

# VAKRANGEE

## One-stop shop for the under-served

India Equity Research | Banking and Financial Services

We met top management of Vakrangee (VKI) and visited Vakrangee Kendras to understand how the company is poised to leverage its last mile retail distribution franchise riding the government's financial inclusion (FI) agenda and emerging E-commerce opportunities. The VKI Kendras would be a conduit for the company to setup and manage 75,000 outlets covering 100% pin codes of India by 2020. Recent tie-ups with Amazon, Mypacco and advanced discussions with other marquee players would open up a huge opportunity for VKI to scale up operations. The stock trades at 22x H1FY16 earnings (annualised). 'NOT RATED'.

### Evolution: E-governance, a stepping stone

VKI has evolved over the past 2 decades transforming from a sub-contractor and IT enabler for E-governance projects to taking on projects on its own. Under E-governance, VKI has always undertaken mission-mode projects, viz., projects which are run by the Central Government, irrespective of the political party in power. However, since E-governance projects are capital intensive with low RoA, management gradually shifted focus to high-growth opportunities in financial inclusion and E-commerce.

### Vakrangee Kendras: Last mile connectivity with host of offerings

VKI's business is fast transforming, driven by the rising share of VKI Kendras. It plans to set up 75,000 Kendras covering each pin code of India by 2020 (from 16,506 as of Sept' 15, ~85% are rural outlets). This technology-intensive retail platform delivers services across banking, insurance, ATM, E-governance and E-commerce on real time basis to potential 250mn unserved customers. It plans to keep enhancing bouquet of services to be offered from the Kendras to attract customers, build loyalty, and bring economies of scale. To leverage on emerging e-commerce opportunities, it has tied up with Amazon (exclusive agreement), Red Bus, Mypacco etc and is in advance stages of discussion with other players, such as railways and airline aggregators.

### Outlook: Riding FI and E-commerce opportunities; 'NOT RATED'

Given the humongous opportunities thrown up by financial inclusion and E-commerce, we believe there is immense scope for VKI to improve its revenue profile. However, EBITDA margin, due to sharing of income with VKI Kendra franchisee, will be lower than historical run-rate. But, stronger revenue growth, coupled with asset-light and lower working capital intensive franchisee model ensures higher RoEs. 'NOT RATED'.

<b>Financials</b> (INRMn)				
(INR mn)	FY12	FY13	FY14	FY15
Net revenues	13,521	15,558	19,654	27,754
EBITDA	2,380	3,838	5,549	7,178
Adjusted profit	675	1,093	1,990	3,206
Diluted EPS (INR)	1.3	2.2	3.9	6.0
Diluted P/E (x)	114.4	69.8	38.9	25.2
ROAE (%)	NA	23.5	32.7	38.1

#### EDELWEISS RATINGS

Absolute Rating	NOT RATED

#### MARKET DATA (R: VAKR.BO, B: VKI IN)

CMP	: INR 152
Target Price	: NA
52-week range (INR)	: 172 / 86
Share in issue (mn)	: 529.2
M cap (INR bn/USD mn)	: 81 / 1,226
Avg. Daily Vol.BSE ('000)	: 1,719.9

#### SHARE HOLDING PATTERN (%)

	Current	Q1FY16	Q4FY15
Promoters %	41.6	38.7	38.8
MF's, FI's & BK's	7.7	8.0	7.7
FII's	5.8	5.3	3.3
others	45.0	48.0	50.2
* Promoters pledged shares (% of share in issue)			Nil

#### RELATIVE PERFORMANCE (%)

	Sensex	Stock	Stock over Sensex
1 month	(5.5)	15.7	21.2
3 months	(7.1)	(0.8)	6.3
12 months	(8.2)	12.6	20.8

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### Vakrangee Kendras: Last mile retail connectivity with host of offerings

Having executed mission mode E-governance projects, VKI has built an extensive last mile infrastructure and established grass-root level footprint. While implementing E-governance projects, the company gained an understanding of rural consumer behaviour as well as attained experience of dealing with ground level complexities such as flexible timings, power & connectivity issues, etc.

In 2011, when the government segregated India under 20 clusters to drive financial inclusion, and invited tenders from various players to set up Business Correspondent (BC) branches – this was an opportune time for VKI to cash in on its vast experience and bid for the contract. A step in this direction saw VKI winning contracts for setting up BC branches in 2 clusters, viz., Maharashtra and Delhi & Rajasthan. Further, VKI was appointed as BC by various banks under the “Common BC” and “National BC” agreements. Overall, these efforts will give VKI scope to set up and manage 75,000 kendras covering 100% pin codes of India by 2020 (from 16,506 Kendras as of Sept '15). VKI has thus shifted focus to growth with the burgeoning opportunity thrown up by financial inclusion.

