



RADIANT
Cash Management Services Limited
(Formerly known as Radiant Cash Management Service Pvt. Ltd.)
(An ISO 9001-2015 Company)
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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 for the audited financial results of the quarter and year ended March 31, 2023, held on May 23, 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 and year ended March 31, 2023, held on Tuesday, May 23, 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
Chairman and Managing Director
(DIN: 02154891)

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“Radiant Cash Management Services Q4 FY2023 Earnings Conference Call”

May 23, 2023



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

ANALYST: **MR. SOHAIL HALAI – ANTIQUE BROKING**

Moderator: Ladies and gentlemen, good day and welcome to Radiant Cash Management Services Q4 FY2023 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 call, please signal the 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 Neerav. We welcome you all to 4Q FY2023 and FY2023 earnings call of Radiant Cash Management Services Ltd. Today we have with us Col. David Devasahayam, CMD, Mr. Venkataramanan, CFO, Col. Jacob, Chief Operating Officer, Mr. M. Muthuraman, Director, Strategy and Investor Relations. I thank Col David Sir for giving us this opportunity to host the call and without further delay hand over to him for his opening remarks. Over to you Col David Sir!

Col. David Devasahayam: Good morning ladies and gentlemen. Thank you Sohail for your introductory remarks and for coordinating this call. I am Col. David Devasahayam, the Chairman and Managing Director of the Radiant Cash Management Services Limited. Along with me are the members of my senior management team. Our Chief Financial Officer Mr. C. Venkataramanan, our Chief Operations Officer Col. Benz Jacob, and the Director of Strategy and Investor Relations Mr. Muthuraman whom many of you have seen by my side with the run up to the IPO who will be taking on most of your questions. I like to thank all the institutional investors, the high-net-worth individuals and retail investors who continue to repose their faith in our company. I would also like to thank all the analyst who joined us on today’s call. We look forward to a fruitful and engaging discussion with you all.

I will begin by the overview of our company performance for the last quarter and for the full financial year ending March 31, 2023. Revenues for the quarter ending March 31, 2023, were at Rs.89.7 Crores. The EBITDA for the period stood at Rs.22.1 Crores with a reported PAT being Rs.15.5 Crores. The numbers are incomparable on a sequential quarter-on-quarter basis as Q3 tends to be our strongest quarter due to the festive season. For the financial year ending March 31, 2023, revenues were at Rs.354.9 Crores registering a growth of 24.1%. The EBITDA for the period stood at Rs.89.7 Crores growing by 50.8% while PAT stood at Rs.52.7 Crores with a growth of 54.2%. As you can see there has been a fantastic and eventful year for the company. We wish to keep growing and strengthening our endeavour further year-on-year. I will hand it over now to Mr. M. Muthuraman to take you through the key performance indicators. Over to you Muthu.

M. Muthuraman: Thank you Col. Good morning everyone. Thanks once again for joining this analyst call. I will present the update on operational KPI and will try to link the same with our various business verticals. We are present in over 13,000 pin codes across 5700 plus locations in India. This has been our strongest USP as a wide network helps in servicing maximum number of clients thereby improving our root density and hence our profitability. We handled Rs.1.57 trillion of cash in

FY2023. This reflects a 20.6% growth over FY2022. We provided our service at 63,420 touch points during the year FY2023. Comparative figure for the previous year was 49,980. As we had mentioned in our prospectus, as well as in earlier investor calls, we continue to add 1000 to 1100 points every month for the last three years and this is the growth driver of our first business vertical which is cash pickup and delivery. This segment accounted for 69% of our revenues and the number of touch points is the key growth driver for this vertical because we charge our banks a fixed amount per point per month. This segment grew at 28% year-on-year. 63% of our revenues in FY2023 came from tier three plus locations where we have our strongest presence. This is also a key growth driver for our second vertical which is network cash management or cash burial. For those of you who are attending for the first time this is a business where we pickup cash from end customers and deposit in Radiant's own bank account and then electronically transfer to our client banks where we do not have a branch presence so this is a value-added service that we provide to our clients and this segment accounted for 18% of our revenues in FY2023. Tier three plus locations have limited branch presence as against the 61 bank branches per lakh population in urban area, India has only six branches per lakh population in rural areas. In such area this value-added product of network cash management helps our client banks offer their service to end customers even where they do not have a branch presence. This segment for FY2023 reported a flat growth over FY2022. A combination of reasons for this flat growth, one lower throughput in the petroleum sector. We spoke about it briefly in the previous call as well. Low throughput in the petroleum sector which were predominantly network cash management clients. There is some marginal pricing pressure from banks on the burial cost. Also the revenue mix of newly added points where in favor of tier one cities where burial revenues form a very small component. We expect two of these three reasons to revert to mean, namely the petroleum sector as well as revenue mix to revert to mean shortly. While we have taken significant measures to control cost on this front and our gross margins have remained fairly stable in FY2023 over FY2022 despite the marginal pricing pressure. As on March 2023, we had 840 cash banks and a staff strength of 9297 including 2172 employees and 7125 contractual workers. Of this 21% are from armed forces a strong USB for Radiant, which has helped to keep our cash losses to the minimum. For the year 2023 our gross cash losses before insurance claim was about Rs.6 Crores. The impact on the P&L is much lower, in fact slightly lower than the cash loss impact in FY2022. We added about 24 clients in this financial year, all of whom are direct clients. This has helped increase the share of direct clients in our revenue to 2.9% in FY2023 as against 1.5% in FY2022. We serviced over 3200 end customers in this period up from 2675 in FY2022. All of these have helped generate very healthy ROC of 33% and a return on equity of 27% for this year. More importantly, we generated cash flow from operations after working capital changes of Rs.73 Crores in FY2023 as against Rs.31 Crores in FY2022 a growth of over 135%. I will now request Col. to share his concluding remarks.

