

Message from CEO

Strong Decadal Growth Opportunity



**Welcome to CMS,
one of India's fastest
growing business
services platforms.**

In my very first letter to our public shareholders, I want you to better understand the company you have invested in. I want to explain our culture, what we are today, what we want to build in the coming decade and how we continue to create and compound value.

During one of the worst floods that hit parts of North India, one of our cash van teams was caught on a rapidly submerging bridge in a remote hilly area. We had lost all contact with them and we feared for the worst. Three days later we heard from them. They had to abandon their cash van, but before scrambling to safety the team managed to get the cash safely out of the van and then trekked few hours to a village nearby. With no electricity to charge their phones, they stayed there for the next few days and when the flood waters subsided, they found their way to a nearby Army camp and returned home safely with the entire cash.

CMS is about many such stories of resilience, courage and what I consider, an extraordinary degree of personal and professional integrity and each one fills our heart with pride, and propels us to keep building a solid institution. We were filled with these emotions and more on our listing day on December 31, 2021, and I remain forever grateful to our team's passion, performance, and pride in what they do, every day.

In 2009, partnering with Blackstone, we bought a majority stake from the founders of CMS. Many things have changed since then - our business lines, our strategy, and also our private equity shareholders. Today, we have a fantastic logistics network and technology solutions platform which spans the corners of India with 4,000 routes, 23,000 team members across 16,000 pin codes managing 150,000 business points. Over the years, we have expanded both horizontally and vertically from being predominantly a cash management company to a business services outsourcing platform. We have maintained robust topline growth with 17% CAGR over the last decade. We have honed the capability of doing more with less. The cumulative equity investments into CMS over these years have been less than ₹ 200 Crore, less than our FY22 PAT of ₹ 224 Crore. This organization wide frugality, along with technology-led productivity improvements, vertical integration and our scale, have resulted in our operating margins expanding by over 930bps between FY19 and FY22. Our strong margins reflect the quality of work that we do for our customers.

At a macro level, the RBI has been very focused on a smooth, efficient currency ecosystem to enable commerce and economic growth. To ensure better and safer access, it has issued various guidelines. CMS, as an industry leader, has been supporting these guidelines by making requisite investments in infrastructure, technology and processes. For our public shareholders, a large portion of these investments have been front-loaded and will result in strong returns in the coming years.

Cash usage trends are robust and in line with other large economies: developed economies like the US, Japan and Germany as well as key developing economies such as Brazil, Mexico, Indonesia and Philippines. In

FY22, Currency in Circulation in India grew at 10% and the total currency handled by CMS grew at an even faster pace of 22%.

India is the world's third largest ATM market and has grown its ATM base by 5% over the last year. To witness the usage of ATMs, I encourage you to visit an ATM of any leading bank during peak hours, at busy markets or locations. As banks focus more on cost savings, efficiency and risk management, we expect them to outsource the 40% ATMs still managed in-house. In the retail sector, we are already witnessing a revival post Covid and the jump in daily cash collections from sectors such as travel, hospitality, education and NBFCs is driving strong growth. More than 60% of e-commerce orders in India are Cash on Delivery. As organized retail and E-Commerce continue to make steady inroads into the informal economy, the need for cash management at these business points will grow and present a strong secular double-digit growth opportunity for this decade. The Indian cash management industry has also been steadily consolidating in line with global trends, and this should accelerate post Covid.

As we think about our future, we remain focused on expanding our business lines. From a base of ₹ 1,308 Crore revenue in FY21, we aim to double it to ₹ 2,600 Crore by FY25. Our three major business lines will contribute robustly to this growth rate target of 18% CAGR and the likely revenue contribution from Cash Management, Managed Services and AIoT & Software would be 60%, 30% and 10% respectively by FY25.

About CMS

Value
Creation

Responsible
Business

Statutory
Reports

Financial
Statements

Notice



The coming decade will be a story of India's growth led by Bharat which will benefit platforms like ours with a deep entrenched distribution network in semi-urban and rural areas. For FY25-FY30 period we see the opportunity to double our revenue to ₹ 5,200 Crore. We will focus our offerings to three verticals: BFSI, Retail and Logistics which are key for India's development, and have seen massive investments and policy support. We already have capabilities in these sectors and will deepen these. This will be through a combination of incubation of new business lines and M&A.

We prefer a pragmatic and value oriented growth approach. Buying growth with large acquisitions or high valuations does not fit with our values. Every M&A or capital investment decision is approved only for a strong base case IRR (Internal Rate of Return) with sensible payback period. Our M&A approach is programmatic, and we prefer to do smaller acquisitions to enter new business lines and then leverage the CMS platform strengths to scale. Over the last nine years, we have done eight acquisitions. In FY22, we acquired Hemabh Technology, a player in the ATM Remote Monitoring segment. We have built strong AI/ML capabilities to our offerings and won an order book of ₹ 600 Crores. In FY23, this new business will achieve an annual revenue run rate of ₹ 100 Crore. This is a good example of how we would like to go about expanding in new sectors and. In addition to using capital for organic and inorganic growth, we have also paid an average dividend of 23% of net profit over the last four years (including proposed dividend for FY22).

We successfully completed an IPO in volatile equity markets and have attracted high quality institutional shareholders. We also have more than 1.3 lakh retail shareholders. I would like to thank all our investors including Baring Private Equity Asia who have been our shareholders since 2015 and other anchor investors like Ward Ferry, SBI MF, ICICI Prudential MF, Nomura, Goldman Sachs, Theleme, Abakkus, ABSL MF and SBI Life Insurance, along with our customers, team members and strategic partners for their trust and support to build a world class institution. We are quite excited about the opportunities and journey ahead

Thank you,

Rajiv Kaul
Executive Vice Chairman
and CEO

