

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

CMP: INR 480

Rating: Buy

Target Price: INR 2,593

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)	1,394
52w H/L (INR)	798/434

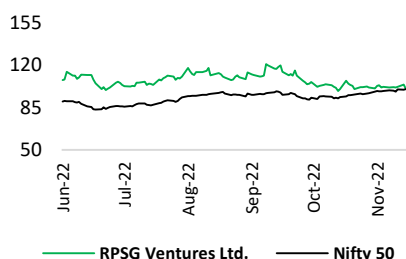
Shareholding Pattern %

(As on Sept, 2022)

Promoters	59.09
Public & Others	40.91

Stock Performance (%)	1m	3m	12m
RPSG	-5.5	-12.9	-35.1
Nifty	4.2	4.9	6.1

RPSGVENT Vs Nifty



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RPSG Ventures in Q2FY23, Revenues below estimates: RPSG Ventures in Q2FY23, Consolidated revenues below expectations and came in at INR 1,702 cr against estimates of INR 1,602 cr. It decreased by 12.9% QoQ/+6% YoY driven by the decent growth in FMCG INR 125 cr (15% QoQ/24% YoY), BPO INR 1,529 Cr (1% QoQ/5% YoY), Property INR 33 Cr (6% QoQ/32% YoY) and Sports INR 15 Cr (10% QoQ/(13% YoY) respectively.

Margin impacted due to raw material pressure: EBITDA registered a de-growth of (24% YoY)/(47.8% QoQ) and stood at INR 150 cr and below the expectation of INR 225 Cr. EBITDA margin contracted by 363bps YoY/-596bps QoQ to 8.92% below our estimate of 14.00%. However, the Gross Profit margin declined 122bps YoY/80bps QoQ due to raw material cost pressure.

Consolidated PAT stood at -INR 0.5 cr against Q1FY23 of INR 0.1 cr and de-grew by (467% QoQ)/ (104% YoY). The Effective tax rate increased by 4982bps QoQ/4497bps to 76.43%, owing to deferred tax component of INR 12.46 Cr.

Other expenses stood at INR 473 cr against Q2FY23 stood at INR 592 cr and grew by 46% YoY/(20% QoQ) led by higher advertisement cost from Naturally as they have expanded PAN India.

Valuation & Outlook

RPSG Venture has reported weak performance in Q2FY23 backed by steady growth in across the segment. Sports revenue will be coming during March-April and FSL (Subsidiary) primarily pressure on the mortgage business. The company has a wider product range with demand improving post easing of Covid restrictions and opening of schools & colleges. Management expects decent growth for FY23 supported by the launch of potato chips, rings, and Indian ethnic versions. The management has indicated that FMCG business growth is on track. Also, we will see better growth in the real state front post the covid era. Hence, we maintained our EBITDA margin projection in the range of 12% to 13% during FY23E-FY25E.

We expect RPSG Ventures to post Revenue/EBITDA growth of CAGR 11.7%/~10.9% respectively over FY22E-FY25E and value RPSG Ventures at PE of 1.5x to its FY25E EPS (Core) of INR 51.5. We maintain our Buy rating on the stock and value it on SOTP valuation for a revised target price of INR 2,263 per share (Bear/Lower case scenario), INR 2,593 per share (Base case scenario), and INR 2,909 per share (Best case scenario).

We value FSL at 11x FY25E EPS of INR 8.4 for the Target Price of INR 93 per share. We downgrade our rating to Reduce from Hold earlier. (Report Link- <https://bit.ly/3tUPAWL>)

Particulars (INR Cr)	FY22	FY23E	FY24E	FY25E
Net Sales	6670	7457	8312	9284
EBITDA	885	895	1081	1207
Net profit	131	55	116	137
EPS (INR)	49.6	20.6	43.6	51.5
PE (x)	9.7	23.3	11.0	9.3
EBITDA Margin	13.27%	12.00%	13.00%	13.00%
PAT Margin	1.97%	0.74%	1.40%	1.48%
ROE	8.31%	6.55%	6.81%	7.09%
ROCE	4.64%	5.08%	6.07%	6.45%

