RADIANTCMS/Q3/EarningsCall-Transcript/SE/2024-25

Date: 18.02.2025

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 nine months period ended December 31, 2024, held on February 14, 2025

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 nine months period ended December 31, 2024, held on February 14, 2025 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: 2025.02.18 11:13:14 +05'30'

Nithin Tom
Company Secretary
A53056

"Radiant Cash Management Services Limited Q3 FY '25 Earnings Conference Call"

February 14, 2025

MANAGEMENT: **COLONEL DAVID DEVASAHAYAM – CHAIRMAN AND MANAGING DIRECTOR**
MR. T.V. VENKATARAMANAN – CHIEF FINANCIAL OFFICER
MR. ALEXANDER DAVID – CORPORATE DIRECTOR OPERATIONS & BUSINESS DEVELOPMENT
MR. MUTHURAMAN – DIRECTOR, ADVISOR, STRATEGY AND INVESTOR RELATIONS

MODERATOR: **MR. RUSHIL DEDHIA – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Q3 FY '25 Earnings Conference Call of Radiant Cash Management, 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 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. Rushil Dedhia from Antique Stock Broking Limited. Thank you, and over to you, sir.

Rushil Dedhia: Thank you, Alvik. Good morning, everyone. We welcome you all to the 3Q FY '25 earnings call of Radiant Cash Management. We thank the Radiant Cash Management team to give us this opportunity to host the call. Today with us, we have the entire management team of Radiant Cash Management represented by Colonel David Devasahayam, CMD; Mr. T.V.

Venkataramanan, CFO; Mr. Colonel Benz, COO; Mr. Alexander David, **Corporate Director – Operations & Business Development**; and Mr. Muthuraman, Director, (Advisor) Strategy and Investor Relations.

Now I hand over the call to MD sir for his opening remarks, post which we can shift to question-and-answer session. Over to you, sir.

Col David Devasahayam: Thank you very much, Rushil. 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 December 31, 2024, with a 15.8% consolidated revenue growth and a 26.6% consolidated tax growth over the same quarter last year.

Better performance in our new initiative of Acemoney with the cost control measures in our core operations and robust growth in direct clients contributed significantly to this healthy performance for this quarter. Three out of our five key strategic initiatives have performed in a stellar fashion. Acemoney has grown at a healthy pace, both in top and bottom line. Alexander David will speak more on this matter later.

Direct clients have grown at a brisk pace and today account for almost 15% of our RCMS revenue. Cash Van operations continue to grow well and contribute significantly to our growth in revenues and profit. The remaining 2 initiatives that is Diamond, Bullion and Jewellery Logistics and Radiant Insta Credit has grown to a meaningful scale. These are major investments for us in the Radiant long term. Management has taken several initiatives, including strengthening the sales team and the technological backbone to grow this business at a brisk pace in the coming quarters.

The sluggishness in the consumption sectors in the economy had its impact on the core business of retail cash management in the current quarter, which reported a muted growth in this quarter over the same period last year. So banks continue to be the prime clientele for Radiant. The company is reorienting itself as a business-to-business sales driven organization across all its businesses. The company is strengthening its sales team in all its regions to cap the huge unaddressed markets in retail cash management, valuable logistics, insta credit as well as taking fintechs to the rural areas and India's hinderland. And we believe that the effort will bear fruit in terms of healthy growth in the upcoming quarters.

The improvement in profitability continues for this quarter. The consolidated EBITDA margins were improved by 221 basis points from 17.7% in Q3 FY '24 to 19.9% in Q3 FY '25. The sharp improvement is on account of the same reasons we cited in the last quarter; strident cost control measures and a healthy turnaround in performance of Acemoney in this quarter.

Our cash losses continue to be the lowest in the industry by a wide margin, a result of a robust risk management framework. We continue to maintain the highest return on capital deployed and return on equity in the industry. 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. And over to you, Alex.

