



JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

RESEARCH REPORT

22nd Aug 2017

VAKRANGEE LIMITED

NSE : VAKRANGEE

Sector: E - COMMERCE

BSE: 511431

View - BUY

CMP : Rs. 448.95

Target Price: Rs.640 (In next 12 to 18 mths)

BUSINESS BACKGROUND

Vakrangee Limited (VL) is a unique technology driven company focused on building India's largest network of last-mile retail outlets to deliver real-time banking & ATM, insurance, e-governance, ecommerce and logistics services to the unserved & underserved rural, semi-urban and urban markets. These retail outlets are called as "Vakrangee Kendra" which act as a "One-stop shop" for availing various services and products. Vakrangee is currently operating more than 37,600 "Vakrangee Kendra" outlets across India. Vakrangee has plans to setup and manage a total of 75,000 vakrangee kendras by FY20 "VL's business is broadly divided into the following two business segments: (i) e-Governance Business, including systems integration projects and print and data management services; (ii) Vakrangee Kendra Business, which includes Financial Inclusion Business (Banking), e-Governance (G2C) & e-Commerce (B2C), Logistics Services and White Label ATM Business

INVESTMENT HIGHLIGHTS

Healthy business growth in FY18 continues –

Vakrangee reported healthy Q1FY18 numbers with Topline placed at Rs 1,301.85 crs from Rs 917.54 crs on a consolidated basis – up by 42% YoY, a EBIDTA of Rs 265.52 crs from Rs 221.47 crs in Q1 last year on a consolidated basis – up by 19% YoY. The PAT on a consolidated basis for Q1FY18 stood at Rs 168.14 crs as compared to Rs 121.41 crs in Q1 last year – up by 39% YoY

Other operational metrics as regards the Vakrangee kendras is concerned is also very positive with VL adding in all totally, 2488 VK outlets in Q1FY18 taking the total count to 37688 Nos as on June 2017. Out of these 26737 Nos are from the rural and 10951 Nos from the urban segments.

For FY17, on a consolidated basis Vakrangee reported a Topline of Rs 4,000 crs from Rs 3,190 crs last year, a EBIDTA of Rs 951 crs from Rs 826 crs last year followed by a PAT of Rs 530 crs from Rs 394 crs. Vakrangee has declared a dividend of 200% for FY17

Vakrangee Kendra business would be the key growth engine going ahead –

Vakrangee Ltd has evolved as a leading technology player, implementing Government of India's e-governance programs in 16+ states. It provides real time BFSI (Banking, Financial services and Insurance) services, Government-to-Citizen services, Logistics and e-commerce services to the un-served & Under-served rural, semi-urban and urban markets.

Vakrangee has been at the forefront in financial inclusion space in India. It has signed "Common BC" and "National BC" agreements with various banks for 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.

KEY DATA

FACE VALUE	Rs	1.00
DIVD YIELD %		0.45
52 WK HI/LOW		457/163
NSE CODE		VAKRANGEE
BSE CODE		511431
MARKET CAP		RS 23767 CRS

SHAREHOLDING PATTERN

PROMOTERS	-	42%
BANKS, MFs & DIIs	-	7%
FIIs	-	22%
PUBLIC	-	29%

KEY FUNDAMENTALS

YE	FY17	FY18	FY19
Rev Gr%	25	30	35
EBIDTA Gr%	15	31	40
PAT Gr%	35	38	30
EPS Gr%	35	38	30
EPS (Rs)	10	14	18
ROE %	29	30	29
ROCE %	45	48	52
P/E (x)		32	25



JOINDRE

JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

In addition to banking “Vakrangee Kendra” outlets also provide insurance products, e-governance services and e-commerce products. The company also offers assisted e-commerce services offering strong platform for buying/collecting/delivering large variety of products; the Company has also alliance with RedBus for offering bus ticketing services at Vakrangee Kendras through RedBus in and with Mahindra eMarket Limited, a subsidiary of M&M for promoting and booking automobile products using the last-mile distribution network of Vakrangee Kendra outlets

Vakrangee has alliances with Indian Railway Catering and Tourism Corporation Limited (IRCTC) for offering Railway E-Tickets booking through Vakrangee Kendras. The Company also intend to provide GST (Goods and Services Tax) Registration, Filing of Returns, Payment and other value-added services through Vakrangee Kendra Outlets.

