

BUY

CMP	22
Price Target	28.5
Upside (%)	30
Sensex	73937
Nifty	22461

02-04-2024
Stock Details

Industry	IT Enabled
Market Cap (₹ Cr)	2339
52 Week H/L	32.1/13.7
Avg 1 wk daily Vol(L)	90
Face Value (₹)	1
Reuters	VAKR.NS
Bloomberg	VKI :IN
BSE Code	511431
NSE Code	VAKRANGEE

Shareholding Pattern (%)

	<u>Dec'23</u>	<u>Sep'23</u>	<u>June'23</u>
Promoters	42.6	42.6	42.6
FII	3.3	4	4.1
DII	6.3	6.3	6.3
Retail	47.8	47.1	47

Note: As on 31st Dec 2023 no shares of promoter's holding pledged.
Source: BSE

Incorporated in 1990, Vakrangee has emerged as one of India's largest Last Mile Distribution Platform with a Physical as well as Digital Eco-system in place with a PAN INDIA Presence. Vakrangee is delivering real-time banking & Financial Services, ATM, insurance, e-Governance, e-Commerce (including Healthcare services) and logistics services to the unserved rural, semi-urban and urban markets and enabling Indians to benefit from financial, social and digital inclusion.

Vakrangee has emerged as the "Go to Market Platform" for various Business verticals including Fintech and Digital platforms. The Assisted Digital Convenience stores (Physical Outlets) are called as "Vakrangee Kendra" which acts as the "One-stop shop" for availing various services and products and Digital platform is called as BharatEasy Mobile Super app.

Seizing opportunities in Indian Fintech

Indian economy has demonstrated exceptional resilience. The sector's growth trajectory suggests a staggering valuation of USD 2.1 trillion by 2030, presenting immense opportunities for those poised to seize them. Vakrangee, with its strategic positioning and expansive network, is well-equipped to ride the fintech wave and unlock unprecedented value.

As a leading player in India's fintech revolution, Vakrangee is perfectly positioned to leverage this growth, creating substantial value

Vakrangee Vision and mission

"Vakrangee aims to be the most trustworthy Physical as well as Online Convenience Store across India. Company will keep expanding this network, until we are in close proximity to the last excluded person within the country.

Vakrangee intends to become India's No. 1 retailer by offering innovative ideas and proven modern technologies for facilitating universal financial, digital and social inclusion.

Investment Rationale

One of India's largest last mile distribution platform

Incorporated in 1990, Vakrangee Ltd has emerged as one of India's largest Last Mile Distribution Platform with a Physical as well as Digital Eco-system in place with a PAN INDIA presence. Company is delivering real-time banking & Financial Services, ATM, insurance, e-governance, e-commerce (including Healthcare services) and logistics services to the unserved rural, semi-urban and urban markets and enabling Indians to benefit from financial, social and digital inclusion. The company has emerged as the "Go to Market Platform" for various Business verticals including Fintech and Digital platforms. The Assisted Digital Convenience stores (Physical Outlets) are called as "Vakrangee Kendra" which acts as the "One-stop shop" for availing various services and products and Digital platform is called as BharatEasy Mobile Super app.

Vakrangee is one of the Largest Asset Light Franchise Based Multi Service Retail Network in India. Vakrangee known for its NextGen Kendras offers a "One Stop Shop" Solutions for all its customers.

Vakrangee Limited has been accepted as a Signatory of the United Nations Global Compact. Vakrangee is also part of a global network of over 9,500 companies and 3,000 non-business participants that are committed to building a sustainable future. Company has earned a "S&P Global Bronze Class" spot in the yearbook and has score 78 ESG Score in the Corporate Sustainability Assessment (CSA) survey.

Vakrangee is future ready with focus on long term sustainable model

Non-Cash based Banking Offering such as Account Opening, Loan Product, Insurance Services, Fixed Deposits & NPA Recovery .No dependency on single line of product or services such as ATM or Banking Services. Wide portfolio of product & services such as Online Shopping, Total Healthcare Services, Bill Payments, Online Travel Services, Mobile Recharges, CIBIL Score services, Pan Card Services, Online Opening of Demat & Trading Account Opening Services and many more. Highest commission in the industry.

