RADIANTCMS/EarningsCall/SE/2022-23

Date: 03.02.2023

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

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

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

Sub: Transcript of the Earnings Conference Call for the unaudited financial results of the quarter and nine months ended December 31, 2022, held on January 30, 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 nine months period ended December 31, 2022, held on Monday, January 30, 2023, for your information and records.

Kindly take the above details on record.

Thanking you,

Yours faithfully,
For RADIANT CASH MANAGEMENT SERVICES LIMITED

COL DAVID DEVASAHAYAM
Digitally signed by COL DAVID DEVASAHAYAM
Date: 2023.02.03 19:13:24 +05'30'

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

"Radiant Cash Management Services Limited

Q3 FY '23 Earnings Conference Call"

January 30, 2023

MANAGEMENT:	**COL. DAVID DEVASAHAYAM** **– CHAIRMAN AND MANAGING DIRECTOR** **MR. VENKATARAMANAN** **– CHIEF FINANCIAL OFFICER** **MR. MUTHURAMAN** **– DIRECTOR (ADVISOR) STRATEGY AND INVESTOR RELATIONS**
MODERATOR:	**MR. SOHAIL HALAI – ANTIQUE BROKING**

Moderator: Ladies and gentlemen, good day, and welcome to Radiant Cash Management Services 3Q FY '23 Earnings Conference Call hosted by Antique Stock Broking. As a reminder, all participant lines will be in a 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 sign 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. Sohail Halai from Antique Broking. Thank you, and over to you, sir.

Sohail Halai: Thank you, Aman. Good morning, everyone. We welcome you all to 3Q FY '23 Earnings Call of Radiant Cash Management Services. The company is represented by Col David Devasahayam, CMD; Mr. Venkataramanan, CFO; and Mr. Muthuraman, Director (Advisor) Strategy and Investor Relations. I would like to take this opportunity to congratulate David sir for his new listing and also a good set of earnings.

And without further delay, I would like to hand over the call to David sir for his opening remarks. Over to you, sir.

Col. David Devasahayam: Good morning, everybody. Thank you, Sohail for the introduction. I'd like to introduce myself. I'm Col. David Devasahayam, the Chairman and Managing Director of the Radiant Cash Management Services Limited. And along with me are my senior management team members. I have with me the CFO, Mr. T. Venkataramanan and also the Director for Strategy and Investor Relations, Mr. N. Muthuraman.

I'd like to thank all the investors, particularly anchor investors, institutional investors, HNIs and retail investors who have participated in large numbers to make our IPO a success. I thank the investors who have joined the first analyst call of the company this morning.

Let me begin by a factual readout of the 3-month performance and 9-month performance of the company. Revenues for the quarter ended December 31, 2022, grew by 19.4% to INR 93.2 crores. The PAT for the quarter ended December 31, 2022, grew by 53% to INR 70.67 crores. Revenues for the 9-months ended December 31, 2022, grew by 27.6% to INR 266.1 crores. And the PAT for the 9-months ended December 31, 2022, has grown by 73.3% to INR 47.19 crores. So it's been a satisfying performance and we were very happy to upload it on the exchanges on Saturday, the 28.

During the first analyst call, I would like to briefly explain the business of our company. Radiant is in the business of retail cash management, an important segment of cash logistics industry. We are the market leader with over 40% market share in retail cash management and we are present across the country. We work primarily with banks who are our clients.

On behalf of banks, we pick up cash from various outlets and deposit the cash in the bank branches. We get paid by the banks, a fixed charge per outlet per month. This is the core of our business and account for over 65% of our revenues.

Our second business vertical is network cash management. This is a premium value-added service we offer to the banks. Here, we deposit cash in our own bank account and then electronically transfer this to our client bank. This is required in places where a client bank does not have a branch. Here we charge the bank based on the volume of cash that we deposit in our account, this segment accounts for about 20% of our revenues.

We also give cash vans on hire to banks for bulk movement of cash between their vaults and branches. This segment accounts for 6% of our revenues. Other value-added services such as cash processing, vaulting, van behind counter, etcetera, account for the rest.

So, what are the key drivers of our business? We are present in approximately 60,000 outlets today. As per industry estimates, the entire industry is picking up from less than 1.5 lakh outlets. But the potential market is huge with over 30 lakh outlets eligible to use this service. This could provide us a significant growth opportunity for many years to come.

We have been adding 1,000 to 1,200 outlets per month, which is spurring our growth. These points come from both existing end customers as they expand their operations as well as new end customers to whom our client banks start offering these services. While these outlets are currently serviced by us through banks, we're also making conscious efforts to reach out to more and more outlets directly, where their banks, particularly this we observe in the nationalized banking sector, our services have not been fully taken up and these Banks don't offer these value-added services. Direct clients account for about 2% to 3% of our revenues currently, but this is likely to increase in the future.

So, what is so unique about us? I was from the armed forces and so the 21% of our workforce including the top leadership team. We run the operations with military discipline, the great deal of integrity and more importantly, frugality and take pride in handling such a large volume of public money without any adverse incidents. This is the reason our cash losses are the lowest in the industry.

