

# VAKRANGEE LIMITED

## BANKING ON RETAIL REVOLUTION



Retail Desk

23 June 2017

Rating	Buy		
CMP (₹)	424		
Target Price (₹)	535		
Upside (%)	26		
Sector	Specialty Retail		
Key Data			
BSE Code	511431		
NSE Code	VAKRANSOFT		
Reuters code	VAKR.BO		
Bloomberg Code	VKI IN		
Sensex(22/06/2017)	31290		
Face Value (₹)	1		
Mcap (₹ Cr.)	22429		
52 week H/L (₹)	457/164		
2 Wk Avg Qty	134000		
Share holding, March '17	Holding %		
Promoters	41.6		
Corporates	6.8		
FII's	18.0		
DIs	6.4		
Public	27.2		
Performance			
(%)	3M	6M	12M
Stock - VL	35.4	57.7	129.7
BSE 200	6.9	22.2	21.0
BSE 500	7.7	23.5	22.7

## Price Chart: (One-Year)


<http://www.vakrangee.in>

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## Company Description:

Vakrangee Ltd (VL) is a technology-driven company, focusing on creating India's largest network of last-mile retail points-of-sale. Its aim is to potentially enable every Indian to seamlessly benefit from financial inclusion, Government programmes and from a wider access to basic goods and services.

It leverages its vast network of retail access points to deliver real-time BFSI services, Government to Citizen Services (G2C) & Business to Consumer Services (B2C) to the unserved and underserved rural, semi-urban and urban markets. Its endeavor is to connect India's citizens with a modern ecosystem. VL aims to bridge the financial inclusion gap between the developed urban India and under-developed rural India by serving a 700+ million people market through the Vakrangee Kendras.

Vakrangee is currently operating more than 35,000 "Vakrangee Kendra" outlets across India. The company has plans to setup and manage a total of 75,000 "Vakrangee Kendra" outlets across India by 2020 and covering the presence in all Postal code of the country.

The Company has today emerged as one of World's largest Franchisee network globally. With the overall Industry opportunity of minimum 2,60,000 outlets and potential opportunity to be more than 5,00,000 outlets, thus leading to ample visibility for the company to maintain higher growth rates over the next 5 to 10 years.

VL was formerly known as Vakrangee Softwares Ltd (VSL) originally incorporated in 1990. VL is one of the few leading e-Governance Service provider in India well equipped with cutting edge infrastructure, highly experience professionals, strong investment and technological breakthrough on a continual basis in order to maintain strict time bond completion of mission critical and socially relevant projects.

Over the next few years, Vakrangee intends to focus more on franchisee-based model of Kendras while e-governance projects run through their contract periods.

## Key Financial: (Consolidated)

(₹ crore)

Year-March	Q4FY17A	Q4FY16A	FY16A	FY17A	FY18E	FY19E	FY20E
Sales/OP Inc	1147.5	880.3	3196.4	4005.7	5005.0	6206.2	7570.0
PBIDT	269.2	216.7	826.4	951.3	1151.2	1427.4	1733.8
Interest	9.9	13.8	56.3	50.1	40.0	30.0	25.0
PBDT	259.3	202.9	770.1	901.2	1111.2	1397.4	1708.8
Depreciation	13.1	35.2	164	73.4	73.0	85.0	89.8
PBT	246.2	167.7	606.1	827.8	1038.2	1312.4	1619.0
Tax	94.8	58.7	211.2	297.0	363.3	464.9	566.7
PAT	151.4	109.0	394.9	530.8	674.9	847.5	1052.3
Equity			52.9	52.9	52.9	52.9	52.9
Reserves			1530.6	2001.4	2,676.3	3,523.8	4,576.1
Book Value (₹)			29.9	38.8	51.6	67.6	87.5
EPS (₹)	2.9	2.1	7.6	10.0	12.8	16.2	19.9
OP Margin (%)	23.5	24.7	25.8	23.7	23.0	23.0	22.9
PAT Margin (%)	13.2	12.4	12.4	13.3	13.5	13.7	13.9
P/E				42.4	33.1	26.2	21.3



### Vakrangee Subsidiaries

Vakrangee has three subsidiaries; Vakrangee Finserve Ltd and Vakrangee e-Solution Inc (Philippines). Both are 100% subsidiaries of Vakrangee Ltd. Vakrangee Logistics Private Ltd, incorporated in March 2016, is a wholly owned subsidiary of Vakrangee Ltd.

### Moving Up the Value Chain

Over the years, VL has moved up the value chain - from being a sub-contracted IT enabler in e-governance projects into a prime bidder that is focused on mission-mode projects as per the e-Governance plan of India and transformed into an organized “RURBAN Retail House” offering Banking, Insurance and G2C & B2C services at more than 35, 206 delivery points under its outlets that are branded as “Vakrangee Kendras”.

