



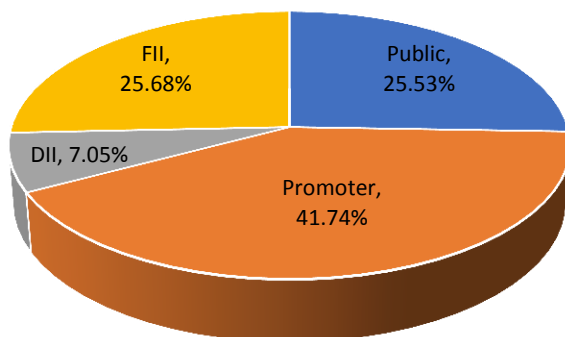
STOCK DETAILS

Industry	BFSI
Market Cap(₹ Bn)	341.46
52 Week High/Low	713/260
Face Value (₹)	1
Equity Shares (Cr)	52.94
CMP ₹	705

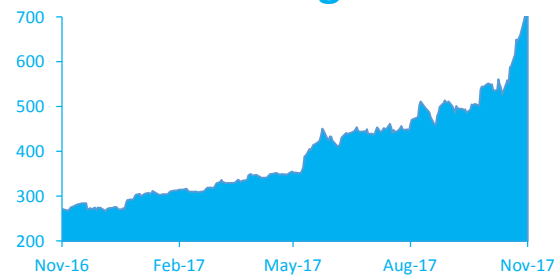
STOCK PERFORMANCE (%)

	Stock	BSE 200
1 Month	29.55	2.3
3 Months	57.99	6.39
6 Months	98.49	12.11
1 Year	160.01	31.76

SHARE HOLDING PATTERN



Vakrangee



Vakrangee Ltd is poised to take huge leverage from the ongoing structural changes happening in India. The company has established a total of 40416 vakrangee kendras across the country and is aiming for 75000 vakrangee kendras by 2020. The number of highly profitable urban Vakrangee kendras has grown by 61% YoY. Currently Vakrangee is having 11067 urban franchises and 29394 rural franchises. The company is anticipating huge potential from the government's massive push towards financial inclusion through the Pradhan Mantri Jandhan Yojana, financial inclusion plan. Vakrangee has been appointed as a Business Correspondent by various banks with a contract period of 5 years. The company is also expecting a few more financial entities to opt for Vakrangee Kendra's services owing to the RBI mandate to open services in the remote hinterlands.

Vakrangee and IndusInd Bank have entered into an agreement to cater to the unserved & underserved people across the Country. The alliance shall render Bill-payment services through BBPS unified and world-class Payment interface based services. IndusInd Bank shall act as Operating Unit for BBPS to channelize entire Technology interface and would offer more than 37 Billers' secured payment service through Vakrangee Kendra network. This tie-up will ensure country-wide bill payment facilities to the customers and tap the untouched market of consumer billing domains through Vakrangee Kendra network and further expand the bouquet of services available to citizens.

Vakrangee Logistics, a subsidiary of the company, is presently in a pilot stage and is planning to expand in 650 plus districts by 2020 to facilitate the services to more than 19000 pin codes in India. Currently all the leading logistic services are covering not more than 6000 postal codes. According to the company, reverse logistics cost 2 to 3 times the cost of forward logistics. Vakrangee Logistics, through its tie ups with the E-Commerce giants like Amazon, is trying to take advantage of its huge presence in the rural areas as the cost of reverse logistics would be nominal for the company owing to its business model.

