Management Discussion and Analysis

ECONOMY OVERVIEW

India emerged as one of the most resilient and fastest-growing major economies in FY24, recording an estimated GDP growth of 7.6%. This growth was largely fueled by strong domestic consumption, which remained the cornerstone of the country's economic activity, contributing nearly 60% to GDP. Urban demand witnessed a steady uptrend, driven by rising disposable incomes, improved consumer sentiment, and sustained growth in retail, e-commerce, and services sectors. Meanwhile, rural demand showed early signs of recovery, aided by targeted government support measures, improved agricultural output, and the expansion of rural infrastructure and connectivity.

Domestic consumption is expected to remain a primary engine of growth, with GDP projected to expand by 6.4% to 6.8%. Key enablers include favorable demographic trends, expanding middle-class aspirations, and increasing formalization of the economy. Consumer credit growth is likely to stay strong, supported by a stable interest rate environment and the deepening of digital financial services. The government's continued focus on rural development, housing, and social welfare schemes is expected to further support demand in non-urban areas.

FY25 – A year of Consolidation

The year commenced on a strong note, building on the solid momentum of a robust three-year revenue CAGR of 20% and significant order wins totaling approximately ₹ 1,950 crore in FY24. However, during the year, we encountered a series of external challenges that necessitated a recalibration of our approach. In response, we realigned our priorities and reinforced our commitment to our long-term strategic objectives.

On the macroeconomic and industry front, the year presented several headwinds. Prolonged and extreme climatic conditions, coupled with an extended election cycle, led to subdued consumption in the first half of the year. A slowdown in decision-making processes within public sector undertakings (PSUs) resulted in consequential delay in contract rollouts. Further, delay in revision in ATM interchange fees impeded the overall growth of the ATM network in the country. In Managed Services sector we witnessed aggressive bids in BLA contracts by incumbents in PSU contracts to protect their revenue base.

In the face of this delay backdrop, CMS responded with agility, operational discipline, and an unwavering focus on our long-term strategic priorities. Our efforts were anchored around four key pillars:

Driving Market Share Gains in Key Businesses

- Achieved a 200-basis point increase in market share in the Cash Logistics segment
- Secured new order wins worth ₹ 1200 Crs in Managed Services and Technology Solutions
- Expanded our RMS site base from 25,000 (as of March 2024) to 30,000 (as of March 2025)

Building Recurring Revenue and Expanding Customer Base

- Intensified focus on the private banking sector, with 60% of new order wins coming from private sector banks
- Direct-to-Retail coverage in our retail cash logistics business increased to 100 logos as of March 2025, up from 60 in March 2024
- Secured our first RMS contract beyond the BFSI segment with a leading quick commerce player

Maintaining Focus on Profitability, Execution, and Service Quality

- Increased investments in technology and automation, raising tech spends from 1.0% to 1.5% of revenue
- Consolidated Sales and Operations functions across business units to improve executional focus and customer responsiveness.
- Ramped up operational execution to close the year on a strong note

Preserving Balance Sheet Strength and Financial Discipline

- Exercised strict capital expenditure control, ending the year with a capex of ₹ 154 crore, as against the initial guidance of ₹ 300 crore
- Improved OCF/EBITDA conversion of 76 %, compared to 73% in FY24
- Maintained robust liquidity with closing cash and cash equivalents of ₹ 1,003 crore, versus ₹ 784 crore in the previous fiscal year

Despite the external volatility, CMS remained steadfast in its pursuit of sustainable growth and long-term value creation. Our ability to stay focused, execute with precision, and adapt to changing conditions positions us well for the opportunities ahead.

FINANCIAL OVERVIEW

₹ Million	FY24	FY 25	Inc/(Dec)	Inc/(Dec)%
Revenue from Operations	22,646.77	24,245.32	1,598.55	7.06%
Other operating income	47.34	64.97	17.63	37.25%
Purchase cost	1,948.63	2,389.44	440.80	22.62%
Employee benefit expenses	3,321.01	3,445.30	124.30	3.74%
Service and security charges	4,493.14	4,818.56	325.42	7.24%
Other expenses	6,889.28	7,323.91	434.63	6.31%
EBITDA	**6,042.04**	**6,333.07**	**291.04**	**4.82%**
Other income	156.22	239.19	82.97	53.11%
Finance income	136.59	202.66	66.08	48.38%
Finance cost	162.10	181.97	19.88	12.26%
Depreciation	1,502.16	1,614.57	112.41	7.48%
PBT	4,670.59	4,978.39	307.79	6.59%
Tax	1,199.18	1,253.82	54.64	4.56%
PAT	**3,471.41**	**3,724.57**	**253.15**	**7.29%**
EBITDA %	26.68%	26.12%		
PAT %	15.33%	15.36%		

Revenue

Consolidated Revenue from Operations for the Company grew at 7.06% from ₹ 22,646.77 Million in FY24 to ₹ 24,245.32 Million in FY25, driven by growth across all the business segments.