**Table 1: Increasing pan-India presence through VKI Kendras**

States	Rural branches	Urban branches	Total
Rajasthan	7,863	1,458	9,321
Maharashtra	3,147	301	3,448
Uttar Pradesh	2,390	342	2,732
Gujarat	264	-	264
Madhya Pradesh	233	13	246
Punjab	179	38	217
Haryana	88	22	110
Bihar	62	-	62
Chhattisgarh	27	7	34
Goa	11	5	16
Himachal Pradesh	25	-	25
Delhi	-	15	15
Orissa	-	2	2
Jharkhand	-	14	14
<b>Total</b>	<b>14,289</b>	<b>2,217</b>	<b>16,506</b>

Source: Company

**Table 2: Aggressive expansion plan to cover 100% pin codes by 2020**

	FY16	FY17	FY18	FY19	FY20
Rural Kendras	15,000	25,000	35,000	45,000	50,000
Semi urban Kendras	3,500	7,000	10,000	13,500	17,000
Urban Kendras	1,500	3,000	5,000	6,500	8,000
<b>Total</b>	<b>20,000</b>	<b>35,000</b>	<b>50,000</b>	<b>65,000</b>	<b>75,000</b>

Source: Company

VKI's technology-intensive retail distribution platform delivers services across banking, insurance, ATM, E-governance and E-commerce on real time basis to potential 250mn customers, both under-served rural and urban India. Services offered under each vertical of a VKI Kendra are as enumerated below.

**Table 3: Plethora of services offered to ensure customer acquisition, loyalty and economies of scale**

Scope of services	
Banking	<ul style="list-style-type: none"> <li>- Bank A/C Opening - Savings, Current, Fixed / Recurring deposits, SHG etc;</li> <li>- Cash Deposits, Withdrawals, Money Transfer, Retail loans;</li> <li>- Balance Enquiry, Statement of Accounts;</li> <li>- Disbursement of money under Direct Benefit Transfer; Pension Disbursement</li> </ul>
Insurance	<ul style="list-style-type: none"> <li>- Life / Non Life, Health Insurance;</li> <li>- Insurance schemes under Atal Pension Yojna, Jeevan Jyoti Bima and Pradhan Mantri Suraksha Bima Yojna</li> </ul>
ATM	<ul style="list-style-type: none"> <li>- Real time cash withdrawals from all banks, Balance Inquiry / Statement printing;</li> <li>- Co-located ATM in urban/semi-urban branches to cater to holistic banking needs</li> </ul>
E-Governance	<ul style="list-style-type: none"> <li>- Enrolments-UID Card, NREGA job card, Election Card;</li> <li>- Land Record Digitization, Electoral Rolls;</li> <li>- Payment of Utility Bills, Taxes, Railway Tickets, Hall tickets, Exam Fee Payments, Online Form Filling</li> </ul>
E-Commerce	<ul style="list-style-type: none"> <li>- Telecom - Mobile recharge, DTH service - Recharge, bill payments;</li> <li>- Alliance with Amazon India for sale of products, Alliance with Mypacco to facilitate logistic services</li> </ul>

Source: Company

**Table 4: Strong National and Common BC agreements gives VKI pan-India presence**

National BC Agreements		Common BC Agreements	
S. No.	Bank Tie-ups	S.No.	Bank Tie-ups
1	Bank of India	17	Canara Bank
2	Punjab National Bank	18	Allahabad Bank
3	Union Bank of India	19	Andhra Bank
4	Allahabad Bank	20	Corporation Bank
5	State Bank of India	21	Punjab & Sind Bank
6	Baroda Gujarat Gramin Bank	22	Central Bank of India
7	Baroda Uttar Pradesh Gramin Bank	23	Hadoti Kshetiya Gramin Bank
		24	Marwar Ganganagar Bikaner Gramin Bank
		25	State Bank of India
		26	United Bank of India
		27	Maharashtra Gramin Bank (MGB)
		28	State Bank of Hyderabad (SBH)
		29	Vidarbha Kshetriya Gramin Bank
		30	Waiganga Krishna Gramin Bank
		31	IDBI bank
			Syndicate Bank

Source: Company

Fig. 1: Typical urban, rural VKI Kendra  
Urban Kendra



Rural Kendra



Source: Company

### E-commerce, the next growth driver

Increasing traction in the E-commerce space and VKI's pan-India presence have seen the company's service offerings bulging to include a bouquet of E-commerce services in a secure manner. Each VKI Kendra (irrespective of being located mostly at rural locations) is equipped with uninterrupted connectivity, while ensuring real-time banking transactions.