We work with several marquee banks across private sector, foreign and public sector banks. Our relationship with banks are long term in nature and we strive to continuously improve quality of our service. This is the reason we have hardly lost any bank clients in our 17.5 years in operation. We're also very proud of our technological adoption and innovation. We have API integration with the core banking solution of banks and modules, especially developed for our key end customers. This makes our business with them very sticky.

So therefore, what does the future hold for us? Now that we are a public company with several small shareholders with a responsibility to strive hard to grow the business faster and continuously generate healthy profits. The entire Radiant team has taken this responsibility very seriously and you all would see the results of this in the coming quarters.

As I mentioned earlier, the opportunity is humongous in retail cash management as it is a nascent industry in our country. This will provide significant growth, scope for growth for us in the medium term. We're also looking to expand our business from direct clients and towards this, we have hired a Senior Resource -- Chief Business Officer with relevant experience, to head this initiative.

I would now like to request Muthuraman, our Director Strategy and Investor Relations to talk about the operational KPIs we have achieved and its impact on our financial results. It's over to you, Muthu.

N. Muthuraman: Thank you, Col. Good morning, everyone. Thanks once again for joining our first analyst call post IPO. I'll present the update on operational KPIs and we'll try to link the same with our various business verticals that Col. just explained about. We are present in 13,300 plus pin codes across 5,500 locations in India. In fact, we are present in every State in the Country, except Lakshadweep.

This has been our strongest USP, as a wide network helps in servicing maximum number of clients, thereby improving our route density and hence our profitability. In the 9-months ended December 31, we handled 1.17 trillion of cash. This reflects a growth of 20% over FY '22 on an annualized basis.

We operate at 59,750-plus touch points as on December 31, 2022. Again, a growth of 20% over the March, number of 49,980. That's close to 10,000 points added in 9-months or about 1,100 points per month. We have been adding such numbers every month for the last several quarters, and this is the growth driver for our first business vertical that Col. spoke about, that is cash pickup and delivery accounts for 68% of our revenues and the number of touch points is the direct growth driver for this vertical, as we charge our banks a fixed amount per point per month.

68% of our revenues for the 9 months ended December 31 came from Tier 3 plus locations. This is a key growth driver for our second vertical that is the network cash management, which accounted for 18% of our revenues in this period. Tier 3 plus locations have very limited branch presence. As against, 61 bank branches per lakh population in urban areas, India has only 6 branches per lakh population in rural areas. So, in such areas, our value-added product of network cash management, helps our bank clients to offer this service to end customers even where they do not have a branch presence.

As on December 31, 2022, we had 840 cash vans and a staff strength of 9,200, including 2,100 employees and 7,100 contractual workers. Of this 21% are from armed forces, again a USP for Radiant, which has helped keep our cash losses to the minimum. For this 9-month period, our gross cash losses, that is, before the insurance claim was about INR 4 crores. Obviously, the impact on the P&L is much lower than that.

We added about 13 clients in this 9-month period, all of whom are direct clients. This has helped increase the share of direct clients in our revenues to 2.4% in this 9-month period as against 1.5% in FY '22. We serviced 3,200 odd end customers in this period, which is up from INR 2,675 in FY '22. All of these has helped generate a very healthy ROCE of 33.3% and a return on equity of 27.4% for this period on an annualized basis.

More importantly, we generated free cash flow from operations after working capital changes of INR 42.5 crores in the 9-month period ended December 31, as against INR 31.1 crores in FY '22, representing a growth of over 35%.

I now like to request Col. share his concluding remarks.

Col. David Devasahayam: Well, quite a bit has been already said by both of us. And I would like to say that the medium term, thats till FY '25, I do not foresee any challenge to the growth that we are currently predicting of 22% to 24% year-on-year and that will be our endeavour, and I think we are on track as of now, particularly for the fourth quarter.

With that, I would like to now open this communication for any questions from any of you. And it will be endeavour to answer them. It's over to Sohail and you all.

Moderator: The first question is from the line of Aejas Lakhani from Unifi Capital.

Aejas Lakhani: Congratulations on the listing and good set of numbers. So, my first question is on the pickup points, which is a crux of the business. So, if you look at the growth you've added in terms of touch points, is there a difference in the revenues for Tier 1, Tier 2, Tier 3 Plus because there's been heavy growth in Tier 1 and Tier 2 versus a Tier 3 per se. So, is there a revenue differentiation, which is like skewed in favour of Tier 1, 2?

Col. David Devasahayam: Our pricing is common across all the tiers. We enter into long-term contracts with banks and the pricing is just purely based on the particular points location. It is whether within city limits, beyond city limits or far off location. It could be in Tier 1, Tier 2 or Tier 3, the pricing is the same.

Aejas Lakhani: Sir, you mentioned in your opening remarks that in the rural places, the connectivity is much lower from an ATM perspective. But what is visible is that the number of touch points splits have gone up significantly in Tier 1, so its used to be in the 6,000 ranges, but that's moved to 10,000 now. So could you explain what has caused the jump in the Tier 1 cities for more points?

