RADIANTCMS/EarningsCall-Transcript/SE/2023-24

Date: 15.11.2023

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

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

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

Sub: Transcript of the Earnings Conference Call on the un-audited financial results for the quarter and period ended September 30, 2022, held on November 08, 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 period ended September 30, 2023, held on November 08, 2023, for your information and records.

Kindly take the above details on record.

Thanking you,

Yours faithfully,
For RADIANT CASH MANAGEMENT SERVICES LIMITED

NITHIN TOM
Digitally signed by NITHIN TOM
Date: 2023.11.15 23:06:05 +05'30'

Nithin Tom
Company Secretary
A53056

"Radiant Cash Management Services Limited Q2 FY24 Earnings Conference Call"

November 08, 2023

MANAGEMENT:	**COLONEL DAVID DEVASAHAYAM – CMD** **MR. VENKATARAMANAN – CFO,** **MR. ALEXANDER DAVID – GM; OPERATIONS,** **MR. MUTHURAMAN – DIRECTOR, ADVISOR, STRATEGY AND INVESTOR RELATIONS**
MODERATOR:	**MR. SOHAIL HALAI – ANTIQUE STOCK BROKING LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q2 FY24 Earnings Conference Call of Radiant Cash Management Services Limited hosted by Antique Stock Broking Limited.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' 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 Limited. Thank you and over to you.

Sohail Halai: We welcome you all to 2Q FY24 Earnings Call of Radiant Cash Management Services and at the outset I would like to thank the management for giving us this opportunity to host the call.

Today we have with us Col David Devasahayam - CMD, Mr. Venkataramanan - CFO, Mr. Alexander David – GM; Operations and Mr. Muthuraman – Director; Advisor; Strategy and Investor Relations to address your queries.

So, 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: Thank you very much Sohail and good afternoon, ladies and gentlemen. Thank you for joining us today for Radiant's Investor Call. I am pleased to share with you some exciting updates about our company's growth plans and performance.

Consolidation and driving transformational growth will be our two watchwords this year as we take strong measures for the next 3 to 5 years in perspective. As we have several new investors in our shareholding, I am taking the liberty of reiterating some of the key highlights of the company.

Radiant is a leading Cash Logistics company operating predominantly in the retail cash management space. We have established a strong presence on the market, covering approximately 70% of the total PIN codes and servicing around 65,000 retail outlets. Our PAN India network is deeply entrenched in Tier 3 plus cities where we cater for approximately 81% of the country's population. 21% of our workforce or leadership is from the ex-services community. Two-thirds of our retail touch points and 63% of our revenues come from these Tier 3 plus cities, reflecting our strategic focus on this high potential segment. In consolidation, our business model is leveraged to grow in retail market footprint. India has almost 20 million retail outlets. And the entire retail cash management industry is currently servicing less than 2% of the retail outlets approximately overall retail outlets in the country, which leaves us with a massive untapped market.

We are also focusing on growing our dedicated cash van business from this year onwards. Looking ahead, we are committed to expanding our footprint and capturing a larger share of the retail outlook through FY24. Our strategic focus on the Tier 3 plus cities and our expertise in handling cash logistics puts us in a unique position to unlock significant growth potential.

Our performance for the six months ended September 30th, 2023 was understandably a bit muted. Lower growth rates of few key end customers on the e-commerce logistics and NBFC sectors was the key reason for the muted revenue growth. Higher cost due to the recent foray into the Diamond, Bullion and Jewelry segment and revised pricing model with few customers for volume based pricing as against fixed price per point were the key reasons for the temporary drop in our margins. The details of all this will be given by head of strategy Mr. Muthuraman.

And transformational changes besides Diamond, Bullion and Jewelry logistics, we have a definitive agreement for acquisition of majority stake in Aceware Fintech Services Private Limited, Acemoney, a leading Kochi-based fintech firm. Acemoney specializes in providing comprehensive state-of-the-art digital banking solutions in the rural areas targeting rural retail outlets, rural cooperative banks and cooperative societies. With this acquisition, Radiant would be able to provide a full range of complementary offerings in Tier 3 plus locations where it has a strong footprint for its cash management services.

