

IPO Details

Opening Date	Sep 30, 2022
Closing Date	Oct 04, 2022
Stock Exchange	BSE SME
Lot Size	3000 Shares
Issue Price	₹ 40 per share
Issue Size	7,50,000 Equity Shares
Application Amount	₹ 1,20,000

IPO Objective

Funding Working Capital Requirement
Financing the expenditure for Business Expansion.
General Corporate Purpose
To meet issue expenses

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	20,11,400	99.99%
Public	200	0.01%

Promoter of the Company

- Mr. Lallit Tripathi
- Mrs. Priyanka Maheshwari

Competitive Strengths

- Strong product tie ups and multi-product support.
- Single point solution
- Technology & Integration Expertise
- Team to support business Growth
- Experienced & Qualified Management Team

Company Background

- Company was incorporated in the year 2015 in Jharkhand.
- Company is engaged in the business as a Corporate Business Correspondent of Bank of India, Jharkhand Rajya Gramin Bank (JRGB), Madhya Pradesh Gramin Bank (MPGB).
- Company is also engaged in business of mutual fund distribution through a partner base of more than 350 Vedant Mitra partners.
- Vedant Mitra offers banking, financial, remittance and other value-added services.
- The company handles more than 100 crores of AUM and over 500 clients.
- The company has its registered office in Ranchi, Jharkhand.
- As on July 31, 2022, the company had 20 employees on its payroll.

Financial Summary

For the Period Ended	(In Lacs)		
	Mar-22	Mar-21	Mar-20
Total Assets	254.63	239.16	83.13
Net Assets	228.03	214.22	5.38
Total Borrowings	74.32	17.4	-
Total Revenue	167.23	113.47	61.22
Profit After Tax	13.81	8.68	3.4

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Company Overview

Vedant Asset Limited was incorporated in the year 2015 and is engaged in the business as a Corporate Business Correspondents including mutual fund distribution through a partner base of more than 350 Vedant Mitra partners working in various rural and semi-urban locations and handling more than 100 crores of assets under Mutual fund distribution business. Vedant Mitra offers banking services (Account Opening, Deposit/Withdrawal Services), Financial services (Mutual Fund Investment, Insurance, Loan), Remittance Services (Aadhaar enabled payment System, Direct Money Transfer services, Vedantpay (mATM)). Company has its Registered office in Ranchi, Jharkhand. The company also undertakes PAN related services, Insurance and Loan services and recharge services along with Air, Rail and Bus ticketing etc. Company has also planned to launch the Micro ATM (mATM services) which will enable the banking services in the rural and remote areas.

Analysis

Being incorporated in the year 2015, the company has a decent track record of existence and has been growing yearly with an average rate of 62.8% with turnover in 2019-2020 being Rs. 0.6 Crores to crossing Rs. 1.6 Crores in 2021-22.

The company is looking towards expanding its services in the field of disbursing Government DBT subsidies, Aadhaar-linked subsidies, and providing essential services through its network of Vedant Mitra Kendra. The company has also planned to launch the Micro ATM (mATM services) which will enable banking services in rural and remote areas. Further, they also intend to open 10 new branches and around 400 Business Correspondent across the central India.

In the Reserve Bank of India's (RBI's) Annual Report for 2021-22:

the total number of outlets serviced by business correspondents (BCs) in the country shot up to 32,57,251 in December 2021, from just 5,19,147 a year before

— an increase of 527 per cent, reflecting the penetration and scale that banks generate partnering with business correspondent.

Revenue from operations break-up of the company in past 3 years is provided in the table below.

(Amount in Lakh)

Particulars	For the Year ended		
	31/03/2022	31/03/2021	31/03/2020
(i) Turnover of Supply of Services			
Brokerage	105.7	54.32	54.26
BC Collection	29.67	33.07	5.46
B.C Commission	23.93	11.66	0.77
Sale of Dongle	0	0.3	0
AEPS Income	0	1.88	0
Total	159.29	101.23	60.49

As we can see, the company has been doing good both in its top line with majority of its revenue coming from brokerage followed by business correspondent collection and commission.

To conclude, it can be seen that the industry is growing and company also intends to increase its expansion in various other services which may eventually lead to increase in the revenue. Company's top line can be seen growing giving a positive outlook on the company, but the growth of the bottom line has not matched the growth of top line due to increasing costs. If the company is able to take advantage of this growing industry, then the company has huge potential in coming years as this sector is promising and has immense potential.

