



Radiant Cash Management Services Ltd

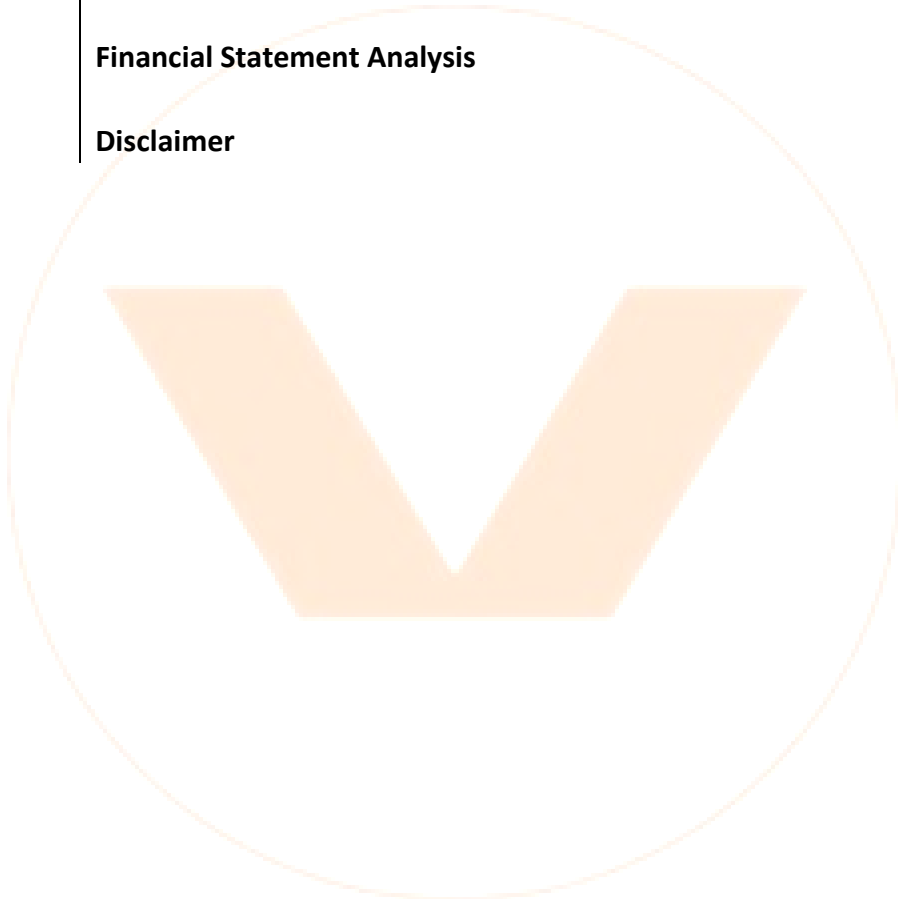
Redefining excellence in retail cash management space



Kyon ki bhaiya, sabse bada rupaiya.

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SUBSCRIBE at the Upper Price Band of INR 99

Redefining excellence in retail cash management space

Incorporated in 2005, Radiant Cash Management Services Ltd (RADIANT) is the market leader in retail cash management services (RCMS) for banks, financial institutions, organized retail and e-commerce companies in India. Unlike CMS Info Systems and AGS Transact Technologies, RADIANT majorly deals with RCMS which is a highly underpenetrated segment in the industry with strong growth potential. RADIANT commands around 40% of the retail cash management in the industry.

As of 31st Jul 2022, RADIANT had a fleet of 739 specially fabricated armored vans offering RCMS to 55,513 retail touchpoints (grew from 38,786 in FY19) across 13,044 PIN codes in India.

