

CMP Rs. 345

Fair Value Rs. 590

Market Cap: Rs. 183 bn [\$2.9 bn]

Vakrangee Limited (VL) - Largest E-commerce & multi faceted Services Enabler

Company is emerging as **biggest last mile touch point distributor & enabler of providing services and consumer goods across all India** and try to reach as close to consumer as a govt “Rashion Shop”. It’s Vakrangee Kendra’s will soon be visible to you across all Postal Pin-codes of India. Despite such a furious expansion of its network, its capital needs are meagre. Company, **like a true enabler- provides only technology and centralized support to franchises for offering all services/products under its fold**. Company’s Asset light franchises focused business is a unique model for its faster scalable & sustainable growth, leading to its **turning net ZERO DEBT company in FY’17-18 itself**.

With more then 35,000 service & Consumer outlets now, **company is likely to achieve 75,000 targets earlier than planned year of 2020**. Number of such outlets can go further into lakhs going forward, making it biggest enabler for Govt and private enterprises to enable to distribute their products or services to reach the masses [who are so far beyond reach of most of the sophisticated vendors], in a cost effective manner.

While potential for its growth is much more, the capital needs are negligible. So in a way its valuations should be better than peers like Amazon or Alibaba. So we value company at 25X of FY’18 EV/EBIDTA with a **fair value of Rs 590** in next 12-18 months.

Valuation Ratios	FY 15	FY 16	FY 17e	FY 18e	FY 19e	FY 20e
ROCe (%)	45.70	49.20	50.80	61.70	51.80	55.20
ROE (%)	26.70	26.00	23.80	29.50	34.40	36.70
EPS	6.08	7.46	8.58	14.19	18.05	24.30
Book Value	22.81	28.74	36.03	48.09	58.40	74.20
EV/EBIDTA	25.01	22.00	20.58	14.61	11.60	8.86
EV/EBIT	32.38	27.48	24.75	15.75	12.57	9.34
PE	56.74	46.25	40.22	24.32	19.12	14.20
P/BV	15.12	12.00	9.57	7.17	5.91	4.65
Shareholding	%	Key Institutional Holding		%		
Promoter Holding	41.6	LIC		6.11		
DII's Holding	6.8	Credit Suisse		3.71		
FII's Holding	22.4	Wellington Trust Company		1.22		
Others	29.2	Db International (Asia) Ltd		1.03		
Total	100	Indus India Fu		1.02		

Synopsis of Investment Argument

Transformation into a last-mile Retail distribution platform-

Vakrangee commenced operations in 1990 by participating in e-governance projects and is now focused on establishing Vakrangee Kendras. Vakrangee Kendras has emerged as a one-stop shop (convenience store format) for providing E-Government, Banking, Insurance, E-Commerce and Logistic services.

Large expansion plan to emerge into World's Largest Franchisee

Model- It currently has more than 35,000 Vakrangee Kendras (V-kendras) across 16 states of the country and targets 50,000 rural and 25,000 urban V-kendras 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.

Wide Bouquet of Products & Services to Drive Consumption

Growth- V-Kendras provide access to more than 80 million products and over 1000 services under one roof across various verticals such as E-Governance, Banking, Insurance, E-commerce 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 Kendras. Company 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 [Micro/Housing finance] through Tie ups with NBFCs and Banks.

A financial Inclusion provided huge opportunity- As a part of the Indian Government's financial inclusion plan, VL has been appointed as National Business Correspondent by 8 Indian Banks. The company has seen strong traction from Banks to expand their Business Correspondent (BC) branches due to the government's emphasis on financial inclusion. VL has been awarded the contract to set up and manage 75,000 BC (over 35,000 presently) by FY 20.

High growth driven by multiple Avenues- The Company intends to expand its network to 75,000 outlets by FY20 from the present over 35,000 centres. It has recently tied up with IOCL – an exclusive tie-up, under which it can potentially set up Vakrangee Kendra at 20,000+ IOCL outlets. It has an exclusive five-year tie-up with Amazon for sale of products through Assisted E-Commerce model, and has a tie-up with Mahindra & Mahindra also to help in lead generation.