Exhibit 1: Sector Composition of Banking Industry

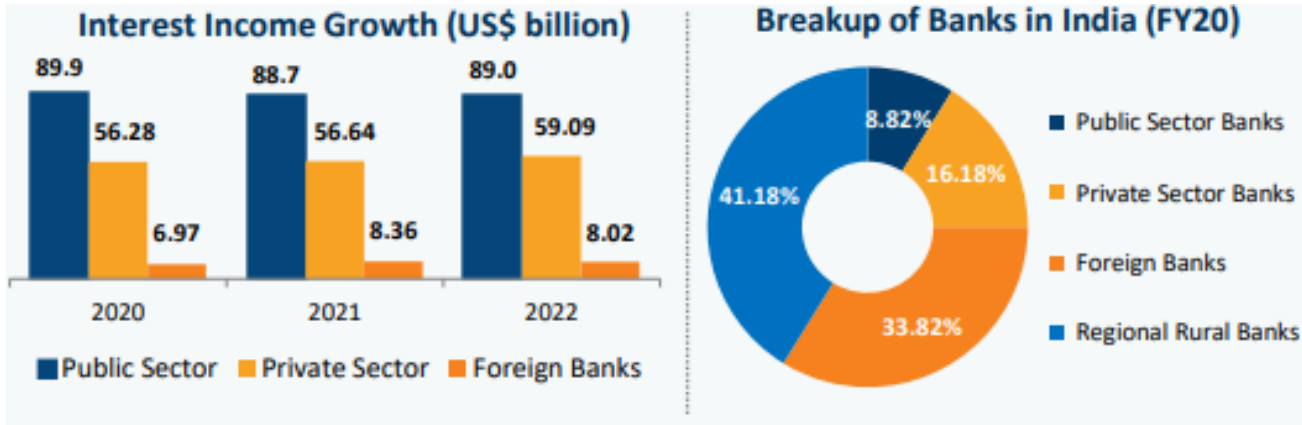


Exhibit 2: Market size of Mutual Fund Asset Under Management (AUM)

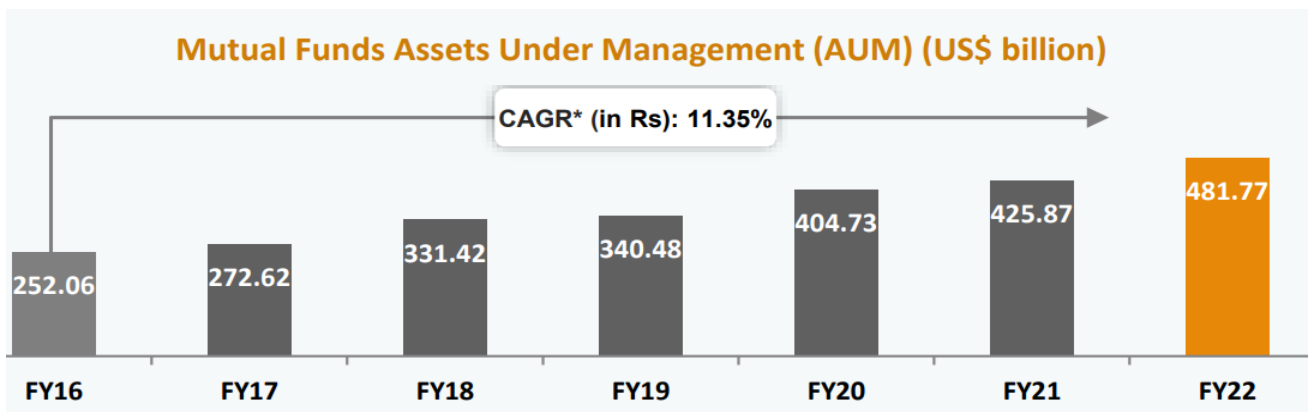
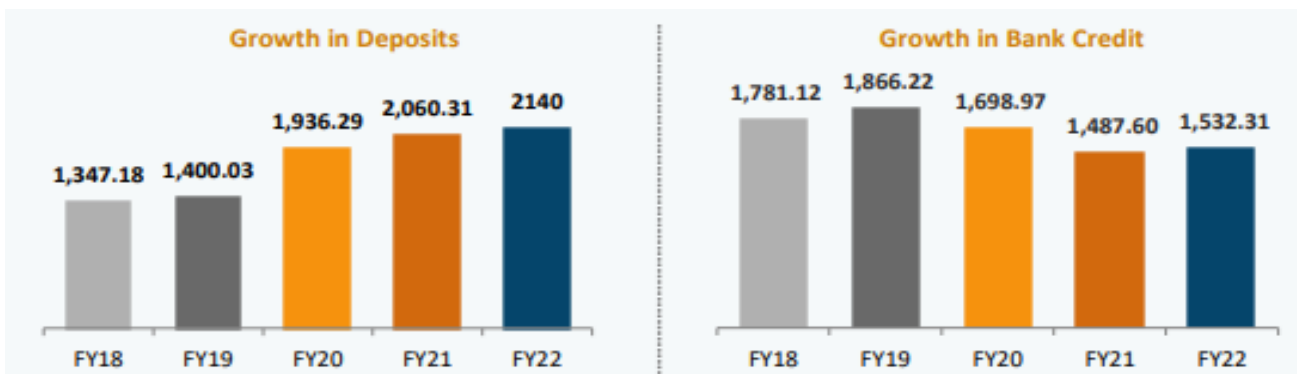


