



IPO Note

Radiant Cash Management Services Ltd.

Dec 22, 2022



Company Overview

Founded in 2005, Radiant Cash Management Services Ltd. (RCMSL) is an ISO-certified company offering integrated cash logistics services. The company operates its services under five business verticals which include cash pick-up and delivery, network currency management, cash processing, cash vans /cash in transit, and other value-added services. The company's client base encompasses some of the largest foreign, private, and public sector banks, with Axis Bank, Citibank, Deutsche Bank, HDFC Bank, ICICI Bank, Kotak Mahindra Bank, Standard Chartered Bank, State Bank of India, The Hong Kong and Shanghai Banking Corporation Limited and Yes Bank being their key clients. Additionally, in the end user segment, they have diversified their services into multiple sectors including e-commerce, retail, NBFCs, insurance, e-commerce logistics, railways, and retail petroleum distribution. RCMSL has been servicing its clients through 739 fabricated armoured vans and a support team consisting of 8,780 employees and contractual workers. As of July 31, 2022, the company extended its presence to 55,513 touch points, covering 13,044 pin codes across all districts in India (other than Lakshadweep).

Objects of the issue

The IPO proceeds of the fresh issue will be used towards the following purposes:

- Funding working capital requirements;
- Funding capital expenditure requirements for the purchase of specially fabricated armoured vans ;
- General corporate purposes.

Rating: **AVOID**

Issue Details

Offer Period	23rd Dec – 27thDec, 2022
Price Band	Rs.94-Rs.99
Bid Lot	150 shares
Issue Size	39.20 million shares
Issue Size	Rs. 3.90 billion
Face Value	Rs. 1/- share

Issue Structure

QIB	50%
NII	15%
Retail	35%

BRLM

IIFL Securities Ltd.

Motilal Oswal Investment Advisors Limited

YES Securities (India) Limited

Registrar

Link Intime India Private Limited

Particulars	Pre Issue %	Post Issue %
PROMOTER AND PROMOTER GROUP	66.31	53.21
PUBLIC	33.61	46.79
TOTAL	100.00	100.00

Investment Rationale

Higher focus on network currency management and other value-added services and favourable industry dynamics to drive business growth

The RCM market is estimated at Rs.6.8 billion in FY2021 and is projected to grow at a CAGR of 20.3% to reach a market size of Rs.20.4 billion in FY2027. The company provides retail cash management services (except ATM-related services), with a focus on network currency management and other value-added services. This provides the company with better pricing power and operating leverage compared to ATM-related services, leading to higher margin realizations. It is to be noted that RCMS is in the top three players that account for more than 75% of the total market share of the RCM market. Moreover, regulations in the industry are designed to ensure that cash management companies meet certain operating standards concerning the handling of cash. This industry policy is in the company's favour as it is expected to drive further consolidation and create high entry-level barriers for other new players.

Strong presence in Tier 2 and Tier 3+ locations

As of July 31, 2022, out of the total touch points covered by the company, 86.1% of touch points were located in tier 2 and tier 3+ towns and cities which contributed about 85.6% of the total revenues of the company. With the government's financial inclusion programs like Pradhan Mantri Jan Dhan Yojana and other direct benefit transfers in place, cash utilization and circulation is expected to grow further in tier 2 and tier 3+ towns and cities, leading to an increase in the demand for cash management services in these areas. Moreover, a higher preference for cash management services among retailers, NBFCs, restaurants, insurance companies, and railways, especially in lower-tier cities, is likely to fuel growth for the company's business.

Valuation and Outlook

Radiant Cash Management Services Ltd. is one of the largest players in the RCM segment in terms of network locations served in the industry. The company believes that increased financialization and formalization of the Indian economy will require a greater amount of cash to be processed and in circulation, benefitting the company in the long run. In addition, the company aims to shift its business mix towards providing more value-added services which will help to improve the margin profile. However, RCMSL is exposed to multiple operational risks and is subject to seasonal fluctuations in the end-user industries. On the upper end of the price band, the issue is valued at a P/E of 26.3x based on FY2022 earnings which we feel is on the steeper side compared to its peer group (SIS Limited and CMS Info Systems). We, therefore, recommend an **"AVOID"** rating for the issue.

Income Statement

(Rs in million)

Particulars	Q1 FY23	FY22	FY21	FY20
Revenue				
Revenue from Operations	840	2,860	2,217	2,483
Total Revenue	840	2,860	2,217	2,483
Expenses				
Employee benefit expenses	139	497	390	445
Other expenses	486	1,778	1,354	1,515
Total Operating Expenses	626	2,275	1,744	1,960
EBITDA	215	585	473	523
Depreciation and Amortization expenses	10	38	27	24
Other income	3	9	25	35
EBIT	208	557	470	534
Finance costs	2	37	20	31
Exceptional Item	-	-	-	-
PBT	206	521	450	503
Current tax	54	141	109	139
Tax relating to previous years	-	-	1	7
Deferred Tax charge/ (credit)	(1)	(3)	16	(8)
MAT Credit reversed/(availed)	-	-	-	-
Total tax	52	138	126	138
PAT	153	382	324	365
Diluted EPS	1.5	3.7	3.2	3.6

Source: RHP, Stoxbox Research

Cash flow Statement

(Rs in million)