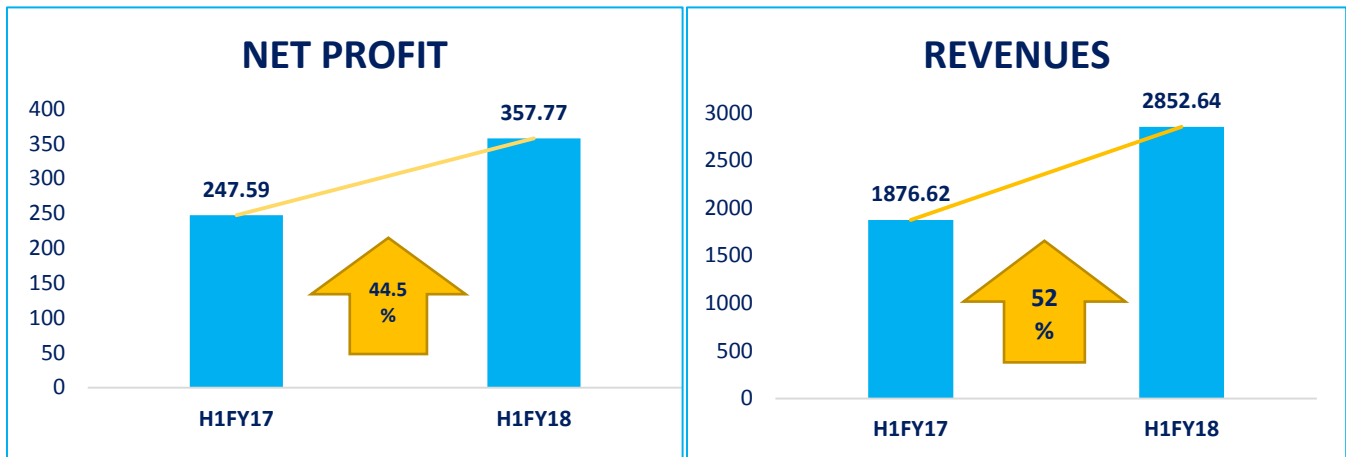
Amazon has already enabled its products at more than 10000 Vakrangee outlets. As of now, Amazon has permitted B2C business only and is likely to extend B2B business, which is going to be big fillip to the existing business in terms of Volumes and profits.

Vakrangee Ltd has recently entered into an agreement with Vasco Worldwide to provide travel concierge and Visa support services.

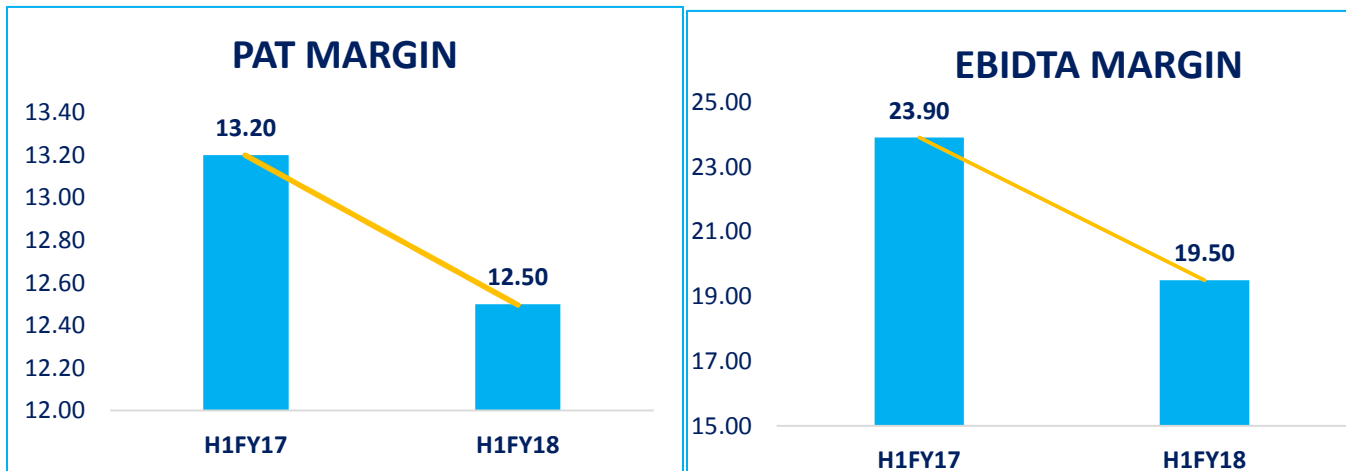
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Performance for H1FY18

The company's profitability has increased significantly during H1FY18 due to the sizable growth of older Vakrangee Kendras and associated business. The company portfolio mix has undergone structural change with the shift to Vakrangee Kendra business from traditional e- Governance legacy projects. By the end of H1FY18, 84% of revenue mix has come from Vakrangee Kendra business. During the Q2FY18 the contribution of Vakrangee kendras business to total revenue moved to 95.5%. The company aims to increase up to 100% by 2020. The company has posted revenues of Rs.2852.64 Crore in H1FY18, which is up by 52% YoY from 1876.61 Crore in H1FY17. The net profit is at Rs. 357.77 Crore in H1FY18, up by 44.50 % from 247.59 Crore in H1FY17. The substantial increase in the Net profit is due to reduction in the finance cost and capital expenditure. Going forward the company profitability further benefits with the growing number of matured vakrangee kendras.