Revenue for the year was lower than our initial guidance of ₹ 2,500-2,700 crore for the year due to the delay in execution of order book especially in the first half of the year, impacting revenue accrual during the year.

Order book execution picked up pace in the second half of the year with ~52% of order wins of last 5 quarters live and revenue generating as of Mar'25.

Cash Management revenue grew by 8.19% from ₹ 14,744.23 Million to ₹ 15,951.78 Million driven by strong growth market share gains and market expansion, especially in retail business Managed Services revenue grew by 11.20% from ₹ 7,692.97 Million to ₹ 8,854.90 Million driven of a ramp up in Banking Automation Business. The growth in Services component of the business was impacted due to delay in order book expansion. Services business should see a ramp up in FY26 basis orders gone live.

Purchase Cost

Purchase costs primarily include purchasing ATMs, Recyclers, Kiosks, and Spare Parts for subsequent sale to Banks.

Purchase costs grew by 22.62% from ₹ 1,948.64 Million in FY24 to ₹ 2,389.44 Million in FY25 due to increase in our Product revenue.

Employee Benefit Expenses

Employee benefit expenses primarily include salaries, wages, bonuses, and employee welfare expenses. Employee benefits expenses grew by 3.74% from ₹ 3,321.01 Million in FY24 to ₹ 3,445.30 Million in FY25 on account of headcount addition due to business growth and an increase in per unit cost.

Service and Security Charges

Service and security charges include costs incurred for hiring (non-own payroll) employees. Service security expenses grew by 7.24% from ₹ 4,493.14 Million in FY24 to ₹ 4,818.56 Million in FY25 on account of headcount addition due to business growth, and an increase in per unit cost.

EBITDA and PAT

EBITDA and PAT grew at 5% and 7% respectively between FY24 and FY25 largely in line with revenue growth. Our Overall PAT margin continues to be very healthy and best in class at 15.4% despite increasing investment in Technology and Automation.

Key Financial Ratios

₹ Million	FY23	FY24	FY25
Ratios – Financial Performance			
EBITDA/Revenue	28.33%	26.68%	26.12%
Profit After Tax/Revenue	15.52%	15.33%	15.36%
Ratios – Growth			
Revenue	20.4%	18.28%	7.06%
EBITDA	34.7%	11.39%	4.82%
PAT	32.7%	16.79%	7.29%
Ratios – Balance Sheet			
Debt-Equity Ratio	-	-	-
Day Sales Outstanding (DSO)	100	116	116
Current Ratio	2.9x	2.9x	2.6x
Return on Net Worth (%)	21.10%	19.78%	17.68%
Net Operating Cash Flow/EBITDA	75.20%	72.80%	76.19%

- The Company has had zero net debt during the last seven years resulting in a nil debt equity ratio
- Our OCF/EBITDA ratio expanded from 73% to 76% led by strong collection efforts and working capital management
- Overall Cash and Cash equivalents expanded from ₹ 784 crore to ₹ 1003 crore on strong free cash flow generation
- Return on Net Worth witnessed a marginal dip from 19.78% to 17.68% on account of increase in Cash Balance

Cash Logistics

In FY25, CMS recorded its highest-ever annual cash volumes handled of ₹ 14 Lakh crore, reflecting a robust YoY growth of 5%. Our physical reach also expanded significantly, with a 10% increase in business points—from 1,37,000 as of March 2024 to 1,50,000 as of March 2025. These metrics underscore the continued relevance and resilience of cash in India's payment ecosystem, even amidst rapid digital adoption. Notably, currency usage per point remained strong, as highlighted in the third edition of the CMS India Consumption Report.

Key Insights from the Report Include:

- Cash withdrawals per ATM remained stable at ₹ 1.3 crore per month throughout FY25.
- Five North Indian states emerged as cash-led consumption hotspots, with Bihar, Himachal Pradesh, and Chhattisgarh making their first appearance in this category in the last three years
- Retail cash spending patterns continued to align with broader macroeconomic trends
- Consumer spending in categories such as Consumer Durables and FMCG remained strong, supported by rising disposable incomes. Notably, multi-brand outlets emerged as a significant new destination for cash-based purchases in FY25.
- Quick commerce saw a substantial 10% YoY increase in cash-led transactions, driven by hyper-local service models and growing consumer convenience

Our market position strengthened further, with a 200 basis point expansion in market share during the year. Disruptions faced by one of the competitors also opened new opportunities for us to further consolidate and grow our share in key segments.

