RADIANTCMS/EarningsCall-Transcript/SE/2023-24

Date: 16.08.2023

To
Listing Department,
National Stock Exchange of India Limited
C-1, G-Block, Bandra - Kurla Complex
Bandra (E), Mumbai – 400 051

To
Department of Corporate Services,
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400 001

Scrip Code: 543732, Scrip Symbol: RADIANTCMS
ISIN: INE855R01021

Sub: Transcript of the Earnings Conference Call on the un-audited financial results for the quarter ended June 30, 2023, held on August 09, 2023

Dear Ma'am/Sir(s),

Pursuant to Regulation 30 and 46(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the **"Transcript of the Earnings Conference Call"** for the quarter ended June 30, 2023, held on August 09, 2023, for your information and records.

Kindly take the above details on record.

Thanking you,

Yours faithfully,
For RADIANT CASH MANAGEMENT SERVICES LIMITED

COL DAVID DEVASAHAYAM
Digitally signed by COL DAVID DEVASAHAYAM
Date: 2023.08.16 21:40:58 +05'30'

Col. David Devasahayam
Chairman and Managing Director
(DIN: 02154891)

"Radiant Cash Management Services Q1 FY2024 Earnings Conference Call"

August 09, 2023

MANAGEMENT: COL. DAVID DEVASAHAYAM – CHAIRMAN & MANAGING DIRECTOR
MR. T.V. VENKATARAMANAN – CHIEF FINANCIAL OFFICER
COL. BENZ JACOB – CHIEF OPERATING OFFICER
MR. MUTHURAMAN – DIRECTOR – STRATEGY & INVESTOR RELATIONS

ANALYST : MR. SOHAIL HALAI – ANTIQUE STOCK BROKING LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Radiant Cash Management Services 1Q FY2024 Earnings Conference Call hosted by Antique Stock Broking Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Sohail Halai from Antique Stock Broking. Thank you and over to you Sir!

Sohail Halai: Thank you. I welcome you all to 1Q FY2024 earnings call of Radiant Cash Management Services and thanks to Colonel Sir, and team for giving us this opportunity to host the call. Let me introduce the team. Today we have with us Mr. Col. David, CMD, Mr. Venkataramanan, CFO, Col. Benz Jacob, Director, Operations, and Mr. Muthuraman, Director, Strategy and Investor Relations. Without further delay, let me hand over the call to Col. Sir, for his opening remarks. Over to you, Sir.

Col. David Devasahayam: Good morning and thank you very much Sohail for the introduction and having organized this. Good morning, ladies and gentlemen. Thank you for joining us today for Radiant's investor call. I am pleased to share with you some exciting updates about our company's performance and our vision for the future.

Radiant as you all know is a leading cash logistics company operating predominantly in the retail cash management space. We have established a strong presence in the market covering approximately 70% of the total PIN codes and servicing around 64000 retail outlets. Our PAN India network is deeply entrenched in tier 3 and tier 4 cities, where we get into approximately 81% of the country's population. 2/3rds of our retail touch points and 53% of our revenues come from the tier 3 plus cities reflecting our strategic focus on this high potential segment. Business model is leverage to growing retail market footprint. We currently service the 2% of the addressable retail outlets in the entire country with levers with a massive untapped market.

Looking ahead. We are committed to expanding our footprint and capturing a larger share of the retail outlets by FY2024. Our strategic focus on tier 3 and tier 4 cities and our expertise in handling cash logistics put us in a unique position to unlock significant growth potential. We have made a stable start to the year in what is a slow quarter for our business. Revenues have grown by 12.7% to reach Rs.950.9 million. Our EBITDA margins have also remained strong at 21.6%. This performance validates our ability to capitalize on our market positioning effectively. I also wanted to share with you today some exciting news that will carve the course of Radiant user growth. We are thrilled to announce a strategic expansion into diamonds, bullion and jewelry market. This significant move has led to the formation of Radiant Valuable Logistics, a dedicated division within Radiant Cash Management Services with Lt. Gen. Shashank Upasani as the head of its operations.

The DBJ logistics sector witnessing steady growth with organized players gaining prominence presents a great opportunity to Radiant to create a large, profitable business. Leveraging our proven expertise in handling high value cargo, with stringent security requirements, we are confident in our ability to excel in this domain.

Quite a large number of jewelers in the country are already clients of ours in the Retail Cash Management segment. Retail cash management and DBJ Logistics businesses exhibit substantial synergies so those segments demanding a robust network, extensive experience in handling valuable cargo and a strong process orientation. The quality of our logistics and the last mile connectivity that we have to over 14,000 pin codes makes us a very strong contender. Radiant excellence in these areas also grants us a competitive advantage as we enter the valuable logistics market. This strategic move not only diversify the portfolio, but also aligns perfectly with our vision to drive sustained growth and deliver value to our shareholders. The expansion of the valuables logistics is expected to create new avenues of revenue growth and bolster our overall market position. In conclusion, Radiant entry into diamonds, bullions and jewelry logistics business will make a transformative moment for our company. We are excited about the journey ahead and the potential for growth and success. As always, we remain committed to providing transparent updates on our progress and answering any questions that you may have. But before we come on to the questions, I will request Muthuraman, our Head of Strategy to further fill you in with the technical details of the first quarter performance.