Col. David Devasahayam: And again, quickly just put a number to it and give you a specific answer. The answer is that organized retail is growing rapidly. There's also e-com, e-com and e-com logistics is growing pretty rapidly. And they are initially concentrating. It's not going to be for a long time. It's going to cascade into Tier 3 and Tier 4 locations. But as of now, the growth that we are initially registering is very-very concentrated in Tier 1 and Tier 2 locations. And that's the reason why you see these additional numbers.

Aejas Lakhani: And sir, is there a seasonality with the fourth quarter being from a seasonality perspective, the best quarter for us?

Muthuraman: Usually, third and fourth quarter are the best quarters for us. So you typically, as you can see last year, I think we have given our quarterly numbers as well. Q4 and Q3 revenues more or less matched last year.

Aejas Lakhani: And sir, could you call out that except for the new touch points that you keep adding, you've mentioned the number of 1,100 points per month, which you're expecting to continue? So this is one lever of growth. Second you had mentioned on call that you have added new direct clients. But do direct clients account for a better revenue than going through intermediaries like a bank?

Muthuraman: No, our pricing is fairly standard across direct clients as well as for banks.

Aejas Lakhani: And so could you call out some of the other group levers except for the addition in touch points?

Muthuraman: Yes, so for the first segment, it is additional touch points which has a direct correlation, one on one correlation. Obviously, the volume of cash handled also has an impact. As I said, the pricing is dependent on two variables. What is the daily cash limit, and where is it located. So these are the two variables based on which our pricing is determined. So volume of cash handled, like I said, it is INR 1.17 trillion in this nine month period that represented about a 20% growth on an annualized basis over last year. So the second lever could be for the first segment, that is the pickup and delivery, is also the volume of cash handled. Though the correlation is not strictly one-on-one, a stronger correlation will be based on the number of points.

For the second segment, correlation will be based on three aspects. One is the share of foreign banks and private sector banks in our Rural. Foreign banks in particular, because the network cash management as I said is more relevant where the banks do not have their own branch presence. Foreign banks have limited branch presence, so almost substantial portion of their revenues go through our account as well. So we get to charge the network cash management. So the share of foreign banks will be one of the levers. Second is the share of Tier 3-plus revenues because there the branch presence is low. And third obviously is the volume of cash because that is priced volumetric, directly at advalorem pricing. The amount of cash that we deposit in our account is directly correlated there.

Aejas Lakhani: So what is the percentage of revenues that is coming from foreign banks versus private and public?

Col. David Devasahayam: We have given that in the analyst presentation that we uploaded. It's about 25%. Slide 10.

Aejas Lakhani: So, is there any other growth lever that you feel that investors should know about?

Col. David Devasahayam: Group?

Aejas Lakhani: Any growth levers

Col. David Devasahayam: Growth levers? I think these covers about 90% of our revenues. The cash processing, cash van operations are fairly standard, the ancillary revenues that we make. I think you have covered it.

Col. David Devasahayam: Cash van operations, as you know, in the fresh issue, we are purchasing another 200 cash vans. The consolidation that has happened in the industry, we are looking at new contracts. The early contracts, thanks to the COVID, were being extended to players who do not have the RBI criteria, meet the RBI criteria. Now that is behind us, I think new contracts that come up, we'll also be competing that and that's one of the reasons we have gone in for 200 additional vehicles. I'm not putting a number to it, but we are looking at it as another growth segment that we can have.

New clients that we have, I mean, direct clients that we are looking at, I think that's going to also substantially have an impact on our future revenue. These are the additional aspects that we are looking at.

Aejas Lakhani: And so the cash vans, you placed the orders for them. When are they expected to start being revenue generators?

Venkataramanan: We have placed the order for about 40 vehicles. We have already placed the order. Another 160 vehicles are likely to place an order in the coming financial year.

Aejas Lakhani: So it's going to be spread out over, next quarter to the next year, the revenues from this ?

Venkataramanan: 40 vehicles will be getting it before the end of this financial year. Another 150 to 180 vehicles in the next financial year,

Moderator: The next question is from the line of Prashant Kutty from Sundaram Mutual Fund.

Prashant Kutty: Thanks for the opportunity. Congrats for your listing, sir. Just a few book-keeping questions with the first half and then probably a couple of other things. So, firstly, just a clarification - is the cash pickup and delivery was about 68% of the revenue, right?

Venkataramanan: That's right. Yes.

Prashant Kutty: And network cash management was about 18%.

Venkataramanan: That's right. Its 58.8 and 18.3.

Prashant Kutty: And did you mention, what was the network cash management you did on an annual basis as of nine months?

Muthuraman Sorry. Can you repeat the question?

Prashant Kutty: No, I am saying did you mention, because I couldn't see in the presentation the amount of network cash managed. We have the cash movement annual number, but we did not have the network cash managed number. If you could share that?

Muthuraman: I'll just tell you.

