"CMS Info Systems Limited Q4 FY '25 Earnings Conference Call"

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MODERATOR: **MR. PRITHVISH UPPAL – ELARA CAPITAL**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY '25 Earnings Conference Call of CMS Info Systems hosted by Elara Capital.

As a reminder, all participants' 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.

I now hand the conference over to Mr. Prithvish Uppal from Elara Capital. Thank you, and over to you, sir.

Prithvish Uppal: Hi, thank you. Good evening, ladies and gentlemen. Thank you to the CMS team for the opportunity to host you for the Q4 and FY '25 Earnings Con Call.

From the Management team, today, we have Mr. Rajiv Kaul – Executive Vice Chairman, CEO and Whole Time Director; Mr. Pankaj Khandelwal – President and CFO; Mr. Anush Raghavan – President, Cash Management; and Mr. Puneet Bhirani – President (Operations).

We also have a webcast linked to today's call where the management will be taking us through the Results highlights. So, request everyone to please join the web link.

I now hand over the con call to Rajiv sir. Sir, over to you.

Rajiv Kaul: Thank you. Good evening, everyone. I hope you have our Earnings Presentation visible to you, details of which Prithvish has shared. It is also on our Investor page on our website.

I want to talk first about FY '25. We entered FY '25 fairly bullish on the back of 20% revenue growth in the prior three years and also record order wins of almost Rs. 1,950 crores, which we were expecting to execute in FY '25.

Unfortunately, we encountered a sequence of unanticipated events which built into a perfect storm. We guided early in the year towards this and hoping that things would pick up in H2 and worked really hard on project execution which was at 15% end of H1. This did ramp up to 30% in Q3, and we were hoping to close at 60% order execution by Q4.

However, we fell short at 52%. February and March, which are key months to close on projects for large PSU banks, but the large banks had to deal with severe disruption in their ATM operations due to issues at a key competitor, which we are all familiar with by now.

Therefore, new projects and execution took a backseat and in fact, our team at CMS also had to jump in and help these banks navigate the situation in getting their ATM networks up and running. This has led to revenue coming in lower at Rs. 2,425 crores against our guidance of 2,450-2,500 which we had shared in the Q3 call.

Given this situation, we, had to recalibrate our focus several times in the year. And we decided to focus first on market consolidation and focus on gaining market share in an overall tepid market. We have gained market share across all businesses and market position has improved across all of our business in the last year.

We also decided to drive a complex reorganization, which we had deferred in FY '24, as it could have distracted us in a year of high growth. We have more than 27,000 employees and associates, and we have brought all of them into one single operating unit across a unified structure and organization. This is already yielding good results with both improved customer satisfaction and employee satisfaction trends.

We ramped up our tech and automation investments last year, keeping a focus on long-term investments and also in line with changing business mix and higher scale of operations. Both the reorganization and the tech and automation investments have helped us drive operating efficiency and enabled us to maintain a high margin profile despite an overall modest growth.

I am happy to report that the order win momentum improved significantly in H2 with Rs. 800 crores of wins, 2x of that in H1. In fact, Q4 had Rs. 500 crores of order wins.

Moving to Slide #4, our integrated platform approach is delivering very good results in improving the quality and visibility of our revenue streams. From less than half, or almost half, today two-thirds of our revenue is directly from a bank or a retail customer. Our ability to cross-sell solutions has helped us in driving both depth and breadth across key banks. In fact, end of FY ‘25, we now had top 13 banks in India with more than Rs. 50 crores of annual revenue.

A more subtle shift, which we want to point out here for you, is in the nature of this revenue. We used to mostly be an annuity revenue business, wherein the contracts are of 1 to 3 years duration, with fairly high retention rates. We have been driving a change to our recurring revenue model, which are longer-term contracts in the nature of 7 to 10 years. In fact, our recurring revenue business is growing at more than 20% CAGR, and today accounts for more than one-third of our overall services pie. This will help us building far more predictable revenue streams quarter-on-quarter.

If you look at the chart on the right-hand side, which shows you the change in business mix, we want to highlight the fact that our newer businesses are ramping up well and they now contribute meaningfully to our revenue.

In fact, we have been successful in ensuring that we aren't overly dependent on any one line of business. For example, if you look at the ATM cash segment, which used to be more than 50% of revenue 7 years ago, is now one-third of our revenue, despite growing at a 10% CAGR over those 7 years.