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 am glad to inform you that Radiant Acemoney had an excellent quarter and has clocked INR112 million in revenues for this quarter, which is 100% sequential growth for the previous quarter. The rapid scaling has also helped achieve healthy EBITDA margins for this quarter, contributing significantly to the overall consolidated performance of the Radiant group.

I would like to present a few numbers to put our scale of growth in perspective. We have installed over 52,000 POS machines in the first 3 quarters of the current financial year and well on course to achieve our target of 65,000 machines for the full year FY '25. Our transaction volume in the current quarter was INR175 crores, again exhibiting healthy sequential growth over the previous quarter.

We are continuously expanding both our geographical footprint as well as service offerings to address the untapped markets in rural areas where digital access is still below 50% for merchant outlets, providing huge opportunities for growth. A strong pan-India network of the parent company provides synergy benefits for these growth plans.

The regulatory environment is quite favorable, which continues thrust for financial inclusion in rural areas by the government and regulators, which provides the much-needed initial impetus for creating the payment infrastructure. Going forward, our focus would be to improve the transaction volumes in each of our outlets for sustained growth over the medium term.

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 upcoming months.

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

T.V. 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 ended December 31, 2024.

During the first 9 months of this year, we added 51 new clients, 325 new end customers, and 6,744 new retail touch points in our retail cash management business. In this 9-month period, we handled INR1.27 trillion of cash in line with our recent first quarters. Today, we service close to 77,000 touch points, covering approximately 14,000 PIN codes across 8,900-plus locations and continue to have the widest network in the industry.

For the third quarter ended December 31, 2024, the stand-alone revenue growth was 5.2% over the same period last year, which is lower than our historical average on account of sluggish consumer demand witnessed across all several sectors of the economy. However, consolidated revenues grew at 15.2%, supported by healthy growth in our fintech subsidiary.

In terms of sectoral performance, we witnessed about 10% growth in e-commerce, organized retail, and BFSI sectors over the same quarter last year, and 14% growth in the petroleum sector. We also witnessed healthy growth of 47% in the Cash Van operations segment. However, e-commerce logistics witnessed 2% negative growth sequentially.

We continued to report strong growth in our direct client segment, which now accounts for about 16% of our stand-alone revenues. Our DBJ segment is yet to stabilize and reported a marginal degrowth in this quarter. The management has redoubled its sales efforts in the DBJ business, and our recent launch of Insta Credit, which will help improve the revenue growth in the coming quarters.

Coming to the financial performance. The consolidated revenues for Q3 FY '25 were INR1,176 million, representing 15.8% growth over the same quarter last year. The consolidated margin for the quarter stood at 19.9%, an improvement of 221 basis points over the same period of the previous year and 89 basis points over the previous quarter.

The continued improvement in EBITDA margins in this quarter were achieved on account of strong focus on cost control; 2, healthy positive contribution to EBITDA from Acemoney, which is our fintech subsidiary, and healthy growth and contributions from our Cash Van operations. The management is confident of further improvement in margins in the last quarter of the current year as well.

The consolidated return on capital acquired for the quarter was 23.6% annualized. The return on equity for the quarter was 22.3% annualized. I would like to highlight that the ROCE and ROE for Radiant continues to be among the highest in the industry because of a strong and clean balance sheet, very low cash loss levels, high fixable and turnover ratio, and strong working capital management.

In summary, the quarter has seen a continued healthy improvement in EBITDA margins over the previous year, supported by strong performance of our fintech subsidiary.

I now hand over the floor for the question-and-answer session.

Moderator: Thank you, gentlemen. We will now begin with the question-and-answer session. We got our first question from the line of Abhishek Chawla, an Individual Investor.

Abhishek Chawla: My first question is regarding Acemoney. So on the website, we can see you are also into the variable wallets. So could you throw some light how that is performing or that's insignificant?

Muthurman : Can you just repeat the question, please? We couldn't hear. Some background noise over there.

