BUY (Maintain)

CMP: **INR 460** Target Price: **INR 650** ▲ 41%

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28 May 2025

India | Equity Research | Results Update

Zinka Logistics Solutions

Internet

Strong execution aids profit improvement in Q4FY25; reiterate BUY

In Q4FY25, Zinka's revenue grew ~6.9% QoQ and given the scale efficiencies, adj. EBITDA margin expanded ~280bps QoQ, in line with our thesis that revenue growth should lead to disproportionate margin expansion as businesses scale atypical of value-added platform businesses (link). Sustained growth momentum from newer businesses (~50% YoY in Q4) was aided by growth in fuel sensor business (~2x in Q4). The in-principal approval for PPI license should aid revenue growth and profitability in core tolling business over medium term. The new product developed in telematics may drive growth by improving the affordability of the product. We believe high customer engagement on Blackbuck app may be a key growth driver. Reiterate **BUY** with TP of INR 650.

Q4FY25 performance review

In Q4FY25, revenue stood at INR 1.2bn, up 6.9% QoQ/30.7% YoY. Adjusted EBITDA was ~INR 388mn with margin at 31.8% (vs 11.2% in Q4FY24). PAT was INR 2.9mn which includes deferred tax impact of INR 2.5bn.

Core businesses (tolling and vehicle tracking solutions) grew 28.2% YoY to INR 1.0bn, whereas growth businesses grew 49.6% YoY to INR 160mn. Average monthly transacting truck operators grew 17.5% YoY. Payments GTV grew 32.6% YoY in Q4FY25. Time spent on app also increased to 43.7 min (vs 40.4 min in Q4FY24).

Management commentary

Management stated that tolling business has received in-principal approval for a PPI license, which would enable end-to-end ownership of the payments stack.

Management noted that while the offering will take a couple of quarters to become operational, it is not expected to incur any significant incremental operating costs. Management expects an improvement in unit economics post-implementation, and some of these benefits will be passed on to customers to enhance stickiness.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	4,267	5,491	6,879	8,387
EBITDA	1,032	1,963	3,012	4,171
EBITDA Margin (%)	21.8	33.8	42.0	49.7
Net Profit	(283)	1,698	2,655	3,621
EPS (INR)	(2.2)	9.1	14.5	20.7
EPS % Chg YoY	(75.8)	(515.0)	-	0.4
P/E (x)	(210.0)	50.6	31.7	22.2
EV/EBITDA (x)	71.2	35.8	22.6	15.5
RoCE (%)	39.3	10.3	13.9	16.8
RoE (%)	(4.9)	12.1	16.6	19.8

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Market Data

Market Cap (INR)	82bn
Market Cap (USD)	960mn
Bloomberg Code	BLACKBUC IN
Reuters Code	ZINK.BO
52-week Range (INR)	551 /248
Free Float (%)	13.0
ADTV-3M (mn) (USD)	1.0

Price Performance (%)	3m	6m	12m
Absolute	10.2	73.5	0.0
Relative to Sensex	0.9	71.8	0.0

ESG Score	2023	2024	Change
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

13-05-2025: Initiating Coverage

In telematics, management stated that it has developed a new ICAT-certified hardware and built a complete supply chain to deliver a better customer experience while offering a pricing advantage. Management added that only about 25% of GPS sales are currently driven by regulatory mandates.

Management highlighted that fuel sensor product continues to gain traction, this was attributed to truck operator's need to monitor usage, given that fuel is a major cost and prone to pilferage. It is a value proposition at current price point. In used commercial vehicle (CV) loan origination vertical, management stated that the business continues to scale with partners, with its presence now exceeding 100 hubs.

On freight brokerage front, management noted that the business is steadily evolving, with strong focus on product development and playbook creation for future scale. Management added that the company earns around 6–8% commission per transaction in this segment.

Management also mentioned that operating cashflow was subdued due to a one-time working capital blockage, the payment for which was received in Apr'25. As a result, adjusted EBITDA is expected to more accurately reflect core operating cashflow.

Valuation

We maintain **BUY** on Zinka with three-stage DCF-based TP of INR 650.

