



RADIANT
CASH MANAGEMENT SERVICES

SMC Ranking

★ ★ ★ ☆ ☆ (3/5)

Issue Highlights

Industry	Retail cash management
Offer for sale (Shares)	33,125,000
Fresh Issue (Shares)	6,060,606
Net Offer to the Public	39,185,606
Issue Size (Rs. Cr.)	368-388
Price Band (Rs.)	94-99
Offer Date	23-Dec-22
Close Date	27-Dec-22
Face Value	1
Lot Size	150

Issue Composition

	In shares
Total Issue for Sale	39,185,606
QIB	19,592,803
NIB	5,877,841
Retail	13,714,962

About the company

Incorporated in 2005, Radiant Cash Management Services Limited is the market leader in retail cash management services for banks, financial institutions, and organized retail and e-commerce companies in India. The company operates its business across five verticals, namely 1) cash pick-up and delivery; 2) network currency management (also known as cash burial in industry parlance); 3) cash processing; 4) cash vans /cash in transit and 5) other value-added services. The company's 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.

Strength

Leading integrated cash logistics player in a consolidating industry present across the value chain of retail cash Management: The company is an integrated cash logistics player with leading presence in RCM segment and is one of the largest players in the RCM segment in terms of network locations or touch points served as of March 31, 2022. The company provides a wide range of services across each stage of the entire cash cycle in India and believes its services help increase the velocity of cash throughout the cash cycle and increase the speed with which it handles cash. In addition, the size and wide reach of its network enables it to realize further economies of scale, allowing it to increase the productivity of its operations and profit margins.

Pan India presence with strong network in Tier 2 and Tier 3+ locations and fast growing end user segments: Through its 55,513 touch points as of July 31, 2022, covering 13,044 pin codes across India, it offers its services in all districts in the country with the exception of Lakshadweep. Of its touch-points as of July 31, 2022, 55,513 or 86.06% are located in tier 2 and tier 3+ towns and cities. Its revenue from operation from these markets in the three months ended June 30, 2022 and in Fiscal 2022, Fiscal 2021 and Fiscal 2020, was Rs 719.54 million, Rs. 249.37 Crore, Rs. 191.40 Crore and Rs. 218.60 Crore, respectively. Its touch points in tier 2 and tier 3+ locations has increased proportionately from 40,588 on March 31, 2020 to 47,773 as on July 31, 2022. In the three month period ended June 30, 2022 and each of Fiscal 2022, Fiscal 2021 and Fiscal 2020, the company has earned 85.61%, 87.19%, 86.34% and 88.05% of its revenues from tier 2 and tier 3+ towns and cities. Cash utilisation and circulation in tier 2 and tier 3+ towns and cities are expected to grow, on account of the government's financial inclusion programs, including Pradhan Mantri Jan Dhan Yojana and other direct benefit transfers, providing direct benefits and subsidies to populations in semi-urban and rural areas. The company believes these initiatives have increased and will continue to increase the number of cash transactions in these regions, as well as demand for cash management services. It believes its pan-India footprint enables it to offer its services to its customers in these areas as they grow their businesses and take advantage of opportunities created by the government initiatives and the resulting increased business of its customers and end users.

Diversified client base with long standing relationship and ability to cross-sell value added services: Its ability to offer RCM services across India, with presence in tier 2 and tier 3+ towns and cities has enabled it to attract some of the largest foreign, private and public sector banks in India as its clients. The company has a marquee client base covering some of India's largest foreign, private sector and public sector banks (including India's largest public sector bank). Amongst its key clients are Axis Bank Limited, Citibank, Deutsche Bank Limited, HDFC Bank Limited, ICICI Bank Limited, Kotak Mahindra Bank,

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	66.39%	53.21%
QIB	0.00%	18.26%
NIB	33.61%	15.76%
Retail	0.00%	12.78%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The net proceeds of the Fresh Issue:

1. Funding working capital requirements.
2. Funding of capital expenditure requirements for the purchase of specially fabricated armoured vans.
3. General corporate purposes.

Book Running Lead Manager

- IIFL Securities Limited
- Motilal Oswal Investment Advisors Private Limited
- YES Bank Limited

Name of the registrar

- Link Intime India Private Limited

Standard Chartered Bank, State Bank of India, The Hongkong and Shanghai Banking Corporation Limited and Yes Bank Limited. For the three months period ended June 30, 2022 and Fiscal 2022, Fiscal 2021 and Fiscal 2020, its top three clients contributed 39.44%, 43.10%, 39.80% and 45.10% of its total revenue from operations, with its single largest client contributing 14.17%, 17.11%, 13.91% and 19.44%, respectively.