Ratios	FY 15	FY 16	FY 17e	FY 18e	FY 19e	FY 20e
EBIDTA Margins (%)	26.00	25.70	22.00	22.10	17.90	17.10
EBIT Margins (%)	20.00	20.60	18.30	20.50	16.50	16.20
PAT Margin (%)	11.60	12.40	11.40	13.40	11.00	10.80
D/E	0.34	0.21	0.17	0.06	-	-
ROCe (%)	45.70	49.20	50.80	61.70	51.80	55.20
ROE (%)	26.70	26.00	23.80	29.50	34.40	36.70
EPS	6.08	7.46	8.58	14.19	18.05	24.30
Book Value	22.81	28.74	36.03	48.09	58.40	74.20
EV/EBIDTA	25.01	22.00	20.58	14.61	11.60	8.86
EV/EBIT	32.38	27.48	24.75	15.75	12.57	9.34
PE	56.74	46.25	40.22	24.32	19.12	14.20
P/BV	15.12	12.00	9.57	7.17	5.91	4.65

Focus on Asset Light Model, Low Capex and Free Cash flow Generation- Company is tapering off the legacy business which used to be capex heavy 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 maintaining the Debt Free status.

Valuation: Company aspire to open 75,000 V-kendras by FY 20, then attain few lakhs of touch points. We believe stock is good proxy to India's consumption story.

The franchisee based asset light model will generate strong margins, Robust return ratios and sustained growth for the company. From the projected 75,000 strong Vakrangee Kendras, in next 3-4 years, company will be able to show spectacular results, we valued the company based on 25x EV/EBIDTA (similar to other FMCG and consumption related business) and fair value is Rs. 590 on FY18 numbers which is around 70% upside from current price of Rs. 345.

History, Business Model and corporate governance

- Dinesh Nandwana is first generation entrepreneur (Chartered Accountant), begin the company.
- Transformation into a last-mile distribution platform: Vakrangee commenced operations in 1990 by participating in e-governance projects and is now focused on establishing Vakrangee Kendras.
- Vakrangee Kendra - one-stop shop convenience store providing Products and services across E-Governance, Banking, Insurance, E-commerce and Logistic verticals. V-Kendras are franchisee-run and make money through commissions on various type of transactions.
- Presently have more than 35,000 outlets in rural, urban and semi-urban and targets 50,000 rural and 25,000 urban outlets by 2020.
- Further, it is adding additional future income sources such as providing a touch point for GST Registration & Payments, Railway ticket booking through IRCTC as well and providing Loan products (Consumer Loans, Personal and SME loans) through tie up with NBFCs and Banks.
- Strong Corporate Governance - Before its tie-up with amazon, Amazon India performed a lengthy due diligence process with PWC as the auditor. Further, MSCI also audited the process and corporate governance practice and accorded 10 out of 10. The Board has 6 out of 8 members being independent

Transformation over a period of 27 years

Year	Projects Undertaken	Transformation
1990	Birth of Vakrangee	Sub-contractor and IT enabler for e-Governance projects.
1993	Computerisation of Central Election Commission	
2005	MCA 21 - Ministry of Corporate Affairs	
2007	RSBY Smart Card Project: UP, Haryana & Rajasthan	
2009	Land Record Digitisation for Government of Philippines	
2010	Sarva Shiksha Abhiyan	
2011	UID Enrolment & UID linked Haryana PDS Project	
2013	IGRS, National Population Register, CSC Project in Rajasthan	Retail house offering BFSI, G2C and B2C services- Growing with India's Rural Consumption story.
2013	Financial Inclusion Project – MoF & RBI	
2014	WLA License- RBI	
2015	Foray into E-Commerce	
2016	Strategic Tie-up with IOC, Insurance tie-up with Tata, Bajaj, Reliance & HDFC	

Services offered: VL is operating in following segments and offering following services

- 1. E-Governance:** Vakrangee offers system integration services, and provides services such as collection of bills, printing of voter ID cards, recruitment services, health initiatives etc. The projects it is currently working on include UID (Unique Identification Project), SSA (Sarve Shiksha Abhiyan), PDS (Public Distribution System), RSBY (Rashtriya Swasthya Bima Yojana) amongst others.