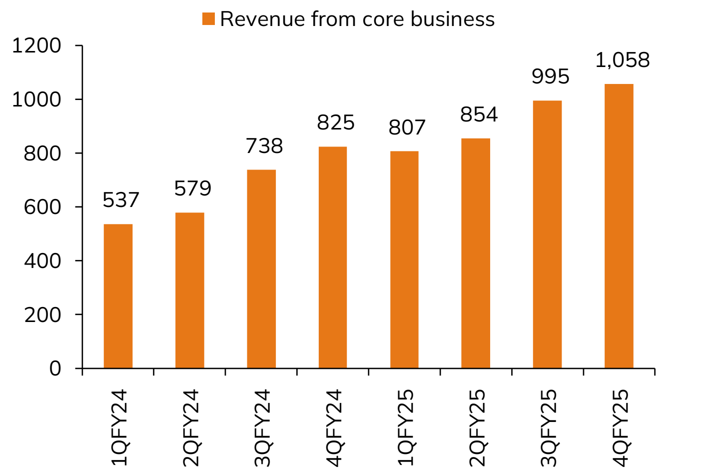
Key risks: Changing regulations hampering existing businesses; stalling growth in new businesses if management is unable to scale its marketplace and slowdown in logistics due to geopolitics/ muted consumption.

Exhibit 1: Q4FY25 review

(in INR mn)	Q4FY25	Q3FY25	QoQ(%)	Q4FY24	YoY(%)
Revenues	**1,218**	**1,140**	**6.9**	**932**	**30.7**
Direct cost	99	83	**19.6**	85	**15.9**
Contribution	**1,119**	**1,057**	**5.9**	**847**	**32.2**
Margin (%)	*91.88*	*92.75*	*-87 bps*	*90.84*	*104.87*
Personnel cost	330	353	**-6.8**	1,286	**-74.4**
Other expenses	391	404	**-3.1**	402	**-2.7**
EBITDA	**398**	**300**	**32.9**	**(842)**	**NA**
Margin (%)	*32.71*	*26.30*	*640 bps*	*-90.30*	*NA*
Depreciation	122	76	**59.5**	62	**98.0**
EBIT	276.64	223.42	**23.8**	-903.31	**-130.6**
Margin (%)	*22.7*	*19.6*	*310 bps*	*-96.9*	*11960 bps*
Finance cost	9	15	**-40.4**	9	**6.5**
Other Income	148	92	**61.4**	37	**306.3**
Tax	(2,450)	1	**NA**	(1)	**NA**
Tax rate	*-589.1*	*0.4*	*NA*	*0.0*	*NA*
Recurring PAT	**2,858**	**(480)**	**NA**	**(875)**	**NA**
Margin (%)	*234.6*	*-42.1*	*NA*	*-93.9*	*NA*

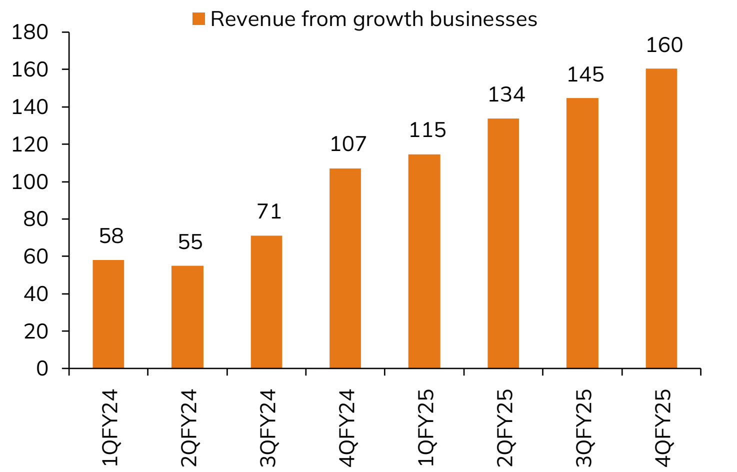
Source: I-Sec research, Company data

Exhibit 2: Revenue from core businesses (INR mn)



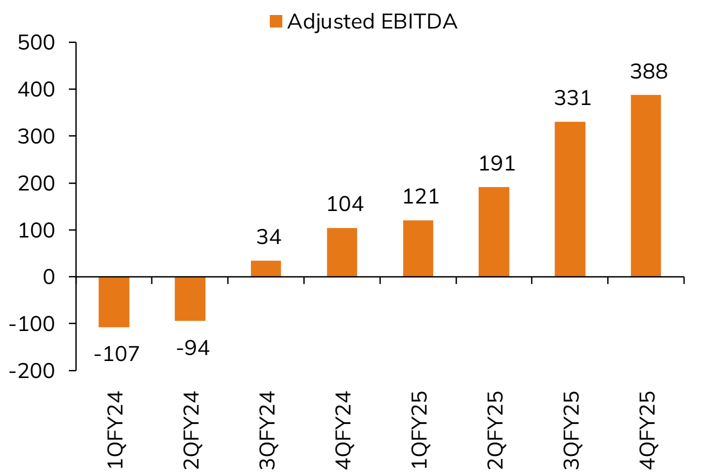
Source: I-Sec research, Company data

Exhibit 3: Revenue from growth businesses (INR mn)



