

Beat on all front; Targets 3000+ cr revenue from FMCG business by FY26.

CMP: INR 662

Rating: Buy

Target Price: 2,903

Stock Info

BSE	542333
NSE	RPSGVENT
Bloomberg	CESCVIN
Reuters	CESV.BO
Sector	IT
Face Value (INR)	10
Equity Capital (INR Cr)	27
Mkt Cap (INR Cr)	1,756
52w H/L (INR)	1,145/293
Avg Yearly Vol (in 000')	113

Shareholding Pattern %

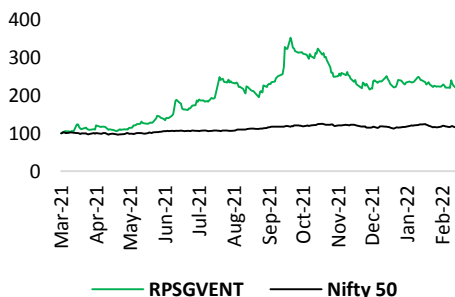
(As on Dec, 2021)

Promoters	54.35
FII	12.91
DII	2.41
Public & Others	30.33

Stock Performance (%)

	1m	3m	12m
RPSG		7.4	175.1
Nifty	-5.4	-3.3	13.7

RPSGVENT Vs Nifty



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RPSG Ventures in Q3FY22, Revenues exceeded expectations and came in at INR 1,681 cr against estimates of INR 1,547 cr. It increased by % YoY/-1% QoQ driven by the growth across the segment.

However, the Gross Profit margin declined 76bps YoY/+13bps QoQ due to raw material cost pressure.

EBITDA increased 43% YoY/20% QoQ and stood at INR 240 Cr and above the expectation of INR 181 Cr.

EBITDA margin expanded by 302bps YoY/+175bps to 14.30%.

The Effective tax rate increased by 1209bps YoY to 29.35%.

PAT stood at INR 97 cr against estimates of INR 34 cr and increased by 41% YoY/ 30% QoQ-PAT margin increased by 116 bps YoY/ increased 110 bps YoY to 5.77%.

Valuation & Outlook

RPSG Venture has reported a performance above our estimates in Q3FY22 backed by higher growth in Business outsourcing, Property, and sports business while a slight decline in FMCG business.

As the impact of pandemic fades and mobility normalizes, we expect the company's growth rate to revert to mid-teens. Going forward, the company plans to launch 2 more categories and has already started working in one more large category. Also, the sports business will gain traction in the future. Hence, we project EBITDA margins to remain in the range of 13% to 14% during FY22E-FY24E.

We expect RPSG Ventures to post Revenue/EBITDA growth of CAGR 19%/25.8% respectively over FY21-FY24E and value RPSG Ventures at PE of 1.5x to its FY24E EPS (Core) of INR 82.

We maintain our Buy rating on the stock and value it on SOTP valuation for a target price of INR 2,483 per share (Bear/Lower case scenario), and INR 2,903 per share (Base case scenario) and INR 3,199 per share (Best case scenario).

We value FSL at 16x FY24 EPS of INR 10.8 for the Target Price of INR 174 per share. We maintain an Accumulate rating on the stock. (Report Link- <https://bit.ly/3B6b4Tl>)

Particulars (INR Cr)	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	4606	5599	6518	7192	7934
EBITDA	401.9	702.1	892.8	992.4	1110.6
Net profit	-68	-96	227	239	313
EPS (INR)	-1.3	-36.1	85.8	90.3	118.1
PE (x)	-549.2	-19.5	8.2	7.8	6.0
EBITDA Margin	8.72%	12.54%	13.70%	13.80%	14.00%
PAT Margin	-1.48%	-1.71%	3.49%	3.33%	3.94%
ROE	2.07%	1.69%	8.61%	8.76%	9.51%
ROCE	2.82%	7.16%	8.55%	9.91%	10.90%