Our Direct-to-Retail strategy continued to deliver strong momentum, with our client base expanding from 60 to 100 logos over the course of the year — a testament to the growing trust in our capabilities and service delivery.

On the regulatory front, the Reserve Bank of India has revised the cassette swap guidelines, extending applicability to all outsourced ATMs, while excluding cash recyclers. CMS has already implemented cassette swap on approximately 25% of its ATM base. The next phase of rollout is expected to expand coverage from 30 to 80 cities. Discussions on implementation timelines, pricing, and operational modalities are currently ongoing between the Indian Banks' Association (IBA) and the Cash Logistics Association.

Financial Performance – Cash Logistics

₹ Million	FY24	FY25	Inc/(Dec)
Revenue	14,744.23	15,951.78	1,207.56
EBIT	3,850.97	4,013.79	162.82
EBIT %	26.12%	25.16%	(0.96%)

Managed Services and Technology

Our Managed Services and Technology business was built on the strong foundation of CMS's leadership in the Cash Logistics space. Over the years, we have progressively expanded our capabilities across software solutions, banking automation, and ATM-as-a-Service, positioning ourselves as one of the few truly integrated players in the industry ecosystem.

The business maintained strong momentum in FY25, with order wins exceeding 1,200 Crs, the majority of which comprise recurring services revenue. We deepened our presence in the private banking segment, with private sector banks accounting for 60% of our total wins during the year.

In line with our commitment to innovation and future-readiness, we increased our technology investments from 1% to 1.5% of revenue, with a significant portion directed towards developing new use cases for our Vision AI platform. A key highlight for the year was a breakthrough contract in our Vision AI business with a leading quick commerce player, marking our foray into non-BFSI remote monitoring solutions.

Execution of our order book, which was initially slow in the first half of the year, gained significant traction in the second half, with 52% of the last 5 quarter wins executed as of March 2025.

Financial Performance – Managed Services

₹ Million	FY24	FY25	Inc/(Dec)
Revenue	7,962.67	8,854.90	891.93
EBIT	1,445.19	1,365.17	(80.02)
EBIT %	18.15%	15.42%	(2.73)%

Future Outlook

CMS Info Systems is strategically positioned to capitalize on robust medium-term growth opportunities across its core business segments, supported by favorable industry dynamics, rising outsourcing momentum, and continued expansion into adjacent high-potential verticals.

In the Cash Logistics segment, over 1,00,000 ATMs remain to be outsourced, a significant opportunity, especially as leading public sector banks initiate large-scale outsourcing initiatives, including one major PSU bank planning to outsource 40% of its onsite ATM network.

The organised retail sector, growing at 8–10% annually and comprising more than 5-6 Lakh cash-handling touchpoints, presents a compelling long-term growth opportunity. Currently, less than one-third of this market is outsourced, highlighting substantial headroom for expansion.

In the short term, ongoing industry disruptions have created a unique window for CMS to consolidate its market position further and capture additional share.

The recent increase in ATM interchange fees is expected to accelerate ATM network expansion, thereby expanding the total addressable market and reinforcing the relevance of cash logistics.

As banks shift from fragmented outsourcing models to comprehensive, integrated outsourcing, CMS is exceptionally well-positioned to benefit, owing to its end-to-end service offerings and integrated operations model.

The AIoT RMS and Software vertical continues to offer high-growth potential, driven by significant under-penetration—currently, only ~40% of approximately 375,000 banking touchpoints utilize RMS solutions. Additionally, the Company is actively expanding into fast-growing sectors such as organised retail, electric vehicle (EV) charging infrastructure, and quick service restaurants (QSRs), positioning itself for future scalability and diversification.

Risk Management

The Company has established a formal risk management policy to ensure the highest standards of operational, best practices and corporate governance.

The Company carries out periodic risk evaluation and mitigation exercises, encompassing the following activities:

- Risk Identification and Assessment
- Risk Classification and Prioritization
- Risk Response and Mitigating Controls
- Ongoing Review of Mitigation Measures

Some of the key risks identified by the Company are:

Industry & Macro	Operational	Cyber-security & IT	Financial & Business	Regulatory & Compliance
• Decline in cash usage • Slowdown in ATM deployment	• Thefts, robberies, frauds & embezzlements • Penatlies and chargebacks • Safety in transit	• Cyber attacks • Infrastructure failures	• Mutli-year warranties to customers • Financial frauds	• Non-compliance to applicable Acts, Rules and Regulations • Wage Code

Industry and Macro Risks

- Our Cash Logistics business model is linked to the number of touchpoints (ATM and retail cash management points) and activities and hence not directly impacted by change in currency volume/ currency in circulation
- Currency usage per point is largely stable as indicated by CMS Cash Consumption Report
- Selective bidding and participation in the transaction-linked BLA business (the only business with a direct linkage to transaction activity at ATMs), with the contribution further capped at 10% of revenue, compared to 15% earlier
- Strong focus on diversification of revenue streams. In addition, active work being done to look at potential area of expansion into adjacencies.

