

CMP: INR 532

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)	1,360
52w H/L (INR)	1,145/381
Avg Yearly Vol (in 000')	94

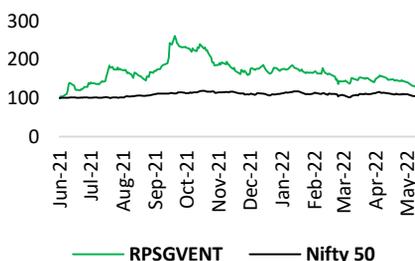
Shareholding Pattern %

(As on March, 2022)

Promoters	54.57
FII	12.71
DII	2.38
Public & Others	30.34

Stock Performance (%)	1m	3m	12m
RPSG	-15.9	-24.1	32.4
Nifty	-9.1	-8.3	8.2

RPSGVENT Vs Nifty



Abhishek Jain
abhishek.jain@arihantcapital.com
022 67114851

Jyoti Singh
jyoti.singh@arihantcapital.com
022 67114834

RPSG Ventures has reported decent performance in Q4FY22; PAT and Revenue above our estimates. RPSG Ventures in Q4FY22, Revenues exceeded expectations and came in at INR 1,779 cr against estimates of INR 1,627 cr. It increased by 7% YoY/6% QoQ driven by the growth across the segment, particularly Business Process Outsourcing (BPO). BPO grew by 4% QoQ/4% YoY and FMCG grew by 3%QoQ/26% YoY. However, the Gross Profit margin declined 61bps YoY/+39bps QoQ due to raw material cost pressure. EBITDA declined 11% YoY/-5% QoQ and stood at INR 228 cr and above the expectation of INR 236 Cr. EBITDA margin contracted by 258bps YoY/147bps to 12.82%. The Effective tax rate increased by 1384bps QoQ to 43.19%. PAT stood at INR 57.7 cr against estimates of INR 43 cr and increased by 62% QoQ. There was Net loss of INR 124.8 cr in Q4FY21. Net cash flow from operations declined to INR 660.27 Cr in FY22 vs INR 900.53 Cr in FY21. Long term borrowings increased significantly by 137% YoY to INR 826.83 Cr in FY22.

Valuation & Outlook

RPSG Ventures has reported decent performance; PAT and Revenue above our estimates in Q4FY22 backed by higher growth in Business outsourcing sports business and FMCG while a slight decline in the Property business.

The company has a wider product range with demand improving post easing of Covid restriction and opening of schools & colleges.

Management expects strong growth for FY23 supported by launch of potato chips, rings and Indian ethnic version. The FMCG growth (on the standalone basis) is likely to be in the range of 35-45% 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.

Hence, we lowered our EBITDA margin projection to in the range of 12% to 13% during FY22E-FY24E (earlier 13% to 14%).

We expect RPSG Ventures to post Revenue/EBITDA growth of CAGR 11%/~9% respectively over FY22-FY24E and value RPSG Ventures at PE of 1.6x to its FY24E EPS (Core) of INR 85.6. 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), INR 2,903 per share (Base case scenario), and INR 3,199 per share (Best case scenario).

We value FSL at 14x FY24E EPS of INR 9.6 for the Target Price of INR 134 per share. We maintain an Accumulate rating on the stock. (Report Link-<https://bit.ly/3skwbOD>)

Particulars (INR Cr)	FY21	FY22	FY23E	FY24E
Net Sales	5599	6670	7332	8149
EBITDA	702.1	885.1	945.8	1059.4
Net profit	-96	131	204	228
EPS (INR)	-36.1	49.6	76.7	85.6
PE (x)	-14.8	10.8	6.9	6.2
EBITDA Margin	12.54%	13.27%	12.90%	13.00%
PAT Margin	-1.71%	1.97%	2.79%	2.80%
ROE	1.69%	8.31%	8.46%	8.48%
ROCE	7.16%	4.64%	5.47%	5.82%