Vakrangee also has a alliance with DMI Finance Private Limited (DMI) to act as a Lead generator for offering its various loan products and collection of EMIs to citizens across Pan India.

Apart from this, Vakrangee has a corporate agency tie-up for Life, General and Health insurance with Life Insurance Corporation of India (LIC), HDFC Life Insurance Company Limited, Bajaj Allianz Life Insurance Company Limited and other Insurance Companies.

The Company has also alliances with FedEx Express, Aramex India Private Limited, Delhivery Private Limited and First Flight Couriers Limited for courier and logistics services (Forward Delivery as well as Reverse Pick Up services) using the last-mile distribution network of Vakrangee Kendra outlets.

Vakrangee has further moved closer towards its vision 2020 by announcing a strategic tie-up with Indian Oil Corporation Limited (IOCL), India's largest commercial enterprise and Vakrangee Kendra shall be set up in about 20000 plus IOC Retail Outlets (Filling/Gas Station) located PAN India.

RBI has also granted a license to Vakrangee to set up minimum 15,000 white label ATMs (WLA) in the country.

Vakrangee is now a Debt Free company –

The company is fully debt free which is another key milestone achieved. In last five years, the long term and short term debt peaked at Rs. 390 crs & Rs. 750 crs which are now fully paid-up through internal accruals as free cash flow generation is very strong due to asset light franchisee model. Vakrangee has a tax rate at 35%.

Vakrangee'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, the company's plan is to focus on Vakrangee Kendra outlet business, which will free the cash enabling the company to distribute in the form of dividend. In FY17, the company declared a dividend of Rs. 2 per share equivalent to 200% of face value and resulting into a healthy payout ratio. Going forward, the company is planning to maintain the dividend payout in the range of 15% to 25% of profit after tax on consolidated financials

The company is targeting 75k Vakrangee Kendra outlets by 2020. The company has consistently added 20,677 Vakrangee Kendra outlets during FY16 which have increased to 35,206 Vakrangee Kendra outlets in FY17 well ahead of the targets set out earlier. The rural to urban ratio here has been keep around 70% largely keeping in the mind the fact that such Vakrangee Kendra outlets are largely aimed at unbanked areas of the population which do not enjoy such facilities and provide a strong and large mass customer base for Vakrangee.

Large expansion plan to develop in to the World's Largest Franchisee Model for Vakrangee –

Vakrangee currently has more than 37,600 Vakrangee Kendras across 16+ states of the country and targets 50,000 rural and 25,000 (75000) urban Vakrangee Kendra by FY20. Further, company has vision to open V-kendras to reach each & every street of India. This would make the company the largest Franchisee network globally.



JOINDRE

JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

Wide Bouquet of Products & Services to Drive Consumption Growth –

V-Kendras provide access to more than 100 million products and over 1000 services under one roof across various verticals such as:

- **Banking:** Offering robust technology, real time, interoperability and paper less banking.
 - **ATM:** RBI license to setup and manage 15,000 WLA across India.
 - **Financial Services:** Alliance with DMI Finance Pvt. Ltd. For offering loan products and collection of EMIs.
 - **Insurance:** Corporate agent of Life Insurance Corporation of India (LIC); TATA AIG General Insurance Company Limited; Bajaj Allianz Life Insurance Company Limited; HDFC Standard Life Insurance Company Limited; Reliance General Insurance Company Limited; HDFC ERGO General Insurance Company Limited; CIGNA TTK Health Insurance Company Limited; Religare Health Insurance Company Limited, Aditya Birla Helath insurance Company Limited and Provide Insurance under Atal Pension Yojna, Jeevan Jyoti Bima Yojna, Pradhan Mantri Suraksha Bima Yojna.
 - **E-Governance:** Offer various Government-to-Citizen services from Vakrangee Kendra.
 - **E-Commerce:** Offer various Business-to-Customer services like mobile and DTH recharges and education. 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 Sales of Gold Products; Reliance Jio for issuance of sim connection and sale of mobile handsets
- Logistics :** FedEx Express, Aramex India, Delhivery and First Flight for Courier & logistics services using the last-mile distribution network of Vakrangee Kendra outlets

