

## Radiant Cash Management Services Ltd

- 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 offers a range of services under this segment consisting of collection and delivery of cash on behalf of our clients from the end user.
- The company's management is supported by a qualified and motivated pool of about 2,012 employees (as of July 31, 2022).
- **The main objects of the Company are:**
  - To carry on the business of providing to Banks, Individuals, Commercial and Government Establishments, Cash/Cheques/DDs Pickup and Delivery Services, Cash Processing such as sorting for good and soiled currencies, notes, coins of various denominations, Overnight vaulting services for bulk cash and ATM cards, Cassettes & important documents, ATM Services, Handling of PIN mailers/drafts/cheque book delivery, providing strong rooms installed as per RBI guidelines.
  - To carry on the business of management of electronic online and mobile financial and cash transactions and product management and development of intellectual property in the area of cash management.
  - To carry on any business regarding cash management under Business Process Outsourcing.
- The company is one of the largest players in the RCM segment in terms of network locations or touch points served as of March 31, 2022.
- Radiant Cash Management Services provide services across 13,044 pin codes in India covering all districts (other than Lakshadweep) with about 55,513 touchpoints serving more than 5,388 locations as of July 31, 2022.
- 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

### Objects of the Issue

- Rs.20 crores will be used for funding working capital requirements which in August 2021, the outstanding amount stood at Rs.21.42 crores for fund-based and non-fund based stood at Rs.21.42 crore and Rs.21.02 crore respectively.
- Rs.23.92 crore will be used for buying 220 specially fabricated armoured vans. As of July 2021, it has utilised a fleet of 694 fabricated armoured vans.
- General Corporate Purposes.

### Competitive Strengths:

- **Leading integrated cash logistics player in a consolidating industry present across the value chain of retail cash management.**
  - RCML 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 industry is consolidating due to changes in regulations designed to ensure that cash management companies meet certain operating standards with respect to the handing of cash. The top three players, of which RCML is one, account for more than 75% of the total market share of the RCM market.
- **Pan India presence with strong network in Tier 2 and Tier 3+ locations and fast-growing end user segments.**
  - Of their touchpoints as of July 31, 2022, 47,773 or 86.06% are located in tier 2 and tier 3+ towns and cities. Revenue from operation from these markets in the three months ended June 30, 2022 and in Fiscal 2022, Fiscal 2021 and Fiscal 2020, was ₹ 719.54 million, ₹ 2,493.65 million, ₹ 1,913.92 million and ₹ 2,186.09 million, respectively.
  - India's CIC is predicted to reach ₹ 43.4 trillion by FY25, growing at a CAGR of 11.4%. 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.
  - RCML's strong presence in tier 2 and tier 3+ markets allow them to be well positioned to capture the increased business for these sectors, through existing end users and customers
- **Diversified client base with long standing relationship and ability to cross-sell value added services.**
  - 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).
  - While most contracts are renewed annually, they have established relationships with key customers with four out of top five clients having been with the company for a period of more than five years
  - RCML seek to capitalize on the existing customer base to achieve cross-selling of products across their business verticals.

### SUBSCRIBE WITH CAUTION

<b>Issue Size</b>	Rs. 3879.4 Mn
<b>Fresh Issue</b>	Rs. 600 Mn
<b>Offer for Sale</b>	Rs. 3279.4 Mn
<b>Issue Open Date</b>	23rd December, 2022
<b>Issue Closing Date</b>	27th December, 2022
<b>Price Band</b>	Rs. 94 - Rs. 99
<b>Lot Size</b>	150 shares per lot
<b>Face Value</b>	Rs. 1 per share
<b>Post Issue Market Cap at Lower Price Band</b>	Rs. 9517.8 Mn
<b>Post Issue Market Cap at higher price band</b>	Rs. 10024 Mn

Source: Company's RHP

### Indicative IPO Process Timeline

PARTICULARS	DATE
Finalisation of basis of allotment	30 <sup>th</sup> December, 2022
Unblocking of ASBA Accounts	2 <sup>nd</sup> January, 2022
Credit to demat accounts	3 <sup>rd</sup> January, 2022
Commencement of trading	4 <sup>th</sup> January, 2022

Source: Company's RHP

### Financial Highlight

PARTICULARS	FY22 (in Mn)	FY21 (in Mn)	FY20 (in Mn)
Revenue from Operations	2870	2216	2482
EBITDA Margin	20.73%	22.20%	22.15%
PAT Margin	13.31%	14.47%	14.50%
Adjusted EPS	3.77	3.20	3.60
Return on Capital Employed	33.07%	33.33%	37.91%
Return on Equity	27.34%	25.52%	30.53%

Source: Company's RHP

### Shareholding Pattern

PARTICULARS	PRE-ISSUE	POST-ISSUE
Promoters	66.39%	56.4%
Public	33.61%	43.60%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>

Source: Company's RHP

**● Robust Operational Risk Management.**

- RCML's country wide network is comprised of a well laid network of 74 risk managers and 60 supervisors most of whom are retired junior commissioned officers from the armed forces. The risk management team includes 70 ex-armed forces personnel and 64 other professionals. The network is designed in a manner that risk managers will reach any point of adverse incident within three hours.