Muthuraman: Thank you Colonel. Good morning, everyone. Thank you for joining us on this investor call today. I am pleased to share with you latest update on our company's financial performance and KPI for this quarter. Our extensive presence spans over 13700 pin codes across 6200 plus locations, giving us a unique competitive advantage. This vast network allows us to efficiently serve a large number of clients. We continue to grow the network which enables us to further entrant ourselves in the retail cash management business.

Coming to the financial performance for the quarter. Total income for Q1 FY2024 was 950.9 million, representing a 12.7% growth on year-on-year basis. I would like to highlight here that Q1 FY2023 had a strong bounce back from COVID representing 41% growth over Q1 FY2022. The base effect of this and the fact that Q1 has been traditionally a weak quarter is reflected in this performance. The EBITDA margins for Q1 FY2024 stood at

21.6% as compared to 25.9% in Q1 FY2023 representing a drop of 420 basis points year-on-year. The drop in margin is on account of the following three aspects. A) Increase in employees' costs as the company has hired 125 plus employees including our senior management team for it's yet to be launched DBJ business that CMD just spoke about. This business is yet to start generating revenues, which is expected to scale up from Q3 onwards. The second reason. Significant scale operations in the cash van business was witnessed in Q1 including acquiring 101 vans. These assets are yet to be fully deployed, though the costs of driver and gunmen are incurred up front for this period. Three, the cash executive costs have increased by 14%, comprising 7% increase in count and a 7% increase in cost for CE. As the revenue growth is less than this 14% in this quarter, this has affected margins to some extent. As can be observed, each of the above are in the nature of initial expenditures to an investment for a strong future growth of the company, and these expenses are necessary prerequisites for this planned growth of the company.

Profit after tax for the quarter was 142.5 million or about 15% of revenues as against 17.5% for the full year and the drop is because of the reasons cited above.

Coming to the business performance. During the first quarter of financial year 2024, we handled 0.4 trillion of cash representing 10.7% growth over same period last year when we handled 0.36 trillion. During the quarter, we added 16 new clients, 43 new end customers and 1052 new retail points. While the gross additions of retail touch points are well in excess of 1000 points per month, the net addition to the points were lower on account of rationalization of some points due to inactivity or root level profitability. These are routine in nature and we expect past trends to our growth in net additions to continue in feature.

On the business verticals. Our key business vertical, cash pickup and delivery has seen a nominal growth at 6% year-on-year to 623 million in Q1 FY2024. This segment contributed about 67% of our revenues in the first quarter. The second largest segment is Network Cash Management, which registered 18% growth over the same period last quarter. The company also witnessed a sharp growth of 49% in cash van operation segment, although from a small base. We see this vertical as an important driver of growth in the medium-term. In terms of end customer segment analysis, the petroleum sector, which saw a slowdown in FY2023, has recovered to some extent during the quarter though the current levels are lower than March 2022 levels by well over 30%. So we expect the momentum of growth to continue and this segment will grow at higher than average levels over the next two, three quarters. Organized retail continue to report robust growth of 25% year-on-year. Direct clients reported almost 3X jump in revenues, though from a small base year-on-year over first quarter of last year, and is now accounting for 4.1% of our revenues. We have strengthen the team here and expect this segments to outpace other verticals steadily over the coming quarters.

In terms of operations as on June, we have a total of 852 cash vans. This does not include the 101 vans which are in capital work in progress, and staff strength of close to 9500 including 2245 employees and 7248 contractual workers. Importantly, 21% of our staff come from the armed forces which has significantly contributed to minimizing cash loss. I am very happy to inform that there was zero cash loss incurred during the first quarter, thanks to our robust risk management system.

Our return ratios continued to be robust, our return on capital employed was 30.4% for the quarter. A modern drop over the last year is on account of 100 plus cash vans during the period which are yet to be deployed fully. Return on equity for the quarter is 23.3% on an annualized basis. In conclusion, the year is off to a stable start, even the seasonally slow quarter. A significant investment in manpower and assets have been made during this quarter. We see momentum building over the next few quarters into the festive season and remain confident of delivering a strong performance in FY2024. With the new initiatives highlighted by CMD in his opening remarks, we see FY2024 sharing with this another year where we will deliver strong revenue and earnings growth as well as building new long-term levers for growth. I will now hand back the call to Sohail for moderating the Q&A.

Moderator: Thank you very much Sir. We will now begin the question and answer session. The first question is from the line of Vikas Kasturi from Focus Capital. Please go ahead.

Vikas Kasturi: Good morning, Sir, and first of all, I would like to congratulate the entire team of Radiant Cash Management for creating this wonderful business. I had a few questions regarding the business part of it. One is other than Radiant and CMS Info Systems, are the other players like Brinks adding the points in the retail cash management, and how easy or difficult is it to add points.