### Vakrangee Presence

Sr No.	Presence Across 18 States in India
1	Bihar
2	Chandigarh (UT)
3	Chattisgarh
4	Dadar & Nagar Haveli (UT)
5	Delhi
6	Goa
7	Gujarat
8	Haryana
9	Himachal Pradesh
10	Jharkhand
11	Odisha
12	Karnataka
13	Madhya Pradesh
14	Maharashtra
15	Punjab
16	Rajasthan
17	Uttar Pradesh
18	Uttarakhand

### Vakrangee Milestone

Year	Key Milestone
1990	Year of Incorporation
1993	Computerization of Election Commission
2005	MCA-21 project- Ministry of Corporate Affairs
2007	Land Record Digitization in Uttar Pradesh and RSBY - Smart Card Project
2009	Integrated land record digitization for Govt. of Philippines
2010	Passport Seva Kendra Project & CSC in Punjab and Sarva Shiksha Abhiyan
2011	UID Enrollment and UID Linked Haryana PDS
2013	Financial Inclusion projects BC Bank Branches at the Panchayat level in Rural India and Ward level at Urban India
2014	White Label ATMs License from RBI and De-Congestion Branches for Banks
2015	Foray into E-Commerce
2016	Strategic tie-up with (1) IOC (2) Insurance tie-up for Life, Non Life and Health (3) Logistic tie-up with FedEx, Aramex and Delhivery
2017	Alliance with IRCTC, Logistic tie-up with First Flight, Insurance tie-up with Aditya Birla Health



### **Employee Strength**

VL has 1800+ employee on payroll out of which approximately 65%+ of employees are technically qualified. It has been innovative in internal organization and has introduced industry leading practices in hiring, resource planning and knowledge sharing. Most of technical employees are based on-site at customers' offices, and are recruited locally.

### **Q4FY17 & FY17 Results**

During Q4FY17, consolidated net profit grew 38.9% to ₹151.4 crore on 30.4% increased revenue of ₹1147.5 crore. Q4FY17, OPM and NPM stood at 23.5% and 13.2% as against 24.7% and 12.4% respectively in Q4FY16. Consolidated EPS for Q4FY17 stands at ₹2.9.

During FY17, consolidated net profit rose 34.4% to ₹530.8 crore on 25.3% higher sales of ₹4005.7 crore. OPM and NPM stood at 23.7% and 13.3% as against 25.8% and 12.4% respectively in Q4FY16. Consolidated EPS for FY17 stands at ₹10. A dividend of 200% has been declared.

Kendras' share in Vakrangee's overall revenues rose from 39% in FY14 to 64% in FY17 and Vakrangee expects the proportion to rise to 100% by FY20.

### **Vakrangee Kendras-World's Largest Technology-Driven Products & Services Delivery Platform**

#### **Last-Mile Retail Points-of-Sale**

Vakrange Kendras enable its customers to access a wide array of goods and services, such as banking & insurance products, e-Governance services, getting an Aadhaar Card made, paying utility bills, and much more, within walking distance. Government subsidies can now be deposited directly into their bank accounts. With assisted e-commerce, its rural and urban customers can access the same choices available globally, at the same prices and terms as any urban customer is privileged to receive. Today, Vakrangee Kendras have become indispensable modern-day convenience stores for many ordinary people, whose lives get transformed when a Vakrangee outlet opens nearby.

### **Key Alliance Partners**

VL's key alliance partners include various telecom operators, DTH operators along with PSU banks, Life Insurance Corporation and various government agencies.

### **Tie Ups & Alliances**

- Insurance Vertical - New Tie ups announced in Life, Non Life & Health Segments
- Life - Life Insurance Corporation (LIC), Bajaj Allianz, HDFC Life, Non Life - Tata AIG, Reliance General, HDFC ERGO Health - Aditya Birla Health, Religare, CIGNA TTK
- Logistics Vertical - FedEx Express, Aramex India, Delhivery and First Flight for Courier & logistics services
- E-Governance Vertical - Offers various Government-to-Citizen services from Vakrangee Kendra. Alliance with IRCTC for railway E-ticket bookings
- Tie-up with Indian Oil Corporation Ltd (IOCL) for setting up Vakrangee Kendra outlets at Gas/Filling Station.
- E-Commerce - Offer various Business-to-Customer services like mobile and DTH recharges. Alliance with various partners to facilitate sale of various products; Redbus for offering bus ticketing services; Mahindra for promoting and booking automobile products, Augmont for Gold product booking and Amazon for Assited e-commerce services.

### **Strategic Partnership with Indian Oil Corporation**

In FY16, VL entered into an exclusive arrangement with IOCL whereby it can potentially set up centres at IOCL outlets. Through strategic partnership with India's largest commercial enterprise, Indian Oil Corporation Ltd (IOCL), the Company will be setting up Vakrangee Kendras at the oil company's retail outlets.

The move reiterates the company's mission of creating India's largest network of last-mile retail points-of-sale to benefit the customer. IOCL, India's largest commercial enterprise, has provided VL with a ready platform of more than 25,000 retail distribution outlets on a pan India basis, enabling significant synergy with them.



### Expansion Through Franchisees

Vakrangee 135+ outlets are operational and 75+ outlets currently under Go Live stage in the state of Maharashtra, Rajasthan, Uttar Pradesh, Gujarat, Madhya Pradesh, Orissa, Jharkhand, Chhattisgarh and Delhi NCR.

Vakrangee Kendra Business is asset light growing on franchisee model. The business model is driven mainly because of Government of India Financial Inclusion Programme. Under this arrangement Vakrangee will appoint franchisee who run the Vakrangee Kendra Outlet in SSA/Ward system. Vakrangee Kendra Outlet Business, which provides Banking, Insurance, e-Governance Services, e-Commerce Services and Logistic Services to people in the rural and urban markets.

