Operator: Good evening, ladies and gentlemen. Welcome to the Q2 and H1 FY27 earnings conference call of BlackBuck Ltd., hosted by {? Radhi Capital ?}. As a reminder, all attendees will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. If you have any questions, please feel free to press the raise-hand button. We will call you in turn and unmute your line so you can speak. Important note: if you need to ask a question, please ensure Microsoft Teams has permission to access your microphone when you log in; otherwise, you will not be able to unmute. Please note that this conference is being recorded. Kindly also note that the audio of the earnings call is corporate material of BlackBuck Ltd. and cannot be copied, reproduced, or attributed in the PR media without the specific written consent of the company. Please note that anything said on this call reflecting the outlook toward the future, which can be construed as a forward-looking statement, must be reviewed in conjunction with the risks that the company faces. A copy of the disclosure is available in the Investor Relations section of the website, as well as on the stock exchanges. To give you an in-depth understanding of the company and answer all your queries, we have with us from the management side today Mr. Rajesh Kumar Naidu Yabaji, Chairman, Managing Director and CEO, and Mr. Satyakam, Chief Financial Officer. I now hand over the conference to Rajesh for his opening remarks. Thank you, and over to you, Rajesh.

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director & CEO: Thank you, Vinita, for the introduction. Are you able to hear me clearly?

Operator: Yes, yes. Loud and clear.

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director & CEO: Good. Ladies and gentlemen, welcome to our Q2 FY27 earnings presentation. It has been a good start to the year. I think last quarter we presented good results to you. As we enter the second half of the year, I think Q2 FY27 also worked out really well for the company, largely because of the fundamentals and the quality of business we have built. This business rides on larger industry tailwinds, high-quality products, very strong distribution, and that has been the result of the compounding nature of the results you are seeing with us.

Starting with the snapshot numbers, on an overall basis, the company generated about 253 crores of total income, which is a growth of about 51% on a year-on-year basis. EBITDA was close to 51 crores, which is a 40% growth on a year-on-year basis. Profit after tax was 41.4 crores, which is a 42% growth on a year-on-year basis.

Coming to functional metrics, or platform KPIs, we report metrics that are under the hood and help us achieve our revenue goals, which are the outcome metrics. We had close to 9 lakh transacting customers, growing at about 13% on a year-on-year basis. This covers a large part of the medium and heavy commercial vehicle customers who are relevant for the intercity trucking audience. Users who are power users, using more than or equal to two services, are growing at about 20%. Roughly more than half of these users are power users, which is close to 480,000. GTV of tolling, which is a large part of the payments business we operate, grew healthily at about 17% on a year-on-year basis, at broadly about 7,070 crores this quarter.

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As I mentioned, overall it was a strong quarter. The results largely came through in the business-as-usual way, with a lot of exciting things happening in new initiatives, while continuing to preserve the nature and quality of profitability of the core business.

Calling out the crux of the strategy again, as I mentioned, the quality of the results is based on a strong business model. The business model is about solving the truck operator's problems. We exist to solve their problems, we exist to help them become operationally better, and we exist to help them generate more revenue. We have a plethora of offerings. We keep building and launching them, and the launch of a newer offering adds strength to the older offerings by cementing the user's engagement with the platform and encouraging users to use the platform more and more.

On the platform side, transacting customers continue to grow. Overall app usage, which is a very, very, very good number, continues to hold. On the distribution front again, our 10,000-touchpoint network continues to scale in the relevant areas, and we continue to be present in 80% of districts.

To reiterate the strategy, we build offerings that are launched on our platform. Every new offering gives rise to and strengthens itself, while also strengthening the older offerings. We sell, service, and distribute these offerings to our customers through a physical touchpoint network, which is very, very, very essential for the nature of users we have. It is widespread, which means that because trucks are mobile, wherever a trucker buys the service, he can get it serviced anywhere. He is taken care of through such a wide distribution network. Using this strategy is what is driving the results you are seeing.

Moving forward, I will give you an update on the key KPIs. Some of them have already been touched upon. Starting with revenue from operations, it grew by about 56% on a year-on-year basis and by roughly 49% on an H1 basis. Coming to the better-quality metric for revenue, which is net revenue and typically represents the real revenue we make as a company, that was about 183 crores, having grown by close to 35% on a year-on-year basis.