Col. David Devasahayam: Well I would like to thank you all for making time to join us on the call. It is always humbling to hear from our investors and larger analyst fraternity. We will now hand over to take your questions

and feedback with utmost sincerity and incorporate the learning in our mid- and long-term business plan.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Lakshminarayanan from Tunga Investments Private Limited. Please go ahead.

Lakshminarayanan: Thank you. A couple of questions. The first is what part of your revenue is directly linked to the value of cash you actually handle?

M. Muthuraman: The second segment which is network cash management is directly linked to the volume of cash we handle. The third segment cash processing is also linked directly to the volume of cash that we handle so these two together is roughly about 24% of our revenue, 18.5% and 5.5% totaling about 24% of our revenue is directly volume linked. Our main business which is cash pickup and delivery. It is not exactly directly linked to one on one to the volume of cash that we handle. We charge a fixed amount per point per month for this segment. Yes it has an indirect linkage in the sense that we have a limit, if daily limit goes up, the charge goes up but it is not exactly directly linked to the volume of cash that we handle, so that answers your question.

Lakshminarayanan: Yes that helps? Second what kind of capital expenditure as a business would incur in the next five years?

Venkataramanan: This year in FY2023-24 our capex expenditure will be to the extent of about Rs.25 Crores to Rs.26 Crores mainly to be incurred on cash vans to be purchased.

Lakshminarayanan: Got it and this will be refreshed every block of five to seven years or that will be recurring capex for you right?

M. Muthuraman: As we had mentioned in our prospectus as well, this is the one-time occurrence against any eventuality. Otherwise today we have 840 vans. All of them are on lease or substantially all of them are on lease. Very few vans in our books. The purpose of the IPO was to raise some amount of capital to acquire some vans in our books as an insurance measure, but we will continue to avail leased vehicles hereon as well.

Lakshminarayanan: Okay so is it fair to assume that your annual capex will be in the range of Rs.20 Crores to Rs.25 Crores every year?

Venkataramanan: No only this FY2023-24 will be an exceptional year. Last year the capex is about Rs.3 Crores.

Lakshminarayanan: Got it so only this year you will have a higher capex and that is predominantly for these things okay?

Col. David Devasahayam: This is based on the fresh issue we have a certain amount of money coming in for the purchase of cash vans. As Muthu was elaborating we are now buying cash vans for sectorial reserve and will be available in case there is a shortfall of a vehicle from any of the leasing organizations from which we are getting. So just to make up that we are going in for the vehicles which will be in our inventory. Otherwise as Venkat has told, our CFO, the year before the capex was just Rs.3 Crores.

Lakshminarayanan: Got it and what lead to higher operating cash flow to almost Rs.75 plus Crores this year? This is a great achievement when compared to last year? What lead to it and what is your plan for the next, will it be this range going forward? Whether this kind of higher cash flow or some operations stabilized now?

Venkataramanan: Last year in 2022 the PBT was Rs.52 Crores. That has increased significantly to Rs.84 Crores in March 2023. That is the major reason why our operating cash flows increased, there is an increase of about Rs.32 Crores in the PBT. The operating cash flow increased from Rs.31 Crores to Rs.74 Crores that is an increase of 43 Crores. Major amount has come from the weekly increase and the vans have come down from increase in working capital. Our receivables have generated about Rs.7.5 Crores. These are two major reasons for our increase in operating cash flow to the extent of Rs.40 Crores during the year.

