

Radiant Cash Management Services

Financial Service | India

IPO | 22 December 2022

Cash Management Services to Banks



About the Company

Radiant Cash Management Services is India's leading player in retail cash management (RCM) services for banks, financial institutions and organized retail and e-commerce companies. The company offers a wide range of services consisting of collection and delivery of cash on behalf of its clients from the end user. The company is coming out with an IPO consisting of fresh issue of ~6.1mn shares and OFS of ~33.1mn shares, aggregating to a total of Rs3.88bn. The company will utilize the proceeds for funding its capex requirements and purchase of specialty armored vans.

Multiple Business Verticals

Radiant primarily provides the services: **1) Cash Delivery Services** for banks, individuals and commercial and government establishments, **2) Cash Processing** like sorting notes and coins, **3) Network Currency Management** which involves collection, transfer and deposit of cash, **4) Cash Vans / Cash in Transit** where it offers specially fabricated armored vans for movement of cash or bullion within their client's network and vaulting services for bulk cash and ATM cards, cassettes and important documents and **5) Other Value-Added Services**.

Pan-India Presence

As of Jul'22, Radiant provides its services across 13,044 pin codes in India covering all districts (other than Lakshadweep) with ~ 55,513 touchpoints, serving more than 5,388 locations. Radiant had a fleet of 739 specially fabricated armored vans through a combination of leased vehicles and on short term contractual basis. The company's key clients include Axis Bank, Citibank, Deutsche Bank, HDFC Bank, ICICI Bank, SBI, Standard Chartered Bank etc. The company's management is supported by pool of ~2,012 employees.

Robust Technology

Radiant continues to focus on technology to improve its operational profitability. It utilizes automation and API integration with clients which provides real time reports for their clients. The company uses CPIN/OTP for cash collection which adds another level of security, while QR code scan allows to record cash collections without any manual intervention. Moreover, the company also has mobile application software namely the 'Radmus App' and 'Radiant Sandesh App', which is an enterprise mobile application for end-to-end reconciliation.

Financials in Brief

During FY20-22, its revenue and PAT clocked CAGR of 7% and 2% respectively, while EBITDA margin dipped slightly from 21.1% in FY20 to 20.5% in FY22. The company reported revenue of Rs2.86bn in FY22, up 29% YoY, while EBITDA increased to Rs585mn in FY22 from Rs473mn in FY21. PAT for FY22 stood at Rs382mn as against Rs324mn in FY21 and Rs365mn in FY20. Its ROE during FY20, FY21 and FY22 stood at 30.5%, 25.5% and 27.3% respectively.

Our View

The Retail Cash Management (RCM) market was estimated at Rs6.8bn in FY21 which is projected to reach Rs20.4bn by FY27E growing at a CAGR of 20.3%. The RCM market will be bolstered by the growth in organized retail sector and the corresponding outsourcing potential. Radiant also has ability to cross sell value-added services such as network currency management and cash processing services. **Based on FY22 earnings the company is valued at 27.8x P/E, 17.2x EV/EBITDA and 3.5x EV/Sales. In view of the leading integrated cash logistics player, strong financial track record with healthy double digit operating margins (EBITDA margin of >20%) and double digit return ratio (RoE of 27.3%), strong presence across India, multiple key marquee clients, focus on continuous technology improvement and attractive valuation, we recommend 'SUBSCRIBE' to the issue.**

IPO Details	
Price Band (Rs)	94-99
Face Value (Rs)	1
Issue Open/Closing Date	23-Dec-22/27-Dec-22
Fresh Issues (mn)	6.1
OFS (mn)	33.1
Total Issue (mn)	39.2
Minimum Bid Qty. (Nos)	150
Issue Size (Rs bn)*	3.88
QIB / HNI / Retail	50%/15%/35%
Implied Market Cap (Rs bn)*	10.6

**At a higher band*

Object of the Issue	
▶	Funding capex
▶	Funding for the purchase of specially fabricated armored vans.

Key Risk	
▶	Adverse development in Indian banks which affects demand for cash management services.
▶	Substantial portion of revenue from a limited number of customers.
▶	Decrease in use of cash as mode of payment.
▶	Business is exposed to operational risks.
▶	Currency demonetisation or similar measures imposed by the Govt in future i.e digital currency.
▶	May not be able to collect receivables due from clients in time.