This partnership will provide significant growth opportunities for Radiant including providing cash replenishment to micro ATMs in the rural areas, providing retail cash management services to end customers of cooperative bank and cooperative societies and leveraging the digital wallet services of Acemoney for more efficient fulfillment of cash management services.

This strategic move helps in diversifying our portfolio of services and also alliance perfectly with our vision to drive sustained growth and deliver value to our stakeholders. Our recent expansion into Valuable Logistics and this acquisition is expected to create new avenues for revenue growth and boost our overall market position.

We are excited about the journey ahead and the potential for growth and success and also to see the considerable shareholder interest and the number of shareholders who increase from the retail community week-on-week. As always, we remain committed to providing transparent updates on our progress and answering any questions that you may have.

With that, I now hand you over to Muthuraman, our Head of Strategy.

Muthuraman: Good afternoon, everyone. Thanks for joining us on this Investor Call today. I will present the latest updates on our company's financial performance and key performance indicators for the quarter and half year ended September 30, 2023.

Our extensive presence spans over 13,800 PIN codes across 6,300 locations, giving us a unique competitive advantage. The vast network allows us to efficiently serve a large number of clients. We continue to have a strong growth in gross addition of points, which enable us to further entrance ourselves in the retail cash management business.

In terms of business performance during the first half of the financial year, we handled 0.82 trillion of cash representing 11% growth over same period last year. During the quarter, we added 16 new clients, 27 new end customers and 1,450 new retail touch points. A strong growth was witnessed in small finance banks, organized retail, e-commerce and petroleum sectors. The net addition to the points was lower than full year trend on account of churn in a few customers in the e-com logistics and NBFC sectors.

Some of this was part of the consolidation exercise by the company to weed out low profitable roots. Specific measures are being taken by the management to address this churn including developing end-customer specific tech plug-ins. Our recent fintech decision will also help in this initiative in a big way.

Coming to the financial performance for the quarter, the total revenues for Q2 FY24 was 954.2 million. The growth is less than the historical average growth rates on account of A - slower growth in net addition of points resulting in lower growth in total cash handle and revised pricing model for a few customers to volume based pricing as against fixed price point. This will be beneficial to us in strong quarters like Q3 and Q4, but had some negative impact in Q1 and Q2. The festive season has started off on a very good note, so we do expect that the growth in revenues to restore to mean in the coming quarters.

In terms of margins, the EBITDA margins were muted for this quarter as compared to the previous quarter. This is on account of the following A - Increase in employee count by almost 200 people majority of which is for the Diamond, Bullion and Jewelry business which is yet to start yielding meaningful revenues. We have also incurred some costs in building the team for direct sales, which is picking up gradually. The cost of cash executives has marginally increased, but with better revenue growth this cost rate is expected to reduce gradually in the coming quarters. The vehicle, gunman and driver expenses have increased significantly in this quarter. The reasons are we have 50 plus vans today along with guards and drivers deployed in the Diamond, Bullion and Jewelry business, which are not fully utilized. Additional vans deployed during the quarter in the cash van operations segment which are yet to yield full quarter revenues and muted revenue growth has impacted the margins in the cash pickup and delivery segment.

As I said, the Diamond, Bullion and Jewelry is steadily growing and is likely to cover its cost by the end of the financial year. As you can observe from the recent cited expenses in Diamond, Bullion and Jewelry and cash van operations and direct sales are of the nature of investments and prerequisites for strong future growth of the company. The change in revenue model for select clients from fixed to variable will also help in better margins in healthy quarters.

In terms of business verticals, cash van operations witnessed healthy growth of 46%. The 2 key drivers for our business in coming years are one is cash van operations and other is direct clients both of these have grown fairly well. Cash van operations have grown by 46% in this quarter, over same quarter last year. And revenue from direct clients grew at 66% in this quarter over the same period last year. Revenue from other segments reported growth in-line with the overall revenue growth.

