

CMP: INR 618

Rating: Buy

Target Price: INR 2,280

Stock Info

BSE	542333
NSE	RPSGVENT
Bloomberg	CESCVIN
Reuters	CESV.BO
Sector	IT
Face Value (INR)	10
Equity Capital (INR Cr)	29.51
Mkt Cap (INR Cr)	1,844
52w H/L (INR)	672/360
Avg Daily Vol (in 000')	26

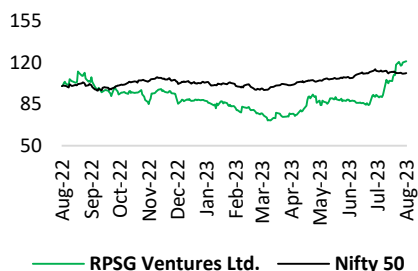
Shareholding Pattern %

(As on June, 2023)

Promoters	59.09
FII	11.08
DII	2.14
Public & Others	27.54

Stock Performance (%)	1m	3m	12m
RPSG	30.4	37.9	21.1
Nifty	-1.7	5.9	10.9

RPSGVENT Vs Nifty



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RPSG Ventures in Q1FY24 reported outstanding performance: RPSG Ventures in Q1FY24, Revenues above expectation and came in at INR 2296 cr against estimates of INR 2021 cr. It up by 28% QoQ/+18% YoY driven by the strong growth in sports INR 591 Cr (1062% QoQ/94% YoY) followed by FMCG INR 107 cr (2% QoQ/-1% YoY), BPO INR Cr (-2% QoQ/4% YoY) and Property INR 33 Cr (-19% QoQ/5% YoY) respectively. However, the Gross Profit margin expanded by 109bps YoY/98bps QoQ due to softening in raw material cost.

Margin expansion due to softening in RM cost: EBITDA registered a growth of (113% YoY/245% QoQ) and stood at INR 618 cr and above our expectation of INR 265.5 Cr. EBITDA margin expansion by 1206bps YoY/1693bps QoQ to 26.93% above our estimate of 12.5%.

Consolidated PAT stood at INR 153 cr against estimates of INR 13 cr vs (Q4FY23 reported a loss of 123 Cr and in Q1FY23 INR 0.1 cr).

Valuation & Outlook

RPSG Venture has demonstrated robust performance in Q1FY24, largely attributed to a significant one-time revenue influx from the sports segment. This favorable trend is anticipated to repeat in the upcoming Q1FY24 due to the IPL season. Moreover, we anticipate further growth, driven by the better performance of Firstsource.

FSL (Subsidiary) has provided guidance for a growth of 2-5% in revenues in CC terms, along with margin of 11%-12%. This growth is expected to be driven by an improvement in the collections business and a potential revival in the Provider business, as the US has announced the end of Public Health Emergency (PHE) from May 11th. This decision is likely to boost eligibility services volumes, alongside sustained momentum in CMT (US) and BFS in the UK, among other contributing factors. The company also considers exploring inorganic opportunities in adjacent capabilities to address growth concerns.

We expect RPSG Ventures to post Revenue/EBITDA growth of CAGR 12%/13% respectively over FY24E-FY26E and value RPSG Ventures at PE of 1.0x to its FY26E EPS (Core) of INR 55.8. **We maintain our Buy rating on the stock and value it on SOTP valuation for a revised target price of INR 2,157 per share (Bear/Lower case scenario), INR 2,280 per share (Base case scenario), and INR 2,405 per share (Best case scenario).**

We value FSL at 16x FY26E EPS of INR 10.4 for the Target Price of INR 167 per share. We upgrade our rating to Accumulate from Hold earlier. (Report Link- bit.ly/3qyeGgh)

Particulars (INR Cr)	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	6670	7166	8085	9030	10110
EBITDA	887	803	1213	1373	1557
Margin (%)	13.3%	11.2%	15.0%	15.2%	15.4%
Net profit	131	-153	149	153	165
EPS (INR)	49.6	-53.7	50.6	51.9	55.8
ROE	8.31%	-1.47%	3.32%	3.20%	3.23%
ROCE	4.65%	3.78%	5.97%	6.70%	7.55%