At a segment level, when we report our numbers, the split of cash business to MS and tech business, the split used to be 70-30 about four years ago. This is now at a 60-40 and could in fact hit a 55-45 in the next four to five quarters.

Slide #5, we are quite focused on expansion and looking to identify next future engines of growth. We have shared with you earlier the sectors of our interest across payments, software, valuable logistics, and banking services. And last year, we augmented and beefed up our M&A team. We, in fact, screened hundreds of companies and came up with a shortlist of 65 companies with which we had meetings in these identified areas. From these companies, we are identifying and working with a set of founders to look at who can align with CMS when they present us a good growth opportunity and a good ROCE profile for our future business growth.

We have earlier, as you know, incubated bullion and debt collection business. After extensive work in debt collections, we are dropping that sector from our focus for the current short to mid-term.

Slide #6, to summarize FY '25, while the growth rates and growth percentages are modest and under our expectations, we have managed to retain the margin profile and the cash flow generation nature of our business to build up a very robust balance sheet. I think in the current environment, this is a great asset for any company. And while the growth numbers don't do justice to the intensity of our effort, we are very certain that this will bear fruit in the coming quarters.

With that, I like to hand over to Anush to take you through our more detailed business update.

Anush Raghavan: Thank you, Rajiv. Good day to everyone.

I will switch to Slide 8. As Rajiv shared, despite a challenging macro environment, which was marked by several headwinds, CMS has emerged stronger across all our core businesses. This year, we won over Rs. 1,200 crores in new order wins, with a robust 60% coming from private banks, reinforcing our leadership in the financial sector.

Execution has picked up in H2, with over half of our order wins from the prior five quarters going live. Our pending order book and the Rs. 500 crore of wins that we have in Q4 gives us a very healthy Rs. 1,400 crore of orders to be executed this year.

Operationally, we grew our ATM and retail touchpoints by 9%, with our current business split of 73,000 ATMs and 77,000 retail equivalent touchpoints. Growth has been biased towards retail as during the year we also saw a significant churn in the ATM network. Our CIT volumes have grown by 20%.

Notably in our cards business, we had solid growth in FY ‘24 and focus in FY ‘25 was to drive a contract level wise profitability which we have achieved with over a 1,400 basis point % margin improvement.

Overall, we have gained 200 basis points market share in cash logistics, further expanding on the 150-bps growth that we had the last quarter. Also, with growth in our integrated contracts, we are now among the top three managed services providers in India which is a clear validation of our strategy and execution.

On to Slide 9. Our integrated contracts approach is helping drive a much deeper enterprise engagement with a growing share of recurring revenues and an increasing number of customers contributing over Rs. 50 crores in each annual revenue. With this change in our business mix and having a broader portfolio of revenues, we are no longer just cash management or an ATM company.

We have repositioned ourselves as one of the leading integrated business services platform. And in FY '26, we will invest in recasting our identity and positioning, which speaks to our platform strengths. The focus is on building trusted end-to-end relationships, which spans cash logistics, managed services, automation, and digital transformation for our clients.

FY ‘25 saw significant disruption in the ATM ecosystem, especially with operational challenges at a large industry player. At CMS, we were quick to respond, supporting major banks with timely cash evacuation and continuity of ATM services, effectively reinforcing our reliability in mission-critical situations.

Q4 in particular saw significant operational intensity, comparable with the likes of demonetization or COVID periods. Our agility and scale ensured in winning end-to-end managed solutions for leading private banks.

The recent increase in the ATM interchange fees from Rs. 17 to Rs. 19 per transaction has renewed focus among banks on expanding their ATM networks. In fact, if you read yesterday's interview with the Chairman of State Bank of India, he says that as the country's largest ATM deployer, they have seen a significant churn in their estate in FY ’25 as they focus on redeploying their network and are now looking at augmenting the channel.

In terms of our overall cash usage, amidst the digital payment growth, cash continues to remain deeply relevant. ATM dispensation on CMS managed machines has been steady year-on-year. Our total currency handled has grown by 5% and crossed Rs. 14 lakh crore, reflecting both our operational scale and the trust our clients place in us. Retail cash is growing on a same store basis. And the throughput continues to mirror the broader growth in organized retail, e-commerce and quick commerce, all sectors that are increasingly dependent on secure and efficient cash management.

The broader story here is that behind robust cash demand, even as digital grows, CMS is at an interesting intersection, serving both traditional banking needs and the evolving requirement of newer retailers.