Col. David Devasahayam: I will take the question as to how easy or difficult it is to add points. The essence of retail cash management is that network that you have? Now, as I said that we are present. In over 70% of the nation's pin coded. So one is the large customer with the multi pin code presents. When he comes up and then the feasibility is asked for from different service providers. The pricing is by and large stable and we already have an existing contract with very flat rates have already been finalized. But the feasibility depends on the depth of your penetration and the idle capacities that lie within the network, which we use as a kind of operating leverage to immediately come back with a strong feasibility in a very speedy turn around and normally the client is unwilling to wait for long and therefore by and large the service provider which comes back with the fastest turn around with the maximum feasibility is awarded the contract. Therefore your presence and we have strong network because the country which we have built now and a very well network that is the key for getting our contract and that is where we find that we are normally able to match any client requirement in terms of their deployment across the country.

Muthuraman: I just like to add a couple of points to this. Our point additions come from three multiple sources. One is that many of our existing clients continue to expand. As they expand that additional points will come to the existing service providers, so a good part of our growth comes from those existing end customers. To take that Amazon or you take the reliance Petroleum or you take Reliance Retail or you take more retail or any of these customers. They will all have their own growth plans as the end customers grow that additional points coming. The second stage is that, the service is an extremely underpenetrated sector. India has 1.2 Crore retail outlets. The estimate about 30 to 40 lakh outlets are eligible to use the service of this nature. But the entire industry is catering to 1.5 lakh outlets. So which means extremely underpenetrated sector. So banks continue to offer this as a service to more and more end customers and more and more banks start offering this as a service to their end customers. That continues to keep giving us more points, and third is where we have our own direct contract with end customers and offer this as a direct service and that is also robustly growing as I said today, 4.1% of our revenues are direct customers and we expect that to continue more and more. Hope this answers your question.

Vikas Kasturi: Yes, Sir. I also had a question that I asked are you seeing players like Brinks adding points.

Col. David Devasahayam: I am afraid, I am unable to answer any question on the competitor. I am not aware of their statistics.

Vikas Kasturi: Moving on to the second question is that my understanding of this industry based on your con calls and CMS con calls, is that banks are unlikely to give 100% of their retail cash management business to any one player. As it is, the number of players is shrinking in this market. That is my guess from the DRHP and therefore we are unlikely to get 100% of their business to any one player. Is my understanding correct? And related question is how do you plan to add more bank clients?

Muthuraman: It depends on individual banks strategy. We do have 100% wallet share with a few of our bank clients, but predominantly what you say is right, but the industry structure is like that there are only six qualified players of which only two players who have a strong pan India presence whereas there are 39 banks who offer this as a service where end customers. So irrespective of whichever bank gets it. It is only these two service providers who are likely to get the final mandate to service those end customers.

How do we add banks? See this is in waves we have seen this industry growing. It started first wave was by foreign banks who started offering this as a service. Then the new age private sector banks started offering this as a service. Now the old private sector banks as well as this new finance banks, your Equitas and Utkarsh and all of them have started offerings as a service. Public sector banks are yet to offer this as a service in a big way except State Bank of India. We expect that wave also to continue to come in the next medium-term, which will continue to provide growth, which is that as I said, direct customers also will provide growth for us.

Vikas Kasturi: Thank you Muthu Sir. I have a lot more questions. I will come back in the queue. Thank you very much.

Moderator: Thank you. The next question is from the line of Arvind R from Sundaram Alternates. Please go ahead.

Arvind R: Thank you so much for the opportunity. This question might have been answered before, but what I wanted to understand is why the revenue has been muted this quarter?

Muthuraman: I addressed this part. As you can see, 12.7% total income growth is little misleading because we had a base effect of last year where there is a 41% growth. So that is one part. The second is that we have not yet fully recovered the full growth on the petroleum sector. It is still lower, almost 30% lower than our March 2022 level, and we do took some tough call on rationalization of some of the points because of inactivity and the root level profitability. But that is routine in nature, we expect the trend line to continue, and as it is first quarter is a little lower season quarter for us every year.

Arvind R: Is there any specific reason, patrol bank activity as in sector?

Muthuraman: We had explained this in the past also as in largely the petroleum segment for this industry is from private sector players, not the PSU petroleum outlets and private sector petroleum outlets are using the ongoing, the Ukraine war situation to capitalize on an arbitrage opportunity to export rather than supply to the domestic markets. So the volumes of those players, the volume of fuel dispensed in private sector outlets have sharply reduced correspondingly our revenues have also reduced. It is a temporary phenomenon. It is coming back slowly. We expect it to probably restore in the next two or three quarters.

Arvind R: And are we planning to add any major bank networks or it is like other also there.

Muthuraman: That is an ongoing continuous effort. We have been adding new banks, and the new end customers also. So this quarter we added 16 new clients. Offhand I do not have how many of them are banks, but we have been continuously adding, the bank addition is a long drawn process, it takes, because they handle their interest us with a huge volume of cash on a daily basis, so they go through a thorough diligence before adding a service provider. But then once they do that, that relationship is a lifelong relationship for us.

Arvind R: Thank you so much.

Moderator: Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors Private Limited. Please go ahead.

Dixit Doshi: Thanks for the opportunity. My first question is regarding, So as you mentioned that some of the new age banks have started providing the retail cash management and PSU's are yet to come so recently some of the midsize PSU banks are also indicating that they wanted to start this business, this service. So are you seeing any tenders being floated from the midsize PSU banks?

