

One Stop Investment Avenue



GEPL
CAPITAL

IPO Note

RADIANT CASH MANAGEMENT SERVICES LIMITED

December 23, 2022



RADIANT CASH MANAGEMENT SERVICES LIMITED





December 23, 2022

Details of the Issue

Price Band	₹ 94 - ₹ 99
Issue Size	₹ 387.94 Cr
Face Value	₹ 1
Bid Lot	150
Listing on	BSE, NSE
Post Issue Mcap	₹ 1,012 Cr - ₹ 1,062 Cr
Investment Range	₹ 14,100 - ₹ 14,850

Important Indicative Dates (2022)

Opening	23 - Dec
Closing	27 - Dec
Basis of Allotment	30 - Dec
Refund Initiation	02 - Jan
Credit to Demat	03 - Jan
Listing Date	04 - Jan

Lead Manager

IIFL Securities Ltd
Motilal Oswal Investment Advisors Ltd
YES Securities (India) Ltd

No of shares Mn

Fresh Issue of Shares	6.06
Offer for Sales	33.12
Total No of Shares	39.18

Offer Details

Offer Size	₹ 387.94 Cr
Fresh Issue	₹ 60 Cr
OFS	₹ 327.94 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	238	9.64	10.17	50
NIB	71.25	2.88	3.04	15
Retail	166.25	6.73	7.10	35
Empty	-	-	-	-
Total	475	19.25	20.32	100

Type (In MN)	Pre-Issue		Post-Issue	
	No. Shares	% of Total	No. of Shares	% of Total
Promoter	16.47	38.69	11.56	23.29
Promoter Group	6.51	15.29	4.79	9.64
Public	19.59	46.02	33.30	67.07
Total	42.57	100	49.65	100

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Company Profile

Company was incorporated in 2005 as Radiant Cash Management Services Limited. Company 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 their clients from the end user. 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.

It 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 Hong Kong and Shanghai Banking Corporation Limited and Yes Bank Limited.

Business Highlights & Services

Radiant Cash Management Services Ltd provide services across 13,044 pin codes in India covering all districts (other than Lakshadweep) with about 55,513 touch points serving more than 5,388 locations as of July 31, 2022. Their marquee clients include some of the largest foreign, private and public sector banks, and the end user of their services include some of the largest e-commerce companies, retail chains, NBFCs, insurance firms, ecommerce logistics players, railways and retail petroleum distribution outlets.

For the four months ended July 31, 2022, Fiscal 2022, 2021 and 2020 their total annual currency movement, or the total value of the currency passing through their RCM business, amounted to ₹485.85 billion, ₹1,303.80 billion, ₹ 912.22 billion, and ₹ 1,290.77 billion. In Fiscal 2021, they were the Company with the second highest EBITDA margin, ROCE and ROE amongst organised players in the cash management services segment.

They cater to broad set of outsourcing requirements pertaining to cash management services for banks, financial institutions, organized retail and e-commerce companies in India. Company operate their business across five verticals, namely:

- ◆ **Cash Pick-up and delivery:** Company provided range of services under this segment consist of collection and delivery of cash on behalf of their clients from the end user. Based on volumes, multiple modes of transport are used for movement of cash and valuables, including two wheelers, hired vehicles and specially fabricated armoured vans. Their average daily volume of cash moved from all customers in the four months ended July 31, 2022, Fiscal 2022, Fiscal 2021 and Fiscal 2020 was ₹ 4,672 million, ₹ 4,179 million, ₹ 3,649 million and ₹ 4,303 million.
- ◆ **Network Currency Management:** Company's services under this segment consist of cash collection from end user and deposit into their current accounts and subsequent transfer to the client's accounts either on the same day or on the next working day. They believe that their network of 55,513 touch points and a wide network of bank accounts with various banks across the country, allows them to offer a unique value proposition to their clients, especially private sector and foreign banks, with limited branch networks.
- ◆ **Cash Processing:** As an integrated RCM service provider, they also offer value added cash processing services to their clients. These primarily are in the nature of their trained executives sorting the notes into categories such as soiled, mutilated, fit, issuable, counterfeit, ATM-ready bundles, etc.