M. Muthuraman: The tight control on receivables is one of the key reasons for this year. We hope to continue to remain so in the future years as well but last year cash used in debtors was about Rs.8 Crores. This year we were able to reduce the debtor's levels for last year and Rs.7 Crores positive. Net impact over between last year and this year is Rs.15 Crores delta.

Lakshminarayanan: Okay got it and one last question from my side? You mentioned that there is a throughput reduction in the petrol pump right and that has actually led to the second segment being flat? Now why do you think that has actually happened and why you think in the next one-year things will kind of settle that is what you mentioned in your initial remarks?

Col. David Devasahayam: Well in the petroleum sector you are aware that once the pricing was brought down so particularly the privately driven petroleum companies there was a move to move their resources into an export orientation and that is the reason we found that the sales of these particular bunks went down drastically. In fact it has had an impact. In fact we wanted to conclude with a much higher PAT figure if possible but this had an impact on this but then this is slowly now we find month-on-month it is slowly growing and we feel that it will over this year slowly stabilize and come back to near normal as what it was before this particular phenomenon.

Lakshminarayanan: You do not cater to public sector petrol bunks? This is only for private and that is the reason why it had a larger impact?

M. Muthuraman: It is largely private sector because public sector we do a very limited extent only for the company owned company operated outlets. Those are very far and few. The rest of it the cash management

it has to come through direct clients because individual franchise decide how they want to handle their cash. Private sector it is decided at the corporate level and to add to what the CMD just mentioned, the private sector has built a large petroleum infrastructure as in petrol bunk infrastructure. I do not think they will let it draught. This is an opportunistic time to capitalize on the differential in export pricing because Europe cannot directly import from Russia so I do not think this is going to be a permanent situation. Things will revert to normal sooner than later is what our expectation is. Thank you.

Lakshminarayanan: Thank you. I will come back in queue.

Moderator: Thank you. The next question is from the line of Prashant Kutty from Sundaram Mutual Fund. Please go ahead.

Prashant Kutty: Thank you for the opportunity. Just wanted to check with you one is in terms have the commissions kind of come off as compared to what they were probably charging in the past because when we look at the touch point number growth and the kind of cash management system they do not seem to be kind of coinciding in the revenue growth numbers?

M. Muthuraman: No there has not been any reduction in the commissions Prashant. In fact our points growth and our cash pickup and delivery revenue growth are matching exactly 27% or 28% each.

Prashant Kutty: No I am not asking on annualized basis? I am asking for the quarter. If you look for the quarter your touch point number and your sequential growth there seems to be a drop whereas your touch point have actually increased so I am just trying to understand that point?

M. Muthuraman: The sequential growth is because we had explained even last time and even the earlier presentations Q3 is our best quarter because of the festivities and holiday season so Q4 tend to be slightly lower than Q3 in the past as well and that has what has happened in the current Q4 as well. The point that we add in this quarter may not reflect significantly on revenues immediately. It will take its own time to start generating that revenue because they start in the lower threshold it will be throughout from January to March. Every day it gets added so immediately that number will not reflect in our revenues Prashant.

Prashant Kutty: Surely got your point but typically you have always said that we would want to kind of maintain at least a 20% kind of a growth rate. I understand that there is a moderation on a sequential basis but given the fact that we are in the growing phase and given the fact that we have been actually increasing the number of touch points this year has almost seen a 25% plus kind of a touch point improvement? Is it because that a lot of them have been tier three that is why may be the through put is not so big or any thoughts on that because if I just look at any of your revenue numbers for the kind of scale of operations and the size of operations that you are doing 15% seems to be a lower number given that you have always in the past also guided for about 20% kind of a number on the growth rate?