Technology Intensive Retail Distribution Platform for last mile touch points delivering services across Banking & ATM, Insurance, e-Governance, e-Commerce and Logistic services to domains on a real-time basis to potential 250 mn customers across underserved rural and urban India				
VAKRANGEE VITT		VAKRANGEE NAGRIK	VAKRANGEE BAZAAR	
BANKING	INSURANCE	E-GOVERNANCE	E-COMMERCE	LOGISTICS
<ul style="list-style-type: none"> • Bank A/C Opening • Cash Deposits, Withdrawals, Money Transfer. • Fixed/Recurring Deposits. • Balance Enquiry, Statement of Accounts • Disbursement of money under Direct Benefit Transfer 	<ul style="list-style-type: none"> • Corporate agency tie-up for Life, General and Health Insurance. • Micro Insurance schemes under Atal Pension Yojna, Jeevan Jyoti Bima Yojna & Pradhan Mantri Suraksha Bima Yojna. 	<ul style="list-style-type: none"> • Enrolments-UID Card, NREGA job Card, Election Card • Land Record Digitization, Electoral Rolls • Payment of Utility Bills, Taxes, Levies, Certificates, Hall tickets, Exam Fee Payments. • Online Form Filing. • Alliance with IRCTC for offering railway E-Ticket booking • GST Services – Registration & Filing • Other G2C services based on state to state 	<ul style="list-style-type: none"> • Telecom - Mobile recharge • DTH service - Recharge, bill payments • Assisted E-Commerce Model – • Alliance with Amazon to facilitate sale of products. • Alliance with Augmont for Sales of Gold Products • Alliance with Reliance Jio for issuance of sim connection and sale of mobile handsets • Alliance with Redbus for offering bus ticketing services. • Alliance with "Mahindra eMarket Limited", a subsidiary of M&M, for promoting and booking automobile products 	<ul style="list-style-type: none"> • Alliance with FedEx Express, Aramex India, Delhivery and First Flight Couriers Limited for courier and logistics services (Forward Delivery as well as Reverse Pick Up services)
ATM	FINANCIAL SERVICES			
<ul style="list-style-type: none"> • Real time cash withdrawals from all banks through WLA (White Label ATM). • Co-located ATM in urban/semi-urban branches to cater to holistic banking needs of customers while optimizing cost of operations. 	<ul style="list-style-type: none"> • Lead generation for Loan Products – Consumer, Housing, SME Loans 			

Source – Company



JOINDRE

JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

Key Alliances & Strong Reputed Partners



Vakrangee has also further enhanced its bouquet of services by adding GST Registration and Payment services, Railway Ticket booking services, Loan products services through Tie ups with NBFCs and are also planning for Visa application support services

Long term growth drivers for Vakrangee also very well positioned –

VL is expanding branch network from current 37600+ to 75,000 branches in across Pan India by the end of FY20. Also it will be increasing its White Label ATMs to 15,000 over next two years as ATM density remains low specially in rural and semi-urban areas.

Also with Government's prime focus is on all types of subsidies transfer directly to beneficiary bank account and addition of other services on existing platforms e.g. flexibility of acting as fulfillment center for leading e-commerce players, sale of financial products like Mutual Funds, demat accounts would benefit VL significantly going ahead.

As VL's network expands deep in the hinterland, the competitive intensity lessens and hence it will give more bargaining power while negotiating commissions with other party like insurance companies etc.

Hence going ahead VL is at the forefront to leverage this growth opportunity and is set to become one of the leading players in implementation of financial inclusion in India.

The key growth driver has been the government's massive push towards financial inclusion through the Pradhan Mantri Jan Dhan Yojana. As a part of the Indian Government's financial inclusion plan, 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.



JOINDRE

JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

Focus on a Asset Light Model, led by Low Capex and high free cash flow generation –

Vakrangee is reducing its legacy business which used to be capex heavy and working capital intensive. And it intends to expand primarily through the Asset Light Vakrangee Kendra Franchisee model, thus with a clear focus on Free cash flow generation. This is reflected from the fact that the share of Kendras in FY17 was 64% from 39% in FY14. It plans to take this share to 100% from Kendras by FY20.

Out of total 75,000 outlets to be set up and run by VL by March 2020 as a business strategy VL plans to set up 50,000 outlets in rural areas in Tier-VI / V Locations and in semi-Urban or Urban areas. Also VL plans to approximately put up 25,000 outlets in urban areas by FY20.

