

Rating: Subscribe for Long Term

Issue Offer

Fresh Issue of Equity shares aggregating upto INR 600 Mn and offer for sale of 33,125,000 Equity Shares

Issue Summary

| | |
|-----------------------------|---------------|
| Price Band (INR) | 94-99 |
| Face Value (INR) | 1 |
| Implied Market Cap (INR Mn) | 10620 |
| Market Lot | 150 |
| Issue Opens on | Dec, 23, 2022 |
| Issue Close on | Dec, 27, 2022 |
| No. of share pre-issue | 101,253,360 |
| No. of share post issue | 107,313,966 |
| Listing | NSE / BSE |

Issue Break-up (%)

| | |
|----------------|------|
| QIB Portion | ≤ 50 |
| NII Portion | ≥15 |
| Retail Portion | ≥30 |

Book Running Lead Managers

| |
|---------------------------------------|
| IIFL Securities Ltd |
| Motilal Oswal Investment Advisors Ltd |
| Yes Securities (India) Limited |

Registrar

Link Intime India Pvt Ltd

Shareholding Pattern

| | Pre-Issue | Post-Issue |
|-----------|-----------|------------|
| Promoters | 66.39% | 53.21% |
| Public | 33.61% | 10.28% |
| Others | - | 36.51% |

| Objects of the issue | Amt (INR Mn) |
|--|--------------|
| Funding working capital requirements. | 200 |
| Funding of capital expenditure requirements for purchase of specially fabricated armoured vans | 254.8 |
| General corporate purposes | - |

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Radiant Cash Management is an integrated cash logistics player with leading presence in retail cash management (“RCM”) segment of the cash management services industry in India and are one of the largest players in the RCM segment in terms of network locations or touch points served as of July 31, 2021 as per F&S Report. The company provide services across 12,150 pin codes in India covering all districts (other than Lakshadweep) with about 42,420 touch points serving more than 4,700 locations as of July 31, 2021. For the four months ended July 31, 2021 and Fiscals 2021, 2020 and 2019, total annual currency movement, or the total value of the currency passing through RCM business, amounted to INR 368.39 bn, INR 912.22 bn, INR1,291 bn and INR 1,131 bn.

Investment Rationale

Strong Operational risk management: Risk management is a critical aspect of company’s operations as the company is in the business of handling, transporting and managing large quantities of cash on behalf of the clients. Accordingly, the company has prepared and instituted a robust risk management framework, which consists of multiple layers, including for human resources as well as for the technological infrastructure. The company offerings and operations are backed by robust risk management policies, with cash loss in transit for the Q1FY21, FY21, FY21, FY20 and FY19 being INR 5.63 Mn, INR 26.96 Mn, INR 25.16 Mn and INR 47.97 Mn, respectively. ERP has been built to meet information security requirements and is audited by major national and multinational banks.

Pan India presence with strong network in Tier 2 and Tier 3+ locations: The company has >42k touch points as of July 31 FY21, covering 12,150 pin codes across India, offer services in all districts in the country with the exception of Lakshadweep. The company’s touchpoints as of July 31, FY21, 35,802 or 84.39% are located in tier 2 and tier 3+ towns and cities. The company earned 88.76%, 86.34%, 88.05% and 87.60% of the revenues from tier 2 and tier 3+ towns and cities. Strong presence in tier 2 and tier 3+ markets allows them to be well positioned to capture the increased business for these sectors, through existing end users and customers.

Strong marquee client : The company has a client base covering some of India’s largest foreign, private sector and public sector banks (including leading private sector bank). Amongst, the company key clients are Axis Bank Limited, Citibank, Deutsche Bank Limited, HDFC Bank Limited, ICICI Bank Limited, Kotak Mahindra Bank, Standard Chartered Bank, State Bank of India, The Hongkong and Shanghai Banking Corporation Limited and Yes Bank Limited. End users segment are fairly well diversified across multiple sectors, including e-commerce companies, retail chains, NBFCs insurance firms, ecommerce logistics players, railways and retail petroleum distribution outlets. Some of the end users of services include Bajaj Finance limited, Equitas Small finance bank ltd, Ecom Express private ltd, Delhivery private ltd and Hiveloop logistics ltd.