Coming to the specific end-customer segments, the petroleum sector, which saw a slowdown in FY23, has recovered to a large extent during the quarter, though the number is still 20% lower than the March 22 levels, so we expect the growth momentum in this sub sector to continue and it will grow at higher than average levels in the past in the next 2 quarters. BFSI and organized retail continue to report robust growth of 21% and 16% year-on-year respectively. E-commerce Logistics showed negative growth as some clients in the sector shifted to the composite revenue model linked to volume of cash handle and some clients were also lost in the churn. Overall as the volumes pick up in festive quarters, we expect healthy growth to continue from these 2 sectors.

In terms of return ratios, return on capital employed on an annualized basis for this 6 month period was 26%. It is dropped from 30% in the past on account of lower profitability from core business as discussed now and also on account of investment in 100 plus cash vans during this period which are yet to be deployed fully in operations. The return on equity for the half year period is 21% on an annualized basis. So, in conclusion, though the quarter is muted in terms of revenue growth, the underlying profitability profile is well intact. Significant investments in manpower and assets have been made during this period and we see momentum building over the next 2 quarters into the festive season and we remain confident of delivering a healthy performance in FY24. With the new initiatives, the CMD just highlighted in his remarks, we are building new long term levers for growth with a more diversified revenue profile and more robust profitability. I now hand over the floor to Mr. Alexander David, who will be the Executive Director on the Board of Directors of Acemoney, our recent acquisition.

Alexander David: Good afternoon, everyone. Thanks for joining this Investor Call. I am Alexander David, General Manager; Operations at Radiant Cash Management. I am sure all of you would have read about our announcement yesterday regarding the acquisition of Acemoney, a leading fintech company. I would like to provide the rationale for these acquisitions as well as our vision for the growth plans of Acemoney and the synergy benefits which brings to Radiant.

Radiant has one of the strongest network of retail touch points in the country and a response network of over 7,000 cash executives in the Tier 3 plus locations across India. We were looking for a fintech platform that can help us leverage the strong network to offer a wide range of products and services to the retail outlets in these remote locations besides retail cash management. Acemoney is a perfect fit for our requirement as it also had a strong presence in

Tier 3 plus locations in Kerala and Tamil Nadu and a comprehensive fintech platform offering a wide range of services.

Through this acquisition, our vision is to enable millions of customers who have recently entered banking system to avail digital banking services that our urban counterparts enjoy. Through Acemoney, we are also looking at expanding the micro ATM footprint, which will provide strong growth opportunities for both Acemoney and Radiant. This synergy benefits of this unique phygital physical plus digital platform would include cash and digital payment options to rural retail outlets, cash replenishment to micro ATMs, retail cash management services to end customers of cooperative banks and cooperative societies and leveraging the wallet services of Acemoney for more efficient fulfillment of our retail cash management services.

We are quite excited about the strong growth opportunity and will be providing investors with periodic updates on the progress over the coming quarters. I will now hand over the floor to Sohail for moderating the Q&A session. Thank you so much.

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

Vikas Kasturi: Congratulations, sir on a great quarter. I had a couple of questions, so the first one is on slide 23 of the Investor presentation. I wanted to know so you have shown your cash movement and cash burial numbers for half yearly 1, but I think it is a printing mistake I think it should be quarter 2. Is that correct, sir? Because when I compare it with quarter 1, the increment is really small for quarter 2, so I think it should be quarter 2 and not half?

Muthuraman: Yes, my apologies that the number is for quarter 2. Quarter 1 we had separately done in the previous presentation my apologies, will get it correct.

Vikas Kasturi: Sir I just wanted to know what is the difference between cash movement and cash burial, sir?

Muthuraman: So, the cash movement is the total cash that we handle during this period. Cash burial is where the cash that we collect from the outlets we deposit in our own account and then transfer it electronically to the concerned bank account. So, this is an additional value added service that we provide for which we earns certain additional income. The share of that income is separately disclosed in our segmental revenues. Net worth cash management and cash burial we use interchangeably are one and the same.

Vikas Kasturi: So, is cash burial a sub-segment of cash movement or?

Muthuraman: That is right.

Vikas Kasturi: So, second question was sir about the Acemoney, so will we be partnering with some NBFCs or any other such institutions to take the Acemoney services and offer it to the end customers like some of the other fintechs do?.

