

CMP: INR 446

Rating: Buy

Target Price: INR 2,183

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)	1,308
52w H/L (INR)	590/360
Avg Daily Vol (in 000')	34

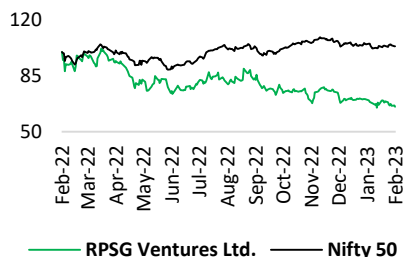
Shareholding Pattern %

(As on March, 2023)

Promoters	59.09
FII	11.08
DII	2.14
Public & Others	27.54

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 Q4FY23 reported revenues below our estimate: RPSG Ventures in Q4FY23, Consolidated revenues below expectations and came in at INR 1,792 cr below our estimates of INR 1,810 cr +4.2% QoQ/ +1% YoY driven by the decline in FMCG INR 104 cr -10% QoQ/+6% YoY, BPO INR 1,597 Cr +3% QoQ/+1% YoY, Property INR 40 Cr +17% QoQ/+43% YoY and Sports INR 51Cr 230% QoQ/-26% YoY respectively.

Margin impacted due to high marketing cost: EBITDA registered a de-growth of 21% YoY/-1.3% QoQ and stood at INR 179 cr and below the expectation of INR 185 Cr. EBITDA margin contracted by 282bps YoY/-55bps QoQ to 10.01% below our estimate of 10.22%. However, the Gross Profit margin increased 2bps YoY/+81bps QoQ due to easing raw material prices.

Consolidated Net loss stood at INR -123.0 cr against Q4FY23 of INR +91 cr. **Other expenses stood at INR 440** cr against Q2FY23 stood at INR 372 cr and grew by 18% YoY/7% QoQ led by higher advertisement cost. The company started reducing marketing expenses in personal care which will reflect from next quarter onward due to one quarter lag.

Valuation & Outlook

RPSG Venture experienced a decline in performance during the fourth quarter of FY23 primarily due to increased miscellaneous expenses. However, there is anticipation of a boost in sports revenue between March and April, as per the revised terms of the Board of Control for Cricket in India (BCCI). RPSG Venture is now expected to receive a revised deal of INR 500 Cr, up from the earlier amount of INR 200 Cr. Consequently, a strong performance is expected in the first quarter of FY24.

FSL (Subsidiary) is 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 declaration is expected to increase the volumes of eligibility services, along with the continued momentum in CMT (US), BFS in the UK, and other factors. Considering that the growth guidance is slightly below average due to certain headwinds but expect the recovery in the near term led by growth across the segment. Hence, we maintained our EBITDA margin projection in the range of 12% to 13% during FY24E-FY25E.

We expect RPSG Ventures to post Revenue/EBITDA growth of CAGR 12%/21% respectively over FY23-FY25E and value RPSG Ventures at PE of 1.5x to its FY25E EPS (Core) of INR 28.1. **We maintain our Buy rating on the stock and value it on SOTP valuation for a revised target price of INR 2,006 per share (Bear/Lower case scenario), INR 2,183 per share (Base case scenario), and INR 2,389 per share (Best case scenario).**

We value FSL at 13.6x FY25E EPS of INR 9.2 for the Target Price of INR 125 per share. We upgrade our rating to Hold from reduced earlier. (Report Link- <https://bit.ly/3MRL1qx>)

Particulars (INR Cr)	FY22	FY23	FY24E	FY25E
Net Sales	6670	7166	8085	9030
EBITDA	887	803	1011	1174
Margin (%)	13.3%	11.2%	12.5%	13.0%
Net profit	131	-153	54	83
EPS (INR)	49.6	-53.7	18.3	28.1
ROE	8.31%	-1.47%	1.23%	1.79%
ROCE	4.65%	3.78%	4.47%	5.28%