Both the core and growth businesses grew very strongly this quarter. The contribution margin profile continues to be the same, at much north of 90% levels. We have high-quality technology revenues and product-based revenues, resulting in this kind of contribution margin. The contribution margin also grew by about 33%.

You see a slight dip because telematics revenues, as we gave an update in the previous quarters, have started to accelerate, and I will provide some more commentary on that ahead. They continued to accelerate this quarter as well. You would see a slight blip because, in the overall mix of revenues, telematics has a somewhat lower contribution margin.

On an adjusted EBITDA basis, that was 55 crores, which is growth of close to 30%. Again, I want to remind you here that this is a blended metric reflecting the investments we are making in our newer and emerging businesses. Think of it as us continuing to scale our EBITDA by whatever quantum you are seeing, while absorbing the increasing costs of investment into new businesses. Sooner or later, at a later date, we will help you understand these businesses by providing their splits as well.

Moving forward to some of the highlights, as we mentioned, the headline metric is that revenues grew by about 56%. Sequentially, we grew by about 15% on a sequential-quarter basis this quarter.

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Within that, the core businesses grew by 31% on a year-on-year basis and roughly 11% sequentially.

As many of you know, this generally is a seasonally weak quarter because of the rains. Also, this time the first quarter had some decline in movement, and all of that was compensated for with a good Q2. One of the highlights within this is that GTV growth in tolling was 17%, which is strong growth. Within that, the full-stack tolling business, where we have our own FASTags using our own subsidiary, BlackBuck TZDF, in which we have our PPI entity, saw a significant increase in the issuance of our tags as well. That was a positive development for the tolling business this quarter.

The telematics business, as I mentioned while discussing the contribution margin, is scaling to new heights. We reported last quarter that we had the highest new device sales in that quarter. This quarter we continued to break that record, and a new high was achieved. You do not see the impact of this directly in this quarter. As you can see, the deferred revenue item on the balance sheet continues to increase because telematics revenue is recognized across the year. It does not happen in the month in which we sell the devices. You will see the benefit of this not only coming through, as you have seen in this quarter, but it will continue to come through in the quarters ahead.

We have a core business in which some businesses are mature and are growing in the higher-teens to about 20% range, but multiple newer streams are emerging within the core business and are helping us drive stronger growth in the overall core business.

Coming to the growth businesses, which are largely the loads business and the vehicle finance business, they continue to have a similar narrative as before. We are growing very strongly. Year-on-year growth is roughly 2.7x, which is 166% growth on a year-on-year basis, and sequential-quarter growth is about 25%.

Here again, to provide some colour on Superloads, as you all know, we have scaled into newer cities, and those are scaling well. Existing cities are compounding through productivity improvements and other factors. We have done a lot of work on AI because the entire process works on matchmaking. We have done a lot of work on AI to improve productivity. We have seen a significant increase in the productivity of the people and the cost we are investing in the existing cities.

We also had a very strong quarter in terms of the growth of unit economics because we have tried to reach margin levels in some of the existing cities that demonstrate the long-term profitability potential of the business. If you essentially try to make more money and the business continues to compound, it means you have created a high-quality business. We are working extensively on this, and we have seen good results across all of those dimensions.

Talking about vehicle finance, we gave an update at the start of the year that this would be the year of EBITDA breakeven, and we are on track to achieve that. It is largely a partner-led model. At the end of the day, the partners are in the lending business, so it has its own steady growth rate, through which the business continues to grow. The AUM managed by partners with us continues to climb steadily, and that will help us reach the EBITDA breakeven point.

Commenting on profitability, as you have all seen, there is close to 30% growth on an adjusted EBITDA basis on a year-on-year basis, taking this to 55 crores. As we mentioned, the core story is

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largely the same. It continues to deliver consistent profitability and operating cash flows. The core business used to deliver anywhere in the range of 70–85% or even 100% of operating leverage before.

Now we have many areas in which we could invest more. That is why you have seen that the operating leverage in this business is in the range of 50%, despite the amount of investment we have made in customer acquisition upfront this quarter. The nature of the core business continues to be the same: it remains a strong operating cash flow machine for the company. We are making the investments required wherever they are needed, and we are seeing a strong increase in customer acquisition and revenue growth in many niches.