With that, I would now invite Pankaj to share updates on our financials.

Pankaj Khandelwal: Thank you, Anush. Good afternoon, everyone.

Moving to Slide #13, financial summary of the year. After three years of strong growth of 20% between FY '21 to '24, FY '25 was a consolidation year with a moderate revenue growth of 7%. However, we continue to maintain our strong margin profile with a PAT margin of 15.4%.

On Slide #14, which is Q4 Financial Summary:

In Q4, we picked up momentum on our order book execution with execution inching up to 52%. However, it is lower than the target of 60% given that most of the large banks' bandwidth was occupied dealing with the disruptions of one of the industry players. The execution inch-up will help us to deliver sequential revenue and PAT growth of 6% and 5% respectively. In Q4 and FY '25 results were impacted on account of full provisioning for the services provided to one of the industry competitors.

Moving to Slide #15. Talking about our yearlt segment financials, both cash and managed services business reported revenue growth of 8%. EBIT of Cash business grew at 4% to Rs. 401 crore, whereas the EBIT of the Managed Services business remained flat at Rs. 157 crore.

Slide #16. Talking about our quarterly segmental financial, Cash business revenue grew at 2% on quarter-on-quarter basis and 7% on year-on-year basis. Managed Services reported strong quarter-on-quarter growth of 16%. However, on a year-on-year basis, there is a decline of 8% given that in Q4 FY '24 was an exceptional quarter with 56% year-on-year in growth. The segmental margin has impact of the provisioning which I spoke about earlier, as well as the cost incurred for helping banks streamlining their operation disturbed due to issue at one of the industry competitor.

Slide #17. Coming to balance sheet and cash flow, we continue to maintain strong financial discipline focusing on the cash flow and strong ROCE. Despite the overall liquidity crunch, our OCF to EBITDA improved to 76%, resulting in OCF generation of Rs. 482 crore. We continue to operate at a high ROCE at (+25%). High OCF and ROCE help us to expand our cash and cash equivalent to Rs. 1,000 crore plus from Rs. 784 crore last year.

This year in addition to interim dividend, which we have declared in Q3, we also declared a special interim dividend of Rs. 3 and proposed to final dividend of Rs 3. 25, taking the total payout ratio to 42% of the PAT.

With this, now I would like to hand over to Anush to talk about the future outlooks.

Anush Raghavan: Thank you, Pankaj. Switching to Slide #19, there are two areas which we see as very interesting areas of opportunity for us. The first being retail opportunity. I had covered this briefly in our last call, but I would like to take this opportunity to reiterate some of the key points.

India's organized retail sector is at a very key inflection point. Of the roughly 3 million retail touchpoints, only about 550,000 are organized. And roughly one-third of these have outsourced their cash logistics. This signals some massive untapped potential for CMS.

We see strong demand for payment automation, secure cash logistics and real-time store-level reconciliation as retailers look to drive efficiency and transparency. Our 360-degree retail solution is designed for this environment which integrates cash logistics with AIoT-based remote monitoring and unified settlement processes serving not just retail but also adjacent sectors like fuel, automotive, government, e-com logistics and healthcare.

This segment will be a key growth driver for us over the next few years, both in terms of the cash business as well as remote monitoring as we become the platform of choice for modern retail in India.

Moving to Slide #20. Coming to remote monitoring, our remote monitoring business, which we now refer to as Vision AI Platform, has rapidly scaled to becoming the number one platform in India's ATM space.

This year, one of the key milestones was that we completed our in-house proprietary tech stack. This enables us to roll out multiple new AI modules, which are key to winning mandates with leading banks for their branch network and large new economic lines. Less than 20% of India's 140,000 branch network is outsourced for monitoring. And our marquee solution win, with one of the leading banks, to build and operate a large and very complex monitoring solution which will go live soon, will be a key tech differentiator to win similar such mandates.

Last call, we shared our breakthrough win on the retail side with a quick commerce client. Our implementation is underway, and the dark store count has increased from the initial estimate to now. We are also running further pilots with them on using our solution for the delivery vans, ambulances and also in-store AIoT integration. We have an aggressive goal of growing our business from the current 30,000 sites to 50,000 in the near future.

With that, I would request Rajiv for his closing comments.