Muthuraman: Well, compared to the, about 40% of the total cash that is moved is under network cash managed. Do you have exact numbers?

Muthuraman: INR 41,147 crores.

Prashant Kutty: That's roughly about 40% of the number. 35% of the number.

Muthuraman: Slightly less than that.

Prashant Kutty: So just on this point itself, sir, typically now when you speak about network, currency management and all, you always mention that that is particularly about 40% of the number, but if I look at this quarter, it has kind of come down. Just want to also understand, usually the third quarter, you said is a strong quarter because of festive season and all. However, if you look at the numbers, is it something which you would have probably expected to be on a Q-o-Q basis, this number or we probably were expecting a higher number? Purely, because if I look at the last two quarters, we've done about INR 85 crores to INR 88-odd crores number, but on a sequential basis, the jump doesn't seem to be high given that a third quarter and fourth quarter are usually be? Is there any spillover effect which is there?

Muthuraman: No. Not a spillover effect. There was a temporary setback in one particular sector. If you could see our sector-wise revenues also we have given. The petroleum sector we did have some small headwind because we handle largely with the private sector petrol pumps, not the public sector ones. And there the pump price between private and public had slightly widened. Because of that their own volumes had some challenge. We believe it is a temporary phenomenon and should come back to steady state soon.

Prashant Kutty: And is there -- can you comment quantifiably what was the impact of that or something of that, sir? Or was there, is there any quantification on that?

Muthuraman: That will be conjecture. As in what could have been versus what is actual. As in you have the data on the -- what was the last year, full year and what is the current,? So that data I can update in the presentation and share.

Prashant Kutty: But apart from that, you just spoke about the petrol pump side, but in general if you look at it, the other parts of the business should have actually been growing faster. So is that on track when you talk about the organised retail part of the business market and all because even ex-of that, the growth rates should have been higher. Because, In terms of touch points, we have seen a good number growing up. That is the reason I am checking on that?

Muthuraman: Yes, we are seeing robust growth e-commerce and e-commerce logistics, robust growth in organized retail and decent growth in BFSI. These are the three largest segments, in the total.

Prashant Kutty: Just to that point itself sir, when you said that that's like a temporary thing, you spoke about the petrol pumping, have you seen that kind of coming back on track? I mean has it kind of been, issue been resolved right now?

Col. David Devasahayam: Yes, I personally feel it's a temporary situation. I think it should get restored. I'm unable to put a timeline to it, but I think it should happen in the near future.

Prashant Kutty: And on the question in terms of the Tier 1 seeing an improvement in the number. Typically, while you did say that the pricing is the same, but typically in terms of cash handling and all, the number will be much higher for Tier 1, right? And we've always seen higher number from a Tier 3 perspective. And we've been suddenly seeing an increase in the Tier 2 and Tier 1 numbers, actually. So I presume, one should assume that that will actually start driving us leverage as well as the scale of Tier 1 and Tier 2 keeps rising. Is that a fair assumption to make in terms of our margins and all?

Muthuraman: No. Actually, if you see our percentage of Tier 1, Tier 2, Tier 3 points and revenue percentage, it will more or less match a percentage here and there. So that is reflective of our long-term pricing as well, long-term pricing that we have with the banks as well. There are multiple factors. Yes, the individual points will handle higher volumes. So to that extent, the per-point volume could be slightly higher. But, and the route density also typically tend to be higher in Tier 1. But at the same time, the cost of operations tend to be slightly higher as well in Tier 1. So in terms of the overall contribution to the bottom line as well, we don't see a difference, sharp difference in contribution from Tier 1 versus Tier 2 versus Tier 3.

Muthuraman: And the Tier 1 increase that you are observing and commenting upon is largely driven by the retail. Organized retail is growing very rapidly in our country and we are seeing as a consequence we are seeing the growth which is happening in that.

Prashant Kutty: But otherwise there is no such change in terms of the pricing and all. The pricing largely is being maintained as far as the company delivery is concerned and even network cash management is concerned. The pricing as such is being largely maintained, right?

Muthuraman: Pricing has been sustained and maintained like this and there is no impact on pricing in any way.

Prashant Kutty: Lastly sir, from my end in terms of guidance like you just highlighted that you should see, I presume that probably there will be some spillover effect going on to the next quarter and typically the fourth quarter is the best quarter. What is the margin, what is the revenue and our margin guidance if you could just throw some light on that part for the next year?

Muthuraman: I like to remain conservative. I mean I am hopeful for better numbers but at the same time as the existing trajectory and track that we are currently maintaining I think it will be sustained and it will definitely continue into the fourth quarter which we will see in the next numbers it will be uploaded sometime in May.

Prashant Kutty: But the reason I am asking that specifically sir is while you did touch upon the fact that you have seen about close to 20, you can probably say about 20%, 25% kind of a growth number, this quarter obviously was slightly lower. And we presume you said about the petrol pump issue. But on an average, you should assume that this number should be growing at about 20% to 25%. That's a fair assumption to make, given the fact that we are adding almost about 12,000 to 14,000 touch points per annum?