While that story continues to compound and grow consistently, we have increased our investments in Superloads, and we will continue to do that as we gain more clarity on how this business is being built. As we gain more clarity on how the playbook is being developed, we will continue to invest in and scale this business.

Moving on to the total expenses, they grew by 36% on a year-on-year basis, whereas they generally would have been at the teen levels in the past. This is largely because of growth across the core businesses and investment in Superloads. These are the two parts [trails off]

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director & CEO: Which were the drivers of the growth and also would appear in the costs.

Giving a bit of commentary, largely a repeat, on the P&L overview, we have touched on most of these line items. Total income grew by about 51%, revenue from operations was higher by 56%, net revenue grew by 35%, adjusted EBITDA grew by 29%, EBITDA grew by 39% to 51 crores, and PAT grew by 42% to 41 crores. These numbers largely mirror the numbers we discussed on the previous slides.

That is all from our side. We would love to take questions from all of you.

Operator: Thank you. We will now open the call for questions. Kindly raise your hand to ask a question. We will unmute your line. Please announce your name and organization name before asking a question. As a reminder, we request all participants to restrict themselves to two questions and come back in the queue.

The first question is from Gaurav Malhotra. Gaurav, please go ahead and unmute your line.

Gaurav Malhotra: Hi. Am I audible?

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director & CEO: Yes, Gaurav.

Operator: Yes, you are.

Gaurav Malhotra: Hi, Rajesh. Just a few questions. First of all, we understand that this is a seasonally slow quarter because of the rains. However, the GTV of tolling has been in the same ballpark of around 7,000 crores, 68, 7,000 crores, over the last 3–4 quarters. How should we think about this growth moving ahead, say, in the second half of the year?

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Rajesh Kumar Naidu Yabaji – Chairman, Managing Director & CEO: [pause] The way to think about it is that it was a bit of a mixed year, right? [laughs] The first quarter was obviously impacted by the entire oil crisis, and the movement slowing down led to a downward trend in the first quarter. Otherwise, it could have been better. Again, this quarter, with the rains, has always been a seasonally weak quarter, and generally we see a decline from the previous quarter by a few percentage points.

If you look at last year's numbers as well, because there was a request to understand this, we have provided the last 8–10 quarters of data on tolling GTV. Typically, Q3 and Q4 are when the entire industry picks up. Similar to last year's trend, Q3 is when you typically start seeing the growth. Because of our very high market share, our pattern would also largely be indexed to how the market performs.

I would say that at this moment, whatever is happening in the context of October, and how movement is picking up in the first few weeks, is largely business as usual, as it was in the previous years as well.

Gaurav Malhotra: Okay. Thank you. Just a couple more questions. One more on tolling. Rajesh, you mentioned that some of the FASTags were being rolled out under your own TPI license. Are these incremental FASTags, or are some of the existing FASTags being replaced with them? I am trying to understand how we should think about the MDR going forward.

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director & CEO: In the long term, as we have always maintained, it will be a partner-led model. Everything will essentially coexist, and with partners we will still be doing the majority of the numbers. Of the existing business we have with partners, none of that represents what we were talking about. Whatever incremental FASTags we were issuing had a significant increase in BlackBuck FASTags.

Gaurav Malhotra: Okay. My last question is on Superloads. If you can give us some sense of how many hubs you are present in, any impact on working capital, and some additional data on Superloads, that would be helpful.

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director & CEO: I think the numbers are the same as before. As we had mentioned, Gaurav, we are present in 14 cities. Of those, 2 cities are the earlier cities and the remaining 12 are newer cities. As we have always mentioned, it is largely a cash-and-carry business where we receive the advance from customers largely around the time the vehicle is being loaded. It is a very working-capital-light business, perhaps involving a few days of working capital on an overall basis. That is the nature of the business, and it is largely similar from a business-context perspective.

Gaurav Malhotra: If I may squeeze in one last question on telematics, you mentioned that there has been an acceleration. Is this acceleration because of the new technology and AIS adoption, which is pushing this, or are you becoming more aggressive in this segment? Do you have any sense of what kinds of devices are being added—multi-technology, single technology, and so on?

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director & CEO: A very small part of the acceleration is attributable to new product launches, such as the fuel sensor and the dashcam,

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which we are working on and entering in a significant way. We have been giving commentary on the fuel sensor for several years, and we are piloting the dashcam as we speak. The large part of the acceleration is because of the AIS mandates that are being implemented across states for various use cases.