Business Model: Under e-Governance business, Company get projects through tendering system by participating into different Public, Central and State Government authority's project. Since these projects are tender based so very competitive. These projects are annuity based business model since project period is pre-decided and offers assured predictable revenue and margins. These projects are asset heavy business. Under these projects company has to set up the infrastructure facilities which require huge capex. These infrastructure involve computer system, printing devise, other connection and customised devised which may be helpful to implement the projects. These projects are working capital incentive as well as these are government linked projects hence payment process is very slow and debtor days are generally 120-150 days. Post tax ROCE of these projects are generally 12-13%.

E-Governance segment provide assured predictable revenue growth but it require high working capital and higher capex. It is asset heavy business model and generating meagre 10-11% ROCE. Hence, VL is intentionally decided not to participate in any fresh tender and expect to reduce the contributions of this business to less than 10% by FY 20 from 35% currently. This step will not only release stress from working capital but also reduce the debt from the balance sheet. We expect VL's EBIDTA (post tax) will equal to free cash flow from FY 19 as new business model is asset light.

2. Vakrangee Kendras These are small outlets in rural as well as urban areas, intended to provide last mile retail touch point for products and services to the unserved and underserved regions of the country. The different services provided through the Vakrangee Kendra include Banking, Insurance, ATM, e-Governance, e-Commerce and Logistics.

VL's technology-intensive retail distribution platform delivers services across banking, insurance, ATM, E-governance and E-commerce on real time basis to potential 250mn customers, both under-served rural and urban India. Services offered under each vertical of a VL Kendra are as enumerated below. This segment of **Business is very asset light, scalable & sustainable for VL; as VL only offers technical support and product basket, while rest of the activities are performed by the Franchisee.** Appointment of franchisee is based on strict screening criteria and final decision is taken by the Bank. While appointing franchisee, generally credentials, credit history, reference checks, education details etc are thoroughly examined.

Business Model: 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 behaviour as well as attained experience of dealing with ground level complexities such as flexible timings, power & connectivity issues, etc.

Vakrangee Kendra are growing on the back of franchisee model. This is asset light model where VL only work as a facilitator and arranger while rest of the activities is performed by franchisee only. This business has robust outlook because of govt. financial inclusion program and rural consumption. The tasks provided by VL include infrastructure support, 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. This business on a consolidated level generate more than 50% ROCE as there is hardly any investment and major working capital need for VL. The EBIDTA (post tax) is best proxy of free cash flow as nominal capex or no major working capital is required to run this business. Growth is combined with three factors:

- 1. Addition in number of outlets*
- 2. Introduction of new product in existing outlets.*
- 3. Maturity of the existing services at the outlets.*

In 2011, when the government divided India under 20 clusters to drive financial inclusion, and invited tenders from various players to set up Business Correspondent (BC) branches – this was an opportune time for VL to cash in on its vast experience and bid for the contract. A step in this direction saw VL winning contracts for setting up BC franchisee in 2 clusters, viz., Maharashtra and Delhi & Rajasthan. Further, VL was appointed as BC by various banks under the “Common BC” and “National BC” agreements. VL has thus shifted focus to growth with the burgeoning opportunity thrown up by financial inclusion. Company had started operation to fulfil RBI and Government of India Financial Inclusion Program through working as a Business Correspondence with Banks. Company has appointed franchisee based on Bank’s adopted village. These franchisee will be responsible for opening of accounts, deposit and withdrawal facility and other banking transaction. VL gets 0.48% fee of the value of transaction from Bank’s which is shared between VL and franchisee as per agreed terms (fee sharing is up to 80% with the franchisee based on milestone achieved by the franchisee). Company has leveraged this franchisee business model with other business as well. Presently the same franchisee are not only doing BFSI activities but also cross selling insurance (both general and life insurance), Telecom, DTH, Aadhar enrolment & updation, selling product for Amazon India etc.