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		17x FY24E PE	192		54%	7215	
					Holdco Discount	60%	
					Valuation	2885.94	1089
Apricot Foods	359.7	1x	360	unlisted	70		136
Guiltfree Industries Limited	490	1.5x	735	unlisted	100		277
Herbolab India Private Limited	41	2x	82	unlisted	100		31
Quest Properties	124	5x	620	unlisted	100		234
APA services	1.35	1x	1	unlisted	100		0.5
ATK	58	1x	58	unlisted	80		22
RPSG Sports Private Limited	Discounting	15%	1516	unlisted	51		572
Value of Subsidiaries							2361
Core business		1.5x FY24E PE					123
					Intrinsic Value per share		2483
					CMP		662
					Upside		275%
Base Case Scenario							
Listed Subsidiary	FY24E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share
FSL		17x FY24E PE	192		54%	7215	
					Holdco Discount	60%	
					Valuation	2885.94	1089
Apricot Foods	359.7	1.5x	540	unlisted	70		204
Guiltfree Industries Limited	490	2.5x	1225	unlisted	100		462
Herbolab India Private Limited	41	3x	123	unlisted	100		46
Quest Properties	124	8x	992	unlisted	100		374
APA services	1.35	1.5x	2	unlisted	100		0.8
ATK	58	1.5x	87	unlisted	80		33
RPSG Sports Private Limited	Discounting	15%	1516	unlisted	51		572
Value of Subsidiaries							2780
Core business		1.5x FY24E PE					123
					Intrinsic Value per share		2903
					CMP		662
					Upside		338%
Best Case Scenario							
Listed Subsidiary	FY24E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share
FSL		17x FY24E PE	192		54%	7215	
					Holdco Discount	60%	
					Valuation	2885.94	1089
Apricot Foods	359.7	2x	719	unlisted	70		271
Guiltfree Industries Limited	490	3x	1470	unlisted	100		555
Herbolab India Private Limited	41	5x	205	unlisted	100		77
Quest Properties	124	10x	1240	unlisted	100		468
APA services	1.35	2x	3	unlisted	100		1
ATK	58	2x	116	unlisted	80		44
RPSG Sports Private Limited	Discounting	15%	1516	unlisted	51		572
Value of Subsidiaries							3076
Core business		1.5x FY24E PE					123
					Intrinsic Value per share		3199
					CMP		662
					Upside		383%

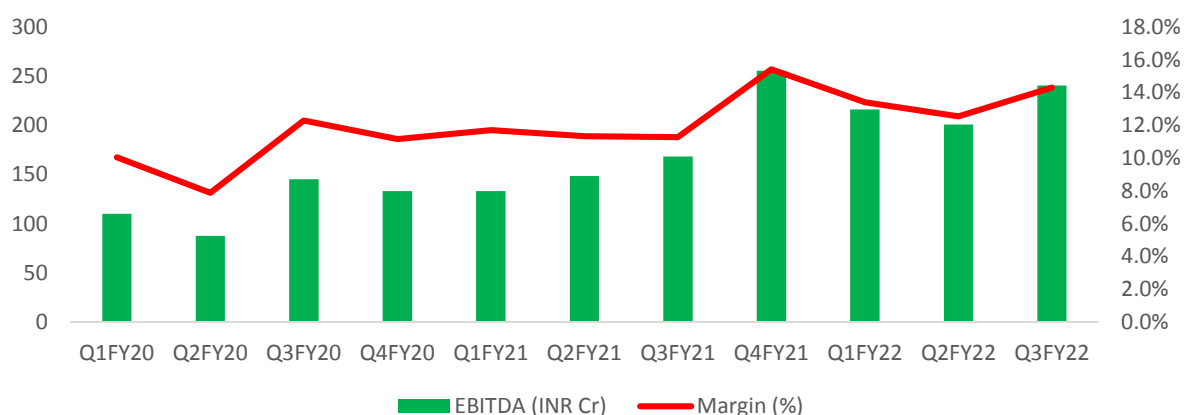
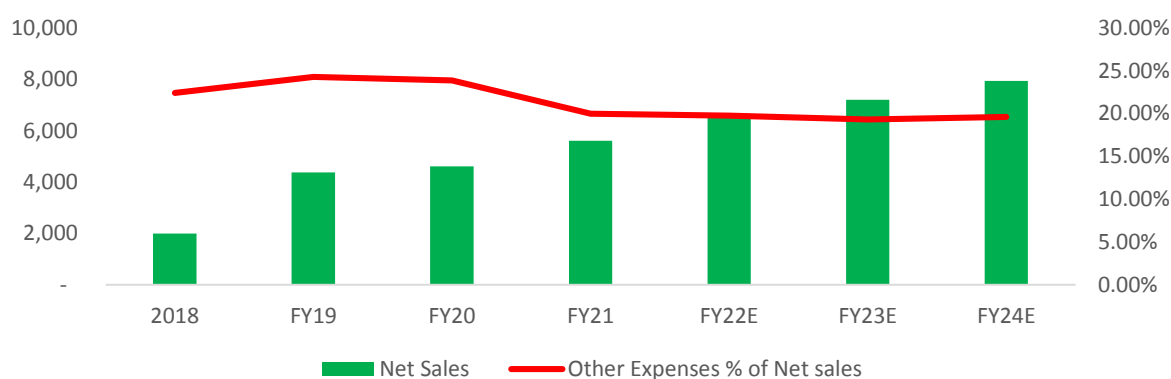
Source: Company, Arianth Research

