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AKME FINTRADE (INDIA) LIMITED



Our Company was originally incorporated as 'Akme Fintrade (India) Private Limited' as a private limited company under the provisions of the Companies Act, 1956, pursuant to a certificate of incorporation dated February 5, 1996 issued by the Registrar of Companies, Rajasthan, Jaipur. Thereafter, our Company was converted to a public limited company, pursuant to a special resolution passed by our shareholders on January 5, 1997 and the name of our Company was changed to 'Akme Fintrade (India) Limited' and a fresh certificate of incorporation dated March 11, 1997 was issued to our Company by the Registrar of Companies, Rajasthan, Jaipur. For details in relation to change in the address of the registered office of our Company, see "History and Certain Corporate Matters" on page 259 of the red herring prospectus dated June 11, 2024 ("RHP" / "Red Herring Prospectus").

Registered Office: AKME Business Centre (ABC), 4-5 Subcity Centre, Savina Circle opp. Krishi Upaz Mandi Udaipur, Rajasthan - 313002, India | Tel: 0294-2489501-02 | Website: www.aasaanloans.com
Contact Person: Manoj Kumar Choubisa, Company Secretary and Compliance Officer | E-mail: cs@aasaanloans.com

OUR PROMOTERS: NIRMAL KUMAR JAIN, MANJU DEVI JAIN, DIPESH JAIN AND NIRMAL KUMAR JAIN HUF

THE ISSUE

INITIAL PUBLIC OFFERING OF UP TO 1,10,00,000 EQUITY SHARES OF FACE VALUE OF ₹10 EACH ("EQUITY SHARES") OF AKME FINTRADE (INDIA) LIMITED ("OUR COMPANY" OR THE "ISSUER") FOR CASH AT A PRICE OF ₹ [●] PER EQUITY SHARE (INCLUDING A PREMIUM OF ₹ [●] PER EQUITY SHARE) ("ISSUE PRICE") AGGREGATING UP TO ₹ [●] LAKHS ("THE ISSUE"). THE ISSUE WILL CONSTITUTE [●] % OF OUR POST-ISSUE PAID-UP EQUITY SHARE CAPITAL. THE ISSUE INCLUDES A RESERVATION OF UP TO 5,50,000 EQUITY SHARES OF FACE VALUE OF ₹10 EACH AGGREGATING UP TO ₹ [●] LAKHS (CONSTITUTING UP TO [●] OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL) FOR SUBSCRIPTION BY ELIGIBLE EMPLOYEES ("EMPLOYEE RESERVATION PORTION"). THE ISSUE LESS THE EMPLOYEE RESERVATION PORTION IS HEREINAFTER REFERRED TO AS THE "NET ISSUE". THE ISSUE AND NET ISSUE SHALL CONSTITUTE [●] % AND [●]%, RESPECTIVELY OF THE POST-ISSUE PAID-UP EQUITY SHARE CAPITAL OF OUR COMPANY.

Our Company is 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 in rural and semi-urban India, focusing on providing lending solutions to meet the needs and aspirations of the rural and semi-urban populace.

The Issue is being made through the Book Building Process pursuant to Regulation 6(1) of the SEBI ICDR Regulations.

QIB PORTION: Not more than 50% of the Issue | NON-INSTITUTIONAL PORTION: Not less than 15% of the Issue

RETAIL PORTION: Not less than 35% of the Issue

Employee Reservation: 5,50,000 Equity Shares (constituting up to [●]% of our Post-Issue paid-up Equity Share capital) aggregating up to ₹[●].

PRICE BAND: ₹ 114/- TO ₹ 120/- PER EQUITY SHARE OF FACE VALUE ₹ 10/- EACH.

THE FLOOR PRICE IS 11.40 TIMES OF THE FACE VALUE AND THE CAP PRICE IS 12.00 TIMES OF THE FACE VALUE OF THE EQUITY SHARES. THE PRICE TO EARNING RATIO AT THE FLOOR PRICE IS 19.49 TIMES AND AT THE CAP PRICE IS 20.51 TIMES BASED ON THE DILUTED EPS FOR FINANCIAL YEAR ENDED AS MARCH 31, 2023. BIDS CAN BE MADE FOR A MINIMUM OF 125 EQUITY SHARES AND IN MULTIPLES OF 125 EQUITY SHARES THEREAFTER.