Valuation and View: Radiant is an integrated cash logistics player with a leading presence in the RCM industry and is one of the largest players in the RCM segment in terms of network locations or touch points. The growth in the organized retail sector as well as the corresponding outsourcing potential is expected to be prime factors for the development of the RCM market in India. Radiant has a track record of strong financial performance and delivering returns to shareholders. Radiant is backed by a reputed institutional investor, Ascent Capital, who has invested in the company in FY15. **At the upper band of INR 99, the issue is valued at a PE of 26.2x based on FY22 to its EPS of INR 3.77. We are recommending “Subscribe for Long Term” for this issue.**

Comparison with listed Industry Peers (As On 31st March 2022)

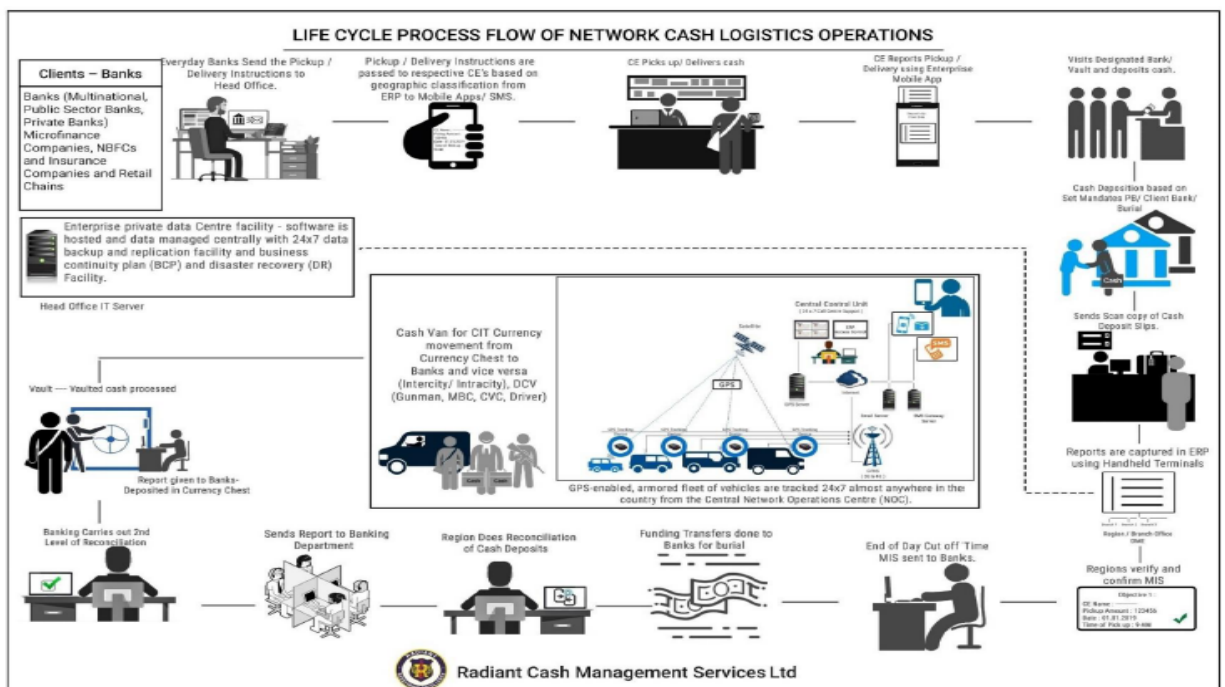
| Name of the Company | Consolidated/ Standalone | Face Value | CMP (INR) | Total Revenue Fiscal 2022 (INR Mn) | EPS | NAV | RoNW (%) | P/E |
|--------------------------------------|--------------------------|------------|-----------|------------------------------------|-------|--------|----------|-------|
| Radiant Cash Management Services Ltd | Standalone | 1 | 99 | 2860 | 3.77 | 13.8 | 27.34 | 26.26 |
| SIS Ltd | Consolidated | 5 | 387 | 101118 | 22.09 | 140.87 | 15.71 | 17.52 |
| CMS Info Systems Ltd | Consolidated | 10 | 296 | 15976 | 15.07 | 82.02 | 17.84 | 19.64 |

Closing price on Dec'21,2022 and Radiant CMP as per the RHP

Radiant business may be different from the other listed peers (mentioned above) in terms of differing business models and different verticals serviced or focus areas. For example, the company has in the past ceased the ATM cash management operation, while the listed peers continue to provide such services.