Within that, we are playing a material role by capturing incremental market share. That is leading to higher incremental device sales every quarter.

Gaurav Malhotra: Got it. Thank you so much. I will come back in the queue, please.

Operator: Thank you. The next question is from Avneesh Sharma. Avneesh, please unmute your line and go ahead.

Avneesh Sharma: Hi, team. Thanks for the opportunity. My first question is with respect to this MDR. What share of tolling revenue and margins could be impacted by this MDR on UPI, on a GTO of 7,000 crores? A 0.4% MDR could be substantial, so I wanted to understand management's view on this.

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director & CEO: In this context, roughly 50% or more than 50% of our transactions are below 2,000. For the remaining transactions, one of the specific use cases opened for FASTag is a pre-debit PDN method of recharging the FASTag—a pre-debit notice, zero-PDN-mandate route.

Through that, the remaining part of the transactions is covered. For some transactions, the value is below 2,000, and for those above 2,000, we use the pre-debit notification mechanism, which does not work with a 24-hour latency for completing the debit and credit. That mechanism is specifically allowed for FASTags.

Using a mix of these strategies, we believe the impact of MDR on UPI will be significantly close to zero, possibly, for our business.

Avneesh Sharma: We might have to nudge customers paying above 2,000 to start using this. However, initially, adoption of this PDN mechanism may not be as fast as we expect. How are we going to address this?

Management: Avneesh, we will understand the actual impact only once it is implemented. We conducted some pilots in the first week of October, and broadly, as Rajesh mentioned, the pilot followed that pattern, meaning people were either making payments below 2,000 or using the zero-PDN-mandate route. Even though we will understand the actual impact only after implementation, it should largely be contained, in our view.

Avneesh Sharma: Understood. My other question is with respect to core revenue. It grew around 31% year-on-year and 11% quarter-on-quarter, but GTO was largely flat quarter-on-quarter and tolling transactions fell around 2% quarter-on-quarter. I wanted to understand what drove the quarter-on-quarter growth in core. Was it telematics devices, fuel, or simply a better take rate on tolling?

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Management: I think a large part of it was attributable to telematics. As Rajesh mentioned, we recorded a high number of new device sales in the current quarter. On the tolling side as well, there were some minor one-off benefits that provided a kicker to revenue this quarter. Otherwise, there has been no material change in the take rate on the tolling side compared with the past quarters. Hopefully, with the AIS tailwinds, telematics will continue to grow faster.

Avneesh Sharma: Understood. Lastly, on depreciation expense, it has roughly doubled year-on-year, and capex is currently around 771 million. I wanted to understand the expected trajectory for depreciation expense and any capex guidance for the current year.

Management: Depreciation is largely linked to telematics growth. If you look at the half-year balance sheet, you would have seen that growth in deferred revenue has also been 56% on a year-on-year basis. It has grown strongly, at four to five times the absolute growth in depreciation.

We continue to reach new highs in telematics. As we determine that growth path, depreciation will follow that route. Currently, we have no guidance on how it will develop.

Avneesh Sharma: Okay. That was helpful. Thank you. All the best.

Operator: Thank you. The next question is from Pratik. Pratik, please go ahead with your question. Unmute yourself.

Pratik: Hi, am I audible?

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director & CEO: Yes, Pratik. Please go ahead.

Operator: Yes.

Pratik: Thanks for the opportunity. We met a few fleet owners in Delhi, and what we heard was that most new trucks now come with GPS installed by the manufacturer. They provide around 12 to 18 months of free subscription. After that, the OEM renewal, correct me if I am wrong, is somewhere around 7 to 10,000 a year, while you charge 3-4k.

I think the price gap and the convenience of BlackBuck's single app, through which you can track multiple brands, are the reasons people switch to you. I have two questions on this. Could you share what percentage of your telematics revenue comes from relatively newer trucks, where people switch after the OEM subscription ends, versus second-hand or older trucks? Secondly, if manufacturers bring their renewal pricing closer to your pricing, how do you see that affecting your telematics growth?

Rajesh Kumar Naidu Yabaji – Chairman, Managing Director & CEO: The way to think about it is, first of all, that GPS is not mandated. It comes as an optional accessory that a person may choose. It was mandated a few years ago, but that led to a lot of friction, so I think it was rolled back. It is optional, first of all.

