p>A significant percentage of truck operators in India rely on professional drivers to run their vehicles. This means that truck operators need to manage their operations remotely, which makes their task even more complex Accordingly, the need .for reliable and real-time technology to efficiently run their operations is critical. Being a solution provider, focused exclusively on truck operators, company have developed most of its technology stack and solutions in-house aimed at providing reliable, accurate and real-time solutions to several key challenges faced by truck operators in India through company’s platform. Company have a dedicated in-house product, engineering and data science team which develops technology layers enabling its comprehensive suite of solutions to address these challenges and they are assisted by inputs from its customers to ensure continuous feedback-driven new product development.</p>



OBJECTS OF OFFER

The Offer comprises the Fresh Issue and the Offer for Sale.

Fresh issue

Company propose to utilise the Net Proceeds towards funding the following objects:

1. Funding towards sales and marketing costs;
2. Investment in Blackbuck Finserve Private Limited, company's NBFC subsidiary, for financing the augmentation of its capital base to meet its future capital requirements;
3. Funding of expenditure in relation to product development; and
4. General corporate purposes

RISKS

Company and its Subsidiary, TZF Logistics Solutions Private Limited have incurred losses and witnessed negative operating cash flows in the past. Further, company's Subsidiary, BlackBuck Finserve Private Limited, has witnessed negative operating cash flows in the past three financial years.

Source:RHP

INDUSTRY OVERVIEW

The Indian trucking industry stands as a vital component of the nation's logistics sector. With approximately 12.5 million trucks and 3.5 million truck operators in Fiscal 2024, traversing Indian roads, the total freight value through trucks has witnessed a steady growth rate of 8 to 9% CAGR over the past four years (from Fiscal operators having less than five trucks. High fragmentation in this industry is a result of multiple operationally complex processes required to run the business efficiently. Further, high dependence on cash-handling increases leakages at various touchpoints, such as fuel, tolling and repairs and maintenance. A majority of the operations of the truck operators are managed remotely. Hence, there is a significant lack of visibility into the day-to-day activities of the trucks. This results in ineffective control, especially for fleet owners managing multiple vehicles, who often remain unaware of their trucks' status once they are on the road. The trucking industry offers vast revenue potential for companies that solve for challenges and inefficiencies, and enhance value for truck operators. Innovating digital products to tailor solutions for meeting truckers' specific needs and scaling these offerings through strong distribution networks can unlock significant opportunities. The Indian trucking sector is a US\$18 to US\$25 billion revenue pool in Fiscal 2024 and expected to reach US\$35 billion by Fiscal 2028. (Source: Redseer Report) 2020 to Fiscal 2024). Trucking in India is highly fragmented in nature, with 75% of truck

Key success factors for Digital Trucking Platforms

The trucking ecosystem provides diverse opportunities with large revenue pools. While the market needs a large number of ingredients for success, the below are the most important driving principles of success of extracting value through organizing and digitizing the space:

- Technology-first solutions
- Widespread physical presence
- Integrated single platform offerings

OPPORTUNITIES IN THE INDIAN TRUCKING INDUSTRY

The trucking industry offers vast revenue potential for companies that solve challenges and inefficiencies and enhance value for truck operators. Innovating digital products to tailor solutions for meeting truckers' specific needs and scaling these offerings through strong distribution networks can unlock significant opportunities. The Indian trucking sector is a US\$ 18- 25 billion revenue pool as of Fiscal 2024 and expected to be up to US\$ 35 billion by Fiscal 2028.

These opportunities are at different levels of maturity and are evolving and growing at varying rates. Globally, the trucking industry has seen the emergence of multiple large new-age technology players, across several different segments. In the payments space, companies such as Fleetcor, with revenues of approximately US\$ 3.8 billion, Wex, with revenues of approximately US\$ 2.6 152 billion and Edenred, with revenues of approximately EUR 2.5 billion (all revenues for 2023), have built sizeable businesses in the USA and Europe. In telematics and advanced fleet management solutions, companies such as Samsara, which has revenues of approximately US\$ 0.9 billion for 2023, have developed as significant players. In China, FTA has built a loads marketplace with revenues of approximately US\$ 0.9 billion for 2023. These companies illustrate the advanced and sizeable nature of the logistics sector in global markets



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24	Q1 FY 2025
Total Revenue (A)	1193.23	1756.80	2969.22	921.66
Total Expenditure (B)	3538.63	4081.70	4552.94	838.08
EBIDTA	-2345.40	-2324.90	-1583.72	83.58
EBIDTA Margin	-196.56	-132.34	-53.34	9.07
Other Income	368.02	194.12	195.92	61.64
Depreciation	152.50	204.07	253.35	69.49
EBIT	-2129.88	-2334.85	-1641.15	75.73
Interest	171.26	31.96	27.95	7.64
PBT	-2301.14	-2366.81	-1669.10	68.09
Share of profit in Asso	0.00	0.00	0.00	0.00
PBIT	-2301.14	-2366.81	-1669.10	68.09
Exceptional	0.00	0.00	0.00	256.23
PBT	-2301.14	-2366.81	-1669.10	324.32
Tax	2.38	1.68	0.76	0.54
PAT	-2303.52	-2368.49	-1669.86	323.78
NPM	-193.05	-134.82	-56.24	35.13
ROE%	-39.37	-67.16	-53.64	9.39
EPS	-16.01	-15.86	-10.52	1.56
Eq Cap	0.10	0.10	0.10	56.57
Net Worth	5850.76	3526.64	3112.93	3449.79

(Source: RHP)

Peer Comparison

Company Name	Face Value	EPS	P/E	ROE %	NAV
<i>Zinka Logistics Solutions Limited</i>	<i>1</i>	<i>-10.52</i>	<i>-</i>	<i>-53.64</i>	<i>16.89</i>
Peers					
C.E. Info Systems Ltd	2	24.78	92.90	0.20	12.09
<i>International Listed Peers</i>					
FLEETCOR Technologies, Inc	0.08337	1118.83	20.20	0.30	3678737.81
Full Truck Alliance Co. Ltd	0.0008337	0.83	804.77	0.06	19.76

(Source: RHP)



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