

Targets INR 1000+ Cr top-line from FMCG business in next 3 years.

CMP: INR 527

Rating: Buy

Target Price: INR 2,714

Stock Info

BSE	542333
NSE	RPSGVENT
Bloomberg	CESCVIN
Reuters	CESV.BO
Sector	IT
Face Value (INR)	10
Equity Capital (INR Cr)	26.64
Mkt Cap (INR Cr)	1,414
52w H/L (INR)	1,147/466
Avg Yearly Vol (in 000')	62

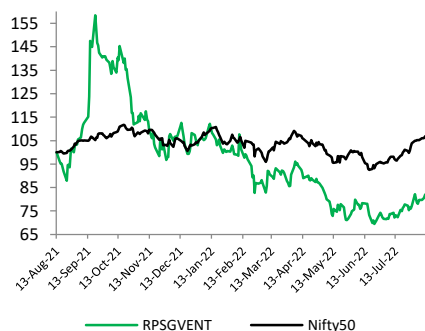
Shareholding Pattern %

(As on June, 2022)

Promoters	54.57
FII	12.41
DII	2.38
Public & Others	30.64

Stock Performance (%)	1m	3m	12m
RPSG	7.84	6.98	-22.47
Nifty	10.21	11.96	8.15

RPSGVENT Vs Nifty



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RPSG Ventures in Q1FY23, Revenues exceeded expectations and came in at INR 1,953 cr against estimates of INR 1,773 cr. It increased by 21% YoY/9.8% QoQ driven by the growth across the segment, particularly Sports. Sports grew by 341% QoQ/2886% YoY and FMCG grew by 11%QoQ/48% YoY.

Decent Margin during the quarter led by sports business: EBITDA registered a growth of 35% YoY/27.3% QoQ and stood at INR 290 cr and above the expectation of INR 228 Cr. EBITDA margin expanded by 147bps YoY/205bps QoQ to 14.87% above our estimate of 12.89%. However, the Gross Profit margin declined 78bps YoY/9bps QoQ due to raw material cost pressure.

PAT stood at INR 70.7 cr against estimates of INR 85 cr and de-grew by 12.5% QoQ/18% YoY. The Effective tax rate declined by 1658bps QoQ to 26.61%.

Other expenses stood at INR 592 cr against Q1FY22 stood at INR 291 cr and grew by 26%QoQ/103% YoY led by higher advertisement cost from Naturally as they have expanded PAN India.

Valuation & Outlook

RPSG Venture has reported decent performance during Q1FY23 backed by higher growth in sports business and crossed INR 100 cr in FMCG segment.

The company has a wider product range with demand improving post easing of Covid restriction and opening of schools & colleges.

Management expects strong growth for FY23 supported by launch of potato chips, rings and Indian ethnic version. The management has increased FMCG growth target (on the standalone basis) from 35-45% to 45%-50% for FY23. In the next 3 years, the company expects strong growth in the top-line of about 30% to reach a target of INR 1000 cr.

Hence, we maintained our EBITDA margin projection in the range of 12% to 13% during FY23E-FY24E.

We expect RPSG Ventures to post Revenue/EBITDA growth of CAGR 6.8%/~9% respectively over FY23E-FY24E and value RPSG Ventures at PE of 1.6x to its FY24E EPS (Core) of INR 92.6. We maintain our Buy rating on the stock and value it on SOTP valuation for a revised target price of INR 2,372 per share (Bear/Lower case scenario), INR 2,714 per share (Base case scenario), and INR 2,954 per share (Best case scenario).

We value FSL at 14x FY24E EPS of INR 9.6 for the Target Price of INR 110 per share. We downgrade our rating to Hold from Accumulate earlier. (Report Link- <https://bit.ly/3PXAskQ>)

Particulars (INR Cr)	FY21	FY22	FY23E	FY24E
Net Sales	5599	6670	7515	8362
EBITDA	702.1	885.1	901.8	1087.1
Net profit	-96	131	175	247
EPS (INR)	-36.1	49.6	65.6	92.6
PE (x)	NA	10.8	8.1	5.8
EBITDA Margin	12.54%	13.27%	12.00%	13.00%
PAT Margin	-1.71%	1.97%	2.33%	2.95%
ROE	1.69%	8.31%	7.84%	8.89%
ROCE	7.16%	4.64%	5.12%	6.04%