Outlets are run by commission sharing arrangement between Vakrangee and Franchisee (where franchisee earn commission from minimum 65% and up to 80% based on milestone revenues achieved). On an average, gross margins would be around 20-25% for Vakrangee for this segment of business. Vakrangee provide the technical support and product basket (based on tie-ups) to franchisee.

VL and its partner's provide the training, technical support to franchisees. Target customers are those who do not have access to banking channels and/or other services being offered at the Kendras.

As the entrepreneur is a local well versed with the rural market structure and consumer behaviour, it gives Vakrangee a cutting edge while operating in an environment which has a relatively different market trend. The business model cuts down marketing costs significantly, at the same time the capex is almost negligible.

Franchisees have to invest ₹1.5-2.0 lakh as Capex to get a VSAT connection, genset, laptop, etc, in rural areas. In urban areas, franchisees have to invest ₹6 lakh. Apart from the Capex, franchisees need to maintain a settlement account of ₹2-3 lakh for rural areas and ₹5-10 lakh in urban areas. Vakrangee's per-outlet Capex is ₹20,000. In addition, Vakrangee will have to incur ₹3-lakh Capex per white-label ATM, which it recover from the franchisee in a form of non-refundable franchisee fee.

### Wide Bouquet of Products & Services to Drive Consumption Growth

Vakrangee Kendra outlets provide access to more than 100 million products and over 1000 services under one roof across various verticals such as E-Governance, Banking, Insurance, Ecommerce and Logistics. Tie ups with well-reputed Brands such as Amazon, LIC, HDFC Standard Life, Bajaj Allianz, Tata AIG, Aditya Birla sun life would further drive the overall sales and consumption at the Vakrangee Kendra outlet. Company is also planning to further enhance the bouquet of services by adding Loan products through Tie ups with NBFCs and Banks.

### Business Product & Services Offering



**Banking and Insurance:**

The Vakrangee banking offers robust technology, real time, interoperability and paperless banking. ATM: RBI license to setup and manage 15,000 WLA across India.

Bank A/C Opening - Savings, Current, Recurring  
Transactions - Deposits, Withdrawals, Remittances  
Balance Enquiry, Statement of Accounts  
Direct Benefit Transfer  
Pension Disbursement  
Food Security related DBT  
Insurance - Life, Non-Life & Health, premium payments

VL is a corporate agent of Life Insurance Corp of India (LIC); TATA AIG General Insurance; Bajaj Allianz Life Insurance HDFC Standard Life Insurance; Reliance General Insurance Company; HDFC ERGO General Insurance Company; CIGNA TTK Health Insurance; Religare Health Insurance, Aditya Birla Helath insurance and Provide Insurance under Atal Pension Yojna, Jeevan Jyoti Bima Yojna, Pradhan Mantri Suraksha Bima Yojna.

**E-Commerce Services:****Strategic tie-up with the Online Shopping Portal, Amazon India:**

VL offers access to Amazon's wide range of product & services, allows customers to browse and place orders; VL helps Amazon solve the lastmile delivery problem. And the collection point for sales of goods and product The goods are delivered at VL's outlets and customers pick up the shipment from the centre. Amazon offers 4-15% of gross merchandise value (GMV) as commission to VL. Amazon also helps in marketing the various offers and schemes from time to time.

Amazon has acquired 31% market share over 4 years after starting its ecommerce operations in India (June 2013). Amazon India had an average of 30 million unique visitors per month over the last few months. Amazon's is now seen to be the biggest online store in India with more than 100 million products for sale.

Amazon to have the largest storage space for an e-commerce company in India with its 27 FCs operational across 10 states and is setting up additional 14 new fulfillment centres (FCs/warehouses) in 2017, taking the total number of FCs to 41. It will have 4 million sq ft of space and offer over 13 million cu ft of storage. Vakrangee shall provide marketing, ordering, payment and pick up services to Amazon through the "Vakrangee Kendras"

**E-Commerce Offerings**

Vakrangee offer various Business-to-Customer services like mobile and DTH recharges. Alliance with various partners to facilitate sale of various products; Redbus for offering bus ticketing services; Mahindra for promoting and booking automobile products.

**(a) Telecom**

Pre-paid and post-paid cards, tariffs and plans, charge and calling cards, broadband connections and other value-added services offered by telecom providers.

**(b) Direct to Home (DTH)**

VL has partnered with all DTH providers of home entertainment, enabling them to increase their subscriber base through Vakrangee Kendras. Service delivery includes end-to-end solutions in the DTH segment, subscription cards, new set-top box connections, and various other customer services

**(c) Partnered with Mahindra & Mahindra**

VL has entered into a partnership with Mahindra eMarket Limited, a subsidiary of Mahindra and Mahindra Limited, for promoting and booking automobile products through Vakrangee Kendras. Citizens, particularly in unserved and under-served areas can visit the nearest and book automobile products available on Mahindra eMarket by paying the booking amount.



**(d) Red Bus**

VL entered into an alliance with Red Bus offering bus ticketing services at Vakrangee Kendra through Vakrangee portal.

**(3) E- Governance Services**

**a. Collection Services:** Payment of electricity, telephone and mobiles

**b. Recruitment Application Processing:** Processing of applications for recruitment of workforce for Government-related services, such as for Police, Teacher and Anganwadi Workers among others.