Operational Risks

- Daily three-way reconciliation with banks and managed services providers
- Comprehensive audit framework — ATM audit, route audit, cash vault audit, and branch process audit to highlight potential shortages
- Team of ~200 auditors and former senior police and army personnel across the country
- Use of ML-based behavioral tools for identifying high-risk cash officers
- Comprehensive insurance coverage across on-premise and in-transit incidents
- Safety in transit: regular awareness campaigns, training through original equipment manufacturer (OEM) partners, and reward program
- Ramped up Technology Investments and Unified Ops to reduce penalties:
  - Use of AI/ML bots to increase efficiency
  - Real time dashboard for faster decision making
  - Ops consolidation to drive sharper focus and control

Cybersecurity and IT Risks

- Continuously upgrading Cybersecurity Framework: Zero data breaches reported in FY25
- Upgraded to the latest PCI DSS and ISO 27001 standards; successfully renewed certifications
- Modernized SOC with AI-driven threat detection, response automation, and real-time monitoring
- Conducted regular Vulnerability Assessments and Penetration Tests (VAPTs) with proactive mitigation
- Adopted DevSecOps practices to integrate security across application development
- Launched phishing simulations and security awareness programs for all employees

Financial and Business Risks

- Testing of internal financial controls by the finance team, Internal Auditors and Statutory Auditors
- Comprehensive internal audit

Internal Financial Controls and Adequacy

CMS Info Systems has implemented a comprehensive risk management framework that operates across various levels of the organization. Our internal control systems are routinely assessed for their design, implementation, and operational effectiveness to ensure robust financial governance. The Company has established adequate internal financial controls that ensure the integrity of financial reporting and full compliance with applicable Laws and Regulations.

Resources are utilized optimally and safeguarded against potential losses, while all transactions are duly authorized, accurately recorded, and transparently reported. The core principles of our internal control structure include risk mitigation mechanisms such as segregation of duties and a well-defined authorization matrix.

Our internal control environment is further reinforced by an extensive internal audit program, supplemented by external consultants. Internal audits are conducted by M/s. Grant Thornton Bharat LLP, and their findings and recommendations are presented regularly to the Audit Committee of the Board. The Committee actively reviews these reports and continuously monitors the effectiveness of the Company's internal financial controls. Parallelly along with the Management all the internal financial controls are also tested by external expert Ms. Baker THC.

Business Sustainability

At CMS, transparency, ethical conduct, and accountability are foundational principles that guide our operations and decision-making. In FY24, we had initiated the development of a structured Environmental, Social, and Governance (ESG) strategy to align with global standards and stakeholder expectations. ESG goals and targets have been established in relation to identified material issues, with clear roles and responsibilities defined to execute short-, medium-, and long-term action plans.

Our ESG efforts are centered around four strategic pillars:

- Leadership with Accountability
- Empowered Workforce
- Environmental Stewardship
- Collaborative Stakeholder Relationships

Each pillar is supported by defined Key Performance Indicators (KPIs) to track progress, ensure effective implementation, and maximize long-term value for all stakeholders.

Stakeholder Engagement

CMS strongly believes that transparent and consistent engagement with stakeholders is essential for sustainable growth. We are committed to fostering long-term, trust-based relationships through continuous, open, and meaningful dialogue to understand stakeholder perspectives, address concerns, and integrate feedback into strategic decision-making.

To institutionalize this commitment, we have adopted a Stakeholder Engagement Policy, available on our website (www.cms.com), which outlines the framework for our engagement practices. This policy ensures uniformity, promotes innovation, and enhances operational effectiveness. Stakeholders are encouraged to share feedback, raise concerns, or provide suggestions by reaching out to us at investors@cms.com.

Human Resources and Industrial Relations

Our people are at the heart of our success. CMS operates in a mission-critical space, delivering last-mile solutions to address complex customer challenges while navigating an evolving business environment. We remain committed to fostering a people-first culture that drives purpose, performance, and impact. Throughout the year, we maintained harmonious industrial relations across all locations and continue to invest in building a resilient, skilled, and motivated workforce. For further details on our people initiatives and human capital performance during the year, please refer to the People section on pages [22–25] of this report.

Cautionary Statement

Some statements in this Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may contain certain 'forward-looking' statements within the applicable Laws and Regulations. Actual results could differ from those expressed or implied. Various factors may cause events or trends to vary significantly from those reflected or implied by these forward-looking statements and predictions. The Company assumes no responsibility to publicly amend, modify, or revise any such statements. The Company disclaims any obligation to update these forward-looking statements except as may be required by law.