

CMSINFO/2205/009

May 17, 2022

To  
BSE Limited  
Listing Department,  
1st Floor, PJ Towers, Dalal Street,  
Fort, Mumbai – 400 001

National Stock Exchange of India Limited  
Exchange Plaza, C-1, Block-G,  
Bandra Kurla Complex, Bandra (East),  
Mumbai – 400 051

**Scrip Code: 543441**

**Symbol: CMSINFO**

**Sub:** Earnings Call Transcript

Dear Sir/Madam,

Pursuant to Regulation 46(2)(oa) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of audio recording of post result conference call held at 5.00 p.m. (IST) on (Tuesday), May 10, 2022 on Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and year ended March 31, 2022.

The transcript is also available on the website of the Company at [www.cms.com](http://www.cms.com)

You are requested to kindly take the same on your record.

Thanking You,

Yours faithfully,

**For CMS Info Systems Limited**



**CS Praveen Soni**  
Company Secretary & Compliance Officer  
(Membership No. FCS 6495)

**Encl:** a/a



“CMS Info Systems Limited  
Q4 FY2022 Results Conference Call

May 10, 2022



**ANALYST: MR. ACHAL LOHADE - JM FINANCIAL  
INSTITUTIONAL SECURITIES**

**MANAGEMENT: MR. RAJIV KAUL - EXECUTIVE VICE CHAIRMAN –  
WHOLE-TIME DIRECTOR AND CHIEF EXECUTIVE  
OFFICER – CMS INFO SYSTEMS LIMITED  
MR. PANKAJ KHANDELWAL – PRESIDENT AND  
CHIEF FINANCIAL OFFICER - CMS INFO SYSTEMS  
LIMITED  
MR. ANUSH RAGHAVAN – PRESIDENT CASH  
MANAGEMENT BUSINESS - CMS INFO SYSTEMS  
LIMITED  
MR. MANJUNATH RAO – PRESIDENT MANAGED  
SERVICES - CMS INFO SYSTEMS LIMITED**



*CMS Info Systems Limited*  
*May 10, 2022*

**Moderator:** Ladies and gentlemen, good day and welcome to CMS Info Systems Limited Q4 FY2022 Results Conference Call hosted by JM Financial Institutional Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '\*' then '0' on your touchtone phone. Please note that this conference is being recorded. Before we begin, a quick disclaimer that some of the statements made in the call could be forward-looking in nature and should not be taken as a guarantee of future performance as there are risks involved here which are difficult to predict. I now hand the conference over to Mr. Achal Lohade. Thank you and over to you, Sir!

**Achal Lohade:** Thanks. Hello everyone, on behalf of JM Financial it gives me great pleasure to host CMS Info Systems quarterly earnings call today. From the management side, we have with us Mr. Rajiv Kaul - Executive Vice Chairman – Whole-Time Director and CEO; Mr. Pankaj Khandelwal – President and CFO; Mr. Anush Raghavan – President Cash Management Business and Mr. Manjunath Rao – President Managed Services. I now hand over the call to Mr. Rajiv Kaul for his opening remarks. Over to you, Rajiv!

**Rajiv Kaul:** Thank you, Achal. Good evening, everyone. Thank you for your time to attend our earnings call today. We are here to report our Q4, but also the end of the year FY2022 status update of the company. We have had a fantastic year, if I think about when we started the year, whatever goals we set out for ourselves both short-term and midterm we have met all of that, the company and the team has been firing on all cylinders and we have made substantial progress in all our key operating and financial metrics. The macro has been very positive and supportive and investments we have made and are making are bearing fruit and giving a strong return metrics.

Just as a reminder, we are a large business company, which focuses on the Indian BFSI sector. We have a large footprint across the country. We have two large businesses: Our cash logistics business which serve all banks and provides high quality cash logistics services at the last mile in India at either at ATM point or a retail point or even a bank branch. This is 70% of our revenue close to Rs 1,100 Crores and our Tech Solutions and Managed Services business, which is a business over last five years, which is achieving very good scale is close to Rs 500 Crores revenue this year. As I said this has been a fantastic year.



*CMS Info Systems Limited*  
*May 10, 2022*

In our last call, we had given a guidance of our revenue targets for the team in FY2025 to be Rs 2,500 Crores to 2,700 Crores revenue, which was in our internal metrics our goal to double from FY2021 revenue base, so pointing towards an 18% revenue CAGR aspiration. When I think of the macro, whether it is GDP growth or inflation, we think our sectors, both Cash Management and Managed Services, should grow over the next decade at 10% to 12% revenue growth, as the large market share player, as a large high-quality company we aim to grow faster than that and therefore our aspiration to grow at the 18% CAGR.

End of first year in this four-year period, we are ahead of the plan with a revenue growth of more than about 22%. Our PAT growth is 33%, if we look at our three-year PAT growth, we are tracking to almost 32% CAGR of that. We have grown faster than all other market participants in our entire ecosystem, in fact, I would say, substantially higher than any one of them, we have gained share in each and every one of our businesses. We have earlier mentioned we had an orderbook in the Managed Services business of almost Rs 2,000 Crores at end of September last year, that orderbook has grown to now Rs 2,200 Crores and 70% approximately of this order book is already live and under execution.