Particulars	Q1FY23	FY22	FY21	FY20
Cash Flow from operating activities	30	311	276	409
Cash flow from investing activities	(29)	(23)	257	58
Cash flow from financing activities	(17)	(123)	(374)	(227)
Net increase/(decrease) in cash and cash equivalents	(16)	164	159	239
Cash and cash equivalents at the beginning of the period	702	538	379	140
Cash and cash equivalents at the end of the period	686	702	538	379

Source: RHP, Stoxbox Research

Balance Sheet

(Rs in million)

Particulars	As at June 30,2022	FY22	FY21	FY20
Equity and Liabilities				
Share Capital	101	101	10	11
Other Equity	1,451	1,296	1,261	1,185
Total Equity	1,552	1,398	1,271	1,196
Non-Current Liabilities				
Financial Liabilities				
(i)Long Term Borrowings	12	13	15	16
(ii)Lease liabilities	5	8	18	0
Total Non Current Liabilities	17	21	32	17
Current Liabilities				
Financial Liabilities				
(i)Short term Borrowings	244	255	96	195
(ii)Lease liabilities	12	12	12	1
(iii)Trade Payables	22	15	31	14
(iv)Other Financial Liabilities	117	120	102	105
Provisions	20	18	1	0
Other current liabilities	35	65	57	45
Current tax liabilities (net)	20	3	20	4
Total Current Liabilities	471	488	318	364
Total liabilities	488	508	350	381
Total Equity and Liabilities	2,039	1,906	1,621	1,576
Assets				
Non-Current Assets				
Property, plant and equipment	127	132	94	67
Capital work in Progress	12	-	-	-
Intangible Assets	8	9	16	15
Investments	-	-	-	282
Other financial assets	59	39	32	7
Deferred tax assets(net)	19	19	14	31
Non current tax asset (net)	5	14	14	26
Other non current assets	5	0	8	0
Total Non current assets	236	213	179	429
Current Assets				
Trade Receivables	897	785	701	537
Cash and cash equivalents	686	702	538	379
Bank balances other than cash and cash equivalents	94	91	136	127
Other Financial Assets	73	70	11	58
Current Tax Assets (net)	-	-	-	-
Other Current Assets	53	44	57	46
Total Current Asset	1,804	1,693	1,442	1,147
Net Current Assets				
Total Assets	2,039	1,906	1,621	1,576

Source: RHP, Stobox Research

Key Risks

- The company's revenue from operations is heavily reliant on its top five customers
- A decrease in the availability or use of cash as the predominant mode of payment in India could have an adverse effect on the company's business operations.
- The business has significant expenses with employee benefits. Any material increase in any of these expenses could affect its ability to maintain or increase profitability.

Disclaimer Appendix

Analyst (s) holding in the Stock : Nil

Analyst (s) Certification :

We analysts and the authors of this report, hereby certify that all of the views expressed in this research report accurately reflect our personal views about any and all of the subject issuer (s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation (s) or view (s) in this report. Analysts aren't registered as research analysts by FINRA and might not be an associated person of the BP Equities Pvt. Ltd. (Institutional Equities).

General Disclaimer :

This report has been prepared by the research department of BP EQUITIES Pvt. Ltd, is for information purposes only. This report is not construed as an offer to sell or the solicitation of an offer to buy or sell any security in any jurisdiction where such an offer or solicitation would be illegal.

BP EQUITIES Pvt. Ltd have exercised due diligence in checking the correctness and authenticity of the information contained herein, so far as it relates to current and historical information, but do not guarantee its accuracy or completeness. The opinions expressed are our current opinions as of the date appearing in the material and may be subject to change from time to time. Prospective investors are cautioned that any forward looking statement are not predictions and are subject to change without prior notice.

Recipients of this material should rely on their own investigations and take their own professional advice.

BP EQUITIES Pvt. Ltd or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report.

BP EQUITIES Pvt. Ltd. or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations. BP EQUITIES Pvt. Ltd and/or its affiliates and/or employees may have interests/ positions, financial or otherwise in the securities mentioned in this report. Opinions expressed are our current opinions as of the date appearing on this material only. While we endeavor to update on a reasonable basis the information discussed in this material, there may be regulatory, compliance, or other reasons that prevent us from doing so.

This report is not directed to or intended for display, downloading, printing, reproducing or for distribution to or use by any person in any locality, state and country or other jurisdiction where such distribution, publication or use would be contrary to the law or regulation or would subject to BP EQUITIES Pvt. Ltd or any of its affiliates to any registration or licensing requirement within such jurisdiction.

Stobox is a brand of BP Equities Pvt Ltd and BP Equities Pvt Ltd is a SEBI Registered broker.

BP Equities Pvt Ltd – SEBI Regn No: INZ000176539 (BSE/NSE), INZ000030431 (MCX/NCDEX), IN-DP-CDSL-183-2002 (CDSL),INH000000974 (Research Analyst) CIN: U45200MH1994PTC081564BP Comtrade Pvt Ltd – SEBI Regn No: INZ000030431 CIN: U45200MH1994PTC081564

For complaints, send email on investor@bpwealth.com

Corporate Office :

4th floor, Rustom Bldg, 29, Veer Nariman Road, Fort, Mumbai-400001

Phone- +91 22 6159 6464 | Fax+91 22 6159 6160 | Website- www.bpwealth.com

Corporate Office :

24/26, 1st floor, , Cama Building, Dalal street, Fort, Mumbai-40000



Download the App Now!



Follow us on     

