RADIANTCMS/Q2/EarningsCall-Transcript/SE/2024-25

Date: 18.11.2024

To	To
Listing Department, National Stock Exchange of India Limited C-1, G-Block, Bandra - Kurla Complex Bandra (E), Mumbai – 400 051	Department of Corporate Services, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001

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

Sub: Transcript for the Earnings Conference Call on the un-audited standalone and consolidated financial results for the quarter and six months period ended September 30, 2024, held on November 14, 2024

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 for the Earnings Conference Call"** on un-audited standalone and consolidated financial results for the quarter and six months period ended September 30, 2024, held on November 14, 2024, for your information and records.

Kindly take the above details on record.

Thanking you,

Yours faithfully,
For RADIANT CASH MANAGEMENT SERVICES LIMITED

Nithin Tom Digitally signed by Nithin Tom Date: 2024.11.18 18:26:59 +05'30'

Nithin Tom
Company Secretary
A53056

“Radiant Cash Management Services Limited

Q2 FY'25 Earnings Conference Call”

November 14, 2024

MANAGEMENT: **COL. DAVID DEVASAHAYAM – CHAIRMAN AND MANAGING DIRECTOR**
MR. T.V. VENKATARAMANAN – CHIEF FINANCIAL OFFICER
COL. BENZ – CHIEF OPERATING OFFICER
MR. ALEXANDER DAVID – GENERAL MANAGER OPERATIONS
MR. N MUTHURAMAN – DIRECTOR, ADVISOR, STRATEGY AND INVESTOR RELATIONS

MODERATOR: **MR. RAJU BARNAWAL – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome Radiant Cash Management Services Limited Q2 FY '25 Earnings Conference Call hosted by Antique Stockbroking 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 call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Raju Barnawal from Antique Stockbroking. Thank you, and over to you, sir.

Raju Barnawal: Thank you, Neerav. Good morning, everyone. We welcome you all to 2Q FY '25 earnings call of Radiant Cash Management Services. Today, we have with us the entire management team represented by Colonel David Devasahayam, CMD; Mr. T.V. Venkataramanan, CFO; Mr. Colonel Benz, COO; Mr. Alexander David, GM Operations; and Mr. Muthuraman, Director, Adviser, Strategy and IR.

Now without further delay, I hand over the call to David, sir for his opening remarks, post which we'll just start -- we can start the floor for Q&A. Over to you, sir.

Col David Devasahayam: Thank you very much, Raju. Good morning, ladies and gentlemen. Thank you for joining us today for Radiant's investor call. We are happy to report a healthy performance for this quarter ended September 30, 2024. The 9% revenue growth and a 20.9% PAT growth over the same quarter last year, better performance in our new initiatives of Acemoney and Valuable Logistics segment contributed significantly to this healthy improvement and profitability for this quarter. I spoke about 5 key strategic initiatives taken by the company during the previous year in our earlier investor call. Here is a quick update on these initiatives.

Acemoney is growing at a healthy pace and has started contributing to the profitability of the company. With its twin focus of onboarding merchants across the country on its digital payment infrastructure and improving transaction volumes through its network, Acemoney has emerged as a key player in the fast-growing fintech sector in India. More details will be shared by Mr. Alexander David later in this call.

Diamond Bullion Jewellery segment is growing at a healthy pace, though yet to achieve EBITDA breakeven in this quarter. Closer integration of the operations of retail cash management segment and improved utilization of existing infrastructure has sharply reduced costs in this division, which has contributed significantly to the growth in EBITDA and PAT for the company in this quarter.

The third strategic initiative of increased focus on direct clients has continued to report very good results from less than 2% at the time of our listing, this segment accounts for 13% of our revenues in this quarter. The market potential for this segment is enormous and holds strong promise for continued growth of our core business in the medium to long-term.

Our Cash Van operations segment continues to grow in this quarter, reporting 10% sequential growth over last quarter and a 56% growth over the same quarter last year. The EBITDA margins are slightly lower in the segment, a healthy ROCE in the segment contributed significantly to the overall healthy ROCE of the company.

Lastly, Radiant Insta Credit that we launched last year, is yet to scale significantly. The company is in the process of augmenting its team and marketing efforts to take this product to a much wider target market, which were hided to untapped, providing significant opportunities for growth in the medium to long-term.

The core business of retail cash management is facing certain headwinds because of economic sluggishness witnessed in few segments of the market. This has resulted in an overall muted revenue growth of 9%, well below our long-term historical average growth rates. However, the management is confident of restoring the growth to its historical level with the support of the 5 key strategic initiatives, which we discussed earlier.

The improvement in profitability continued for this quarter -- EBITDA margins have improved by 248 basis points from 16% in Q2 FY '24 to 18.48% in Q2 FY '25. The sharp improvement is on account of strident cost control measures taken by the company, reduced losses in the DBJ segment and a healthy turnaround and performance of Acemoney in this quarter.