Col. David Devasahayam: Well, I would just like to look at this. Let's look at the PAT itself. PAT, last year was INR 38 crores. Currently we are at INR 47.2 crores. At the end of the third quarter, in nine months itself, we achieved this. And nine-months-on-nine-months comparison, it's nearly a 73% growth. So it's a very strong indication by any standards and we hope to sustain this.

Prashant Kutty: And one last bit, sir, you've also seen, since you also touched upon the fact that you've seen a good amount of PAT number, it's also driven by a very strong EBITDA margin number. Are you saying that you're probably sustaining this number or can we actually better this number going forward?

Management: Currently, I'd like to say, like to sustain these numbers close to 26%. It's a good number to target, but we hope to improve upon it in the midterm.

Analyst: What could be the lever for margin? Is it just leverage? Or is there any other legs in terms of cost is something which we can probably cut off if margin has to improve or is it just leverage I presume?

Muthuraman: See, the operating leverage is clearly at play. You could see that in the third -- in the 3 months -- 1.4% is growth, whereas EBITDA growth was 42% and PAT growth was 53%. So the operating leverage is a place that will continue to demonstrate not only in Q4, we are hoping that, that will continue in the next year as well.

Moderator: The next question is from the line of Aditya Sharma from Aditya Birla AMC.

Aditya Sharma: A few questions from my end. Sir, we were expecting somewhere around flattish growth in the employee cost, while in this quarter, the cost of employees has increased much ahead of even revenues. So can you just point out what has led to that?

Venkataramanan: See, there are two reasons for that. One is there has been an increase in the cash executive expenses during the second quarter and third quarter, slight increase . We hired them considering that the volume will pick up in the third quarter. Second reason is we have given some increases to our existing stock during the second and third quarter. These two reasons -- these two are the reasons for the slightly higher cost in employee costs. The second and...

Aditya Sharma: Can you please repeat the second argument

Venkataramanan: First reason is the increase in the cash executive costs. Second is the annual increases to our own stock during the second and third quarter.

Aditya Sharma: Annual increase in the...

Venkataramanan: For our staff...

Aditya Sharma: Annual increment.

Col. David Devasahayam: Increment normally...

Aditya Sharma: And so according to you, the volume pickup wasn't as commensurate as expected and you hired a higher number of executives than was required.

Muthuraman: I would not put it like that. We are building in capacity because we are expecting a fairly robust growth in the current quarter as well...

Aditya Sharma: Just coming back on the growth front, as we would understand the Tier 3, Tier 2 in smaller towns, the marriage season and the festival season is quite big. And did you see the weakness in the demand, which led to this or fixed pricing, there is actually no impact from the weakness in the rural demand. So how should one understand this situation...

Muthuraman: Yes. Our Tier 3 revenues have continued to remain as a percentage. So overall, as I mentioned, only one place where we did experience some weakness versus the petroleum sector. E-commerce - organized retail has shown the highest growth followed by e-commerce sector. BFSI growth has been steady and Petroleum was a little lower.

Aditya Sharma: I'm just trying to understand does a weak rural demand actually have an impact on your revenues? No. A hypothetical question, if I would say that?

Muthuraman: No, because our share of rural revenues have continued to remain at 67%.. So the company overall has grown at 19.4% and the share of the rural Tier 3 revenues also have grown at the same pace.

Aditya Sharma: And also, we are showing higher growth in tier cities in terms of outlets. So I just wanted to understand two things. In terms of pricing, as you said, there are two levers. One is the amount of cash that is handed and the second is the distance. So my understanding would be the distance traveled in these cities would be much lower than Tier 3. And I would presume actually that the dependence on the distance would be more in terms of pricing compared to the amount of cash handled. So is this understanding correct?

Muthuraman: No, pricing is just purely based on the location. It is not based on the distance. Individual points, 60,000 points. There's no way we can compute the distance from that point to the nearest bank branch or from our offices. It None of our pricing is based on the number of kilometers travelled. It is just purely based on the lot, whether it is 3 categories, within city limits, beyond city limits or far off locations.

Col. David Devasahayam: **In** Tier 1 locations the employee cost is slightly on the higher side when compared to Tier 3 and Tier 4. The distance being less, it all kind of balances out.

Aditya Sharma: So are you saying in terms of the margins, it would be similar because it will be in the city limits, but the cost would also be higher.

Col. David Devasahayam: Absolutely, that's right.

Aditya Sharma: Also wanted to understand this part. So our network cash management is a margin-accretive business. And as we grow more and more in cities such as Tier 1, I would presume that the share of this business would come down. So the margin expansion that we were envisaging before would take even longer. So is that understanding correct?

Muthuraman: No, no. This quarter, higher number in Tier 1 we believe, is a one-off phenomenon because of strong growth in the organized sector , retail sector from one or two clients, specific clients. Over a over period of time, we expect that our share of revenues in Tier 3 will continue to be over 65%, and that will continue to have a robust positive impact on the network cash management. We don't expect the share of it to reduce from where it is today.

