



AASAAN LOANS

Unnati ki aur pehla kadam

Powered by Akme Fintrade India Ltd

Issue Opens - June 19, 2024 to June 21, 2024

Price Band
₹114 to ₹120

Face Value

₹10

Lot Size

125 Shares

Issue Size

₹132.00 Cr

Issue Type

Book Built

research@ganeshstock.com

Important Events



Issue Size

11,000,000 shares / ₹132.00 Cr

Fresh Issue

11,000,000 shares / ₹132.00 Cr

Offer for Sale

N/A

Basis of Allotment

Monday, June 24, 2024

Initiation of Refunds

Tuesday, June 25, 2024

Credit of Shares to Demat

Tuesday, June 25, 2024

Aasaan Loans Listing Day

Wednesday, June 26, 2024

Objects of The Offer

1. The company proposes to utilize the Net Proceeds from the Issue towards augmenting the capital base of the company to fulfil its future capital requirements, which are anticipated to arise as a result of the expansion of the business and assets. Further, a portion of the proceeds from the Issue will be used towards meeting Issue-related expenses.

Brief profiles of the Directors



Mr. Nirmal Kumar Jain is the Chairman and Managing Director of our company, serving on the Board of Directors since August 25, 1996. A qualified Chartered Accountant, he has been honored with the CA Business Leader Corporate (2nd Rank) award at the C.A. Corporate Leader Exact Awards Function by the Institute of Chartered Accountants of India on January 20, 2008. He also received a Certificate of Appreciation for his charitable work with the NGO Impetus during the Kerala Flood Relief from August 19 to August 25, 2018. With over 25 years of experience in the finance sector, he has played a crucial role in the company's growth.

Mr. Ramesh Kumar Jain, an Executive Director, has been with our company since 2016. He manages the Maharashtra Region Business and oversees the activities of our Mumbai branch office, bringing more than seven years of experience to his role.

Mr. Rajendra Chittora, an Executive Director since December 29, 2020, holds a Bachelor of Science and Master of Science in Electronics from Mohanlal Sukhadia University, Udaipur, and an MBA in Business Development from the same institution. He was awarded the Long Service Award by Tata Motorfinance for his decade-long contribution to the company and has over ten years of experience in the auto finance sector.

Mr. Shiv Prakash Shrimali, a Non-Executive and Non-Independent Director since October 01, 2022, holds a Bachelor of Science and a Master of Arts in History from Rajasthan University, along with an MBA (Marketing) from Punjab Technical University (PTU) via Distance Learning. He is a certified General Insurance Agent and has completed the Associate Examination of the Indian Institute of Bankers. He previously served as Chairman of RMG Bank.

Mr. Vimal Bolia Sardarsinghji, a Non-Executive Independent Director since December 07, 2022, is a qualified Chartered Accountant. He is also a director at Kanchan Auto Private Limited and Kanchan NX Private Limited.

Ms. Antima Kataria, a Non-Executive Independent Director since December 07, 2022, holds a Bachelor of Commerce from B.N.P.G Girls College, Udaipur, a Bachelor of Law, and a Diploma in Labour Law from Mohanlal Sukhadia University, Udaipur. She is a qualified Company Secretary from the Institute of Company Secretaries of India. Previously, she worked with HSC Infraprojects Private Limited and Apco Chetak Expressway Private Limited. Currently, she serves as a Company Secretary at Dharni Capital Services Limited with 2.6 years of experience.

About The Company.



Akme Fintrade India Limited, also known as Aasaan Loans, is a rural and semi-urban focused NBFC with over 20 years of experience. They offer vehicle and business loans to meet the needs of this growing market. Aasaan Loans leverages technology to expand their reach, with a digital lending platform currently under development for a phased rollout. They aim to provide financial access to those previously underserved by traditional lenders.