Col David Devasahayam: I think I will currently take this on. The idea of acquiring Acemoney is because it is a very synergized platform with the retail cash management that we are currently doing. Now where do the synergies lie? The synergies lie in the fact that we have a presence across over 14,000 PIN codes which goes on to Tier 3, Tier 4, Tier 5 locations. And therefore for us to recruit new banking correspondents and place important digital banking solutions like micro ATMs or Aadhaar payment enabled services or providing QR code can be done using our own resources across the hinterland. So, this is very different from most of the fintech on standalone and they don't have any feet on street here, we have got a full-fledged and dense network present across Tier 3, Tier 4, Tier 5 locations. And also it is going to be very cost effective because as we have subsidized some of it. So, with this in mind, this is the reason why because there is complete synergy. Then again if we want to provide immediate cash to some smaller clients, we can make use of the digital wallet that is available with the Acemoney platform. So, these are the synergies that you see and it is really going to further enhance and support our own operations and our own activity in the hinterland.

Moderator: Thank you. We have a next question from the line of Saurabh from Multi-Act. Please go ahead.

Saurabh: This is Rahul Picha from Multi-Act, so my first question is on the investment that you have made in the DBJ business, so can you quantify that?

Muthuraman: The challenge was that we do have some common resources between both, so we are not able to give a in a sense consciously could not give a separate segmental revenue. But at a broad level, since inception, we would have spent a little less than Rs. 2 crores on that segment.

Col David Devasahayam: Anything you would like to add on that Venkataramanan?

Venkataramanan: No, sir.

Saurabh: So, this Rs. 2 crores is including the employee cost as well as the cost incurred on the vans and the security guards that are deployed for this segment, right?

Muthuraman: No, asset purchases, these are expenses broadly.

Saurabh: So, I just wanted to understand the P&L cost itself. So, like you said that roughly there are 50 vans and security guards that are currently being used for the DBJ business, so cost pertaining to that is also included in this Rs. 2 crores or?

Muthuraman: Yes, it does.

Saurabh: So, this Rs. 2 crores number is for the quarter, right?

Muthuraman: No since inception, I think we started almost about mid-May we started and some leadership was recruited even before that, is including all of these.

Saurabh: Sir roughly for 5 months - 6 months?

Muthuraman: Yes, 4.5 months – 5 months. Just want to add as you speak this is a new business, so it is rapidly growing, so what we incurred in first month is what we incurred in the 6 months will be very different, so just want to highlight that aspect.

Saurabh: And again on the same point like going forward from here as well do you expect this cost to go up or right now it is stabilized?

Muthuraman: No it is in a growth mode. We are expanding and that is the nature of this business we need to establish the network and then the business will come. And as I said in my opening remarks, we expect to cover our costs by end of the year.

Saurabh: But when I look at the margin sequentially and the drop that has happened on the operating profit level, even if I adjust for the Rs. 2 crores, it seems that the drop is largely being driven from the core business, so can you provide some more insights into what is driving the decline in the profitability in the core business?

Muthuraman: So, as I had mentioned that the first layer is the lower growth in revenues as we had highlighted in the past, it is a high operating leverage business, so if the revenue growth is muted, that will have a little more disproportionate impact on the profitability. Likewise on the other side as well when the revenue grows healthy, the impact on profitability is disproportionately higher because that is the nature of the business. A good part of our costs are fixed costs and so the muted revenue growth has a disproportionate impact on them, and I had explained the other costs as well we as in we have a marginal increase in cost vans the vans deployed in that cash van operations has also not yet earned full year revenues, we are growing that segment, the segment grew by almost over 46% in this quarter. So, as we deploy more vans, it will earn full quarter revenue only in the subsequent quarter, so both of these are also added to the muted revenue growth that we saw and the DBJ segment.

Saurabh: So, the cash van operations for that particular segment for the quarter could be loss making is what you are trying to imply? And as and when the utilizations making there…?

Muthuraman: Not loss making, but a lesser profitability than the core business there.