Benefit of Vakrangee over other players

- Multiple Line of Product & Services
- Non-Cash based Banking Offering
- Online Shopping & Other E-Commerce Services
- Highest Commission in the industry
- Currently 4th Largest ATM operator in Rural India with 6,486 ATMs.
- Expanded the Services Bouquet by adding High Margin services like Demat Account Opening & Stock Trading services, Total Healthcare services across the entire network.

One of India's largest last mile distribution platform

Pan India presence: As of 31 March 2024

- 83% in tier 4-6 Locations
- 54 Postal codes
- 571 District

21,653 Last mile
physical outlet

3.3 Crs total transaction
for Q3FY2023-24

₹13,449 Crs Gross
transaction value for
Q3FY2023-24

US\$ 6.5BN Annualized
gross transaction value

Scope of services

Banking, ATM,
Insurances

Financial services/ Fin-
tech

E-Commerce/ Online
travel

BFSI and ATM Services includes: ATM cash withdrawal, Non-financial transaction.

Financial Services : Opening of online trading and demat account, money transfer, lead generation of personal/business loan, pan card services, cibil score services.

Insurance services : Life insurance, General insurance, Health insurance

Banking services : Account opening, cash withdrawal, deposit services and other banking services.

Key partnership leveraging Vakrangee's last mile Kendra network: NPCI, RBI (WLA ATM Licence), LIC, Insurance dekho, Aditya birla capital, Reliance general insurance, Care insurance, Hdfc Ergo, SBM bank, Karnataka Bank, Union Bank, NSDL payment services, CIBIL, jiffy by choice, lendingkart, Bank of Baroda, Punjab National Bank and Other PSU Bank.

Robust and scalable business model

Vakrangee is future ready with a clear focus on building long term sustainable & Profitable business model. Company has an asset light franchisee-based model. Company has a Wide portfolio of product & services such as Online Shopping, Total Healthcare Services, Bill Payments, Online Travel Services, Mobile Recharges, CIBIL Score services, Pan Card Services, Online Opening of Demat & Trading Account Opening Services and many more.

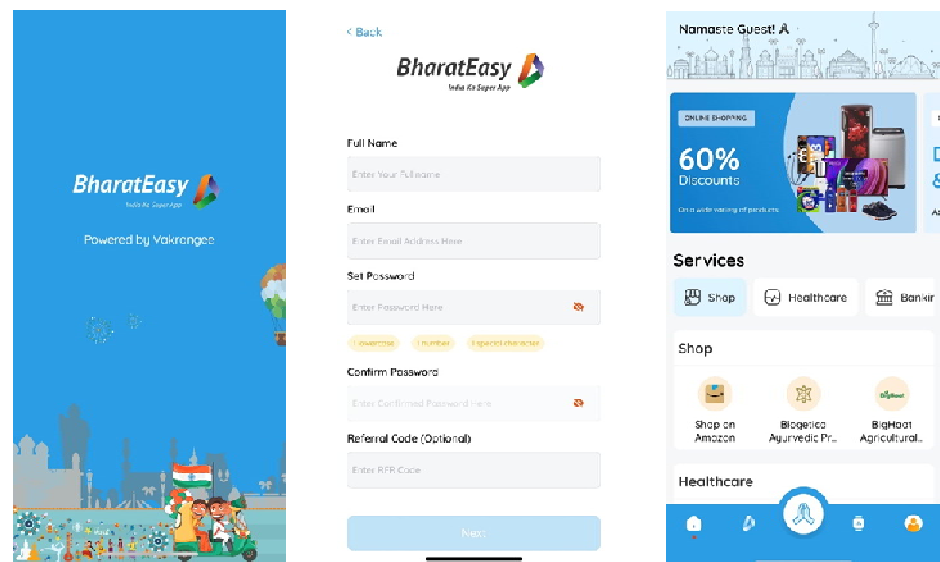
Company plan to achieve the outlet expansion target of 3,00,000 next-gen outlets by 2030.

