

**CMP: INR 659**

**Rating: Buy**

**Target Price: INR 2,472**

**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)	1,875
52w H/L (INR)	685/360
Avg Daily Vol (in 000')	22

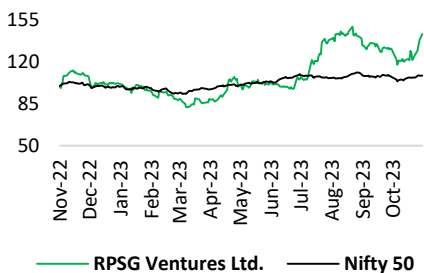
**Shareholding Pattern %**

(As on Sept, 2023)

Promoters	59.09
FII	11.08
DII	2.14
Public & Others	27.54

Stock Performance (%)	1m	3m	12m
RPSG	9.4	3.3	39.8
Nifty	0.69	1.9	7.4

**RPSGVENT Vs Nifty**



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**RPSG Ventures in Q2FY24 reported decent performance annually:** RPSG Ventures in Q2FY24, Revenues came in at INR 1788.5 cr against of INR 2,296 cr in Q1FY24. It is down by 22.1% QoQ/+5% YoY led by the decent growth in FMCG (14% QoQ) followed by growth in BPO INR 1,580 Cr (1% QoQ) and Property INR 34 Cr (4% QoQ/3% YoY) respectively. However, the Gross Profit margin expanded by 84bps YoY due to softening in raw material cost.

**Margin expansion due to softening in RM cost:** EBITDA registered a growth of (39% YoY/-66% QoQ) and stood at INR 211 cr and against Q1FY24 of INR 618 Cr. EBITDA margin expansion by 288bps YoY to 11.8% against of 8.92% in Q2FY23.

**Consolidated loss** stood at INR 15.1 cr against Q1FY24 of INR 362.4 cr (Q1FY24 one time gain from sports).

**Valuation & Outlook**

RPSG Venture has demonstrated decent performance in Q2FY24 led by good traction in the FMCG segments. The company is focusing on the scale-up of more FMCG segments due to good demand in the chips segment. Moreover, we anticipate further growth, driven by the better performance of Firstsource.

FSL, FY24 revenue guidance adjusted in light of macro uncertainty from 2%-5% CC Growth to 0-2%, and operating margins revised to 11-11.5% (from 11%-12%) a noteworthy shift. Despite this, the company anticipates strong H2FY24 revenue growth, fueled by the ramp-up of key Deals. Robust business pipeline Identified in large banks in CX Landscape and emerging segments. Committed to Cost Optimization, Acquisitions, and Strategic Partnerships for Sustained Expansion.

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 82.6. **We maintain our Buy rating on the stock and value it on SOTP valuation for a revised target price of INR 2,348 per share (Bear/Lower case scenario), INR 2,472 per share (Base case scenario), and INR 2,598 per share (Best case scenario).**

**We value FSL at 16x FY26E EPS of INR 9.9 for the Target Price of INR 188 per share. We upgrade our rating to Accumulate from Hold earlier. (<https://bit.ly/3qyeGgh>)**

Particulars (INR Cr)	FY23	FY24E	FY25E	FY26E
Net Sales	7166	8323	9288	10388
EBITDA	803	1248	1412	1600
Margin (%)	11.2%	15.0%	15.2%	15.4%
Net profit	-153	176	210	244
EPS ( INR)	-53.7	59.6	71.2	82.6
ROE	-1.47%	3.89%	4.31%	4.64%
ROCE	3.78%	6.21%	6.93%	7.75%

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)	9.9	19x FY26E PE	188	165	54%	7071	
					Holdco Discount	40%	
					Valuation	4242	1438
Apricot Foods	244	1x	244	unlisted	70		83
Guilfree Industries Limited	203	1.2x	243	unlisted	100		82
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
<b>Value of Subsidiaries</b>							<b>2266</b>
<b>Core business</b>		<b>1x FY26E PE</b>					<b>83</b>
					<b>Intrinsic Value per share</b>		<b>2348</b>
					CMP		659
					Upside		256%
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)	9.9	19x FY26E PE	188	165	54%	7071	
					Holdco Discount	40%	
					Valuation	4242	1438
Apricot Foods	244	1.5x	365	unlisted	70		124
Guilfree Industries Limited	203	1.5x	304	unlisted	100		103
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
<b>Value of Subsidiaries</b>							<b>2389</b>
<b>Core business</b>		<b>1x FY26E PE</b>					<b>83</b>
					<b>Intrinsic Value per share</b>		<b>2472</b>
					CMP		659
					Upside		275%
Best Case Scenario							
Listed Subsidiary	FY25E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share
FSL	9.9	19x FY26E PE	188	165	54%	7071	
					Holdco Discount	40%	
					Valuation	4242	1438
Apricot Foods	243.6	1.8x	438	unlisted	70		149
Guilfree Industries Limited	202.814	1.8x	365	unlisted	100		124
Herbolab India Private Limited	32	2x	64	unlisted	100		22
Quest Properties	185	3x	555	unlisted	100		188
APA services	-	3x	0	unlisted			-
ATK	127	1.5x	191	unlisted	80		65
RPSG Sports Private Limited	Discounting	15%	1569	unlisted	51		532
<b>Value of Subsidiaries</b>							<b>2516</b>
<b>Core business</b>		<b>1x FY26E PE</b>					<b>83</b>
					<b>Intrinsic Value per share</b>		<b>2598</b>
					CMP		659
					Upside		294%