Exhibit 3: Key Trends in Indian Banking Industry



(Source: ibef.org)

Investment Overview

Indian Banking Industry

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalised and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, Market and Liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

The Indian banking industry has recently witnessed the rollout of innovative banking models like payments and small finance banks. In recent years India has also focused on increasing its banking sector reach, through various schemes like the Pradhan Mantri Jan Dhan Yojana and Post payment banks. Schemes like these coupled with major banking sector reforms like digital payments, neo-banking, a rise of Indian NBFCs and fintech have significantly enhanced India's financial inclusion and helped fuel the credit cycle in the country.

The digital payments system in India has evolved the most among 25 countries with India's Immediate Payment Service (IMPS) being the only system at level five in the Faster Payments Innovation Index (FPII). India's Unified Payments Interface (UPI) has also revolutionized real-time payments and strived to increase its global reach in recent years.

Indian Mutual Fund Industry

As of July 2022, AUM managed by the mutual fund industry stood at Rs. 37.75 trillion (US\$ 474.87 billion), and the total number of accounts stood at 135.6 million. Inflow in India's mutual fund schemes via systematic investment plan (SIP) stood at Rs. 48,565 crore (US\$ 6.10 billion). Equity mutual funds registered a net inflow of Rs. 22.16 trillion (US\$ 294.15 billion) by end of December 2021.

Another crucial component of India's financial industry is the insurance industry. The insurance industry has been expanding at a fast pace. The total first-year premium of life insurance companies reached US\$ 40.1 billion in FY22. In FY23 (until May 2022) non-life insurance sector premiums reached at Rs. 36,680.69 crore (US\$ 4.68 billion).

Furthermore, India's leading bourse, Bombay Stock Exchange (BSE), will set up a joint venture with Ebix Inc to build a robust insurance distribution network in the country through a new distribution exchange platform. In FY22, US\$ 14.55 billion was raised across 127 initial public offerings (IPOs). The number of companies listed on the NSE increased from 135 in 1995 to 2,012 by FY22.

(Source: ibef.org)

Addressable Market for Vedant Asset Limited

Company operates at Ranchi, Jharkhand. Over a period of 7 years they have developed a partner base of more than 350 Vedant Mitra partners working in various rural and semi-urban location and handling more than 100 crores of asset under the Mutual fund distribution business. As per the prospectus, they strive to increase their base and network of Mitra Kendra in Rural, Urban and semi urban area where the market for financial services and other auxiliary services have a great potential.

Competition

As the Company works on franchise model and provide financial services through partners, they face competition at two levels i.e., segment level and the partner's level. The segment level competition is the competition with the companies directly providing the financial services like different banks, mutual fund directly acquiring the clients. These companies are generally having larger resources and branding than that of the company. Second level is at the partner level where different companies are providing the CSPs and attracting the people to open them. This sector is fragmented and largely unorganised and is highly competitive.

Peer Analysis

As Mentioned in the prospectus, the company has no peer company.

Promoters' Profile and Management Analysis

Mr. Lallit Tripathi



- Mr. Lallit Tripathi is the Chairman and Managing Director of the Company.
- He has completed his B. Com from Shobhit University, Meerut, India in 2014.
- He has 25 years of experience in Business and Employment.