Saurabh: Because when I am adjusting for the numbers that you have provided, it seems that the margin for the current quarter even if I add back the Rs. 2 crores expense, which is for a period greater than the quarter, but even if I add it to this quarter's operating profit, the current margins for the core business seem to be around 16% - 16.5%, which is significantly lower than the run rate we used to clock last year, so that is what I am trying to understand?

Muthuraman: Yes that is what I explained, there are four parts to it, now you are adjusting only one of them, the revenue growth, lower revenue growth, slightly higher cost of cash executives then the cash Van operations and also the employee cost has 3 components, and then there is the DBJ business and the direct sales as well, you build the team for the direct sale. So, there also as in direct sales is growing, but then it is still small and we are making investments in that segment. So, to that extent, all these 4 parts have their impact on the profitability.

Saurabh: So, what would be the investment into building the team for targeting direct sales like if you can quantify that as well?

Muthuraman: So, that is very difficult to put it that way we are incentivizing our existing team to get more direct clients other in the sense the execution part of it will be done by the same team. Because the nature of our business, it is not difficult to give profitability by direct sales versus bank sales versus user segments like that.

Saurabh: No, sir I was not asking for profitability of the direct sales business, but I was just trying to understand what is the incremental cost that we would have incurred for targeting more direct sales because that is one of the reasons that you are kind of highlighting for the drop in margin?

Muthuraman: I don't have that numbers ready, but yes that is a vertical where we are getting big.

Col David Devasahayam: We don't have the exact numbers but see now when you are looking at direct clients and earlier also specified that approximately 28 lakhs outlets are there out there. So, for us a major objective so there have been large amount of business commercial outflows that is one. And then we have set up a marketing sales force with slightly higher price higher in place and that has also had an impact. The point I want to make right now is that when one looks at only 3 months of this company's trajectory, it may look as if that there is a difference or a dip, but essentially what are we doing this year as I said in my opening remarks, this is a time for consolidation and for transformational change, I am not so much looking at the bottom line right now or the EBITDA. I am sensitive to them, but that is not my priority right now. Now just to invest wisely and strengthen the platform, so that we can look at all four areas and when I am saying 4 areas, I am talking about retail cash management, about cash van operations, about Diamond, Bullion and Jewelry, Logistics and now fintech operations. All are humongous and I am standing at the threshold of a huge universal of opportunity. And though we appear once in 3 months, but this is a little long term and there is a gestation period. And that is the reason why there have been these outsourced. I think I would like to highlight that any further details on this side Muthuraman can bring in if you would like to add on anything.

Saurabh: Sir secondly, on in this process of weeding out the less profitable roots, so where are we in that process now? Is that largely done or we should expect?

Muthuraman It is largely done at this point of time.

Saurabh: And on this pricing pressure aspect that you briefly mentioned in the presentation, can you elaborate a bit like what kind of pricing pressures are we witnessing right now?

Muthuraman: No, the pricing model has changed for a few clients from fixed to variable, so in which case in good quarters where the volumes of cash handle is healthy, it will make up for the lower than average growth in the lower quarters like Q1 and Q2.

Saurabh: So, any particular segment in which this would have happened or?

Muthuraman: No, we did have de-growth in e-commerce Logistics segment and like I said, the churn in points also in that segment. We are taking specific measures, some the Acemoney acquisition will help us in fulfillment in Tier 3, Tier 4 plus locations much faster and some direct tech plugins we are working on for a few clients, so to improve the stickiness of those clients, so should help us bring that sector back to steady growth. Other than that, like I said, the petroleum, organized retail, BFSI, all of them are growing at fairly healthy rates.

Moderator: Thank you. We have a next question from the line of Arvind R from Sundaram Alternates. Please go ahead.

Arvind R: Sir I would like to understand also like what kind of investments it would be needed to synergies operations with Acemoney? That is one thing and sorry I joined a bit late, but like if this question has already been asked, so what kind of impact on like the P&L we can expect from the investment in DBJ business or cash on operations because in the last conference call you mentioned like Rs. 2 crores depreciation for cash van operations this year and would it be the same for the subsequent years also? And what would be the depreciation or other expenses for DBJ business? And similarly, what would be the investment requirement for Acemoney in integration?

