

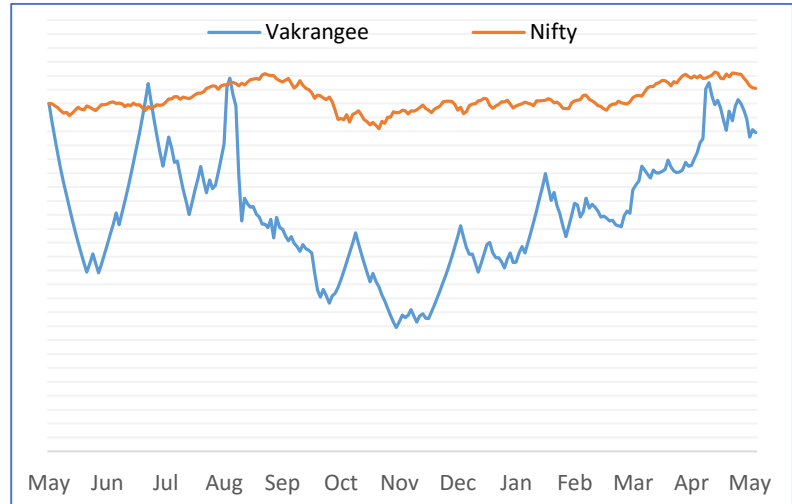
VAKRANGEE LIMITED
Results Update

Industry - Information Technology

Date – 12th May 2019

Stock Data

CMP	57.95
Bloomberg	VKI IN
NSE	VAKRANGEE
52-W High/Low	245.25/22.35
Free Float (%)	58.26
Cons. Latest Equity (Cr.)	2602.20
Cons. EPS	0.24
Book Value	24.57
P/B (12 TTM)	2.35
P/E (12 TTM)	241.45
P/E (24 Months Forward)	8.52


Vakrangee Q4 FY19 results beat estimates; Growth years ahead
Financials

	4QFY19	3QFY19	4QFY18	QoQ (%)
Revenue	87.46	82.46	1835.45	6%
Operating Exp	89.99	99.36	1737.37	-9%
EBITDA	-2.53	-16.90	98.08	-85%
Other Income	20.14	19.44	14.68	4%
Interest	-	-	0.35	-
Depreciation	3.00	2.06	4.68	46%
Exceptional Items	-	1.77	-	-100%
PBT	14.61	2.25	108.08	549%
Tax	9.16	1.26	36.73	627%
PAT	5.45	0.99	71.35	451%
EPS	0.05	0.01	0.67	451%

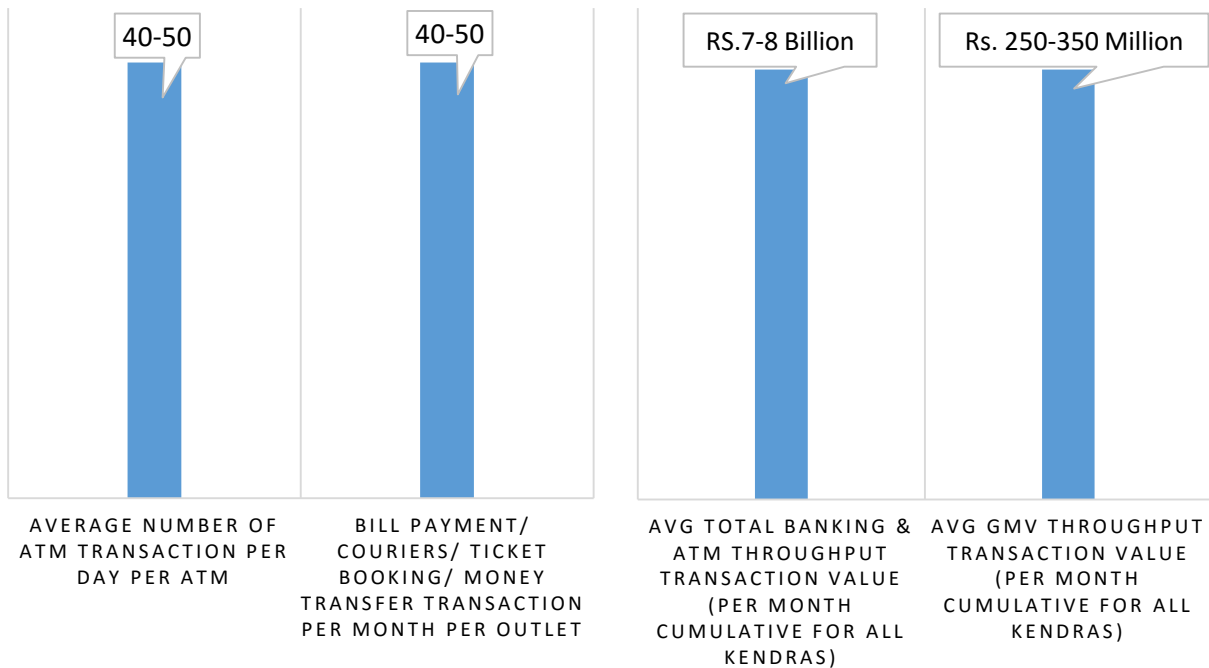
Vakrangee has reported better than expected results in Q4 FY19, the total revenue increased by 6% QoQ to Rs. 87.46 Cr. from Rs. 82.46 Cr in the previous quarter. The YoY comparison could be misleading as VKI is operating in a transitional period, where only Next Gen Kendra's are in action. The EBITDA margin has improved significantly to -2.53% from -16.90% and the PBT reported was 6.5x to last quarter. The dramatic rise in tax expense affected the PAT but still, the Profit was 500% in comparison to the last quarter.

The number of employees increased from 1,789 in the last quarter to 1,863 in the current quarter as the new employees required for the effective transition of the old Kendras into Next Gen.

~4 Million
**Monthly No of Transactions on
NextGen Vakrangee Platform**
~Rs. 9.5 Billion
**Monthly Throughput on Vakrangee
Platform – Transaction Value (in Rs.)**

Growth years ahead

- Vakrangee has increased its Next Gen Kendra's Fleet to 3,504 in this quarter from 95 in Q3 FY19. VKI still has a significant number of Kendra's waiting for an upgrade which reflects the growth potential of the company.
- The following is the average data for the month of April which shows that the Next Gen Kendras are working well even if they have not matured yet. The numbers are expected to improve with every quarter as the Next Gen are becoming popular.



- The company has received an update from the Ministry of Corporate Affairs, which states that there are no irregularities pursuant to an inspection of the VKI's books of accounts.

Valuation View – Vakrangee is upgrading itself with Next Gen Kendras and shutting down its previous versions of stores. The improvements in the earnings are expected from Q1 FY20 when VKI will have further added Next Gen in operation simultaneously with the current maturing 3,504 Kendras. VKI's clean balance sheet gives it an impetus to take strong decision, whereas the huge cash lying in the books would provide support in the changeover. We maintain our growth view on Vakrangee with EPS of Rs. 1.5 and 6.8 for FY20 and FY21 respectively. At 24 months forward P/E of 8.52, we maintain "Buy" with our previous target price of Rs. 92.45.

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