These are multiyear recurring contracts where the revenue will accrue over the next six to seven years. We have invested Rs 250 Crores of capex, which is mostly for growth and M&A and despite this investment our return metrics are improving steadily. I do want to, before I pass on the baton to my colleague, Mr. Pankaj our CFO, I do want sort of remind people that when we started the year it was quite an awful start in many ways given what COVID wave 2 did to the country, to all of our families, our employees, that is a massive exercise for us to try and see how do we protect our 22,000 people in the field who are doing customer service on behalf of the banks every day.

I am very grateful to each one of them for what they have done and what they bring to work every day to serve the broader community through our customers and the fact that we are successful because of all their efforts and toil. On this note I will pass on to the next session by Pankaj who will take us through the financial highlights of the company. Thank you.

**Pankaj Khandelwal:** Good evening, everybody. Let me start by briefing you on the financial performance of the company on a consolidated basis for FY2021 and FY2022. For the full year, the revenue from operation stood at Rs 1,590 Crores, which grew by around 22% year-on-



*CMS Info Systems Limited*  
*May 10, 2022*

year. The EBITDA grew by around 32% year-on-year to Rs 402 Crores. We managed to deliver an EBITDA margin of 25.3% so there was an increase of around 188 basis points. Our net profit stood at Rs 224 Crores, signifying a growth of around 33% year-on-year and PAT margin stood at 14.1% where we saw an improvement of around 119 basis points.

Coming to quarterly performance, we have managed to deliver growth on all financial parameters both on year-on-year basis as well as on quarter-on-quarter basis. For the fourth quarter, the revenue from operations grew by around 10% on a quarter-on-quarter basis and around 8% on a year-on-year basis to around Rs 444 Crores. EBITDA was Rs 117 Crores, which grew by around 21% year-on-year and around 8% on quarter-on-quarter with an EBITDA margin of 26.4%. The net profit was around Rs 64 Crores, which grew by 14% on year-on-year and around 6% on quarter-on-quarter with PAT margin of 14.4%. At the end of March 31, 2022, our cash and cash equivalent remain at Rs 278 Crore, and we have zero debt. Our ROE has increased by around 170 basis points to over 20%. This year we had declared a dividend of 25.3%, which is around 17% on the PAT.

With this, I now hand over the call to Mr. Anush Raghavan, President Cash Management for more insight into cash management business performance.

**Anush Raghavan:**

Thank you, Pankaj. Good evening, everybody. On the cash business, on the macro side, the currency in circulation continues to log a very strong growth, we are currently at about Rs 31 lakh Crores, which represents 10% growth over the previous fiscal year. Bear in mind that this figure was close to about Rs 16 lakh Crores just post demonetization. Against this, the currency handled by CMS grew by 22% to Rs 11 lakh Crores in FY2022. Q4 was a great quarter for us. We grew our revenues by 23% and in that quarter our cash handled increased by 17% compared to the same quarter of last fiscal.

Within this quarter, March was actually an exceptional month, we logged the highest ever cash handled in CMS in this year in the cash business and we crossed Rs 1 lakh Crores. We continue to make good progress on the RBI and the compliance norms, more than 50% of our network is currently ready and we will plan to get the remainder of it completed over this year. We have continued to expand on our network, reach and in this year, we have added more than 400 routes. In the year wherein the ATM base in India saw a robust growth grow, ATM cash business grew its market share and currently stands



*CMS Info Systems Limited*  
*May 10, 2022*

at 46%. This was about 37% two years back, so we have logged close to a 9% to 10% gain in market share in these last two years.

We are seeing good recovery and traction in the retail segment. This sub-segment of our business is back to pre-COVID levels. We are continuing to invest, and we are moving into value added solutions, which we believe we will drive a strong growth for this subsector. Our profits in the cash business grew by 30%, we are seeing very strong EBIT margins. Some of you may remember that when we moved from FY2020 to FY2021, we saw an almost 400 basis points expansion in our EBIT margin. We continue to build on that and have further improved our EBIT margin by 150 basis points to 23.9% this year. Thank you and I will now invite Manjunath Rao to speak about our Managed Services business.

**Manjunath Rao:**

Thank you Anush. Good evening, everybody. On the Managed Services business, I am very pleased to inform you that our ATM base under Managed Services grew by 20% to end FY2022 at about 12,000 ATMs and as Rajiv mentioned we had a very transformational year, we hit about Rs 490 Crores in full year revenue, and which is a 34% growth and profit grew by 48%. Our EBIT margin for the year has increased from 15% to 16.6%. In Q4, the revenue declined by 6% because of one-time product revenue that we had prior year, but the segmental profit grew by 6%. The Q4 FY2021 had large ATM product sale contribution of Rs 102 Crores that is in Q4 FY2021.

Our orderbook, like Rajiv mentioned, has expanded to Rs 2,200 Crores, 70% of that is live and revenue generating now, and I think over the last quarter we had mentioned about the SBI BLA contract, we have completed the rollout and the bank has awarded an additional bonus order of further 600 ATMs on top of the 3,000 ATMs. Our new business segment, the technology segment, the AI driven remote monitoring is ramping up massively, we started with zero in the year, and we ended up with 10,000 sites the end of the year. Our forecast is to double by the end of FY2023. And the pipeline outlook for this year, there are large RFPs pipeline with major public sector banks, close to 30,000 ATMs are coming up for refresh, expansion and managed services and these are going to be expected to be bid this year. Thank you very much.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.