Largest player in rural distribution platform

Vakrangee is one of the largest Financial Inclusion player with more than 14,000 banking BC points providing AEPS based Biometric enabled banking services. Currently 4th Largest ATM operator in Rural India with 6,486 ATMs. Company has a clear focus on market expansion & to strengthen its first mover advantage. Company is planning to cover entire 764 districts which is 100% of District Coverage across the country through appointing District level Master Franchisees. Vakrangee has successfully appointed master franchisees in 437 districts across 28 states across the country.

Bharat Easy Mobile Super App- A game changer

Vakrangee Digital Ventures Limited is the 100% subsidiary Company of Vakrangee Limited. The Company has currently launched an upgraded Beta Trial Version of “BharatEasy” Mobile Super App” based business platform primarily targeting Rural India. The Mobile super app platform would be offering various consumer products and services under one umbrella. Consumers would use it every day because our app would offer a seamless, multi-service, integrated, contextualized and efficient experience.



Bharat Easy – A strong value proposition

- All in one super app platform
- Access to physical store network
- Trust and comfort to customer in rural areas

Services Provided

- Super app multi category offering
- Online shopping
- Total Health care
- Banking/insurance/money transfer
- Bill payment/Recharge
- Loan product/ mutual fund
- Travel/entertainment/events
- Agri products
- Courier services
- Online education

Update on business strategy by Vakrangee Ltd

Vortex engineering private Ltd

Company has completed the acquisition of 8.8% equity share capital of Vortex Engineering Private Limited from the International Finance Corporation (IFC) ("Seller"). This is a strategic investment which will help the Company to have a backward integration in place and thereby unlocking future growth opportunities, leverage the cost synergies and technology know-how.

Foray into sourcing and distribution of private label and white label product

Company to launch our own Private label and White label category of products in Consumer and Retail segment. Company to leverage our Vakrangee kendra Franchisee as well as Master Franchisee network for distribution of our own Private label branded E-Commerce consumer and retail products.

Update on Fund Raising through Preferential Allotment

The company has approved the allotment & issued 6,00,00,000 (six crores only) fully convertible Warrants ("Warrants") each convertible into 1 (One) Equity share of face value of ₹ 1/- (Rupees One Only) each ("the Equity Shares") at the price of ₹27/-each. The total Value of preferential warrant is ₹162 Crores on fully conversion.

Company presence for Q3FY2023-24

	No of Accounts opened	no of insurance/pension sold	Total transaction
banking Services	2.9 lacs	2.9 Lakhs	Rs 2.0 Crs

	Total outlets	presence in states	Presence in district	Presence in Tier IV
Our services	21328	31	571	82%