- ◆ **Cash Van / Cash in transit:** They also offer specially fabricated armoured vans, on long term or ad-hoc hire for movement of cash or bullion within their client's network.
- ◆ **Other value added services:** They also offer man-behind counter and currency chest operations to large retail stores and banks. As on July 31, 2022, they had 11 vaults, 16 strong rooms, and 28 safes.

Revenue from business verticals:-

Verticals	Period/ Fiscal ended (₹ in Cr)			
	Mar 31, 2020	Mar 31, 2021	Mar 31, 2022	Jun 30, 2022
Cash pick-up and delivery	1,64.9	131.03	191.51	58.81
Network currency management	57.50	49.59	64.4	14.86
Cash Processing	8.39	7.91	13.38	4.13
Cash Van / Cash transit	13.64	10.98	12.44	4.65
ATM	-	-	-	-
Other Value added Services	38.23	4.15	4.29	1.57
Other (COVID 19 lockdown negotiated billing)	-	17.98	-	-
Total	248.27	221.67	286.03	84.04

Company ability to offer RCM services across India, with presence in tier 2 and tier 3+ towns and cities has enabled them to attract some of the largest foreign, private and public sector banks in India as their clients. Their revenues for each of the three months ended June 30, 2022, Fiscal 2021 and Fiscal 2020, from tier 1, tier 2 and tier 3+ towns and cities, as a percentage of their total revenues for the respective periods was as follows:

Location	For the 3 months ended Jun'30,2022	Fiscal 2022	Fiscal 2021	Fiscal 2020
Tire 1	14.39%	12.81%	13.66%	11.95%
Tire 2	20.58%	19.61%	19.56%	13.49%
Tire 3+	65.03%	67.58%	66.78%	74.56%
Total	100.00%	100.00%	100.00%	100.00%

Their integrated offerings are supported by customised technology and process controls, which enables them to offer their clients a wide range of solutions, while generating cross-selling opportunities and driving synergies and efficiencies across their business. They also seek to continuously improve and bring the latest technologies to meet their client demands and to improve customer experience. For example, They have implemented API integration with certain of their clients, which allows them to provide near real time reports for their clients, in turn improving the client's access to information faster. Further, They have also created the RADMUS mobile application which is an enterprise mobile application for secure end-to-end reconciliation between the customer, end user and their Company. They believe that their approach towards continuous technology improvement and innovating is a key differentiation factor for their Company.

Company's offerings and operations are backed by robust risk management policies, with their cash loss in transit for the 3 months ended June 30, 2022, Fiscal 2022, Fiscal 2021 and Fiscal 2020 being ₹ 2.54 crore, ₹ 1.89 crore, ₹ 2.70 crore and ₹ 2.52 crore, respectively. As on July 31, 2022, their risk management team consisted of 74 risk managers and 60 supervisors based across India, most of whom are retired junior commissioned officers from the armed forces. They also retain retired senior police officers as advisors in each state. The company follow a system of recruitment through reference, followed by background verification by their risk management team followed by police verification.

In addition, company's operations are integrated through technology, with their Network Operations Centre ("NOC") at Chennai monitoring the movement of each of their specially fabricated armoured vans using GPS and their vaults being monitored through closed circuit television feeds. Radiant offers 100% indemnification to their clients and all cash movements on behalf of their clients are insured. They also obtain tailor made insurance policies, structured as per client requirements. Radiant is certified by Intertek Certification Ltd under the requirements of ISO 9001:2015 for provision of cash management services through cash and cheque collection, transportation, processing, vaulting and deposition and they undergo periodic audit of processes and systems for the certification and renewals. They also undergo several external audit processes from clients on various aspects of operations including business continuity plans, disaster recovery plans and standard operating procedures on a periodic basis.