Price as on 21st Nov 2023

Source: Company, Arianth Research

## Q2FY24 Performance of the company

INR in Cr.	Q2FY24	Q1FY24	Q2FY23	YoY	QoQ
<b>Net Sales</b>	<b>1,788.5</b>	<b>2,296</b>	<b>1,702</b>	<b>5%</b>	<b>-22.1%</b>
Raw Material	80	59	87	-8%	35.7%
Purchase of stock In trade	-	-	-	-	-
(Increase)/Decrease in stock	(2)	7	1	-274%	-128.9%
COGS	78	67	89	-12%	17.5%
<b>GP</b>	<b>1,710</b>	<b>2,230</b>	<b>1,613</b>	<b>6%</b>	<b>-23.3%</b>
<b>Gross Profit (%)</b>	<b>95.63%</b>	<b>97.10%</b>	<b>94.79%</b>	<b>84bps</b>	<b>-147bps</b>
Employee Cost	983	959	988	-1%	2.4%
Other Expenses	517	652	473	9%	-20.7%
<b>EBITDA</b>	<b>211</b>	<b>618</b>	<b>152</b>	<b>39%</b>	<b>-65.9%</b>
<b>EBITDA Margin (%)</b>	<b>11.80%</b>	<b>26.93%</b>	<b>8.92%</b>	<b>288bps</b>	<b>-1514bps</b>
Depreciation	76	72	77	-1%	5.7%
<b>EBIT</b>	<b>135</b>	<b>547</b>	<b>75</b>	<b>80%</b>	<b>-75.3%</b>
Other Income	24	5	55	-57%	384.3%
Finance Cost	152	152	140	8%	0.0%
<b>PBT</b>	<b>19</b>	<b>398</b>	<b>42</b>	<b>-56%</b>	<b>-95.3%</b>
<b>Share in net profit/(loss) of joint ventures and associate.</b>	<b>12</b>	<b>(2)</b>			
Tax Expense	34	35	32	5%	-4.4%
Effective tax rate %	180.75%	8.91%	76.43%	-	-
<b>PAT</b>	<b>(15.1)</b>	<b>362.4</b>	<b>10.0</b>		
<b>Profit /(Loss) to Non-controlling</b>	<b>-</b>	<b>209</b>	<b>(0.55)</b>		
PAT margin (%)	-0.85%	15.78%	0.58%	-215bps	303bps
Consolidated PAT	(15.1)	153.0	(0.5)	-	-
<b>EPS (INR)</b>	<b>(11.7)</b>	<b>51.8</b>	<b>(0.2)</b>		

Source: Company, Arianth Research

### Management Concall KTAs

- The company has outlined a comprehensive strategy for its consumer goods business, spanning personal care, foods, and Ayurveda. In the FY24, the too Yumm growth is projected to be ~360 Cr, with a target of ~600 Cr for FY25.
- In the FMCG sector, the company has experienced notable traction, particularly with the successful launches of Too Yumm! BHOOT Chips in collaboration with Naagin hot sauce and Too Yumm! Rings Tomato Twist.
- Within the personal care segment, the company is strategically concentrating on Premium D2C Personal Care, offering premium products with unique features. The launch of Naturali with a modified D2C approach is part of this initiative.
- Turning attention to the mall business, which has thrived over its 10-year existence, the company is set to enhance its success by introducing luxury brands this year. This move is anticipated to contribute to a 5-7% increase in revenue this fiscal year.
- Herbolab India is actively expanding its presence in the industry, exemplified by the shift from liquid chyawanprash to chyawanprash tablets, targeting a younger demographic and enjoying high gross margins.
- While EVITA is currently performing decently, positive expectations are held for its future performance.
- Anticipating increased brand expansion, other expenses are expected to rise in the near future. Varun Dhawan will continue as the brand ambassador for the "Fired" category, and Virat Kohli will maintain his role in the "Non- Fried" category.