Muthuraman: So, the Acemoney transaction as we had discussed in this thing, we have paid about Rs. 11.2 crores of which Rs. 9 crores is directly into the company which means that in our own estimate that should be sufficient for the next 18 months to 24 months of scaling up of operations of that entity. And in terms of your DBJ business, as in the sense see the vans whether we are taking it on our roles and in our books, those vans are being deployed in DBJ or it is a hired vans, we don't make a distinction between the two. So, for the company as a whole as the IPO proceeds, we will be completing the 220 vans that we have that depreciation impact in the balance sheet for 22 crores, I think the full year depreciation impact will be Rs. 2 crores. Rs. 22 crores is the total, so this full year depreciation impact will be about Rs. 4 crores. That is whether that pertains to DBJ business or RCM rate that business is difficult to earmark between the 2. In terms of asset addition, there is no major capital investment required in that DBJ business or nature of revenue expenditure only. Capital expenditure is fairly small in nature. Some few rental deposits here and there that is all.

Arvind R: In the upcoming quarters, can we expect our revenue to grow faster than expenses, especially the other expenses have been growing faster obviously, we are investing in all the new businesses?

Muthuraman: Q3 has historically been our healthiest quarter every year and here as the festive season has started off on a very good note, so we do expect it so.

Arvind R: Any guidance on net touch point addition like growth for the medium term?

Muthuraman See medium term growth we are still maintaining about 1,000 touch points per month, net addition.

Arvind R: And just asking like I have 2 more queries, so the vans for DBJ, would it be like requiring significantly higher investment than the normal cash van operations? That is one thing and if you can little bit elaborate on how the merchants and other touch points would be actually synergistic for both Radiant cash management physical business and Acemoney's digital infrastructure?

Muthuraman: So, the first question I can answer, as in the vans, we used it interchangeably between retail cash management and DBG. There is no special extra modification or anything that is required for handling the DBG business. Can you just repeat the second question a bit more clear?

Arvind R: I am just trying to understand like how this synergy will play out like either our own retail touch points or the merchants who look for our cash management services like how would they be beneficial like by using Acemoney's?

Alexander David: Absolutely, Alex here. So, how this would be beneficial would be is if you look at most fintech companies today, they are not standalone tech companies based out of Bangalore or Mumbai, they have to depend on another partner called a super distributor what they use in fintech terms essentially to distribute their products to kirana stores, outlets, all over the network, so as a result of this, the distributor takes a lion's share of the revenue. So, our partnership with this fintech company, because of our feet on the street and because of our massive presence in 14,000 PIN codes, we will be able to capitalize on this distributor share. This is one way of looking at it. Second, this is very beneficial to the fintech platform. How is it beneficial to us, as a cash logistics company today as we are growing more and more and as you have been seeing there has been a slight de-growth in our e-commerce side, our customers have been wanting some more technology based products they have been wanting in handling their cash and we felt that if we added a fintech partner that would enable us to provide that and we have to move a little ahead of the curve, so that is how we are seeing a lot of mutual synergy over there..

Arvind R: Any different kind of people we need to hire to expand this business as you said like we have a presence through Acemoney, they have presence in Tamil Nadu and Kerala, what about spreading to other regions? Do they need other kind of expertise to offer the services?

Alexander David: No, that is a great thing over here. What the same model which we have seen over here in the South, we can just completely replicate that in other regions as well. Already we have started the process of identifying outlets in North East and we have already started seeing a lot of success over there. So, the same model can be applied over there and the beautiful thing is existing resources can be used we just have to train our people a little bit and we have to provide maybe some incentives, small, minor things to persuade them, and we can effectively be a distributor for this fintech company.

Arvind R: And any specific reason to just target on cooperative banks, will we be looking to for target on other kind of segments also?

Alexander David: Well, it is a very blue ocean of opportunity over there. None of the other players are looking and there is a lot of ignorance about retail cash management. So, it opens a very new area of business development for us over there and if we are able to partner up through fintech with these sectors of corporate societies and corporative banks immediately it opens a door as well to provide cash management solutions as well over there. And as we already have an extremely strong presence in Tier 3 plus locations, it goes hand in hand with our strategy.