These Kendras can clearly be termed as the "biggest e-mall of the world" that offer >25mn products and services. Apart from delivering various financial services, VKI is also leveraging the Kendras through its tie ups with Amazon (exclusive agreement), Red Bus and Mypacco. The exclusive agreement with Amazon will enable VKI to provide marketing, promotional and pick up services of >25mn Amazon products through kiosks set up at VKI Kendras. Thus, the VKI Kendras will act as a point of sale, point of order and delivery places. At current juncture, VKI already has rolled out Amazon kiosks at its 54 Mumbai Kendras and will be launched in Rajasthan as well in the near term. As per the revenue-sharing agreement, VKI gets commission on gross merchandise value of goods sold.

As a forward integration measure and to support logistic requirements of its clients, VKI has also tied up with Mypacco, an end-to end logistic service provider with services ranging from local, national and international delivery. VKI has also tied up with Red Bus to offer bus ticket services.

Management is also at advanced stages of discussion with other marquee E-commerce players, such as railway and airline aggregators to house their kiosk at the VKI Kendras. This



will enable VKI customers to not only book bus tickets, but railway and flight tickets too. Management is also at an advanced stages of discussion for entering into an exclusive agreement to set up VKI Kendras at retail outlets of one of the leading oil marketing company.

All these tie-ups will enhance VKI's bouquet of services that it will be able to offer from the Kendras, expand sources of revenue, build customer loyalty, and bring economies of scale, all of which will help improve return ratios.

**Fig. 2: Strong customer response for Amazon products offered at VKI outlets**



Source: Company

### Asset-light franchisee based model

VKI has successfully transitioned to an asset-light model by rolling out VKI Kendras on franchisee basis. While the company is responsible for project management, quality assurance, infrastructure set up, franchisee training and access to new services & content at VKI Kendras, the franchisee manages day-to-day operations and bears all operational costs attached with it.

**Table 5: Franchisee model - Capex and rollout plan**

	Rural outlet w/out ATM	Rural outlet with ATM	Semi-urban / urban outlet with ATM
Initial one time set up cost	Approx. INR1,25,000- Rs.1,50,000	Approx. INR4,25,000- 4,50,000 (incl. INR3,00,000 as upfront franchisee fee for ATM)	Approx. INR5,50,000-7,00,000 (incl. INR3,00,000 as upfront franchisee fee for ATM & as well as interior for outlet)
Working capital for franchisee	Approx. INR50,000- 1,00,000	Approx. INR2,50,000- 5,00,000 (incl. ATM working capital)	Approx. INR7,50,000- 8,50,000 (incl. ATM working capital)
No. of outlets planned by FY20	49,000	1,000	25,000
State wise break up of planned rollout by FY2020	Break up of 50,000 rural outlets State wise – Maharashtra – 11,000; Rajasthan – 9,000; Other States – 30,000		Break up of 25,000 semi-urban / urban Outlets – Maharashtra – 2,500, Rajasthan – 2,500, Other States – 20,000

Source: Company

VKI receives fixed monthly remuneration from banks for providing BC services. The company also receives variable income by way of transaction fees as per the negotiated rate with different vendors. For instance, a VKI Kendra receives INR55-60 for bank account opening (INR20/account opening, INR35/Aadhar enrollment and INR5 for linking a bank account with Aadhar), INR5 per utility service, commission for its tie-up with Amazon, etc. Of the transaction fee received, the franchisee gets 80% share or any other contracted rate (since franchisee incurs capex as well as opex) and VKI retains the balance.