**● Significantly built-up technology to optimise operational profitability.**

- RCML has created API integration with a few 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 RCML and this provides the company 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.

**Industry Highlights:**

- In comparison with countries that have transitioned into a non-cash method for payments and other transactions, India is still highly reliant on cash as witnessed by the fact that of the total transactions made in the country, only 11% are non-cash related transactions.
- Regardless of the effects of Demonetization and Covid, cash remains the most preferred mode of payment when compared to alternative payment options. While digitalization attempts have resulted in an increase in card and UPI payments, cash payments are likely to continue to dominate, with 61 percent of transactions conducted via cash by FY 2025.
- Lower-income groups, tier+3 cities, and a large number of micro and small businesses that exclusively accept cash account for 70% of India's consumption.
- In comparison with the other BRICS nations, the percentage of cash transactions by volume is highest for India, standing at 89% in CY 2020. While most of the other countries have had a significant increase in digital transactions/cashless payments, India still remains a cash-dominant country when it comes to consumer transactions. While digitization has made a dent in the overall cash transactions, the Indian consumers continue to prefer using cash transactions for a variety of reasons including convenience, ease of use and exactness associated with cash as a mode of transaction.
- ATM cash management, Retail Cash Management (RCM), and Dedicated Cash-in-Transit Vans (DCV) — vehicles utilized for cash transportation and replenishment activities — are the three primary components of cash management services in India. Other services provided by cash management service providers include transportation of jewels, art works, valuables, and bullion, as well as cash processing and vaulting.
- The Indian cash management services market revenue grew at a CAGR of ~10% during the period FY 2010 - FY2021, from ~INR 10 billion to INR 27.7 billion, majorly due to the outsourcing of these activities by the Banking sector to specialized service providers, as stringent requirements such as armed guards with fire-arm license, specialized vehicles, GPS monitoring, etc. to ensure safety of the cash transported, has necessitated such outsourcing.

**Key Concerns:**

- The business is highly dependent on the banking sector in India to generate revenues, and any changes within Indian banks that affects their utilisation of and demand for cash management services could affects the business and its operations.
- If one or more of the key customers were to suffer a deterioration in their business, cease doing business or substantially reduce its dealings with the, the revenues could decline.
- 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 as cashless payments system gains traction.
- The currency demonetisation measures had a significant impact on the cash circulation in India and there is uncertainty whether similar unanticipated measures could be adopted, hence the future remains unpredictable.
- Given the large volumes of cash handled, the firm are exposed to various operational risks, including armed robbery, endcustomer or third-party fraud, theft or embezzlement by employees or, reporting errors, both deliberate and inadvertent, and failure to meet specific requirements under applicable service agreements for which we may incur penalty charges.

**Competitive Landscape:** Listed peers RCML is in competition with is CMS Info Systems which is the biggest player in ATM servicing industry as well retail cash mangament. RCML does not have ATM sevicng as one of its verticals.

Particulars (In Million)	Radiant Cash Management Services Limited	CMS Info Systems Limited
Revenue	2,869	15,975
NAV Per Share	13.8	82.02
Adjusted EPS	3.77	14.33
RONW	27.33%	17.84%
P/E	26 (approx)	21.79

Source: Company's RHP

**Recommendation:**

- RCML's financial track record shows healthy growth in topline as well as initiatives taken to cross-sell value added services thereby increasing revenue earned per customer.
- The company's asset-light leasing based model has proved to maintain healthy margins for the company, also the company's ROE is improving on YoY basis.
- From a valuation point of view the company will trade at a PE of 26x but with higher than avg RONW
- We give this IPO a recommendation of "SUBRCIBE WITH CAUTION"

**Balance Sheet**

Particulars	FY22 (in Mn)	FY21 (in Mn)	FY20 (in Mn)
Equity share capital	101.25	10.25	11.10
Other equity	1296.31	1260.72	1184.61
Loans and borrowings	12.63	14.63	16.4
Lease Liabilities	7.95	17.59	0.10
Current Borrowings	254.85	95.86	194.89
Current Lease liabilities	12.09	11.81	0.57
Trade payables SME	3.65	5.79	2.98
Trade payables Creditors	11.18	25.22	11.39
Other Financial Liabilities	119.55	101.63	104.69
Other current liabilities	65.42	56.77	44.81
Provisions (current)	17.67	0.80	0.35
Current Tax Liabilities	3.12	20.37	4.34
<b>Total Equity and liabilities</b>	<b>1905.73</b>	<b>1621.44</b>	<b>1576.23</b>
Property, plant and equipment	131.59	94.49	67.30
Intangible Assets	9.32	16.05	14.66
Investments	-	-	282.37
Other Financial Assets	38.84	32.33	7.22
Deferred Tax Assets	18.57	14.15	30.81
Non-current tax assets	14.44	14.44	26.13
Other non-current assets	0.31	7.73	0.30
Trade receivables	785.29	700.81	536.68
Cash	702.06	537.75	379.24
Other Bank Balance	90.63	136.22	127.21
Other Financial Assets	70.27	10.87	58.43
Other Current Assets	44.41	56.60	45.88
<b>Total assets</b>	<b>1905.73</b>	<b>1621.44</b>	<b>1576.23</b>

Source: Company's RHP

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