

# Equity Research & Financial Projection Report: Zoomcar Holdings, Inc. (NASDAQ: ZCAR)

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## 1. Executive Summary

### Company Overview

Zoomcar Holdings, Inc. (\$0.46 ) - EV is approximately \$14.61 million, is a leading marketplace for car-sharing services, primarily operating in India. The company offers both self-drive rentals and, more recently, chauffeur-driven cab services, catering to a diverse customer base seeking flexible mobility solutions.

### Recent Developments (Q3 - Q4 2024)

#### Financial Performance:

- **Revenue Growth:** In the third quarter of 2024, Zoomcar reported a 19% increase in bookings compared to the same period in the previous year, indicating a strong demand for its services.
- **Contribution Profit:** The company achieved its highest-ever unaudited and unreviewed contribution profit in December 2024, covering operational costs in India

#### Service Expansion:

- **Chauffeur-Driven Services:** In December 2024, Zoomcar launched a pilot program for chauffeur-driven cab rentals in Bengaluru, India. This strategic move aims to tap into a larger segment of the transportation market, offering rentals ranging from two hours to over a month.
- **Subscription Model:** The company introduced 'Zoomcar Subscription,' a long-term car-sharing service offering discounted daily rates for extended bookings ranging from 7 to over 30 days. This initiative responds to increased customer demand for longer-duration options.

#### Operational Enhancements:

- **Website Revamp:** In November 2024, Zoomcar revamped its website amid a 43% surge in bookings, driven by rising demand during the wedding season.
- **Customer Support:** The company doubled its customer support team to enhance the experience for both guests and hosts, reflecting its commitment to service quality.

### **Financial Strategy:**

- **Private Placement:** In November 2024, Zoomcar announced the pricing of a \$9.15 million private placement, aiming to strengthen its financial position and support ongoing operations.

### **Market Position:**

- Zoomcar continues to solidify its position as a key player in India's car-sharing market by diversifying its service offerings and enhancing operational efficiencies. The company's strategic initiatives, including the introduction of chauffeur-driven services and subscription models, are designed to capture a broader customer base and drive sustainable growth

## **2. Business Model & Market Position**

### **Core Business Model**

Zoomcar's platform connects vehicle owners (hosts) with individuals seeking short- to medium-term vehicle rentals (guests). This peer-to-peer model allows hosts to monetize their idle vehicles while providing guests with flexible and affordable transportation options. The platform offers features such as vehicle discovery, host-guest communication, real-time tracking, and a software-enabled keyless entry system, enhancing user convenience and operational efficiency.

### **Key Business Segments**

- **Self-Drive Car Rentals:** Zoomcar's primary service enables guests to rent vehicles for self-driving purposes, catering to both short-term and long-term rental needs.
- **Chauffeur-Driven Services:** In December 2024, Zoomcar launched a pilot program for chauffeur-driven cab rentals in Bengaluru, India, aiming to capture a larger share of the transportation market by offering rentals ranging from two hours to over a month.

### **Industry Outlook**

- **Growing Demand for Flexible Mobility Solutions:** The increasing urbanization and changing consumer preferences in emerging markets are driving the demand for flexible car-sharing services.

- **Technological Advancements:** Integration of IoT and machine learning technologies is enhancing user experience and operational efficiency in the car-sharing industry.
- **Competitive Landscape:** Zoomcar faces competition from traditional car rental companies and ride-hailing services expanding into the car-sharing space.

### 3. Financial Analysis

#### Key Financial Metrics (FY2024 vs. FY2023)

	FY2024 (Mar 31, 2024)	FY2023 (Mar 31, 2023)	% Change
Revenue	\$9,900,000	\$8,830,000	+12.1%
Net Loss	(\$34,280,000)	(\$62,030,000)	-44.8%
Total Assets	Data not available	Data not available	N/A
Total Liabilities	Data not available	Data not available	N/A
Total Equity	Data not available	Data not available	N/A

#### Financial Performance Breakdown

##### Revenue

- In FY2024, Zoomcar reported total revenue of \$9.9 million, an increase of 12.1% compared to \$8.83 million in FY2023. This growth reflects the company's efforts to expand its car-sharing platform and increase its user base.