#### ATMs to provide further leg up

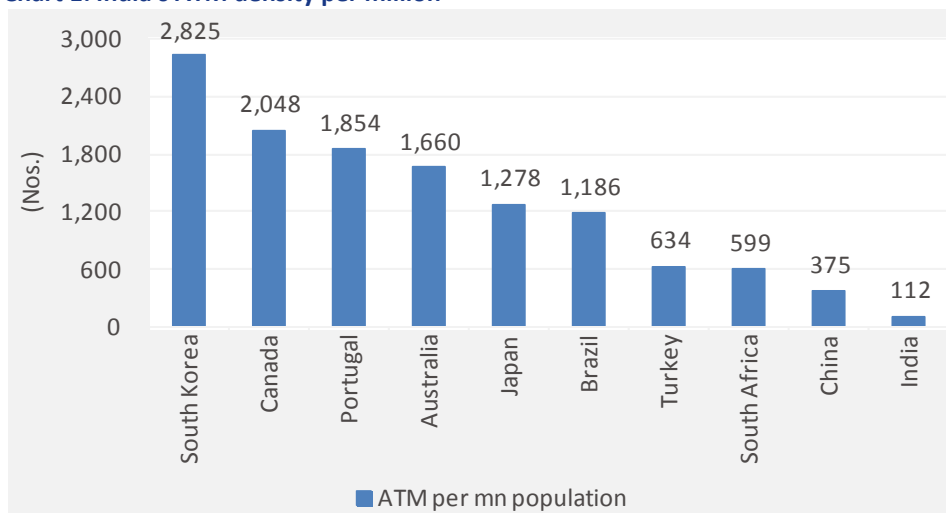
VKI has received a mandate from the RBI to set up and manage a minimum of 15,000 white labeled ATMs (WLA) ATMs across India within 3 years. The company proposes to establish ATMs near or within VKI Kendras to exploit revenue and cost synergies (no separate requirement of security guard as ATMs are located inside the urban BC branch; benefits from sharing of civil work, VSAT, rent and electricity expenses, etc).

On realising that ATM card handling may not work well with the rural population, VKI has developed biometric authentication for its ATMs (first time across the globe), which provides flexibility of accessing ATMs either through fingerprint or bank card.

VKI's move to establish WLA ATMs will help it earn revenues from participating banks - the company earns a transaction fee of INR15/5 for financial/non-financial transactions. Apart from transaction fee, VKI also derives revenue from advertisements and other value-added services. Since the VKI Kendras and ATMs are located where there is no competition from other banks ATMs, the number of hits per ATM is fairly high.

In India, ATM penetration is at the lowest, with only 112 ATMs per million. This compares to 1,186 ATMs/million in Brazil, 634 ATMs/million in Turkey and 375 ATMs/million in China.

Chart 1: India's ATM density per million



Source: Company

### Why is VKI in a sweet spot?

- India remains largely under-banked, with only 35.2% of its population having bank accounts. Further, even in urban areas ~32% of the population does not have access to banking services. Thus, there exists huge scope to deepen financial inclusion in India.
- It's the government's mission to open at least 1 bank account per household under the *Pradhan Mantri Jan Dhan Yojana* (PMJDY), which clearly highlights the scope of under-penetration and potential emanating from the same.
- VKI has developed a robust technology, which achieves seamless real-time VSAT connectivity (transaction time <45 sec) and backend integration with banks' core banking solution (CBS).
- To perfectly synergise within different banking softwares used by banks, the company has also achieved real-time interoperability with CBS of various banks – it has invested significant time of 12-18 months to achieve the same and is now set to ride on the growth story.

### E-governance projects: Integrating government with customers

VKI, on account of being a E-governance player, has been part of various mission-mode projects under the National e-Governance Plan (NEGP) for over 2 decades. The company has been executing and providing back-end support and systems integration beyond the Gram Panchayat level. Currently, with an almost pan-India presence, VKI enjoys the first-mover advantage to leverage the INR1.1tn '*Digital India*' mission of the existing government.

**Table 6: E-governance projects under implementation**

<b>E-Governance Projects under implementation</b>	
UID (Unique Identification Project)	<ul style="list-style-type: none"> <li>- Issue UID to all residents which shall help in efficient delivery of all government schemes;</li> <li>- One of the leading enrolment agencies empanelled with UIDAI;</li> <li>- Deployment of UID software, capturing demographic &amp; biometric data, and setting up of data center</li> </ul>
SSA (Sarva Shiksha Abhiyan)	<ul style="list-style-type: none"> <li>- Provide universal access to elementary education for children between the ages of 6 and 14;</li> <li>- Distribution of books for children and setting up computer aided learning systems</li> </ul>
PDS (Public Distribution System)	<ul style="list-style-type: none"> <li>- Implement Biometric Smart Card based PDS in Haryana through computerization of PDS scheme;</li> <li>- Procurement, commissioning &amp; maintenance of IT &amp; Smart Card infrastructure, installation &amp; operation of ~9,300 Smart Card POS Terminals, networking &amp; connectivity, development of POS software, data digitization, Smart Card personalization &amp; printing and setting up call centre</li> </ul>
RSBY (Rashtriya Swasthya Bima Yojana)	<ul style="list-style-type: none"> <li>- Provide Health Insurance Scheme for Below Poverty Line (BPL) families;</li> <li>- Collection of biometric data from different villages, centre management, system integration, issue &amp; renewal of Smart Cards and printing of RSBY booklets</li> </ul>
IGRS (Inspector General of Registration & Stamps)	<ul style="list-style-type: none"> <li>- Computerize process of registration of documents and recovery of stamp duty;</li> <li>- Computerized registration of marriages, societies, firms, non trading companies, etc</li> </ul>
PMS / DMS Computerisation of Election Commission	<ul style="list-style-type: none"> <li>- Generated election voter ID cards and citizen facilitation centers across Maharashtra, Rajasthan, Gujarat and UP;</li> <li>- Completed collection of electoral roll data across 38,450 gram panchayats in UP;</li> <li>- i) Design Multi-lingual software, ii) Publish Draft List in local language &amp; english twice in a year, iii) Provide updated list to Electoral Commission to update central database, iv) Print and distribute voters slip for political parties</li> </ul>