Mrs. Priyanka Maheshwari



- Mrs. Priyanka Maheshwari is the Non-Executive Director of the company
- She has completed her Bachelor of Arts (B.A) from University of Mumbai in 2001.
- She has an experience of around 18 years in the financial sector and Business HR & Training, Operation and Human Resources Development.

Analysis on the Company's Promoter and Board of Directors

Mr. Lallit Tripathi, is the Promoter and Chairman & Managing Director of the Company. He has been on the Board of Directors of the Company since incorporation. He has completed his bachelor's in commerce from Shobhit University, Meerut, India in 2014. He has work experience of around 25 years in the Mutual Fund Industry. He primarily looks after the overall business operations of the Company including international trade, finance and formulation of policies for the business development. He is responsible for managing the administrative activities of the Company.

Mrs. Priyanka Maheshwari, is the Non-Executive Director of the Company. She has been on the Board of Directors of the Company since incorporation. She has completed her bachelor's in arts from University of Mumbai in 2001. She has an experience of around 18 years in the financial sector and Business HR & Training, Operation and Human Resources Development.

Mrs. Rama Tripathi, is the Whole Time Director of the Company. She possesses more than 18 years of experience in the Mutual Fund Industry. She has been appointed on the board as Additional Director w.e.f. November 30, 2021. She has completed her Matriculation (10th) from City Higher Secondary School, Ghazipur, Uttar Pradesh in 1958. She is responsible for the managing administrative activities of the Company. She is also involved in charting new growth opportunities for the company.

Mr. Gautam Jain is an Independent Director of the Company. He has completed his Executive Master of Business Administration (EMBA) from Manipal Academy of Higher Education in 2006. He has a rich experience of around 25 years in the field of financial sector. He was appointed on August 25, 2022 on the Board for a period of 2 years.

Mr. Gaurav Bagroy is an Independent Director of the Company. He has completed his Master of Computer Application from Birla Institute of Technology in 2006. He has a rich experience of around 10 years in the field of Human resource He was appointed on August 25, 2022 on the Board for a period of 2 years.

To conclude, the company's management outlook is not the best. The existence of obligatory hires is evident. The company is dependent on a single person, Mr. Lallit Tripathi. He takes all the decision and looks after almost everything of the

company. The Whole Time Director Mrs. Rama Tripathi doesn't seem to be associated with the company for a long period due to her age. Mrs. Priyanka Maheshwari, although experienced, is a Non- Executive Director of the company and therefore does not take part in the day-to-day operations of the business. Independent Directors seem experienced and might help the company grow with their valuable inputs, however they are only appointed for a period of 2 years.

Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
Profit and Loss			
Revenue from operation	60.49	101.23	159.29
Other income	0.73	12.24	7.94
Total Revenue	61.22	113.47	167.23
Expenses	50.17	95.41	140.57
Depreciation and Amortisation Cost	6.07	6.52	8.04
Finance Cost	0.39	0.05	0.25
Total Expenses	56.63	101.98	148.86
PBT	4.59	11.49	18.37
PBT Margin	7.59%	11.35%	11.53%
EBITDA	11.05	18.06	26.66
EBITDA Margin	18.27%	17.84%	16.74%
Net Profit	3.4	8.68	13.81
Net Profit Margin	5.62%	8.57%	8.67%
Balance Sheet			
Total Borrowings	74.32	17.4	-
Net Worth	5.38	214.22	228.03
Fixed Assets	16.93	20.58	21.14
Net Working Capital	61.62	168.92	207.42
Financial Measures			
Inventory Turnover Ratio	-	-	1.18
Receivables Turnover Ratio	-	-	-
Payables Turnover Ratio	6.00	-	-
Fixed Assets Turnover Ratio	3.57	4.92	7.54
Return on Capital Employed	6%	5%	8%
Return on Equity	63%	4%	8%
Debt-Equity Ratio	13.81	0.08	-

(The data has been taken and calculated from the financials given in the prospectus)

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs 11.05 lacs in 2020 to Rs 26.66 lacs in 2022 growing at a CAGR of 55%. The EBITDA margin in 2020 was 18.27%, 17.84% in 2021 and 16.74% in 2022. The Brokerage revenue and Business Correspondent commission has seen two-fold growth from 2021 to 2022. However, the company had incurred increasing other expenses such as Advertisement and Contractual Expense which had led to falling EBITDA margin.