Rajiv Kaul: Thank you, Anush. I think for summary and to close out our presentation today, I will focus on the mid-term FY ‘25 to FY ‘27 opportunity. If I look out for these two years, we are as a team aiming for robust growth in line with our historical growth rate. The drivers for this will be, first and foremost, we aim to and we hope to finish our order book execution in H1. This will be a key pillar for our growth in the near term. The market for us is consolidating.

If you look at cash management, there are really two scale companies and a couple of smaller ones. From an end-to-end integrated players, instead of three, there are only two companies now. It will be very difficult for any third player to build this set of services now. This will lead to naturally market share gains for leading companies in the coming years.

The retail section, Anush, has already mentioned the opportunity and took you through it. We have been executing very strongly in this sector for the last two years. We have regained our market leadership, and we have momentum in the sector.

In our Vision AI business, we crossed 30,000 sites and it's poised for rapid growth. In fact, our overall software business, which is 7% of our revenue, should cross 10% of revenue by FY '27 as we have guided to earlier.

The ATM interchange increase is going to lead to an increase in the ATM network. In fact, the Chairman of SBI has already alluded to the fact that SBI is looking to expand its ATM base in the coming year. The ATM base does see a lot of churn basis usage, but I think the sites are set to grow.

On an overall segment basis, we feel that the cash-related businesses should grow at the 10% to 13% CAGR and the MS and Tech BU should get back to a strong 25% to 30% growth rate. Blended, this should lead to a services revenue CAGR of 14% to 17% in the coming two years.

We also, last call had alluded to or mentioned to the fact that we would like to do an analyst event and investor meeting at the end of the full-year results. However, when we are planning for this, given the whole geopolitical scenario a couple of weeks ago, we decided it's best to wait and do this when things are calmer. In fact, also that will, the dust would have also settled by then in terms of the ATM operations, which banks are trying to take over from a competitor. And we will see how that business pans out and hopefully by then we have other interesting updates to report you on. So, we will keep you posted. We aim to do this meeting in the next 3 to 4 months.

Thank you for your patience, and thank you for your support.

Moderator: Thank you very much, sir. We will now begin with a question-and-answer session. The first question is from the line of Praveen Kumar from Equitas Capital Advisors. Please go ahead.

Praveen Kumar: Thanks for the opportunity. I had a couple of questions. First one was on your cards part of the business. If I look at FY '24 numbers, right, the size of the cards business is fairly modest, maybe looks like sub Rs. 100 crore kind of a top line, right? When I referred to one of the recent large competitors in this space who filed for prospectus a few months back, their numbers seem to be much higher in this space.

So, just wanted to get an understanding how do you approach this space and especially given the strong relationships that you have with banks across the public and private side, one would expect that you would be able to make larger forays into this space. So, I wanted to understand how do we approach this space? How do we see ourselves in this space?

Rajiv Kaul: Is that the only question? You said you have two.

Praveen Kumar: The second question was on the Vision AI part of your business. Just wanted to get an understanding of what is the differentiation that we offer in this space to the clients.

Rajiv Kaul: So, great questions, especially on the card side, it's not a business which people normally ask too much about. And so I think, you know, if you go back to what we have said earlier, our goal as a company is to operate in sectors where we can be a clear market leader, unless we, I mean, there are some sectors we can't be a market leader, but then we make it a very profitable niche.

In the card business, we focus on a niche. In fact, if you think of the business last year or this year, it may be de-grown in revenue by 20%, but the EBIT margins have gained significantly. We clearly focus on working with fewer clients, high quality, good pricing and good margins.

The company you are referring to has more of an integrated play, where they do everything from card manufacture to stationery to card supply to personalization, which has a very different level of capital intensity and ROCE metrics, which we clearly didn't take that approach to compete in the business on that basis. We continue to focus on this being a higher ROCE business, working with clients for decades in areas where they feel very competent to work with us. So, very different strategy out here, and therefore the scale of the business is more modest compared to the companies you may be referring to.

On the Vision AI business, I think it's a few things. We have sort of come in almost in the end of the sector last. We launched this in '21-'22 and we sort of scaled this to 25-30,000 sites. I think what we bring to the table is, first and foremost,for any large enterprise. Let's take any bank, that's where we are working with, Has a very distributed network in remote parts of the country.

So, there are different types of Vision AI solutions which could be from bare minimum to more high-end using AI and ML. I think our approach has been to use more machine learning-based approach to manage this and also our field force and our engineering teams on the ground is able to address any local issues when they do always come up in the remote parts of the country.