Description of Their Business

Incorporated in 1996, they are a non-banking finance company (NBFC) registered with the Reserve Bank of India as a non-systemically important non-deposit taking company. With over two decades of lending experience, they specialize in providing financial solutions to rural and semi-urban areas in India. Their portfolio includes vehicle finance and business finance products tailored to small business owners in these regions. They have a strong history of serving high-growth potential markets and have consistently achieved financial performance and operational efficiency through effective customer acquisition, retention, and low-cost expansion into underserved areas.

Their digital lending platform, www.aasaanloans.com, is currently under development and being rolled out in phases. It is currently deployed to a select group of users for User Acceptance Testing (UAT), focusing initially on two-wheeler finance.



Products

We operate two principal lines of business, namely,

1. Vehicle financing, comprising of Used Commercial Vehicle, 2 Wheeler Loans, Used 2 Wheeler Loans; and
2. Business Finance to small business owners and SME/MSME business owners.

Vehicle Finance

- Their Vehicle Finance business primarily involves financing the purchase of two-wheelers and three-wheelers, as well as new and used commercial vehicles. This sector requires a larger sourcing team due to the nature of working with customers who have limited credit history, leveraging their expertise to assess risks effectively. As of December 31, 2023, their Vehicle Finance Credit Exposure was ₹7,879.63 lakhs.

Two-wheelers and Three-Wheelers

- They finance new two-wheelers and three-wheelers, such as scooters, motorcycles, and auto rickshaws, catering to both salaried professionals and self-employed individuals. Headquartered in Udaipur, their operations span Rajasthan, Madhya Pradesh, Gujarat, and Maharashtra. Believing in the importance of a local presence, they have hired experienced professionals to grow their vehicle finance business and plan to leverage these relationships to expand across India.

Used commercial Vehicles

- They also finance used commercial vehicles, including light commercial vehicles (LCVs) and heavy commercial vehicles (HCVs). Their LCV customers are typically medium and small fleet operators, while HCV customers include transport operators and small businesses.



Business Finance to small business owners including SME and MSME

- Their lending business to small business owners, including SMEs and MSMEs, primarily involves extending secured loans for business purposes to small and medium-sized enterprises. These enterprises include businessmen, traders, manufacturers, and self-employed professionals. The properties securing these loans are typically completed and largely self-occupied residential and commercial properties.

(₹ 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%

Track Record Of Financial Performance



(₹ in lakhs)

Particulars	Note	For the Period/Year ended			
		December 31, 2023	March 31, 2023	March 31, 2022	March 31, 2021
Revenue from operations					
Interest income	22	5,077.23	6,310.99	6,486.94	8,416.86
Fees and commission Income	23	140.73	209.78	227.97	148.52
Gain / Loss on derecognized financial assets	24	-3.41	-6.52	-6.30	0.00
Other operating Income	25	125.94	437.12	35.53	52.33
Total revenue from operations (I)		5,340.49	6,951.37	6,744.13	8,617.72
Other income (II)	26	4.18	5.45	6.08	61.66
Total Income (III) = (I) + (II)		5,344.67	6,956.82	6,750.21	8,679.38
Expenses					
Finance costs	27	2,063.86	2,765.08	3,500.04	4,804.47
Impairment on financial instruments	28	547.69	359.12	1,062.80	771.47
Employee benefits expense	29	565.79	654.48	730.40	840.43
Depreciation and amortisation expense	30	38.82	58.19	69.48	65.27
Other expenses	31	612.36	1,115.24	628.58	276.95
Total Expenses (IV)		3,828.52	4,952.11	5,991.30	6,758.58
Profit before tax (V) = (III) - (IV)		1,516.15	2,004.71	758.91	1,920.80
Tax expense (VI)	32				
Current tax		403.52	478.82	252.59	434.09
Deferred tax (net)		-112.03	-54.38	94.25	-143.79
Tax Expense		291.49	424.44	346.84	290.30
Profit for the period / year (A) = (V) - (VI)		1,224.66	1,580.27	412.07	1,630.50



Operating metrics are set forth below

(₹ Lakhs)