IN MAKING AN INVESTMENT DECISION, POTENTIAL INVESTORS MUST RELY ON THE INFORMATION INCLUDED IN THE RED HERRING PROSPECTUS AND THE TERMS OF THE ISSUE, INCLUDING THE RISKS INVOLVED AND NOT RELY ON ANY OTHER EXTERNAL SOURCES OF INFORMATION ABOUT THE ISSUE AVAILABLE IN ANY MANNER.

In accordance with the recommendation of a Committee of Independent Directors of our Company, pursuant to their resolution dated June 13, 2024, the above provided Price Band is justified based on quantitative factors / KPIs as disclosed in the "Basis for Issue Price" section of the RHP vis-a-vis the weighted average cost of acquisition of primary issuance / secondary transactions as disclosed in the "Basis for Issue Price" section on page 177 of the RHP.

RISKS TO INVESTORS:

1. Risk in relation to inconsistency in revenue trend for Fiscal Year 2022 due to COVID-19 impact: We have experienced a decline in revenue in Fiscal Year 2022 and may consider experiencing such decline in the future. This decreases were primarily attributable to the conservative approach in loan disbursements opted by the Company between Fiscal 2020-21 to Fiscal 2021-22 arising from the COVID-19 pandemic beginning in Fiscal 2020. Page no. 33 of RHP.

Sr No.	Particulars	Fiscal 2021	Fiscal 2022	Fiscal 2023	As on nine months period ended December 31, 2023
1	Loan book	42,100.78	35,131.79	35,416.11	37,946.28
2	Fresh loan disbursement	5,377.60	1,954.14	7,834.00	5,752.76
3	Revenue from Operations	8,617.72	6,744.13	6,951.37	5,340.49

2. Risk in relation to higher NPA as compared to peer companies: The Company has higher levels of NPAs as compared to some of its peer companies and hence our business may be adversely affected if we are unable to provide for such higher levels of NPAs. Page no. 34 of RHP. Below table shows the Year wise Gross NPA% and Net NPA% of our Company:

Particulars	Details as on December 31, 2023					
	Akme Fintrade (India) Limited	MAS Financial Services Limited	Shriram Finance Limited	Cholamandalam Investment and Finance Company Limited	Arman Financial Service Limited	CSL Finance Limited
Gross NPA ratio(%) ⁽¹⁾	3.94%	2.23%	5.66%	3.92%	2.83%	0.40%
Net NPA ratio (%) ⁽²⁾	1.94%	1.48%	2.72%	2.56%	0.33%	0.23%

3. Risk related to non-compliance with RBI norms/guidelines for periodic inspection: Our Company did not comply with certain RBI norms/guidelines in the past. Non-compliance with the RBI's norms/guidelines and violations of regulations prescribed by the RBI, could expose us to certain penalties and restrictions. The Company's submissions with respect to the non-compliances observed by RBI in its periodic inspections are still being examined by RBI, and in the future, the Company may face any penal or supervisory action from RBI. If we are unable to comply with the RBI's observations or directions, we could be subject to penalties and restrictions which may be imposed by the RBI. Imposition of any penalty or adverse finding by the RBI during any future inspection may have a material adverse effect on our reputation, business, financial condition, results of operations and cash flows. Page no. 35 of RHP.

4. Risk related to business & operational presence concentrated in the State of Rajasthan: Our business and operational presence is concentrated in the State of Rajasthan and our result of operations may be adversely affected by difficulties in expanding our business or pursuing new business opportunities in new regions and markets.

The following tables set forth the details of concentration of Loan Book and Interest Income on advances (which is the primary source of our revenue) for the period ended December 31, 2023, Financial Year ended March 31, 2023, 2022 and 2021 in the state of Rajasthan.