**c. Issuance of Certificates:** Online registration and issuance of birth, death, domicile, and land record certificates, among others **d. Grievance Management Services:** Enables citizens to issue formal grievance to the Government (directly/through local agencies).

**Enrolments and various other services:**

UID Card, NREGA Job Card, Election Card Land Record Digitisation, Electoral Rolls

Taxes, Levies

Railway Tickets, Certificates, Hall Tickets

Exam Fee Payments, Online Form Filling

**(4) Logistics:**

VL has incorporated Vakrangee Logistics Pvt Ltd, a wholly-owned subsidiary for the logistics business, and are leveraging the Vakrangee Kendra outlets for pick-up and distribution of parcels from the district level till the customer's doorstep.

FedEx Express, Aramex India, Delhivery and First Flight for Courier & logistics services using the last-mile distribution network of Vakrangee Kendra outlets Vakrangee aims to be the most trustworthy Physical as well as Online convenience-store across India. We promise to give every Indian, their rightful access to a wide range of products and services, that are fairly priced and of high quality. We will keep expanding this network, until we are in close proximity to the last excluded person within the country".

Over the next few years, VL plans to do much more expansion than the earlier set target of 75,000 outlets. It has clear focus to deepen its presence and reach, enhance our product & service portfolio and creating a seamless customer experience.

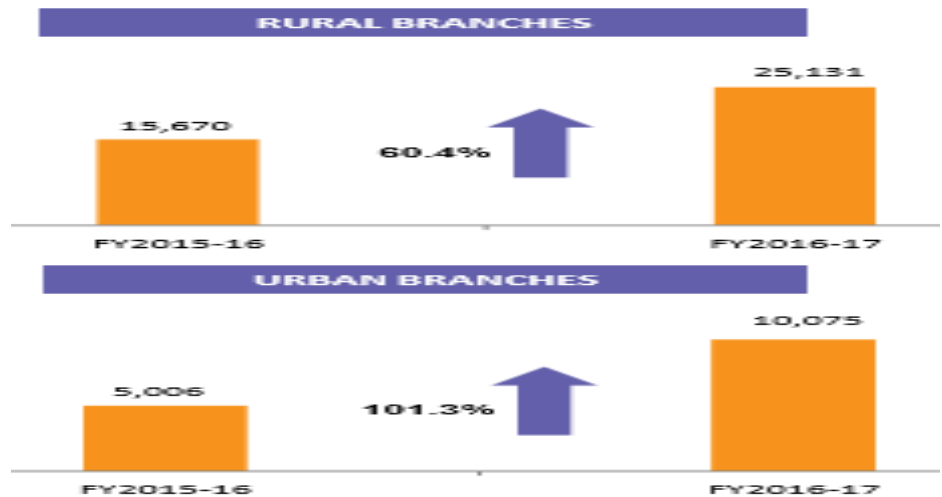
Vakrangee aim is to potentially enable every Indian to seamlessly benefit from Financial Inclusion, Social Inclusion, Digital India, Skill Development, Employment, Government programmes and a wider access to basic goods and services.

**Vakrangee Rollout Status as on 31 March 2017**

States	Rural Branches	Urban Branches	Total
Rajasthan	10058	3014	13072
Uttar Pradesh	6648	3374	10022
Maharashtra	6848	2303	9151
Madhya Pradesh	565	317	882
Gujarat	210	225	435
Bihar	314	88	402
Haryana	89	212	301
Punjab	71	210	281
Jharkhand	123	57	180
Odisha	70	56	126
Delhi	1	116	117
Chhattisgarh	46	23	69
Uttarakhand	36	31	67
Goa	31	20	51
Himachal Pradesh	15	12	27
Chandigarh	1	13	14
Karnataka	5	3	8
Dadar & Nagar Haveli	0	1	1
<b>Total</b>	<b>25131</b>	<b>10075</b>	<b>35206</b>