During FY19-22, RADIANT's revenue grew at a CAGR of 9.0% to INR 286 cr, which was mainly driven by 4.8% CAGR in annual cash movement to INR 1,30,380 cr and improvement in revenue-to-cash movement ratio from 0.20% in FY19 to 0.22% in FY22. The company added 11,194 retail touchpoints and 124 cash vans during FY19-22, which increased its retail network to 49,980 touchpoints and 739 cash vans in FY22. The expansion in retail touchpoints is expected to be faster in the coming years due to

- Expansion of banking network in underpenetrated geographies
- Faster rollout of organized retail in Tier II/III cities and towns
- Increasing e-commerce sales

The addition of new retail touchpoints improved the asset utilization of the company, which resulted in better profit margins. EBITDA and PAT grew at a CAGR of 14.5% and 15.2% to INR 59 cr and 38 cr, respectively, while EBITDA and PAT margins improved by 282bps to 20.5% and 203bps to 13.4%, respectively. As a result, return ratios – RoE and RoIC – improved by 367bps to 27.3% and 2377bps to 62.8% respectively.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Adj PAT	EBITDA (%)	Net (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	P/BV (X)	EV/EBITDA (X)
FY19	220.9	39.0	25.0	17.6	11.3	2.3	9.9	23.7	39.0	42.5	10.0	26.9
FY20	248.3	52.3	36.5	21.1	14.7	3.4	11.1	30.5	55.4	29.1	8.9	19.8
FY21	221.7	47.3	32.4	21.3	14.6	3.0	11.8	25.5	63.0	32.8	8.4	21.3
FY22	286.0	58.5	38.2	20.5	13.4	3.6	13.0	27.3	62.8	27.8	7.6	17.2

Industry Services

Issue Details

Listing	BSE & NSE
Open Date	23 rd Dec 2022
Close Date	27 th Dec 2022
Price Band	INR 94-99
Face Value	INR 1
Market Lot	150 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	84.5%
Fresh Issue	15.5%
Issue Size (Amt)	INR 388 cr
Issue Size (Shares)	39,185,606
QIB Share (%)	≤ 50%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	1,01,253,360
Post issue sh (nos)	1,07,313,966
Post issue M Cap	INR 1,062 cr

Shareholding (%)

	Pre (%)	Post (%)
Promoter	66.4	53.2
Public	33.6	46.8
TOTAL	100	100

Table representing comparison of RADIANT with its competitors

Particulars	RADIANT	SIS	CMS Systems	AGS Transact Technologies
Area of Focus	Retail Cash Management	Man guarding/ Security Service	ATM Cash Management	ATM Machines, Softwares, Tech enabled payments
ROE (FY 22)	27%	15.40%	20%	-15.90%
ROCE (FY 22)	32.40%	13.20%	24.80%	16.80%
Promoter Shareholding	66.39%	71.55%	63.38%	65.52%

Source: Company Reports & Ventura Research

Top 3 players accounts for 75%+ of the total market share of the RCMS

Company	Total Workforce	Retail Touch Points (RCM)	RCV (# of vaults)	DCV (# of vaults)	ATM Cash Management (# of ATMs)
Radiant	9,300+	42,420	55	694	NA
Securevalue India	8716	Data not available	45 locations	232	47,569
Writer Safeguard	8,000+	12,000	60+	NA	18,000
SIS Prosegur Holdings	Data not available	5,000	59	1,000	14,000
Brinks India	7,000	Data not available	Data not available	NA	<5,000
CMS Info Systems	20,000	40,000	400	900	63,000

Source: Company Reports & Ventura Research

Valuation

At the IPO price of INR 99 (upper price band), RADIANT is trading at a TTM P/E of 23.1X. We believe that India being an underbanked and rapidly developing country, the outlook for banks and their cash management will continue to remain strong. Furthermore, considering the long-term growth opportunity in the Indian e-commerce space, cash movement from retail touchpoints is expected to grow significantly in the coming years. Hence, we recommend a SUBSCRIBE rating for RADIANT IPO.