- M. Muthuraman:** The 15% is because of what we just explained as in the petroleum sector did have an impact on it we are well on course to hit that 20% plus and our guidance remains so.
- Prashant Kutty:** Sure and that thing is right now largely done in terms of the one off which was there? How much was the impact on that? I am sorry I missed out that number in case if you can give it?
- M. Muthuraman:** So the numbers are there in the table. That is the net impact on the top line of about Rs.8 Crores.
- Prashant Kutty:** Rs.8 Crores?
- M. Muthuraman:** Yes.
- Prashant Kutty:** It is addressed right now?
- M. Muthuraman:** It is slowly getting addressed, not fully.
- Col. David Devasahayam:** It is a slow month-on-month growth we are witnessing but not as rapidly as we have hoped for.
- Prashant Kutty:** Which is why it probably also explains the EBITDA number also kind of getting back to where it is right?
- M. Muthuraman:** That is right. As we had explained in the past also we are a high operating leverage company. If you see the revenue growth of 25% for full year resulted in a PAT growth of 64%. The thing with operating leverage is that it cuts both ways so Rs.8 Crores.
- Prashant Kutty:** The point I am mentioning you have added a lot of clients in the last year? What kind of sectors these clients would have got an added into in the last one year any thoughts on that?
- M. Muthuraman:** If you look at the sector or composition of our revenues you can see that we have had a fantastic run-in organized retail. It was 11% last year. It moved to 15% this year. E-commerce and e-commerce logistics continue to remain at about 24% to 25%. Petroleum was down. Railways we have had a fairly good growth. It is not reflecting in the proportion because overall revenues also grew. Railways have good growth because of the restoration to pre COVID level and others also have grown. As we had mentioned our focus has been on direct clients and improvement in the direct clients by almost 100 basis points over last year 1.5 to 2.9 more than 100 basis points so that is across diversified sector.
- Prashant Kutty:** Sure no I am specifically asking whether it is a client addition and since you said large amount of clients have gotten added into organised retail and you used to earlier talk about may be QSR outlets or for that matter jewellery outlets just wanted to understand that are we kind of seeing that happening that is what I want to check? When you are saying organized retail increasing is it that you are seeing number of outlets is it being QSR outlets getting added or is it jewellery outlet getting added or is it fashion retail outlets getting added? Is this is what we are seeing?

M. Muthuraman: I will not be able to put a number on which of those subsegments within organized sector has given us the maximum contribution but if I have put the topmost it will be like the organized routine as in like more retail and those kind of numbers. Those are the ones which are getting maximum add on.

Prashant Kutty: Understood but last point from my end? You have actually seen a significant amount of increase in the touch points covered what is the outlook going forward in terms of touch point addition? We know if you had a 27% increase. Should we kind of still maintain that you will be adding about 1000 outlets per month? Is that the way one should look at it?

Col. David Devasahayam: Well currently we are looking at that and we have a large number of end customers. This is driven by the end customers like our clients are the banks namely but the end customers each of them have their own growth objective so any additional touch point outlets or retail stores that they keep adding on that organically that keeps increasing our numbers and so we are confident that this particular number will be maintained and it will be sustained over a period of time.

Prashant Kutty: Sure. Thank you so much and all the very best to you.

Moderator: Thank you. The next question is from the line of Aejas Lakhani from Unifi Capital Private Limited. Please go ahead.

Aejas Lakhani: Sir my first question is that you mentioned about the loss of petrol pump revenues in the Q3, but we were under the impression since you are adding 1000 to 1100 touch points every quarter on the cash front was there not an offset for growth in revenues that came through because the shortfall was only Rs.3 Crores to Rs.4 Crores per quarter so did not that play out where the segments were you were growing could catch up for that missed revenue? Could you first clarify this?

Col. David Devasahayam: Just to give you a generic answer to this is the petrol bunk the individual pickups are fairly large and this is volume based because the entire thing is network cash management so that for us is an extremely lucrative segment and that is the reason why we had this impact in the last quarter and it is continuing this quarter and it has impacted us to an extent in this financial year, but at same time I would like say that it has been a fantastic year on every other account and whatever we had hoped to achieve and we set out to do, this was in some ways a kind of pause we have but I am very sure that this will be overcome in a few months in the coming year.

Aejas Lakhani: Noted and Sir again just to reiterate you mentioned that there is a recovery taking place in this account that you are referring to so could you call this out more clearly? Is it that the loss which you were facing in terms of business of Rs.3 Crores to Rs.4 Crores at least the business has restarted and you are seeing a certain percentage of that Rs.3 Crores to Rs.4 Crores is that ground being covered? What exactly is the recovery here?

Col. David Devasahayam: The recovery is that earlier the sales were very high. Let me give a number. Let us say it was say Rs.900 Crores. Now that has come down to let us say Rs.150 Crores to Rs.180 Crores and the recovery that we are seeing is on an average about Rs.25 Crores to Rs.30 Crores additional growth month-on-month so there is a steady growth, but it is taking some time and we hope that over time it will come to that old level of Rs.700 Crores to Rs.800 Crores per month.

Aejas Lakhani: Got it. Sir my second question is that have you mentioned in your opening remarks that there is a margin pressure from banks so could you explain exactly what is the margin pressure? Is it happening on renewal? Is it happening in the steady state business? Could you speak more about this?