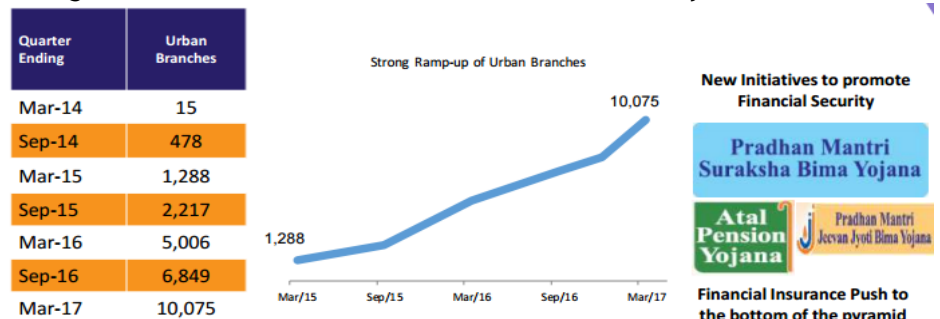


## Growth in Branches



## Vakrangee Kendra: Ramp Up of Urban Branches

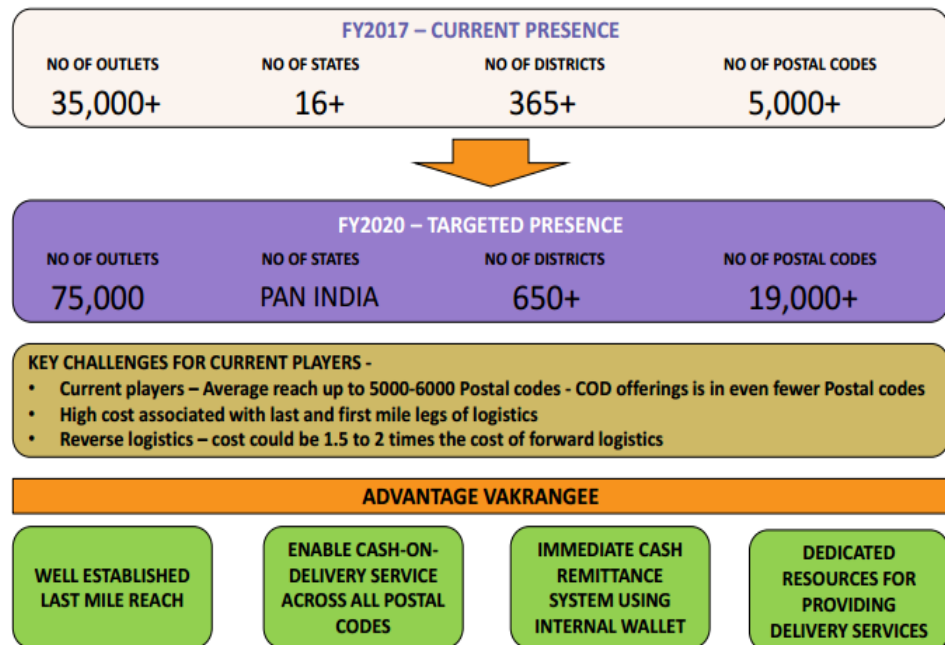
## Strong Focus from Financial Inclusion to Financial Security



Post the launch of PMJDY by government there has been a strong push from the banks to expand their BC network not only in rural but also in urban areas

Hence there has been a strong ramp-up in urban branches from around 1,288 urban branches in Mar-15 to 10,075 branches by Mar-17

## Vakrangee Logistics Approach



**Fedex, ARAMEX & First Flight**

VL has entered into a tie-up with **Fedex, ARAMEX & First Flight** through its wholly-owned subsidiary Vakrangee Logistics Private Ltd to offer courier booking and last-mile delivery services to customers

**Delhivery**

Through our wholly-owned subsidiary Vakrangee Logistics Pvt Ltd, VL has entered into a tie-up with Delhivery Pvt Ltd for offering last-mile delivery services. Under the agreement, Vakrangee Kendras offers forward delivery and reverse pick-up services to Delhivery, enabling it reach pin codes which are difficult to service.

**E-Governance (SI)**

VL has an established and proven track record in delivering time-bound 'mission critical' Government projects, getting involved in the entire value chain - right from data digitisation to technology management.

**Aadhar Cards**

VL is engaged in pan-India enrolment of Aadhaar Cards, a 12-digit individual identification number issued by the Unique Identification Development Authority of India (UIDAI).

VL offers Print management and Data management services(PMS & DMS) Computerization of Election Commission, SSA and RSBY.

### *Vakrangee Kendra Business Model Rural*

Vakrangee intends to expand primarily through the Asset Light Vakrangee Kendra Franchisee model, thus with a clear focus on Free cash flow generation. The Company intend to open 75,000 Vakrangee Kendra by FY 20 and to reach each & every postal code of India. The franchisee based asset light model will generate strong margins, Robust return ratios and sustained growth for the company.

**Rural Model - Key Advantages:**

- **Exclusivity** - VL will be the exclusive BC at gram panchayat level (Sub-Service Area) under the Financial Inclusion Project. Further it is the government empanelled agency to offer an exclusive portfolio of G2C services.
- **Scalability** - VL would be expanding through franchise model requiring minimal Capex & working capital.
- **Economies of Scale & Scope** - VL will leverage the existing platform to offer more and more services and products.
- **Positive Operating Leverage** - VL will benefit from positive operating leverage as it expands its business with no major incremental capex & operating costs.

### *Vakrangee Kendra Business Model Urban*

**Urban Model - Key Advantages:**

- **Strong brand recognition** - VL's decongestion branch and WLA will benefit from the brand pull of the adjacent parent bank.
- **Revenue synergies and cost savings** - Sharing of costs - rent, VSAT, electricity, security and site maintenance, through co-location of decongestion branch and WLA. VL will benefit from captive footfalls of pensioners and mobile workers at decongestion branch which can also avail WLA, G2C and B2C services.
- **Effective Cash Management** - Cash from decongestion branch can be effectively deployed at the adjacent WLA, thus efficiently managing the cash replenishment in ATM machines, and reducing the logistics issues and risks.
- **UID enabled ATM transaction** - All WLAs set up by VL will be AEPS-enabled (Aadhaar-enabled payment system) thus enabling people to access ATMs without carrying and maintaining ATM cards.





## Financial Inclusion Project

The main strategy is to grow Financial Inclusion business by increasing the number of ultra-small branches of public sector as well as reputed private banks in large part of the country.

On the strength of strong track record of establishing ultra-small branches of public sector banks in Maharashtra, Rajasthan and Delhi, subsequently these banks have been permitting us to set up more BC outlets in other states.

VL now intends to complete around 75,000 Vakrangee Kendras across pan India by 2020, out of which 25,000 will be in urban and semi-urban areas and the remaining 50,000 - in rural areas.