Source: Company, Arihant Research

SOTP - Valuations

Bear/Lower Case Scenario							
Listed Subsidiary	FY24E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share
FSL		14x FY24E PE	192		54%	7215	
					Holdco Discount Valuation	60%	
						2885.94	1083
Apricot Foods	221	1x	221	unlisted	70		83
Guiltfree Industries Limited	356	1.5x	534	unlisted	100		200
Herbolab India Private Limited	29	2x	58	unlisted	100		22
Quest Properties	120	5x	600	unlisted	100		225
APA services	0.12	1x	0.12	unlisted	100		0.0
ATK	109	1x	109	unlisted	80		41
RPSG Sports Private Limited	Discounting	15%	1516	unlisted	51		569
Value of Subsidiaries							2224
Core business		1.6x FY24E PE					148
					Intrinsic Value per share		2372
					CMP		527
					Upside		350%
Base Case Scenario							
Listed Subsidiary	FY24E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share
FSL		14x FY24E PE	192		54%	7215	
					Holdco Discount Valuation	60%	
						2885.94	1083
Apricot Foods	220.9	1.5x	331	unlisted	70		124
Guiltfree Industries Limited	356	2.5x	890	unlisted	100		334
Herbolab India Private Limited	29	3x	87	unlisted	100		33
Quest Properties	120	8x	960	unlisted	100		360
APA services	0.12	1.5x	0.18	unlisted	100		0.1
ATK	109	1.5x	164	unlisted	80		61
RPSG Sports Private Limited	Discounting	15%	1516	unlisted	51		569
Value of Subsidiaries							2565
Core business		1.6x FY24E PE					148
					Intrinsic Value per share		2714
					CMP		527
					Upside		415%
Best Case Scenario							
Listed Subsidiary	FY24E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share
FSL		14x FY24E PE	192		54%	7215	
					Holdco Discount Valuation	60%	
						2885.94	1083
Apricot Foods	220.9	2x	442	unlisted	70		166
Guiltfree Industries Limited	356	3x	1068	unlisted	100		401
Herbolab India Private Limited	29	5x	145	unlisted	100		54
Quest Properties	120	10x	1200	unlisted	100		450
APA services	0.12	2x	0.24	unlisted	100		0
ATK	109	2x	218	unlisted	80		82
RPSG Sports Private Limited	Discounting	15%	1516	unlisted	51		569
Value of Subsidiaries							2806
Core business		1.6x FY24E PE					148
					Intrinsic Value per share		2954
					CMP		527
					Upside		461%

Q1FY23 Performance of the company

INR in Cr.	Q1FY23	Q4FY22	Q1FY22	YoY	QoQ
Net Sales	1,953	1,779	1,611	21%	9.8%
Raw Material	79	71	53	50%	12.4%
Purchase of stock In trade	-	-	-	-	-
(Increase)/Decrease in stock	(2)	(2)	1	-	-
COGS	78	69	54	45%	12.5%
GP	1,875	1,710	1,557	20%	9.7%
Gross Profit (%)	96.01%	96.11%	96.66%	-65bps	-10bps
Employee Cost	992	1,013	1,050	-6%	-2%
Other Expenses	592	469	291	103%	26%
EBITDA	290	228	216	35%	27.3%
EBITDA Margin (%)	14.87%	12.82%	13.40%	147bps	205bps
Depreciation	75	80	69	9%	-6%
EBIT	215	148	147	46%	45.5%
Other Income	10	3	1	697%	288%
Finance Cost	128	120	28	358%	6%
PBT	96	143	119	-19%	-33%
Tax Expense	26	62	34	-24%	-58%
Effective tax rate %	26.61%	43.19%	28.18%	-157bps	-1658bps
PAT	70.7	81	86	-18%	-12.9%
Profit /(Loss) to Non-controlling	26	23	25	2%	9.4%
PAT margin (%)	3.62%	4.56%	5.32%	-170bps	-94bps
Consolidated PAT	25.7	57.7	60.4	-58%	-56%
EPS (INR)	0.1	21.8	9.5	-99%	-99.7%

Source: Company, Arianth Research

Management Discussion KTAs

- Guidance: Management expects strong growth for FY23 supported by launch of potato chips, rings and Indian ethnic version. The FMCG growth (on the standalone basis) is likely to be in the range of 40-45% for FY23. In the next 3 years, the company expects strong growth in top-line of about 30% to reach target of INR 1000 cr.
- Revenue growth for the consolidated basis the management expecting it will grow in the range of 10-15%.
- Margin: As the company's focus is to improve Top-line, will see a decline on the % front. The company is not seeing any changes in the advertising cost as the company continues focusing on more product advertisement & marketing. The company did advertisement for the naturally which is cost INR 200 cr to introduce PAN India.
- Product: The company has a wider product range with demand improving post easing of Covid restriction and opening of schools & colleges. The company has crossed INR 100 cr in FMCG and target to growth of 40-45% in FY23
- Market Share: As of Q1FY23 no increase in the Too Yumm market share but going forward can expect it will increase from 2% to 3% in FY23 and in the longer term will see in the range of 4-5%.
- Harbolab: The company is doing pretty well and will see 25% revenue growth in FY23.
- Sports Business: In Q1FY23, the company receive INR 200 cr from BCCI and INR 105 cr from endorsement.
- Tax rate: It will be in a similar range to FY22.