Management Team

Key person	Designation	Details
Col. David Devasahayam	Chairman and Managing Director	He holds a B.Sc. degree from JNU, M.Sc from University of Madras, PG from the Defense Services Staff College and Owner/President Management Program at Harvard Business School. He also has 24 years of experience in the Indian Army and over 16 years of experience in the company
Dr. Renuka David	Whole Time Director	She is a Founder Director with an MBBS from Bharathiar University, Ph.D from The American University for Global Peace in USA. She was previously associated with Apollo Hospitals, ThirunalHospital and the Assam Rifles. She has over 16 years of experience in the company.
Mr Thinniyam Vaidyanathan Venkataramanan	CFO	He holds a BCom from the University of Madras, along with certificate courses on Valuation and International Financial Reporting Standards from the ICAI. He holds a membership of the ICAI, the ICSI and the ICWAI.
Mr Karthik Sankaran	CTO	He holds a bachelor's degree of Engineering in Electronics and Communication Engineering from the Madurai Kamaraj University. He has over 16 years of experience in information technology

Source: Company Reports

Key Risks & Concerns

- The business is highly dependent on the banking sector in India to generate revenues. Therefore, any adverse development with respect to Indian banks that affects their utilization of and demand for cash management services could have an adverse effect on the company's business, results of operations, cash flows and financial condition.
- The company derives a substantial portion of its revenue from a limited number of customers. If one or more of its key customers were to suffer a deterioration in their business, cease doing business with RADIANT or substantially reduce its dealings with RADIANT, company's revenues could decline, which may have an adverse effect on the business, results of operations, cash flows and financial condition.
- A decrease in the availability or use of cash as the predominant mode of payment in India could have an adverse effect on the business, results of operations, cash flows and financial condition.
- The company's business is exposed to operational risks for which they have incurred and expects to continue to incur risk costs and penalties. Any material increase in these costs could have an adverse effect on the business, results of operations and financial condition.

Issue Structure and Offer Details

The proposed IPO size of RADIANT is INR 388 cr (fresh issue of INR 60 cr and OFS of INR 328 cr) and the price band for the issue is in the range of INR 94-99 and the bid lot is 150 shares and multiples thereof.

Issue Structure

Investor category	Allocation	No of shares offered
QIB	Not more than 50%	19,592,802
NIB	Not less than 15%	5,877,841
Retail	Not less than 35%	13,714,963
Total		39,185,606

Number of share based on higher price band of INR 99

Source: Company Reports

Details of selling shareholders

Name of the selling shareholders	Amount offered	No of shares offered
Promoter selling shares		
Col. David Devasahayam	Not more than INR 100.2 cr	Upto 10,125,000 equity shares
Institution selling shares		
Ascent Capital Advisors India Pvt Ltd	Not more than INR 227.7 cr	Upto 23,000,000 equity shares