M. Muthuraman: So this is specific to the network cash management segments where we have a flat growth over last year. If you see our kitty also we were at Rs.64 Crores last year and Rs.64 Crores this year as well so it is a combination of all these three points. One is higher share of tier one where network cash management business is not warranted and some marginal pricing pressures so these are specific individual deal level pricing. You can compute. We have given the volumes and the pricing are there. It is very marginal but correspondingly our cost also comes down and if you see the corresponding bank charges it was slightly lower than last year so the net margins on this segment is healthy and the remains as it is as there is limited growth in this segment because of these three factors. Two of which we believe are temporary and we will quickly revert to mean.

Aejas Lakhani: Got it and Sir you used to earn give or take Rs.1 for every Rs.1000 transferred in that ballpark range so is that Rs.1 under pressure? Is that what you are saying?

M. Muthuraman: No we have cut down the cost also so the margins were between FY2022 and FY2023 have remained the same if you can see that.

Aejas Lakhani: Got it okay and Sir what is the kind of segment level margins so if I were to just ask you that say cash pickup and delivery what kind of EBITDA margins does that segment have and what kind of margins does the network cash management have?

M. Muthuraman: Okay mathematically also we cannot give segmental margins because the same infrastructure is used across all these verticals. The only thing that we can give is for network cash management which I have already said. There are bank charges that are disclosed and there is the network cash management revenue that has been disclosed. That is the only segment where you can even infuse gross margin level. EBITDA cannot be given segmental because it is the same infrastructure is used across the sectors.

Aejas Lakhani: Got it and Sir it was our endeavour to pay a higher dividend that we had called out so could you just speak regarding the dividend?

Col. David Devasahayam: Well I have said that we will be a strong dividend paying company and if you remember in the last quarter we had declared a dividend of Rs.1 per share and now we have concluded as of yesterday's board meeting. Of course it will be taken to the shareholders of Rs.2 per share that we will be declaring so that is our stated policy and we will try to abide by that. Venkat can you give the dividend paying ratio.

Venkataramanan: Yes it is about 52% Sir.

Col. David Devasahayam: 52% is being paid as the dividend.

Aejas Lakhani: Sir it is Rs.2 on an EPS of Rs.6 right so that will be roughly 30%? Please correct my understanding.

Venkataramanan: The interim dividend also we are giving.

Aejas Lakhani: Okay so this is the final dividend okay. Perfect. I have understood what you are saying.

Venkataramanan: We paid Rs.1 in January 2023.

Aejas Lakhani: Okay got it and Sir just finally if I can just ask you that what do you think investors should sort of pencil as your growth drivers for FY2024 and what should we be monitoring?

M. Muthuraman: Sorry can you just repeat the question.

Aejas Lakhani: I just wanted to understand that your growth drivers for FY2024 what should we be observing for and how should we be thinking about growth in 2024?

M. Muthuraman: Drivers for growth like we mentioned as in the point additions quarter-on-quarter what is the number of points that are getting added and only these two as in volume of cash that we handle. So volume of cash I think affects about 25% of our business. Points that we add affects about 70% of our business. The rest 5% is cash on operations so that is one small temporary thing that we carry. I think you could see this even in the Q4 there has been a good jump in cash on operations, cash in transit business. We could see some bump in that because of the ongoing Rs.2000 not exactly demonetization but recall.

Col. David Devasahayam: With regard to the Rs.2000 notes we would like to say that it is only comprises of 10% of the cash in circulation and so over last year itself most of the banks has been restraining and rolling back the Rs.2000. They have not been giving it to public so it is only less than 10% of the overall volume of Rs.2000 which is currently in the hands of the public and that is now coming back. In terms of our cash pickup I feel that now quite a few of these will get utilized in the different outlets as well so personally I feel that with over 24% in Rs.500s of the cash in circulation twenty-four lakh Crores in circulation being Rs.500s there is going to be very marginal impact on us in revenue terms.

Aejas Lakhani: Got it so this will be an added tailwind for the next at least four months?