Given the fact that over 70% of the Indian population lives in villages, India cannot grow in long term without rural development. Government is running various schemes for the development of rural India but these schemes has leakages because of lack of proper mechanism to reach retail consumers and e-governance.

When a villager wants to avail of a government service, consumer goods, or even business goods, they have to travel to the district headquarters or to the nearest city. In other words, the last mile connectivity has always been eluding for rural consumers and its only for those – travelling to nearby towns cities, could get the government / businesses related services.

Nobody has tried to serve the rural consumers at his village, due to either lack of 24X7 reach/ connectivity, or un-viability of stocking and selling goods in small villages. Part of the difficulty of doing business in small villages is a matter of penetration.

Vakrangee achieved this presence across districts and panchayats across couple of states of India due to its e-governance project implementation work. Over the years company has gained extensive experience and developed expertise in creating software platforms that connect rural people to wide range of services

More specifically after the announcement of Pradhan Mantri Jan Dhan Yojana (PMJDY), the company's BC model has witnessed substantial growth in business. Account opening is based on AADHAR and hence it takes few minutes to complete e-KYC as against 3-4 days in the leading banks in the country.

VL aims to become a one of the major BC in the country in. After successful scaling up of PMJDY, Union government is focusing on leveraging of the JAM (Jan Dhan, AADHAR, Mobile) platform for direct benefit transfer. We believe that VL with its umbrella of offerings and wide spread network, is ideally placed to garner a sizeable pie of this opportunity

Vakrangee has entered into a strategic tie with IOC Pan India –

Vakrangee has entered into a strategic tie-up with Indian Oil Corporation Limited (IOC), India's largest commercial enterprise for setting up Vakrangee Kendra at its retail outlets (distribution network).

This tie will set up Vakrangee Kendras in more than 20,000 IOC Retail Outlets (Filling/Gas Stations) located in Pan India.

This tie up will significantly increase the customer touch points at the Vakrangee Kendra and ensure a boost in its core objective i.e. Financial Inclusion, Digital Inclusion, Social Inclusion, Employment Generation and Skill Development



JOINDRE

JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

E-Commerce Opportunity: 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

Going ahead Indian e-commerce market is expected to increase sharply from current US\$ 18 bn to US\$ 188 bn (CAGR of 34%) by 2025.

Vakrangee Kendras are equipped with un-interrupted connectivity even at the most rural locations, regularly conducting real-time banking transactions

Vakrangee Kendras are a hub for availing a bouquet of real-time services in a secure manner Here the footfalls for various services would translate into awareness and marketing of allied Marketplace

The key USP for vakrangee kendras would that handholding will ensure trust and adoption of Marketplace here which is largely achieved by the current scale of Kendras. Also the present penetration shows clearly these markets are under served across most populous states and will also allow cash on delivery

E-Commerce: Amazon India Tie-up –

Amazon has acquired 31% market share over 4 years after starting its ecommerce operations in India (June 2013)

Amazon India had an average of 30.0 million unique visitors per month over the last few months

Amazon is said 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 or 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 cubic feet of storage capacity

Here Vakrangee shall provide marketing, ordering, payment and pick up services to Amazon through the “Vakrangee Kendras”

Vakrangee has also identified Logistics support as a key growth area going ahead –

At present the key challenges for current players is that average reach is up to 5000-6000 Postal codes – Cash on Delivery (COD) offerings is in even fewer Postal codes. Also high cost is associated with last and first mile legs of logistics and reverse logistics would cost around 1.5 to 2 times the cost of forward logistics

All these factors have presented a big business opportunity for Vakrangee –

Vakrangee will offer the following services here –

Front-end Point for Courier Booking Services - Courier Market-Place by leveraging 37,600+ Kendras presence to enhance the reach for courier booking services It has associated with top class service providers where in Vakrangee has tied up with reputed partners like FedEx Express, Aramex India and First Flight that provides reliable domestic and international reach with service across the globe.

