



THE NEW-AGE INDIA



2019 - 20
INTEGRATED
ANNUAL
REPORT



2019 - 20
INTEGRATED ANNUAL REPORT

10,027

Operational Next-Gen
Kendras

Revenue

INR **76,270**
Lakhs

24,000+

Next-Gen Kendras
under on-boarding
process

PAT

INR **7,128**
Lakhs



New-Age India

The essence of Vakrangee lies in its unwavering determination to see that every Indian has the opportunity to benefit from financial inclusion and access to the global marketplace. As a means to achieve our goal, we have bundled modern-day conveniences into our new franchisee-model of Next-Gen Vakrangee Kendra. Providing access to services like Banking, ATM, Online Shopping, Online Pharmacy and other services to the underserved and unserved population of the country, our Next-Gen Vakrangee Kendras have truly promoted a New-Age India.

Our persistent efforts for financial, social and digital inclusion of the underserved and unserved population of India have been gaining ground. With only 3,504 outlets in FY 2018-19, we have now expanded to over 10,000+ operational outlets and are onboarding 24,000+ Next-Gen Vakrangee Kendras till date. By CY2020, we aim to expand to a proud network of 25,000 Next-Gen Vakrangee Kendras across India. We further plan to expand this network to 3,00,000 outlets by 2025.

Achievements, in the form of either rewards like "India's Top 100 Franchisees" or growing network of outlets, manifest confidence of our stakeholders in our highly-evolved business. Our asset-light franchisee-based model, robust debt-free balance sheet, strong governance system, and resolute focus on creating environmental and social value for our stakeholders resonate with the opportunities and enablers offered in a New-Age India.

Our business is guided by our long-term vision of being the most trustworthy physical as well as online convenience store across India. As a responsible organisation, we deliver our promise of financial, social and digital inclusion while respecting the environment and people. We strive to create maximum value for our stakeholders at minimal cost, whether economic, social or environmental. Our well-defined policies and robust governance system ensure that we are focused on our promise. From encouraging women's participation as franchisees to running a multi-speciality hospital, we believe that in a New-Age India it is imperative to do good while doing well.

ABOUT THE REPORT

Vakrangee Limited (Vakrangee's) Integrated Annual Report (Report) FY 2019-20 elaborates on the organisation's inclusive approach of creating value for stakeholders. The Report presents our governance, strategy, performance and outlook of business.

Scope

The Report is Vakrangee's first Integrated Annual Report. It covers information in the period of 1st April 2019 to 31st March 2020. For the Report, we have adopted the Integrated Reporting <IR> framework of the International Integrated Reporting Council (IIRC). The Report provides a comprehensive overview of how we create financial and non-financial value in terms of six capitals of <IR>, for our stakeholders. The six capitals are financial, manufactured, natural, human, intellectual, and social and relationship capital. In addition to an inclusive approach for economic, social and environmental impacts of the organisation, we aim to present our governance framework for robust business processes and long-term growth. The Report also includes method of engagement with identified key stakeholders and material topics discussed with them. It describes our corporate governance, risk management framework and strategies to mitigate risks.

Responsibility Statement

Vakrangee's senior management has reviewed the content of the Report, under the guidance of the Board. The Report's integrity, accuracy and completeness of information has therefore, been ensured.

Reporting Framework

Financial and statutory information reported is aligned to leading frameworks. It adheres to reporting requirements of Companies Act, 2013 and rules thereunder, the Securities Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements), Indian Accounting Standards (IndAS), the Global Reporting Initiative (GRI), the National Voluntary Guidelines (NVGs) for Business Responsibility Report (BRR) and UN-Sustainable Development Goals (UN-SDGs), among others. Similarly, non-financial information adheres to IIRC framework.

Reporting Boundary

The Report presents information on business activities and their role in creating value over the short, medium and long term, and therefore, is material to our stakeholders. In addition to information related to corporate office, we have also provided an overview of Next-Gen Vakrangee Kendras, evaluated from our survey of 503 franchisees.

Independent assurance

We have reported performance of six capitals in terms of Key Performance Indicators (KPIs). Grant Thornton India LLP has provided a limited assurance as per ISAE3000 and Type 1 moderate assurance as per AA1000AS assurance on select KPIs for FY 2019-20. They are mentioned in the assurance statement, which also forms part of the Report.