Source: Company, Arihant Research

SOTP - Valuations

Bear/Lower Case Scenario							
Listed Subsidiary	FY25E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share
FSL		11x FY25E PE	192		54%	7215	
					Holdco Discount Valuation	60%	1083
Apricot Foods	221	1x	221	unlisted	70		83
Guiltfree Industries Limited	379	1.5x	569	unlisted	100		213
Herbolab India Private Limited	29	1.5x	44	unlisted	100		16
Quest Properties	120	4x	480	unlisted	100		180
APA services	0.12	1x	0.12	unlisted	100		0.05
ATK	109	1x	109	unlisted	80		41
RPSG Sports Private Limited	Discounting	15%	1516	unlisted	51		569
Value of Subsidiaries							2186
Core business		1.5x FY25E PE					77
						Intrinsic Value per share	2263
						CMP	480
						Upside	371%
Base Case Scenario							
Listed Subsidiary	FY25E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share
FSL		11x FY25E PE	192		54%	7215	
					Holdco Discount Valuation	60%	1083
Apricot Foods	220.9	1.5x	331	unlisted	70		124
Guiltfree Industries Limited	379	2x	758	unlisted	100		285
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							2516
Core business		1.5x FY25E PE					77
						Intrinsic Value per share	2593
						CMP	480
						Upside	440%
Best Case Scenario							
Listed Subsidiary	FY25E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share
FSL		11x FY25E PE	192		54%	7215	
					Holdco Discount Valuation	60%	1083
Apricot Foods	220.9	2x	442	unlisted	70		166
Guiltfree Industries Limited	379	3x	1137	unlisted	100		427
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							2832
Core business		1.5x FY25E PE					77
						Intrinsic Value per share	2909
						CMP	480
						Upside	506%

Source: Company, Arianth Research

CMP as on 25th November 2022

Q2FY23 Performance of the company

INR in Cr.	Q2FY23	Q1FY23	Q2FY22	YoY	QoQ
Net Sales	1,702	1,953	1,599	6%	-12.9%
Raw Material	87	79	72	22%	10.0%
Purchase of stock In trade	-	-	-	-	-
(Increase)/Decrease in stock	1	(2)	(1)	-218%	-177.7%
COGS	89	78	71	26%	13.8%
GP	1,613	1,875	1,529	5%	-14.0%
Gross Profit (%)	94.79%	96.01%	95.59%	-80bps	-122bps
Employee Cost	988	992	1,004	-2%	-0.4%
Other Expenses	473	592	324	46%	-20.1%
EBITDA	152	290	201	-24%	-47.8%
EBITDA Margin (%)	8.92%	14.87%	12.55%	-363bps	-596bps
Depreciation	77	75	70	9%	1.6%
EBIT	75	215	130	-42%	-65.1%
Other Income	55	10	10	453%	435.9%
Finance Cost	140	128	30	369%	9.7%
PBT	42	96	109	-61%	-56.1%
Tax Expense	32	26	34	-6%	26.0%
Effective tax rate %	76.43%	26.61%	31.47%	4497bps	4982bps
PAT	10.0	70.7	75	-87%	-85.9%
Profit /(Loss) to Non-controlling	(1)	0.15	62	-101%	-466.7%
PAT margin (%)	0.58%	3.62%	4.67%	-409bps	-303bps
Consolidated PAT	(0.5)	0.1	12.9	-104%	-466.7%
EPS (INR)	(0.2)	0.1	4.9	-104%	-433.3%

Source: Company, Arianth Research

Management Discussion KTAs

- **Guidance:** 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.
- The company's FMCG business is on track as per expectation.
- Revenue growth for the consolidated basis the management expecting it will grow in the range of 10-15%.
- **Margin:** Other expenses reduced 20% QoQ and the management expects to reduce further which will help to increase margin going forward.
- **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:** The company will see revenue in IPL season during March-April.