Robust Operational Risk Management: Risk management is a critical aspect of its operations as it is in the business of handling, transporting and managing large quantities of cash on behalf of its clients. Accordingly, it has prepared and instituted a robust risk management framework, which consists of multiple layers, including for its human resources as well as for its technological infrastructure. Its offerings and operations are backed by robust risk management policies, with its cash loss in transit for the three months ended June 30, 2022, Fiscal 2022, Fiscal 2021 and Fiscal 2020 being Rs. 2.54, Rs. 1.88, Rs. 2.70 Crore and Rs. 2.51 Crore respectively.

Significantly built up technology to optimize operational profitability: The company believes that technology is a key differentiator for the company, as it allows it to efficiently handle operations in a high-fidelity business. Its technology solutions help its clients to increase their focus on their core competence without a need to make significant investments in operational infrastructure. Over the years, it has enhanced partner engagement and experience through digitization of processes and augmentation of technology platforms. Towards this end, it has developed integrated network architecture, including an in-house developed ERP. With a view towards providing a seamless experience to its client, it has created API integration with few of its clients' ERP software. This integration of ERP allows the clients and the end-users to track real time data for cash management which are outsourced to the company and it believes that this provides it an added benefit of being able to continue to service the client and may act as a barrier to the client to switch service providers in the future, helping in customer stickiness.

Strategies

Capitalize on strong growth of key end-user sectors: Its end users operate across various sectors with end users in e-commerce, organized retail, e-commerce logistics and financial services, being its key end user sectors. The company understands that end users in these segments such as Bajaj Finance Limited, Equitas Small Finance Bank Limited, E-com Express Private Limited, Delhivery Private Limited and Hiveloop Logistics Private Limited have significant expansion plans in the medium term and it intends to capitalize on this strong growth with its country-wide infrastructure, its quality of service delivery and strong relationship with these end-users. Despite the ongoing pandemic, it has received letters of intent from its clients for over 1,000 service points every month, in the last 12 months. Further, with the growth in cash in circulation in the economy, it expects that banks will also be able to add newer end users, thereby increasing its scope of growth.

Improve the share of Value-Added-Services in its revenue mix: Value-added-services offered by the company, including network currency management, cash processing, vaulting, and low Denomination notes / coins conversion, gives it twin benefits of strengthening its relationship with the clients while also adding to its profitability. The company aims to increase the share of value added services through the following strategies:

- Offer to accept higher share of low denomination notes and coins, which are a big challenge for the banks to handle and dispose.
- Its banking infrastructure which complements its network currency management services has about 800 current accounts across all tier 1 cities, tier 2 towns and cities and several tier 3+ towns, cities and villages.
- As on July 31, 2022, it had 11 vaults, 16 strong rooms, and 28 safes. It intends to augment its 5,388 location network to more locations and also upgrade its safes and strong rooms into vaults in the medium term.

Target direct end-users to improve profitability through increasing route density: The company has invested significantly over the years in developing route infrastructure across the country, and it intends to leverage this by adding more direct clients along its existing routes to

improve the route level profitability. Towards this end, the company aims to build a sales organization in each of its regional offices with specific mandates to target small and mid-size retail outlets along the existing routes and offer the services directly to these outlets.

Increase market share from unorganized players in Cash Van Operations: It intends to focus its efforts in consolidating its presence in the cash management services industry with specific focus on Cash-in-Transit / Cash van operations vertical, which has been the main focus of the unorganized players who are exiting this business because of the RBI regulations. Towards this end, it intends to utilise up to Rs. 25.48 crore towards procurement of additional armoured cash vans which will be utilised to increase its presence and to also reduce its existing lease costs in relation to ad hoc hire of armoured cash vans. Further, it anticipates that the creation of its owned fleet allow it to increase its secured logistics services such as bullion.

Risk factor

- The business is highly dependent on the banking sector in India to generate revenues.
- The company derives a substantial portion of its revenue from a limited number of customers.
- A decrease in the availability or use of cash as the predominant mode of payment in India could have an adverse effect on its business.
- The company operates in highly competitive markets and may be unable to respond effectively to developments in those markets.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
SIS	10694.70	347.35	23.60	16.53	2.64	148.02	5.00	390.10	5741.53
CMS Info Systems	1772.74	265.77	17.24	17.64	3.35	90.66	10.00	304.15	4688.72
Radiant Cash Management Services Ltd **	286.04	38.21	3.56	27.81	5.32	18.61	1.00	99.00	1062.41

* Peer companies financials are TTM based.
 ** FY22 Financials

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.99, the stock is priced at pre issue P/E of 26.23x on FY22 EPS of Rs.3.77. Post issue, the stock is priced at a P/E of 27.81x on its EPS of Rs.3.56. Looking at the P/B ratio at Rs.99, pre issue, book value of Rs. 13.80 of P/Bvx 7.17x. Post issue, book value of Rs. 18.61of P/Bvx 5.32x.