Segment	Services offered
BFSI Services	Banking and Insurance
Business to Consumer (B2C)	Telecom, DTH, Education, retail Sales through Amazon
E-Governance Project	UIDAI (Aadhaar), Central Election Commission, Public Distribution system, IGRS, MCA-21, Passport Seva Kendra
Strategic Project	White Label ATMs
Government to Citizen (G2C)	Collection Services, Recruitment Application, Processing, Grievance Management, Issuance of Certificates

Investment Thesis

1. Shifting toward asset light Business

Company has two business in its portfolio

- a) Legacy Standalone e-Governance Business and
- b) Vakrangee Kendra - an Outlet based Business

a) Legacy Standalone e-Governance projects, including systems integration projects as well as print and data management services. These projects will be allotted under tender system from different public, state and central regulated body. Generally, these projects offered long term contract and assured revenue. Computerisation of Election, Commission, Ministry of Corporate Affairs Project, (MCA-21), Rashtriya Swasthya Bima Yojana (RSBY), Common Service Centre (CSC), Smart-card based Public Distribution System (PDS), Computerisation of Registration Department in Maharashtra, and Passport Services, among others. These projects are capital intensive as working capital is major issue in this business as getting payment from government owned department is herculean task and debtors days is as high as 120-150 days. Apart from working capital, Company has to build and maintain capex in terms of infrastructure setup to implement these projects. Post tax ROCE from this business is around 12-13% which is mainly because of high capex and high working capital requirement.

VL's revenue ratio between standalone e-Governance project and Vakrangee Kendra is 35:65 and Year on Year % contribution is improving in favour of Vakrangee Kendra portfolio as it is low asset turnover business which is actually improving the company's ROCE and working capital. Company expect the Vakrangee Kendra contribution will increase to 90%+ by FY 20. Standalone e-Governance projects are high capex and high working capital intensive business.

Company is planning to prune this business as they are not participating in any fresh tender under legacy e-Governance business and expected to decline 8-10% YoY and management expect by 2020 the contribution from this segment would be around 10% which is 35% presently.

- b) Vakrangee Kendras are** Outlet Based Business i.e. Vakrangee E-kendra Business is asset light business growing on franchisee model. The current 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 as explained above. 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.

Common BC Agreements			
S. No.	Bank Tie-ups	S. No.	Bank Tie-ups
1	Bank of Baroda	17	Canara Bank
2	Bank of India	18	Allahabad Bank
3	Baroda Raj. Gramin Bank	19	Andhra Bank
4	Indian Bank	20	Corporation Bank
5	Indian Overseas Bank	21	Punjab & Sind Bank
6	Jaipur The Gramin Bank	22	Central Bank of India
7	Oriental Bank of Commerce	23	Hadoti Kshetiya Gramin Bank
8	Punjab National Bank	24	Marwar Ganganagar Bikaner Gramin Bank
9	Rajasthan Gramin	25	State Bank of India
10	Union Bank of India	26	United Bank of India
11	UCO Bank	27	Maharashtra Gramin Bank
12	Vijaya Bank	28	State Bank of Hyderabad
13	SBBJ	29	Vidarbha Kshetriya Gramin
14	Bank Of Maharashtra	30	Waiganga Krishna Gramin Bank
15	Dena Bank	31	IDBI bank
16	Syndicate Bank		

Over the last four years, new government has launched various flagship social security schemes with an objective of broadening financial inclusion in India. This was done to make financial services such as banking, insurance, and others available to the Indian citizens especially from the low & middle class category at an affordable cost and make them financially secure. And lots of efforts are being taken to increase the subscribers under each of these schemes. Further, BJP government has aggressively pursuing various financial inclusion schemes in the form of insurance, pension, savings account. The purpose of government to provide all these services to public at large especially below poverty line population through banking channels. Since Banking Channels does not have presence due to various factors so this project is being pushed through BC channel. Company has national and common BC arrangement with Banks.

2. Best Proxy of Domestic Consumption Story -

Company outlet business model is majorly focusing on unserved, underserved rural and urban areas. Government of India focused towards rural development is driving rural income. Government has launched various program like Pradhan Mantri Gram Sadak Yojana, Swarnjayanti Gram Swarozgar Yojana, Indira Aawas Yojna, Mahatma Gandhi National Rural Employment Guarantee Act-2005, National Social Assistance Programme, DRDA Administration, PMRDFs, Aajeevika PMRY. The purpose

National BC Agreements	
S. 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	Baroda Gujarat Gramin Bank
7	Baroda Uttar Pradesh Gramin Bank
8	Bank of Baroda