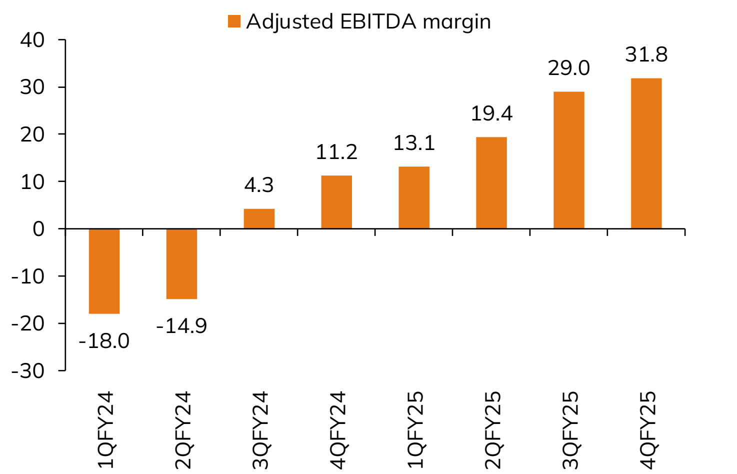
Source: I-Sec research, Company data

Exhibit 4: Adjusted EBITDA (INR mn)



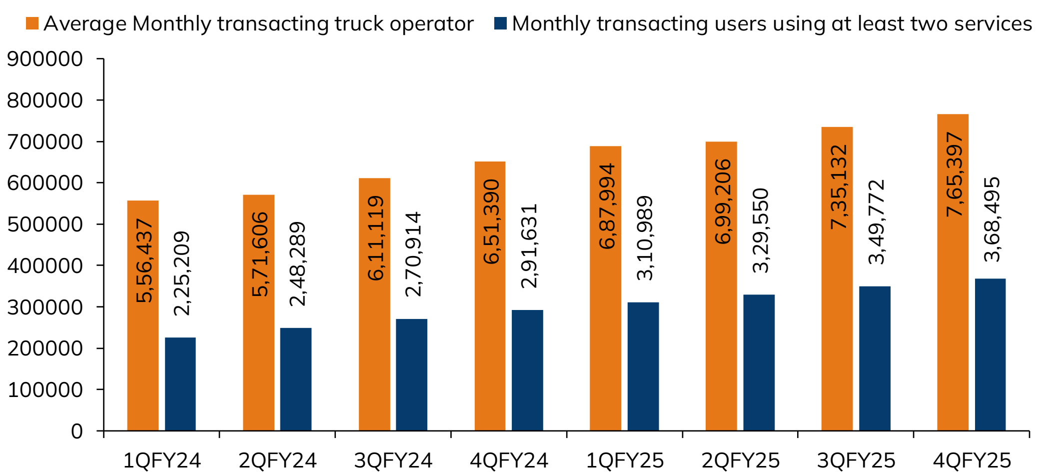
Source: I-Sec research, Company data

Exhibit 5: Adjusted EBITDA margin (%)



Source: I-Sec research, Company data

Exhibit 6: Average monthly transacting truck operator (# number of users)



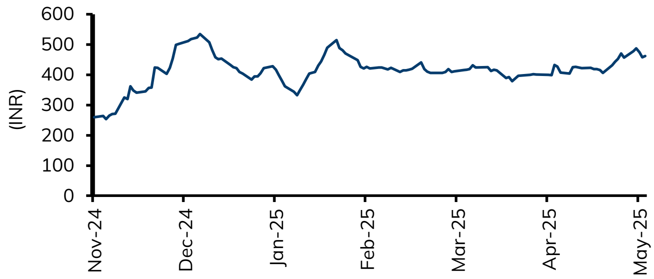
Source: I-Sec research

Exhibit 7: Shareholding pattern

%	Nov'24	Dec'24	Mar'25
Promoters	27.8	27.8	27.7
Institutional investors	19.7	21.7	21.9
MFs and other	8.6	8.8	9.2
Banks/ FIs	0.5	0.5	0.5
Insurance Cos.	0.8	0.7	0.6
FIIs	9.9	11.7	11.6
Others	52.5	50.4	50.4