Abhishek Chawla: I'm saying, as per the Radiant Acemoney website, it is visible that you are into the variable wallets as well. So my question is, how is that sector particularly performing or is that very insignificant for Acemoney as of now?

Alexander David: Yes, thank you for the question. It is a very insignificant part of the revenue as of now, but it is something which we will definitely look to explore in the future.

Abhishek Chawla: And the second question is regarding Insta Credit. A few calls, in the previous quarter, you have mentioned that you are training the on-ground staff to enrol people in Insta Credit. So how has that been working out?

Muthuraman : Yes, we have rolled out our training program across the region and we do have feet on stage now to onboard more clients and it is still a very -- it's not a very significant component. So we have not separately disclosed RIC points, revenues, etcetera. But we are hoping that it will scale up in the coming quarters.

Abhishek Chawla: No, I'm not asking for any separate numbers. I'm just asking how has been the response of people when they interact with the sales people. That's it.

Muthuraman : Yes, we have rolled out the training and it is, as I mentioned, we have onboarded several clients and the technical and financial aspects of it have worked out very well.

Moderator: The next question comes from the line of Aditya Sen from RoboCapital.

Aditya Sen: Sir, one of our peers is going through some issues regarding default on debt. So any color on this? If it is going to benefit us or any of our peers?

Muthuraman : We don't operate in the similar segment as the competitor, I mean, so-called competitor in the overall industry. They don't have any significant impact on our business.

Aditya Sen: And also how are we seeing our revenues and EBITDA going forward for the next 2 years?

Muthuraman: Yes. We are on the path of consolidating our profitability and focus on profitable growth. And the trend line that we witnessed in the last 3 quarters, hopefully the improvement in profitability will continue. In terms of revenue growth, yes, the core business growth is a little sluggish because of the overall economy. Depending on the economic performance, we are positive that it will exhibit better growth than what we witnessed in the current quarter.

Moderator: The next question comes from the line of Abhishek Chawla, an Individual Investor.

Abhishek Chawla: So regarding this quarter, the revenue which we have seen in Acemoney, how much of this revenue is one time because of the sale of machine and how much of it can we expect to be recurring? Could you throw some light on that?

Muthuraman : See, at this point of time, we are in the process of expanding our presence. So as Alex mentioned, we have rolled out almost 52,000-plus POS machines. A substantial portion of our revenue is from rollout of machines. And transaction revenues will build over a period of time. At this point of time, the transaction revenues are fairly small.

Abhishek Chawla: So the POS machines, you will command a rental on these going forward as well or not?

Muthuraman : No, we may have some AMC revenues, but not rental. That's sold.

Abhishek Chawla: So in the coming quarters, can we expect the same rollout intensity from your end for the POS machines?

Muthuraman: We have indicated a guidance of -- the target of 65,000 machines for the full year.

Moderator: The next question comes from the line of Chandramouli Jagannathan, an individual investor.

C. Jagannathan: Just seeing your presentation, the Radiant valuable logistic is losing money. When is it likely to turn profitable?

Col David Devasahayam: I will take this and answer. Actually, this is a long-term -- a medium to long-term investment for us. And with the fact that there are over 2 lakh registered jewellers in the country, and valuables is an area which is only going to grow and with greater consolidation over the years. We have invested in this. We have placed infrastructure on the ground, which meets the entire requirement of the market.

But in terms of the actual business that is coming, because valuables are involved, so there is obviously going to take some time before the customers have paid and they start making use of our services. So that's the reason why the quality of our infrastructure is of the highest level, the best that's possible, even internationally that's available so that the quality of service delivery on its own with a referral mechanism will gradually build up this business. But this is a business that we have invested in for the medium to long-term.

C. Jagannathan: Somebody has asked the same question, maybe I just wanted to -- sorry for repeating. The Acemoney, you have done about some INR10-plus crores top line this quarter. Is it sustainable, I mean, the top line and the profitability on a quarterly basis? What is that we expect in the future?