Channel	Activities
Banking	Bank Account Opening (Savings, Current, SHG, etc), Cash deposits, Withdrawals, Money, Transfer, Fixed / Recurring Deposits, Retail Loans, Balance Enquiry, Statement of Accounts, Disbursement of Money under Direct Benefit Transfer.
Logistics	Alliance with Aramex India Private Limited and Delivery Private Limited for courier and logistics services (Forward Delivery and Reverse Pick-up Services).

of all these programs to improve living standard and disposable income of rural population. Further, DBT transfer will also help rural population as intermediately role be curtailed. All these DBT transferred will be routed through the Bank account which are maintained by franchisee. All these will leads to ultimately increase the income in the hand of villagers and hence help franchisee to cross sell other products. Company’s franchisee is performing different activities for rural population.

3. Substitute of Amazon’s Growth

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 >80mn 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 and Fedex. The exclusive agreement with Amazon will enable VL to provide marketing, promotional and pick up services of >80mn 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. In 2015 Vakrangee has joined hands with Amazon India wherein it shall provide marketing, promotional and pick up services to Amazon through the “Vakrangee Kendras”.

Insurance	Corporate agency tieup for Life, Non-Life, Health Insurance, Micro Insurance Schemes under Atal Pension Bima Yojana, Jeevan Jyoti Bima Yojana and Pradhan Mantri Suraksha Bima Yojana.
E-Governance	Enrolments-UID Card, NREGA Job Card, Election Card, Land Record, Digitisation, Electoral Rolls, Payment of Utility Bills, Taxes, Levies, Railway tickets, Certificates, Hall Tickets, Exam Fee Payments, Online Form Filling, Partnered with MMPL, for rendering bill payment collection solution.
E-Commerce	Telecom – Mobile Recharge, DTH service – Recharge, Bill payments, Assisted e-Commerce Model: Alliance with Amazon India to facilitate sale of products, Alliance with RedBus for offering ticketing services, Alliance with “Mahindra eMarket Limited”, a subsidiary of M&M for promoting and booking automobile products.

VL franchisee are working as marketing agency for Amazon India. VL is best jockey to participate in E-commerce growth especially from untapped market. This arrangement is presently working on more than 1000 stores. There could be humongous growth from this tie-ups. One can imagine the growth based on an example that a Vakrangee franchisee from Kota in Rajasthan booked orders worth Rs.20 lakh in two days from the start of operation.

This tie-ups is for five-year period with Amazon wherein the ecommerce entity could use 'Vakrangee kendras' as physical ordering and collection points for Amazon's products and would pay 4-15 per cent of the gross merchandise value (GMV) as commission to Vakrangee. Amazon is putting their banners, posters at VL's franchisee for promoting the product sales through offline mode.

Presently VL has over 35000 stores across 16 states — mostly in under-served areas — the target is to have 75,000 such V-kendras by 2020.

Currently Amazon services are available in 1000 plus such V-kendras and the target is to offer it in 10,000 centres over the next 6 to 8 months. VL has tied up with IOC (Indian Oil Corporation) to have Vakrangee Kendra at 20,000 petrol pumps.

Amazon will be the indirect beneficiary of this tie-up as well and also contribute substantial in VL growth going forward.

**WADALA MUMBAI OUTLET**

This is win-win situation for both amazon and VL. This tie-up allows Amazon to become stronger in untapped areas and improve its last-mile connectivity on one hand on the other hand also help VL to enhance growth on e-commerce.

At current juncture, VL already has rolled out Amazon kiosks at its 1000 location as per the revenue-sharing agreement, VL gets commission (4-15%) on gross merchandise value of goods sold.

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

4. Predictable growth driven by multiple avenues

Company is expected to grow by 25-30% CAGR for next 3-4 years on the back of increasing number of outlets and new product introduced in E-Kendras. VL has given guidance to achieve 75,000 outlets by 2020 and approx. 12,000 Crore of revenue. Following are the important growth drivers

- Currently 35k outlets are completed & operational across 16 states.
- **Insurance Vertical** – New Tie ups announced in Life, Non-Life & Health Segments Life – Bajaj Allianz, HDFC Standard Life and Non Life – Tata AIG, Reliance General, HDFC ERGO General Health, Religare, CIGNA, TTK.