Aditya Sharma: Sir, what has changed - because when we were analyzing the company, we were probably guiding for margins of closer to 30-odd percent. And now we would like to sustain around 26%. So if nothing has changed materially in the environment why there is a change this time?

Muthuraman: Like I said, that petroleum sector headwind had some impact on revenues. As you say, high operating leverage cuts both ways.

Aditya Sharma: And I'm not talking about this quarter. I was trying to understand more from the coming year, FY '24. So the margin expansion was clearly on the cards. But now it seems we're talking about sustaining these margins. So I just wanted to understand this more clear

Col. David Devasahayam: Well, site, we have not given any kind of public guidance on this. And I would not like to comment specifically on anything we can have independently a discussion, and it's always a pleasure to hear from you today. And I would just like to point out that currently, we have reached INR 47.2 crores of PAT at the end of 9 months, and we had done INR 38 crores of PAT last full year. And this is a 9-month comparison. It's nearly 73% growth. And we hope to sustain and build on this in the time ahead. Certain additional aspects are like we have bought about 50 vehicles also during the last 2 quarters. So that again has had an impact. So I would like to leave it at that point because at this public forum, I would like to not place any specific numbers in public items.

Analyst: Okay, sir. Sure sir. Thank you so much.

Col. David Devasahayam: Thank you, Aditya.

Moderator: The next question is from the line of Suman Kawatra from TechFin Consultants.

Suman Kawatra: Do you foresee any pricing pressure due to upcoming competition in this business? Or do you think the prices will remain stable or go up, number one. And number two, as your 9 months, you've got 73% growth, can we assume that this continues, you may reach a PAT of about INR 100 crores next year.

Col. David Devasahayam: Well, with regard to the competition, I'd like to say that, first of all, you need to have a network -- we have built over the last 17.5 years. It's a very positive, very strong network based on an ex-service culture and DNA. To truly compete to that another person to come in with this kind of a network immediately could be difficult. And therefore, we don't see any kind of strong competitive pressure in retail cash management. With regards to the kind of growth that we have registered, I wouldn't like to be that optimistic. But I'd like to say that in the midterm, we are looking at revenue growth of 22% to 24%. And the frugality with which we conduct our operations. I think our EBITDA and PAT will also be on a positive note, and we look forward to sustain that. But I wouldn't like to put any definitive numbers for the future. We are on track. And I think the fourth quarter is also looking very positive for us.

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

Mukul Garg: Yes. So just wanted to follow up on a couple of earlier questions. If you look at the near-term Q3, there were obviously some noise, which we are fearing on the slowing impact in the retail space and macro demand. And just wanted to kind of check on that. Are you seeing any impact on account of the weaker macroeconomic environment on the retail cash management business? And if it is the case, excluding the petroleum issue, how are we kind of tackling the macro effect?

Muthuraman: Every metric that we are looking at is looking fairly healthy Mukul. As I said, the cash handled is the real barometer for that. If you're looking at this as a surrogate for the rest of the sectors that is INR 1.17 trillion is a 20% growth over last year, annualized basis. We expect that in the sense if the petroleum issue was not there, we would have crossed that 20% also to reach probably 23%, 24%. So E-commerce has shown a fairly robust growth. Organized retail has shown exceedingly healthy growth for us. BFSI has been fairly stable in steady-state growth. So I'm not seeing any such macro indicators reflecting in our business volumes that we have and so are our revenues and costs.

Mukul Garg: Right. So Muthu sort of the 9-month number, is it possible to share the Q3 Y-o-Y growth in terms of the cash movements which we have handled and generally compared to Q2 also because this is obviously seasonally stronger quarter with weddings and multiple festivals, which usually take place. The quarterly increase in revenue growth also has been in line with past trends.

Muthuraman: I don't have that number ready. We can update the KPIs on a quarterly basis and upload in the website and share to the investors.

Col. David Devasahayam: Mukul, last year, we moved arounf INR 1,30,000 crores. In the year'22, that's what we have moved. Now in the first 9 months, we have already moved INR 1,18,000 crores where I think it's likely to touch about INR 1,60,000 crores by the end of the year. That's the volume of cash that we've been moving and it's moving on expected lines.

Mukul Garg: And also, second part on the employee cost increase which we have seen this quarter. How should we think about the directionality or the correlation of employee cost increase versus the revenue over the medium term, beyond the very, very near term. And assuming that we have obviously added both senior as well as on the ground team this quarter, which might have had some impact on cost. Will we now kind of utilize them and go with the impact on employee cost which will be relatively kind of behind the top line growth over the next maybe 1 year or will it continue to move in tandem?

Venkatramanan: We will be able to maintain the same growth what we have achieved in the last 9 months.

Employee costs for the fourth quarter, it will be the same -- almost the same level as what we had for Q3. And going forward, when the volume picks up, it should – there is a chance, it should marginally come down and the volume picks up.

Moderator Thank you. The next question is from the line of Dhiral from Phillip Capital.

Dhiral: Sir, Thank you for the opportunity. What are the typical risks to the network cash management as well as the cash pickup and deliver or that we can see right now?