Our core strength, that is lowest cash losses in the industry by a wide margin due to robust risk management framework, widest network of over 75,000 plus points across 15,000-plus pin codes and a strong second-level management team to execute our shared vision have all contributed to the healthy performance in this quarter.

We continue to maintain the highest return on capital employed and return on equity in the industry. We are excited about the journey ahead. As always, we remain committed to providing transparent updates on our progress and answering any questions that you may have.

I will now request Mr. Alexander David to speak about the progress achieved in Acemoney followed by Mr. Venkataramanan to speak about the financial performance and KPIs.

Alexander David: Thank you, sir. Good morning, everyone. Thanks for joining this earnings call. I will be presenting the update on Radiant Acemoney, our fintech subsidiary. I'm glad to inform you that Radiant Acemoney has clocked INR52 million in revenues for this quarter almost 50% higher than the full revenue of INR35 million clocked last year. This rapid scaling also -- has also helped achieve healthy EBITDA margins for this quarter justifying a significant return on our investment in acquiring this company last year.

I would like to present a few numbers to put our scale of growth in perspective. We have installed over 35,000 POS machines in the current financial year with a target to cross over 65,000 machines for the full year FY '25. Our transaction volumes in the current financial year crossed a significant milestone of INR200 crores and stood at INR211 crores as on September 30, 2025.

We have significantly expanded our geographic presence across the country with a current team size of close to 100 employees. Despite all this, we are still in a very nascent phase of growth. We have large ambition to increase our footprint across the hinterland with the support of the strong PAN India network of the parent company, Radiant.

Key success factors for our growth are a strong leadership team, our state-of-the-art technology platform, favorable regulatory environment and our group strong network, particularly in Tier 2 and Tier 3 towns and villages.

The most gratifying aspect of our growth is that we are bringing digital services to rural population and retail outlets that were hitherto not part of the fast-growing digital economy of India. This is clearly visible from the list of states that are top performers that are Assam, Odisha, Uttar Pradesh, West Bengal and the home state of Acemoney, Kerala.

The rest of the financial year is quite promising both in terms of revenue growth and profitability. We will continue to provide regular updates on the progress of Acemoney to our investors as we scale greater heights in the coming months.

I will now request our CFO, Mr. Venkataramanan, to present our financial performance.

Venkataramanan: Thank you, Alex. Good morning, everyone. Thanks for joining on this investor call today. I will present the company's key performance indicators and financial performance for the quarter and half year ended 30 September 2024.

Starting with business performance. During the first 6 months of this year, we added 26 new clients, 228 new end customers and 4,296 retail touch points in our retail cash management business. In this 6-month period, we handled INR0.82 trillion of cash in line with our recent first quarters. Today, we service over 74,000 touch points, covering 14,800 plus PIN code across 8,900-plus locations and continue to have the widest network in the industry.

Coming to sectoral performance. For the second quarter ended 30 September '24, the overall revenue growth was 9.5%, which is lower than our historical average on account of extended monsoon and a sluggish performance of a few sectors of the economy. Despite this, we witnessed healthy growth of 18% in e-commerce and organized retail sector over same quarter last year and 10% growth in BFSI segment. We have also witnessed healthy growth of 57% in the Cash Van operations segment. However, E-com Logistics witnessed continued growth, as mentioned in our earlier earnings calls, which has muted our revenue growth to 9.5% in this quarter over same quarter last year.

We continue to report strong growth in our direct client segment, which has more than doubled in revenues in this quarter over the same quarter last year. Our DBJ segment continued its growth trajectory, reporting 48% sequential growth over previous quarter, albeit on a small base. Our recent launch of Insta Credit is also being received very well in the market and will help improve the revenue growth in the coming quarters.

Coming to the financial performance. Consolidated revenues for Q2 FY '25 were INR1,086 million, representing a sequential growth of 7.3% over the previous quarter. Consolidated EBITDA margins for the quarter stood at 19%, an improvement of 130 basis points over the previous quarter. The continued improvement in EBITDA margins in this quarter were achieved on account of 3 factors.

First, strong focus on cost control across all cost states, particularly with respect to van operations; two, growth in revenues and consolidation of routes in RVL, resulting in much lower losses in this quarter over the previous one. Healthy positive contribution to EBITDA from Acemoney, our fintech subsidiary. The management is confident of further improvement in margins in the remaining quarters of the current year as well.

Coming to return ratios. The consolidated return on capital employed for the quarter was 24.4% annualized. Return on equity for the quarter was 20.7% annualized. I would like to highlight that the ROCE and ROE for Radiant continues to be among the highest in the industry because of our strong and clean balance sheet, very low cash cost levels, high fixed asset turnover ratio and strong working capital management.