Muthuraman: Our target is it's a value aggressive target we have internally to work towards growing this business. But beyond the 65,000 machines target, we have not put out a guidance for the next year. Hopefully in the annual listing next year -- next quarter, we will be able to give a slightly longer term guidance on that. The market is fast evolving, but it's a huge untapped market. We have been saying this in the previous calls as well, there are 2 crores retail outlets in the country.

And there are about 85 lakh POS machines, so which means 45% penetration. So we balance 1.1 crores retail outlets, don't have any form of digital payment mechanism at this point of time. And the government is privy to the matter and encouraging players like us to roll out these POS machines and bring all the retail outlets into the digital economy. So to that extent, I think the growth potential is fairly large.

If you ask us quarter-on-quarter performance, I don't think we will be able to give that kind of number, but the potential is fairly large.

C. Jagannathan: Just on -- 2 years back, Radiant did a bottom line of about some INR60-plus crores. At least next year, can we expect that you will cross that number? Top line should be more than that because the EBITDA is comparatively less.

Muthuraman : Yes. So this last year and the current year has been a period of investment for a sustained long-term growth. And as you can see, we have been consistently improving quarter-on-quarter our performance and we expect this trend to continue and hopefully we will cross FY '23 numbers in '26 -- '24 numbers in '26.

C. Jagannathan: So will the dividend as usual policy continue, sir?

Col David Devasahayam: Yes, we have a stated dividend policy and are likely to remain on track.

C. Jagannathan: So what is the net cash as on December, sir?

Management: Are you…

C. Jagannathan: Sorry, sir, I did not get you.

T V Venkataramanan: INR695 million, that's the net cash available as of December.

C. Jagannathan: It has gone down. I mean, the debt level has gone up. That is okay?

T V Venkataramanan: See, because -- debt level has increased because of we use the debt levels only during the last 1 or 2 days of the month or the quarter to cater to the month-end requirements. That is one of the reasons why our interest costs have come down. But though the debt level has increased because of the month-end quarter and peaking requirements, the interest cost -- we have controlled the interest cost. So it's only a temporary phenomenon.

C. Jagannathan: So which will get normalized to the end of March?

T V Venkataramanan: I would not say that because during the month-end the requirements are high and gets normalized in the first week of the next month.

Moderator: The next question comes from the line of Sudip Samantha, an Individual Investor.

Sudip Samantha: Actually, first, congrats on the great set of number. And second thing, every con-call you guys say like our EBITDA margin reached 20% to 25%. But still it is less than 20%. So when we expect next 2 quarters, 3 quarters we reach at least 22% or 23%, 25% EBITDA margin, is the first question? Please answer.

Muthuraman: Yes. So as we explained in the previous question as well, we are in the investment mode, particularly the Diamond Bullion Jewellery segment is still loss-making, bringing down our overall EBITDA margin. We expected to -- the DBJ segment to break even in the next 2 quarters or so, post which our numbers should improve.

Sudip Samantha: And what business we are getting from DBJ business?

Muthuraman: It's hardly -- in terms of top line, it is fairly small, 1.5% -- 1.2%, 1.3%.

Sudip Samantha: So it could be INR1.5 crores, right, or INR2 crores?

Muthuraman: In terms of -- no, no, for the quarter?

Sudip Samantha: Speaking about quarter, sorry, this quarter only.

T V Venkataramanan: Rs 1.2 crores roughly

Moderator: The next question comes from the line of Hardik Doshi from White Whale Partners.

Diya: This is Diya from White Whale. My question was like, correct me if I'm reading this wrong, that your cash pickup and delivery Q3 last year versus Q3 current year has degrown by 4% versus network cash management has grew by 12%. But in the revenue model that you mentioned, your cash pickup is actually linked, it's a fixed amount and which is derived from each touch point, whereas NCM is the variable one?