## BC Agreement With Banks

National BC Agreements	
Sr No	Bank Tie-Ups
1	Bank of India
2	Punjab National Bank
3	Union Bank of India
4	Allahabad Bank
5	State Bank of India
6	Bank of Baroda
7	Baroda Gujarat Gramin Bank
8	Baroda Uttar Pradesh Gramin Bank

BC Bank branches to be opened under Common BC and National BC Agreements with public sector banks

Common BC Agreements	
Sr No	Bank Tie-Ups
1	Bank of Baroda
2	Bank of India
3	Baroda Rajasthan Gramin Bank
4	Indian Bank
5	Indian Overseas Bank
6	Jaipur The Gramin Bank
7	Oriental Bank of Commerce
8	Punjab National Bank
9	Rajasthan Gramin Bank
10	Union Bank of India
11	UCO Bank
12	Vijaya Bank
13	State Bank of Bikaner & Jaipur
14	Bank Of Maharashtra
15	Dena Bank
16	Syndicate Bank
17	Canara Bank
18	Allahabad Bank
19	Andhra Bank
20	Corporation Bank
21	Punjab & Sind Bank
22	Central Bank of India
23	Hadoti Kshetriya 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	Wainganga Krishna Gramin Bank
31	IDBI bank

Vakrangee Limited

Vakrangee has been appointed as Business Correspondent (BC) by various banks under the “Common BC” and “National BC” agreements, with a contract period of 5 + 2 years.

Vakrangee is offering real-time banking to unserved and underserved rural population. Banking at “Vakrangee Kendra” outlets is a unique experience with disruptive technology like APS, e-KYC, inter-operability and real-time transactions

## Strong Corporate Governance

- Licenses from Prominent authorities like UIDAI, RBI. Tie-Up Alliance with Reputed Private Players such as Amazon, Tata AIG, Mahindra & Mahindra, Aramex, HDFC Life, Bajaj Allianz, HDFC ERGO General, Aditya Birla Health etc
- Approved the appointment of Price Waterhouse & Co. Chartered Accountants LLP (PWC) as New Statutory Auditor, subject to regulatory approvals.
- Independent Board with 6 out of Total 8 Directors being Independent. Nominee Director on Board representing the Life Insurance Corporation of India
- Company has a Tax rate at ~35% and adheres to Full tax payment.
- To maintain a dividend pay-out in the range of 15%-25% of profits after tax (PAT) on consolidated financials
- Before its tie-up with Amazon, Amazon India performed a lengthy due diligence process with PWC as the auditor. MSCI also audited the process and corporate governance practice and accorded 10 out of 10. MSCI has initiated coverage on the company with a “BBB” Rating.

**Strong Board Team**

- **Dinesh Nandwana (M.D & CEO)** - Has about more than 27 years of business experience. Main functions and areas of responsibilities in the Company include policy formulation and decision making. He is a certified Chartered Accountant.
- **Ramesh Joshi (Non-Executive Independent Director)** - Has about 40 years of business experience in the banking industry. Has worked with RBI for over 3 decades and a former ED of SEBI.
- **Sunil Agarwal (Non-Executive Independent Director)** - Has over 25 years of experience in business administration.
- **B. L. Meena (Non-Executive Independent Director)** - Has about 28 years of experience, having served in various Government departments.
- **Avinash Vyas (Additional Director - Independent)** - Has wide experience in Audit Certification for externally aided projects funded by foreign agencies.
- **T. Sitharthan (Nominee Director - Independent)** - Nominee Director (representing the Life Insurance Corporation of India) of our Company.
- **Sujata Chattopadhyay (Additional Director - Independent)** - Has over 26 years of experience across various industries and geographies.

**Strong Management Team**

- **Dinesh Nandwana (M.D & CEO)** - Has more than 27 years of business experience. He has a Bachelor's degree in Commerce from Rajasthan University and is a Chartered Accountant from the Institute of Chartered Accountants of India. Main functions and areas of responsibilities in the Company include policy formulation and decision making. Has received a memento from the former Honorable President of India, Late Shri Shankar Dayal Sharma in 1996. Recipient of the 'CA Business Leader - SME (3rd Rank)' award by the Institute of Chartered Accountants of India for the year 1997.
- **Sumit Jain (CEO- eCommerce)** - Has joined Vakrangee as Sr. Vice President and is heading the eCommerce vertical. He joined Vakrangee Limited from Barclays. Prior to Barclays, he worked with Credit Suisse and Intel Corporation in USA for over a span of 6 years. He Holds a MBA Degree from Stern School of Business at New York University and has completed B. Tech degree in Computer Science from Indian institute of Technology (IIT) Bombay.
- **Rajeev Ranjan (CEO - e Governance)** - He was a former Chief Executive Officer, with Vakrangee e-Solutions INC. at Manila, Philippines, he has led 8500 strong team of professionals and technical resources to deliver world-class and high-quality Land Registration project for Government of Philippines. He is a Post-graduate and former Tata group senior executive, having vast experience with excellent record of delivering simultaneous National level, large scale and mission-critical projects, on time and within budget.
- **Rahul Dev Pal (CEO - Banking)** - He is an economics graduate with a rich experience of almost 26 years in the field of sales and marketing. He has an in-depth knowledge of the banking vertical and from the very beginning of his career, he has dealt with different Government departments and has done a lot of work in the BFSI vertical. He Started his career with HCL he worked with companies like Xerox, Pertech Computers, BPL and Godrej. His last assignment in Godrej was as a National Head.
- **Nitin Sharma (CEO - ATM)** - He is a competent professional with over 17 years of cross-cultural experience in Operations, Implementation, Retail and Project Management. Former to this, during the period 2009-12, he worked as a Chief Operational Officer with Vakrangee's Foreign Subsidiary Vakrangee e-Solutions INC., Manila, Philippines. He holds an Executive MBA Degree from IIM Kolkata and Masters in Operations, IR and Social Work from Premier Institute, Udaipur.