| Revenue Model | |
|------------------------------------|---|
| Service | Details of Revenue Method |
| Cash pick-up and delivery | The company ordinarily receive a fixed monthly revenue for each point of contact serviced, based on its location and daily cash limit, through long term contracts with their clients, of up to 3 years, renewable at the option of parties. They also earn additional revenues for ad-hoc request points, excess over cash limit, holiday pick-ups and evening pick-ups. |
| Network currency management | Company's fees are based on the value of the currency deposited in their accounts and is in addition to their revenues under the cash pick-up services for such points. |
| Cash processing | Their revenues are based on the amount of cash processed by them |
| Cash Vans / Cash in transit | Company offers fabricated vans, on long term or ad hoc hire for movement of cash or bullion within their client's network. For long term hire, they charge their clients on a monthly basis with pre-determined hours and distance covered per day. For ad-hoc requirements, they charge on an hourly or distance covered basis. |
| Other value-added services | Man-behind counter and currency chest operations to large retail stores and banks, are charged on the basis of manhours expended or amount of money stored. |

A brief overview of Radiant operations

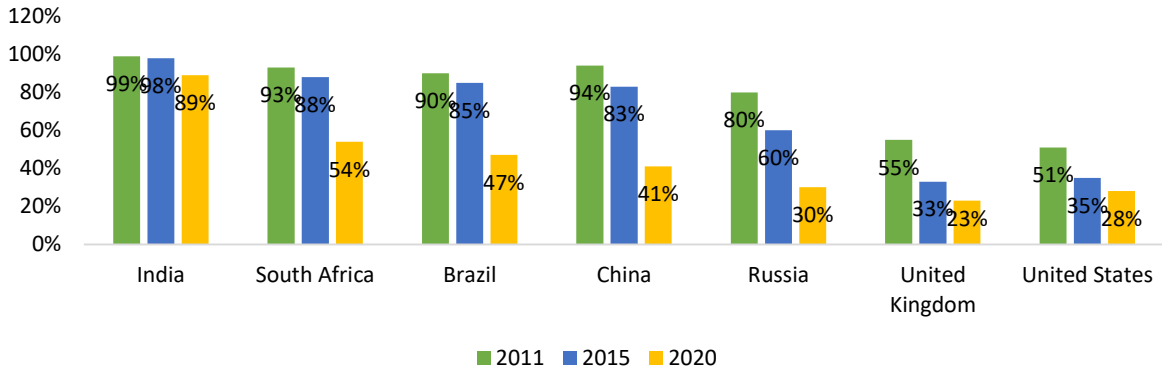


Source: RHP, Company Reports, Arianth Capital Research

Story in Charts

In comparison with the other BRICS nations, the percentage of cash transactions by volume is highest for India, standing at 89% in CY 2020.

Exhibit 1: Benchmarking Cash Intensity, By Volume of Transactions (CY 2011, CY 2015, CY 2020), (%)



Source: Frost & Sullivan, Secondary Sources

Exhibit 2: Revenue (INR Mn) has seen a strong growth trajectory, albeit slightly impacted by the Covid pandemic

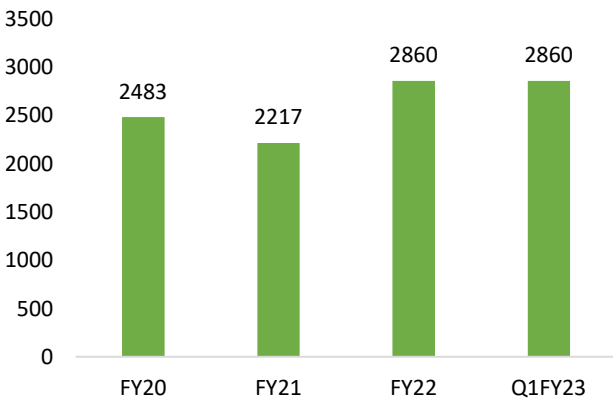


Exhibit 3: including strong returns to its equity shareholders

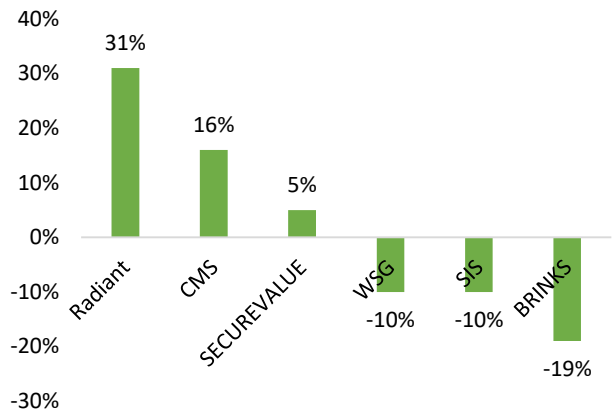


Exhibit 4: with strict control on costs and operational efficiency making Radiant's margins the best in the business