Source: Company

Going forward, VKI does not plan to re-bid for few of E-governance projects once they get terminated. However, the company's legacy projects, Election Commission and UID, are contracted to go on till perpetuity. Management's strategy shift is clearly visible with proportion of revenues and EBITDA from E-governance reducing from 61.3% and 58% in FY14 to 50.4% and 54.7% as at Q2FY16, respectively. Lowered focus shall in turn help VKI prune debt and improve its overall working capital cycle (with the reduction in debtor collection days).

### Improving vintage of Kendras to drive revenue momentum

VKI's business is fast transforming, driven by the rising share of VKI Kendras. Based on VKI's experience of providing services from mature Kendras, annual sale per outlet for a rural Kendra without ATM should be ~INR0.75mn, for a rural Kendra with an ATM it should be ~INR1mn and for a semi-urban and urban Kendra with an ATM it should be ~INR2.1mn. With increasing service offerings (VKI plans to add 1 service per quarter) and improving vintage of Kendras, management is confident of achieving robust revenue momentum over FY15-20.

With VKI's revenue share at 20%, EBITDA margin of the business should be stable at ~17-18%, albeit lower than clocked in E-governance business (Q2FY16 EBITDA margin in E-governance business was 28.3%). But, with an asset-light model and low working capital, RoA and RoE of the business should be stronger.



Table 7: VKI Kendra's revenue share, as a % of total revenues

(%)	FY13	FY14	FY15	FY20
VKI Kendras revenue (% of total revenues)	34	39	43	>90

Table 8: Targeted sales for VKI Kendras without ATM (rural)

(INR)	Go-Live & On Boarding Stage			Mature Stage	
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
E-Governance	9,116	10,259	11,571	13,208	44,154
Banking services	21,600	27,600	34,500	42,300	126,000
Insurance	8,950	9,100	11,150	11,050	40,250
E-Commerce	83,925	137,925	146,925	162,225	531,000
<b>Gross sales per outlet</b>	<b>123,591</b>	<b>184,884</b>	<b>204,146</b>	<b>228,783</b>	<b>741,404</b>
<b>Gross sales/ month per outlet</b>	<b>41,197</b>	<b>61,628</b>	<b>68,049</b>	<b>76,261</b>	<b>61,784</b>

Table 9: Targeted sales for VKI Kendras with ATM (rural)

(INR)	Go-Live & On Boarding Stage			Mature Stage	
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
E-Governance	9,116	10,259	11,571	13,208	44,154
Banking services	21,600	27,600	34,500	42,300	126,000
Insurance	8,950	9,100	11,150	11,050	40,250
ATM business	33,750	50,400	67,950	82,800	234,900
E-Commerce	83,925	137,925	146,925	162,225	531,000
<b>Gross sales per outlet</b>	<b>157,341</b>	<b>235,284</b>	<b>272,096</b>	<b>311,583</b>	<b>976,304</b>
<b>Gross sales/ month per outlet</b>	<b>52,447</b>	<b>78,428</b>	<b>90,699</b>	<b>103,861</b>	<b>81,359</b>

Table 10: Targeted sales for VKI Kendras with ATM (semi-urban/urban)

(INR)	Go-Live & On Boarding Stage			Mature Stage	
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total
E-Governance	133,711	135,190	136,150	136,510	541,561
Banking services	63,000	80,100	105,300	124,300	372,700
Insurance	23,100	20,700	21,450	18,550	83,800
ATM business	43,875	72,000	95,850	129,150	340,875
E-Commerce	114,638	155,138	185,738	317,138	772,652
<b>Gross sales per outlet</b>	<b>378,324</b>	<b>463,128</b>	<b>544,488</b>	<b>725,648</b>	<b>2,111,588</b>
<b>Gross sales/ month per outlet</b>	<b>126,108</b>	<b>154,376</b>	<b>181,496</b>	<b>241,883</b>	<b>175,966</b>

Source: Company

### Increasing dividend payout: Become debt free; improve WC cycle

The company is focused on retiring debt and becoming long term debt free company by FY16. From FY17, onwards the board has approved a higher dividend payout policy of 15-25% of consolidated profits (as compared to 4-10% in last 4 years).