Last Mile Delivery Services - Market-Place Model for Ecommerce Delivery where it will be leveraging the last mile reach through 37,600+ Kendras, Also here availability of COD would enable cash-on delivery service across all postal codes and also give ease of Cash Handling via immediate cash remittance system using internal wallet

Last Mile Reverse Logistics Services - Market-Place Model for Reverse Logistics by leveraging the last mile presence for reverse logistics through 37,600+ Kendras. Here it will offer a efficient and Cost-effective solution by a physical presence on the last mile enable cost-effective reverse logistics solution for E-com companies



JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

Vakrangee has already set a pilot rollout operation wherein it has started with 19 Postal codes and currently operates in 69 Postal codes. Till now it has delivered and picked up more than 2,20,000 packages and courier booking services has been activated across 16 States and 852 postal codes.

Presently Vakrangee is present across 37,600+ kendras across 16+ states, 370+ districts and 5,200+ postal codes. By 2020 the company is targeting 75,000 Kendras which will enable it access pan india across 650 districts and over 19,000+ postal codes. This will significantly boost its reach for the logistics business which we believe can be scaled up in a big way in the next 3 years onwards.

Solid financial performance - topline growth and margin expansion –

We estimate VL's earnings to witness a CAGR of 50% plus over FY17-19E.

Over the years, the company has improved its operational performance significantly with its operating margins having remained in a range between 23 to 24% since last 3 years. Also it has been able to increase the return on equity to over 29% and a ROCE of 45% as on FY17. Also, considering that VL is largely a domestic player, the net leverage at 0.07:1x as on FY17 seems reasonable.

VLs 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 plans are to focus on Vakrangee Kendra outlet business, which currently contributes 71% 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.

Peer Comparison

Company	Sector	Market Cap	FY17A	FY18E	FY19E
		Rs	P/E	P/E	P/E
Vakrangee	E-retailer - Consumption & Services	23767 crs	45	32	25
WestLife Decelopment	McDonalds Franchisee - Consumption	3828 crs	NA	364	138
Info Edge	Online - E-Commerce	11321 crs	NA	64	48
Just Dial	Online - E-Commerce	2526 crs	21	21	18
Titan	Tanishq Jewellery Franchisee - Consumption	55567 crs	73	55	44
Jubilant Foodworks	Domino's Franchisee - Consumption	9125 crs	121	71	52
Dmart	Retail stores - Consumption	57874 crs	120	77	54
Average			90	98	54

Source – Annual Reports, our estimates



JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

DU PONT Analysis –

DuPont Analysis	FY2017	FY2016	FY2015
Return on Equity %	29.17	23.07	32.40
Return on Assets %	44.9	40.90	42.11
Financial Leverage	0.07	0.25	0.45
Operating Return on Sales %	23.78	26.00	26.00
Asset Turnover	139.38	9.86	9.86

Source – Annual Reports

From 2015 to 2017, we see an increase in ROA. This is a key positive for Vakrangee. The other two key drivers of ROA which are ROE and financial leverage have also fared well in this 3 year period, and between operating return on sales and ATO, which are the two drivers of ROA, we see that ROS is driving ROA. This implies the company is generating strong revenue growth due to profitability

Further, going ahead we expect economies of scale will kick in as new products & services are added and transaction volumes increase over the next 2 to 3 years.

With low Capex & operating costs, Vakrangee will benefit from high operating leverage and sustainable EBITDA margins of around 20-22% which will lead to higher ROCE in coming years. Hence on the ROA side we see with better asset utilisation, lower capex needs which will enable a ROA to cross 50% by FY19E which is another key positive and a strong financial indicator for Vakrangee.

Vakrangee ties up with Reliance Jio for the new Jio Phone – Reliance Industries Limited (RIL) recently announced the launch of its new JioPhone at its AGM. This phone will cost practically zero but the company will be collecting a 100 percent refundable security deposit of Rs 1,500. The security deposit is being devised by RIL to avoid the misuse of this offer. The amount will be refunded after 3 years. The Jio Phone will be launched on August 15 and the pre-bookings will begin on August 24

For Vakrangee this is a big business opportunity as the Jio Phone will drive huge volumes via its extended Vakrangee Kendra network targeting mainly the masses which is the main target audience for the Jio Phone. We hence believe that this is an excellent arrangement for both partners that is Reliance Jio and Vakrangee as huge volumes are expected from this handset being positioned at an extremely attractive price point with significantly better product features.