Moderator: Thank you. We have a next question from the line of Aditya Shroff from Incred. Please go ahead.

Aditya Shroff: I had only one question, so I wanted to ask since we have more than one vertical now, so what is the revenue mix that we are targeting in FY25 and say FY26? Like from what are we targeting from retail cash management from DBJ or from fintech solutions? Sir I wanted to understand the proportion of that?

Col David Devasahayam: I would like to hazard a guess and at this point of time, but what we have assured and we have said earlier for us to have that definitive growth of 20% from 2025 I think will be completely achievable and will be definitely assured.

Aditya Shroff: But what is the proportion that we can assign to the Diamond, Bullion and Jewelry vertical that we are saying that it would be able to like cover its cost by FY24, so what is the proportion of the total revenue mix that we can expect from the DBJ vertical?

Col David Devasahayam: We are trying to target about the 20% of the revenue by 2025 should come from DBJ.

Moderator: Thank you. We have a next question from the line of Ganesh Nagarsekar from Research Analyst. Please go ahead.

Ganesh Nagarsekar: Sir my question was primarily on your move to the volume based pricing, as of now, what percentage of clients have switched to this sort of business model and in the next few quarters, do we expect more clients to kind of move to this model versus the fixed pricing model? And I understand that there will be an increase in seasonality because of this, basically Q3 will be a bit higher, but if you look at say the annualized number, are we taking our net revenue rate because of the move from fixed to volume pricing and if yes, could you quantify the amount of it we will be taking there?

Muthuraman: See, we are not seeing this as a common trend across sectors. It is in specific sectors, as I told you this is in e-commerce Logistics and a few select NBFCs have adopted this model. At this point of time as in our pricing for that shift is revenue neutral approach. So, we are not expecting for sustained 12 months on a basis, we are not expecting to take any hit based on the pricing that we currently have.

Moderator: Thank you. We have a next question from the line of Tushar an Individual Investor. Please go ahead.

Tushar: I have 3 questions in total, my first question is what is the primary mode of transport for cash delivery and pickup? Does the company exclusively use vans for transportation? And also, can you clarify how much staff is employed for each van?

Muthuraman: So, there is RBI guideline on the mode of transport, and it is being implemented in phases in a particular set of cities. There only cash vans are used for movement of cash. It is roughly about 100 locations out of 6000 odd locations that we currently cater to. The rest of the locations based on our own risk management team's perception and the volume of cash, we use a combination of both vans as well as two-wheelers and that is governed by Minister of Home Affairs guidelines, which allows up to Rs. 10 lakh of cash to be carried in either body or 2-wheeler or the rest of it by cash vans. What is the second question?

Tushar: How much staff is employed for each van?

Muthuraman: A full crew will include as per RBI, it is a 5 member crew, one driver, 2 armed guards and 2 custodians.

Tushar: And my second question is, what exactly is the procedure for awarding contracts for cash pickup services? Do banks offer a single contract for all the states or does every state have a separate contract?

Muthuraman: No, we sign a long term contract with banks irrespective of to which end customers they offer. We signed long term contracts with banks and then banks in turn offer services to their customers.

Tushar: I mean a single contact for all the state for a particular bank?

Muthuraman: Yes, for all the states. Single contract with the bank, yes that is right.

Tushar: Sir my last question is, during a particular time period, does the same van do pickup and delivery for multiple banks?

Muthuraman: Of course, yes.

Tushar: Same vans do pickups and does the bank gain any advantage from being a PAN India company? Also, do bank prefer to work with companies with PAN India network? Your opinion on this?

Muthuraman: Yes, that is our key strength, ours dense network in the industry gives us the right to win any new contracts because any of the large retailers with PAN India presence would like to have deal with one service provider and Radiant is one of the few who can offer in every district in the country, we will be able to offer a pickup service or a delivery service. So, definitely those with the PAN India footprint and dense network have a strong concrete advantage over others.

Moderator: Thank you. We have a next question from the line of Shrish Vaze from Moneylife Advisory Services. Please go ahead.