	Total transaction	Total GTV
Our Platform	3.3 Crs	₹ 13,446 Crs

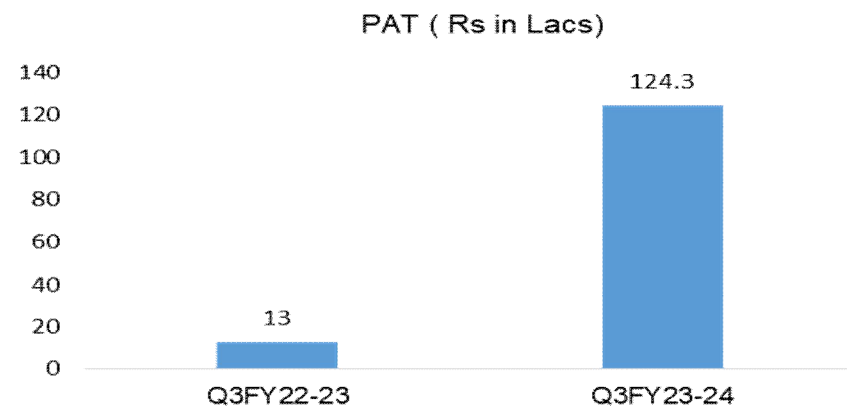
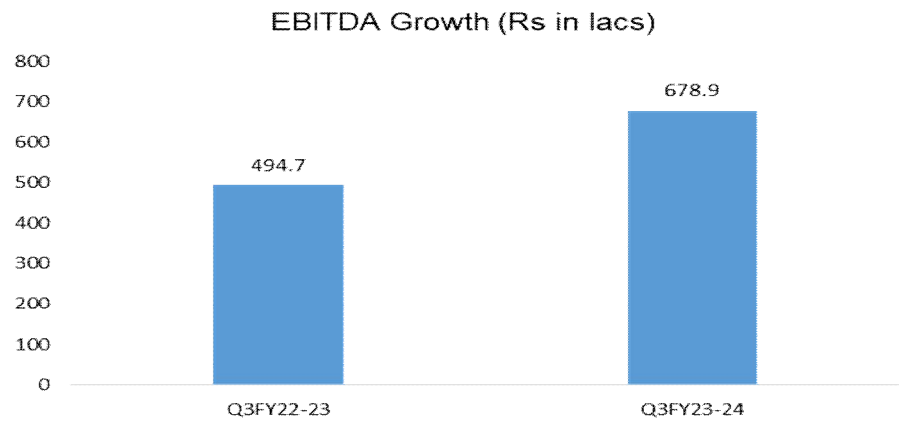
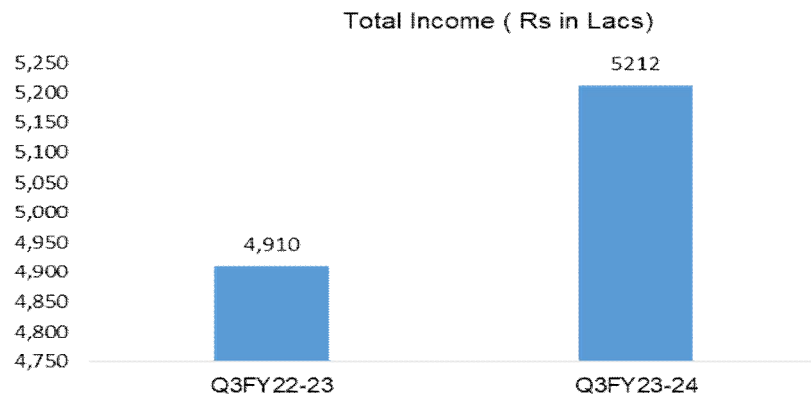
	No of Atms	Total transaction	Total GTV	Presence in Tier IV
ATM Services	6478	1.1 Crs	₹ 3,005.8 Crs	0.76

Key highlights for Q3FY2023-24

Revenue increases by 6.2% on YoY basis, PAT increases by 871.1% on YoY basis. Quarterly Gross Transaction Value (GTV) crossed Rs. 13,446.9 Crores, Quarterly No. of Transactions crossed 3.3 Crores.

Revenue and Profitability has improved on YoY as well as QoQ basis. The growth in margins and profitability shall continue as we scale up our network and operating leverage kicks in. Appointed Master Franchisees in 394 Districts across 26 States across the Country. Master Franchisee to provide on-ground operational support to the existing franchisee outlets as well as drive new franchisee acquisition. Plan to achieve 100% District coverage by March 2024. Our Current Focus has been on Expanding our Presence through Building Master Franchisee network & to strengthen our First Mover Advantage, resulting in strong on-ground operational management as well as better growth scalability in future.

Launch of "VISION 2030" : Company vision 2030 target is to reach 3 lakh + outlets along with Minimum 15,000+ ATMs. With this, our plan is to achieve a Revenue target of US\$ 1 Billion by 2030 along with a Gross Transaction Value of more than US\$ 150 Billion.