*CMS Info Systems Limited*  
*May 10, 2022*

**Nirmal Bari:** Thanks for taking my questions. My first question is on the Managed Services piece, you said that there was a decline of 6% because of some one time product sale, so if you can provide some more detail into it, what that was and the second question is again on the Managed Services, if you can repeat the data of the quantum of orders that would be coming out for bidding in the current year and thirdly, are we also looking actively towards private banks because private banks were quite early in the Managed Services journey, but probably they are all still going for ATM expansion, so are we targeting that market and fourthly since we are in the PSU bank space, how are the payable days and all in comparison with what we would have for private sector banks?

**Manjunath Rao:** Yes, this is Manjunath. Just to clarify what I explained about the decline in the revenue of 6%. FY2021 revenue was Rs 365 Crores, ATM product sale of that was about Rs 162 Crores, which is 44% of the revenue. A majority of this, about Rs 102 Crores, was in Q4 itself and that was due to the COVID the last year and the pent-up demand we had to deploy it over the Q4 of last year. And in FY2022, the total revenue is Rs 490 Crores, and the previous year was Rs 365 Crores and revenue in FY2022 was Rs 490 Crores and the ATM product sale is Rs 116 Crores, which is 24% of the revenue. The Q4 product sale was Rs 38 Crores, which was 33% of full year. More streamlined, more services, and annuity contribution in FY2022 which enlarged the revenue growth, was 76%. Answering your question around the opportunities and private bank, yes, we are engaged with the private banks and most of the private banks are now looking at deployment around BLA model and we are engaged with them.

**Rajiv Kaul:** We already work with couple of the largest private banks in the Managed Service space obviously they have had a large estate which moved to managed services long ago which is being run by the vendors they chose at that time, but for incremental growth CMS is a key part of their plans, you had another question which you ask you about the payables, Pankaj, if you can just give, I do not know if you have distinction on PSU and Private, but as such Pankaj is a better person to answer that.

**Pankaj Khandelwal:** So, for PSU banks, generally the DSO days is around 15% more than the private banks, but fortunately for us we work only with the five large PSU banks, where the payment terms are much better and we get the payment in time, so but overall, there is a gap of 10% to 15% from private banks and PSU banks. Did we answer your questions?

**Nirmal Bari:** Yes, that answers, I just wanted the number of how many ATMs are coming out for refresh or renewal in the current year?



*CMS Info Systems Limited*  
*May 10, 2022*

- Manjunath Rao:** It is 30,000.
- Nirmal Bari:** My second set of questions is to Mr. Pankaj, and this is slightly technical, so I was looking at the cash flow statement and the balance sheet and in the cash flow statement basically there are two big entries in the working capital, the increase in trade receivables and the second one is increase in other assets and pre-payments. Now the increase in trade receivables is about Rs 72.4 Crores, but if I look at the equivalent balance sheet entries on Trade Receivables that has increased by just Rs 1.4 Crores and the second one on Other Assets is about Rs 50.75 Crores and I am not able to tally it with any of the asset-side entries in the balance sheet, so if you can provide some clarification on that, that would be very helpful?
- Pankaj Khandelwal:** So, if you see the cash flow statement, we have provided around Rs.59 Crores for the impairment allowance for the bad and doubtful debts and which is in line with the earlier advance around Rs.21 Crores to Rs.22 Crores, which is slightly higher because of the growth of the company as well as some of the banks in COVID period could not complete their reconciliation, etc., which was passed on to this year so that is the reason for difference that you are seeing in the balance sheet vis-à-vis in the cash flow statement. Coming to your question number two about increase in the Other Current Assets of around Rs.50 Crores. Of this, major amount is related to IPO related expenses of around Rs 26 Crores, which is sitting in this account as well as in the Trade Payables account. This is as per accounting as guided by the auditor which is added in both places.
- Nirmal Bari:** Ok, so one more clarification, this Trade Receivables increase of Rs 72.4 Crores has to be netted out against the impairment allowance that has been created, is that the way to look at it?
- Pankaj Khandelwal:** If you have to look only from cash flow perspective, because the impairment allowance or the ECL provision which we have made is a non-cash item, as a prudent measure, we have made a provision for it.
- Nirmal Bari:** Yes, but if I have to match this in the balance sheet, as in the Trade Receivables increase that is being shown in the cash flow statement, if I have to match it in the balance sheet that is not happening, so is that because of that impairment allowance or how should I look at that particular number, that was the point two?
- Pankaj Khandelwal:** You can see the cash flow items in the cash flow itself; there are two line items, which will match with this number.





*CMS Info Systems Limited*  
*May 10, 2022*

**Nirmal Bari:** So, basically, we have to net out the impairment allowance with the trader receivables that is the way it should be looked at, right?

**Pankaj Khandelwal:** Yes, for any item in the balance sheet you have to match you have to look at the same way.

**Nirmal Bari:** Thanks. I will come back in the queue for further questions.

**Moderator:** Thank you. The next question is from the line of Mudita Nahar from Abakkus Asset Manager. Please go ahead.