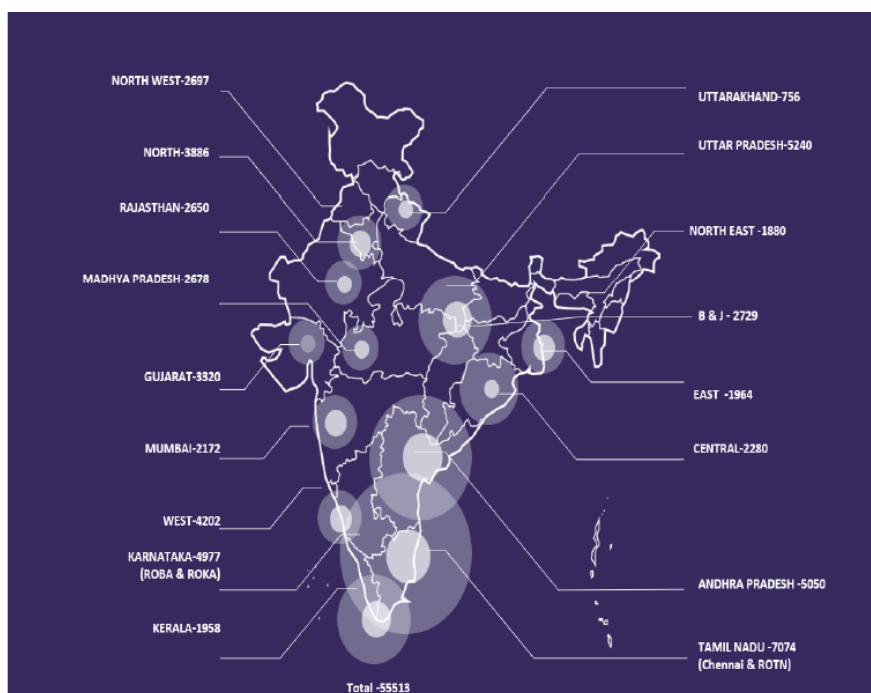
Radiant has a professional and an experienced management team, led by their Chairman and Managing Director and Promoter, Col. David Devasahayam, their Director Operations, Col. Benz K. Jacob, their Director (Banking), SJS Swamidoss, their Chief Financial Officer, Thinniyam Vaidyanathan Venkataramanan, their Chief Technology Officer Karthik Sankaran and their Head-Business Development, Cyrus Shroff, who are supported by a qualified and motivated pool of about 2,012 employees (as of July 31, 2022). Their key management personnel have experience and skills related to business operation, risk management, logistics and route planning, finance, accounts as well as experience in financial service industry. Together, they have demonstrated an ability to manage and grow their operations. Further, they are backed by reputed institutional investor, Ascent Capital, who has invested in the company in Fiscal 2015.

Key Clients

They has a client base covering some of India's largest foreign, private sector and public sector banks (including India's largest public sector bank). Amongst their 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. Four of their top five clients in Fiscal 2021, have been with us for a period of more than five years. Their end user segments 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 their services include Bajaj Finance Limited, Equitas Small Finance Bank Limited, Ecom Express Private Limited, Delhivery Private Limited and Hiveloop Logistics Private Limited.

Geographical Presence

As of July 31, 2022, they are present at 55,513 touch points, across all states and union territories in India (except Lakshadweep). They have operational network of 5,388 locations as of July 31, 2022, covers all parts of the country to the district level in most parts and up to taluk and village level in some states like Tamil Nadu.



Industry Outlook

As per Frost & Sullivan, the RCM market is estimated at ₹ 6.8 billion in Fiscal 2021 and is projected to reach a market size of ₹ 20.4 billion by Fiscal 2027, growing at a CAGR of 20.3%. Growth is expected to be driven by a growth in currency-in-circulation ("CIC"), which is expected to reach ₹ 50.00 trillion by Fiscal 2027, increasing customer base in the form of rising number of retail outlets (both organized and unorganized), cash-on-delivery ("COD") in ecommerce, petroleum outlets, insurance premium payments, railways, NBFCs, microfinance, restaurants, etc., efficiencies arising from adoption of RCM and higher penetration of COD as a method of payment in tier 2 and tier 3 cities (90%).

Further, the Indian e-commerce market is predicted to be worth ₹ 9.4 trillion by Fiscal 2025. The Indian E-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest e-commerce market in the world by Fiscal 2034. Tier 2 and Tier 3 locations are expected to contribute to the growth trajectory of the e-commerce market, with e-commerce companies in India reported a 55% increase in sales at US \$ 4.1 billion across platforms in the first week of festive sales in October 2020 driven by increased demand for smartphones and rise in demand from Tier 2 and Tier 3 cities.