Considering the P/E valuation, on the upper end of the price band of Rs.94, the stock is priced at pre issue P/E of 24.91x on FY22 EPS of Rs.3.77. Post issue, the stock is priced at a P/E of 26.40x on its EPS of Rs.3.56. Looking at the P/B ratio at Rs.99, pre issue, book value of Rs. 13.80 of P/Bvx 6.81x. Post issue, book value of Rs. 18.61of P/Bvx 5.05x.

Industry Outlook

Cash in Circulation (CIC) is the sum of cash held by banks and currency held by the general public. As per the below chart, currency in circulation has been witnessing an increasing trend along with the nominal GDP. In the last decade (FY 12-FY 22), CIC has almost increased three folds (at a CAGR of 10.5%), showing a positive growth rate for the period. (Source: RBI, Secondary Sources) A growth in CIC is essential for higher economic activity in the country and augurs well for the companies engaged in cash management industry. While demonetization had a significant impact on CIC, the release of pent-up demand after re-monetization, wealth redistribution, and lower lending rates, led to a vshaped recovery of the total cash in circulation, which has since then almost doubled (in FY 21). Despite Covid, India's CIC grew by around 32.5% between March 2020 and March 2022. (Source: RBI). As on October 31, 2022, CIC in India stood at a value of INR 30.8 trillion. CIC is predicted to reach INR 43.4 trillion by FY25, growing at a CAGR of 11.4%.

Growth of cash in circulation (CIC in INR Billions), FY 2017-25



*Source: RBI, Secondary Sources
Data published as of March, 2022*

Outlook

The company is one of the largest players in the RCM segment in terms of network locations or touch points served. Radiant is amongst the top three players that account for more than 75% of the total market share of the RCM market. However, the business is highly dependent on the banking sector in India to generate revenues. The company derives a substantial portion of its revenue from a limited number of customers. A long term investor may opt the issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	23-December-22
BID/ISSUE CLOSES ON	27-December-22
Finalisation of Basis of Allotment with the Designated Stock Exchange	30-December-22
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	02-January-23
Credit of Equity Shares to demat accounts of Allottees	03-January-23
Commencement of trading of the Equity Shares on the Stock Exchanges	04-January-23

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-22 (3 Months)	Period ended 31-Mar-22 (12 Months)	Period ended 31-Mar-21 (12 Months)
Revenue from operations	84.05	286.04	221.67
Total expenditure	62.56	227.49	174.40
Operating Profit	21.49	58.55	47.28
OPM%	25.57	20.47	21.33
Other Income	0.33	0.94	2.49
PBDIT	21.82	59.49	49.76
Depreciation	1.02	3.76	2.74
PBIT	20.80	55.73	47.02
Interest	0.24	3.67	1.98
Restated Profit before tax	20.56	52.06	45.04
Tax	5.24	13.85	12.61
PAT	15.32	38.21	32.43

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-22	As on 31-Mar-22	As on 31-Mar-21
Non-current assets			
Property, plant and equipment	12.70	13.16	9.45
Capital work-in-progress	1.23	0.00	0.00
Right-of-use-assets	0.00	0.00	0.00
Intangible assets (other than Goodwill)	0.83	0.93	1.61
Financial Assets			
Investments	0.00	0.00	0.00
Other Financial Assets	5.88	3.88	3.23
deferred tax assets (Net)	1.94	1.86	1.42
Non current tax assets	0.50	1.44	1.44
Other non-current assets	0.48	0.03	0.77
Total non-current assets	23.56	21.31	17.92
Current assets			
Financial Assets			
Trade receivables	89.70	78.53	70.08
Cash and cash equivalents	68.63	70.21	53.78
Bank balances other than (iii) above	9.43	9.06	13.62
Other Financial Assets	7.32	7.03	1.09
Current Tax Assets (net)	0.00	0.00	0.00
Other current assets	5.32	4.44	5.66
Total current assets	180.39	169.27	144.23
Total Assets	203.95	190.57	162.14
Non-current liabilities			
Financial liabilities			
Long Term Borrowings	1.17	1.26	1.46
Lease liabilities	0.53	0.80	1.76
Total financial liabilities	1.70	2.06	3.22
Current liabilities			
Financial Liabilities			
Borrowings	24.37	25.49	9.59
Lease Liabilities	1.22	1.21	1.18
Total outstanding dues of creditors of micro enterprises and small enterprises	0.68	0.37	0.58
Total outstanding dues of creditors other than micro enterprises and small enterprises	1.48	1.12	2.52
Other financial liabilities	11.74	11.96	10.16
Current Tax liabilities (Net)	2.05	0.31	2.04
Other current liabilities	3.53	6.54	5.68
Provisions	1.99	1.77	0.08
Total current liabilities	47.05	48.75	31.83
Total	48.76	50.81	35.05
NET Worth	155.19	139.76	127.10
Net worth represented by:			
Share capital	10.13	10.13	1.03
Other equity	145.07	129.64	126.07
Net Worth	155.19	139.76	127.10

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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