Number of share based on higher price band of INR 99

Source: Company Reports

RADIANT financial summary and analysis

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22	Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22
Income Statement					Per share data & Yields				
Revenue	220.9	248.3	221.7	286.0	Adjusted EPS (INR)	2.3	3.4	3.0	3.6
YoY Growth (%)		12.4	(10.7)	29.0	Adjusted Cash EPS (INR)	2.6	3.6	3.3	3.9
Service charges expenses	59.5	70.8	53.0	74.7	Adjusted BVPS (INR)	9.9	11.1	11.8	13.0
RM Cost to Sales (%)	27.0	28.5	23.9	26.1	Adjusted CFO per share (INR)	1.3	3.7	2.6	2.9
Employee Cost	45.2	44.5	39.0	49.7	CFO Yield (%)	1.3	3.8	2.6	2.9
Employee Cost to Sales (%)	20.5	17.9	17.6	17.4	Adjusted FCF per share (INR)	0.6	3.1	1.6	2.6
Other Expenses	77.2	80.6	82.4	103.0	FCF Yield (%)	0.6	3.2	1.6	2.6
Other Exp to Sales (%)	34.9	32.5	37.2	36.0	Solvency Ratio (X)				
EBITDA	39.0	52.3	47.3	58.5	Total Debt to Equity	0.2	0.2	0.1	0.2
Margin (%)	17.6	21.1	21.3	20.5	Net Debt to Equity	(0.1)	(0.2)	(0.4)	(0.4)
YoY Growth (%)		34.1	(9.6)	23.8	Net Debt to EBITDA	(0.3)	(0.6)	(1.2)	(0.9)
Depreciation & Amortization	2.5	2.4	2.7	3.8	Return Ratios (%)				
EBIT	36.5	49.9	44.5	54.8	Return on Equity	23.7	30.5	25.5	27.3
Margin (%)	16.5	20.1	20.1	19.2	Return on Capital Employed	20.3	25.7	23.2	24.2
YoY Growth (%)		36.7	(10.7)	23.0	Return on Invested Capital	39.0	55.4	63.0	62.8
Other Income	2.2	3.5	2.5	0.9	Working Capital Ratios				
Finance Cost	2.2	3.1	2.0	3.7	Payable Days (Nos)	1	2	5	2
Interest Coverage (X)	16.4	16.1	22.5	14.9	Inventory Days (Nos)	0	0	0	0
Exceptional Item	0.0	0.0	0.0	0.0	Receivable Days (Nos)	88	79	115	100
PBT	36.5	50.3	45.0	52.1	Net Working Capital Days (Nos)	87	77	110	98
Margin (%)	16.5	20.2	20.3	18.2	Net Working Capital to Sales (%)	23.8	21.1	30.2	26.9
YoY Growth (%)		37.8	(10.4)	15.6	Valuation (X)				
Tax Expense	11.5	13.8	12.6	13.8	P/E	42.5	29.1	32.8	27.8
Tax Rate (%)	31.4	27.4	28.0	26.6	P/BV	10.0	8.9	8.4	7.6
PAT	25.0	36.5	32.4	38.2	EV/EBITDA	26.9	19.8	21.3	17.2
Margin (%)	11.3	14.7	14.6	13.4	EV/Sales	4.8	4.2	4.5	3.5
YoY Growth (%)		45.9	(11.1)	17.8	Cash Flow Statement				
Min Int/Sh of Assoc	0.0	0.0	0.0	0.0	PBT	36.5	50.3	45.0	52.1
Net Profit	25.0	36.5	32.4	38.2	Adjustments	9.2	3.5	9.8	2.9
Margin (%)	11.3	14.7	14.6	13.4	Change in Working Capital	(20.2)	0.1	(14.6)	(10.1)
YoY Growth (%)		45.9	(11.1)	17.8	Less: Tax Paid	(11.5)	(13.8)	(12.6)	(13.8)
Cash Flow from Operations	14.0	40.1	27.6	31.1	Cash Flow from Operations				
Net Capital Expenditure	(1.0)	(5.2)	(3.1)	(6.1)	Net Capital Expenditure	(1.0)	(5.2)	(3.1)	(6.1)
Change in Investments	(23.3)	11.0	28.7	3.7	Change in Investments	(23.3)	11.0	28.7	3.7
Cash Flow from Investing	(24.3)	5.8	25.7	(2.3)	Cash Flow from Investing				
Change in Borrowings	(2.9)	4.1	(10.5)	16.4	Change in Borrowings	(2.9)	4.1	(10.5)	16.4
Less: Finance Cost	(2.2)	(3.1)	(2.0)	(3.7)	Less: Finance Cost	(2.2)	(3.1)	(2.0)	(3.7)
Proceeds from Equity	25.0	0.0	(25.0)	0.0	Proceeds from Equity	25.0	0.0	(25.0)	0.0
Buyback of Shares	0.0	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0	0.0
Dividend Paid	0.0	(22.9)	0.0	(25.0)	Dividend Paid	0.0	(22.9)	0.0	(25.0)
Cash flow from Financing	19.9	(22.0)	(37.4)	(12.3)	Cash flow from Financing				
Net Cash Flow	9.6	23.9	15.9	16.4	Net Cash Flow	19.9	(22.0)	(37.4)	(12.3)
Forex Effect	0.0	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0	0.0
Opening Balance of Cash	4.4	14.0	37.9	53.8	Opening Balance of Cash	4.4	14.0	37.9	53.8
Closing Balance of Cash	14.0	37.9	53.8	70.2	Closing Balance of Cash	14.0	37.9	53.8	70.2

Source: Ventura Research

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Corporate Office: I-Think Techno Campus, 8th Floor, 'B' Wing, Off Pokhran Road No 2, Eastern Express Highway, Thane (W) – 400608