Business Vertical	As on and for the Year March 31, 2021	As on and for the Year March 31, 2022	As on and for the Year March 31, 2023	As on and for the nine months period ended December 31, 2023
Loan Book (AUM)	42,100.78	35,131.79	35,416.11	37,946.28
Net-worth	13,026.36	13,684.44	20,478.11	21,701.25
Revenue from Operations for the year/period	8,617.72	6,744.13	6,951.37	5,340.49
Profit for the year/period	1,630.49	412.07	1,580.27	1,224.66
Gross NPA (%)	3.57	4.90	4.57	3.94
Net NPA (%)	2.97	4.06	3.45	1.94

- The following table sets out the product-wise NPA of our Company for the periods indicated as below:

(₹ in lakhs)

Business Vertical	As on March 31, 2021		As on March 31, 2022		As on March 31, 2023		As December 31, 2023	
	NPA	%	NPA	%	NPA	%	NPA	%
Four Wheeler Loan	185.11	12.31%	122.69	7.12%	147.69	9.12%	57.87	3.87%
Business Loan	698.79	46.46%	1,410.34	81.89%	1,107.55	68.37%	1,158.13	77.45%
Three Wheeler Loan	4.98	0.33%	2.06	0.12%	14.67	0.91%	21.57	1.44%
Two Wheeler Loan	615.15	40.90%	187.24	10.87%	349.97	21.60%	257.8	17.24%
Grand Total	1,504.04	100.00%	1,722.33	100.00%	1,619.88	100.00%	1,495.37	100.00%



Strengths

1. Demonstrated execution capabilities with a strong focus on rural and semi-urban areas.
2. Well-established vehicle finance and small business lending operations.
3. Stable and experienced management team.
4. Customer-centric approach with a deep understanding of target demographics.
5. Access to diversified sources of capital and effective asset-liability management.
6. Robust underwriting processes and risk management policies.
7. Hub-and-spoke business model that enhances efficiency and reduces costs.

Threats

1. Operations primarily concentrated in Rajasthan, limiting expansion opportunities into new markets.
2. Experienced revenue decline in FY 2022 due to cautious lending during COVID-19, with ongoing revenue challenges.
3. Breaches of RBI norms and unapproved changes in shareholding could result in penalties.



Valuation and Outlook

The expected share price for Akme Fintrade India Ltd IPO is set between ₹114 to ₹120 per share. The company's valuation shows a Price-to-Earnings (P/E) ratio of 20.51x, based on a price above ₹120, while the industry average is 23.68x, and FY23 EPS is ₹5.85.

Akme Fintrade is a small NBFC providing auto and business loans in Rajasthan and 3 other western states, but its operations were substantially impacted by the COVID-19 pandemic and have yet to recover. The company faces significant hurdles to long-term growth due to its limited size, geographic focus, competitive NBFC sector, historical compliance issues, high NPAs, and low credit rating, while its IPO valuation appears fully priced in the current market.

Name of Company	Face Value (₹ Per Share)	Closing price on February 21, 2024 (₹)	Total Revenue, for Fiscal 2023 (in ₹ Cr)	EPS (₹)		P/E	P/B	NAV(₹ per share)	RONW (%)
				Basic	Diluted				
Akme Fintrade (India) Limited	10.00	NA	69.57	5.85	5.85	NA	NA	64.65	7.72%
Peer Group									
MAS Financial Services Limited	10.00	984.00	990.26	37.18	37.18	26.47	3.54	277.83	13.55%
Shriram Finance Limited	10.00	2,354.95	30,508.39	160.54	159.83	14.73	2.03	1,162.12	13.82%
Cholamandalam Investment and Finance Company Limited	2.00	1,085.40	13,105.59	32.44	32.38	33.52	6.22	174.52	18.58%
Arman Financial Service Limited	10.00	2,251.30	423.90	110.47	107.28	20.99	5.23	430.61	25.65%
CSL Finance Limited	10.00	485.75	117.53	22.02	21.40	22.70	2.78	174.85	12.59%

We assign a **"Avoid"** grade for this issue.

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