Competition

The market for cash management services is very competitive, and this trend is expected to continue in the future as well. A significant number of companies are offering dedicated services within the cash management sector. Most players have substantial competitive advantages in terms of their focus on specific areas within the market, the ability to strengthen relationships with their strategic partners and strong presence across key geographical regions. Radiant compete with other Indian companies, operating in the organised and unorganised sectors in the provision of RCM services across all their verticals. Some or all of their competitors may be present in each of their verticals. Their competitors include CMS Info Systems Ltd., Writer Safeguard Pvt Ltd, SIS Prosecur Holdings Pvt Ltd, Brinks India Pvt Ltd, and Secure value India Ltd.

Company	Total workforce	ATM Cash Management	Retail Touch Points	RCV	DCV
CMS Info Systems Ltd.*	20,000	63,000	40,000	400	900
Securevalue India Ltd	8,716	46,214	DNA	45	232
Writer Safeguard Pvt Ltd	6,000	18,000	12,000	60	NA
SIS Prosecur Holdings Pvt Ltd	DNA	14,000	5,000	59	1,000
Brinks India Pvt Ltd	7,000	5000	DNA	DNA	NA
Radiant Cash Management Services Ltd	8,470	NA	49,980	55	739

Industries Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
Radiant Cash Management Services Ltd	1	286.97	3.77	13.8	NA	27.34%
Peer Group						
SIS Ltd	5	10,111.76	22.09	140.87	17.62	15.71%
CMS Info System Ltd	10	1,597.58	15.07	82.02	21.79	17.84%

Utilization of IPO Proceeds

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

- Funding working capital requirements of ₹ 20 Cr.
- Funding of capital expenditure requirements for purchase of specially fabricated armoured vans of ₹ 25.48
- General Corporate purpose.

Company's Promoter

Col. David Devasahayam and Dr Renuka David are the company promoters

Board of Directors

It boards of directors Include Col. David Devasahayam who is the MD and Chairman of the company. Dr. Renuka David is the whole-time -Director of the company. Mr. Ayyavu Palanichamy vasantakumar is the nominee Director of the company. Ms. Jayanthi, Mr Ashok Kumar sarangi , Lt Gen (Retd) Devraj Anbu is the Independent director of the company.



Companies Competitive Strength :

- Leading integrated cash logistics player in a consolidating industry present across the value chain of retail cash management.
- Pan India presence with strong network in Tier 2 and Tier 3+ locations and fast growing end user segments.
- Diversified client base with long standing relationship and ability to cross-sell value added services.
- Robust Operational Risk Management.
- Significantly built up technology to optimise operational profitability.
- Experienced management team and backed by a reputed institutional investor.

Key Strategies Implemented by Company

- Experienced management team and backed by a reputed institutional investor.
- Improve the share of Value-Added-Services in their revenue mix.
- Target direct end-users to improve profitability through increasing route density.
- Increase market share from unorganized players in Cash Van Operations.

Particulars (Rs Cr)	2022	2021	2020
Equity Share Capital	10.13	1.03	1.11
Reserves	129.64	126.07	118.46
Net worth as stated	139.76	127.10	119.57
Revenue from Operation	286.04	221.67	248.28
Revenue Growth (%)	29.04%	(10.27)%	-
EBITDA as Stated	59.59	49.76	55.77
EBITDA margin (%)	20.73%	22.20%	22.15%
Profit Before Tax	52.06	45	50.26
Net Profit for the period	38.21	32.43	36.50
Net Profit (%) as Stated	13.31%	14.47%	14.50%
EPS (₹)	3.77	3.20	3.60
RoNW (%)	27.34%	25.52%	30.53%
Net Asset Value (₹)	13.80	12.55	11.80
ROE (%)	27.34%	25.52%	30.53%

Valuations and Recommendation:

- Radiant Cash Management Services Ltd's annualized earnings arrives at ₹ 30.64 Cr based on (6MFY23). Company is expected to have post issue Market cap of ₹ 1,062 Cr, Which implies a earnings multiple (P/E) arrives at 34.66(x).
- CMS Info Systems Ltd and SIS Ltd are already listed player who has relatively same business model, Large network, higher Top line and bottom line along with significantly lower earnings multiple (CMS /SIS trades at 17.1x/ 16.1x) compare to Issuing Company. Considering above factors in conjunction with OFS nature of issue, The possibility for Listing gains is lower and hence, We recommend "Avoid" rating to the issue.



Notes

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