**Mudita Nahar:** Sir, thanks for the opportunity. Sir, could you just give detail about within the Cash Management segment and Managed Services, which are the sub verticals, which have led to the margin expansion and if you could just give some break up about the revenues in the subsegment and is it like driven by volume or there is some traction on the realization as well as, Sir?

**Rajiv Kaul:** We do not detail out revenues by sub-segment. At high level we have a revenue growth of 22% overall for the company, this is a mix of volume, realization and pricing, on all of those right. The volume is a mix of both market share and market growth, so as I said initially in the opening remarks it has been a great year where we fired on all cylinders and for all key operating metrics. In our Managed Services business, the margin profile of the business will change and improve just as we move more and more into our BLA business as well as our Remote Monitoring business. Remote monitoring was still a smaller part of the business last year. In fact, Manju may have mentioned that in our remote monitoring business we completed 10,000 sites by end of March, and we aim to double that by the end of this year. So, as we move into more higher value-added services, the margin profile of those businesses will continue to improve. In Cash management, we had a substantial jump in the prior year. In fact, I think a lot of people had concerns whether that would be sustainable, and I think that the team has done a splendid job in maintaining and improving this margin profile further.

**Mudita Nahar:** And just on the capex side can you just give a breakup and largely what the capex was like related to BLA, branch or something of that sort?

**Rajiv Kaul:** Yes, sorry just one more point, I think given our cash logistics business is a route logistics business in which you are doing multiple activities, it is impossible to carve out profitability or margin profile by sub-verticals, so it is not that we do not want to give the



*CMS Info Systems Limited*  
*May 10, 2022*

details, it is very difficult to do it. We look at overall density as it improves, margin profile gets better for us. Capex, I think Pankaj, 90% of our capex was basically for growth capex and a small M&A which we have done, right.

**Pankaj Khandelwal:** So, growth capex for both the business units like RBI/MHA compliance related we have around 25% of total capex that has gone for that purpose and rest of it is for the Managed Services business wherein we have partly executed that Rs 2,000 Crores to Rs 2,300 Crores order book so far, 60% to 70% is already executed and the remaining is to be executed.

**Mudita Nahar:** That is it from side. Thank you so much, Sir.

**Moderator:** Thank you. The next question is from the line of Aasim Bharde from DAM Capital Advisors. Please go ahead.

**Aasim Bharde:** Good set of results for the quarter and the year. Congratulations for that. I had a question on the compliance bit, so you mentioned that CMS is at 50% odd levels right now and you would want to go close to 100% in FY2023, so a) would you have a comparable compliance number for the industry as a whole currently and b) going to 100% compliance in FY2023 itself would that mean that your blended realization would immediately take a jump or would these costs be passed on only over a period of time say over FY2023, or may be FY2025 FY2024?

**Anush Raghavan:** Thank you, Aasim. I will just add a little bit colour to that, I think when we spoke about the 50% compliance that is more from a perspective of how ready our network is in terms of being able to meet the compliance requirements. From the perspective of the businesses which have migrated to the compliant regime that numbers on a consolidated basis across the ATM and retail portfolio stands at about 35%, ATMs obviously being a little ahead having started earlier and the retail sort of lagging by a couple of quarters. That is point number one and second is I am not sure about the industry, but what I can tell you is you know even in the last call that we had we told you that as a market leader we have always been ahead of the curve and wanting to implement this compliance having access to the scale, the network and investments from FY2020 and continuing through FY2021 and FY2022, we would like to think that we are sort of ahead of the market and the curve, what is happening in the external market is the self-regulatory organization has prescribed that all cash management activities in 30 cities across the country need to be compliant as of Q4, which is March end, which where I would like to



*CMS Info Systems Limited*  
*May 10, 2022*

think the industry level of compliance, we are a little bit ahead of that. The RBI has indicated that they would like to see the cassette swap implementation to be completed by the banks by the end of March 2023, so we have to see how the banks and other stakeholders response to this timeline. We are also getting our network ready to be able to deliver the compliance.

**Aasim Bharde:** Just to clarify, the 35% number that you talked about that, if I understood correctly, 50% of the network is ready in terms of compliance, but 35% is actually passed on to the bank in terms of the costs, so we still have some way to just go in terms to catch up on the realization, just to reach 50%, is that understanding correct?

**Rajiv Kaul:** Yes, I think it is correct, that is right. These don't exactly overall, you need to invest that ahead of time and get this ready and then the business comes in. So there will never be 100% match on the way we will roll it out and the way compliance will finally work through and I think that from the whole perspective trend we think the compliance is very important for the overall health of the industry if you remember we have started investing in compliance in FY2020 itself, but we took a pause in FY2021 during COVID. We have now accelerated our efforts because we can see the demand is very strong from the banking customers to have the services available.

**Aasim Bharde:** Sure, Sir, any trend this 35% number when does that touch 100%, will that be done by FY2025-FY2026?

**Rajiv Kaul:** We think it should get done by FY2024, but in our internal planning we are assuming FY2025, but in FY2024 we hope to see most of it done, if you also refer to one of the recent guidelines from RBI the reminder to the banks on Cassette swap, they want it done by March 2023 100%.