Net Profit

The net profit of the company has grown from Rs. 3.4 lacs in 2020 to Rs. 13.81 lacs in 2022 at a CAGR of 102%. The net profit margin in 2020 was 5.62%, 8.57% in 2021 and 8.67% in 2022. The growth of CAGR of 102% seems to be unlikely but was primary due to increase in revenue. The profit margins of the company have up surged from the year 2020 and maintaining such margins seems unrealistic in coming times.

Finance Cost.

The company has incurred finance cost mainly due to bank charges as there is no borrowing in 2022. However, in 2020 and 2021 loan was taken from the directors on which no interest was paid.

Financial Measures/Ratios

RoCE of the company in 2022 was 8% vs 6% in 2021 and 5% in 2020. The RoCE has been constantly increasing over the years due to increase in the operating profits in absolute terms. With Infusion of Equity Capital the same is expected to remain at this level.

ROE of the company in 2022 was 8%, 4% in 2021 and 63% in 2020. The ROE of the company has plunged from 63% to 4% due to issue of new shares in year 2021 (that is from 1000 shares in 2020 to 20,11,600 shares in 2021)

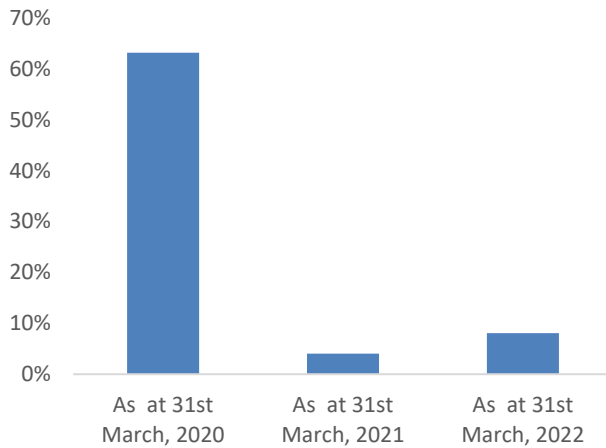
The company has no Receivables. The payable turnover ratio is 6 times in 2022 and nil in 2021 and 2020 as there were no purchases made in those years due to which there was no Inventory Turnover Ratio. However the Inventory Turnover Ratio in 2022 was 1.18 times. As there is no trend available regarding the ratios we cannot

comment upon the company's efficiency regarding the management of receivables, payables and inventory.

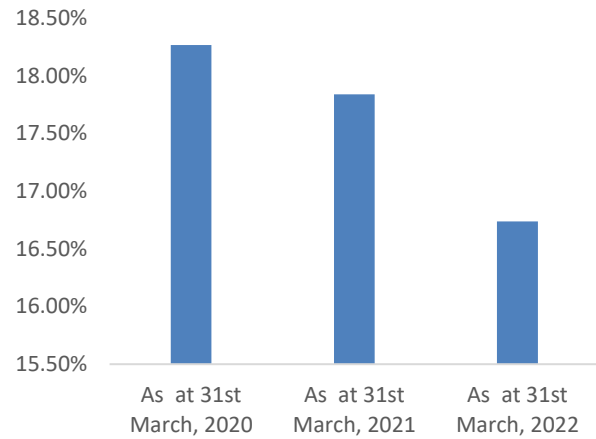
The company's debt-equity ratio is 0 times in FY 2022 as they have repaid the loans taken from the directors. The debt-equity ratio in 2020 and 2021 was 13.81 and 0.08 respectively.