In summary, the quarter has seen a continued healthy improvement in EBITDA margins over the previous quarter, despite the muted revenue growth due to extended monsoon and sluggish performance of few sectors of the economy. With the new initiatives bearing fruits, as highlighted by CMD in his opening remarks, the focus of the management is now on building new long-term levers for growth with a more diversified revenue profile and robust profitability.

I now hand over the floor to Mr. Raju for Q&A.

Moderator: The first question is from the line of Vikas Kasturi from Focus Capital Partners.

Vikas Kasturi: Congratulations to the entire management team of Radiant on a fantastic quarter.

Moderator: Vikas, may I request you to speak little louder, please.

Vikas Kasturi: I apologize, is this better?

Moderator: Yes, thank you.

Vikas Kasturi: Congratulations to the entire management team of Radiant on a fantastic quarter.

Sir, my question is on -- I have 2 questions. So the first question is on the direct channel, direct, you go and sign-up new retail touch points. Sir, and you have seen a great growth in that channel, so from 2% to 13%. Sir, my question is like would you be investing more and acquiring new customers through this channel?

And my request to you also, as a shareholder, would be that you take a 2 or a 3-year long-term view and try and sign up as many more customers as you can, so that it helps in the growth of the business, long-term growth of the business. So that is one.

And the second question I had was on the Cash Van operations. Sir, could you please share your thoughts and your vision on this line of business? Is it something that you wish to grow more aggressively? Or where do you see this, say, 3 or 5 years from now? Those are my 2 questions, sir.

Muthuraman: Yes. Direct clients will continue to be our focus of growth for the long-term because as we have been repeatedly saying, the market penetration for these services is extremely low. And the entire public sector bank except SBI do not offer this as a service to their clients. And the only way for us to tap those clients is through approaching them directly.

So we are in the process of pulling out a larger plan of a natural sales organization to reach out to every part of the country for signing up direct clients. And as you can see that segment is growing at a much healthier pace than the overall company as a whole, and we expect this trend line to continue over the medium term.

Coming to your second question on Cash Van operations. Again, as in this segment is also growing at a fairly healthy pace, but we are still a very small player in this segment, and we are fairly selective in the kind of mandates that we accept, which will meet our certain minimum threshold criteria on profitability and return on capital employed.

Despite that, I think the market is huge and we are seeing good traction, and we expect this healthy trend line to continue. To put broad numbers in perspective, today, we are roughly about 180 vans in this segment and target will be to reach about 250 vans by end of this year.

Vikas Kasturi: If I may ask a couple of follow-on questions. So one is on the direct channel. Sir, what is the -- if you had to increase the share from 13% to say, 15% or 20%. What would you need to do more offset? Would you need to hire more feet on street or -- so what is that driver which will help you do that?

And on the Cash Van operation, sir, again, what is the -- if you wanted to grow this business, what would you need to do? Is it like buying more vans? Or is it like procuring those mandates? What is the constraint here, sir?

Muthuraman: On direct clients, it is market discovery. We need to reorient ourselves all along. We have been -- our business has been largely bank dependent. So it is a reorientation of the entire organization towards doing direct sales. So a whole host of activities are planned on that front because of competitive intensity, we would not like to elaborate too much details, but that is going to be our key focus growth area.

In Cash Van, it is -- almost always, it is a bidding scenario and depending on our strength in specific geographies and the pricing -- with the minimum threshold pricing that -- the target that we have. We are selective in applying for those only those that meet these return criteria. At the same time, the market is fairly large and our ability to grow is also fairly healthy. Just to correct on this, it is not buying more vans almost all of these vans are still -- incremental vans will be on lease basis only.

Moderator: Next question is from the line of Abhishek Chawla, individual investor.

Abhishek Chawla: I just wanted to know, I am aware of the fact that jewellery business is focused towards the wholesale side, there is a lot of traction in the e-commerce jewellery space. So are you wanted -- is there an opportunity for Radiant to tap in the delivery of like the last mile delivery or that is going to be led to the front DPCL and all these other players?

Muthuraman: So we don't have any intention of getting into the B2C retail space like that. So it's a high-value, secure logistics with armed guards, armored vans, CCTV, geo-fencing, GPS tracking, continuous monitoring, Network Operations Center, NOC to monitor risk management, which are fairly intense high-cost infrastructure, we cannot offer to do -- use that for -- as a small value deliveries, et cetera.

Abhishek Chawla: Is there an opportunity for...

Muthuraman: High-value delivery, we could still explore.

Abhishek Chawla: Got it. And the second question, what is -- can you throw some light on the revenue margin for the POS machine, is it fixed or is it variable?

Muthuraman: Can you just repeat the question? Your voice is not clear.

Abhishek Chawla: Yes, I'm speaking, okay. The revenue margin for the POS machine, like you will be charging a flat piece, or it will be based on the number of transactions we do through that POS machine.

Alexander David: Yes, it's based on a number of transactions. And then the company will earn a commission based on the volume of the transaction.