Col. David Devasahayam: This for your information, with all the major PSU banks we already have and agreement is in place. So the agreement has already been done. But excepting the largest PSU bank, the others have still not started. All of them have started in a small manner. But it is not, compared to the volume of what which they can give, it is a very small and miniscule exposure that we are having with these banks. But I think in the medium-term, we are going to see a large scale growth in this segment.

Dixit Doshi: So we had registered with them and we have the agreement, it is just the volumes are very low right now.

Col. David Devasahayam: Absolutely right. Yes.

Dixit Doshi: Second question was in terms of touch point. So as you know earlier you were mentioning that we plan to expand the thousand touch points per month and at a gross level we have done it, but at net level it is low. So net, net what kind of touch point addition we can expect annually.

Col. David Devasahayam: Touch point for us we are still focused on a 1000 to 1200 points per month, but now having listed we are looking back, we are actually doing a detailed analysis of the existing touch point that we are doing and based on route analysis. Suppose it is not making sense financial sense. All base it is inactive for a long period of time. Now those are also being periodically removed from our list of touch points. So when you compare, the number of points are growing, but the numbers which have been removed from that is what is showing the lesser number them 1000 touch points per month. We are still focused on that and we will be able to achieve and exceed that every month.

Dixit Doshi: And my two question is regarding this new business of DBJ Diamond Bullion Jewelry, what kind of Capex we will have to do and does the same when can do the business or it will require a completely separate network?

Col. David Devasahayam: With regards to the Diamond Buillion and Jewelry business we are extremely excited because even as we speak about 1000 outlets of different Jewelers across the country and even some of the major players they are already doing their cash pickup. So, there is already an existing synergy with these outlets. So it is natural we required the same secure cash plan, we require the same walls and place, we require the same type of logistics mechanism and the same software configuration. So it is very natural alignment that we found with this and secondly the market itself has been looking for, because there are two major players here and this market is expanding very rapidly. Also, we have registered the Jewelers at about 135000 and currently this service is being offered only to about 10000 of them. So it is again a very large market opportunity, and we found an alignment to that and therefore we have got into this segment and we are looking at also differentiating on the quality of logistics. That will be on offer.

Dixit Doshi: Just for the clarification, you mentioned that we are already doing cash management for 1000 of such outlets.

Muthuraman: That is right.

Dixit Doshi: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Athreya Ramkumar from ithought PMS. Please go ahead.

Athreya Ramkumar: Thank you for the opportunity. I just wanted to understand more about the investment into the Bullion space. So you quantified it saying that around 4 Crores would be invested in the first year of operations. So is this more of a capital expenditure and what would this foreshore entail?

Venkataramanan: This will not be in capital expenditure; this will be mainly for investments in rental deposits for buildings and deposits for airlines etc. There will not be any capital expenditure in this regard.

Athreya Ramkumar: And with respect to the year-on-year growth in other expenses, you had given two to three reasons. Would you be able to quantify what percentage of the 9.5 Crores jump is with respect to the new segment that is the entry into Bullion Segment.

Venkataramanan: See individually, as I said that the employee cost data is there in the website that the disclosure itself. There is almost I think out of that 4.2% drop about 1.2% drop is directly coming from employee costs. A good portion of that employee cost is because of our addition of over 125 employees in the DBJ business. The second is the drivers and gunman that is reported in that other expenses that will substantially account for the balance of it, the balance drop in profitability. The third reason is that cash executives that we have added, so the cost of cash executive has grown by 14% wherever our revenues have grown by 12.7%. So it is a marginal impact of that on the profitability. It is mainly the guards and drivers costs for the cash on operations expansion, and hundred 125 employees addition in the DBJ these are the two main reasons for the drop in profitability.

Muthuraman: Initially when we have to invest into a new business line, there will be a gestation period and that will be reflected in the numbers. But we are looking at the future quarters and the impact that will have. That is the reason that you see there.

Athreya Ramkumar: Sure, Sir. Fair enough. Thank you for the detailed explanation, and I was just wondering why is the Q1 quarter, generally, seasonally slow? Is there a particular reason?

Muthuraman: Yes, see it is for us historically Q3 has been the best quarter because it is festive season then followed by Q4, Q4 for whatever reason, because of the fiscal year ending, a lot of that spends for depreciation claims etc., happens in Q4. So after a large spend in Q3 and Q4, Q1 tend to be low probably for the budgets for the New Years for corporates are yet to be in place and things like that. So Q3, Q4, Q2 and Q1, this has been the order in which the share of revenues gets contributed. It has been historically so.

Athreya Ramkumar: I had noticed, I think you had also touched upon it about the lower touch point additions this quarter compared to our target of adding at least 1000 a month. So you had mentioned that and this is because of rationalization. So one first question is the rationalization almost over, and was the revenue growth also kind of impacted by the rationalization of these outlets?

Muthuraman: No revenue growth has not been impacted because of this rationalization as I said these are either inactive or low profitability because of low revenue kind of points and this exercise is largely completed.

Moderator: Sir, the current participant just dropped from the queue. We will move on to the next participant, which is Darshan Shah from Multi-Act Equity Consultancy. Please go ahead with your question.

Darshan Shah: Thanks for the opportunity. I have few questions. First with respect to the newly sorted business. I just wanted to know what would be the quarterly run rate of expenses for this newly started business, let us say break it up between employee and other expenses?