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 (FY25E EPS)	9.2	13.6x FY25E PE	125	131	54%	4703	
					Holdco Discount	30%	
					Valuation	3292	1116
Apricot Foods	232	1x	232	unlisted	70		79
Guiltfree Industries Limited	213	1.5x	320	unlisted	100		108
Herbolab India Private Limited	28	1.5x	42	unlisted	100		14
Quest Properties	151	1.5x	227	unlisted	100		77
APA services	0.0014	1x	0.0014	unlisted	100		
							0.0005
ATK	115	1x	115	unlisted	80		39
RPSG Sports Private Limited	Discounting	15%	1569	unlisted	51		532
Value of Subsidiaries							1964
Core business		1.5x FY25E PE					42
					Intrinsic Value per share		2006
					CMP		446
					Upside		350%
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)	9.2	13.6x FY25E PE	125	131	54%	4703	
					Holdco Discount	30%	
					Valuation	3292	1116
Apricot Foods	232	1.5x	348	unlisted	70		118
Guiltfree Industries Limited	213	2x	426	unlisted	100		144
Herbolab India Private Limited	28	2x	56	unlisted	100		19
Quest Properties	151	3x	453	unlisted	100		154
APA services	0.0014	1.5x	0.00	unlisted	100		0.0
ATK	115	1.5x	173	unlisted	80		58
RPSG Sports Private Limited	Discounting	15%	1569	unlisted	51		532
Value of Subsidiaries							2141
Core business		1.5x FY25E PE					42
					Intrinsic Value per share		2183
					CMP		446
					Upside		389%
Best Case Scenario							
Listed Subsidiary	FY25E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share
FSL	9.2	13.6x FY25E PE	125	131	54%	4703	
					Holdco Discount	30%	
					Valuation	3292	1116
Apricot Foods	232	2x	464	unlisted	70		157
Guiltfree Industries Limited	213	2.5x	533	unlisted	100		180
Herbolab India Private Limited	28	3x	84	unlisted	100		28
Quest Properties	151	5x	755	unlisted	100		256
APA services	0.0014	2x	0.00	unlisted	100		0
ATK	115	2x	230	unlisted	80		78
RPSG Sports Private Limited	Discounting	15%	1569	unlisted	51		532
Value of Subsidiaries							2347
Core business		1.5x FY25E PE					42
					Intrinsic Value per share		2389
					CMP		446
					Upside		436%

Price as on 26th May 2023

Source: Company, Aриhant Research

Q4FY23 Performance of the company

INR in Cr.	Q4FY23	Q3FY23	Q4FY22	YoY	QoQ
Net Sales	1,792	1,720	1,779	1%	4.2%
Raw Material	65	76	71	-9%	-15.5%
Purchase of stock In trade	-	-	-		
(Increase)/Decrease in stock	5	4	(2)	-417%	17.4%
COGS	69	81	69	0%	-13.8%
GP	1,722	1,639	1,710	1%	5.1%
Gross Profit (%)	96.13%	95.32%	96.11%	2bps	81bps
Employee Cost	1,019	1,018	1,013	1%	0.2%
Other Expenses	524	440	469	12%	19.0%
EBITDA	179	182	228	-21%	-1.3%
EBITDA Margin (%)	10.01%	10.56%	12.82%	-282bps	-55bps
Depreciation	74	79	80	-8%	-5.8%
EBIT	105	103	148	-29%	2.1%
Other Income	11	65	3	330%	-82.5%
Finance Cost	145	139	120	21%	4.8%
PBT	(45)	27	143	-132%	-267.4%
Share of Profit of JV	(16)	(2)			
Tax Expense	87	35	62	41%	150.6%
Effective tax rate %	-191.06%	26.61%	43.19%	-23424bps	-21767bps
PAT	(132.1)	(7.5)	81	-263%	1666.2%
Profit /(Loss) to Non-controlling	(9)	22	23	-65%	-4058.2%
PAT margin (%)	-7.37%	3.62%	4.56%	-215bps	303bps
Consolidated PAT	(123.0)	(29.3)	57.7	-313%	320.4%
EPS (INR)	(41.7)	(9.9)	21.8	-292%	320.6%

Source: Company, Arianth 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, the company reported revenue of INR 104 Cr in Q4FY23 de-growth in Q4FY23 of 10% due to capacity constraints. The company has added capacity during Q4FY23, so, we believe going forward in FY24 they will do 40-50% growth in FMCG segment.
- In FMCG business, Potato chips and rings are doing decent and due to high demand company has added capacity.
- Revenue growth for the consolidated basis the management expecting it will grow in the range of 10-15%.
- Other expenses up by 12% YoY/19% QoQ due to marketing cost as a growing brand.
- Product:** In the quarter, the company made a strategic decision to launch namkeens under the Too Yumm brand, with the objective of strengthening its position in the FMCG sector. Various products, including aloo bhujia and salted peanuts, have already been introduced in more than 100,000 retail outlets. These products will be endorsed by actor Varun Dhawan. The company sees significant potential in the Indian ethnic market, which is valued at over INR 30,000 Cr. The organized segment within this category amounts to approximately INR 14,000 Cr to INR 15,000 Cr and is growing at a compound annual growth rate (CAGR) of 14%.
- Revenue Mix:** At present, FMCG contributes 6.5% to RPSG' sales, which includes Evita snacks and Dr. Vaidya's ayurvedic products, as well as snacks and personal care under Guiltfree Industries.
- Sports:** RPSG Venture is now expected to receive a revised deal of INR 500 Cr, up from the earlier amount of INR 200 Cr. Consequently, a strong performance is expected in the first quarter of FY24.