Abhishek Chawla: And the value of the transaction as well?

Alexander David: Yes, that's correct.

Moderator: Next question is from the line Chandramouli Jagannathan from Paterson Securities.

C. Jagannathan: Sir, company's overall, the 18% CAGR kind of a growth.

Moderator: Sir, your audio is not clear.

C. Jagannathan: Hello, can you hear me?

David Devasahayam: Yes, we can hear you.

C. Jagannathan: Your overall CAGR growth, 18% around is still on track?

T.V. Venkartamanan: Yes, is still on track. We should continue to -- the second half also, we should be on -- that should be on track around that percentage.

C. Jagannathan: And I'm exactly asking about this year alone. I mean, for the next 3 to 5 years, you have alluded few quarters ago, kind of 16% to 18% CAGR growth for the next 3, 2. So that is what I'm trying to ask.

Muthuraman: Yes, sir, the overall long-term growth trajectory will be in that range of 16% to 18% revenue growth is what we are targeting and fairly on track. As I said, the key growth drivers are the 5 initiatives that Chairman alluded in his first -- initial opening remarks. Direct clients, Acemoney, Diamond Bullion Jewellery and our core banking -- core doorstep banking. So each of these -- and van operations, each of these will contribute to this growth.

C. Jagannathan: When can we expect the Radiant goes back to the previous peak margin of above 20 million?

Muthuraman: As you can see, there is a steady improvement in the margins. These are, as I said, for example, our investment in Diamond Bullion Jewellery is actually a long-term lever for growth. This is an investment phase because over a long period of time, the volume of jewellery that is moved and the corresponding logistics cost involved is quite large. In fact, as big or slightly bigger than the Cash Logistics itself.

So these are periods where we are investing for a sustained long-term growth of the company, and the -- as we had indicated in the last quarter, the worst is behind us, and we are continuing to steadily improve. And -- yes, so we should be hitting our past historical EBITDA margins in the next few quarters.

Moderator: Next question is from the line of Shekar Mundra from Vivo Commercial.

Shekar Mundra: So is there any operating leverage, which we'll see with the growth coming in? And what will be the levers for the same?

Muthuraman: Yes. In fact, our business itself is a high fixed cost and a high operating leverage business because of the infrastructure for the van, guards, drivers, cash aggregators and all the risk management system, et cetera. So incremental growth above, say, for example, 10%, 12% revenue growth, the incremental growth will add significantly to our bottom line. So that is how it has been in the past, and we don't see any reason why it will turn in future.

The margins are lower than what historical margins because of the -- these 2 reasons. One is muted revenue growth because of specific reasons and segments and our investment in new growth areas.

Shekar Mundra: Right. So can we grow a little bit more gradual and like -- can you explain like what are the fixed costs, like quantify them? And I mean -- and what kind of margins can we expect when we grow around 15% per year for the next 2, 3 years?

Muthuraman: Yes. So our fixed costs are -- the largest fixed cost will be the employee cost. The second largest fixed cost is the -- it is a step variable cost is for the cash executives, cost of the service charge expenses. And third large, fixed cost is the van operations, that is the cost of van, guard and driver. So absorbing these 3 together, in general sense will account roughly around, I think, 60% to 70% of our overall costs. All of these are fairly fixed.

So incremental clients, incremental points that we add a significant portion of it, if it is the -- our cash pickup and delivery revenues there are no incremental costs of adding a point in an existing route. So that could significantly go down to the bottom line.

On the cash burial segment, there is some costs associated, but still the rest of it will go directly to the bottom line. So the model itself is a fairly high operating leverage business. And the network density helps in achieving our profitability.

So our focus is on adding more points in our existing routes. So today, we are at 74,000 touch points. And as more points get added in this route, that will contribute significantly to our bottom line.

Shekar Mundra: Okay. And our existing infrastructure is good enough to support at what scale? I mean till what scale can we..Revenues can be achieved with the existing employees of the existing infrastructure in place.

Muthuraman: There is no such capacity utilization that I can put in a sense, to put things in perspective, the van is -- van capacity is never a constraint. As each van can carry INR5 crores of cash. As in today, we are doing probably less than INR1 crores, 1.5 crores per van per day. So van capacity is never a constraint.

And manpower, it is not absolutely fixed, as an in a sense, there could be some few additions, some new routes, if it comes in, we need to add a few people. And as the scale improves, some fixed overheads could go up, et cetera. But by and large, the incremental revenues do not have a direct correlation to that incremental cost. So if the revenue growth is healthy, that will translate to a disproportionate increase in our margin.

Shekar Mundra: Got it. Got it. And for the second half of the year, we expect a similar growth like H1 or Y-on-Y?

Muthuraman: We are expecting better than the first half growth.