RPSG Ventures Limited Financial (Consolidated financial)

Income Statement (INR Cr)

Year End-March	FY21	FY22	FY23E	FY24E
Revenues	5,599	6,670	7,515	8,362
Change (%)	21.6%	19.1%	12.7%	11.3%
Cost of Goods Sold (COGS)	191	265	301	334
Gross Profit	5,408	6,405	7,214	8,028
Employee costs	3,588	4,064	4,584	5,101
Other expenses	1,118	1,456	1,728	1,840
Total Expenses	4,897	5,785	6,613	7,275
EBITDA	702	885	902	1,087
Depreciation	249	291	286	334
EBIT	453	594	615	753
Interest	107	209	226	245
Other Income	64	15	16	17
PBT	410	400	405	525
Exceptional Items	-115	0	0	0
PBT after exceptional Items	294	508	512	632
Tax	236	170	169	208
Rate (%)	80.2%	33.4%	33.0%	33.0%
PAT	58	339	343	423
Non-controlling interest	154	207	168	177
Consolidated PAT	-96	131	175	247
Change (%)	-1.7%	2.0%	2.3%	2.9%

Balance Sheet (INR Cr)

Year End-March	FY21	FY22	FY23E	FY24E
Sources of Funds				
Share Capital	27	27	27	27
Reserves & Surplus	2,132	2,497	2,802	3,186
Non controlling interest	1,301	1,549	1,549	1,549
Total Equity	3,460	4,073	4,378	4,762
Loan Funds	974	1,887	1,887	1,887
Deferred Tax Liability (Net)	149	204	204	204
Capital Employed	6,329	12,801	12,030	12,461
Application of Funds				
Gross Block	1,511	1,692	1,895	2,122
Less: Depreciation	772	908	983	1,068
Net Block	912	1,054	0	0
CWIP	5	6	6	6
Financial Assets	652	574	574	574
Investments	47	86	125	164
Inventories	51	62	64	71
Sundry debtors	608	989	906	1,008
Cash and bank	161	225	459	522
Other Current Assets	529	506	506	506
Total Current assets	1,437	1,954	2,108	2,280
Total Current liabilities	1,072	1,893	817	864
Total Non-Current assets	4,892	10,847	9,922	10,181
Capital Employed	6,329	12,801	12,030	12,461

Cash Flow Statement (INR Cr)

Year End-March	FY21	FY22	FY23E	FY24E
PBT	294	508	512	632
Cash From Operating Activities	968	779	859	796
Tax	67	119	169	208
Net Cash From Operations	0	0	0	0
Capex	(185)	(826)	(417)	(486)
Cash From Investing	(460)	(1,454)	(455)	(525)
Borrowings	(293)	899	0	0
Finance cost paid	(106)	(110)	0	0
Cash From Financing	(652)	857	0	0
Net Increase/ Decrease in Cash	-211	64	235	63
Cash at the beginning of the year	370	161	225	459
Cash at the end of the year	161	225	459	522

Key Ratios

Year End-March	FY21	FY22	FY23E	FY24E
Per share (INR)				
EPS	-36.1	49.6	65.6	92.6
BVPS	1305	1529	1643	1788
Valuation (x)				
P/E	-14.8	10.8	8.1	5.8
P/BV	0.4	0.3	0.3	0.3
Subsidiary Valuation	1763	1763	1763	1763
EPS (Core EPS)	48.0	54.6	68.0	85.6
PE(Core)	-25.7	-22.7	-18.2	-14.4
EV/EBITDA	3.2	3.5	3.2	2.6
Return ratio (%)				
EBIDTA Margin	12.54%	13.27%	12.00%	13.00%
PAT Margin	-1.71%	1.97%	2.33%	2.95%
ROE	1.69%	8.31%	7.84%	8.89%
ROCE	7.16%	4.64%	5.12%	6.04%
Leverage Ratio (%)				
Total D/E	0.3	0.5	0.4	0.4
Turnover Ratios				
Asset Turnover (x)	3.9	3.4	3.6	3.7
Inventory Days	96	78	78	78
Receivable Days	39	44	44	44
Payable days	21	20	20	20

Source: Company, Arianth Research

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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