Shareholding (%)	Pre-Issue	Post-Issue
Promoters	66.4	53.2
Others	33.6	46.8

Key Financials			
(Rs mn)	FY20	FY21	FY22
Revenue	2,483	2,217	2,860
EBITDA	523	473	585
EBITDA Margin (%)	21.1	21.3	20.5
PAT	365	324	382
PAT Margin (%)	14.7	14.6	13.4
EPS (Rs)	3.4	3.0	3.6
P/E (x)	29.1	32.8	27.8
EV/EBITDA (x)	19.8	21.3	17.2
EV/Sales (x)	4.2	4.5	3.5
Net Worth	1,196	1,271	1,398
RoE (%)	30.5	25.5	27.3
Gross Debt	211	110	267
Net Block	67	94	132
Net Asset Turnover (x)	36.9	23.5	21.7

Source: RHP

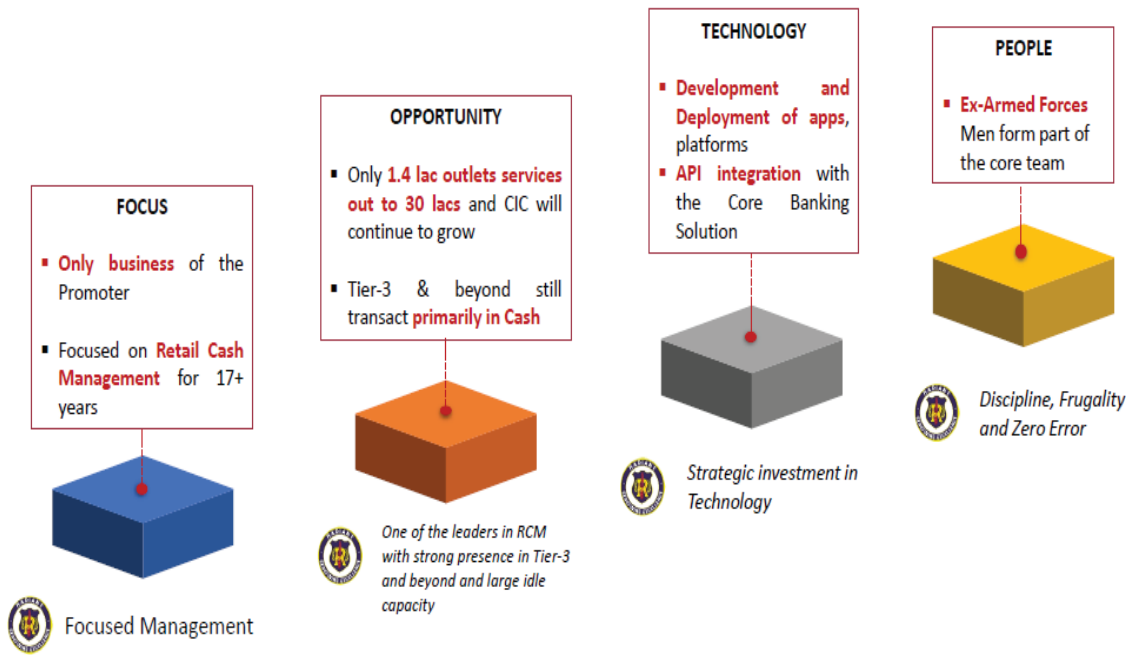
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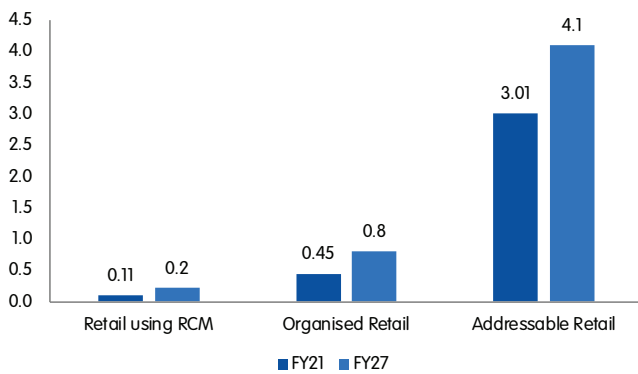
Email : arafat.saiyed@relianceada.com