Muthuraman: We have not given guidance on individual segment level. It is a very nascent business. So difficult to put out numbers depending on how the business scales up, we may have wide variation. We have not given specific guidance on that individual vertical question.

Darshan Shah: In Q1, how much was that in Q1?

Muthuraman: 125 people is the strength that they we have added in that segment and I am sure you can get the sense on average cost per employee from the data that we have already have there.

Darshan Shah: Can you elaborate on the economics of this business, let us say margin profile and there would be already existing players who would be catering to the Jewelers that we are targeting. Then how do we differentiate when we are pitching for this business?

Col. David Devasahayam: As I had mentioned earlier, there are only two major players in this, there are small regional players who are there. As I said earlier, we already are doing cash pickup. So we can always provide this as a composite option where we do not only the Jewelry managed, the movement of Bullion and Jewelry. But we can also do their cash pickup. So that is an added advantage that we have where we can provide these composite services simultaneously, last mile services. Then the other aspect that we have is that the largest player in the segment is functional out of some 83 locations. While we already have a presence in over 6000 locations across the country and as we know that these shops and the last mile requirement is right up to tier 3, tier 4 locations. So we already have an existing network and excellent last mile connectivity and we do not have to outsource to anybody else to do the work and it is part of our own integral network. So these advantages have already been observed by the larger players in this market and they feel it is a place where we can definitely help them out in a more composite manner.

Darshan Shah: Can we use the same when let us say for picking up the cash and bullion from the Jewelry Shore.

Col. David Devasahayam: The same vehicles can be utilized and we have always have still Cash Vans available with them and for on call duty so these can be utilized weather for picking up from Jewelry and bullion consignments or they can go for cash in transit duties. So there is a lot of alignment in the sector.

Muthuraman: See intra city movements we can use the same facilities. Intercity we will have dedicated vans, which is part of our van additions at this point of time.

Darshan Shah: Sir, my next question is on the e-commerce logistics revenue, we have seen a sharp drop in Q1 this quarter? So what led to such sharp drop?

Col. David Devasahayam: It is just that after the end of the fiscal year the ecom logistics segment is always impacted drastically by that and that is the only reason why we are seeing this drop but at the same time our direct clients we are in direct touch now are moving into direct relationships with some of the ecom players, logistics players. So that will see the revenue impact in the coming quarters.

Darshan Shah: No. So I am comparing it on a Y-o-Y basis. So on a Y-o-Y basis ecom logistics revenue is down by around 35% - 40%.

Muthuraman: Not 35% - 40%, it will be sub 30% operating about 26% or so ecom logistics separately and see on a small base as and like I said that will be the post COVID the recovery that we saw in first quarter of last year that did not sustain, but in terms of Q-on-Q if Q4 to this year we have not seen a very sharp difference. Having said that the other important development is couple of players are transiting to become a direct customers to us. So it is a transition phase we are also had some marginal impact on the revenue from that sector, but we expect ecom logistics will continue to be about 22%, 23% of our revenues

Darshan Shah: We disclosed two separate segments in the sense of e-commerce and ecom logistics. So can you elaborate on what comes under which head basically what type of service?

Muthuraman: The nature of service that we provide is exactly the same for ecommerce and ecommerce logistics. The classification that we do is that those who are directly provide ecom like your Amazon, Flipkart, Myntra's etc., will be ecommerce players the rest third-party ecom logistics providers like delivery, ECOM Express, Express Deals, Shadow Flag, all of these are classified under ecom logistics segment. Just to give that there is no difference in nature of service that we provide between these two, exactly the same service.

Darshan Shah: My last question is on the cash pickup and delivery revenue. The growth in the cash pickup and delivery revenue was around 6.4% in Q1 and when we look at the cash pickup touch point, it has grown by 17% on a Y-o-Y basis. Why is it that the touch point growth is not translating into the revenue growth?

Muthuraman: See the 6% revenue growth I would prefer you look at this together with the network cash management business because that will give you a better sense on what we get from per point revenue. So if you see my per point revenue as in for full year FY2023 to the current year in fact both put together network cash management plus this thing put together we have actually grown it is 4066 per point to 4096 per point per month. So it is only grown from FY2023 to first quarter including network cash management. The 17% growth on year-on-year is a bit misleading because we have a wide variety of points, some of them are Beats, some of them are Deliveries. The point is whether we have serviced that point during the last 12 months, the trading 12 month period. So that number is a continuous cumulative number so adding growth on that translating into growth in revenues is not right metric to look at.

Darshan Shah: But when we look at network cash management business, which is more linked to the volume, right and cash pickup and delivery revenue is linked to the touch point addition. So if we add both the things then it is, we are comparing like-to-like only for cash pickup and delivery.

Muthuraman: See the cash volume will increase only if we add points more. We do not do offer network cash management as a standalone it is always on top of cash pickup and delivery. I cannot do a network cash management without having provided the base cash pickup service.

Darshan Shah: Thanks that is it from my side. Thanks.

Moderator: Thank you. The next question is from the line of Aditya Pal from Motilal Oswal Financial Services. Please go ahead.