**Aasim Bharde:** Right. The second question is on the payout ratio, so this time like you said they have done about 17% by FY2022. It is still lower than what you guys did in the previous period and prior to that. Going forward, is there are potential band or range within which you would like to keep the payout ratio assuming no one-off orders come through?

**Rajiv Kaul:** We are a newly listed company; these are things we will learn over time and the Board will consider what the dividend policy will get streamlined into. I think you think about the fact that two to three years ago we did not have large investments we made, we have had a fairly peak capital investment last year, there is also a strong capital cycle require this year and given we are still not out of the woods from the COVID perspective or a



*CMS Info Systems Limited*  
*May 10, 2022*

macro perspective we want to make sure the company is well equipped with liquidity and option to make sure that our growth trajectory continues to the FY2025 destination we are seeking for ourselves. We also feel that in the current macro there may be more stress in the ecosystem and hopefully, there would be interesting option for acquisition, but of course at this stage we cannot comment on what exactly will come up.

**Aasim Bharde:** Got it. Thanks a lot, and I will get back in the queue.

**Moderator:** Thank you. The next question is from the line of Nirmal Bari from Sameeksha Capital. Please go ahead.

**Nirmal Bari:** Thanks for the opportunity again. My question is on the capital expenditure for the current year if you can give that number and if it is possible to break it up between what would be required for RBI compliance and what would be required for the 30% percent ATMs that are not live at present on the Managed Services side?

**Rajiv Kaul:** Are you saying for FY2023?

**Nirmal Bari:** Yes, for FY2023.

**Pankaj Khandelwal:** If you see that we have partly executed the large order with the 60% to 70% we have already executed and a lot of capex will go to execute that 100% like 10,000 of AI-based remote monitoring sites are up and live, we have the total order of around 23,000 sites, so large part will go there, we got a bonus order from SBI and the other public sector bank where the capex will go, for the compliance side as we are poised to do 100% by FY2024, so the remaining capex will go for that purpose and we have sufficient funds available to do all this capex.

**Rajiv Kaul:** I think just to give you a sense, I would think that our capital outlay in FY2023 will be lesser than what we had last year, we feel last year the peak capital cycle for us for the foreseeable future unless there is a substantial acquisition which comes our way, but other than that from a growth perspective the current year capital deployment would be less than last year. It would be sort of difficult to give you a break-up of how much will get spent between compliance and between the projects for the orderbook because all depends on supply chain, very difficult to forecast what all we will be able to get in time, we have had delays last year. So, we will give you a report on it maybe later in the year, but tough to forecast the number right now.



*CMS Info Systems Limited*  
*May 10, 2022*

- Nirmal Bari:** But the total numbers if you have budgeted some numbers?
- Rajiv Kaul:** So, last year we spent about Rs 250 Crores, this year I think we will in the range of Rs 200 Crores to 225 Crores.
- Nirmal Bari:** So, RBI started trials for interoperability of cash recycling machines, so I wanted to understand if this becomes mainstream, how does it affect our Cash Management business?
- Rajiv Kaul:** I think it is positive right if the interoperability on recyclers is fully initiated it will lead to far more usage of the current recycler network in the country, which is right now bank dedicated and will drive more currency being accepted and also therefore the need for evacuation and management of the machine will go up. As we have seen already for the recyclers we handled for the last five or six years that they need a lot more work because the intensity of cash just dramatically goes up.
- Nirmal Bari:** But it would not impact because some of these orders we do get paid for the number of trips that we make to an ATM and in fact cash recycler would by default have deposits as well withdrawals it would not impact the number of trips and so the revenue that we will be generating there?
- Rajiv Kaul:** This is a something which the industry thought when cash recyclers were introduced in 2014-2015 and we, in fact, said that we do not know how this will play, so we in fact were the first to win one of the largest contract to deploy recycler was run by CMS on behalf of SBI, what we have noticed is that these machines become so much more focused on cash collection because the queues, machine the volume of currency becomes very, very large almost 70% to 75% of the work this machine does is an accepting cash and only 25% is giving out cash, so now unless every machine in the country move to this model which life may change who knows and we will still be able to get opportunity in that for Managed Services, BLA, product sale and what not. We have not seen this as a threat, we actually have seen this as a positive for our combined company and entity.
- Nirmal Bari:** Thank you, Sir.
- Moderator:** Thank you. The next question is from the line of Nitin Sharma from MC Pro Research. Please go ahead.



*CMS Info Systems Limited*  
*May 10, 2022*

**Nitin Sharma:** Thanks a lot for taking my question. First of all, congrats on a good set of numbers. I have two questions, first one on the Other Expenses, it jumped around 34% Y-o-Y, 18% Q-on-Quarter, what is included there and is it a one-off?

**Pankaj Khandelwal:** So, other expenses, basically over a period we are diversifying our business like Remote monitoring, AI based Remote monitoring services we have started in last year, the majority of the expenses related to that business is going in the Other Expenses, so it is not qualified for more than 10% of expenditure. Whether it is the communication expenses or it is related to any stationary expenses or whatever is required for this particular kind of business. Likewise in the Managed Services business wherein a lot of expenditure related to AMC related expenditure or spares related expenditure, which is also part of the other expenses so because of the change mix of our revenue these expenses are increasing.