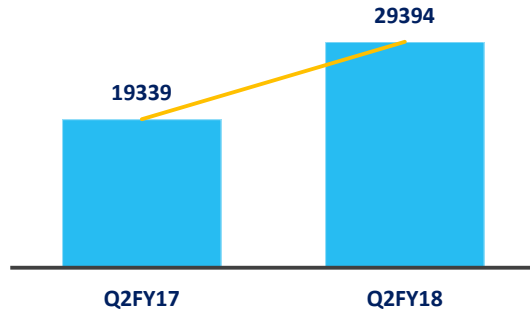
However, the Net profit margin has slightly fallen to 12.50% in H1FY18 from 13.20% in H1FY17. The EBIDTA margin has fallen sharply to 19.50% in H1FY18 from 23.90% in H1FY17, which is in line with the management commentary. The working cycle of the company has been positively impacted due to increased contribution from vakrangee kendras. The Vakrangee Kendra receivable cycle is somewhere between 50 days to 65 days whereas the legacy business receivable is more than 100 days. The company looks to exit completely from the high margin E-Governance business despite of less EBITDA margins (around 17-18%) from Vakrangee Kendras as compared to E-Governance margins of around 28% due to higher receivable cycle and capex in the conventional model. The company is aiming for huge volumes and profits by 2020 from the proposed franchises. The company franchise base has significantly increased to 40,416 as of September quarter end. Urban branches have shown robust growth of 61.8% YoY to 11,067 from 6849 kendras.



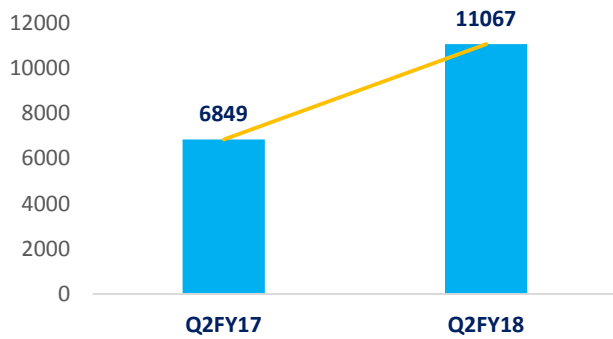
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The Current Rollouts of Vakrangee Kendras:

Rural Kendras



Urban Branches



States	Rural Branches	Urban Branches	Total
Rajasthan	10821	3066	13887
Uttar Pradesh	8746	3824	12570
Maharashtra	7815	2729	10544
Madhya Pradesh	656	361	1017
Gujarat	245	212	457
Bihar	433	101	542
Haryana	102	158	260
Punjab	110	235	345
Jharkhand	193	90	283
Odisha	75	45	120
Delhi	21	125	146
Chhattisgarh	67	20	87
Uttarakhand	52	37	89
Goa	31	27	58
Himachal Pradesh	15	12	27
Chandigarh	2	12	14
Karnataka	10	4	14
Dadar & Nagar	0	1	1
Total	29394	11067	40461

Company Proposed Vakrangee Kendra Rollout plan :

Particulars	FY2016	FY2017	FY2018	FY2019	FY2020	Executed till Sept.2017
Rural Kendras	15000	25000	35000	45000	50000	29394
Urban Kendras	5000	10000	15000	20000	25000	11067
Total	20000	35000	50000	65000	75000	40461