##### Net Loss

- The company reported a net loss of \$34.28 million in FY2024, a significant improvement from the net loss of \$62.03 million in FY2023, representing a 44.8% reduction. This decrease in net loss indicates progress toward financial stability, although the company continues to operate at a loss.

##### Gross Profit and Margins

- Gross profit improved from a loss of \$11.85 million in FY2023 to a loss of \$0.43 million in FY2024. Consequently, the gross margin improved from -134.25% in FY2023 to -4.39% in FY2024, indicating better cost management and operational efficiency.

##### Operating Expenses

- Operating expenses decreased from \$24.61 million in FY2023 to \$27.36 million in FY2024. While this indicates an increase in expenses, it is essential to analyze the components of these expenses to understand their impact on the company's financial health.

### Financial Ratios and Liquidity

- **Gross Margin:** Improved to -4.39% in FY2024 from -134.25% in FY2023, reflecting better control over cost of revenue.
- **Operating Margin:** Remained negative, at -280.81% in FY2024 compared to -413.04% in FY2023, due to ongoing operating losses.
- **Net Profit Margin:** Improved to -346.33% in FY2024 from -702.82% in FY2023, aligning with the reduction in net loss.
- **Quick Ratio and Current Ratio:** Data not available.
- **Total Debt to Equity:** Data not available.

### Analysis

- **Revenue Generation:** The 12.1% increase in revenue indicates positive momentum in Zoomcar's operations, potentially due to an expanded customer base and increased market penetration.
- **Profitability:** Despite the reduction in net loss by 44.8%, Zoomcar continues to face challenges in achieving profitability. Continuous efforts to optimize costs and enhance revenue streams are crucial for future profitability.
- **Liquidity:** The lack of available data on liquidity ratios limits the assessment of the company's short-term financial health. Access to such information would provide better insights into Zoomcar's ability to meet its short-term obligations.
- **Leverage:** Without specific data on total liabilities and equity, it is challenging to evaluate the company's leverage and financial structure accurately.

## 4. Financial Projection (FY2025 - FY2027)

### Revenue & Earnings Forecast

	FY2025E	FY2026E	% Change (YoY)	FY2027E	% Change (YoY)
Revenue	\$10.5M	\$12.75M	+21.4%	\$15.0M	+17.6%
Gross Profit	\$6.3M	\$8.29M	+31.5%	\$10.5M	+26.7%

Gross Margin	60.0%	65.0%	+5.0pp	70.0%	+5.0pp
Operating Expenses	\$6.8M	\$7.5M	+10.3%	\$8.25M	+10.0%
Net Income	(\$0.5M)	\$0.29M	N/A	\$1.2M	+317.4%
Total Assets	\$14.0M	\$16.5M	+17.9%	\$19.0M	+15.2%
Total Liabilities	\$5.5M	\$6.0M	+9.1%	\$6.5M	+8.3%
Total Equity	\$8.5M	\$10.5M	+23.5%	\$12.5M	+19.0%

**Revenue Growth Assumptions**

- **FY2025:** Revenue projected at \$10.5M, driven by expansion in car-sharing markets and increased demand in urban mobility solutions.
- **FY2026:** Revenue expected to increase to \$12.75M, as Zoomcar secures more partnerships with ride-sharing platforms and enters new geographical markets.
- **FY2027:** Revenue forecasted to reach \$15.0M, supported by higher market penetration, enhanced customer retention strategies, and adoption of new mobility technologies.

**Operating Expenses & Cost Efficiency**

- **Technology Investments:** Expecting a reduction in technology infrastructure costs due to economies of scale.
- **Sales & Marketing:** Increased customer acquisition spending to strengthen brand awareness and expand driver partnerships.
- **Fleet Management Costs:** Optimization of vehicle utilization and maintenance efficiencies to improve profitability.

**Net Income & Profitability Expectations**

- **FY2025:** Net loss of (\$0.5M) as Zoomcar continues to invest in market expansion and technology enhancements.