With shift in business strategy of focusing on VKI Kendras which has low capex, low working capital (WC) requirement and higher return ratios, the concerns emerging from annual report analysis with respect to higher outstanding receivables, elongated working capital cycle and limited cash flow generation, among others should wane gradually.

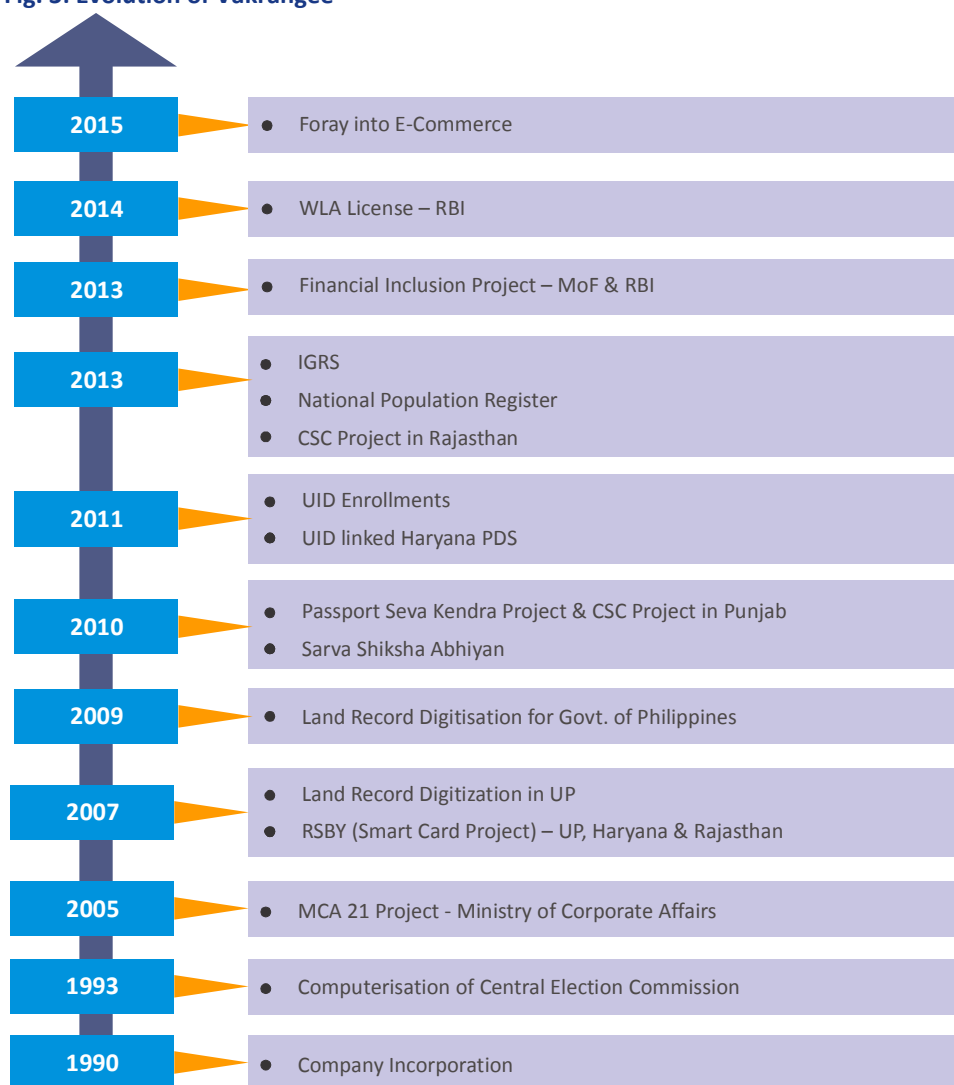
## Quarterly snapshot

(INRmn)