- M. Muthuraman:** One quarter yes some marginal ones yes that is right.
- Aejas Lakhani:** Thanks. All the best.
- Moderator:** Thank you. The next question is from the line of Aditya Sharma from Aditya Birla Sun Life Insurance Co. Limited. Please go ahead.
- Aditya Sharma:** Thanks for the opportunity. Sir I want to understand the levers that you talked on the network cash management so the share deteriorated because of the poor mix in the tier so we added more touch points in the tier one so just want to understand how is the touch point addition currently? Is the mix improved are we adding more touch points in the tier one so that is one and in terms of the second, I want to understand when you said there was some pricing pressures from the banks was it limited to a few clients or was it pervasive across clients and how do you see that going forward? Will the share decline further in FY2024 so if you could answer these questions around network cash management?
- Col. David Devasahayam:** With regards to your question Aditya I would like to say is as you have seen the growth has been in the retail segment. Now organised retail we are seeing there has been a lot of growth particularly in the tier one and tier two locations and in these locations typically the network cash management segment is always not as strong as it is there in the tier three and tier four locations so that is the reason why there has been a marginal impact of this. For your second question I will ask Muthu to take it on.
- M. Muthuraman:** Even individual client wise there is no pressure like that. It is individual B level pricing for specific end customers there are some negotiations going on.
- Aditya Sharma:** Okay so according to Col. David the mix will continue to remain inferior and that will actually hamper both in terms of reducing the share of network cash management in the coming years and also the margin profile will be weaker because I will suppose this is the most lucrative segment of our company?
- M. Muthuraman:** No not necessarily. This is one particular quarter and last two quarters where few large retail clients, organized retails clients added more in the tier one segment but over a longer period of time we have observed that the growth in tier one is saturated for many other segments and the growth in tier three and tier four are given which drives maximum number of growth. In our presentation if you see there is one slide which we have talked about say for example even e-commerce from various tiers. It is only 37% of the revenues are from tier three plus today and that number could be higher. It could go higher as the penetration improves. So over a period of time we expect that the share of tier three will improve from where we are today and which would mean network cash management also will continue to improve.

- Aditya Sharma:** Got it Sir so also I want to understand the idea in terms of the margin extension was that there is inherent operating leverage in the business largely extending from almost fixed employee cost so the employee cost will grow at around 7%, 8% and 10% but what we have seen as a percentage of sales to the employee cost has been constant 17% while we have delivered a strong growth so if you could help us understand why that is and what is the way forward?
- Col. David Devasahayam:** Venkataramanan would you like to take that one.
- Venkataramanan:** Yes Sir. See employee cost in 2023 is about 17%, 16.9%. We expect it to come to around 15.5% in the current year in 2023-2024.
- Aditya Sharma:** Probably what you are doing is you are adding the other income in the revenue which I am excluding so that is why if we exclude that you will get around 17% odd for both these years so I am just trying to understand like so?
- M. Muthuraman:** That is a 0.4% improvement. I would have liked to see a little higher like we mentioned in Q3 results also. If you see our Q4 employee cost vis-à-vis Q3 it is actually a reduction. We do not expect the employee cost to continue to grow in line with the revenues. Revenue guidance is at 20% whereas employee cost will be in the range of 10% to 12% only.
- Aditya Sharma:** Right and also the other operating leverage that we were talking about that half of the other expenses is more or less takes the van charges, etc., so just want to understand while the growth has been great but the margins have been quite lackluster just talking in terms of expectations so how do we build in terms of the margin profile going forward while you are guiding for around 20% growth the margins that we were expecting the delivery has been quite lackluster, if you could help us understand how to look this forward?
- M. Muthuraman:** The margins are definitely better than last year, but not as much as we expected because the petroleum sector like I said it cuts both ways right the operating leverage. We lost about Rs.8 Crores revenue in petroleum sector. If it had come through there would have been hardly any additional pass which will directly have resulted in a significantly higher EBITDA numbers so that was in a sense force majeure. We expect it to revert to mean and much healthier margins going forward.
- Aditya Sharma:** So two things are happening. One it is already in the base and second you are saying that the situation is reversing so probably next year we should get an added benefit while it is in the base and second we are making progress and the operating leverage continues to kick in so we expect the EBITDA margins to expand going forward in FY2024?
- Col .David Devasahayam:** Yes you can expect that Aditya.
- Aditya Sharma:** Sure Sir thank you so much.