Shekar Mundra: Got it. Got it. And then what are the plans to use our cash because we are a very healthy cash flow business. We generated a lot of good ROC. So how do you plan to use the cash?

T. V. Venkatramanan: We can look at some investments in future at the appropriate time.

Shekar Mundra: Okay. But as of now, there's nothing much on the cards like to use this.

Venkatramanan: No, nothing as of now in there.

Shekar Mundra: Okay. Yes.

Muthuraman: Historically, if you see about 50% of our cash flow from operations goes towards dividend payout.

Shekar Mundra: Right.

Muthuraman: And about 20% goes towards incremental working capital and the rest is discretionary. At this point of time, no specific end user is identified. As and when opportunities come, we will share it with the shareholders.

Shekar Mundra: And I know we are very healthy payout. So if opportunities are not arising, we might see a higher dividend payout as well?

Muthuraman: I don't think we have anything of that in mind.

Moderator: Next question is from the line of Rushil Dedhia from Antique Stockbroking.

Rushil Dedhia: So sir, I had a small question which has been asked earlier. Our cash losses have gone up, right? If you can just shed some light on that? Can we expect it to go down in the second half of the year?

Muthuraman: If you see the cash losses, these are fairly -- on a very small base, it looks like it has gone up. We see our historical trend lines, which are steadily coming down. Again, last year, full year was about 0.04% versus this quarter is 0.0017% of the total volume of cash handled. So it is still lower than what we did last year.

There has been a general trend of improvement in our cash losses, which is as it is the lowest in the industry by a wide margin. So we are, as in a sense, we have the most robust risk management systems in the industry and our cash losses, we don't expect it to go up. And in any case, all the cash losses are covered by insurance. 100% of our movement is covered by insurance.

Col David Devashayam: And just to give you all an idea, I'll request the Chief Operating Officer to tell you all about the strong risk management processes that we have.

Col Benz Jacob: Apart from the insurance that is covering comprehensively all the losses, our on-field risk management system covers for continuous audits, monitoring and tracking of all the heavy cash movements. Then we got our system of advisers who are advising from the police forces. In fast recovery of the cash that is lost, public action required to control the losses. Hence, that is the reason why the cash flow is continuously low, but then being a high-risk industry, there is nothing that is predictable. But we control it by our measures that is on field.

Rushil Dedhia: Sir, I had another question. In the opening remarks, we mentioned that we are having some cost control measures. So if you can just elaborate on that also?

T.V Venkatramanan: These are mainly with respect to cash and operation costs on entering the cash van expenses they are controlled to a large extent in the first half. We have also controlled our losses on the DBJ business in the first half compared to last year, see the second quarter compared to the first year. These are the 2 core main cost control measures we are planning for the second half, which will be continued in the second half as well.

Muthuraman: We also implemented synergy plan between our retail cash management and Diamond Bullion Jewellery segment, where the van infrastructure is being utilized during daytime in cash management and nighttime in the Diamond Bullion Jewellery segment. So that has helped us reduce our van costs, while maintaining the revenue growth. So that's also one of the reasons for our improvement in gross margins.

Rushil Dedhia: And sir, in terms of the DBJ business, we were expecting -- are we expecting a breakeven this year?

Muthuraman: Definitely. As an incrementally, not for the full year losses that we have incurred in the first and secondQuarter. Hopefully, by Q4, we'll be breakeven for sure. Q3 we're still aiming for that.

Rushil Dedhia: And sir, in terms of -- so just for my understanding, these POS machines that we've deployed, where exactly are we deploying them?

Alexander David: We are deploying them on a PAN India level, but based on our distribution network, we have done well in Assam, Odisha, Uttar Pradesh, West Bengal and Kerala as well. But we are distributing on a PAN India level.

Rushil Dedhia: I get that. But my question is that are we distributing them at petrol pumps or retail outlets or what is it exactly?

Alexander David Mainly retail outlets, kirana stores, any kind of small outlet, which has not been brought into the digital footprint, we have been pursuing them to distribute these devices.

Rushil Dedhia: Are we doing this in a Tier 1 or Tier 3 plus?

Alexander David: Mainly the Tier 3+. Tier 1, Tier 2 is almost -- most of the Kirana stores are all already covered under the digital footprint of the government. This is all mainly Tier 3, Tier 4, Tier 5+ locations.

Muthuraman: Just to add some context, the rough estimates of number of different forms of retail outlets in the country is about 2 crores and the total number of POS machines is roughly about 85 lakhs. That means on 0.15 crores outlets have not yet got on any form of digital payment infrastructure. So our target is to reach those markets and bring them into digital payment infrastructure. So we earned revenue at the time of installing the machine and also earned revenue when the transaction happens through those machines.

Rushil Dedhia: And sir, when will be seeing the E-com Logistics to come back up to what it was a year back?

Muthuraman: Yes. As an efforts are on, we have multiple routes to address the different market requirements of that particular industry, which is instant credit, which is evening pickup, which is holiday pickup, small volumes pick up, et cetera.