Year to March	Q2FY16	Q2FY15	YoY (%)	Q1FY16	QoQ (%)	YTD16	FY15
Net revenues	7,839	6,979	12.3	7,010	11.8	14,848	27,754
Raw material costs	5,714	5,099	12.1	5,042	13.3	10,755	20,184
Gross profit	2,125	1,880	13.0	1,968	8.0	4,093	7,569
Employee expenses	61	46	33.1	56	7.6	117	196
Other expenses	53	39	37.2	51	4.7	104	196
Operating expenses	114	84	35.0	107	6.2	221	391
Total expenditure	5,827	5,183	12.4	5,149	13.2	10,976	20,576
EBITDA	2,011	1,796	12.0	1,861	8.1	3,872	7,178
Depreciation & amortisation	422	410	2.9	437	(3.4)	858	1,643
EBIT	1,589	1,386	14.7	1,424	11.6	3,014	5,535
Interest expense	140	204	(31.5)	143	(2.3)	283	749
Other income	39	32	19.1	31	26.0	69	96
Profit before tax	1,488	1,214	22.6	1,312	13.5	2,800	4,881
Provision for tax	535	416	28.5	468	14.3	1,003	1,675
Reported Profit	954	798	19.5	844	13.0	1,797	3,206
Basic EPS	1.8	1.6	16.5	1.7	9.5	3.5	6.4
Diluted EPS	1.8	1.6	14.0	1.6	12.6	3.4	6.0
<b>Balance sheet data</b>							
Networth	14,119	8,199	72.2			14,119	9,815
Borrowings (inc. other curr liabs)	4,827	4,860	(0.7)			4,827	4,147
Trade receivables	9,907	11,477	(13.7)			9,907	12,216

Source: Company

Fig. 3: Evolution of Vakrangee



Source: Company

## Financial Statements

Income statement					(INRmn)				
Year to March	FY12	FY13	FY14	FY15					
Net revenues	13,521	15,558	19,654	27,754					
Raw material costs	10,897	11,324	13,677	20,184					
Gross profit	2,625	4,234	5,977	7,569					
Employee expenses	122	250	262	196					
Other expenses	123	146	166	196					
Operating expenses	245	396	428	391					
Total expenditure	11,142	11,720	14,105	20,576					
EBITDA	2,380	3,838	5,549	7,178					
Depreciation & amortisation	874	1,569	1,803	1,643					
EBIT	1,506	2,269	3,746	5,535					
Interest expense	553	858	779	749					
Other income	42	74	92	96					
Profit before tax	995	1,485	3,060	4,881					
Provision for tax	320	392	1,070	1,675					
Reported Profit	675	1,093	1,990	3,206					
Adjusted Profit	675	1,093	1,990	3,206					
Equity shares outstanding (mn)	500	501	503	503					
EPS (INR) Adjusted basic	1.4	2.2	4.0	6.4					
Diluted shares (mn)	508	501	509	531					
EPS (INR) Adjusted diluted	1.3	2.2	3.9	6.0					
DPS	0.2	0.2	0.3	0.3					
Dividend payout (%)	17.2	10.8	7.4	4.7					

Common size metrics (% net revenues)				
Year to March	FY12	FY13	FY14	FY15
Gross margin	19.4	27.2	30.4	27.3
Operating expenses	1.8	2.5	2.2	1.4
EBITDA margins	17.6	24.7	28.2	25.9
EBIT margin	11.1	14.6	19.1	19.9
Interest	4.1	5.5	4.0	2.7
Net profit margin	5.0	7.0	10.1	11.6

Growth metrics (%)				
Year to March	FY12	FY13	FY14	FY15
Revenues	NA	15.1	26.3	41.2
EBITDA	NA	61.3	44.6	29.4
PBT	NA	49.1	106.1	59.5
Adjusted Profit	NA	61.9	82.1	61.1
EPS	NA	63.9	79.3	54.5

Balance sheet					(INR mn)				
As on 31st March	FY12	FY13	FY14	FY15					
Share capital	250	502	503	503					
Reserves & surplus	3,891	4,653	6,525	9,312					
Shareholder equity	4,141	5,155	7,028	9,815					
Money recd against warrants	-	-	1,022	2,500					
Long term borrowings	1,560	1,457	862	374					
Short term borrowings	2,170	2,805	3,888	3,626					
Loan funds	3,730	4,262	4,750	4,000					
Deferred tax liability/asset	732	827	709	423					
Long Term Liabs and provisions	70	78	33	16					
<b>Sources of funds</b>	<b>8,672</b>	<b>10,322</b>	<b>13,542</b>	<b>16,754</b>					
Gross fixed assets	7,118	7,998	10,446	10,472					
Accumulated depreciation	2,247	3,814	6,096	7,753					
Net block	4,871	4,184	4,350	2,719					
CWIP (incl. intangible)	1	-	481	101					
Total net fixed assets	4,872	4,184	4,831	2,820					
Non current investments	584	117	38	28					
Cash and cash equivalents	260	312	292	368					
Inventories	36	199	1,306	1,335					
Sundry Debtors	4,452	6,614	7,920	12,216					
Loans & Advances	648	594	917	469					
Other Assets	102	1,572	1,976	3,138					
Total Current Assets (ex cash)	5,238	8,978	12,119	17,159					
Trade payable	1,189	1,748	2,520	2,108					
Other CL & Short term provs.	1,093	1,521	1,218	1,512					
Total CL & Provisions	2,282	3,269	3,738	3,620					
Net Current Assets (ex cash)	2,957	5,710	8,382	13,538					
<b>Uses of funds</b>	<b>8,672</b>	<b>10,322</b>	<b>13,542</b>	<b>16,754</b>					
Book Value per share (INR)	8	10	16	24					