- Moderator:** Thank you. The next question is from the line of Agastya Dave from CAO Capital. Please go ahead.
- Agastya Dave:** Thank you for the opportunity. Sir you have actually answered the questions but I will just get like a final closure here please tell me if my understanding is wrong? If I look at the margin pressure that you are talking about the pricing pressure that is purely because of mix right? If I look at like for like, if I look at tier one and comparative it with tier one last year and if I look at tier three and compare it with tier three last year the pricing has not changed? It is just the mix which has changed? Is my understanding correct Sir?
- M. Muthuraman:** Sir our pricing is never based on the tier. Our pricing is across, which is kind of a long-term contract with the clients and irrespective of which location it is, if it is within city limits, beyond city limits or far off locations. That is the only thing whether there is a bank branch within five kilometers, 10 kilometers or not so it does not matter whether it is tier one or tier two or tier three.
- Agastya Dave:** Sir whichever way you want to look at I do not know the reality because I am very new to the company but if I look at on a like to like basis on a location by location and like to like basis the pricing has not changed? Whatever has happened is because of the mix change?
- M. Muthuraman:** To a large extent yes.
- Col. David Devasahayam:** So that is what like Muthu had got out earlier during the discussion, I think the change is in the new deal level pricing which is coming up where we are trying to differentiate but we already have strong operating leverage so we may be able to absorb that. Otherwise these are long terms contracts with fixed pricing and there is no change in that. It is across all tiers.
- Agastya Dave:** Understood and whenever these contracts are up for renegotiation the prices at least keep up with inflation or they are again like rolled over at the same rates?
- Col. David Devasahayam:** Well there have been twice so far historically. Twice there has been an increase in 10%. Otherwise normally year-on-year many contracts are for a year on an annual basis are auto renewal that happens so therefore the pricing is not a matter of negotiation every year or every time they come up for a renewal.
- Agastya Dave:** Okay understood Sir and Sir you have mentioned several times that there is a lot of operating leverage in the business and if I go by your guidance of 20% to 22% growth and if I extend it far into the future there is always a ceiling in every business beyond which margins cannot increase so in your business is it fair to assume that let us say that ceiling could be around 25%, 26%, and 27% is like is there a number beyond which you cannot theoretically go because of which you will have to increase your costs?
- Col. David Devasahayam:** On the nature of business currently the whole industry together is doing about 1.6 to 1.7 lakh outlets. While the available opportunities, over 30 lakh outlets. There is only small segment of

which has got and if you look at US market today which is 85% is organised retail compared to us growing to 20%. Now their 65% of the organised retail is done by retail Cash Management Company. We are just at the start point of this and we feel as if there is any that here after it is already a mature market or it has reached a certain level I think that it will be too premature to take that kind of a view.

Agastya Dave: Sir I completely agree with you on the opportunity side on the revenue side? You can keep growing for a very long time at a very decent pace? All I am asking is in terms of costs? There is obviously an operating leverage as you have discussed but is there an upper limit like for example can you ever be a 30% EBITDA margin business at triple the scale so let us say today if you are approaching Rs.350 Crores to Rs.400 Crores but let us say when you become a Rs.1500 Crores to Rs.1600 Crores company will your margins be 30%? Is there a limit beyond which the margins cannot go because the additional costs kick in?

M. Muthuraman: See our fixed cost is kept fixed cost yes theoretically you are right. We have not given our guidance on the margins in future but one thing we can say is that today we are not anywhere near hitting the ceiling.

Agastya Dave: Great Sir. That is exactly what I wanted to understand. One final question Sir you mentioned that next year you will be doing Rs.20 Crores to Rs.25 Crores of capex so what will happen to our depreciation going forward when these are fully capitalized? Can you give some number to that? Will we see doubling of our depreciation?

Venkataramanan: This year our depreciation was about Rs.45 million. The next year our depreciation would be around to the extent of Rs.65 million to Rs.70 million that is all.

Agastya Dave: Rs.65 million to Rs.70 million right and then roughly at that level going forward right because this is an exceptional?

Venkataramanan: Right.

Agastya Dave: Rs.65 million to Rs.70 million. Great Sir. Thank you very much and all the best.

Moderator: Thank you. The next question is from the line of Gaurav Nigam from Tunga Investments Private Limited. Please go ahead.

Gaurav Nigam: Thank you for taking my questions. Sir I have two questions. I will start with first. Sir what is the number of points per beat that we serve as on date and what has been this number over the last three years 2021-2022?

M. Muthuraman: Sorry number of points.

- Gaurav Nigam:** Per beat?
- M. Muthuraman:** Sorry number of points per beat I did not understand the question. Can you repeat.
- Gaurav Nigam:** Your van go to on a beat basis right in a particular route so number of points that you service on a per route basis?
- M. Muthuraman:** It is a wide-ranging number. There is no fixed number that I can put but you have a sense we have serviced 63,000 plus points in FY2023 and we have about 7000 plus category so this number is disclosed in our RHP as well and in the presentation that we have uploaded yesterday so you can get a sense roughly about six to seven points purpose.
- Gaurav Nigam:** Okay and is there a possibility of increasing it or we have made the feeling of number of points which can be done?
- M. Muthuraman:** No as I told you there is a wide range. There could be some routes where it is only two points and some routes where it is 28 points also.
- Gaurav Nigam:** Got it. Sir that will depend on the density of the shops that we are servicing?
- M. Muthuraman:** That is right.
- Gaurav Nigam:** Sir how many visits is done by per van on a single day on an average?
- Col. David Devasahayam:** Please repeat that question.
- Gaurav Nigam:** How many visits are done by per van like how many routes are done by one van on a single day basis?
- Col. David Devasahayam:** Col. Benz Jacob would you like to take it on.
- Benz Jacob:** Each van generally has 1 route only in case of cash pickups and delivery because they start in the morning at 10'o clock and then till say in case of bank deposit they must do it around 1'o clock or 2'o clock and then go to banks or in case of vaulting they come to the vault by around 6'o clock so it is on route and the van route is so designed that maximum points are picked up in the van.
- Gaurav Nigam:** Understood Sir. Sir the question is this number of routes will it always remain one for the business construct that we are in?
- M. Muthuraman:** That is right because cash deposits banks do not accept cash deposits beyond 3 pm.
- Gaurav Nigam:** Understood okay. Perfect. Thank you Sir for answering my questions. Thank you.