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FY 2019-20 Highlights

ECONOMIC PERFORMANCE

Total Income

INR 76,270
Lakhs

PAT

INR 7,128
Lakhs

EBITDA

INR 10,124
Lakhs

Dividend Payout Ratio

37.2%

Total Next-Gen Kendras
(Operational)

10,000+

White Label ATMs

4,506

Presence in

6,150
Postal Codes

Total Employees

1,362

ESG PERFORMANCE

Male:Female Ratio for
Corporate Headquarter

2.79:1

Male:Female Income
Parity

1.45:1

% of Females at Corporate
HQ

26.33%

% of Females:
Management Council

28%

Next-Gen Outlets in Tier V
and Tier VI

> 70%

Next-Gen Kendras in LWE
and Tribal Districts

1,977

Next-Gen Kendras owned by:

Women: **1,048**
Divyang: **907**

Franchisees trained in
advanced technology

10,000

Percentage of Energy
from Solar

15.21%

GHG Emission avoided
through use of
Renewable Energy

47.527 MTCO₂e

Paper Saved

248.47 MT

Suppliers Assessed on
ESG impact

7

Skill Development
Training

> 608 hours

Instances of Data Breach

0

CSR Expenditure

INR 84.85
Lakhs

Investment in R&D and
advanced technology

INR 200
Lakhs



Chairman Message

Dear Stakeholders,

I have been part of the Vakrangee group for quite some time, but have recently taken charge as the Non-Executive Chairman, from January 2020 onwards. With my new stint, I share the same vision as of Dinesh's and we look forward to creating a vast network of Digital convenience stores across the country with onboarding of 3,00,000 Kendras by 2025. The last financial year has been very fruitful and we have expanded our network across 30 states in the country by setting up more than 10,000 Kendras. We aim to become India's No. 1 retailer for facilitating universal financial, digital and social inclusion. We have aligned our growth plans in line with the bold ambition of Indian government and dynamic demands of the young demography.

While I write this letter, the world is undergoing through a huge disruption caused due to the COVID-19 pandemic. Our economic activity has also been affected largely because of the uncertainties prevailing across the globe, and from where we stand currently, it seems this situation is going to stay here for some time now impacting all the segments of the society and every economic activity. While the current crisis is unprecedented, we also firmly believe that on the other side of every crisis is an opportunity; we are working resolutely towards capturing the same. It is my pleasure to inform you all, that during the lockdown, our Kendras have functioned in all the locations and have taken every possible step to fulfil the customers' requirements. I am pleased to witness how our 10,000+ kendras have been serving the citizens of our nation and helping them get access to key essential services like Banking, ATM and Tele medicine consultation services.

Novel Coronavirus has made us redefine our risks evaluation and mitigation strategies for the organisation. The pandemic has also accelerated the pace of change and has led to a paradigm shift in the business operations. It is also providing a thrust to carve out an innovative path towards a technological and operational evolution, which at present, is difficult to envisage. At Vakrangee, we had foreseen the supply chain disruptions and with robust Risk management practices in place, Company had already begun the preparation since the start of this COVID-19 pandemic situation when the total nationwide lockdown started on the future requirements of key equipment's. The company is now well placed to deliver on the growth strategy with a clear visibility of onboarding 24,000+ outlets till date, in addition to the 10,000+ operational outlets.

“ We have expanded our network across 30 states & UT in the country by setting up more than 10,000 Kendras. We aim to become India’s No. 1 retailer for facilitating universal financial, digital and social inclusion. ”

It is very heartening to see that Vakrangee is taking the financial and digital literacy to the bottom of the socio-economic pyramid and serving as the last-mile link to connect India’s unserved and underserved rural and urban citizens by offering them the same products and services at the same time, competitive price and same service levels. Our Company is acting as the biggest equaliser by bridging the gap between the urban and rural population in India.

Vakrangee has always been a Responsible and Socially Conscious Company with a focus to serve the unserved and focused on building a sustainable business model. We have mapped our sustainability initiatives with the United Nation’s Sustainable Development Goals. The Company aim is to efficiently adopt these goals and address the global challenges, which includes poverty, inequality, climate, environmental degradation, prosperity, and peace and justice.

Vakrangee is committed to ensuring that the corporate governance framework, policies and practices are of a high

standard and is aligned to emerging governance trends and meeting stakeholder expectations. Our Integrated Annual report is one of the key step towards enhancing our disclosures and explaining all our stakeholders about the interactions between financial, Environmental, Governance related and societal factors and underline their influence on our company’s long-term success.

I would also like to express my sincere gratitude to our stakeholders and their confidence in us. This is one of the factors which encourages us to push our limits, innovate and reach the last mile throughout the length and breadth of our country.

Sincerely,

Ramesh Joshi

(Non-Executive Chairman)



MD and Group CEO Message

Dear Stakeholders,

It is my pleasure to present to you our first Integrated Annual Report. Since Vakrangee's inception, it has been our sincerest endeavor to steer the organisation to excellence. The past financial year too, was no different. Service to underserved and unserved has always been at the heart of Vakrangee. This year, we have reinforced our belief of service through a holistic and thriving viewpoint of "value". In the Integrated Report, we aim to present how Vakrangee creates and sustains value through expanding network, new partnerships, leveraging technology or supporting employees across the country.