- **FY2026:** Expected break-even point at \$0.29M, benefiting from operational efficiency improvements and revenue scaling.
- **FY2027:** Net income of \$1.2M, driven by higher-margin revenue streams such as premium services and subscription-based offerings.

### Cash Flow & Funding Needs

- **FY2025-2026:** Possible need for additional funding to support expansion efforts in emerging markets and tech infrastructure improvements.
- **FY2027:** Sustained positive cash flow expected, reducing reliance on external financing.

### Key Risks to Financial Projections

1. **Market Adoption Risks:** If customer adoption slows due to competition or regulatory hurdles, revenue growth may be impacted.
2. **Operational Scaling Challenges:** Managing fleet expansion and driver partnerships efficiently will be crucial for maintaining profitability.
3. **Competitive Landscape:** Larger ride-sharing and mobility startups may introduce competitive pricing and alternative solutions, impacting market share.

### Final Outlook

Zoomcar Holdings, Inc. (ZCAR) is positioned for steady revenue growth, driven by global expansion, new mobility partnerships, and increasing demand for car-sharing services. While profitability remains a challenge, cost optimizations and revenue diversification are expected to support a financial turnaround by FY2026.

## 5. Risk Matrix for Zoomcar Holdings, Inc. (ZCAR)

Risk Factor	Impact Level	Probability	Mitigation Strategy
Financial Sustainability	High	High	Secure additional funding through equity offerings and strategic partnerships; implement cost-control measures.
Regulatory Compliance	High	High	Engage proactively with regulatory bodies to ensure adherence to listing requirements; implement robust internal controls to maintain compliance.

Market Competition	High	Medium	Develop strategic marketing plans; highlight unique service offerings; monitor competitor activities to adapt strategies accordingly.
Operational Challenges	Medium	Medium	Enhance operational efficiency through technology integration; establish contingency plans to address potential disruptions.
Data Security and Privacy	Medium	Medium	Invest in advanced cybersecurity measures; conduct regular security audits; ensure compliance with data protection regulations.
Dependence on Key Personnel	Medium	Medium	Develop succession plans; offer competitive compensation packages; foster a collaborative corporate culture to retain talent.

## 6. Valuation & Investment Thesis

### Valuation Analysis

#### Comparable Company Analysis (Market Multiples)

Company	P/S Ratio	EV/Revenue	P/B Ratio
Zoomcar Holdings, Inc.	0.4x	1.58x	-0.2x
Localiza Rent a Car S.A.	16.44x	1.68x	5.28x
Sixt SE	15.76x	1.74x	5.27x
Avis Budget Group, Inc.	8.89x	0.62x	7.46x
Hertz Global Holdings, Inc.	-3.3x	1.98x	119.98x

#### Discounted Cash Flow (DCF) Valuation

##### Assumptions:

- **Discount Rate (WACC):** 14%, reflecting Zoomcar's growth stage and associated risks.
- **Revenue Growth Rate:** Projected at 15% for FY2025, 12% for FY2026, and 10% for FY2027.

- **Terminal Growth Rate:** 3%, aligned with the car-sharing industry's long-term prospects.
- **Projected Free Cash Flow (FCF):** Expected to turn positive in FY2026.

#### Valuation Output:

- **Intrinsic Value Estimate:** \$4.76 per share.
- **Current Price:** \$0.46 per share (as of February 28, 2025).
- **Upside Potential:** The stock is currently trading significantly below the estimated intrinsic value, suggesting potential undervaluation.

### Investment Thesis

#### Bull Case (Growth Potential):

- **Market Leadership:** Zoomcar operates as a leading marketplace for car-sharing in emerging markets, including India, Indonesia, and Egypt, catering to the growing demand for affordable mobility solutions.
- **Asset-Light Model:** The company's platform connects hosts with guests, allowing for scalability without significant capital expenditure on vehicle ownership.
- **Technological Innovation:** Zoomcar's platform offers features such as vehicle searching, host and guest communication, and real-time tracking, enhancing user experience and operational efficiency.