CMP as on 17th February 2022

Q3 FY22 Performance of the company

INR in Cr.	Q3FY22	Q2FY22	Q3FY21	YoY	QoQ
Net Sales	1,681	1,599	1,492	13%	5%
Raw Material	68	72	52	31%	-5%
Purchase of stock In trade	-	-	-	-	-
(Increase)/Decrease in stock	4	(1)	1	-	-
COGS	72	71	52	37%	2%
GP	1,609	1,529	1,440	12%	5%
Gross Profit (%)	95.72%	95.59%	96.48%	-76bps	13bps
Employee Cost	997	1,004	978	2%	-1%
Other Expenses	372	324	294	27%	15%
EBITDA	240	201	168	43%	20%
EBITDA Margin (%)	14.30%	12.55%	11.28%	302bps	175bps
Depreciation	72	70	62	16%	2%
EBIT	169	130	107	58%	29%
Other Income	1	10	2	-40%	-86%
Finance Cost	31	30	26	22%	5%
PBT	137	109	83	65%	26%
Tax Expense	40	34	14	181%	17%
Effective tax rate %	29.35%	31.47%	17.25%	1209bps	-212bps
PAT	97	75	69	41%	30%
Profit /(Loss) to Non-controlling	36	13	51	-30%	176%
PAT margin (%)	5.77%	4.67%	4.61%	116bps	110bps
Consolidated PAT	61.4	61.9	17.9	243%	-1%
EPS (INR)	13.4	4.9	8.5	59%	176%

Source: Company, Aриhant Research



Source: Company, Aриhant Research

RPSG Ventures Limited Financial (Consolidated financial)

Income Statement (INR Cr)

Year End-March	FY20	FY21	FY22E	FY23E	FY24E
Revenues	4,606	5,599	6,518	7,192	7,934
Change (%)	5.4%	21.6%	16.4%	10.3%	10.3%
Cost of Goods Sold (COGS)	209	191	275	252	278
Gross Profit	4,398	5,408	6,243	6,940	7,656
Employee costs	2,896	3,588	4,063	4,560	4,990
Other expenses	1,099	1,118	1,287	1,388	1,555
Total Expenses	4,205	4,897	5,626	6,200	6,823
EBITDA	402	702	893	992	1,111
Depreciation	225	249	320	304	320
EBIT	177	453	573	688	790
Interest	102	107	114	104	92
Other Income	39	64	23	23	24
PBT	114	410	480	607	723
Exceptional Items	0	-115	0	0	0
PBT after exceptional Items	114	294	480	607	723
Tax	38	236	139	231	275
Rate (%)	33.3%	80.2%	29.0%	38.0%	38.0%
PAT	76	58	341	377	448
Non-controlling interest	144	154	114	137	135
Consolidated PAT	-68	-96	227	239	313
Change (%)	-1.5%	-1.7%	3.5%	3.3%	3.9%