So, being able to manage scale along with the technology platform which is iterating and learning and being invested into to learn by itself, rather than having lots of thousands of eyeballs looking at each site, I think has been an approach we have taken. Though it's not an approach which cannot be copied easily, but I think what we are trying to do is with our resources keep investing in customizing and creating new use cases so that we are ahead of the competitors by just able to offer customers more bang for the money they spend on this.

And finally, I think you can measure in terms of uptime and how many incidents you prevent. And I think that's the Holy Grail and the gold standard for this. So, I think really making sure that the estate of places we are managing with the remote AI solution with the machine learning solution has almost zero incidents per month remains the goal for our operating teams.

Praveen Kumar: Thanks, that's very useful to know. I just wanted to expand that second question a little bit and understand. You have addressed Vision AI as applied to bank ATMs and branches etc. But I just wanted to get a flavor of what is your offering, for example, you won a recent big deal with a quick commerce player, right, which you had alluded to in the last quarter. I just wanted to understand what do we offer there in terms of what's the differentiation we offer because this and what kind of relationship are we building there?

Rajiv Kaul: So, I think Anush is going to tell you more on the quick commerce, but I just wanted to clarify. The Vision AI platform in the business world is mostly in the ATM business today. In fact, the bank branches, the solution is far more complex, right? Securing an entire branch and branch operations has a lot more nitty-gritty than just a small ATM site could have. And therefore, that is still, if you look at it in our slide, less than 20% of ATM bank branches today have an AIoT-like solution.

So, that's the solution in progress. I think we have made tremendous progress in building a good platform there. I think there is a significant opportunity as that business comes up hopefully for us to bid and coverage in the coming years. But let me now pass the mantle on to Anush to give you the quick commerce details.

Anush Raghavan: I think if you look at the curve of how what started as remote monitoring and why we are calling it Vision AI, it's really sort of about eight years back when banks decided to eliminate manned guarding at ATMs and move in the direction of cameras using the footage on the cloud. The idea was to sort of create a replica of man's surveillance to e-surveillance.

But as technology has progressed and as Rajiv said, we have been investing in creating further use cases and becoming a lot more tightly integrated with our customers using machine learning and AI. It's sort of taking the form of being able to craft more and more AI-based use cases to detect alerts and almost act as a way, as sort of a business insights and partner the key business and operations team. And as we moved from ATMs to bank branches, and now last year, during several calls we would have shared with you, a lot of the type of use cases and pilots that we are doing with different, broader set of retail customers.

In quick commerce, you know, it really started off as saying, how does a brand, for example, have access to even knowing what is typically happening in a dark store, other than having two, three or four people working in the store? How do you really know what is truly happening? How do you create a single command and control monitoring platform which gives them an insight into the SOPs being followed, the hygiene? And in order to do all that, the first thing is to just have them onboarded onto our monitoring network.

The incremental pilots that we have been doing, all sort of have indicated that once we achieve the rollout to the entire dark store network, at that point to start work, at that point to roll out additional AI use cases. Now these could be around achieving greater operational efficiency wherein we do an AIoT integration with several other operational processes of this and other sensors which are already there in the dark store. It could be towards helping them with loss prevention, for instance, or, for example, creating a tightly integrated solution between the fleet as well as the dark store network. I think the possibilities are quite tremendous. And it's only after creating some of these use cases, they decided to work with us.

Praveen Kumar: That was very useful.

Moderator: We will take the next question from the line of Krushi Parekh from BugleRock PMS. Please go ahead.

Krushi Parekh: So, my first question is related to some of the new businesses that you have incubated. So, I recollect that in a Q1 FY '24 call, you are looking to spend more time, the more management bandwidth to incubate some of these businesses so that we can generate some new revenue streams between FY '25 and FY '30. So, I understand that the collection business is shelved as of now, but can you just touch upon where we are when it comes to these businesses that can help us expand our TAM or expand our revenue stream?

Anush Raghavanl: I think, you know, at some point, in one of our earlier calls we would have shared that one of our goals or one of our constant goals is always to keep expanding our portfolio of solution-based offerings. And last year or two years back, we shared with you that we are planning to incubate two new businesses, Collections and Bullion.

I think Rajiv covered the detail on Collections, which is we did extensive efforts to incubate the business and also did a fairly detailed diligence of one of the companies that we had shortlisted. Currently, and post that, we decided to drop it. Several concerns with respect to the fact, I mean, which basically indicate that relative to the effort that goes into running the business, the returns aren't really proportionate yet.