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Key Financial Data

Key Profit & Loss Statement particulars

Particulars (Rs. Cr.) *	Q2FY18	Q2FY17	YoY %	H1FY18	H1FY17	YoY %
Total Income from Operations	1550.79	959.07	61.7	2852.64	1876.61	52.0
Total Expenses	1263.35	733.15	72.3	2302.51	1429.94	61.0
EBIDTA	291.30	227.16	28.2	556.82	448.63	24.1
EBIDTA Margin%	18.8	23.7	(490) bps	19.5	23.9	(440) bps
Depreciation Expense	0.69	19.94	(96.5)	1.48	41.17	(96.4)
Finance Cost	2.75	13.37	(79.4)	8.61	26.97	(68.1)
Profit before Tax(PBT)	287.87	193.85	48.5	546.73	380.49	43.7
Tax Expenses	98.07	67.50	45.3	188.89	132.64	42.4
Profit after Tax	189.63	126.19	50.3	357.77	247.59	44.5
PAT Margin	12.2	13.2	(100) bps	12.5	13.2	(70) bps
Earnings per Share (EPS Basic)	3.6	2.4	50.0	6.8	4.7	44.7

Key Balance Sheet Particulars

Particulars (Rs. Cr.)*	H1 FY18	FY17	Particulars	H1 FY18	FY17
Net Worth	2289.46	2053.75	Fixed Assets	46.26	28.75
Share Capital	52.94	52.92	Other Non-Current Assets	25.79	11.41
Other Equity	2236.52	2000.83	Inventory	46.73	499.19
Total Borrowings	0.0	144.02	Trade Receivables	1081.80	824.36
Long Term Debt	0.0	0.0	Cash & Cash Equivalents	1277.74	603.19
Short Term Debt	0.0	144.02	Other Current Assets	9.99	301.54
Other Non-Current Liabilities	4.20	3.32	Net Current Assets	2221.61	2160.93
Total Sources of Funds	2293.66	2201.09	Total Application of Funds	2293.66	2201.09

* Consolidated Financial Statement from Company presentation

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Valuation

The management has been achieving its projected number of Vakrangee kendras in the urban and rural areas for the past three years. The guidance for FY2020 is to have 50000 Rural Kendras and 25000 Urban Kendras.

The company has 80:20 Revenue sharing agreements with the Franchise. Where 80% goes to the franchise owner and 20% comes to Vakrangee. We believe that apart from the revenues from existing services offered by kendras the newer verticals like E-Commerce tie ups for B2C & B2B, White Label ATMs and Last Mile Logistics will be the major growth drivers.

There is a risk to the revenue estimates from competition. However, it looks unviable for any existing player in the market to offer any of the services pan India on a standalone basis. It is also a tough challenge to have such a huge network of branches and offer a diversified bucket of services.

We have a Revenue projection by FY2020 from Vakrangee Kendras through scaling of existing services at 10563 Cr. And we project a PAT by FY2020 for Vakrangee Ltd to be 1267 Cr which is a CAGR growth of 33.8% (FY16-FY20E)

Profit and Loss Statement estimates					
Particulars (Rs. Cr.)	FY15-16	FY16-17	FY17-18E	FY18-19E	FY19-20E
Net Sales	3190.74	4000.46	6019.07	8125.74	10563.47
YOY GROWTH (%)	-	25	50	35	30
Total Expenses	2369.99	3054.45	4857.39	6594.04	8609.23
EBIDTA	826.39	951.29	1161.68	1531.70	1954.24
EBIDTA Margin%	25.90	23.80	19.30	18.85	18.50
Depreciation Expense	164.04	73.39	66.05	62.75	56.47
Profit before Tax(PBT)	606.03	827.81	943.70	1236.25	1582.40
Tax Expenses	211.18	297.02	330.30	432.69	553.84
Profit after Tax	394.48	530.63	755.39	991.34	1267.62
PAT Margin	12.40	13.30	12.55	12.20	12.00
Earnings per Share (EPS Basic)	7.60	10.00	14.27	18.73	23.94

We arrive at the Forward P/E multiples as follows:

Year	TTM	FY2018E	FY2019E	FY2020E
EPS	12.10	14.27	18.73	23.94
P/E	58.26	49.40	37.64	29.44

Considering the past performance and huge untapped potential with the growing number of older Vakrangee Kendras, we are expecting the company to achieve its targets. Presently the company is trading at ~58 P/E multiples and it trades at ~29 P/E FY20E, we maintain our positive outlook on the stock, for a price target of Rs 945.



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