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		14x FY24E PE	192		54%	7215	
					Holdco Discount Valuation	60%	1083
Apricot Foods	359.7	1x	360	unlisted	70		135
Guiltfree Industries Limited	490	1.5x	735	unlisted	100		276
Herbolab India Private Limited	41	2x	82	unlisted	100		31
Quest Properties	124	5x	620	unlisted	100		233
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		569
Value of Subsidiaries							2349
Core business		1.6x FY24E PE					134
						Intrinsic Value per share	2483
						CMP	532
						Upside	367%
Base Case Scenario							
Listed Subsidiary	FY24E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share
FSL		14x FY24E PE	192		54%	7215	
					Holdco Discount Valuation	60%	1083
Apricot Foods	359.7	1.5x	540	unlisted	70		203
Guiltfree Industries Limited	490	2.5x	1225	unlisted	100		460
Herbolab India Private Limited	41	3x	123	unlisted	100		46
Quest Properties	124	8x	992	unlisted	100		372
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		569
Value of Subsidiaries							2767
Core business		1.6x FY24E PE					136
						Intrinsic Value per share	2903
						CMP	532
						Upside	446%
Best Case Scenario							
Listed Subsidiary	FY24E Sales (A)	P/Sales (x) (B)	Valuation (in Cr.) (A*B)	CMP	% Stake	Mcap	Value/share
FSL		14x FY24E PE	192		54%	7215	
					Holdco Discount Valuation	60%	1083
Apricot Foods	359.7	2x	719	unlisted	70		270
Guiltfree Industries Limited	490	3x	1470	unlisted	100		552
Herbolab India Private Limited	41	5x	205	unlisted	100		77
Quest Properties	124	10x	1240	unlisted	100		465
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		569
Value of Subsidiaries							3061
Core business		1.6x FY24E PE					138
						Intrinsic Value per share	3199
						CMP	532
						Upside	501%

Source: Company, Arianth Research

CMP as on 20th May 2022

Q4FY22 Performance of the company

INR in Cr.	Q4FY22	Q3FY22	Q4FY21	YoY	QoQ
Net Sales	1,779	1,681	1,659	7%	6%
Raw Material	71	68	57	24%	4%
Purchase of stock In trade	-	-	-	-	-
(Increase)/Decrease in stock	(2)	4	(3)	-	-
COGS	69	72	54	27%	-4%
GP	1,710	1,609	1,605	7%	6%
Gross Profit (%)	96.11%	95.72%	96.72%	-61bps	39bps
Employee Cost	1,013	997	1,033	-2%	2%
Other Expenses	469	372	316	48%	26%
EBITDA	228	240	256	-11%	-5%
EBITDA Margin (%)	12.82%	14.30%	15.40%	-258bps	-147bps
Depreciation	80	72	64	26%	12%
EBIT	148	169	191	58%	29%
Other Income	3	1	48	-94%	84%
Finance Cost	120	31	27	346%	282%
PBT	143	137	103	39%	4%
Tax Expense	62	40	206	-70%	53%
Effective tax rate %	43.19%	29.35%	201.19%		1384bps
PAT	81	97	(104)	-178%	-16%
Profit /(Loss) to Non-controlling	23	61	21	11%	-62%
PAT margin (%)	4.56%	5.77%	-6.25%	1082bps	-121bps
Consolidated PAT	57.7	35.5	(124.8)		62%
EPS (INR)	21.8	13.4	(47.1)	-146%	176%

Source: Company, Arianth Research

Management Discussion KTAs

- Guidance: Management expects strong growth for FY23 supported by launch of potato chips, rings and Indian ethnic version. The FMCG growth (on the standalone basis) is likely to be in the range of 35-45% 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.
- Revenue growth for the consolidated basis the management expecting it will grow in the range of 10-15%.
- Margin: As the company's focus is to improve Top-line, will see a decline on the % front. The company is not seeing any changes in the advertising cost as the company continues focusing on more product advertisement & marketing.
- Product: The company has a wider product range with demand improving post easing of Covid restriction and opening of schools & colleges.
- Market Share: As of Q4FY22 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.
- One-time gain in FY22(INR 108.63 Cr): –The company has done an investment in the RPSG fund on the mark to mark valuation and it is not a cash gain.
- Tax rate: It will be in a similar range to FY22.
- Borrowing: The company's borrowing has increased this year due to lesser revenue from the Quest mall business which was supported by the cash dividend from the FSL. Going forward, it will have stabilized as expecting good footfall from the mall business.