It's still a relatively unorganized market. We will keep a wait-and-watch approach. There is a change in the broader economy's credit cycles. We will sort of wait in the short to mid-term to see how things change before we exercise a point of view on that. But the collections are something that we are dropping for now.

On the Bullion side, our in-house business is doing fairly well. We are scaling up quite rapidly. But related to the overall contribution to some of the other businesses, it's still very small, at about 1% of our overall revenues. But we will keep coming back and constantly updating you on how that is faring out.

The other exercise that we had, or the other initiative that we had was also to sort of broaden our retail efforts and retail outreach. So, two years back we had almost 100% of our retail cash business coming to us from banks. Today we have onboarded more than 100 customers with whom we are working directly, with whom we have achieved a very high degree of Tech integration, wherein it is our cash ERP solution and mobile app, which is fully integrated into their sales cycle and their settlement cycles. And today, that represents anywhere between 20% to 25% of our overall retail cash business. So, I think doing that was extremely important for us to be able to tap into the broader addressable market of retail in India.

Krushi Parekh: So, my second question is that we have generally refrained from giving emerging guidance in history in the past.

So, another question is that we have generally refrained from assigning any margin related corporations. But given the annuity type businesses that we enjoy, the long-term nature of the contract that we have, is there a kind of a range that the management is comfortable with having internally or is it something that how do we approach when it comes to margins across businesses? I understand there is a complexity involved, but it's coming more from the annuity type business, the long-term nature of the contract that we have that we are in a position to plan out our expenditure as well. So, can I have some thoughts on this?

Rajiv Kaul: So, you know, if we had a choice, we would not even give our revenue guidance. But given that IPO nobody thought this sector in this company could grow, I think we are forced to come up with the revenue guidance to give people some belief in what we can do and what the opportunity is.

I think margins we will refrain from simply because, one, I think we are operating at fairly good healthy margins. You have the results of our margins in the last three years post-listing in both high-growth and modest-growth environments. Our aim will always be to focus on ROCE. I think we said that our goal will be to focus on ROCE. We are maintaining consistently a 25% plus ROCE profile.

So, going back to some of the earlier calls, our first priority as a team is to focus on market share, revenue growth, and margin profile in that sort of order. We ideally like to get all of them right, but maybe not possible every quarter. And that's the reason we don't give margin profile guidance. It's very difficult to estimate the impact of anything from oil price to people cost and whatever may happen out there. But we keep constantly driving a lot of automation and efficiency to make sure that we can keep growing our productivity in line with our expansion and our market growth.

Krushi Parekh: All right, appreciate this. And yes, definitely we can see the productivity gains over the years.

Moderator: We will take the next text question from Sonal Gandhi from Asian Market Securities. And the questions are, what led to margin decline in managed services business? And the second one is, CAPEX guidance for FY '26.

Rajiv Kaul: So, I think from a CAPEX, I think first we will talk about the margin guidance. You know, we have been reporting segmental EBITs, but as our business is changing, I think it's important to share this nuance. I think you should look at the overall EBIT for the company as a trend line. Almost 20% of our managed services revenue is captured as revenue in cash by BU. And that may eliminate through inter-BU recognition out there.

It is difficult to capture the cost of the contract by BU. It is actually a merged and fungible cost. So, therefore, if you look at our EBIT margin overall at 19% to 20%, I think that's the range of business you should think about.

Having said that, I think the last one to two years, there was a mixed change with more sales of product automation, which comes in at a lower EBIT percentage, which may have an impact on the EBIT margin perspective.

From a CAPEX perspective, I will have Pankaj answer your question.

Pankaj Khandelwal: So, CAPEX for FY '25 was approximately Rs. 130 crore. It was significantly lower than the guidance we have given of Rs. 300 crore considering the large order book we have got in FY '24 and '25. Our CAPEX will remain as we have guided earlier that Rs. 200 crore per year, and we are expecting that FY '26, the CAPEX will be Rs. 300 crore to Rs. 325 crores. That includes around Rs. 163 crore which is lying in the CWIP in FY '25.

Moderator: We will take the next question from the line of Amish Kanani from Knowise Investment Managers. Please go ahead.