Source: Company, Arihant Research

SOTP - Valuations

Bear/Lower Case Scenario								
Listed Subsidiary	FY26E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share	
FSL (FY26E EPS)	10.4	16x FY26E PE	167	155	54%	6294		
					Holdco Discount	40%		
					Valuation	3776	1280	
Apricot Foods	244	1x	244	unlisted	70		83	
Guiltfree Industries Limited	188	1.2x	225	unlisted	100		76	
Herbolab India Private Limited	32	1.2x	38	unlisted	100		13	
Quest Properties	185	1.2x	222	unlisted	100		75	
APA services	-	-	-	unlisted	100		-	
ATK	127	1x	127	unlisted	80		43	
RPSG Sports Private Limited	Discounting	15%	1569	unlisted	51		532	
Value of Subsidiaries							2102	
Core business		1x FY26E PE						56
						Intrinsic Value per share	2157	
						CMP	618	
						Upside	249%	
Base Case Scenario								
Listed Subsidiary	FY25E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share	
FSL (EPS FY25E)	10.4	16x FY26E PE	167	155	54%	6294		
					Holdco Discount	40%		
					Valuation	3776	1280	
Apricot Foods	244	1.5x	365	unlisted	70		124	
Guiltfree Industries Limited	188	1.5x	282	unlisted	100		95	
Herbolab India Private Limited	32	1.5x	48	unlisted	100		16	
Quest Properties	185	2x	370	unlisted	100		125	
APA services	-	-	-	unlisted	100		0.0	
ATK	127	1.2x	152	unlisted	80		52	
RPSG Sports Private Limited	Discounting	15%	1569	unlisted	51		532	
Value of Subsidiaries							2224	
Core business		1x FY26E PE						56
						Intrinsic Value per share	2280	
						CMP	618	
						Upside	269%	
Best Case Scenario								
Listed Subsidiary	FY25E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share	
FSL	10.4	16x FY26E PE	167	155	54%	6294		
					Holdco Discount	40%		
					Valuation	3776	1280	
Apricot Foods	243.6	1.8x	438	unlisted	70		149	
Guiltfree Industries Limited	187.79	1.8x	338	unlisted	100		115	
Herbolab India Private Limited	32	2x	64	unlisted	100		22	
Quest Properties	185	3x	555	unlisted	100		188	
APA services	0	3x	0	unlisted	-		-	
ATK	127	1.5x	191	unlisted	80		65	
RPSG Sports Private Limited	Discounting	15%	1569	unlisted	51		532	
Value of Subsidiaries							2349	
Core business		1x FY26E PE						56
						Intrinsic Value per share	2405	
						CMP	618	
						Upside	289%	

Price as on 22nd August 2023

Source: Company, Arianth Research

Q1FY24 Performance of the company

INR in Cr.	Q1FY24	Q4FY23	Q1FY23	YoY	QoQ
Net Sales	2,296	1,792	1,953	18%	28.1%
Raw Material	59	65	79	-26%	-8.5%
Purchase of stock In trade	-	-	-		
(Increase)/Decrease in stock	7	5	(2)	-568%	53.2%
COGS	67	69	78	-15%	-4.2%
GP	2,230	1,722	1,875	19%	29.4%
Gross Profit (%)	97.10%	96.13%	96.01%	109bps	98bps
Employee Cost	959	1,019	992	-3%	-5.9%
Other Expenses	652	524	592	10%	24.5%
EBITDA	618	179	290	113%	244.9%
EBITDA Margin (%)	26.93%	10.01%	14.87%	1206bps	1693bps
Depreciation	72	74	75	-5%	-3.7%
EBIT	547	105	215	154%	421.0%
Other Income	5	11	10	-52%	-56.8%
Finance Cost	152	145	128	19%	4.5%
PBT	398	(45)	96	313%	-
Share of Profit of JV	(2)	(16)			
Tax Expense	35	87	26	38%	-59.1%
Effective tax rate %	8.91%	-191.06%	26.61%	-	-
PAT	362.4	(132.1)	70.7	413%	-374.3%
Profit/(Loss) to Non-controlling	209	(9)	0.15	0%	0.0%
PAT margin (%)	15.78%	-7.37%	3.62%	-215bps	303bps
Consolidated PAT	153.0	(123.0)	0.1	-	-
EPS (INR)	51.8	(41.7)	0.1	-	-

Source: Company, Arihant Research

Management Concall KTAs

- Guidance:** The company has a three pronged strategy for its consumer goods business with a play in personal care, foods and Ayurveda. The FMCG growth (on the standalone basis) is likely to be in the range of 45-50% for FY24. In the next 3 years, the company expects strong growth in top-line of about 30% to reach target of INR 1000 cr.
- In FMCG, visibility is getting better day by day and target of INR 1000 cr in 2-3 years
- Herbolab India is directing its attention towards this industry and aiming to expand even more. As an example, they have shifted from selling liquid chyawanprash to offering chyawanprash tablets, targeting the younger demographic. Gross margin is very high.
- Revenue growth for the consolidated basis the management expecting it will grow in the range of 10-15%.
- Other expenses up by 10% YoY/25% QoQ due to marketing cost as a growing brand.
- Sports:** Q1 represents a singular sports-related revenue occurrence, indicating that there will be no similar income in the subsequent quarter.