Cash Flow Statement (INR Cr)

Year End-March	FY20	FY21	FY22E	FY23E	FY24E
PBT	114	294	480	607	723
Cash From Operating Activities	240	968	710	889	1,006
Tax	56	67	139	231	275
Net Cash From Operations	0	0	0	0	0
Capex	-147	-185	-181	-203	-227
Cash From Investing	100	-460	-343	-241	-266
Borrowings	331	-293	-160	-150	-150
Finance cost paid	-100	-106	0	0	0
Cash From Financing	-79	-652	2	-150	-150
Net Increase/ Decrease in Cash	205	-211	230	266	315
Cash at the beginning of the year	172	370	161	391	657
Cash at the end of the year	370	161	391	657	973

Balance Sheet (INR Cr)

Year End-March	FY20	FY21	FY22E	FY23E	FY24E
Sources of Funds					
Share Capital	27	27	27	27	27
Reserves & Surplus	2,300	2,132	2,635	2,973	3,383
Non controlling interest	1,327	1,301	1,301	1,301	1,301
Total Equity	3,653	3,460	3,963	4,301	4,711
Loan Funds	1,198	828	668	518	368
Defered Tax Liability (Net)	93	149	149	149	149
Capital Employed	6,275	6,329	6,706	6,940	7,251
Application of Funds					
Gross Block	1,366	1,511	1,692	1,895	2,122
Less: Depreciation	717	772	908	1,040	1,189
Net Block	654	855	934	0	0
CWIP	7	5	5	5	5
Financial Assets	711	635	635	635	635
Investments	94	47	209	209	209
Inventories	50	51	68	63	70
Sundry debtors	603	608	714	788	869
Cash and bank	370	161	391	657	973
Other Current Assets	452	546	546	546	546
Total Current assets	1,479	1,454	1,808	2,143	2,547
Total Current liabilities	724	1,217	1,252	1,298	1,349
Total Non-Current assets	4,796	4,875	4,898	4,797	4,704
Capital Employed	6,275	6,329	6,706	6,940	7,251

Key Ratios

Year End-March	FY20	FY21	FY22E	FY23E	FY24E
Per share (INR)					
EPS	-1.3	-36.1	85.8	90.3	118.1
BVPS	1378	1305	1495	1623	1777
Valuation (x)					
P/E	-549.2	-19.5	8.2	7.8	6.0
P/BV	0.5	0.5	0.5	0.4	0.4
Subsidiary Valuation	1772	1772	1772	1772	1772
EPS (Core EPS)	65.7	48.0	78.5	80.5	81.8
PE(Core)	-16.9	-23.1	-14.1	-13.8	-13.6
EV/EBITDA	6.7	3.6	2.4	1.7	1.1
Return ratio (%)					
EBIDTA Margin	8.72%	12.54%	13.70%	13.80%	14.00%
PAT Margin	-1.48%	-1.71%	3.49%	3.33%	3.94%
ROE	2.07%	1.69%	8.61%	8.76%	9.51%
ROCE	2.82%	7.16%	8.55%	9.91%	10.90%
Leverage Ratio (%)					
Total D/E	0.3	0.2	0.2	0.1	0.1
Turnover Ratios					
Asset Turnover (x)	3.1	3.9	3.6	3.4	3.1
Inventory Days	86	96	90	92	92
Receivable Days	41	39	40	40	40
Payable days	16	21	25	25	25

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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