Amish Kanani: Sir, if you can give us some sense on the ground about the disruption that has happened because of one of our peer going on default. I understand you said that a few months after the situation will be much better. But just to understand whether you mentioned banks are taking over those operations and maybe it will come up for bidding in future and something like that. Is there a possibility that the competitor's business will be up for sale and something like that? If you can give us some flavor, that will be helpful to understand whether there is an increase in market share at play or how are banks dealing with this problem? Because you also mentioned that we have had some costs related to managing banks to see through this transaction.

Anush Raghavan: Sure. Let me give you some broader points in terms of what's happening and how we end up piecing it all together. I think, as Rajiv said, we will wait for a quarter or so once the dark settles. But as I sort of alluded in the backdrop of our last call, you know, we had sort of been seeing an increased l disruption to the ATM networks on the back of liquidity issues, but eventually resulting in employees not being paid.

I think by the time we are working with the banks to help them out, the mandate is really for two things, right? Which is, how do you ensure that there is an evacuation of all the currency in ATM? Because the first and foremost thing for everyone is, how do you handle the risk associated with all this? So, cash is lying in the ATM, and cash is lying in the vault. All of this needs to be evacuated. Extremely operationally complex simply because there are way too many stakeholders and too many moving pieces.

Given that a large majority of this network was actually transaction oriented and had assets which did not belong to the bank, were in fact mortgaged to various other lease holders, it made the ownership and identification of the assets. Landlords hadn't been paid for rental for many months now. Electricity bills weren't paid, so ATM wasn't even up and running. We had to figure out a way to get them live to be able to access them and open them in the first place.

So, it has been a crazy task so far in just being able to help banks with reconciling what are their effective use. So, I think that we have sort of had the lion's share of responsibility just by being the largest partner to them.

The second and the more onerous task which falls onto them is to figure out how do you ensure a resumption of activities on these networks and ensure that customer service gets back to, limbs back to normal. That is where I think banks are taking a little bit of time. A significant set chunk of ATMs in this network was, well, not just transaction oriented, but also were quite old. So, for banks to think about transitioning this to someone else and for someone to pay the respective values, it doesn't really make sense.

So, most of them are looking at options around what is the best way to refresh this estate. As we shared with you in the slide, at least with two of the largest private sector banks, we have been able to win the contract to do that. And I think that's primarily that. Thank you.

Amish Kanani: And in that context as the order book, we have mentioned that the rate of winning of order book is increasing in the 2nd Half as well as in the 4th Quarter. Again, the execution of the old order book was not up to the desired extent is what was mentioned.

The question is, one, you know, between the two, sorry for my ignorance of the business, but which business is this order book? How is it kind of getting executed? And whether this disruption, is there any way to kind of can correlate to the disruption that is happening at the competitos? Is the market share win already reflected in the order book is the question then.

Rajiv Kaul: I think just to sort of summarize for everyone's benefit, what exactly happened with order book in FY '25, if you go back and look at our earlier conversations, we had won about Rs. 1,900-

1,950 crores of order wins in FY '24. The bulk of these wins were RFP-led around public sector banks.

Given the longt election cycle and just the sort of execution delays and being able to get testing approvals and go ahead from the bank to implement order book, it led to a significant time delay in just being able to roll out these contracts and recognize the revenue for it. So, what was about 15% of execution in H1 has increased to 52% right now.

Why do we feel FY '26 should be different? For two reasons. One, as Pankaj alluded, first of all, we have got 52% execution done.

Second, there is a large increase in our CWIP in our end of FY '25 financials or the balance sheet if you look at it, which basically reflects orders which are in stage of being rolled out and delivered to the banks.

Third, the order wins that we had in FY '25 have been more biased towards private sector banks wherein we hope we should be able to work with them to get a faster execution done.

And the other part of the question with respect to our order book, order book historically, we always refer to the growth potential around our managed services and technology business. That's a business where we are building out longer term recurring revenues. It's not in the context of the cash business. But given the fact that most of our wins are integrated contracts, it will have a bearing on the cash business as well as far as the ATM growth is concerned.

Amish Kanani: Sir, one last question on this extended part. Is there an execution timeline of this order book which we can understand? How long it will take you said?

Rajiv Kaul: No, I think for the order book which we are talking about where we have done 52% end of March, we expect to finish it all by September this year.