Source: Bloomberg, I-Sec research

Exhibit 8: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 9: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Net Sales	**4,267**	**5,491**	**6,879**	**8,387**
Operating Expenses	2,898	3,116	3,351	3,587
EBITDA	**1,032**	**1,963**	**3,012**	**4,171**
EBITDA Margin (%)	21.8	33.8	42.0	49.7
Depreciation & Amortization	339	367	433	468
EBIT	692	1,596	2,580	3,702
Interest expenditure	41	10	8	4
Other Non-operating Income	357	647	938	1,142
Recurring PBT	**1,008**	**2,233**	**3,509**	**4,840**
Profit / (Loss) from Associates	**-**	**-**	**-**	**-**
Less: Taxes	(2,446)	535	854	1,220
PAT	3,455	1,698	2,655	3,621
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	**(283)**	**1,698**	**2,655**	**3,621**
Net Income (Adjusted)	**(283)**	**1,698**	**2,655**	**3,621**

Source Company data, I-Sec research

Exhibit 10: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	8,812	12,236	14,929	18,719
of which cash & cash eqv.	7,049	10,293	12,563	15,936
Total Current Liabilities & Provisions	1,481	2,628	3,308	4,046
Net Current Assets	**7,331**	**9,608**	**11,621**	**14,672**
Investments	568	568	568	568
Net Fixed Assets	379	558	679	789
ROU Assets	73	28	0	0
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	-	-	-	-
Other assets	1,706	809	1,111	1,439
Deferred Tax Assets	2,473	2,473	2,473	2,473
Total Assets	**12,847**	**14,429**	**16,934**	**20,528**
Liabilities				
Borrowings	**297**	**297**	**297**	**297**
Deferred Tax Liability	**-**	**-**	**-**	**-**
provisions	41	45	49	54
other Liabilities	53	58	64	70
Equity Share Capital	177	177	177	177
Reserves & Surplus	12,198	13,786	16,321	19,942
Total Net Worth	**12,375**	**13,964**	**16,499**	**20,120**
Minority Interest	-	-	-	-
Total Liabilities	**12,847**	**14,429**	**16,934**	**20,528**

Source Company data, I-Sec research

Exhibit 11: Quarterly trend

(INR mn, year ending March)

	Jun-24	Sep-24	Dec-24	Mar-25
Net Sales	922	988	1,140	1,218
% growth (YOY)	55.0	55.9	41.0	30.7
EBITDA	84	150	300	398
Margin %	9.1	15.2	26.3	32.7
Other Income	62	55	90	150
Net Profit	323.78	(3,084)	(480.3)	2,857.6

Source Company data, I-Sec research

Exhibit 12: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	**583**	**3,124**	**1,907**	**2,851**
Working Capital Changes	(505)	1,805	(131)	(100)
Capital Commitments	(5,708)	(478)	(526)	(578)
Free Cashflow	**6,291**	**3,602**	**2,432**	**3,429**
Other investing cashflow	**1,042**	**647**	**938**	**1,142**
Cashflow from Investing Activities	(4,665)	169	413	564
Issue of Share Capital	5,341	-	-	-
Interest Cost	(62)	(10)	(8)	(4)
Inc (Dec) in Borrowings	(1,183)	-	-	-
Dividend paid	-	-	-	-
Others	-	-	-	-
Cash flow from Financing Activities	4,059	(49)	(49)	(42)
Chg. in Cash & Bank balance	**(23)**	**3,244**	**2,270**	**3,373**
Closing cash & balance	1,267	10,293	12,563	15,936

Source Company data, I-Sec research

Exhibit 13: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	(2.2)	9.1	14.5	20.7
Adjusted EPS (Diluted)	(2.2)	9.1	14.5	20.7
Cash EPS	0.9	15.1	7.9	13.0
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	70.8	79.9	94.4	115.1
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	43.7	28.7	25.3	21.9
EBITDA	(1,748.6)	90.3	-	0.4
EPS (INR)	(75.8)	(515.0)	-	0.4
Valuation Ratios (x)				
P/E	(210.0)	50.6	31.7	22.2
P/CEPS	540.7	30.4	58.2	35.4
P/BV	6.5	5.8	4.9	4.0
EV / EBITDA	71.2	35.8	22.6	15.5
P / Sales	18.8	14.6	11.7	9.6
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	-	-	-	-
EBITDA Margins (%)	21.8	33.8	42.0	49.7
Effective Tax Rate (%)	(269.2)	25.2	25.2	25.2
Net Profit Margins (%)	(9.0)	28.9	36.9	43.2
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	-	-	-	-
Net Debt / EBITDA (x)	-	-	-	-
Profitability Ratios				
RoCE (%)	39.3	10.3	13.9	16.8
RoE (%)	(4.9)	12.1	16.6	19.8
RoIC (%)	18.7	32.1	62.4	88.2
Fixed Asset Turnover (x)	12.7	11.7	-	-
Inventory Turnover Days	-	-	-	-
Receivables Days	28	25	28	27
Payables Days	18	20	20	20

Source Company data, I-Sec research

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