Vakrangee has targeted sales of 10 million Jio Phone Handsets which we believe is a conservative target and should be easily achievable considering the customer reach and geographical growth of the vakrangee kendra network which will have another value added product in its product basket for customers.

Vakrangee will offer the following services here –

Pre-Booking Services - Vakrangee Kendra Outlets will start accepting the Pre-Bookings of JioPhone from 24th August 2017 onwards.

Delivery & Collection Point - Vakrangee Kendra Outlets will act as delivery & Collection point for the ordered handsets.

SIM Activation – Issuance and Activation of SIM connection through the E-KYC facility

Mobile Recharge - All Recharge plan options would be available at the vakrangee outlets



JOINDRE

JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

Recently, Vakrangee is also looking at expanding its VK network via two new business formats which include Vakrangee Prime & Master Franchisee Model

The Vakrangee board has approved the Proposed Feasibility Study on a new store Format – Vakrangee Kendra PRIME

- Some of the Key Differentiators to be studied here for this format will include –
- Primarily targeting Urban/Semi-urban locations
- Larger Store size with additional counters
- Larger catchment Area
- Exclusivity of few services
- Additional Storage Area
- Enhanced Customer Experience

The Vakrangee board has also approved the Proposed Feasibility Study on Master Franchisee Model. This new business model for VKs will include –

- Primarily targeting Urban/Semi-urban locations
- Focusing on a Faster Ramp-up of Outlets
- Understanding the Master Franchisee and Sub-License Arrangements

While we understand that the revenue implications for both these new business formats for VKs is yet to be evaluated and disclosed by the management, we believe that there is a huge latent potential available ahead for this business proposition considering the huge Indian population and retail cult being developed via the e commerce route.

Vakrangee has improved its corporate governance & execution capacity which is another plus point –

Strong Execution Capability –

Vakrangee operates on a franchisee model making it asset light, offering real-time banking and other services to unserved and underserved rural and urban population. Starting with E-governance projects, the company has gained exceptional understanding on consumer behaviour and expanded its business more on franchisee-based model of Kendras.

Besides enhancing bouquet of service offerings, the target of 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. The company is also planning to further enhance the services by adding GST Registration and Payment services, Railway Ticket booking services and providing Loan products through Tie-ups with NBFCs and Banks.

Corporate Governance –

Vakrangee's board has appointed PricewaterhouseCoopers (PWC) as a new statutory auditor from FY18E onwards. Vakrangee is fully debt free which is another key milestone achieved in FY18E.

In last five years, the long term and short term debt peaked at Rs. 390 crs & Rs. 750 crs which are fully paid through internal accruals as free cash flow generation from Vakrangee Kendra business due to asset light franchisee model.

Vakrangee has a tax rate at 35%. Vakrangee's Legacy Business (E-Governance vertical) has been Capex Intensive as well as Working Capital Intensive, thus limiting the Free Cash Flow generation..

The Company has Independent Board with 6 out of Total 8 Directors being Independent. Led by Mr. Ramesh Joshi, Ex-ED at SEBI & over 3 decades of experience at RBI. • Nominee Director on Board representing the Life Insurance Corporation of India



JOINDRE

JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

The Company has received Licenses from Prominent authorities like UIDAI, RBI and has 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

In FY17, Vakrangee declared a dividend of Rs. 2 per share equivalent to 200% of face value and resulting into a healthy payout ratio. Going forward, the company management is planning to maintain the dividend payout in the range of 15%-25% of profit after tax based on its consolidated financials earned going ahead.

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



JOINDRE

JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

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.

Employee Strength

VL has 1700+ employee on payroll out of which approximately 60%+ 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 onsite at customers' offices, and are recruited locally.

Awards & Accolades

- Selected in the Super 50 Companies – Forbes India 2017
- Selected in the Top 50 BSE 500 Companies by Growth in M-Cap - Forbes India 2017
- 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 (Report dated July 14, 2016).
- Vakrangee has been features 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
- ET-500 Companies for 2013 as published by ET
- Nominated (top 5) for the best CEO (IT & ITes) by Business Today in January 2014
- 26th in the Deloitte Technology Fast 50 companies in India, 2012
- 18th in the Deloitte Technology Fast 50 companies in India, 2011
- 226th 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



JOINDRE

JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

What is Vakrangee's key USP and strong competitive edge vis a vis other players –

In summary Vakrangee has key competitive advantages which are quite unique

Firstly Vakrangee has gradually transformed itself from being a subcontracted IT-enabler in e-Governance projects, by getting in higher value added growth retail segments like G2C, B2C and BFSI products across markets.