Moderator: We will take the next text question from Sheel Shah from Sameeksha Capital. And the questions are the first one, EBITDA dragged FY '25 because of our debt collection pilot. And the second one is balance sheet. What is the capital WIP of Rs. 152 crore? And within current liabilities, other financial liabilities increased from Rs. 60 crores in FY '24 to Rs. 193 crores in FY '25. What is driving that?

Pankaj Khandelwal: So, I will take the second question first about the CWIP. CWIP is related to the project that we are executing. We have executed around 52% of our new contract we have won, and we expect that everything will go live by the end of September. So CWIP is related to the execution of those contracts.

The current liabilities, which has gone up from Rs. 60 crore to Rs. 193 crore, is related to capital creditors, which are mostly related to this CWIP. So, if you write it off, the amount is not that significant.

Rajiv Kaul: If you could repeat the first question, I think that was on the debt collection business.

Moderator: Sir, EBITDA drag on FY '25 because of our debt collection pilot.

Rajiv Kaul: Yes, I think this was more relevant in FY '24 wherein we were investing to incubate the business. Not so much in FY '25.

Anush Raghavan: FY '25 is really a function of just investing in, for the recurring contracts, you have to ramp up for project execution. You don't necessarily control when the projects will go live, because that's still dependent on the banks, but you have to ramp up your internal resources and also therefore there is always a catch up on revenue to cost, given the nature of these large complex integrated contracts. When they make up in the, after the first year of fully operational, it starts making up and paying for itself.

Moderator: We will take the next text question from Sumangal Pugalia from Snap Securities LLP. And the question is, what is the amount of provisioning done for competitor receivables in current quarter?

Rajiv Kaul: Single digits.

Pankaj Khandelwal: So, we have made an adequate provision in FY '25 and this quarter. However, we have made whatever the legal recourse available with us to recover that money. And we are fully provided for whatever is receivable from that competitor.

Moderator: The next text question is from Govindarajan Chellappa from CSIM. And the question is, do the challenges faced by your competitor change the nature of the ATM business transaction versus fixed price BLA or the pricing is renegotiation possible? How are you changing your business model, own business model, if at all? And the third one is how much provision was made due to the problems with your competitor?

Rajiv Kaul: So, you know, I want to be both respectful and careful in answering this question in terms of just making sure that we are just sharing just the right amount of information as to our playbook here. But our overall approach in BLA, irrespective of what happens when you compare it to our remains, as of now, to focus on fixed price contracts. We are bearish on transaction-based contracts historically. We had guided earlier, much earlier that we will keep this as less than 15% of revenue.

Now we drop that to less than 10% of revenue saying we will position size BLA based on transactions to a smaller percentage of our overall business. And therefore, our focus will remain on clients and banks which are focused on uptime and are willing to work on a fixed price model.

On the transaction side, we will generally stay away unless there is enough buffer to take care of any drop in transaction in the coming years. From a perspective of any orders or projects which may get re-RFPed or bid out, I think the same strategy will flow. We will prioritize working with clients who are willing to work on a fixed price model and be very competitive given we have the best cost structure in the industry. And some clients and banks will prefer to continue working on a per-transaction basis. We will mostly give it a pass unless there is a very good margin of safety. And the third question I think we have already answered about the impact on our financials.

Moderator: We will take the next question from the line of Pratham Kankariya from Quantum AMC Private Limited. Please go ahead. The next question is from the line of Savi Kumar Jain from 2Point2 Capital. Please go ahead.

Savi Kumar Jain: Sir, any update on the Bullion business? Where are we at? What is the scale? How is that going?

Rajiv Kaul: So, Savi, Bullion, Anush had referred to it, right? Currently, it's an internal incubation. We have built a team. We are up and running. It's contributing to about 1% of overall revenue. Our strategy to scale this will finally be through M&A ideally. But we have to wait for the right opportunity and the right company to look at it. But meanwhile, I mean, it's a small base. It's going to grow rapidly. But right now, contribution to overall total company revenues is less than 1%. I think 1% roughly, yes, 1%.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions from the participants, I would now like to hand the conference over to Mr. Rajiv Kaul for closing comments. Thank you, and over to you, sir.

Rajiv Kaul: Thank you so much for your time today. I look forward to connecting in the next three months at the end of Q1 to update you on our progress on our FY '26, FY '27 goals. Good evening.

Moderator: Thank you very much, sir. Thank you, members of the management. On behalf of Elara Capital, that concludes this conference. We thank you for joining us and you may now disconnect your lines. Thank you.