

One Stop Investment Avenue



GEPL
CAPITAL



IPO Note

AKME FINTRADE INDIA LTD

Jun 19, 2024



AASAAN LOANS
Unnati ki aur pehla kadam
Powered by Akme Fintrade India Ltd



Jun 19, 2024

Details of the Issue

Price Band	₹ 114 - ₹ 120
Issue Size	₹ 132 Cr
Face Value	₹ 10
Bid Lot	125
Listing on	BSE, NSE
Post Issue Mcap	₹ 384.35 Cr
Investment Range	₹ 14,250 - ₹ 15,000

Important Indicative Dates (2024)

Opening	19 - Jun
Closing	21 - Jun
Basis of Allotment	24 - Jun
Refund Initiation	25 - Jun
Credit to Demat	25 - Jun
Listing Date	26 - Jun

Lead Manager

Gretex Corporate Services Limited

Offer Details

Offer Size	₹ 132 Cr
Fresh Issue	₹ 132 Cr
OFS	-

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	66	5.5	5.7	50
NIB	19.8	1.7	1.74	15
Retail	46.2	3.9	4.05	35
Em- ploy.	-	-	-	-
Total	132	11	11.58	100

Invest Now**Company Profile**

Founded in 1996, Akme Fintrade India Ltd is a seasoned non-banking financial company (NBFC) with over two decades of expertise in lending to rural and semi-urban regions in India. Specializing in financial solutions designed for these communities, Akme Fintrade's portfolio includes Vehicle Finance and Business Finance products, catering primarily to small business owners. The company operates in rural and semi-urban areas across four Indian states: Rajasthan, Maharashtra, Madhya Pradesh, and Gujarat. Its registered office is located in Udaipur, Rajasthan, with a Corporate Office in Mumbai, Maharashtra. With 12 branches and more than 25 points of presence, both digital and physical, Akme Fintrade has served over 200,000 customers.

Akme Fintrade provides financing for the purchase of new two-wheelers and three-wheelers, including scooters, motorcycles, and auto rickshaws, targeting both salaried professionals and self-employed individuals. As of December 31, 2023, the company employs 125 permanent staff members, emphasizing their overall welfare and well-being.

Business Highlights & Services

Company operate under a "hub & spoke" business model, with their registered office in Udaipur, Rajasthan, overseeing 6 branches in Rajasthan and 6 branches across Maharashtra, Gujarat, and Madhya Pradesh. Additionally, it have points of sale in 25 locations across India. Their branches serve as the primary points of sale for small business and vehicle finance, handling loan origination, collection processes, and customer service, while their central support office manages loan processing and credit monitoring. It ensure operational independence by segregating their sourcing and credit approval teams. Company's enterprise-wide loan management system streamlines all activities and functions on a single technology platform, enhancing back-end efficiency and service quality.

Their digital lending platform, www.aasaanloans.com, is in development and will be rolled out gradually. Currently, it's undergoing User Acceptance Testing (UAT) for Two-wheeler finance. Their IT team is also developing products for loan against property, commercial vehicle financing, and secured business loans, to be introduced in phases. Company is rigorously testing Two-wheeler finance to ensure it meets credit standards before a broader rollout. Launching aasaanloans.com helps identify low-risk, high-potential businesses, offering financing to those traditionally underserved. It aim is to empower small businesses with growth potential, providing loans where traditional banks may not, due to lack of collateral or financial history.

Products on their digital platform will include Aasaan Mahila Udyog loan, Aasaan Saral Udyog loan, Aasaan Vehicle Loan, Aasaan Farm equipment loan, and Aasaan Loan Against Property, focusing on unserved and underserved segments, including MSMEs, with tenures up to 10 years. Company leverage technology for efficient credit assessments and document verification, streamlining processes and reducing costs for businesses, especially in semi-urban and rural areas. Company growth strategy involves expanding their presence in existing and new markets, prioritizing customer needs, and customizing solutions. It use detailed analysis to select new branches, ensuring they align with their business model and market potential.



Company focused on amplifying their presence among small business owners and self-employed individuals to capture a larger market share. Company is targeting growth in regions like Andhra Pradesh, Bihar, Telangana, and Rajasthan, where non-institutional credit agencies play a significant role in household debt. It see promising prospects in personal loans, small business loans, and two-wheeler financing, particularly in rural areas where demand is rising. Their strength lies in a tailored underwriting model that prioritizes income and collateral assessment, appealing to first-time borrowers entering the formal lending sector. Building a strong brand, exemplified by "Aasaan Loans," is crucial for customer trust and loyalty. Company is investing in digital platforms, customer engagement programs, and strategic advertising to reinforce their brand presence. While core services remain their focus, it exploring additional products and cross-selling opportunities to deepen customer relationships and expand their offerings. Leveraging its extensive branch network and customer insights, it aim to provide tailored financial solutions and capitalize on economies of scale. Company strategy is customer-centric, focusing on brand strength, product diversification, and leveraging their distribution channels for sustained growth and profitability.