So to your point of consumption slowdown, shouldn't the numbers be opposite such that your cash pickup and delivery should grow because it's the fixed amount and your NCM should degrew. So am I reading this wrong or like what's your take on this?

Muthuraman: The total cash handled includes cash burial as well. Okay. So just to explain the -- we pick up cash and deposits in the bank. If it is -- the bank has a branch, we'll deposit in the concerned branch. If the bank doesn't have a branch, we'll deposit in our account and transfer it to the client electronically.

So the second is called the network cash management. The first is the cash pickup and delivery. So the second is a subset of first. So in a sense, network cash management has grown because we have had good increase in Tier 2 and Tier 3 cities, number of points that have added. So that has contributed to healthy growth in the network cash management business. But still even the overall total cash volume handled has grown about 1.7% -- about a little less than 2% quarter-on-quarter and about 6.5% sequentially over Q2.

Diya: So just one follow-up question. So you're saying that the cash pickup and delivery, that grew by 4%. That is a fixed amount that you derive from each touch point, right? So your touch points have grown or have they…

Muthuraman: There's no degrowth at all. I don't know where you're getting that from.

Diya: So what I'm reading is cash pickup and delivery was 65% of your revenues Q3 versus 60%. And then just doing the math…

Muthuraman: In terms of the revenue growth or the volume -- cash volume pickup?

Diya: I'm talking of the revenue growth, assuming that's a fixed amount linked to the number of touch points?

Muthuraman: So, the revenue degrowth is even in the revenue of cash pick up on delivery. Quarter-on-quarter is it or same quarter last year? Yes. Sorry. Same quarter last year there has been a marginal degrowth.

Muthuraman: Sorry, can you repeat the question?

Diya: So my question was that despite the volumes growing, has your pricing dropped because cash pickup and delivery, it's a fixed amount that we charge from a point that degrew last year versus this quarter. So am I reading this wrong? Or like has there been like a price…

Muthuraman: So see, that fixed price per point depends on what type of points that we have added, whether it is a petrol bunk or a pharmacy will make an ocean of a difference, right, because of the volume of cash that we get. And also, it is not one-on-one correlated with the cash volume. But as the cash volume increases, the per 1,000 cost will go down if you do the math. So it's not directly comparable. The marginal degrowth is on account of, I would say, the mix of points that we have added in this period.

Diya: So my second question would be just a qualitative comment on market shares in the retail cash management versus last year. Have you seen the competitive intensity increase, decrease, or stable?

Muthuraman: I think we are continuing to have the leading market share in this retail cash management business. We are the market leader. And our reading of the market is that we have maintained our market share. And there is no new players or no change in the competitive intensity of the business.

Moderator: The next question comes from the line of Jigar Savla from Vihas Ventures LLP.

Jigar Savla: Sir, just wanted to understand on Acemoney, what is the kind of margins that you are currently having in this particular quarter?

Alexander David: This quarter, we recorded a margin of close to about 25% EBITDA margin.

Jigar Savla: And sir, if we look at our company, so we had a margin of around 25% to 30% just 2 years back, and now we are around 17%. So when do we expect to reach back to that older level of margins of 25% to 30%?

Muthuraman: We never had 25% to 30% margin. The margin of -- 2 years back, we had about 25%. Around 25%. So the current year, okay, I don't know, we compute dated EBITDA margins are about 19.9% is an improvement over the last year. Consolidated EBITDA margin is 19.9% in this quarter. And we are expecting to continue to -- this is for the quarter, for this quarter because already EBITDA margin is, as shared, less than 20, and we expect it to improve further.

Jigar Savla: So for the financial year March '22, '23, we had EBITDA margin of around 30%. That's where I was coming from that. When do we reach to that kind of margin?

Col David Devasahayam: No, it was never 30%. It was somewhere in the range of about 26%. Now I had said this even at the time when we were taking the company public that we have to invest in these new initiatives as we go forward because there is a huge and humongous opportunity areas that are available today in India, which even our network that we have, we have to work towards building on it.