Aditya Pal: Thanks for the opportunity. Quickly I wanted to ask on the same question that the previous participant had asked. Are we facing these pricing pressure from our clients for cash pickup and delivery?

Muthuraman: No, not really. Just now I read out this thing. Per point, per month, my realization has only increased.

Aditya Pal: No, because even when I do price per pickup point. I actually see a dip on that side as well. That is why this question came.

Muthuraman: No, if you see only cash pickup, that number is 3223 versus 3199 very small 1% drop could be even because of us removing some of those lower value added points, etc. But cash pickup plus network cash management is a better metric to see what is the effectiveness of per point that has only increased from 4066 to 4096.

Aditya Pal: How much did we do in network cash management this quarter as a percentage of cash movement?

Muthuraman: We did the 145000 Crores. The cash movement total was 40000 Crores and 14570 Crores. 14570 Crores is cash burial, out of the total cash movement is 40149 Crores.

Aditya Pal: So 14575 Crores is what we did in end to end.

Muthuraman: That is right.

Aditya Pal: Also just wanted a quick breakup in terms of other expenses. How much will be our service charge expense and how much will be our bank expense and charges for this quarter?

Venkataramanan: Bank expenses about 41 million and service charge expenses was 244 million for the current quarter.

Aditya Pal: And the new clients that we have added, we have added key clients all are direct some are direct and some are banking clients.

Col. David Devasahayam: I think couple of them are banks but most are direct clients. As I see the direct client share is steadily increased and that will provide us in a long-term it will be the big growth. We are looking at direct clients now in a very large manner because as Muthu had earlier pointed out the clients are doing only about 1.5 lakh outlets. So all the available opportunities 30 lakh outlets so it is a huge portion of opportunity and we have also established a very strong sales force across the country to directly transfer to this direct clients who are coming up.

Aditya Pal: Got it. Thank you so much.

Moderator: Thank you. The question is from the line of Kunal Mehta from Equirus Wealth. Please go ahead.

Kunal Mehta: Thanks for the opportunity. This is actually an industry question. we saw recently Hitachi payment acquire right as cash management business, and Hitech playing that across into cash pickup and ATM cash replacement with 40000 touch points comprising ATMs and retail outlets across 25 states. Any contours on the deal and what its reflection on the industry. If you could share, because we do not know the financial that are happening at.

Muthuraman: We are aware with the fact that right we have been in the market for a longtime and now we read about that Hitachi acquisitions but we do not have any further details on that as of now. So as it is one of the big player in retail cash management.

Kunal Mehta: Hitachi is mainly into ATMs right sir.?

Col. David Devasahayam: Yes. Hitachi essentially is in the MSPs. We are finding that the MSPs are getting a captive player like to have their own facility for focusing on their ATM service clients. So I have a feeling that they will largely now move into that segment in a more focused manner.

Kunal Mehta: Thank you.

Moderator: Thank you. The next question is from the line of Shrish Vaze from Moneylife Advisory Services. Please go ahead.

Shrish Vaze: Thank you for the opportunity. My question largely pertains to our new segment of DVJs. So we have as of now we serve around 13718 pin codes and about 65000 touch points. Of this what percentage of pin codes and touch points do you see having the potential for this new business line? Thank you.

Col. David Devasahayam: I think the entire ambit of whatever Jewelers and outlets are there, they all will fall within for existing routes and service lines that we have already established excepting a few which may be in the extreme tier 4, tier 5 locations otherwise everybody else will fall within the ambit of that. So this gives us an opportunity to not only of the Diamond Bullion and Jewelry movement, but parallelly also combine suppose we are not doing the cash pickup but to also combine that and provide that as an additional service to them, as an integrated service for both these important component of movement there really valuables logistics. I hope that answers your question.

Shrish Vaze: My second question is primarily about the customer profile for this segment. Would it be largely a large organized Jewelers or do you also see smaller standalone Jewelers sort of using this service.

Col. David Devasahayam: Well at this point we are agnostic to the size of the Jeweler we have separate understanding or we have separate arrangements of small Jewelers who can be more like walk-in if suppose you require a service and they require that support we are in a position to provide that for them. Then the other medium level market where we have tied up with suitable agreements with all of them and there the method of movement is per gram cost so that we have worked out with them probably we can give them a little advantage as compared to the competition and the larger players are those like Tanishq the larger players who are there who are the listed entities so with them we are looking at a very integrated service both for cash as well as for Jewelry movement. So it was in the midst of the gestation period right now and the initial consignments were just starting. So we see this is a very, I mean, the existing players were very profitable or doing well. So obviously this is the segment that with the operating leverage that we have with our existing business I think we should be able to provide a very high value added service to our esteem customers.

Shrish Vaze: My last question pertains to the margin that we see in this business once our full scale up is complete. So what is the kind of operating margin that we are targeting in this business?

Muthuraman: The industry is again similar to RCM it is a high operating leverage business. So investing that route infrastructure and as the volume picks up margins improve significantly and so the crest of that keep excess of that industry is getting clients and getting adequate volumes in each group for us to improve that profitability, because individual customers as and we can like in the case of RCM where we aggregate cash of multiple customers here also we can aggregate throughputs available of multiple customers and optimize on the route cost perhaps each individual customer will paying probably the full fair for it. So to that extent I think the operating leverage is fairly healthy so we can expect healthy profitability but after we reach the breakeven level.