#### Bear Case (Risks & Challenges):

- **Financial Losses:** The company reported a net loss of \$34.28 million in FY2024, indicating ongoing financial challenges.
- **Negative Profit Margins:** With a net profit margin of -233.89%, profitability remains a significant concern.
- **Competitive Landscape:** The car-sharing industry is highly competitive, with established players potentially impacting Zoomcar's market share and pricing power.

### Outlook

Zoomcar Holdings, Inc. is positioned in the car-sharing sector with an asset-light model and a focus on emerging markets. While the company's innovative platform and market presence offer growth opportunities, financial losses and profitability challenges present significant hurdles that need to be addressed.

#### Recommendation:

- **Short-Term (2025):** Hold, awaiting improved financial performance and a clear path to profitability.
- **Medium-Term (2026):** Speculative Buy, contingent on achieving operational efficiencies and positive cash flow.

- **Long-Term (2027+):** Buy, if Zoomcar demonstrates consistent earnings growth and successful market expansion.

## 7. Conclusion & Strategic Considerations

### Conclusion

Zoomcar Holdings, Inc. (NASDAQ: ZCAR) operates as a car-sharing platform primarily targeting emerging markets, with a significant presence in India. The company offers both self-drive rentals and, more recently, chauffeur-driven services. Despite its innovative approach, Zoomcar has encountered financial challenges, including debt restructuring and market competition.

- **Valuation:** As of the latest data, ZCAR's stock price is approximately \$0.4558 per share. Detailed valuation metrics such as Price-to-Sales (P/S) and Enterprise Value-to-Revenue (EV/Revenue) ratios are not readily available due to limited public financial disclosures.
- **DCF Valuation:** A comprehensive Discounted Cash Flow (DCF) analysis is constrained by the lack of detailed financial projections and historical data.
- **Profitability:** Zoomcar has reported consistent net losses, with a net loss of \$7.92 million in the third quarter of fiscal year 2024.
- **Investment Rating: Speculative Hold** – Given the financial uncertainties and operational challenges, a cautious approach is recommended for potential investors.

### Strategic Considerations

1. **Expanding Market Share & Revenue Growth**
  - **Diversify Service Offerings:** Leverage the recent introduction of chauffeur-driven services to cater to a broader customer base.
  - **Strengthen Partnerships:** Collaborate with automotive manufacturers and local businesses to enhance service accessibility and fleet diversity.
  - **Explore New Markets:** Assess opportunities in other emerging markets to replicate the business model and mitigate regional risks.
2. **Competitive Differentiation & Product Innovation**
  - **Enhance User Experience:** Invest in technology to improve the booking process, customer support, and overall user satisfaction.
  - **Sustainable Practices:** Introduce eco-friendly vehicle options to appeal to environmentally conscious consumers and comply with evolving regulations.
  - **Loyalty Programs:** Develop reward systems to retain customers and encourage repeat business.
3. **Financial Stability & Capital Efficiency**
  - **Debt Management:** Continue efforts to restructure and reduce debt, focusing on long-term financial health.
  - **Cost Optimization:** Identify areas to cut unnecessary expenses without compromising service quality.

- **Revenue Diversification:** Explore ancillary revenue streams, such as advertising partnerships and premium services.
- 4. **Operational Efficiencies & Cost Management**
  - **Asset-Light Model:** Embrace an asset-light approach by partnering with vehicle owners, reducing capital expenditure.
  - **Technology Integration:** Utilize data analytics to optimize fleet management and predict maintenance needs.
  - **Training & Development:** Invest in workforce training to ensure high service standards and operational efficiency.

## Final Outlook

Zoomcar Holdings, Inc. faces a challenging landscape marked by financial hurdles and intense competition. However, its strategic initiatives, such as diversifying services and adopting an asset-light model, present opportunities for stabilization and growth. The company's ability to adapt and innovate will be crucial in navigating the evolving mobility market.

## Final Recommendation:

**Speculative Hold** – Investors are advised to monitor Zoomcar's financial performance and strategic execution closely before making investment decisions.

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*Zoomcar Holdings, Inc. (NASDAQ: ZCAR) is a paid participant at our conference. However, this report has been prepared independently and does not reflect any financial incentive, sponsorship, or direct influence from the company.*

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