For Vakrangee, FY2020 was a year of scaling up our transformational journey which we initiated last year. During the year, we significantly scaled up our highly recognisable "Next-Gen" format Kendra network to more than 10,000+ Operational outlets as compared to 3,504 operational outlets in FY2019. Further, another 24,000+ outlets till date, are under On-Boarding process and would soon become operational. These stores are exclusive unified branded stores for delivering a consistent consumer experience and well-defined service levels. During the year under review, we successfully reached 10,000+ Next-Gen Vakrangee Kendras, spread across covering 30 states and Union Territories, over 500 districts and 6,150 postal codes. Out of these outlets, 70% outlets are in Tier V & VI cities.

Vakrangee aims to become India's No. 1 retailer for facilitating universal financial, digital and social inclusion. We facilitate inclusion through innovative ideas and proven modern technologies, at our outlets or "Next-Gen Vakrangee Kendras". Our vision is now set to create the world's largest franchisee based distribution channel in India. Our planned target is to have a last mile presence across all postal codes, covering each and every Gram Panchayat in the country.

It was also a year in which we enhanced our services portfolio significantly, bringing the widest range of options to our customers, while giving our franchisees a much faster path to breaking even and profitability. During the year we introduced affordable vHealth by Aetna (A CVS Health Company) telemedicine services to our customers in underserved rural locations. The service is set to give patients in rural locations a very different experience when they see a doctor, to listen to their concerns, and do a virtual consultation and will help reduce the need for physical consultations by over 70%. Further, we

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shall also be able to arrange home blood tests and doorstep delivery of medicines through vHealth's partner network. With this partnership, we have expanded the range of services available at our exclusive Nextgen Vakrangee Kendras making them into a one stop shop for all the Healthcare requirements of our customers.

Further during the year we renewed our key Licenses and partner agreements such as the ATM license from the Reserve Bank of India(RBI), Agreement with Amazon as well as some more new partnerships such as with Chhattisgarh Rajya Gramin Bank for banking BC points and Corporate Agency tie up with Life Insurance Corporation of India (LIC) to distribute Micro Insurance products through Nextgen Vakrangee Kendra network. As we move forward to expand our new breed of Kendra across India, I believe that our growing network will benefit immensely from a regimented degree of standardisation and consistency, in terms of the quality of our facilities, and in terms of the service levels we offer our customers. In January 2020, we were also nominated in “India's Top 100 Franchisees” list by the Franchisee India magazine. Such acclamation motivates us to continue creating value for our stakeholders.

Being a Responsible and Socially Conscious Company

At Vakrangee, we have always attempted to be a Responsible and Socially Conscious company. Through our network of kendras, we are taking the financial and digital literacy to the bottom of the socio economic pyramid and serving as the last-mile link to connect India's unserved and underserved rural and urban citizens by offering them the same products and services at the same time, competitive price and same service levels. We are acting as the biggest equaliser by bridging the gap between the urban and rural population in India

FY 2019-20 was a year of strengthening our network of Next-Gen Vakrangee Kendras, and of re-assessing our priorities. Vakrangee is committed to protect the environment, promote human rights and good governance. Our environmental, social and governance framework is founded on the concept of overall sustainable development of the economy. We revamped our policies and disclosures that determine all major decisions and actions of the Company. Taking a more holistic viewpoint, we formed new policies such as environment policy, GHG reduction policy, human rights policy, data privacy policy and business continuity policy, to be maximize our positive impact on stakeholders.

During the year, in recognition of our superior Environmental, Social and Governance models, Our Company Vakrangee Limited (VL) has been globally ranked No.1 in the Sustainalytics ESG Risk rating rankings out of the 668 companies assessed in the Software and Services industry across worldwide. Sustainalytics is a global leader in Environment, Social and governance (ESG) and Corporate Governance research and ratings. Sustainalytics has recognised the company's leadership in sustainability-related matters by giving a score of 7.4 Negligible in ESG risk rating.

We are honoured and excited to receive this rating from Sustainalytics. This rating is a validation of our belief and commitment to our Business model of Nextgen Vakrangee Kendras. Also, Our Company has been accepted as a Signatory of the United Nations Global Compact. We are now part of a global network of over 9,500 companies and 3,000 non-business participants that are committed to building a sustainable future.

Our Business strategy has been mapped with the sustainability initiatives along with the United Nation's Sustainable Development Goals. The UN SDG goals are interconnected, and we intend to implement them in order to make the world a better place. We believe that businesses can have a positive impact on the societies they serve.