Exhibit 1: Key Factors of Radiant



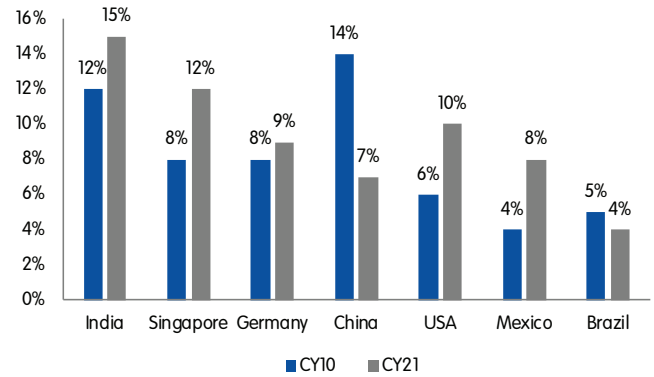
Source: RHP

Exhibit 2: Growth of Retail Touch Points for Cash Management (mn)



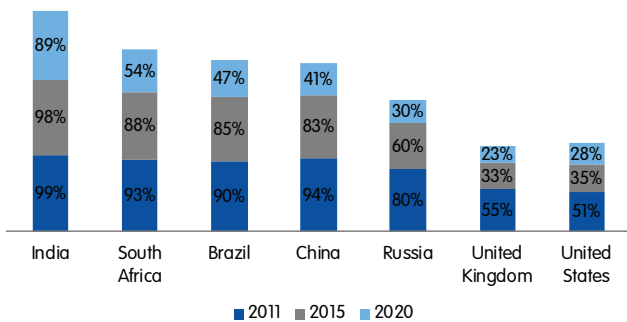
Source: RHP, F&S

Exhibit 3: CIC to GDP Comparison (in %), CY10-CY21



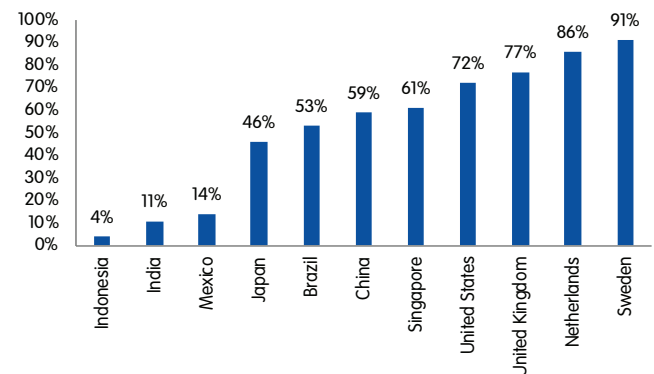
Source: RHP

Exhibit 4: Benchmarking Cash Intensity, By Volume of Transactions, (%)



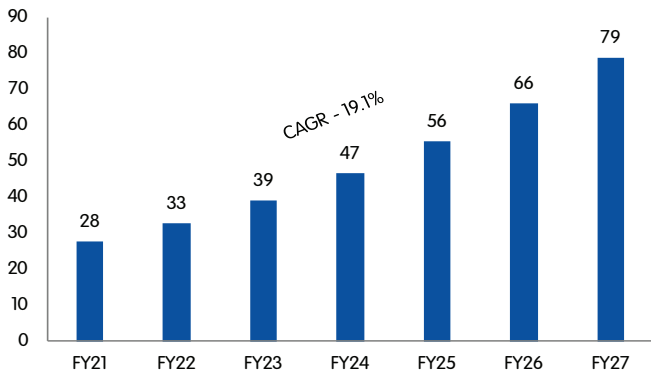
Source: RHP

Exhibit 5: % of Non-Cash Trans Across Countries, by Volume, CY20



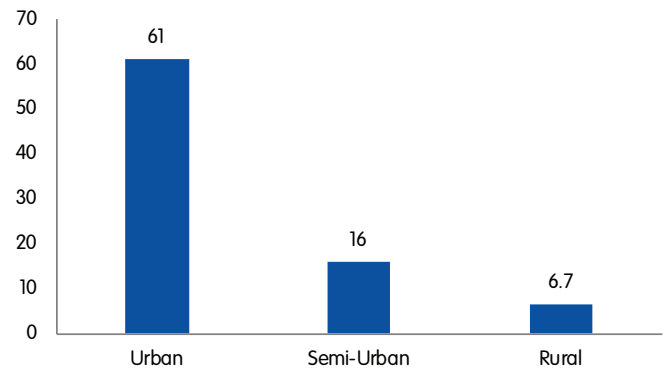
Source: RHP

Exhibit 6: Cash Management Market in India (Rs bn)