- **Dr. Nishikant Hayatnagarkar (Director - R & D)** - Has about 24 years of business experience in the information technology sector. Main areas of responsibility in the Company include software development, information technology compliance and technical support. Holds a Doctorate in Computer Science from the Indian Institute of Technology, Mumbai.

### Strong Execution Capability

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

### Strong Infrastructure

VL has built up an extensive last mile infrastructure with a retail outlet. VL has empanelment's and licenses to provide various services, introduction of new products and services thus enhancing the core offering at the outlet as well as on-ground support through its Hierarchy of Division, District Heads and Block co-ordinators in the field.

The Growth is combined with three factors for Vakrangee Kendra business 1. Addition in number of outlets 2. Introduction of new product in existing outlets. 3. Maturity of the existing services at the outlets. VL retail outlet are having all the paraphernalia like laptop, micro ATM/full-fledged ATM, comprehensive technology platform having banking application/ insurance application/ G2C/B2C application with 24\*7 power back up through DG SET/UPS and connectivity through V-SAT.

Similarly, the back-end infrastructure with a switch which is situated in a tier-IV Data Centre in MHAPE and connected to the back-end of Banks through dedicated lease line to undertake real time, inter-operable and paper-less banking which is happening for the first time in the last mile banking in India as well as across the globe.

### Vakrangee Outlets to Double from 35K+ to 75K by FY20

VL plans to increase its outlets from 35K+ as of March 2017 to 75K by FY20. VL has entered into agreements with eight banks to act as 'National BC' (Business Correspondent). These agreements allow VL to have rights to open outlets in a particular geography. The same outlet can be used to offer multiple services.

VL operates on a franchisee model making it asset light and requiring Minimal Capex and working capital. Typically, each outlet costs INR150-300K in rural areas and INR700-1000K in urban areas. It takes 3-6 months to set up a franchisee. Franchisees manage the day-to-day operations of their outlet. VL is responsible for quality assurance on behalf of clients, infrastructure set up, training and access to new services.

The revenue sharing ratio is generally 80:20 between franchisee and VL. The payback period on an outlet is between 12-24 months.

	FY2016	FY2017	FY2018	FY2019	FY2020	Executed Till Date – March 2017
Rural Kendras	15,000	25,000	35,000	45,000	50,000	25,131
Urban Kendras	5,000	10,000	15,000	20,000	25,000	10,075
<b>Total</b>	<b>20,000</b>	<b>35,000</b>	<b>50,000</b>	<b>65,000</b>	<b>75,000</b>	<b>35,206</b>

**Achieved the Full Year Targets for FY2017. Set to rollout the Expansion Plan for FY2017-18.**

**Well on Track to deliver and achieve on the Planned Expansion Plan**



## E-Commerce Opportunity

### Key Industry Updates: A Boon For Vakrangee

#### India to be the fastest growing Market:

India, has low internet penetration of 26% of the total population in comparison to 46% in China and more than 80% in Japan and US. India e-commerce is expected to increase sharply from current US\$ 18 billion to US\$ 188 billion (CAGR of 34%) by 2025.

Update on Pradhan Mantri Jan Dhan Yojna Scheme - Total 28.63 crore accounts opened so far with ₹64364.91 crore in deposits. • Update on Direct Benefit Transfer Scheme (DBT) - The Scope of DBT has been expanded and it has been universalised to cover all Central Sector and Centrally Sponsored Schemes. (Source - <http://cabsec.nic.in/dbt/cir31mar16.html>)

Latest Update on DBT - DBT Mission is monitoring data from 47 Ministries/Departments on 232 government schemes operational in the country. The total direct benefit Transfer (Cumulative) stood at ₹1,94,442.12 crore stood and for FY2017-18 stood at ₹11,770.78+ crore; number of DBT transactions (FY2017-18) stood at more than 15.07+ crore and saving stood at ₹49,560 crore (Report as on May 22, 2017).

New set of guidelines proposed by RBI - Banks need to open at least 25% of their banking outlets in a year in unbanked area. These have to be open for at least 4 hours per day for 5 days in a week manned either by business correspondents or by bank officials.