Col. David Devasahayam: Risk is essentially cash - in - transit loss risk, which is there. And cash and transit loss, because of the fact that we deal with public money with a lot great deal of responsibility. And the fact that nearly 21% of the workforce is ex-service. There's a great deal of integrity, responsibility and discipline that we handle this public money. And that’s one of the reasons why we are one of the best cash-in-transit company in the industry.

We have a DGP who is in charge of the whole organization and nearly 130 employees who former unit commissioned officers, former police inspectors are there. And we don't wait for an incident. We are constantly in touch with the SPs of the district. So that in case of any eventuality there is an immediate response from the police and we're able to deal with it appropriately. That's the reason. That's the only risk that we foresee in the future.

Dhiral: And sir, whether a faster adoption of UPI is a risk to our business.?

Col. David Devasahayam: This is something we have been answering across the board. And when I talk about it and the RBI is quite surprised, I said the question is being raised. See, in a country of ours, its a growing economy. There was only one option that was a transaction in cash until very recently. Now all the measures that the current government is taking in terms of digitization and UPI or even digital currency that they are planning to introduce, all these are very welcome measures in a growing economy which aspires to one day be a fully developed economy. And the public must have options for transaction.

So currently, at the same time, let’s also sees the fact that 14% of the GDP is cash as of now. And cash in circulation, which was about INR 1.6 lakh crores in 2016 has today grown to INR 31.5 lakh crores. gone to be 41.5 lakh crores by 2025. And it's also an indicative, if you look at our business now in the 9 months is, we have moved and INR 1,18,000 crores. And we are likely to hit INR 1,60,000 crores as compared to INR 1,30,000 crores last year. So these are all parallel tracks. In any strong economy, one must have the option to digitally transact. One must also have the option of cash there. And in our country, cash transactions are very popular and they are continuing in the manner that they always have been.

Dhiral: What percentage of sales in the organized retail segment is by cash payment?

Col. David Devasahayam: Can you repeat the question?

Muthuraman: We don't have the data on that, even the FY '20 data says that out of the total transactions, non-cash transactions are only 11% in India. We don't have an updated number.

Dhiral: So 89% is a directly linked to the cash payment?

Muthuraman: There is some other metrics. Organized retail accounts were only 18% of our own revenues. Our largest segment will be BFSI and second largest is e-com and e-com logistics. And in e-commence logistics, even in Tier 1 locations, 50% of the transactions are cash on delivery. -- and that goes up to 90% in Tier 4 locations. So that's a key driver. In BFSI, as an essence of insurance payments, insurance premium payments are made in cash. microfinance loan disbursements, collections are in cash, even this thing even for other NBFCs, gold loans, payments and repayments are in cash. So BFSI has been a large driver of our revenue, followed by e-commerce logistics. These 2, we have metrics. In organized retail specifically, we don't have the data as to how much of the actual retail transaction happens in cash versus UPI versus credit card.

Dhiral: And sir, what would be the capex for the FY '23 and FY '24 as you are looking to add more vehicles?

Venkataramanan: Capex will be about INR 25 crores. Next year it will be INR 20 crores.

Analyst: And sir for this year FY ’23?

Venkataramanan: FY '23, it should be in the range of INR 8 crores to INR 9 crores...

Moderator: The next question is from the line of Aasim Bharde from DAM Capital Advisors.

Aasim Bharde: So firstly, on the 22%, 24% revenue growth expectations that you're talking about touch point addition would be bought 11% to 12-odd percent.

Muthuraman: No, it will be higher than that. We are not expecting any significant pricing revision or anything like that. As in for the 70% of our revenues, it will be a one-on-one correlation.

Aasim Bharde: if it's not 11 to 12%, how high would be the touch point growth addition be as per your internal expectation? Will it be closer to the 20% mark?

Muthuraman: Yes, it will be high, I would expect the touch point. Growth will be high.

Aasim Bharde: So and the other question was basically for the RCM industry as a whole and for your own clients, how many are already paying the RBI compliant prices and how much is still left in terms of pricing growth catch up?

Col. David Devasahayam: Yes, that's a good question. Currently now, the RBI has closed that to the cash logistics association and in connection with them 50 cities. towns and cities, now we have moved into the RBI pricing as of now. And the next rollout, you know, after a lot of discussion is going to happen in another. Another 67 cities have been identified where the RBI pricing will kick in. And that we are hoping to see from about April onwards, that happening.

Now having said that, structured companies like us, And, you know, knowing that for the safety of the cash, it was good to go into the kind of RBI measures that had been recommended, I'd like to say that even as we speak, about 82% to 85% of our cash is moved as per RBI norms. So when the additional pricing comes in, it is likely to have a positive impact on our overall revenue as well as onto our profitability.

Aasim Bharde: So for you guys, 80% to 85%, you're already paying the compliant prices. Is that what you meant?