Particulars	As on March 31						As on nine months period ended December 31, 2023	
	2021		2022		2023		(₹ Lakhs)	As a % of Total Loan Book
	(₹ Lakhs)	As a % of Total Loan Book	(₹ Lakhs)	As a % of Total Loan Book	(₹ Lakhs)	As a % of Total Loan Book		
Loan book	28,853.51	68.53%	24,980.84	71.11%	24,982.34	70.54%	26,329.30	69.39%

Particulars	As on March 31						As on nine months period ended December 31, 2023	
	2021		2022		2023		As on nine months period ended December 31, 2023	As on nine months period ended December 31, 2023
	(₹ Lakhs)	As a % of Total Interest Income	(₹ Lakhs)	As a % of Total Interest Income	(₹ Lakhs)	As a % of Total Interest Income		
Interest Income	7,031.48	83.54%	5,430.54	83.71%	5,325.64	84.39%	3,836.36	75.56%

Our concentration in Rajasthan exposes us to any adverse geological, ecological, economic and/or political circumstances in Rajasthan. If there is a sustained downturn in the economy of Rajasthan or a sustained change in financial patterns in Rajasthan for any reason, our financial position may be adversely affected. Page no. 38 of RHP.

5. Risk related to significant dependency on our business Loans and any adverse developments in this sector: Since our business significantly depends on financing under business loans and Vehicle loans. Any adverse developments in these business segments could adversely affect our business, results of operations, cashflows and financial conditions. Page no. 42 of RHP. Bifurcation and percentage of vehicle finance and Business loans are as under:

Sector-wise Loan Book	Sector-wise Loan Book as on March 31,						Sector-wise Loan Book as on December 31, 2023	
	2021		2022		2023			
	(₹ Lakhs)	%	(₹ Lakhs)	%	(₹ Lakhs)	%	(₹ Lakhs)	%
Vehicle Loan	9,574.29	22.74%	7,620.69	21.69%	7,525.18	21.25%	7,879.63	20.77%
Business Loans	32,526.49	77.26%	27,511.10	78.31%	27,890.94	78.75%	30,066.65	79.23%
Grand Total	42,100.78	100.00%	35,131.79	100.00%	35,416.11	100.00%	37,946.28	100.00%

Our financial performance is significantly reliant on our business loans division, which is subject to various external factors beyond our control. Factors such as pandemics, industry downturns, natural disasters, and political risks can negatively impact micro and small borrowers in the business finance sector, affecting their ability to repay loans. Additionally, lending to medium enterprises across diverse industries requires a deep understanding of each sector; any adverse developments within these industries could hinder repayment and consequently affect our business, operations, and financial stability. Moreover, the interconnectedness of various players in the economy, including banks, financial institutions, and stock markets, means that any adverse incident in one sector can have a cascading effect on others. Page no.42 of RHP

6. Risk related to additional expenses in operating in rural & semi-urban markets: A significant portion of our customer base operates in rural and semi-urban markets in India, where infrastructure limitations may pose challenges to our business operations. These constraints could potentially impact our profitability, operational results, cash flows, and financial health. In these areas, conducting operations such as resource access, monitoring, and collections may present difficulties, potentially leading to increased costs and expenses. Page no. 45 of RHP

7. Risk related to negative cash flow in the past which may continue in the future and may adversely impact: Our Company has experienced negative net cash flow in operating, investing and financing activities in the past. Following are the details of our cash flow position during the last three financial years based on financial statements:

(₹ in lakhs)

Particulars	Year Ended March 31, 2021	Year Ended March 31, 2022	Year Ended March 31, 2023	For the nine months period ended December 31, 2023
Net cash flow from / (used in) operating activities	8,508.68	6,310.24	2,361.30	(2,129.08)
Net cash flow from / (used in) investing activities	262.63	159.66	(1,496.34)	157.01
Net cash flow from / (used in) financing activities	(8,410.89)	(7,455.85)	(201.64)	2,540.65

We may incur negative cash flows in the future which may have a material adverse effect on our business, prospects, results of operations and financial condition. Page no. 45 of RHP

8. Risk related to non-compliances w.r.t certain intimation under SEBI listing regulation to the BSE: There have been instances of delay by the Company in submission of requisite disclosures to BSE relating to details of payment of interest on debentures, record date for

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