**Nitin Sharma:** Understood very well and the second question, just want to understand where do you see the operating costs for the FY2023, some guidance on that?

**Rajiv Kaul:** So, Nitin we do not give any annual guidance on revenue and cost. We have set the tone for our mid-term plan and target. We hope to maintain margins. I understand your question may come in from the inflation concerns and our goal would be to make sure that we can maintain and manage our margins and move up steadily. We have, as a team you know, there are multiple things we have to balance over a three to four year cycle right, revenue growth, market share, profit margins and return metrics and I think we want to have the flexibility to do what is right for the company and the platform in the mid-term instead of worrying overtly on just a shorter term.

**Nitin Sharma:** Right, so does that mean my understanding is, correct me if I am wrong, that there is some escalation clause with regards to the inflation with your clients, so has it kicked in or are there talks or any update on that?

**Rajiv Kaul:** So, there are many, many contracts right, we have multiple sub-sectors we operate in and there are different types of contracts and different entities, but you may be referring to is what we may have guided to you on our earlier call saying increasingly now and lately newer contracts including from public sector banks have a provision of inflation linked pricing changes because when we enter into a four year or five year or six year or seven year contract it is very difficult to forecast what will happen over the period and it is good that some of the larger banks are now putting this mechanism in place so that there



*CMS Info Systems Limited*  
*May 10, 2022*

is some balance of this. Whatever the contract will determine those contracts will start having that implication whenever that contract allows you to change that. There are other contracts that we may not have actual clause like that, that but again you have to think of the fact, we have in this for more than 12 years or 13 and we have high inflation environments when we think back from 2012 to 2016 pre-demonetization certainly we have the experience to handling the fuel price and whatnot and also the ability with our strength of our market share we are able to have a very sensible discussion with clients, very mature discussions on balancing a price increase where it is necessitated by market conditions.

**Nitin Sharma:** Thank you.

**Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Thank you very much, Sir, for the opportunity. Sir, just I have a couple of queries, now in your opening remarks you did mention that for the next decade you expect the industry to grow at about 10% to 12%. Now given the push towards digital economy, so what gives us confidence that this kind of growth can continue for next decade and my second query is regarding your operating leverage, now as you did say that margin profile of the company will continue to improve and looking at 18% to 20% CAGR of revenue I presume your cost may not grow at the same rate at your revenue CAGR you are projecting, so ideally your EBITDA margin should grow 30% in this year, so any comment on that, these are my two questions, thank you?

**Rajiv Kaul:** So, on your first question on why we feel confident about 10% to 12% growth rate for the sector, I think we have a couple of points, number one, India is broadly especially using the cash is still largely informal and unorganized and as India formalizes and you see whether that is from a small store to an online retail or whatever else goes on there you will see a lot more of the cash volumes getting firmly outsourced by the banking channel and therefore to us. Right now, a lot of currency gets withdrawn and used in smaller cycles without coming back into the banking ecosystem and we think that will change over the next decade. The second is when you think about if you look at any industry forecast by any third party it points to a number which are alluded to, but from our perspective we think there will be more outsourcing almost 30% to 35% of even ATM work is still in-house with the bank. Over time banks will find it very cumbersome and expensive to manage cash logistics which they do currently in-house, and I think that



*CMS Info Systems Limited*  
*May 10, 2022*

brings a very significant outsourcing market opportunity which we do not really cater to today. Thirdly a lot of refresh cycles in banks especially public center banks will move to a Brown label model where the capital will move from bank balance sheets to a third party and we feel that will be a big shift, which will create an opportunity for large scale integrated players to be able to invest capital and get very good returns in a model where you can earn revenues over a long period of time. And finally when you think about when I refer to, right, when people say digital like this too is not unique we have seen that in India for the last six years now it is growing rapidly I think, but when I look outside India I look at large companies in cash management space I look at large companies which are in the banking automation space so you look at a Brinks, you look at a Loomis, you look at an NCR, you look at Euronet and you see them operating in large developed countries in Europe, in Sweden, in US and in Canada, they are still growing at 6% to 7% revenue right whether it is 2% to 3% or 3% to 4% organic growth 2% to 3% would be inflation and then in inorganic growth could get them to 10% to 12%, so large evolved markets are growing at that rate today. It is difficult for me to believe that India will grow, which could grow maybe even higher, but our goal is that we should be growing faster in the market, which is my first point on your first question. The second question was about margins, I think from margin perspective we are delivering today world class margins and I think our margin profile is among the best in the world and as I said we see fundamentally a very good opportunity to have a larger piece of the entire ecosystem in revenue terms, our ambition is to grow or review at a good CAGR. The 18% growth CAGR for four years we have set ourselves to is a pretty aggressive target, we want to get that there and we will do it, obviously to achieve that number, our market share should grow and then pricing and margins will be a function of how we continue to improve our return metrics. I do not want to get stuck onto a particular percentage number right now, I think we want to make sure that we build our size and scale to be a much larger company, automatically it should accrue to our return metrics and margin profile.