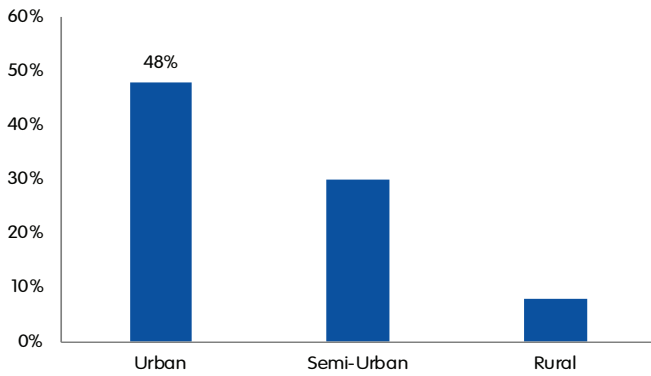
Source: RHP

Exhibit 7: Commercial Bank Branches Per Lakh Population (FY21)



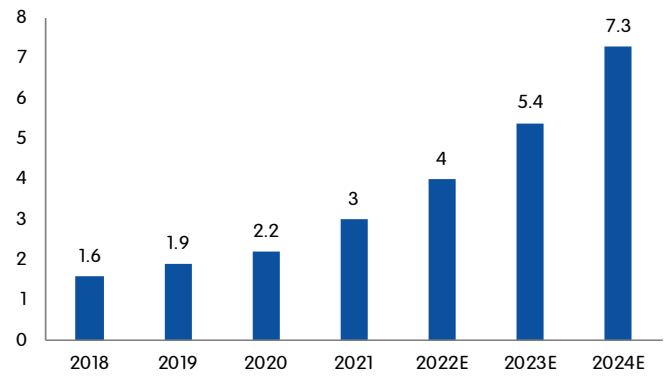
Source: RHP

Exhibit 8: Organized Retail Outlets Across Tiers that Accept Digital Payments



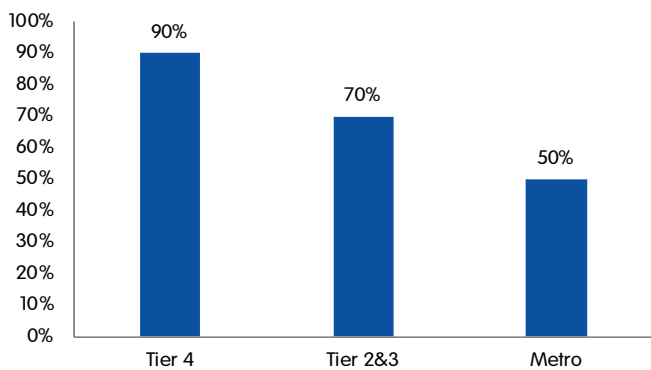
Source: RHP

Exhibit 9: E-commerce Market Growth (Rs tn)



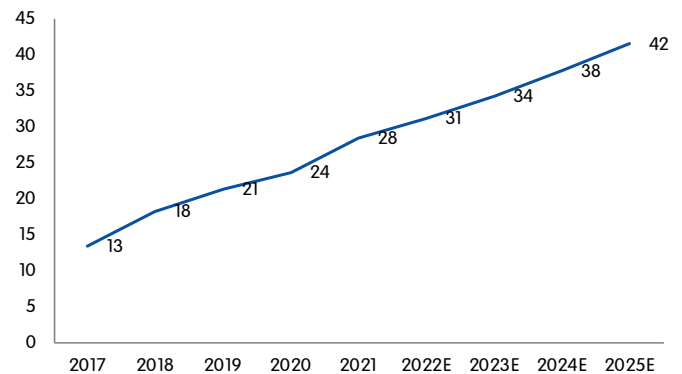
Source: RHP

Exhibit 10: COD as % of E-commerce Transaction (FY20)