Secondly Vakrangee is rightly positioned to benefit significantly from the present governments initiative of Digital India which is expected to offer a huge business opportunity considering its present core skill sets and exposure in these areas.

Also Vakrangee's strong VK network largely in rural areas has enabled it to have many people come in the banked category and cover financial inclusion in the right sense which is no other comparable Indian player has achieved.

In fact Vakrangee has effectively created a business with strong entry barriers considering the fact that over 70% of the Indian population lives in villages, India cannot grow in long term, without rural development.

Government is running various schemes for the development of rural India but these schemes has leakages because of lack of proper mechanism to reach retail consumers and e-governance, and this where Vakrangee has got a very strong edge and head start.

Vakrangee is only large Indian corporate which has successfully tried to serve the rural consumers at his village.

Vakrangee achieved this presence across districts and panchayats across major states of India due to its e-governance project implementation work. Over the years company has gained extensive experience and developed expertise in last mile connectivity that connect rural people to wide range of products & services

Finally looking at is unique and strong market positioning Amazon has tied up with Vakrangee where Vakrangee shall provide marketing, ordering, payment and pick up services to Amazon through the "Vakrangee Kendras" This we believe would leverage Vakrangee's core strengths to monetize them effectively and optimally by including several new products through the e commerce push this effectively catering to very large market audience



JOINDRE

JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

Business Outlook & Stock Valuation –

On a rough cut basis, in FY18, Topline is expected to touch Rs 5,200 crs.

On the bottomline level we expect the company to record a PAT of Rs 730 crs in FY18E. Thus on a conservative basis, VL should record a EPS of Rs 14 for FY18E. For FY19E our expectation is that earnings traction for VL would continue to be robust wherein we expect a EPS of Rs 18.

VL has gradually transformed itself from being a subcontracted IT-enabler in e-Governance projects, by getting in higher value added growth retail segments like G2C, B2C and BFSI products across markets. VL already has been a pioneer in executing projects, directly/indirectly, of National e-Governance Plan (NeGP), including but not limited to MCA 21 for the Ministry of Corporate Affairs, Passport Seva Kendra for Ministry of External Affairs, and the Rashtriya Swasthya Bima Yojana (RSBY) for Ministry of Labour. Also it has been one of India's leading enrollment agencies for the Unique Identification Development Authority of India ("UIDAI") to provide biometric enabled unique identification numbers to Indian residents.

In the recent union budget, also the government has emphasised its focus on subsidy transfer directly to bank accounts. This is a major growth driver for the companies like VL

In fact VL is rightly positioned to benefit significantly from the present governments initiative of Digitise India which is expected to offer a huge business opportunity considering its present core skill sets and exposure in these areas. Also more importantly VL operates in a segment with strong entry barriers. Also dealing with Govt. is not everyone's cup of tea. The Govt. works at its own pace and there's a lot of bureaucracy involved. VL has been dealing with the Govt. organizations since last 20 years and has over the years mastered the art of negotiations with the Govt.

More Increasing traction in the E-commerce space and VL'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 VL Kendra (irrespective of being located 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 >100mn products and various services. Apart from delivering various financial services, VL is also leveraging the Kendras through its tie ups with Amazon (exclusive agreement), Red Bus, Mahindra & Mahindra and Augmont. The exclusive agreement with Amazon will enable VL to provide marketing, promotional and pick up services of >100mn Amazon products through kiosks set up at VL Kendras. Thus, the VL Kendras will act as a point of sale, point of order and delivery places.

Amazon has recently got government approval for stocking and selling food and groceries in India online and through brick and-mortar stores. The company plans to invest \$500 million in the segment over the next five years. We believe that the existing Amazon deal is yet to produce large results for Vakrangee but over the next 3 years we believe this will be a very big scalable opportunity for Vakrangee with its strong rural india reach.