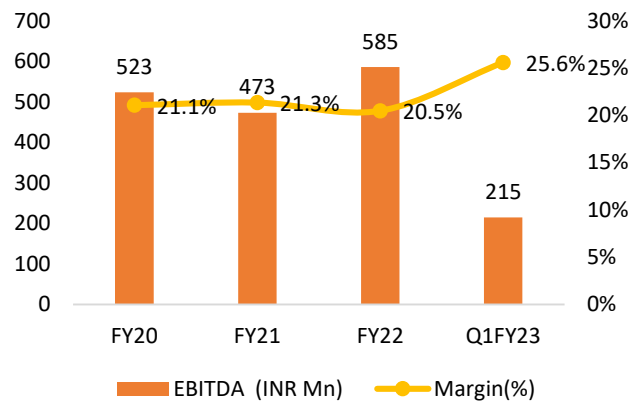
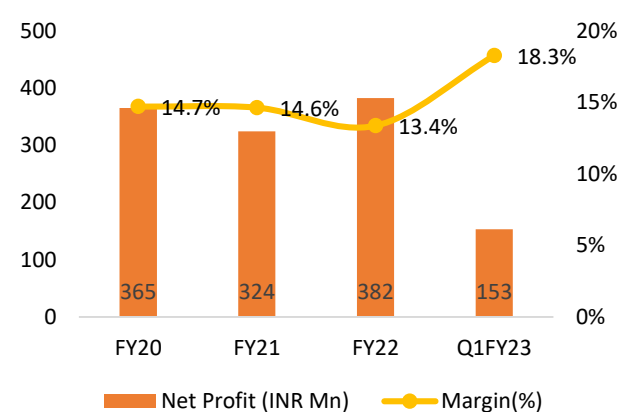


Exhibit 5: and a lean capital structure ensuring that the operating profit flows through to the bottom line.



Source: RHP, Company Reports, Arianth Capital Research

Financial Statements

Income statement summary

| Y/e 31 Mar (INR Mn) | FY20 | FY21 | FY22 | Q1FY23 |
|--------------------------------------|--------------|--------------|--------------|--------------|
| Revenue | 2,483 | 2,217 | 2,860 | 840 |
| Net Raw Materials | - | - | - | - |
| Employee Cost | 445 | 390 | 497 | 139 |
| Other Expenses | 1,515 | 1,354 | 1,778 | 486 |
| EBITDA | 523 | 473 | 585 | 215 |
| EBITDA Margin (%) | 21.1% | 21.3% | 20.5% | 25.6% |
| Depreciation | (24) | (27) | (38) | (10) |
| Interest expense | (31) | (20) | (37) | (2) |
| Other income | 35 | 25 | 9 | 3 |
| Profit before tax | 503 | 450 | 521 | 206 |
| Taxes | (138) | (126) | (138) | (52) |
| Net profit | 365 | 324 | 382 | 153 |
| Reported Netprofit Margin (%) | 14.7% | 14.6% | 13.4% | 18.2% |
| Other Comprehensive income | 0.02 | 0.01 | 0.29 | 0.29 |
| Net profit | 365 | 324 | 382 | 153 |
| EPS (INR) | 4 | 3 | 4 | 2 |