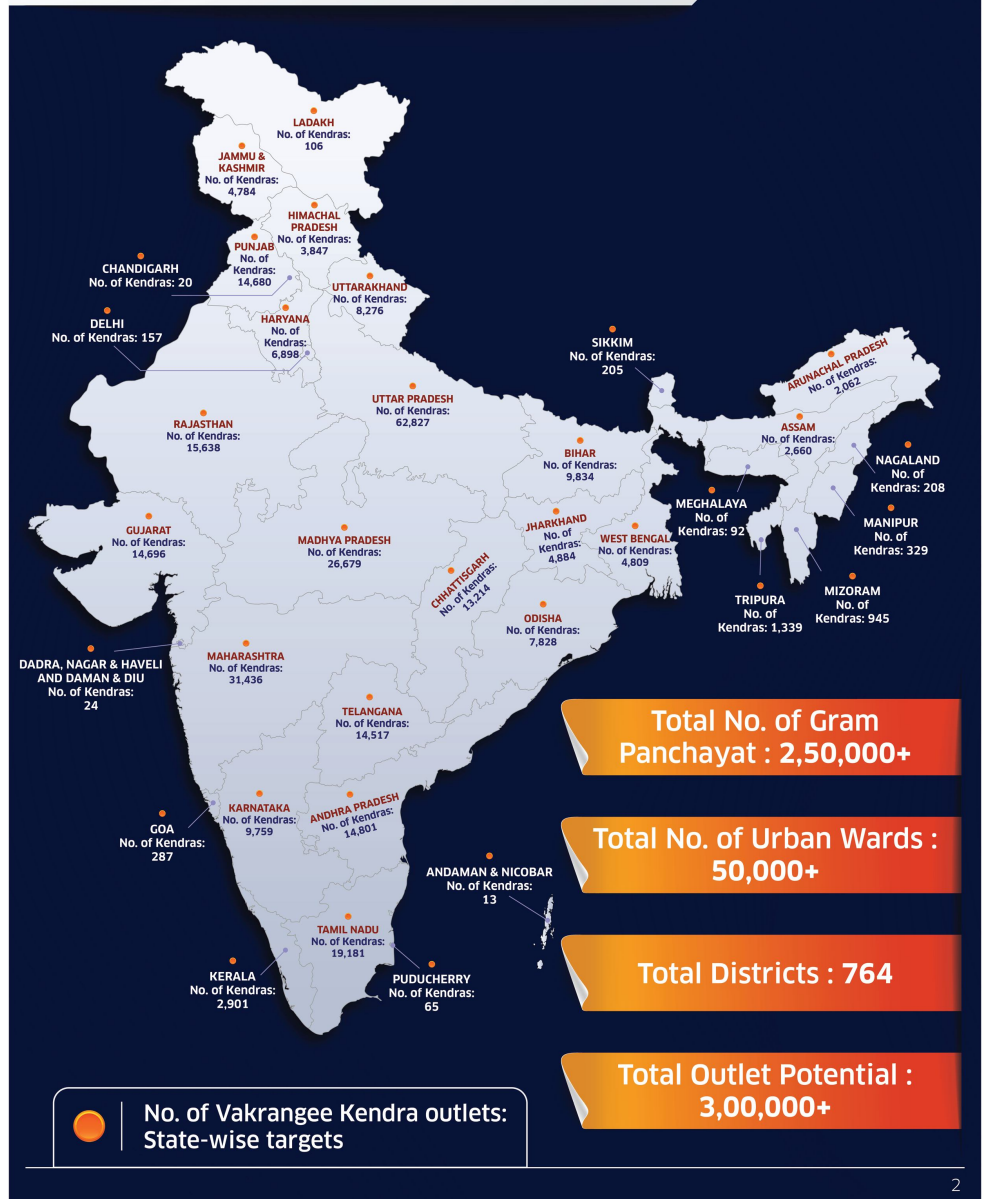
Financial statement


Huge untapped market: Overall market potential

VISION 2030



HUGE UNTAPPED MARKET : OVERALL MARKET POTENTIAL



Target for 2030

Vakrangee has emerged as one of the India largest last mile rural distribution platform with a physical as well as digital eco-system in place with pan India presence.