Financial Charts

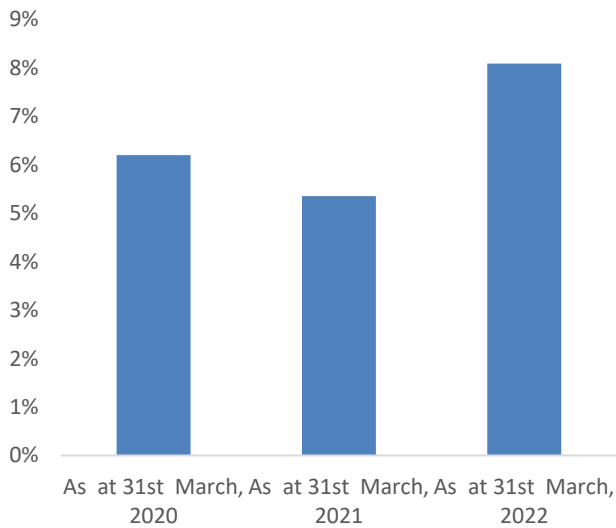
Return on Equity



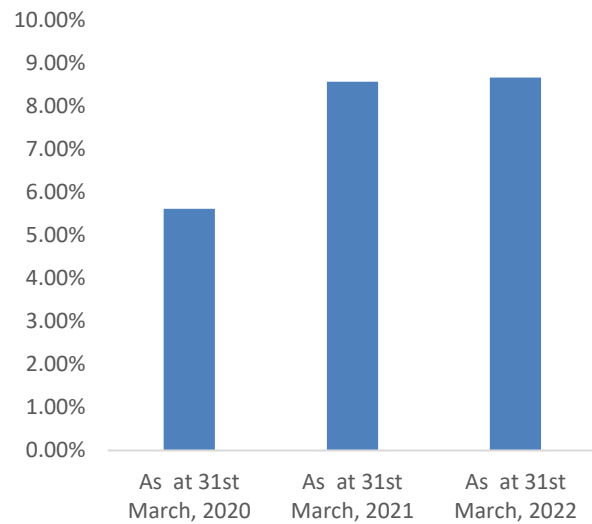
EBITDA Margin



Return on Capital Employed



Net Profit Margin



Key Risk Factors

1. Company Promoter and Director are involved in certain litigations including tax related litigations totalling to an amount of Rs. 0.46 lacs, which if determined against them, can affect financial conditions of the company. There is 1 case of which amount is not identifiable.
2. Business is wholly depended on their relationship with Banks and Mutual fund AMC. Any termination of these existing relationship would adversely affect business, results of operations, financial condition, and prospects.
3. Company has not complied with some statutory provisions of the Companies Act. Such non-compliance may attract penalties against Company which could impact the financial position.
4. Any deterioration in the performance or relationships with Vedant Mitra Partners may adversely affect the business. Company do not have operational or financial control over the businesses of their partners, and they could take actions that could harm the business.
5. The Company operates in a highly regulated environment, which is subject to change, and existing and new laws, regulations and government policies affecting the sectors in which they operate could adversely affect their business.

Track Record of Lead Manager

The lead manager to the issue is Hem Securities and this is the 17th mandate. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Company	Issue Size (In Cr)	Listing Date	IPO Price/share (INR)	CMP# (INR)
Suratwwala Business Group Limited	6.90	August 13, 2020	15.00	199.00
Knowledge Marine & Engineering Works Limited	10.12	March 22, 2021	37.00	645.00
EKI Energy Services Limited	18.60	April 07, 2021	102.00	1437.75
Prevest Denpro Limited	26.61	September 27, 2021	84.00	400.00
Jainam Ferro Alloys (I) Limited	19.61	October 08, 2021	70.00	178.90
Shri Venkatesh Refineries Ltd.	11.71	October 11, 2021	40.00	178.00
KN Agri Resources Limited	49.38	March 28, 2022	75.00	160.00
Krishna Defence and Allied Industries Limited	11.89	April 06, 2022	39.00	82.00
Eighty Jewellers Limited	11.07	April 13, 2022	41.00	72.00
Kesar India Limited	15.82	July 12, 2022	170.00	212.00

#CMP is taken as on 29th September 2022

Out of the last 10 listings, 1 opened at discount and rest at premium.

Recommendation

The company has a good experience in the banking and mutual fund industry but hasn't marked its geographical presence in various regions. The company is currently operating from Ranchi, India and the industry has good prospect in future.

The Reserve Bank of India has also taken several initiatives for increasing banking outreach this contributed to increased revenue for the company but due to huge expenses (93% to sales) the company's bottom line has not seen relative growth.

The company's promoters are lacking with regard to academic qualification in the field in which the company operates, but they claim to make up for it with the experience they have gained over the years. The Company is also dependent mainly on the strategic decision of a single personnel.

The company is getting listed at a PE of around 80 times on post IPO basis, thus the issue is overpriced.

To conclude, the company has not established itself very well in the recent years but have the high potential to grow in this industry. The financial performance is at minuscule level. Based on 2022 earnings the issue is exorbitantly priced. Looking at all the above-mentioned factors, one **should not apply** in the IPO.

Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.