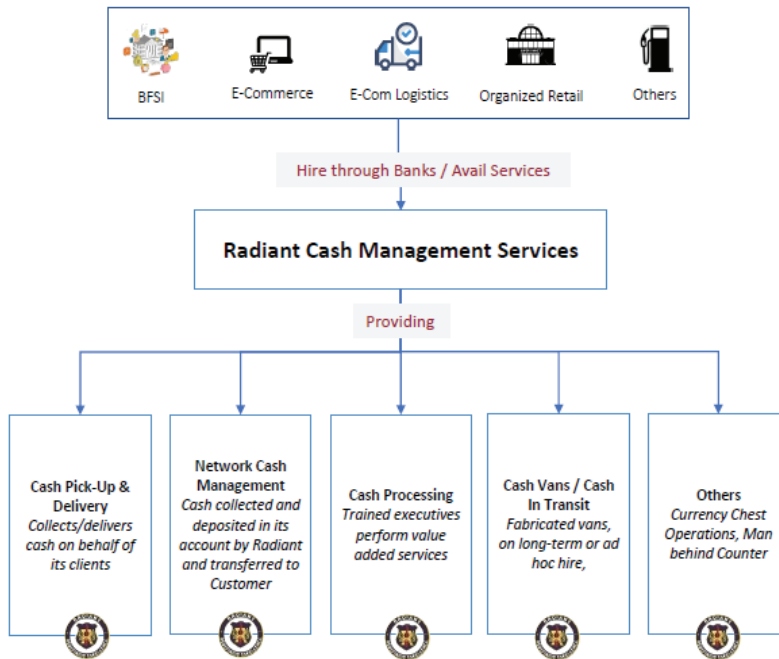
Source: RHP

Exhibit 11: Cash in Circulation (Rs tn)



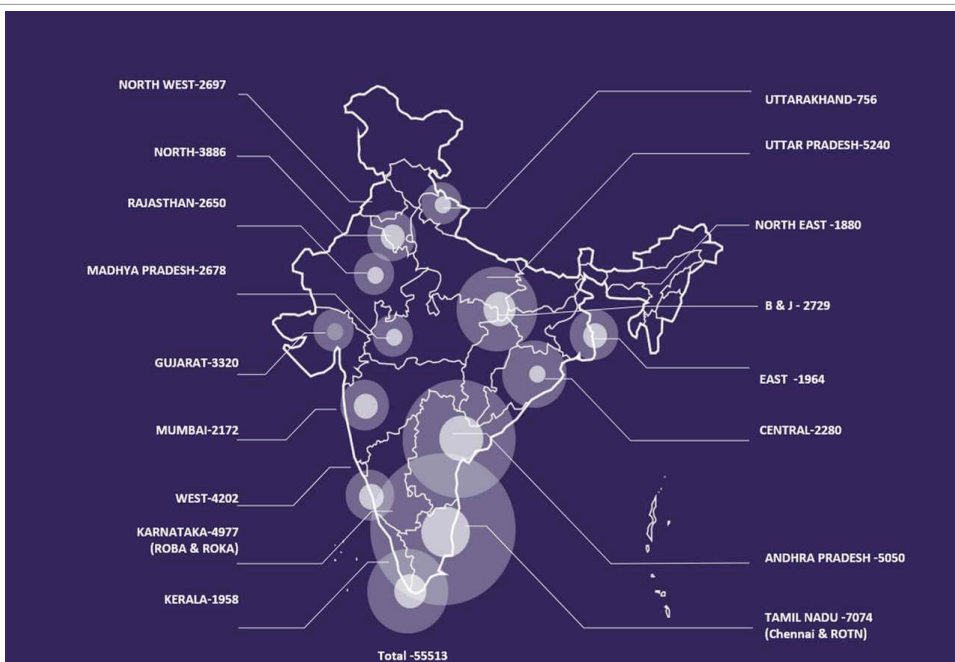
Source: RHP

Exhibit 12: Radiant's Service Offerings



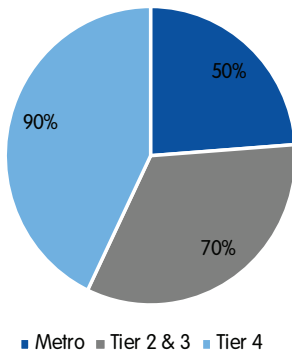
Source: RHP

Exhibit 13: Presence Across All States and Union Territories (Except Lakshadweep)