Second, remember that all repeat buyers of trucks already have a fleet of trucks. They would want to manage their end-to-end telematics operations, such as seeing where the drivers are and sharing the location with customers, all in one place.

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Because we already have a very large share of the wallet in the existing base, most of our customers typically buy incremental new trucks with the same software. We do not have data on how many new trucks have entered the market and how many of them we have fitted with our devices. We do not have that data, and hence we are not able to share it.

However, there is, as you rightly said, a pricing advantage. We are so competitive on pricing and other factors that people use us. Second, on the AIS side, there is a lot of operational complexity with respect to how the device is activated and how it has to be maintained with a very high level of service. It also requires a lot of integrations with different government portals. That is a specialized area requiring a very focused approach at the state level. I do not think that OEMs are playing in that area at this point in time.

Third, we have a very strong pan-India service network. In the context of this business, which is very important for us, we execute that really well. If a truck is down anywhere, we get the repairs completed very quickly.

All of this combined has always given us an edge and kept us well ahead in terms of how we view this business compared with the OEMs you are referring to. We have received this question many times, but this is how it is. The result of what I am saying is reflected in the numbers—in how the business is growing and how the numbers are developing.

Pratik: Understood. I completely agree on the app and tracking aspect, but I wanted to understand whether matching your price would have an impact on telematics growth.

Rajesh Kumar Naidu Yabaji - Chairman, Managing Director & CEO: That is what I explained, right? When [trails off]

Management: When a person is buying a new truck, he already has 10 trucks. The person buying a new truck is generally a repeat purchaser, right? If you look at it, a new truck purchase is generally made by repeat truck buyers. It is not made by someone entering the business. Because he already has a fleet of trucks and is using our BlackBuck software, for a new truck itself he does not use something else; he uses us. There is no question of allowing this customer to go to anyone else, first of all.

Second, with the kind of service and efficiency we provide through the AIS devices, and with the kind of upkeep of the AIS devices—which are among the highest-volume devices sold in at least 14 cities—it is very difficult for others to compete at this point in time.

Pratik: Okay. Got it. Thank you.

Operator: Thank you. The next question is a follow-up question from Gaurav again. Gaurav, please go ahead with your question.

Gaurav Malhotra: Hi, thanks for the opportunity again. I wanted to spend some time on opex. You mentioned that Superloads is where you are investing, but you also mentioned that you are seeing some increase in opex even in the core business. Can you help us understand where these investments are going between tolling and telematics, and what you are doing there?

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Management: As you know, in our core business, the nature of the business is generally that whenever we acquire a customer or make incremental sales—whether of devices, FASTags, or any other product—we typically incur an upfront customer acquisition cost. We typically recover the LTV over the lifetime of the customer while they are with us. Whenever our sales grow strongly, we incur a larger expense in that quarter because our sales engine is largely variable.

That leads to more customer acquisition, and more cost comes into that quarter. You see suppressed EBITDA, but it leads to higher long-term growth and a higher catch-up in EBITDA. If you go back and look at our numbers a few years ago, when we had no base of revenue but were going through a heavy customer-acquisition cycle, we made a very high loss.

Then we kept customer acquisition largely constant for a few years, and you saw the entire EBITDA compounding. We did not keep it constant because we wanted to become profitable; we kept it constant because beyond that point it was somewhat unprofitable to acquire customers. Now, wherever we see opportunities, we are expanding and gaining more market share. As and when spurts of increased customer acquisition arise, EBITDA is suppressed in that particular quarter.

Gaurav Malhotra: So, if telematics is doing very well and there is significant growth coming from it, there is an upfront CAC involved, which you will recoup over the life of the customer. That would be one way to think about it, right?

Management: Correct. That is the way to think about it. Telematics is actually easy to understand because it also has a deferred revenue component. You can see that component scaling as well. You can see it on the balance sheet. Most of this revenue accrues over a period of time.

Gaurav Malhotra: Okay, thank you.

Management: Yes.

Operator: Thank you, participants. Kindly raise your hand to ask a question.

That was the last question for the day. Thank you again for your time and participation. On behalf of BlackBuck Ltd., this concludes today's conference. For any questions, please feel free to write to us at the email IDs mentioned in the invite. We appreciate your engagement. You may now disconnect your lines.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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