RPSG Ventures Limited Financial (Consolidated financial)

Income Statement (INR Cr)

Year End-March	FY22	FY23E	FY24E	FY25E
Revenues	6,670	7,457	8,312	9,284
Change (%)	19.1%	11.8%	11.5%	11.7%
Cost of Goods Sold (COGS)	265	298	332	371
Gross Profit	6,405	7,158	7,979	8,913
Employee costs	4,064	4,549	5,070	5,663
Other expenses	1,456	1,715	1,829	2,042
Total Expenses	5,785	6,562	7,231	8,077
EBITDA	885	895	1,081	1,207
Depreciation	291	286	334	391
EBIT	594	608	746	816
Interest	209	226	245	245
Other Income	15	16	17	18
PBT	400	398	518	588
Exceptional Items	-	-	-	-
PBT after exceptional Items	508	505	625	695
Tax	170	222	313	348
Rate (%)	33.4%	44.0%	50.0%	50.0%
PAT	339	283	313	348
Non-controlling interest	207	228	196	210
Consolidated PAT	131	55	116	137
Change (%)	2.0%	0.7%	1.4%	1.5%

Balance Sheet (INR Cr)

Year End-March	FY22	FY23E	FY24E	FY25E
Sources of Funds				
Share Capital	27	27	27	27
Reserves & Surplus	2,497	2,741	3,016	3,325
Non controlling interest	1,549	1,549	1,549	1,549
Total Equity	4,073	4,317	4,592	4,901
Loan Funds	1,887	1,887	1,887	1,887
Deferred Tax Liability (Net)	204	204	204	204
Capital Employed	12,801	11,966	12,287	12,650
Application of Funds				
Gross Block	1,692	1,895	2,122	2,377
Less: Depreciation	908	983	1,068	1,163
Net Block	784	912	1,054	1,214
CWIP	6	6	6	6
Financial Assets	574	574	574	574
Investments	86	125	164	202
Inventories	62	64	71	79
Sundry debtors	989	899	1,002	1,119
Cash and bank	225	404	355	351
Other Current Assets	506	506	506	506
Total Current assets	1,954	2,044	2,106	2,228
Total Current liabilities	1,893	814	861	914
Total Non-Current assets	10,847	9,922	10,181	10,422
Capital Employed	12,801	11,966	12,287	12,650

Key Ratios

Year End-March	FY22	FY23E	FY24E	FY25E
Per share (INR)				
EPS	49.6	20.6	43.6	51.5
BVPS	1529	1621	1724	1840
Valuation (x)				
P/E	9.7	23.3	11.0	9.3
P/BV	0.3	0.3	0.3	0.3
Subsidiary Valuation	1763	1763	1763	1763
EPS (Core EPS)	54.6	20.6	43.6	51.5
PE(Core)	-23.5	-62.3	-29.4	-24.9
EV/EBITDA	3.3	3.1	2.6	2.3
Return ratio (%)				
EBIDTA Margin	13.2%	12.0%	13.0%	13.0%
PAT Margin	1.9%	0.7%	1.4%	1.4%
ROE	8.3%	6.5%	6.8%	7.0%
ROCE	4.6%	5.0%	6.0%	6.4%
Leverage Ratio (%)				
Total D/E	0.5	0.4	0.4	0.4
Turnover Ratios				
Asset Turnover (x)	3.4	3.6	3.9	4.2
Inventory Days	78	78	78	78
Receivable Days	44	44	44	44
Payable days	20	20	20	20

Cash Flow Statement (INR Cr)

Year End-March	FY22	FY23E	FY24E	FY25E
PBT	508	505	625	695
Cash From Operating Activities	779	856	789	907
Tax	119	222	313	348
Net Cash From Operations	660	634	476	560
Capex	-826	-417	-486	-567
Cash From Investing	-1,454	-455	-525	-606
Borrowings	899	-	-	-
Finance cost paid	-110	-	-	-
Cash From Financing	857	-	-	43
Net Increase/ Decrease in Cash	64	179	-48	-4
Cash at the beginning of the year	161	225	404	355
Cash at the end of the year	225	404	355	351

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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