- Moderator:** Thank you. The next question is from the line of Hena from DAM Capital Advisors Limited. Please go ahead.
- Hena:** Thank you for the opportunity. Sir the first question that I have was basically a continuation from the previous participant about growth levers in the business and of course you indicated that touch point addition would be one of them increasing your network currency business so could you probably pinpoint industry that would be contributing to the growth?
- M. Muthuraman:** What we had witnessed in FY2023 is a fantastic growth in retail and very good growth in BFSI and both e-commerce and e-commerce logistics.
- Hena:** No I am saying going forward what can we expect?
- M. Muthuraman:** We expect that these four segments as in all of them will continue to contribute fairly healthy.
- Hena:** E-commerce, BFSI and retail?
- M. Muthuraman:** BFSI, e-commerce, e-commerce logistic and retail.
- Hena:** So the reliance on the petroleum industry for our network currency business is too high. So is there any way of pivoting away from this, adding other industries to the mix which could possibly in the future in case there is an impact it would not be a huge one?
- M. Muthuraman:** No I do not think that is the correct statement to make. You can say it the other way. In the petroleum industry a good part of the business enjoy network cash management. Network cash management is not dependent only on petroleum. It is from across various sectors across all sectors.
- Hena:** Okay and just a last on the pricing pressure, I know there has been a lot of questions but just one thing that I want to clarify was the pressure is coming from new additions so is there competitive intensity rising or probably some competitive cutting prices is why customers are asking for a lower price?
- Col. David Devasahayam:** I do not know. Something is wrong with your voice. Can you just probably adjust the microphone and speak again.
- Hena:** What I was trying to ask was on the pricing pressure specifically on the new deals is this because the competitive intensity has gone up or there is some competitive cutting prices is why clients are expecting a lower price?
- M. Muthuraman:** There is increase in competitive intensity. It may be marginal unintended effects of us going public. They are seeing our healthy margins, pricing negotiations but we have a highly strong relationship with all these banks for 15 plus years to 17 years so we do not expect that to have any impact.

Hena: Okay thank you so much.

Moderator: Thank you. The next question is from the line of Raju Barnawal from Antique Stock Broking Limited. Please go ahead.

Raju Barnawal: Thank you for the opportunity Sir. My question is on the new business that we are looking to venture into the diamond, jewellery, bullion metals so could you please help us understand that the opportunity and competition in this segment and by when one can see the revenue additions on this segment so could you please elaborate on this?

M. Muthuraman: No so we have just taken a board resolution to amend the MoA as an enabling provision at this point of time. We feel that it is an adjacent market which can have a significant scope and probably we can utilize our strength in handling high value cash to similarly replicate in diamond, bullion and jewellery but at this point of time it is just an enabling provision which needs to get the shareholders approval and thereafter we may think of it. It is too preliminary for us to give anything concrete.

Raju Barnawal: Okay Sir thank you.

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

Col. David Devasahayam: Well I must thank the analyst for some wonderful questions which has set us all thinking and I thank you very much for having taken the time to attend this call and posed all those interesting questions. To conclude, I would like to say that at the core we are a network management company operating with the rigor and discipline of the armed forces. I would like to reinforce that at the core we are essentially a network management company operating with the rigor and discipline of the armed forces. We take great pride in our culture and see it as a platform in exploring business opportunities in adjacent as well as new age businesses. I want to emphasize our appreciation for the trust and confidence you have placed in our company and promise you of our commitment to deliver long term value to our shareholders. Lastly, I would like to thank Antique for having taken the effort for having hosted the call this morning, especially Sohail Halai. Thank you Sohail and thank you very much all of you.

Sohail Halai: Thank you Col. David Sir for sharing and the team for sharing their insights and wish you all the best Sir and hope to stay connected. Thanks a lot Sir for your time.

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

*****End*****