Shrish Vaze: My first question is regarding that we have seen loss of some points and clients, so just wanted to understand the competitive landscape currently. Are we facing increased pricing pressure and competitive intensity? And who exactly are we facing competition from? Is it the large established players or smaller upstarts who are entering this segment? Thank you.

Col David Devasahayam: There are no smaller upstarts who can enter into this segment and offer these services. This is governed by RBI, which mandates the minimum net worth of Rs. 100 crores and a minimum fleet size of 300 vans for banks to offer outsource cash management services. So, it is an oligopoly market.

Shrish Vaze: In terms of trends of market share that you are observing, so are we sort of losing market share or are we sort of stable over the last half year?

Col David Devasahayam: No, there is no loss of any market share. What we are also consciously doing, as I said that this is a year for consolidation. Now post listing, we have been looking at all the points and studying as to their profitability profile and so on. And then a few of them that we find are not profitable, then we are weeding them out. That is also happening as of now. So, we are consolidating on the model, we are strengthening the financial model. That is what we are essentially working on at this point of time in this financial year.

Shrish Vaze: Sir my last question is regarding that you have seen a large increase in receivables compared to Q4 last year. So, just wanted to understand your thoughts on the working capital intensity of our operations going forward, we expect receivable deeds to go up from what we have seen in the past or stay at the same levels going forward?

Management48:00: When compared to the previous quarter, this quarter is 75 days of sales we have got in receivables which has come down from 82 days of sales in June 23. So, on an average, our receivables is anywhere around between 70 to 75 days of sales.

Shrish Vaze: And we expect this sort of number to continue in the future also?

Management48:28: Yes, we expect to control receivables at around between 70 to 75 days. The normal credit period offered is 60 days backed by and large within the 70 days.

Moderator: Thank you. We have a next question from the line of Sarvesh Mutha from Antique Stock Broking. Please go ahead.

Sarvesh Mutha: So, I wanted to ask we are losing in the clients in BFSI segment, e-commerce, others, in petroleum we are yet to reach our past peak, we are facing competitive pressure in e-commerce Logistics, so how do you see the business environment going forward for next 2 quarters, 4 quarters? And what sort of revenue run rate are you building in?

Muthuraman: No, I think we have not lost any client.

Col David Devasahayam: We haven't lost a single client.

Muthuraman: So, some points churn happened. Some specific pick up points churn happened, as is the case in any other competitive industry, and we are taking corrective measures like I said, the more efficient fulfillment of cash, tech plugins etc., to win back those points and besides that there is no other in the sense as I said, BFSI has registered a 21% growth over last year. Our BFSI segment revenue same period over last year grew by about 21%. And e-commerce has grown fairly healthy, organized retail has grown fairly healthy, petroleum has grown fairly healthy, though it is below the past peak because there is a sharp dip in revenue in last year. It is almost recovered to 80% of past peak, so we maintain our guidance like Colonel just mentioned a long-term revenue growth of about 20% per annum is something that we will definitely be able to.

Sarvesh Mutha: And on margins, so this quarter we had the margins of 14%, now we used to have a run rate of 20%, 22%, 25% margins, but this competitive intensity pricing pressure, is it here to stay and would margins continue to stay in pressure?

Muthuraman: No, as the revenue growth comes back we expect to restore back to previous years.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Sohail Halai from Antique Stock Broking for closing comments over to.

Shohail Halai: Thank you, Colonel sir and the team for spending time with us and giving us this insights**.** Colonel, sir please go ahead.

Col David Devasahayam: Thank you, Sohail, sorry for interrupting you. Well, as investors, you can be assured that we are well positioned to capitalize on the growing retail market footprint and the continued relevance of cash transactions in India. Our approach alliance perfectly with the market dynamics enabling us to tap into the vast un-served market and drive sustained growth. As we have explained now during the course of this concall, we are now focused on 4 specific lines for building our growth and revenue in the coming years. It has been a time for consolidation, as also for transformational growth. I want to express my gratitude for your continued support to Radiant. We are confident that our focused approach and strong performance will yield promising results for all stakeholders. Thank you all for your time and the interest in our company. Thank you very much.

Moderator: Thank you members of the management. On behalf of Antique Stock Broking Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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