**Deepak Poddar:** Okay, understood. That is from my side. Thank you.

**Moderator:** Thank you. The next question is a text question from the line of Milan Mondal, why pledge showing 100%?

**Pankaj Khandelwal:** The pledge is not done by our promoter. Our promoter is Sion Investment Holdings. Sion Investment Holding's holding company has pledged its shares in Sion Investment Holdings. And by virtue of that it is showing as a pledge. It is an offshore loan facility. I hope the answer was clear





*CMS Info Systems Limited*  
*May 10, 2022*

**Moderator:** Thank you. The next question is an audio question from the line of Pranay Jhaveri from J&J Holdings. Please go ahead.

**Pranay Jhaveri:** Sir, thank you so much for the opportunity. Sir, regarding the cash flow statement, there are two items debts and impairment, which is year-on-year gone up from Rs 42 Crores to around Rs 80 Crores, so as I think you had pointed out in earlier comment that this was a part of last year, which got adjusted here, so if you can just throw some light in terms of what is this line item and how much is this recurring in nature or one off in nature?

**Pankaj Khandelwal:** If you see that some part is because of the growth in revenue of the company which is around 22% in this year, second is, as I explained to you that in the last year because of COVID the banks and other customers are working from home, so a couple of reconciliations could not take place and as matter of prudence we have made higher provision this year to take care of that if we get a surprise in the Q1 and Q2, we made provisions, however, discussions are on. Going forward because of a lot of initiatives taken by the RBI like RBI/MHA compliances as well as the Cassette Swap, which will reduce this type of cost significantly.

**Pranay Jhaveri:** **[Inaudible]** Rs 1,300 Crores last year and Rs 1,600 Crores probably this year and if I just take both the figures, so basically it is about 6% to 7% of the top line?

**Rajiv Kaul:** No, I think on a blended basis it is about 4%.

**Pranay Jhaveri:** So, this is fair to say that 3% to 4% would be a recurring thing?

**Rajiv Kaul:** It is impossible to forecast the future because we do not know which should, logically it should go back, go down, but even if it stays at let us say current levels, we are seeing three-year average about 4%, we will have to see how the current year goes and things get streamlined. As Pankaj explained, there was a bunching up potentially because a lot of things banks could not complete in FY2021, so we look at FY2021 and FY2022 on a blended basis and it is in line with FY2019, we will wait and see how FY2023 goes before we could give you a trend line is this going to reduce systematically or do we think we will maintain itself for the current levels.

**Pranay Jhaveri:** Fair enough. Sir, another question from my side is basically there is an interest cost is about Rs 14 Crores to Rs 15 Crores, if you can just throw some light on that since we have net cash on balance sheet so is this some bank charges or guarantees or something?



*CMS Info Systems Limited*  
*May 10, 2022*

**Pankaj Khandelwal:** No, So, this interest cost is related to only the Ind-AS related lease accounting, so we have not utilized any of the fund-based banking facility in this year, so this is largely related to the Ind-AS lease accounting.

**Pranay Jhaveri:** Sir, these other current assets of Rs 98 Crores that would consist of what?

**Pankaj Khandelwal:** See, the Other Current Assets are around Rs 28 Crores, around Rs 26 Crores funds we are having on an account of IPO for the expenditure, the similar amount is sitting in the payable so that is to be netted off accordingly and after that the change in this year is not significant.

**Pranay Jhaveri:** Sir, last question from my side, correct me if I am wrong, so basically our capital employed is going more towards the Managed Services and if I see the Managed Services EBITDA and ROCE, which are probably lower than the CMS [Cash Management Services], so is it fair to say that ROCE will get effected to that tune maybe in FY2023-FY2024, thank you so much?

**Rajiv Kaul:** In the MS business the return metrics will improve because the large peak cycle of capex was last year and this year with contracts for a period of six to seven years that may even extended so you will see the return metrics improve as the returns on these projects are coming through. Even if see our segment results, the last year if you see the net profit of the Managed Services is at 15% and this year it was 16.6%, so there is a significant improvement in the profits of that segment and the margin profile.

**Pranay Jhaveri:** But if I compare that line of business with your cash management, which is lower than that, right and we are employing more capital, more capital is getting employed into this line of business. Below the EBITDA there will be depreciation for this Brown label ATM, so I am just trying to understand ROCE of this business?

**Pankaj Khandelwal:** I am sorry, but this number you are seeing is the segment result, which is after putting all that expenditure including depreciation. So, after putting all the deprecation on the expenditure this is the margin basically.

**Pranay Jhaveri:** Which is lower than the cash management business?

**Rajiv Kaul:** Yes, of course. Different nature of business.

**Pranay Jhaveri:** I understand that so basically if we are investing more in the Managed Services?



*CMS Info Systems Limited*  
*May 10, 2022*

**Rajiv Kaul:** So, I think when you think about our Managed Services Business, ROCEs will be lower than cash management of course, it is the nature of the business. It will expand over time as capex starts accruing and we start getting the returns over the coming years, also we are putting in place an infrastructure, which will give you a multi-year assured revenue for a longer period of time that comes with lower risk, if you think about that way, so to your question, yes, the Managed Services business will have lower ROCE to start with, it will improve. Will it cross cash in the future, too early to forecast right now, but when you think about combined perspective when you win a managed services contract with BLA, it is integrated into your cash management businesses, you are also securing the cash management contract for a longer period of time, so you have to think of blended margins increasing, maybe not today, but increasingly you think when your blended margins of these businesses.