## Awards and Accolades

### Awards and Accolades

- Selected in the Top 50 BSE 500 Companies by Growth in M-Cap - Forbes India 2017
- Vakrangee has been featured in 11 Indian companies, up from an all-time low of eight last year by Forbes Asia's Best Under a Billion list for 2015
- MSCI ESG Research Inc. has scored Vakrangee 10 out of 10 for the research conducted for the assessment of performance across the three pillars i.e. environmental, social and governance.
- ET-500 Companies for 2013 as published by ET
- Nominated (top 5) for the best CEO (IT & ITes) by Business Today in January 2014
- 26<sup>th</sup> in the Deloitte Technology Fast 50 companies in India, 2012
- 18<sup>th</sup> in the Deloitte Technology Fast 50 companies in India, 2011
- 226<sup>th</sup> rank in Deloitte Fastest 500 growing Asia Pacific companies in 2011
- CA. Business Leader - SME (3rd Rank) of the Year Award, 2008 to the Chairman by Institute of Chartered Accountants of India
- Economic Times ET 500 best companies in India in 2006-07

### Vakrangee Strategy & Long Term Vision

Vakrangee aims to be the most trustworthy Physical as well as Online convenience-store across India. It promises to give every Indian, their rightful access to a wide range of products and services, that are fairly priced and of high quality. **Vakrangee will keep expanding this network, until it is in close proximity to the last excluded person within the country.**

Its clear focus is to deepen its presence and reach, enhance our product & service portfolio and creating a seamless customer experience. Vakrangee aims is to potentially enable every Indian to seamlessly benefit from Financial Inclusion, Social Inclusion, Digital India, Skill Development, Employment, Government programmes and a wider access to basic goods and services.

## Outlook

Vakrangee is declining the legacy E-Governance business which used to be capital intensive and working capital intensive. Company intends to expand primarily through the Asset Light Vakrangee Kendra Franchisee model, thus with a clear focus on Free cash flow generation and achieving the Debt Free status.



Through strategic tie-ups with its partners, VL aims to build an ecosystem of Vakrangee Kendra outlets that will fill the last-mile gap for retail firms in their objective of catering to India's rural and urban populace.

Besides enhancing the bouquet of service offerings, the target of VL strategic tie ups is to enhance profitability of Vakrangee Kendra outlets by serving a platter of products and services to customers and fulfilling his needs. VL's strategic tie-ups are aimed towards enhancing the profitability of Vakrangee Kendra outlets through the platter of services and products offered.

VL is also planning to further enhance the bouquet of services by adding GST Registration and Payment services, Railway Ticket booking services and providing Loan products through Tie ups with NBFCs and Banks.

VL is focusing on creating India's largest network of last mile retail points-of-sale and building the world's largest technology-driven product delivery platform. Through its tie-up with the world's biggest e-tailer Amazon, Vakrangee Kendras have become "One Stop Shop Convenience Stores" enabling urban and rural citizens to shop from a plethora of products available on the online store. Its tie-up with the world's largest selling online platform Amazon has transformed us into an aggregator of "Aggregators".

VL's expansion of branches is entirely through franchise route.. Thus VL will have high scalability with efficient Capex management through franchise model.

### Valuation & Recommendation

As of 31st March 2017, VL delivered its services through over 35,000 Vakrangee Kendras. With a footprint across India, it has first mover advantage to leverage the huge opportunity from the \$1.1 trillion "Digital India" mission.

As Vakrangee continues on its growth path, it aims to ensure that people from each and every pin code have access to our network and superior service technology. This, in turn, makes it a valuable partner to a number of companies interested in selling and delivering their wares to the "last-mile".

Vakrangee vision is to have more than 75,000 Vakrangee Kendras operational by 2020 across India, serving an addressable marketplace of more than a billion people.

These Vakrangee Kendras will result into a technology intensive retail distribution platform of last-mile touch points. These touch-points will be delivering services across Banking, Insurance, e-Governance, e-Commerce and Logistics verticals on a real-time basis to customers across the under-served rural and urban India.

VL's Legacy Business (E-Governance vertical) has been Capex intensive as well as working capital intensive, thus limiting the Free Cash Flow generation. Going forward, VL's plans are to focus on Vakrangee Kendra outlet business, which currently contributes ~64% of the total revenues. Vakrangee Kendra business has low Capex requirement and low working capital requirement. This initiative will not only enhance revenue but increase profitability substantially going forward.

Further, the economies of scope will kick in as new products & services are added and transaction volumes increase over a period of time. With low Capex & operating costs, VL will benefit from high operating leverage and sustainable EBITDA margins of around 20-22% which will lead to higher ROCE in coming years.

At the CMP of ₹424, the share is trading at a P/E of 33.1x on FY18E and 26.2x on FY19E. We recommend BUY with a target price of ₹535 in the medium-to-long term at which, the share will trade @P/E of 33.0x on FY19E. The share is available at substantial discounted P/E compared to peers. (See Below)

*Peer Comparison*

₹ in crore			FY17A				Current			
Company	CMP ₹	Market Cap	Sales	EBIDTA	PAT	Total debt	ROE	EV/ EBIDTA	EPS (₹)	P/E
WestLife Dev (McDonalds Franchisee)	228	3,560	930	66.9	-12.1	150	-4.2%	53.8	-3.9	-
DMart (Hypermarket stores)	806	50,279	11926	1,010.0	478.8	1,152	23.6%	49.6	7.7	106.5
Info Edge (Online Portal Business)	988	11, 987	888	177.1	-20.7	40	8.4%	62.5	-	-
Jubilant FoodWorks (Domino's India Franchisee)	921	6,075	2,598	255.0	57.8	111	16.1%	23.3	8.8	104.7
Titan (Tanishq - Jewellery Franchisee)	525	46,630	13,170	1,226.0	699.0	1,037	21.3%	37.5	7.9	66.5
Vakrangee Limited	425	22,429	4, 006	1,151	530.8	182	25.9	23.1	10.0	43.2





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