So we are -- our Radiant Insta Credit, our Radiant Acemoney as well as tie ups with a few third parties. We are hoping to get this -- the loss points in the e-commerce industry. Those points which are economically viable.

There are some which are really small volume in remote locations, which are may not be economically viable at all. So besides that as in those points that are economically available, we are offering these multiple solutions to bring them back. It's taking longer than we expected, but we are confident that it will come through.

Rushil Dedhia: Sir, can we see the network cash management share as a segment growing to 30% in the coming quarters? Can you give the high margin with -- my question is that the network cash management business, can we -- it is as of today, 20%, if I'm not wrong. Can we see it going to 30%? And I guess that is a higher-margin business, right, for us?

Muthuraman: Yes. It is a higher margin business, but I don't see that -- it is riding on top of our basic cash pickup and delivery business. So it cannot have a growth trajectory on its own. It is clearly linked to our listing team. And as a percentage of the total cash volume handled, it remains fairly stable over a period of time. We don't see any reason why it will break off and grow at a higher or lower rate than the base volume -- total volume that we handle.

Rushil Dedhia: No, the volumes are...

Muthuraman: And the linked to that is revenue. So that is a purely volumetric revenue.

Moderator: Next question is from the line of Vasu Jain from Marcellus Investment Managers.

Vasu Jain: Can you tell me how much of the revenue in absolute terms is coming from a new Diamond Bullion, Logistics business in this quarter?

T.V Venkataramanan: It's less than -- close to 1% for the quarter revenue.

Vasu Jain: And how much would that be for last quarter Y-o-Y as in Q2 FY Q4?

Muthuraman: Q2 FY '24 is when we launched that business that it's a very negligible amount in last year.

Vasu Jain: Got it. And another question on cash logistics business, sir. How is the competitive intensity in the business currently, we see that the cash amount has gone down, but there is a revenue increase. So have we got any pricing benefit from banks or direct business. Can you throw some light on that.

Muthuraman: Competitive intensity is not too high in that industry. It's practically oligopoly business. So it continues to remain so. So there's no particular change in industry dynamics that has occurred in the last 1 or 2 quarters. It remains same as it has been in the past.

Vasu Jain: Okay. So have we got any rising benefit because our cash amounts have gone down Y-o-Y basis, but still our revenues are up. So is there any pricing benefit that we got?

Muthuraman: No. See, it's not strictly comparable because many of our -- a good portion of our revenues are based on the number of points that we handle, not on the amount of volume. 60% of our revenue is cash, pickup and delivery, where the revenues is linked to the number of points, not the volume of cash that we handled from that point. So the correlation is not exactly one on one. To answer your questions, no specific price improvement factor this quarter.

Moderator: Next question is from the line of Aasim from DAM Capital Advisors.

Aasim Bharde: So first question, I just wanted to get some sense from you about the ground level demand realities right now. So listening to most companies' comments, it kind of appears mixed, now October was perhaps nothing to write home about, urban areas are perhaps still stress, the rural markets are seeing some recovery. From your vantage point, can you talk about the ground situation right now at your end plant level, how they are doing? And how does that affect our doorstep banking recovery in the near term?

Muthuraman: So we have witnessed a healthy growth in Q2, and the trend is continuing in e-commerce, 18% revenue growth in e-commerce, corresponding volume growth as well. 18% revenue growth in -- sorry. Yes, e-commerce has grown fairly healthy for us. The BFSI segment is at about 10%.

Our organized retail growth is 18%, but that is more because we are adding more clients in that segment in direct rather than because of the SSFG. So yes, there is some sluggishness in some specific sectors that we have seen. But overall, we are not seeing -- October has been fairly healthy and for us, and so is the November so far.

Aasim Bharde: So in growth for you guys still more with -- rather more coming from adding new client's vis-a-vis increasing throughput from existing clients right now?

Muthuraman: Always, it has been like that.

Aasim Bharde: Okay. Okay. The second question, just a bookkeeping one. For Q2, what would be the bank charges amount associated to your network currency business?

T.V Venkataramanan: We won't be able to gave those specific details because of confidentiality.

Aasim Bharde: And last, I think just from my understanding, does getting direct clients involve any short-term incentivization for them to get into your fold and then you ramp it up, like a customer acquisition cost? Or are direct clients margin accretive from the start itself?

Muthuraman: There is no specific incentive we offer to the clients because if we start at a low price, it is impossible to revise the price upwards thereafter. But yes, there are some customer acquisition costs that we incur in terms of our own team costs and all of that. So yes, it is -- we believe it is fairly margin accretive, but pricing wise, it is the same across with the direct or through van.

Aasim Bharde: And just one last clarification on that POS machine revenue bit. So is it completely variable to the value swipe, or is there also some minimum fixed fee also associated to it?