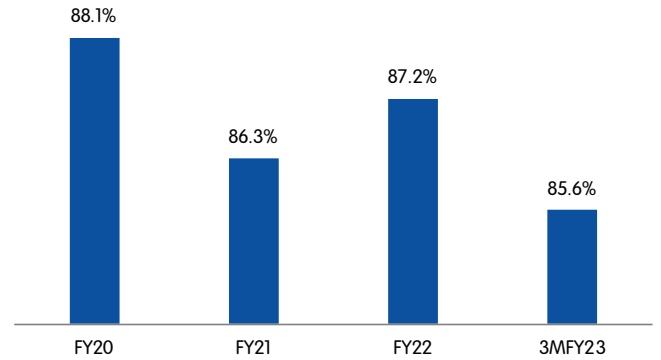
Source: RHP

Exhibit 14: COD as % of E-commerce Transactions, By Tiers (FY20)



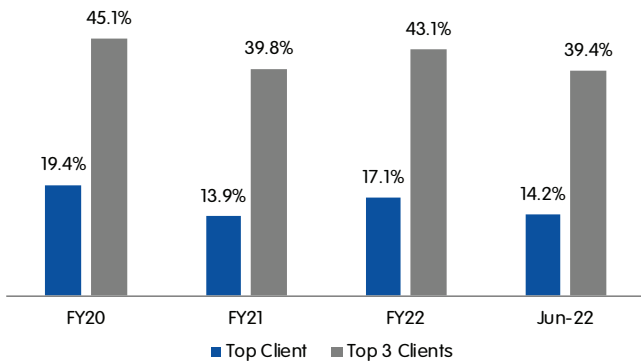
Source: RHP

Exhibit 15: Radiant's Revenues From tier 2 and tier 3+ towns



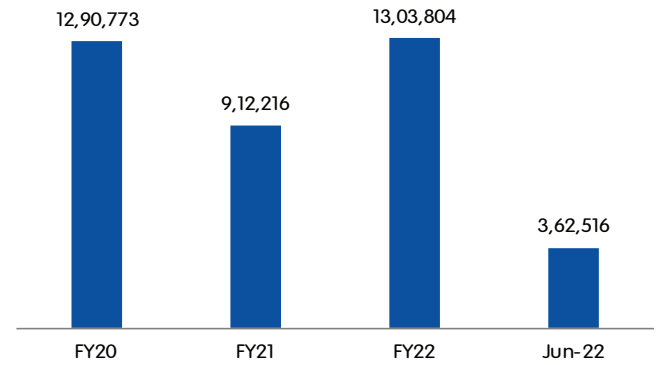
Source: RHP

Exhibit 16: Revenue From Top Clients



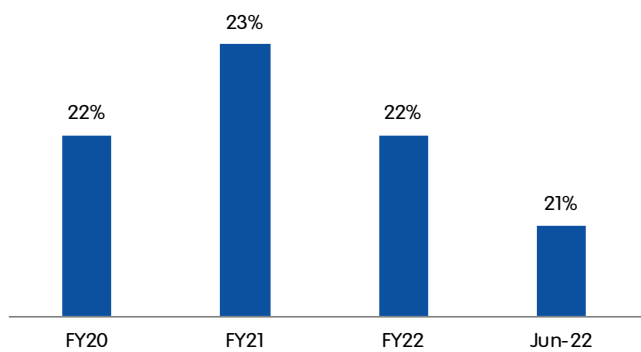
Source: RHP

Exhibit 17: Cash Movement (Rs mn)