RPSG Ventures Limited Financial (Consolidated financial)

Income Statement (INR Cr)

Year End-March	FY22	FY23	FY24E	FY25E	FY26E
Revenues	6,670	7,166	8,085	9,030	10,110
Change (%)	19.1%	7.4%	12.8%	11.7%	11.9%
Cost of Goods Sold (COGS)	265	317	323	361	404
Gross Profit	6,405	6,850	7,762	8,669	9,705
Employee costs	4,064	4,017	4,528	5,039	5,621
Other expenses	1,454	2,030	2,021	2,258	2,527
Total Expenses	5,783	6,363	6,872	7,658	8,553
EBITDA	887	803	1,213	1,373	1,557
EBITDA Margin (%)	13.3%	11.2%	15.0%	15.2%	15.4%
Depreciation	291	305	398	436	474
EBIT	596	498	815	937	1083
Interest	211	552	581	607	607
Other Income	15	142	149	156	164
PBT	400	88	383	486	641
Exceptional Items	-	-	-	-	-
PBT after exceptional Items	508	120	383	486	0
Tax	170	179	234	333	476
Rate (%)	33.4%	149.1%	61.0%	68.5%	74.3%
PAT	339	-59	149	153	165
Non-controlling interest	207	94	-	-	-
Consolidated PAT	131	-153	149	153	165
Change (%)	2.0%	-2.1%	1.8%	1.7%	1.6%

Cash Flow Statement (INR Cr)

Year End-March	FY22	FY23	FY24E	FY25E	FY26E
PBT	508	120	383	486	641
Cash From Operating Activities	781	828	706	825	1,004
Tax	119	103	234	333	476
Net Cash From Operations	662	726	472	492	528
Capex	(826)	(83)	(327)	(336)	(373)
Cash From Investing	(1,454)	(717)	(337)	(346)	(383)
Borrowings	899	698	-	-	-
Finance cost paid	(112)	(181)	-	-	-
Cash From Financing	855	252	96	25	25
Net Increase/ Decrease in Cash	64	260	232	171	169
Cash at the beginning of the year	161	225	484	715	886
Cash at the end of the year	225	484	715	886	1,055

Balance Sheet (INR Cr)

Year End-March	FY22	FY23	FY24E	FY25E	FY26E
Sources of Funds					
Share Capital	27	30	30	30	30
Reserves & Surplus	2,497	2,376	2,864	3,156	3,459
Non controlling interest	1,549	1,601	1,601	1,601	1,601
Total Equity	4,073	4,006	4,495	4,786	5,089
Loan Funds	1,887	2,639	2,639	2,639	2,639
Deferred Tax Liability (Net)	204	251	251	251	251
Capital Employed	12,801	13,159	13,646	13,987	14,346
Application of Funds					
Gross Block	1,372	1,349	1,511	1,662	1,828
Less: Depreciation	653	687	740	803	873
Net Block	718	662	771	859	955
CWIP	6	7	7	7	7
Financial Assets	574	586	586	586	586
Investments	86	54	64	74	84
Inventories	62	64	64	72	80
Sundry debtors	989	1,109	1,183	1,322	1,480
Cash and bank	225	484	715	886	1,055
Other Current Assets	506	510	510	510	510
Total Current assets	1,954	2,231	2,537	2,854	3,189
Total Current liabilities	1,893	2,043	2,042	2,092	2,148
Total Non-Current assets	10,847	10,928	11,109	11,133	11,157
Capital Employed	12,801	13,159	13,646	13,987	14,346

Key Ratios

Year End-March	FY22	FY23	FY24E	FY25E	FY26E
Per share (INR)					
EPS	49.6	-53.7	50.6	51.9	55.8
BVPS	1529	1358	1523	1622	1725
Valuation (x)					
P/E	10.8	-9.9	10.5	10.3	9.6
P/BV	0.3	0.4	0.3	0.3	0.3
Subsidiary Valuation	2224	2224	2224	2224	2224
EPS (Core EPS)	54.6	26.8	50.6	51.9	55.8
EV/EBITDA	3.5	4.6	2.9	2.4	2.0
Return ratio (%)					
EBITDA Margin	13.30%	11.21%	15.00%	15.20%	15.40%
PAT Margin	1.97%	-2.13%	1.85%	1.69%	1.63%
ROE	8.31%	-1.47%	3.32%	3.20%	3.23%
ROCE	4.65%	3.78%	5.97%	6.70%	7.55%
Leverage Ratio (%)					
Total D/E	0.5	0.7	0.6	0.6	0.5
Turnover Ratios					
Asset Turnover (x)	3.4	3.2	3.2	3.2	3.2
Inventory Days	78	73	73	73	73
Receivable Days	44	53	53	53	53
Payable days	20	19	19	19	19

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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