Alexander David: Yes, there is a minimum fixed revenue, which we generate when the customer buys the device from us. And also, as the number of transactions go up, we earn a variable revenue on it as well.On even individual transactions, that's a minimum floor value, very small, but there's a floor value. Yes.

Aasim Bharde: Yes. Yes. That's what I wanted to understand. I guess the machine thing would be a onetime thing when you install the machine, I guess, but -- okay, there is a minimum floor value for every transaction. Got it.

Alexander David: That's correct.

Moderator: Next question is from the line of Lakshminarayanan from Tunga Investments.

Lakshminarayanan: Just wanted to understand what is your net cash at the end -- for the first half?

Venkataramanan: It's about INR77 crores as of end September.

Lakshminarayanan: Okay. And in terms of investments for this year and maybe for the next year, cash, the vans, et cetera, what we want to purchase is all purchased now, or we have like some more to be spent in fixed CapEx for this year?

Venkataramanan: We have already completed most of the purchase last year. Last year, we purchased about 220 vans. So that should take our business for the current year.

Lakshminarayanan: Okay. And what kind of CapEx for this year, sir -- for the outlets?

Venkataramanan: It's not much. It should be about in the range of around INR3 crores to INR4 crores. That's all.

Lakshminarayanan: Okay. Sir, if I just look at your business in terms of pickup delivery network cash management, in the last 6 quarters, if I see that the pickup delivery revenue growth has been muted, while significant growth has come from cash vans. I mean, for example, this quarter, I think it grew by almost 52%.

So just want to understand, is there a realignment of the different business segments within? Is it like -- can you just throw some light in terms of cash van business, how it will grow? Or this is because of the deployment and buying of some of the assets that is actually showing up and it will actually plateau at some point in time. Just want to understand these 2 this segments, how you think it's progressing?

Muthuraman: So the -- to answer the last question first, there's no correlation with our deployment of assets, because we treat our van assets, whether it is own assets or lease assets identically. And like CFO mentioned, we have done with all our van purchases, all future van, hires will be only on van will be only on hire. So that is to have no correlation to our revenue growth.

Coming to your specific question on cash pickup delivery being muted, it is because of different factors that we have highlighted at various points of time in these last 6 quarters. The topmost reason is the loss of points in the E-commerce Logistics segment. So that has affected our revenue growth.

There are a few segments which are, by nature, grow at a lower rates as in petroleum railway or in a sense, they will grow at lower rates. And there is very limited scope for adding more points in that because we are already covering 100% of the client and so there is limited scope for adding more points in those 2 segments.

On the brighter side, organized retail continues to grow at a healthy pace. E-commerce per se continues to grow at a healthy base. BFSI is growing at a fairly decent pace and have significant scope for adding more points in organized retail as well as in BFSI.

So our plan is that, yes, it has undergone some realignment in terms of which sectors are contributing to our growth. And we are hoping that we will be able to stop the losses and grow LDA in these identified sectors so that we can achieve our long-term trend line of about 16% to 18% revenue growth.

Lakshminarayanan: Just on network cash management, and if I look at the pickup and delivery. So network cash management is from the currency just to the banks, right? Is that correct?

Muthuraman: No. No. Then we pick up a cash from on behalf of a bank. The bank does not have a branch presence, we deposit that in our own account and then transfer it to the concerned bank or the concerned end customer. So that is a vertical value-added service that we provide and for which we charge the customers. So that is network cash management. Movement of cash from Vaults to bank branches, et cetera, are done through cash flow and operations segment.

Lakshminarayanan: Got it, sir. The Cash Van segment, if I look at it, it -- actually, we had around 114 -- I think if I look at it, that has actually been almost 3x in the last 2 years. So what has led to such a good growth in cash van, did we get more clients, or we actually went deeper or it's a combination? What led to this excellent growth in the last 2 quarters -- 2 years, I would say, in the long term, and what growth you would actually ascribe to the cash?

Muthuraman: So see, we are a fairly small player in that overall segment. And I think our guess is roughly about 6,000 vans are there in the market and growing at 10%, 12% and we are at 180 vans. So it's a very small share of that overall market that we -- our presence is. So our growth is attributed, one, because of we raised the capital in the IPO and deployed it for buying those vans and those vans are deployed in this segment. But whether we buy or we take lease as in that segment can continue to grow.

And we are fairly conscious of at what price we can offer that segment if it -- that has to meet certain minimum threshold. And more and more banks are getting -- moving away from unorganized sectors to organized sector in that business because of the RBI regulations being implemented recently. So which means that more RFQs are opening up for the organized players, and we are able to capitalize on a good part of that.

Moderator: Next question is from the line of Chinmay Nema from Prescient Capital Investment Advisors.