**Pranay Jhaveri:** Fair enough and last question if I may squeeze in, we are tracking this company from quite a short period of time, I am just trying to understand, is there a history where the regulator would have had any, basically, an adverse remark or basically a penalty that would be levied and if so I am just trying to understand what could go wrong because it seems like a cash minting machine from our company's viewpoint, so from a risk viewpoint I am just trying to understand. Any historical data which you would like to share or any risk that you see that regulator would come upon us in the past would have had and what would be the effect of that?

**Rajiv Kaul:** So, I think you know the risk factors, of course, our DRHP discloses all the risk factors in quite a lot of detail, so I would still urge you to have a quick look at it so that you have a more balanced view of both the future opportunity and the risk. From our perspective, to your answer, has the regulator had an adverse remark or let us say penalty or whatever, I think no, but having said that when you think of the regulator the regulator reduced the interchange on ATM transactions about seven to eight years ago and has recently increased it, now you can say when they reduced the negative macro for the industry, when they increased it is a positive matter for the industry. From the company specifically that has not been anything adverse or negative. In fact, the association for cash logistics works very closely with the central bank concerned officers to work on how we maintain the standards of the operating guidelines at a global world class level.

**Pranay Jhaveri:** Thank you so much. That was really helpful. Thank you.



*CMS Info Systems Limited*  
*May 10, 2022*

**Moderator:** Thank you. The next question is the text from the line of Viral Shah from PhillipCapital. What is revenue booked during FY2022 from Managed Services order book. What is the revenue from remote monitoring BU in FY2022?

**Rajiv Kaul:** So, again we do not disclose sub-segment revenues at that level, I think Managed Services that is booked is the revenue we reported right, I do not think we have a book or the order. So out of the Rs 2,000 Crores order book almost we would think about roughly 9% to 10% would have been booked in FY2022 if I have got a question accurately and your second part of the question was on remote monitoring. On remote monitoring we have ended the year at March with 10,000 remote monitoring sites live and operational, we were almost zero at the beginning of the year and we are aiming to double it in this year to go from 10,000 to 20,000 provided again the big caveat really all depends on the supply chain because technology items getting it all in place and working can be a little bit difficult in current circumstances but we are fairly confident which should be able to double that. When it gets to that number of 20,000 sites just to give you a size of this contribution would be, the annual revenue run rate of the remote monitoring business would then be at about Rs 100 Crores a year. So, we would basically take a new business started virtually almost from scratch, take a small acquisition we made last year, and we aim to build it to Rs 100 Crores revenue run rate by the end of this fiscal year.

**Moderator:** Thank you. The second question, what is the outlook of Cash Management business for next few years and what is sustainable growth rate of that segment? Thank you.

**Anush Raghavan:** So, when you broadly look at the key macros which are influencing the Cash Management business, the currency in circulation in one such key indicator. We have been looking at this for a better part of the last decade, decade-and-a-half and in most countries including India it closely parallels with nominal GDP. Internally we always said, goalpost ourselves, saying if the currency circulation is growing at 10% to 12%, the market to which it corresponds should grow at about 13% to 15% market whether it is expansion of the ATM in the country, whether it is retail cash points and spends that are happening and the role consumption economy that goes along with that and if that is the pace of market expansion, it sort of leads us to set our benchmark for growth at 18% to 20% level assuming we will sort of aspire to grow a little higher than the market. Looking at this we stand right now, and I look at some of the data indicators that are available to us, the currency circulation continues to grow at 10%, the cash handle by CMS has grown by 22% year-on-year and every quarter we are seeing gains on that front. The total ATMs in the country have had the best year of growth this year compared to the



*CMS Info Systems Limited*  
*May 10, 2022*

previous two fiscals, from April through December we are having about 11,000 ATMs in the country. There is a very large RFP pipeline which is a combination of refresh cycle by the public sector banks and expansion which is where these RFPs are on the anvil and should get awarded over the next 9 to 15 months, so based on the indicators that are available to us and in the short to midterm, I think we are seeing that sort of basis which we are guiding to a consolidated revenue growth aspiration of 18% to 20%.

**Moderator:** Thank you. Ladies and gentlemen that was the last question for today. I now hand the conference over to Mr. Rajiv Kaul for closing comments. Thank you and over to you, Sir!

**Rajiv Kaul:** Thank you for all your questions and it was very insightful to know how you think about our business, thank you for your feedback and comments. As I said in the beginning, we are a newly listed company, but I have the privilege of working with the team which has been together and the management team for more than a decade. That experience comes in very handy during both good and bad times, last year was a fairly interesting year because we ended it very strongly despite whatever was going on in the outside world. We are fairly positive and very confident about our midterm and long-term trajectory; our aim is to deliver on a systematic and steady basis to all our shareholders and we hope to your support in the future. Look forward to talking to you soon at the end of the next quarter. Thank you so much.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of JM Financial Institutional Securities, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.