Profitability ratios				
Year to March	FY12	FY13	FY14	FY15
EBITDA margin	17.6	24.7	28.2	25.9
Pre-tax (ROCE) (%)	NA	27.1	34.6	38.7
ROAE (%)	NA	23.5	32.7	38.1
ROA (%)	NA	11.5	16.7	21.2
Current ratio	2.4	2.8	3.3	4.8
Quick ratio	2.4	2.8	3.0	4.5
Cash ratio	0.1	0.1	0.1	0.1
Cash conversion cycle (days)	NA	86.3	98.1	114.4

Valuation parameters				
Year to March	FY12	FY13	FY14	FY15
Adjusted Diluted EPS (INR)	1.3	2.2	3.9	6.0
Y-o-Y growth (%)	NA	63.9	79.3	54.5
Diluted P/E (x)	114.4	69.8	38.9	25.2
Price to Book Ratio (P/B) (x)	18.4	14.8	9.5	6.2
Enterprise Value / Sales (x)	5.9	5.2	4.1	2.9
Enterprise Value / EBITDA (x)	33.4	20.9	14.6	11.2
Dividend Yield (%)	0.1	0.1	0.2	0.2

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### Coverage group(s) of stocks by primary analyst(s): Banking and Financial Services

Allahabad Bank, Axis Bank, Bajaj Finserv, Bank of Baroda, DCB Bank, Dewan Housing Finance, Federal Bank, HDFC, HDFC Bank, ICICI Bank, IDFC, Indiabulls Housing Finance, IndusInd Bank, Karnataka Bank, Kotak Mahindra Bank, LIC Housing Finance, Max India, Multi Commodity Exchange of India, Manappuram General Finance, Magma Fincorp, Mahindra & Mahindra Financial Services, Muthoot Finance, Oriental Bank Of Commerce, Punjab National Bank, Power Finance Corp, Reliance Capital, Rural Electrification Corporation, Repco Home Finance, State Bank of India, Shriram City Union Finance, Shriram Transport Finance, South Indian Bank, SKS Microfinance, Union Bank Of India, Yes Bank

#### Recent Research

Date	Company	Title	Price (INR)	Recos
16-Nov-15	ICICI Bank	Stake sale in insurance accretive; deployment key; <i>EdelFlash</i>	267	Buy
12-Nov-15	Indiabulls Housing Finance	Acquisition of controlling stake in OakNorth Bank; <i>Event Update</i>	717	Buy
10-Nov-15	Banking	Project UDAY: Dimming power financiers outlook; Sector Update		

#### Distribution of Ratings / Market Cap

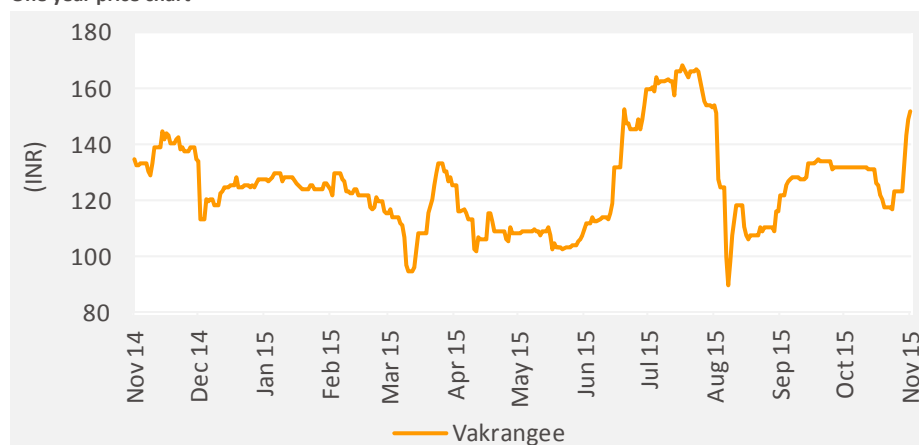
##### Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	155	45	8	208
* stocks under review				
	> 50bn	Between 10bn and 50 bn	< 10bn	
Market Cap (INR)	151	54	3	

#### Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart





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