And so our expenditures have considerably gone up as a consequence. Investing in these areas and working in a sales force and working in the requisite infrastructure. So that's the reason why it was a constant revision that we undertook with -- at a slight reduction in our EBITDA margin.

Well, you'll see there's a consistent growth towards the terminal objective that we have in mind and over the upcoming quarters we'll see the requisite improvement on EBITDA margins happening, in a steady manner as we go forward and we are seeing success in each of these 5 initiatives.

Jigar Savla: Just getting -- so understanding that we are basically expanding for the kind of investments that we are doing, which is to look through P&L. So then what kind of top line growth do we have in mind? Do we have 25% kind of a top line growth in mind for next 3 to 5 years?

Muthuraman: Top line growth, we have said it will be high in long-term to medium-term.

Moderator: The next question comes from the line of Harshvardhan, an Individual Investor.

Harshvardhan: My question is actually regarding our footprint in terms of the number of PIN codes that we serve. And when I compare the Q3 presentation with last quarter's presentation, I can see that the total number of PIN codes has dropped from 14,888 to about 13,900. So is there any reason for why there is a drop in number of PIN codes service?

Muthuraman: Yes. So this is actually correlated with a small degrowth in our e-com Logistics business. Very low volume points became unsustainable for us to service because of the e-commerce players moving out. So it was a rationalization. But in terms of locations, if you see, we have continued to increase -- added more locations within the PIN codes, within the existing PIN codes. It's a onetime clean up of this thing because of the e-com Logistics business.

Moderator: The next question comes from the line of Abhishek Chawla, an Individual Investor.

Abhishek Chawla: So over the past 2, 3 years, could you share some -- throw some light on the route density? Like has that gone up or it's still the same?

Muthuraman: So route density has gone up. We have added about close to 7,000, 6,700 points in this 9 months. So that has improved our route density. But the overall cash volumes throughput has grown at -- and the revenue growth are more or less in tandem. So for all the reasons that we explained in the e-com Logistics and the general overall economic slowdown had resulted in the overall cash volume over a period of 9 months, etc., at close to 9%, 10% and route density is corresponding that range.

Abhishek Chawla: And regarding the jewellery business, as sir mentioned in this call only, that it is taking time to on-board customers because there's a trust element involved. So let's say, 1 or 2 years down the line, you are able to get those customers. So that same issue of trust is going to help us retain the customer or they will be able to switch if another competitor comes in to deliver the same service?

Muthuraman: Yes. So the penetration of organized sector players in the industry is very low, okay? It's still a fairly unorganized, like I said, 2 lakh jewellery, registered jewellery are there in the country. Our own estimate is hardly 10,000, 12,000 are serviced by other organized players. So we don't expect competitive intensity to be hindering our growth, rather ability to build that trust should help us achieve a bigger scale there.

Abhishek Chawla: Just to say, I interpreted it correctly, the jewellery, it is the first time they will be using a service like this to transport their jewellery?

Muthuramant: Some of them -- yes, many of the smaller jewellery that we are on-boarding will be first time using an organized player like us.

Moderator: Thank you so much. As there are no further questions, I would now like to hand the conference over to the management for the closing comments.

Col David Devasahayam: Thank you very much, Rushil. I would like to thank all the participants for some really good questions and there's quite a bit of food for thought for all of us here. This quarter has continued its trend of improvement in profitability on the basis of a healthy growth in consolidated revenue. I'm confident of continuing this trajectory with the help of our new initiatives to tap the huge opportunities for growth supported by a very strong management team.

I would like to express my gratitude for your continued support and faith in Radiant. We are confident that our continuous efforts will yield promising results for all our stakeholders. Thank you for your time and your continued interest in our company. Thank you very much.

Moderator: Thank you, sir. Ladies and gentlemen, on behalf of Antique Stock Broking Limited, that concludes this conference. You may now disconnect your lines.

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