Chinmay Nema: I have 2 questions. Firstly, can you give some general color on the per point pricing? How has it fared over the last 3 to 4 years? When you get into contract with your clients, is there a provision for price revising? Or -- in general, how do you go about it annually, what kind of price revise revision do you take? That's the first question.

Muthuraman: Okay. So the -- our average price per point realizations range -- fall in the range of between INR4,500 to INR5,000 per point, all revenues included. And it has remained more or less same over a longer period of time. And we enter into long-term pricing contracts with the banks, and there is no provision for any annual escalations in that.

As we add more points in that route, that helps improve our profitability and pass on the cost increases. Otherwise, there is -- the pricing per point fairly remains static. Our growth drivers are largely by addition of more points than higher revenues from the existing points.

Chinmay Nema: Is it competitive intensity because of which the realization per point has remained steady over the years?

Muthuraman: That is the structure of this industry. That is the structure of this industry. It's not a competitive intensity. The structure of the industry is we entered into long-term pricing contracts with the bank so that they can offer this product to their end customers in a transparent manner.

Chinmay Nema: Understood. Secondly, could you talk about your wallet share with your different clients, especially on market clients. So if you're -- let's say, if you're working with the bank, is it that are you handling their entire cash management operations in a particular region? Or have they outsourced some of their operations to you among other players? Yes, some sense around the wallet share.

Muthuraman: See, wallet shares are extremely competitive information. We'll not be able to talk any specifics on that. But it -- all the combinations work. There are a few banks where we are 100% provider. There are most banks where we are one of the 2 or 3 service providers.

And so that's how the business is -- and quality of service determines our wallet share, and we have been able to demonstrate healthy quality of service delivery, which helps us maintain and improve our wallet shares.

Chinmay Nema: And sir, lastly, in terms of loss of clients or a loss of touch points, how -- what's the strategy to handle this, did you renegotiate your contracts? Or do you let go of those clients. And an extension to that, in general, what is the reason for loss of touch points or clients? Are there any other services this -- they are able to avail or is it business issues that their end, some color on that?

Muthuraman: I think your questions are extremely -- the responses are fairly competitive in nature for our industry. Yes. So we'll not be able to provide too much details on that. But...

Chinmay Nema: Sir, some qualitative color would do.

Muthuraman: See, its again, competitive business, and we do what best we do and the one difference -- key difference is that unlike any other industry, the containment that we handle is a high-value product. So the customer or the end customer is not going to just switch from A to B because of INR1 difference in price.

So we handled INR1.7 trillion of cash last year for a revenue of INR400 crores. So the -- it is practically a Class C item for each customer are pricing what they paid to us is a Class C item. So it is not that the pricing is going to determine. It is quality of service delivery, risk management and our ability to provide good quality, MIS and the timely responses and all of that. So yes, that's what determines our competitive position.

Moderator: Next question is from the line of Rohan from Total Capital Services.

Rohan: Yes. Just to your point where you said that we will be growing at 16% to 18% over the years going forward. So how much of that growth will be coming from our cash logistics business and how much from a bullion business and Acemoney, like if you can bifurcate between the 3.

Muthuraman: A bulk of it should come still from our core business only because the other 2 are fairly small. The base effect will not move the needle much, as CFO mentioned, our valuable logistics business is hardly 1%, 1.5% of our business. Acemoney is 2% of our business. So maybe slightly more. Yes. But bulk of the growth will come from our core business of cash logistics only.

Rohan: So if we can -- if you can give us an idea regarding like how you want to scale up the Acemoney, like currently from, as you mentioned, it's around 1% or 2%. Like if you have any targets to take it to, say, 10%, 15% over the years, if you can share the road map for the thing?

Alexander David: See, currently, our target is to onboard about 65,000 merchants for the year. We have done quite well so far. We're already close to around 45,000. So that is one of our important targets to improve the revenue for Acemoney. The other thing is to improve the transactional revenue.

Currently, we have converted quite a number of merchants into business correspondents, which will contribute well to our revenue over there as well. Things are moving forward. We anticipate whatever we have planned for the year, we should be able to achieve it. And it's quite a sunrise sector, and we feel that this will contribute very well to the overall business.

Moderator: Ladies and gentlemen, we'll take that as the last question. I'll now hand the conference over to the management for closing today.

Col David Devasahayam: Thank you, Raju. In fact, very interesting and absorbing questions from all the speakers. Thank you very much for that.

This quarter has continued its trend of improvement in profitability. I'm confident of continuing this trajectory with the help of strong revenue growth and continued focus on cost optimization. The opportunities for growth are tremendous. And our key strategic initiatives are clearly focused on capitalizing on these untapped market segments for a long-term sustained growth.

I want to express my gratitude to each one of you for your continued support to Radiant. We are confident that our focused approach and strong performance will yield promising results for all stakeholders. Thank you for your time and your abiding interest in our company. Thank you very much.

Moderator: Thank you very much. On behalf of Antique Stockbroking Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.