RPSG Ventures Limited Financial (Consolidated financial)

Income Statement (INR Cr)

Year End-March	FY21	FY22	FY23E	FY24E
Revenues	5,599	6,670	7,332	8,149
Change (%)	21.6%	19.1%	9.9%	11.1%
Cost of Goods Sold (COGS)	191	265	293	326
Gross Profit	5,408	6,405	7,039	7,823
Employee costs	3,588	4,064	4,473	4,971
Other expenses	1,118	1,456	1,620	1,793
Total Expenses	4,897	5,785	6,386	7,090
EBITDA	702	885	946	1,059
Depreciation	249	291	286	334
EBIT	453	594	659	725
Interest	107	209	226	245
Other Income	64	15	16	17
PBT	410	400	449	497
Exceptional Items	-115	0	0	0
PBT after exceptional Items	294	508	556	604
Tax	236	170	184	199
Rate (%)	80.2%	33.4%	33.0%	33.0%
PAT	58	339	373	405
Non-controlling interest	154	207	168	177
Consolidated PAT	-96	131	204	228
Change (%)	-1.7%	2.0%	2.8%	2.8%

Balance Sheet (INR Cr)

Year End-March	FY21	FY22	FY23E	FY24E
Sources of Funds				
Share Capital	27	27	27	27
Reserves & Surplus	2,132	2,497	2,831	3,197
Non controlling interest	1,301	1,549	1,549	1,549
Total Equity	3,460	4,073	4,407	4,773
Loan Funds	974	1,887	1,887	1,887
Defered Tax Liability (Net)	149	204	204	204
Capital Employed	6,329	12,801	12,049	12,460
Application of Funds				
Gross Block	1,511	1,692	1,895	2,122
Less: Depreciation	772	908	983	1,068
Net Block	912	1,054	0	0
CWIP	5	6	6	6
Financial Assets	652	574	574	574
Investments	47	86	125	164
Inventories	51	62	63	70
Sundry debtors	608	989	884	982
Cash and bank	161	225	503	549
Other Current Assets	529	506	506	506
Total Current assets	1,437	1,954	2,127	2,279
Total Current liabilities	1,072	1,893	807	852
Total Non-Current assets	4,892	10,847	9,922	10,181
Capital Employed	6,329	12,801	12,049	12,460

Key Ratios

Year End-March	FY21	FY22	FY23E	FY24E
Per share (INR)				
EPS	-36.1	49.6	76.7	85.6
BVPS	1305	1529	1654	1792
Valuation (x)				
P/E	-14.8	10.8	6.9	6.2
P/BV	0.4	0.3	0.3	0.3
Subsidiary Valuation	1763	1763	1763	1763
EPS (Core EPS)	48.0	54.6	68.0	85.6
PE(Core)	-25.6	-22.6	-18.1	-14.4
EV/EBITDA	3.2	3.5	3.0	2.6
Return ratio (%)				
EBIDTA Margin	12.54%	13.27%	12.90%	13.00%
PAT Margin	-1.71%	1.97%	2.79%	2.80%
ROE	1.69%	8.31%	8.46%	8.48%
ROCE	7.16%	4.64%	5.47%	5.82%
Leverage Ratio (%)				
Total D/E	0.3	0.5	0.4	0.4
Turnover Ratios				
Asset Turnover (x)	3.9	3.4	3.4	3.6
Inventory Days	96	78	78	78
Receivable Days	39	44	44	44
Payable days	21	20	20	20

Cash Flow Statement (INR Cr)

Year End-March	FY21	FY22	FY23E	FY24E
PBT	294	508	556	604
Cash From Operating Activities	968	779	917	770
Tax	67	119	184	199
Net Cash From Operations	-	-	-	-
Capex	(185)	(826)	(417)	(486)
Cash From Investing	(460)	(1,454)	(455)	(525)
Borrowings	(293)	899	-	-
Finance cost paid	(106)	(110)	-	-
Cash From Financing	(652)	857	-	-
Net Increase/ Decrease in Cash	-211	64	278	47
Cash at the beginning of the year	370	161	225	503
Cash at the end of the year	161	225	503	549

Source: Company, Arianth Research

Arihant Research DeskEmail: research@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

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%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	research@arihantcapital.com

Disclaimer: This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880