Ratio analysis

| Y/e 31 Mar (INR Mn) | FY20 | FY21 | FY22 | Q1FY23 |
|---------------------------------|--------|-------|-------|--------|
| Growth matrix (%) | | | | |
| Revenue growth | -10.7% | 29.0% | | |
| Op profit growth | -9.6% | 23.8% | | |
| Profitability ratios (%) | | | | |
| OPM | 21.1% | 21.3% | 20.5% | 25.6% |
| Net profit margin | 14.7% | 14.6% | 13.4% | 18.2% |
| RoCE | 54.4% | 24.3% | 26.7% | 23.7% |
| RoNW | 60.9% | 26.3% | 28.6% | 37.9% |
| RoA | 25.9% | 23.0% | 22.4% | 19.3% |
| Per share ratios (INR) | | | | |
| EPS | 32.9 | 31.6 | 3.8 | 1.5 |
| Cash EPS | 35.1 | 34.3 | 4.1 | 1.6 |
| Book value per share | 107.7 | 124.0 | 13.8 | 15.3 |
| Valuation ratios (x) | | | | |
| P/E | 3 | 3 | 26 | 65 |
| P/CEPS | 3 | 3 | 24 | 61 |
| P/B | 1 | 1 | 7 | 6 |
| EV/EBITDA | 1 | 1 | 16 | - |
| Payout (%) | | | | |
| Dividend payout | 62.8% | 0.0% | 65.4% | 0.8% |
| Tax payout | 27.4% | 28.0% | 26.6% | 25.5% |
| Liquidity ratios | | | | |
| Debtor days | 79 | 102 | 95 | 365 |
| Creditor days | 3 | 5 | 4 | 11 |
| WC Days | 76 | 97 | 91 | 355 |
| Leverage ratios (x) | | | | |
| Interest coverage | 16.1 | 22.5 | 14.9 | 225.1 |
| Net debt / equity | -0.2 | -0.4 | -0.4 | -0.3 |
| Net debt / op. profit | -0.6 | -1.2 | -0.9 | -2.4 |

Balance sheet summary

| Y/e 31 Mar (INR Mn) | FY20 | FY21 | FY22 | Q1FY23 |
|----------------------------------|--------------|--------------|--------------|--------------|
| Equity capital | 11 | 10 | 101 | 101 |
| Reserves | 1,185 | 1,261 | 1,296 | 1,451 |
| Net worth | 1,196 | 1,271 | 1,398 | 1,552 |
| Provisions | 0.35 | 1 | 18 | 20 |
| Debt | 211 | 110 | 267 | 255 |
| Other non-current liabilities | 1 | 29 | 20 | 18 |
| Total Liabilities | 1,408 | 1,412 | 1,703 | 1,845 |
| Fixed assets | 67 | 94 | 132 | 127 |
| Capital Work In Progress | - | - | - | 12 |
| Other Intangible assets | 15 | 16 | 9 | 8 |
| Goodwill | - | - | - | - |
| Investments | 282 | - | - | - |
| Other non current assets | 0.30 | 8 | 0.31 | 5 |
| Deferred tax asset (net) | 57 | 29 | 33 | 24 |
| Net working capital | 414 | 548 | 627 | 755 |
| Inventories | - | - | - | - |
| Sundry debtors | 537 | 701 | 785 | 897 |
| Loans & Advances | - | - | - | - |
| Other current assets | 46 | 57 | 44 | 53 |
| Sundry creditors | (14) | (31) | (15) | (22) |
| Other Financial Liabilities | (105) | (102) | (120) | (117) |
| Current Tax Liabilities (Net) | (4) | (20) | (3) | (20) |
| Other current liabilities & Prov | (45) | (57) | (65) | (35) |
| Cash | 506 | 674 | 793 | 781 |
| Other Financial Assets | 66 | 43 | 109 | 132 |
| Total Assets | 1,408 | 1,412 | 1,703 | 1,845 |

Cashflow summary

| Y/e 31 Mar (INR Mn) | FY20 | FY21 | FY22 | Q1FY23 |
|---------------------------|--------------|------------|------------|-------------|
| Profit before tax | 503 | 450 | 521 | 206 |
| Depreciation | 24 | 27 | 38 | 10 |
| Tax paid | (138) | (126) | (138) | (52) |
| Working capital Δ | (414) | (133) | (79) | (129) |
| Operating cashflow | (25) | 218 | 341 | 35 |
| Capital expenditure | (91) | (55) | (75) | (18) |
| Free cash flow | (117) | 164 | 266 | 17 |
| Equity raised | 1,060 | (249) | (5) | 2 |
| Investments | (282) | 282 | - | - |
| Others | (138) | 42 | (56) | (18) |
| Debt financing/disposal | 211 | (101) | 157 | (12) |
| Dividends paid | (229) | - | (250) | (1) |
| Other items | 1 | 29 | 8 | (0) |
| Net Δ in cash | 506 | 168 | 119 | (12) |
| Opening Cash Flow | - | 506 | 674 | 793 |
| Closing Cash Flow | 506 | 674 | 793 | 781 |

Source: RHP, Company Reports, Aриhant Capital Research

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| Stock Rating Scale | Absolute Return |
|--------------------|-----------------|
| BUY | >20% |
| ACCUMULATE | 12% to 20% |
| HOLD | 5% to 12% |
| NEUTRAL | -5% to 5% |
| REDUCE | -5% to -12% |
| SELL | <-12% |

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