Empowering the Economy through Financial, Social & Digital Inclusion

In its National Strategy for Financial Inclusion 2019-24, the Reserve Bank of India (RBI) recommended universal access to financial services. In other words, a formal financial service provider should be accessible to every village within a 5 km radius. Furthermore, customers should be on-boarded for financial services through a hassle-free digital process.¹ RBI's recommendation is an impetus for Vakrangee to establish outlets in the remotest locations of the country.

Our growth plans are in line with the bold ambition of Indian government and dynamic demands of the young demography. As a fully digitised outlet, we create value for customers in a hassle-free system. In addition, we aim to curate a purposeful portfolio of conveniences for India. Whether it is opening bank accounts under Pradhan Mantri Jan Dhan Yojana or enrolling citizens for Jeevan Jyoti Beema Yojana, we strive to provide benefits to as many citizens as possible. Similar to our assisted online shopping service with Amazon, we tied up with vHealth by Aetna in FY 2019-20 for assisted telemedicine services to the underserved rural locations.

We have emerged as the fastest growing and 3rd largest White Label ATM player in the country. As per Grant Thornton report "Financial Inclusion in Rural India", In the ATM segment, rural share of public sector banks is 20%, in private sector it is 9%. However, the rural share of White Label ATM is 49%. Thus, this indicates that WLAs have a larger presence across Rural India. Our Company has a major share of 66% in Rural India and we have emerged as the 13th largest ATM operator in India. In Rural India we are the 3rd largest ATM operator behind only SBI and Tata Indicash as per the Grant Thornton Report.

Impact of Covid-19 on Business Operations

During COVID pandemic, we have been successful in opening more than 10,000 of our outlets during this period of lockdown since we have been providing essential services. However, the service offering at our outlets was limited as majorly only Banking and ATM services were operational whereas other key services like Online shopping, online pharmacy, Travel services and Logistics were closed due to on ground delivery challenges and travel ban amidst Lockdown. Further in Banking services, we witnessed lower ticket size transactions and absence of deposit transactions whereby only withdrawal transactions were in focus during the said period.

This makes us one of the very few companies globally who are operational during a lockdown and providing key emergency and essential services to the citizens in the most environment friendly manner at the remotest parts of the country thereby

serving unserved and underserved parts of the country. At the same time, health of our franchisees and customers is important to us and all our Vakrangee Kendras are maintaining complete safety protocols and also maintaining proper hygiene at the outlets.

We believe our Brand awareness and store awareness has increased significantly during this period of COVID-19 pandemic as our kendras have been open and are providing key essential services in their neighborhoods, due to which we believe we shall emerge as the store of choice for our customers for all their Essential needs. Further, now as the situation improves and unlock 1.0 has begun since 8th June, we expect our services to normalize over the next couple of months and business growth momentum to improve going forward. Due to our enhanced visibility during this lockdown period and an aggressive marketing campaign done over the last 6 months, the Company has received an overwhelming response on the same and has received huge number of new enquires for NextGen Vakrangee franchisee model.

Further, Under Pradhan Mantri Mudra Yojana (PMMY) the Banks have started to extend finance to the micro enterprises which are in the business of manufacturing, trading and service sector in rural, urban & metro areas.

I am pleased to share that our company has entered into a partnership arrangement with Union Bank of India (UBI) to provide the loan facility for Pan India Nextgen Vakrangee Kendra franchisees. The bank is now offering a special product for our franchisees under Union Mudra Scheme. Union Bank of India has an overall planned outlay of Rs. 2,000 crore and sanctioned the outlay of Rs. 800 Crores (first tranche) under Union Mudra Scheme for Nextgen Vakrangee Kendra franchisees. The Loans covered under MUDRA scheme are collateral free loans. This is a huge boost to our potential franchisees, thereby easing the On-Boarding process for our potential franchisees. The company believes and is very confident to achieve its store expansion targets well before the stated timelines. The Company has a planned target of opening 3,00,000 outlets by 2025 and will be opening in a batch of 25,000 each. Due to the overwhelming response received on the new enquiries, the Company has already initiated the on-boarding to Go-live process of these outlets and have already begun the preparation on key requirements to achieve this feat.

Impact of COVID-19 on Supply Chain and Pro-active Measure Taken

There has been disruption in the supply chain and few challenges in the procurement of the Hardware equipment's for the kendra outlet. Most of these equipment's are imported and are assembled in India. In the current environment, we expect atleast 25-30% price hike in the case of hardware equipment's. However, with robust Risk management practices in place,

¹ Last accessed on 12th July 2020.

https://www.business-standard.com/article/finance/rbi-unveils-5-yr-financial-inclusion-strategy-here-re-key-recommendations-120022100029_1.html.