Vision 2020	FY 16	FY 17	FY 18	FY 19	FY 20
Rural Kendras	15k	25k	35k	45k	50k
Semi-urban Kendras	3.5k	7k	10k	13.5k	17k
Urban Kendras	1.5k	3k	5k	6.5k	8k
Total	20k	35k	50k	65k	75k

- **Logistics Vertical** – Aramex India Private Limited, Delhivery Pvt. Ltd. and FedEx Express for Courier & logistics services
- **Outlets at Indian Oil Corporate Limited (IOC) Filling/Gas Station** – 50 outlets operational in the state of Maharashtra, Rajasthan and Uttar Pradesh.
- **E-commerce Vertical** – Amazon has been launched and activated now in more than 1,000 outlets, Gold product booking is activated across all outlets, and Pilot for Sale of Mobile handset for Reliance Jio has been completed, now rollout will take place in next 3-4 months across all our outlets.

5. Strong Risk Management

VL has developed robust risk management system as franchisees are dealing with cash system (deposit, withdrawal and transfer etc.). All transactions are settled on real-time basis so completely avoiding any reconciliation error risk and cash misappropriation risk.

Based on experience management is able to develop strong risk management process which as under–

- Each Vakrangee Kendra Franchisee is required to maintain a current settlement account with the parent bank.
- This current settlement account of Franchisee is used for real-time settlement of the cash withdrawal/deposit transactions.

- At any time, the deposit accepted at any Vakrangee Kendra cannot exceed the deposit lying in the settlement account.
- Thus cash in hand of Franchisee becomes his own cash, and neither the customer nor the bank is at risk of any cash misappropriation

A/c Settlement process	Customer's Savings A/C	Franchisee Settlement A/C	Franchisee Cash in Hand
Initial A/C Balance	Rs. 50k	Rs. 50k	Rs. 50k
Cash Deposit Rs 10k	Credit Rs 10k	Debit Rs. 10k	+Rs. 10k
Cash Withdrawal Rs 20k	Debit Rs. 20k	Credit Rs. 20k	-Rs. 20k
Final A/c Balance	Rs. 40k	Rs. 60k	Rs. 40k

- When Franchisee receives cash deposit from customer, Franchisee's settlement A/C gets debited and customer's A/C gets credited.
- When Franchisee provides cash for withdrawal to customer, Franchisee's settlement A/C gets credited and customer's A/C gets debited.

6. Strong Board Team

- **Dinesh Nandwana** (M.D & CEO) - Has about 25 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.

7. Strong Management Team

- **Dinesh Nandwana** (M.D & CEO) - Has about 25 years of business experience. 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 and holds a Bachelor's degree in Commerce from Rajasthan University & is a certified Chartered Accountant from the Institute of Chartered Accountants of India.

- **Rajeev Ranjan** (CEO – eGovernance) - 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.

It is the right vision , thought process of the management and operating team which helped them transform their business from sub-contractor to E-commerce enablers.

8. Financials & Valuation

Balance Sheet (Rs. Mln)	FY 15	FY 16	FY 17e	FY 18e	FY 19e	FY 20e
Net worth	12073	15211	19070	25451	30891	39251
Total Debt	4160	3202	3402	1155	-	-
Other Liabilities	16	22	21.7	21.7	22	22
DTL	427	131	130.6	130.6	127	127
Total Liabilities	16677	18565	22624	26758	31040	39400
Net Block	2829	1322	1192	992.3	2980	3521
Investment	16	15	15	15	27	27
Current Assets (excl cash)	16961	17700	19048	23268	31946	41375
Current Liabilities	3698	2538	3172	4446	9836	14797
Net Working Capital	13264	15162	15876	18821	22110	26578
Cash	382	1673	5149	6540	5923	9274
DTA	2	2	2	2	-	-
Other Assets	184	390	390.3	390.3	-	-
Total Assets	16677	18565	22624	26761	31040	39400