## RPSG Ventures Limited Financial (Consolidated financial)

## Income Statement (INR Cr)

Year End-March	FY23	FY24E	FY25E	FY26E
<b>Revenues</b>	7,166	8,323	9,288	10,388
Change (%)	7.4%	16.1%	11.6%	11.8%
Cost of Goods Sold (COGS)	317	333	372	416
<b>Gross Profit</b>	<b>6,850</b>	<b>7,990</b>	<b>8,917</b>	<b>9,972</b>
Employee costs	4,017	4,661	5,183	5,776
Other expenses	2,030	2,081	2,322	2,597
<b>Total Expenses</b>	<b>6,363</b>	<b>7,074</b>	<b>7,877</b>	<b>8,788</b>
<b>EBITDA</b>	<b>803</b>	<b>1,248</b>	<b>1,412</b>	<b>1,600</b>
<b>EBITDA Margin (%)</b>	<b>11.2%</b>	<b>15.0%</b>	<b>15.2%</b>	<b>15.4%</b>
Depreciation	305	398	436	474
<b>EBIT</b>	<b>498</b>	<b>850</b>	<b>976</b>	<b>1126</b>
Interest	552	581	607	607
Other Income	142	149	156	166
<b>PBT</b>	<b>88</b>	<b>419</b>	<b>525</b>	<b>685</b>
Exceptional Items	-	-	-	-
<b>PBT after exceptional Items</b>	<b>120</b>	<b>419</b>	<b>525</b>	<b>685</b>
Tax	179	243	315	441
Rate (%)	149.1%	58.0%	60.0%	64.4%
<b>PAT</b>	<b>-59</b>	<b>176</b>	<b>210</b>	<b>244</b>
<b>Non-controlling interest</b>	<b>94</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Consolidated PAT</b>	<b>-153</b>	<b>176</b>	<b>210</b>	<b>244</b>
Change (%)	-2.1%	2.1%	2.3%	2.3%

## Balance Sheet (INR Cr)

Year End-March	FY23	FY24E	FY25E	FY26E
<b>Sources of Funds</b>				
Share Capital	29.51	29.51	29.51	29.51
Reserves & Surplus	2,376	2,891	3,239	3,621
Non controlling interest	1,601	1,601	1,601	1,601
<b>Total Equity</b>	<b>4,006</b>	<b>4,521</b>	<b>4,869</b>	<b>5,252</b>
<b>Loan Funds</b>	<b>2,639</b>	<b>2,639</b>	<b>2,639</b>	<b>2,639</b>
<b>Capital Employed</b>	<b>13,159</b>	<b>13,685</b>	<b>14,084</b>	<b>14,524</b>
<b>Application of Funds</b>				
Gross Block	1,349	1,511	1,662	1,828
Less: Depreciation	687	740	803	873
Net Block	662	771	859	955
CWIP	7	7	7	7
Financial Assets	586	586	586	586
Investments	54	64	74	84
<b>Inventories</b>	<b>64</b>	<b>66</b>	<b>74</b>	<b>83</b>
<b>Sundry debtors</b>	<b>1,109</b>	<b>1,218</b>	<b>1,360</b>	<b>1,521</b>
Cash and bank	484	717	943	1,189
Other Current Assets	510	510	510	510
Total Current assets	2,231	2,576	2,951	3,366
Total Current liabilities	2,043	2,055	2,105	2,162
Total Non-Current assets	<b>10,928</b>	<b>11,109</b>	<b>11,133</b>	<b>11,157</b>
<b>Capital Employed</b>	<b>13,159</b>	<b>13,685</b>	<b>14,084</b>	<b>14,524</b>

## Key Ratios

Year End-March	FY23	FY24E	FY25E	FY26E
<b>Per share (INR)</b>				
EPS	-53.7	59.6	71.2	82.6
BVPS	1358	1532	1650	1780
<b>Valuation (x)</b>				
P/E	-12.3	11.1	9.3	8.0
P/BV	0.5	0.4	0.4	0.4
Subsidiary Valuation	2389	2389	2389	2389
EPS (Core EPS)	26.8	60.7	72.4	82.6
EV/EBITDA	5.1	3.1	2.6	2.1
<b>Return ratio (%)</b>				
EBITDA Margin	11.21%	15.00%	15.20%	15.40%
PAT Margin	-2.13%	2.11%	2.26%	2.35%
ROE	-1.47%	3.89%	4.31%	4.64%
ROCE	3.78%	6.21%	6.93%	7.75%
<b>Leverage Ratio (%)</b>				
Total D/E	0.7	0.6	0.5	0.5
<b>Turnover Ratios</b>				
Asset Turnover (x)	3.2	3.2	3.1	3.1
Inventory Days	73	73	73	73
Receivable Days	53	53	53	53
Payable days	19	19	19	19

## Cash Flow Statement (INR Cr)

Year End-March	FY23	FY24E	FY25E	FY26E
<b>PBT</b>	<b>120</b>	<b>419</b>	<b>525</b>	<b>685</b>
Cash From Operating Activities	828	717	862	1,046
Tax	103	243	315	441
Net Cash From Operations	726	474	547	605
<b>Capex</b>	<b>(83)</b>	<b>(327)</b>	<b>(336)</b>	<b>(373)</b>
Cash From Investing	(717)	(337)	(346)	(383)
Borrowings	698	-	-	-
<b>Finance cost paid</b>	<b>(181)</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cash From Financing	252	96	25	25
<b>Net Increase/ Decrease in Cash</b>	<b>260</b>	<b>234</b>	<b>226</b>	<b>246</b>
<b>Cash at the beginning of the year</b>	<b>225</b>	<b>484</b>	<b>717</b>	<b>943</b>
Cash at the end of the year	484	717	943	1,189

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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