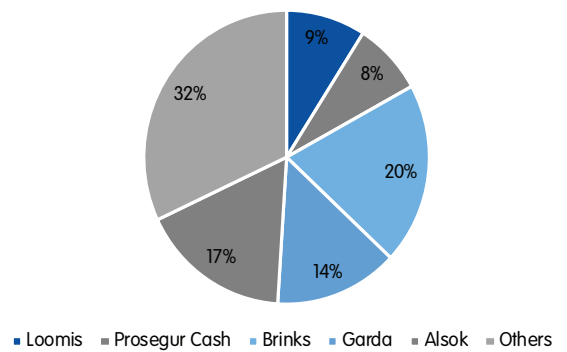
Source: RHP

Exhibit 18: Ex-Armed Forces Staff as % of Total Staff



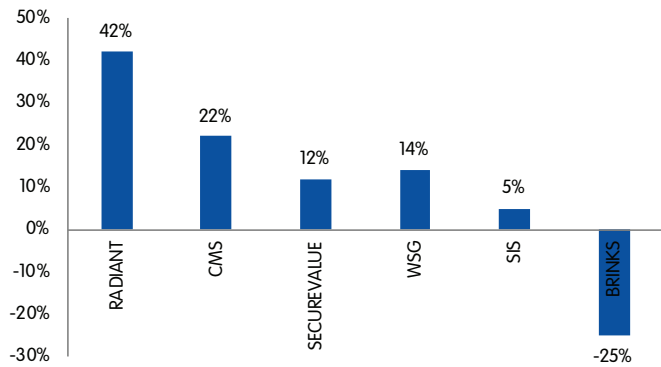
Source: RHP

Exhibit 19: Global Market Share Distribution in the Cash Management Industry, by Revenues, CY21



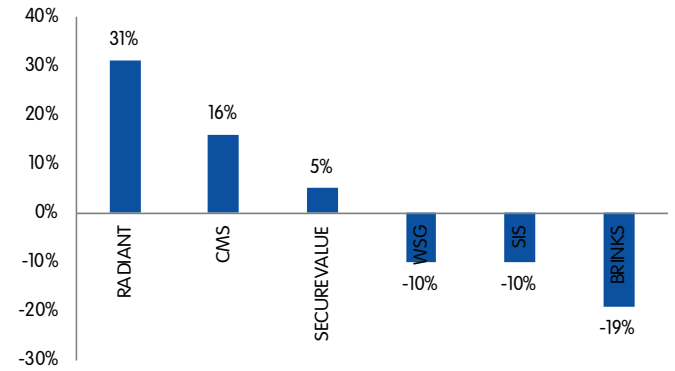
Source: RHP

Exhibit 20: Radiant's ROCE Compared to Its Key Competitors



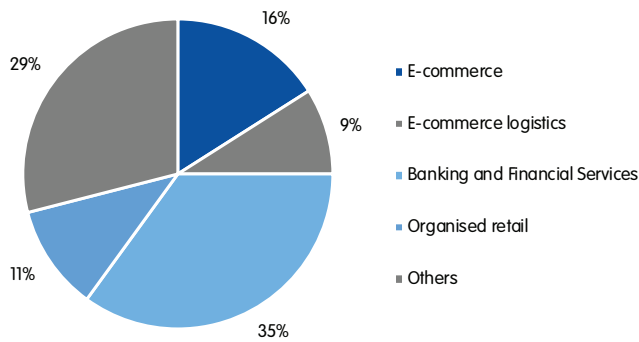
Source: RHP

Exhibit 21: Radiant's Return to Equity Shareholders Compared to Its Key Competitors



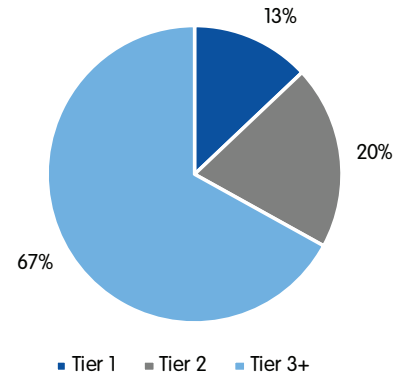
Source: RHP

Exhibit 22: Revenue Contribution From Industry Segment for FY22



Source: RHP

Exhibit 23: % of Revenues From Tier 1, 2 and 3+ Towns for FY22



Source: RHP

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