We hence believe that the Vakrangee stock is strong proxy for India's consumption growth. The franchisee based asset light model will generate strong margins, Robust return ratios and sustained growth for Vakrangee. From the projected 75,000 strong Vakrangee Kendras by 2020, Vakrangee would be able to show spectacular results.

We believe that premium valuations for Vakrangee will continue, looking at Vakrangee's strong business model, excellent revenue visibility and a huge untapped potential yet to be realised via financial inclusion in a country like India which makes the company a unique play on India where there are no comparables as of now, hence the market would be willing to pay a high PE for a stock which offers both growth and value combination for the next 3-5 years.

Hence we believe that the VL stock should be purchased at the current price for a price target of around Rs 640 over the next 12 to 18 months.

**JOINDRE****JOINDRE CAPITAL SERVICES LTD.**

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

FINANCIALS

For the Year Ended March RsCrs	FY16A	FY17A	FY18E	FY19E
Net Sales	3190.74	4000.46	5200.64	7020.86
EBIDTA	826.39	951.29	1248.15	1755.22
EBIDTA %	25.90	23.78	24.00	25.00
Interest	56.32	50.09	15.5	10.0
Depreciation	164.04	73.39	90.00	110.0
Non Operational Other Income	0.00	0.00	0.00	0.00
Profit Before Tax	606.03	827.81	1142.65	1635.22
Profit After Tax	394.48	530.6	730.0	950.0
Diluted EPS (Rs)	7.45	10.03	13.79	17.95
Equity Capital	52.92	52.92	52.92	52.92
Reserves	1530.39	2000.78	2695.78	3605.78
Borrowings	295.0	144.1	0.00	0.00
GrossBlock	132.22	28.7	75.0	100.0
Investments	0.0	0.0	0.0	0.0

Source Company our Estimates

KEY CONCERNS

Delay in execution of the Vakrangee Kendras ramp up going ahead if any, could also impact the company's profitability.

**JOINDRE**

JOINDRE CAPITAL SERVICES LTD.

SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555

DISCLAIMERS AND DISCLOSURES

This document has been prepared by Joindre Capital Services Limited SEBI REGN NO. INH000002061 / INB 230766739 / INB 011107555 and is meant for the recipient only for use as intended and not for circulation. This document should not be reproduced or copied or made available to others. Recipients may not receive this report at the same time as other recipients. The information contained herein is from the public domain or sources believed to be reliable. While reasonable care has been taken to ensure that information given is at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the very nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. In so far as this report includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed. Opinions expressed are current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis, the information discussed in this material, Joindre Capital Services Limited, its directors, employees are under no obligation to update or keep the information current. Further there may be regulatory, compliance, or other reasons that prevent us from doing so. Prospective investors and others are cautioned that any forward-looking statements are not predictions and may be subject to change without notice. Joindre Capital Services Limited, its directors and employees and any person connected with it, will not in any way be responsible for the contents of this report or for any losses, costs, expenses, charges, including notional losses/lost opportunities incurred by a recipient as a result of acting or non-acting on any information/material contained in the report. This is not an offer to sell or a solicitation to buy any securities or an attempt to influence the opinion or behaviour of investors or recipients or provide any investment/tax advice. This report is for information only and has not been prepared based on specific investment objectives. The securities discussed in this report may not be suitable for all investors. Investors must make their own investment decision based on their own investment objectives, goals and financial position and based on their own analysis. Trading in stocks, stock derivatives, and other securities is inherently risky and the recipient agrees to assume complete and full responsibility for the outcomes of all trading decisions that the recipient makes, including but not limited to loss of capital. Opinions, projections and estimates in this report solely constitute the current judgment of the author of this report as of the date of this report and do not in any way reflect the views of Joindre Capital Services Limited, its directors, officers, or employees. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

CONTACT DETAILS

Mr. Avinash Gorakshakar (Research Head) Tel.: 4033 4766, Email: avinashg@joindre.com
Mr. Vikas Khandelwal (Research Sr. Executive) Email: vikas@joindre.com

COMPLIANCE TEAM

Mr. A. P. Shukla (President & COF) Tel.: 4033 4723 Email: shuklaap@joindre.com
Mrs. Sujata Poojary (Sr. Executive) Tel. : 4033 4567 Email: compliance@joindre.com
Mrs. Nikita Shah (Sr. Executive) Tel. : 4033 4567 Email: compliance@joindre.com