Number of exclusive district level master franchisees	764
Vakrangee kendras	3,00,000
Number of ATM	15,000
Revenue in operation	US\$ 1 BN
GTV	US\$ 150 BN
Pan India coverage	100% Population covered

Detailed expansion plan

Sr no	Particular	23-Mar	24-Mar	FY24-25E	FY25-26E	FY26-27E	FY27-28E	FY28-29E	FY29-30E
Cumulative									
1)	Master Franchisee (Exclusive district level Vakrangee Kendra	158	437	764	764	764	764	764	764
2)	Outlet No of	20,399	21,653	37,000	57,000	85,000	1,30,000	210,000	3,00,000
3)	White label ATMS	6,324	6,486	9,000	11,000	13,000	15,000	15,000	15,000

Financial growth plan 2029-30E

Revenue	US\$ 1 BN
EBITDA Margin	15%- 16%
PAT Margin	10%-12%
GTV	US\$ 150 BN

ESG score to help company build better trust

Vakrangee has earned a “S&P Global Bronze Class” spot in the yearbook and has score 78 ESG Score (S&P Global Scores) in the Corporate Sustainability Assessment (CSA) survey.

Vakrangee Limited has been accepted as a Signatory of the United Nations Global Compact.

Company is now part of a global network of over 9,500 companies and 3,000 non-business participants that are committed to building a sustainable future.

Reasonable Assurance of Integrated Annual report of FY23 by Grant Thornton.

Quarterly Analysis (₹Cr)

Year	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23
Sales	49.15	50.94	55.59	51.54	51.56
Expenses	44.15	46.22	48.97	45.62	45.33
Operating Profit	5	4.72	6.62	5.92	6.23
OPM %	10.17%	9.27%	11.91%	11.49%	12.08%
Other Income	-0.05	0.86	0.31	0.87	1.32
Interest	0	1.52	1.99	1.83	1.93
Depreciation	4.01	3.39	3.95	3.97	3.92
Profit before tax	0.94	0.67	0.99	0.99	1.7
Net Profit	0.13	0.68	0.49	0.42	1.24
EPS	0	0.01	0	0	0.01

Key Risk

Rapid changes in technology: Rapid technological changes may change all the existing business model. The company margins may hit due to new cost effective innovation.

Heavy dependence on franchisee model: Though franchisee model enables aggressive expansion, the risk associated with the franchisee model still persist. Any reputation loss in single franchise may suffer the brand name.

Legal risk: As the Company is governed by various laws and the Company is susceptible to legal risk in the event of any non-compliance or violation.

Profit & Loss Ac (₹CrS)

Year	FY22	FY23	FY24E	FY25E
Sales	194	197	210	315
Expenses	176	179	186	282
Operating profit	18	18	24	33
OPM (%)	9.28	9.14	12.38	11.11
Other Income	2	1	2	3
Interest	0	2	7	0.5
Depreciation	15	16	16	24.5
PBT	5	3	3	11
Tax	0	0	0.75	2.42
Net profit	0	1	2.25	8.58
EPS	0	0.01	0.02	0.07

Balance-sheet A/c (₹CrS)

Year	FY22	FY23	FY24E	FY25E
Share capital	106	106	106	112
Reserves	22	18	56.00	175.5
Borrowing	27	58	12.05	0
Other liabilities	178	116	148.25	144
Total Liabilities	333	298	322.7	431.5
Fixed Assets	139	127	117	110
CWIP	6	8	10	10
Investment	2	3	3	3
Other Assets	186	160	192.7	307.5
Total Assets	333	298	322.73	431.5

Stock Rating Scale

Particulars	Price Appreciation (%)
Strong Buy	>25%
Accumulate	12-25%
Hold	7-12%
Reduce	0- 7%
Sell	< 0

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