Shrish Vaze: Thank you. I will get back in the queue.

Moderator: Thank you. We will move to the next question, which is from the line of Aditya Shroff from Incred Asset Management. Please go ahead.

Aditya Shroff: I have two questions. First is that now with the addition of the new Diamonds and Billion vertical from Q3. What kind of growth are we expecting in the revenue for the whole year, and secondly on the margins front is the new vertical we start fully from Q3 can we expect that the margins will remain subdued for Q2 as well and since you had also guided that there will be an improvement in margins on a nine month basis. So does that come now.

Muthuraman: Sorry your voice is little muffled, can you speak little away from phone.

Aditya Shroff: Sir the first question is now with the addition of the new Diamond and Bullions vertical from Q3 what kind of growth in revenue are we expecting in FY2024 and secondly on the margins front are they expected to remain subdued for Q2 as well because the new vertical is expected to start fully from Q3.

Muthuraman: First question I think it is a blue sky of opportunity I think that the industry size is and in fact the Diamond, Bullion, Jewelry, industry size is in fact bigger than RCMS fiscal and almost 60% - 70% of our segment is unorganized. So it is our ability to get the new customers so at this point of time our ambitions are modest this would not be a meaningful share of our revenues for us, it will be in low single digits is what we expect in current year, but opportunities are fairly large so to that extent it depends on how we scale it up and how well our team is able to deliver which we are confident of but then you have to see how it pans out. In terms of second question, the DBJ will start from Q3 onwards but the cash van operations will continue to kick in from Q2 onwards, so it may not the all three impact will not continue in Q2 that is what I would say.

Aditya Shroff: As you mentioned in the last con call that we can expect an improvement in margins on an annual basis. So do you think that will spill over given that we have added new vertical.

Muthuraman: We would not exactly be able to put a number on how the new vertical will pan out as I said it is also a high operating leverage business and so I think in a sense what is the guidance had given of high teen revenue growth and better EBITDA margins and PAT margins we have maintained that stand.

Col. David Devasahayam: Yes, we will be maintaining our existing EBITDA and PAT margins and that is what we expect to retain because currently they are setting about 1/3rd the cost on RVL business. 1/3rd to little more than 40% the rest of those coming as available facilities or available operational infrastructure which is only in place for the cash logistics. So we are going about it intelligently and we hope that it will have positive impact

Aditya Shroff: Got it, Sir.

Moderator: Thank you. The next question is from the line of Mukul Garg from Motilal Oswal Financial Services. Please go ahead.

Mukul Garg: Col. Two quick questions from you and then one from Muthu. Are you still seeing the kind of elevated competitive pressure in the space you have alluded to in past rest was seeing some competitive pricing going on which is kind of impacting profitability for you guys, and secondly if you look at the Y-o-Y growth over last five quarters growth has been constantly moderating down qualitatively how should we see growth recovery play out is that something which will end up more of a second half phenomena given that we do not have kind of control over what is happening at petroleum end and hence things may improve more gradually or should we expect growth to pick up sooner what steps you are kind of undertaking to accelerate the growth.

Col. David Devasahayam: Mukul for us now the listing was a watershed moment and there was many ideas that we had before now that stability has happened and they are focusing on growth and that is the reason while we also now investing into a new composite division like, that is Diamond, Bullion and Jewelry movement. So with regards to your question it is an enormous opportunity and therefore there is no question of the competitive pressure coming onto us in anyway the opportunity since is very large and the other aspect with regards to the last five quarters I will ask Muthu to get in and answer your question.

Muthuraman: Yes, the petroleum was in a sense had taken off and our growth in the last three plus quarters it is improving steadily but as I said in my initial thing, we are still 30% shot of what we were in March 2022 on this segment alone. So which means that there is significant and it is steadily improving so to that extent this segment will grow at a faster phase than the industry as the company as a whole. We are getting reasonably big on direct sales which has actually if you see in quarter-on-quarter it is tripled on a very small base but still tripled today it is 4% we expect that share of direct sales to continue to increase steadily and we are definitely seeing good growth in sectors like organized retail. We did about 26% year-on-year growth in organized retail and see the growth got tempered because of one because as I said it is a transition phase in the ecom and this petroleum segment is what had seen a slightly muted growth but full year guidance definitely we are on the high teens growth trajectory we are fairly on course on that. So I do not see any challenge to meeting those targets.

Col. David Devasahayam: And also on the investments we have undertaken during this quarter is it here to assume that those would be the ones which has not started and monetizing would be in the range of 2.5, 3 Crores or was the investment a bit higher.

Muthuraman: You see there is a capital work in progress also of 5.5 Crores. So it is more like 9 Crores or so, it is a 2.5 Crores fixed as a condition and 5 Crores, 5.5 Crores of capital work in progress also.

Mukul Garg: This is more from incorruptible perspective like now what would have been through the kind of cost route on P&L.

Venkataramanan: See the Capex for the current fiscal year it should be in the range of about 20 Crores for the cash vans what we purchased and what we will be purchasing the rest of quarters. So the depreciation impact on account of that should be about 2 Crores during the current fiscal.