Col. David Devasahayam: No, we have done it because of the safety measures. For safety of movement of cash we are following the RBI norms. But for about 50 cities, yes, we are already getting the RBI pricec

Aasim Bharde: Okay, so that's going to be my second clarification. When you say that it's RBI, Is it going to roll it out? That means from day one, the pricing adjusts to the new compliance norms, is it or do they get some time to catch up on that?

Col. David Devasahayam: That's right. It is a very structured thing and all the banks, parallelly at the same time, have to offer the RBI pricing. So that there is no unfair advantage to one bank which is not paying RBI pricing while the rest of them have fallen in line. So it is also coordinated with the IBA and carried out in a structured manner, the Indian Banking Association.

Aasim Bharde: And the second question was basically the direct clients that you are working with. You said the pricing you get is similar versus that to banking clients. I just wanted to understand what is the value proposition for them to work with you? Is it mainly because these are from smaller markets, the bank branches may not be that much so it makes sense to work with you or is there something else over here?

Muthuraman: Yes, our target is mostly clients or public sector banks, except SBI who don't even have the option of availing the service of this nature.

Aasim Bharde: So then it won't be restricted to smaller markets, basically.

Management: No, it will be across all the markets, but all PSU banks except SBI don't even offer retail cash management or doorstep banking as a service to their customers.

Aasim Bharde: Even SBI doesn't do it?

Muthuraman: Except SBI. Others don't even offer this as a service to their end customers.

Aasim Bharde: Just to understand who would these...

Col. David Devasahayam: We have empaneled with all of them. We have signed a contract. But the level of, you know, current deployment of utilization of our services is very miniscule. Compared to the way SBI today is one of the largest clients. Compared to that, the other nationalized banks have still not fallen in line. So all the customers whom they are servicing, they are all in need of the service and those are the ones that we are looking at as direct clients in the future.

Aasim Bharde: Just wanted to understand who would be these direct clients who work with PSU banks but don't have an account with an SBI or an HDFC especially in larger markets?

Muthuraman: Can you repeat the question, please?

Aasim Bharde: I just wanted to understand, I mean, the clients who are in larger markets would ideally be banking with a private sector bank or maybe an SBI yet there are clients apparently who are working with PSU banks where RCM is not really offered as a service. So what kind of clients are these? Are these more small mom-and-pop stores? I just wanted to understand the client profile here?

Muthuraman: Public Sector banks, except SBI account for 60% of the banking sector. It could be the local retail stores, local chain of retail stores. It could be a pharmacy change, it could be gold jewellers. It could be hundreds and thousands of petrol pumps. A typically bank is the nearest bank that is available as it may not be necessarily a foreign bank or SBI or a private sector bank.

Punjab National Bank, Bank of Baroda, Bank of India, all of them are for instance, bank with hundreds and thousands of outlets but don't offer door-step banking. They expect the client to come and deposit at the bank branch.

Col. David Devasahayam: State Government Organizations, which are there, bill outlets and the electricity board and we milk outlets. All of them are now currently banking with public sector banks, peculiar to that particular state. So a very large market that we have to tap into right now.

Moderator: The next question is from the line of Dhaval Mehta as an investor.

Dhaval Mehta: So thank you for giving me the opportunity. I think excellent set of numbers, very good results in a tough market. I specifically wanted and the direct to retail strategy further. And today, you mentioned it's relatively small, but what percentage of the currency and the NCM volume we do will be retail now today versus, let's say, last year in percentage terms?

Muthuraman: In revenue terms, it is 2.5%. I would expect a similar number of 2.5% of our total volume that we handle there

Dhaval Mehta: And just a follow-up here.

N Muthuraman: There is no concept of NCM. It's only the cash pickup and delivery charge.

Dhaval Mehta: And going forward, where do you expect this retail to go in terms of volume and revenues, let's say, FY '24.

N Muthuraman: So I think I got the question, what is the share of volume of cash from direct clients in FY '24. I don't think we have a definitive answer to that at this point of time. It will definitely be higher as in the indication is that it was 1.6% of revenue in FY '22 and 2.5% in nine months FY '23. We expect this trend to continue.

Moderator: I now hand the conference over to Mr. Sohail Halai from Antique for closing comments.

Sohail Halai: Sir, Colonel Sir and team. Thanks for the opportunity given to us to host the call, and congratulations on the quarter and best of look for future quarters. Before we close, Colonel Sir, would you like to give any closing remarks?

Col. David Devasahayam: Well, I'd like to say that we have today face a set of very, very good and interesting questions. Many of them have set us thinking, and it will also have an impact on the way that we plan out the coming quarter as also the company's future and mid-term. I would like to thank you all for having given us the time and all these wonderful questions to us, and I hope that we could satisfy you with the answers. I'd like to say it's been a very satisfying moment, posting the third quarter numbers on the 28th.

And the fact that we have also announced 100% interim dividend based on our existing cash flows and as a cash-positive company. So we look forward to remain attractive to our investors and shareholders in the time ahead. I'd also like to thank Antique for having taken the effort for having hosted this so well this morning, especially Sohail Halal. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen, on behalf of Antique Stock Broking, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.

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