AUM Breakup

Particular	As of and for the year March 31, 2021		As of and for the year March 31, 2022		As of and for the year March 31, 2023		For the nine months period ended December 31, 2023	
	Rural & semi-urban	Urban	Rural & semi-urban	Urban	Rural & semi-urban	Urban	Rural & semi-urban	Urban
AUM (₹ in lakhs)	25,555.17	16,545.61	21,497.14	13,634.65	21,327.58	14,088.53	23,226.92	14,719.36
Gross NPA (₹ in lakhs)	966.85	537.19	1,057.37	664.97	1,065.40	554.49	937.04	558.31
Gross NPA (%)	3.78	3.25	4.92	4.88	5.00	3.94	4.03	3.79

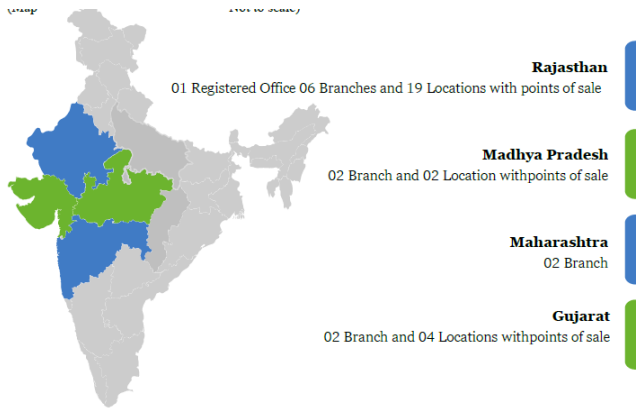
Business Vertical

(₹ in lakhs)

Business Vertical	For the Year March 31, 2021		For the Year March 31, 2022		For the Year March 31, 2023		For the nine months period ended December 31, 2023	
	Interest Income	% of Interest Income	Interest Income	% of Interest Income	Interest Income	% of Interest Income	Interest Income	% of Interest Income
Four Wheeler Loan	657.93	7.82%	501.10	7.72%	525.12	8.32%	411.21	8.10%
Business Loan	6,100.74	72.48%	4,723.87	72.82%	4,894.65	77.56%	3,863.00	76.08%
Three Wheeler Loan	79.19	0.94%	66.36	1.02%	77.97	1.24%	64.44	1.27%
Two Wheeler Loan	1,579.00	18.76%	1,195.60	18.43%	813.25	12.89%	738.58	14.55%
Grand Total	8,416.86	100.00%	6,486.94	100.00%	6,310.99	100.00%	5,077.23	100.00%



Geographical footprint



Product Portfolio

Products and Services Wise				
(₹ in lakhs)				
Credit Exposure	As on March 31, 2021	As on March 31, 2022	As on March 31, 2023	As on December 31, 2023
Vehicle Loan	9,574.29	7,620.69	7,525.18	7,879.63
SME/MSME/Business Loans	32,526.49	27,511.10	27,890.94	30,066.65
Total	42,100.78	35,131.79	35,416.11	37,946.28

State Wise Portfolio				
(₹ in lakhs)				
Credit Exposure-State wise	As on March 31, 2021	As on March 31, 2022	As on March 31, 2023	As on December 31, 2023
Rajasthan	28,853.51	24,980.84	24,982.34	26,329.30
Madhya Pradesh	4,854.00	4,174.37	4,454.67	4,538.04
Gujarat	5,026.01	3,263.01	3,147.64	3,397.37
Maharashtra	3,216.00	2,593.98	2,831.46	3,681.57
Odisha	151.26	119.59	0.00	0.00
Total	42,100.78	35,131.79	35,416.11	37,946.28

Peer Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/B	RoNW(%)
Akme Fintrade Ltd	10	69.75	5.85	64.64	NA	7.72%
Peers Group						
MAS Financial Services Ltd	10	990	37.18	277	3.54	13.55%
Shriram Finance Ltd	10	30,508	159	1162	2.03	13.82%
Cholamandalam Investment and Finance Company Ltd	2	13,105	32	174	6.22	18.85%
Arman Financial Services Ltd	10	423	107	431	5.23	25.65%
CSL Finance Ltd	10	117	21	175	2.78	12.59%



Companies Competitive Strength :

- Proven execution capabilities with a strong rural and semi-urban focus.
- Well established Vehicle Finance, small businesses lending business.
- Stable and experienced management team.
- Customer centric approach and deep understanding of target customers.
- Robust underwriting process and risk management policies.
- Hub and Spoke business model that improves efficiencies and decreases costs.

Key Strategies Implemented by Company

- Increase focus on Digitisation and expanding product portfolio.
- Deepen, strengthen, and expand geographical Presence.
- Continue to focus on small business owners and self-employed individuals.
- Enhance the Brand Recall to Attract New Customers.
- Leverage Technology to Grow the Business.

Particular (INR in ₹)	9MFY24	FY23	FY22	FY21
Equity Capital	32	32	22	22
Reserves and Surplus	185	173	115	108
Net Worth	217	205	137	130
Interest Income	50.77	63.10	64.86	84.16
Total Operating Revenue	53	70	67	86
PAT	12.24	15.8	41.2	16.3
ROA (%)	2.93%	4.05%	1.10%	3.58%
ROE (%)	5.64%	7.72%	3.01%	12.52%
AUM (INR in Cr)	379	354	351	421
Gross NPA (%)	3.94%	4.57%	4.90%	3.57%
NNPA (%)	1.94%	3.45%	4.06%	2.97%

Valuations and Recommendation:

- Based on annualized FY24 earnings to post-IPO paid-up equity capital of the company, The issue is priced at a P/B of 1.77X. Thus the issue appears to be fairly priced compared to peers.
- The company targets growth in under-served rural and semi-urban markets, with 61.2% of its loan portfolio focused there by December 2023. All loans are secured with collateral and feature monthly or quarterly repayments based on rigorous cash flow assessments. To support its growth, the company diversifies funding sources, manages costs effectively, and maintains strong liquidity and asset-liability management. It emphasizes robust underwriting and risk management practices. Strategically, the company employs a hub-and-spoke business model, enhancing efficiency, lowering costs, and better meeting customer needs by identifying them effectively and offering tailored solutions. Hence, we recommend an "Subscribe" rating for the issue.



Notes

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