Mukul Garg: And finally on the employee cost side it obviously has seen increase because of the investments you guys last quarter alluded to decide that you would like it to go to 15.5% range. Is that a kind of clear number to assume by the end of the fiscal year?

Muthuraman: See it depends on how the DVJ business pans out as and 125 people hired for that business depending on how we are able to scale up in Q3 and Q4 that number could be higher or lower, but for our current target modest target of revenues the percentages will tend to hit where we were last year is what our expectations.

Mukul Garg: Just a follow up on this part. Obviously you guys have made some upfront investments, but how are you kind of visualizing the margins, which peaked out in Q1 of last year and has been on a moderating trend. How do you kind of see the trajectory of investments is that something which will kind of see going forward also or this was more of a reactionary impact because of the slowdown in the business and hence you had to undertake these investments despite margins impact being an adverse event in the near-term?

Col. David Devasahayam: It is a new area that we are investing into is the one time investment. It is not something that is going to continue in the same way. When we are going about it extremely intelligently, let me assure you, wherever possible, we are leaning onto the existing infrastructure. So that advantage we have and I think that is how we are looking at it being profitable right from day one that is where they are concerned. The overall margins we expected to I think this is a one time in nature and over next couple of quarters we expected to restore back to the previous level Q1 level.

Mukul Garg: Understood. Thank you.

Moderator: Thank you. The next question is from the line of Imran from Lingbow India Capital. Please go ahead.

Imran: Thanks for the opportunity. Sir, my question is on your growth. If you can help us understand the percentage of growth is coming from existing customers and vis-à-vis new customers? New customer addition.

Muthuraman: As I said the new customer additions a good part of it is actually from direct customers. So there we have seen a good growth year-on-year. But still that numbers are still very small. A substantial portion of our growth is coming from and will continue to come from our existing clients. In terms of end customers, both existing end customers as well as new end customers. So we have added fairly a decent number of end customers if you see in this quarter as well, so 43 new end customers. So that should provide us the second layer of growth.

Imran: My next question is on the same line. See if your existing customers are giving you growth. So you are largely dependent on your existing customers to grow even in the future going forward, right and then at one hand we are talking about a shift from unorganized to organized where basically we think, you will get business from unorganized players and then on the other hand you are only going through your existing customers. So it is a little bit of divergence.

Muthuraman: No, I think the short-term is growth coming from existing customers, the longer-term deliverance for us is 30 lakh outlets available to tap versus banks are tapping only 1.5 lakhs. So the rest of it we need to reach out either through new banks like public sector banks who start offering the service, but more importantly as a direct customers whom avail the service directly from us. So that is going to be a longer-term growth provider. But immediately as and if you talk of next Q2, Q3, Q4 or direct is while it will grow at a much faster pace than the company as a whole, that will still account for a smaller share of the revenues.

Imran: I'm talking about the last three or five years, I am not talking about future, even in the last three, five years you are still growing with your existing customers, I mean, the majority of the growth is coming from that area, right?

Muthuraman: No, if you see 2019 to 2023 we had added we are from 2600 end customers, we had move to 3300 end customers. So that 700 new end customers had come in. So if we see our historical say five year revenue CAGR half of it would have come from new end customers half of it would have come from existing end customers. We had only 1% as our direct customer.

Imran: And my second question is on your guidance of adding about 1000 touch points every month, you are also counting DBJ business in this or you think the DBJ will go separately.

Muthuraman: No. We are not counting DBJ.

Imran: My last question is on your economies of a cash van if you can share it, what kind of revenues you can generate or you are generating from a cash when in a year?

Muthuraman: Yes. We have given the cash van operations and if you see the our segmental KPI segment that cash van segment has grown substantially almost 49% growth over same period last year. But still in current year out of 93 Crores about 7 Crores is from cash vans.

Imran: And how many cash bank do we have as of now?

Muthuraman: So see our total fleet size is 852 of which it is roughly about 12% - 13% is used only for dedicated cash vans. The rest of it is used for a retail cash management business.

Imran: I am done with my questions. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, we will take that as a last question for today. I would now like to turn the conference over to Sohail Halai for closing comments. Over to you, Sir.

Sohail Halai: Yes, Thank You. Thank you Colonel, Sir and team for sharing valuable time with us to explain the quarter and the future outlook. We wish you all the best for the quarters ahead, and finally would like to hand over the call to Colonel Sir for his closing remarks. Sir if you want to add any closing remarks.

Col. David Devasahayam: Well, thank you very much Sohail. It has been a very interesting session and from great questions that were asked today and I can only hope that we could put some silly answer of these questions. Only can feel that as investors you can be assured that we are well positioned to capitalize on the growing retail market footprint and the continued relevance of cash transactions in India? The book align perfectly with the market dynamics enabling us to tap into the vast unserved market and that sustained growth by also looking at aligned areas like Diamond, Bullion and Jewelry. I want to express my gratitude for your continued support to Radiant. We are confident that our focused approach and strong performance will yield promising results for our shareholders. I thank you all for your time and your continued interest in our company. Thank you very much.

Moderator: Thank you. On behalf of Antique Stock Broking, that concludes this conference. Thank you for joining us. You may now disconnect your lines.