RPSG Ventures Limited Financial (Consolidated financial)

Income Statement (INR Cr)					Balance Sheet (INR Cr)				
Year End-March	FY22	FY23	FY24E	FY25E	Year End-March	FY22	FY23	FY24E	FY25E
Revenues	6,670	7,166	8,085	9,030	Sources of Funds				
Change (%)	19.1%	7.4%	12.8%	11.7%	Share Capital	27	30	30	30
Cost of Goods Sold (COGS)	265	317	323	361	Reserves & Surplus	2,497	2,376	2,769	2,990
Gross Profit	6,405	6,850	7,762	8,669	Non controlling interest	1,549	1,601	1,601	1,601
Employee costs	4,064	4,017	4,730	5,238	Total Equity	4,073	4,006	4,399	4,621
Other expenses	1,454	2,030	2,021	2,258	Loan Funds	1,887	2,639	2,639	2,639
Total Expenses	5,783	6,363	7,074	7,857	Defered Tax Liability (Net)	204	251	251	251
EBITDA	887	803	1,011	1,174	Capital Employed	12,801	13,159	13,551	13,822
EBITDA Margin (%)	13.3%	11.2%	12.5%	13.0%	Application of Funds				
Depreciation	291	305	405	444	Gross Block	1,372	1,520	1,702	1,872
EBIT	596	498	606	730	Less: Depreciation	653	959	1,018	1,089
Interest	211	552	581	607	Net Block	718	561	684	783
Other Income	15	142	149	156	CWIP	6	7	7	7
PBT	400	88	174	279	Financial Assets	574	586	586	586
Exceptional Items	-	-	-	-	Investments	86	54	64	74
PBT after exceptional Items	508	120	174	279	Inventories	62	64	64	72
Tax	170	179	120	196	Sundry debtors	989	1,109	1,183	1,322
Rate (%)	33.4%	149.1%	69.0%	70.3%	Cash and bank	225	484	707	796
PAT	339	-59	54	83	Other Current Assets	506	510	510	510
Non-controlling interest	207	94	-	-	Total Current assets	1,954	2,231	2,528	2,764
Consolidated PAT	131	-153	54	83	Total Current liabilities	1,893	2,043	2,042	2,092
Change (%)	2.0%	-2.1%	0.7%	0.9%	Total Non-Current assets	10,847	10,928	11,023	11,058
					Capital Employed	12,801	13,159	13,551	13,822

Cash Flow Statement (INR Cr)					Key Ratios				
Year End-March	FY22	FY23	FY24E	FY25E	Year End-March	FY22	FY23	FY24E	FY25E
PBT	508	120	174	279	Per share (INR)				
Cash From Operating Activities	781	828	504	627	EPS	49.6	-53.7	18.3	28.1
Tax	119	103	120	196	BVPS	1529	1358	1491	1566
Net Cash From Operations	662	726	384	430	Valuation (x)				
Capex	(826)	(83)	(348)	(355)	P/E	10.8	-9.9	29.1	19.0
Cash From Investing	(1,454)	(717)	(358)	(365)	P/BV	0.3	0.4	0.4	0.3
Borrowings	899	698	-	-	Subsidiary Valuation	2141	2141	2141	2141
Finance cost paid	(112)	(181)	-	-	EPS (Core EPS)	54.6	26.8	16.5	28.1
Cash From Financing	855	252	197	25	EV/EBITDA	3.5	4.6	3.5	2.9
Net Increase/ Decrease in Cash	64	260	223	90	Return ratio (%)				
Cash at the beginning of the year	161	225	484	707	EBIDTA Margin	13.30%	11.21%	12.50%	13.00%
Cash at the end of the year	225	484	707	796	PAT Margin	1.97%	-2.13%	0.67%	0.92%
					ROE	8.31%	-1.47%	1.23%	1.79%
					ROCE	4.65%	3.78%	4.47%	5.28%
					Leverage Ratio (%)				
					Total D/E	0.5	0.7	0.6	0.6
					Turnover Ratios				
					Asset Turnover (x)	3.4	3.2	3.2	3.3
					Inventory Days	78	73	73	73
					Receivable Days	44	53	53	53
					Payable days	20	19	19	19

Source: Company, Arihant 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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