Profit & Loss Accounts (Rs Mln)	FY 15	FY 16	FY 17e	FY 18e	FY 19e	FY 20e
Net Sales	27851	31964	39954	56004	87058	119248
Operating Expenditure	20423	23489	30852	43180	70731	97641
Employee Cost	196	254	317	444.3	741	1192
EBIDTA	7232	8221	8785	12379	15586	20415
Depreciation	1649	1640	1479	900	1194	1058
EBIT	5584	6580	7306	11479	14392	19357
Interest Expenses	750	560	495	150.2	50	50
EBT	4834	6020	6811	11329	14690	19784
Other income	59	56	173.6	220.4	348	477
EBT	4893	6076	6985	11550	15039	20261
Tax	1675	2128	2445	4042	5140	6922
PAT	3218	3948	4540	7507	9550	12861

Cash Flow Statement (Rs. Mln)	FY 15	FY 16	FY 17e	FY 18e	FY 19e	FY 20e
Cash Flow from Statement						
EBT	4,893	6,076	6,985	11,550	14,392	19,357
Depreciation	1,649	1,640	1,479	900	1,194	1,058
Interest (Net)	646	516	321	-70	-298	-427
Other Adjustment	-8	-29	-29	-19	-	-
CFO before WC	7,181	8,203	8,757	12,361	15,288	19,988
Changes in WC	-5,770	-2,099	-713	-2,936	-4,049	-4,468
Direct Tax Paid	-1,422	-2,927	-2,445	-4,042	-5,140	-6,922
CFO	-11	3,177	5,599	5,382	6,098	8,598
Cash flow from Investment						
Purchase of Fixed Assets	-134	-112	-1,349	-700	-1,789	-1,599
Others	25	1	0	0	0	0
Cash used in CFI	-109	-111	-1,349	-700	-1,789	-1,599
Cash from Financing						
Debt Repayment	228	-959	200	-2,247	0	0
Dividend and Others	-126	-460	-761	-1,103	-3,393	-4,552
Cash used in CFF	102	-1,393	-561	-3,350	-3,393	-4,552
Change in Cash	-18	1,673	3,689	1,333	917	2,447

Ratios	FY 15	FY 16	FY 17e	FY 18e	FY 19e	FY 20e
ROCe (%)	45.70	49.20	50.80	61.70	51.80	55.20
EV/EBIDTA	25.01	22.00	20.58	14.61	11.60	8.86
EV/EBIT	32.38	27.48	24.75	15.75	12.57	9.34
PE	56.74	46.25	40.22	24.32	19.12	14.20
P/BV	15.12	12.00	9.57	7.17	5.91	4.65

Valuation: Company aspire to open 75,000 V-Kendras by FY 20, we believe stock is good proxy for India's consumption growth.

The franchisee based asset light model will generate strong margins, Robust return ratios and sustained growth for the company. From the projected 75k strong Vakrangee Kendras (outlets), in next 3-4 years, company would be able to show spectacular results [as shown above], we valued the company based on 25x EV/EBIDTA (similar to other FMCG and consumption related business) and fair value is Rs. 590 on FY18 numbers which is around 70% upside from current price of Rs. 345.

Peer Group Valuation – Proxy of e-retailer and consumption growth

Company	Sector	Market Cap (Rs bn)	FY17E		FY18E	
			EV / EBIDTA	P/E	EV / EBIDTA	P/E
Amazon	eCommerce (In USD BN)	433	36.9	188.3	23.6	64.9
Alibaba	eCommerce (In USD BN)	288	17	70	22.1	25.8
			43.4	115	39.9	72.2
Info Edge	Online - E-Commerce	99.3	57.7	60.5	39.6	43.9
Jubilant Foodworks	Domino's Franchisee – Consumption	69.3	17.1	39.4	12.8	27.9
Titan	Tanishq Jewellery Franchisee – Consumption	426	34.2	53.5	29.8	42
WestLife Development	McDonalds Franchisee - Consumption	37.4	17	70	19.7	34.4
Varun Beverages	KFC – Consumption	85.4	12.5	42.2	10.9	30.6
Dmart	Retail stores – Consumption	465.5	46.3	92.2	35.4	62.7
			30.8	59.6	24.7	40.3
HUL	Consumption - FMCG	2,035.60	32	46	30.1	42
ITC	Consumption - FMCG	3,530.60	24.3	34.6	20.9	30.5
Colgate	Consumption - FMCG	282.1	29.4	47.5	27.6	44.4
			28.6	42.7	26.2	39



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