

CMSINFO/2202/017

February 16, 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 12.00 noon on (Monday), February 07, 2022 on Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and nine months ended December 31, 2021.

The transcript is also available on the website of the Company at 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: As above



“CMS Info System Limited Q3 FY2022 Earnings Conference Call”

February 07, 2022



ANALYST: MR. AASIM BHARDE – DAM CAPITAL ADVISORS LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY2022 Earnings Conference Call of CMS Info Systems Limited hosted by DAM Capital Advisors Limited. 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. I now hand the conference over to Mr. Aasim Bharde from DAM Capital. Thank you and over to you Sir!

Aasim Bharde: Thanks Margaret. Hi everyone. On behalf of DAM Capital Advisors, it gives me a great pleasure to host CMS Info Systems on their maiden quarterly analyst 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 and Mr. Manjunath Rao – President Managed Services.

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 call to Mr. Rajiv Kaul for his opening remarks.

Rajiv Kaul: Good afternoon everyone. Welcome to our first call post listing. Thank you all for your support as well as your investment in our company. I guess some of you are going to be listening to us and interacting with us for the first time and therefore I will start with the brief background about the company which may be a repeat for some of you.

We are India’s leading B2B outsourcing services company, focusing on the BFSI sector. We have three broad classes of businesses. Our largest business is our cash management business where we have built an extensive logistics platform across the country and we are helping banks reach the last mile with a high quality services to run cash management. We are a market leader in the sector and we are present across the entire cash cycle. The nature of revenue in this business is mostly annuity. It is linked to routes and density and therefore offers the strong operating leverage as you grow in scale.

Our second largest business is around the Managed Services Segment which is predominantly around the ATM network. We started this business about five years ago and we are one of the fastest growing companies in the sector. The revenue has a variety of sources starting from product automation sales, maintenance services, managed services for

the ATM network, multivendor software and Brown label ATM deployment services. The revenue profile in this business is largely again long-term annuity but more recurring in nature where contracts are signed for five years to seven years and therefore it gives you a fairly predictable and a stable revenue profile.

Our third type of business is tech solutions which we incubated during COVID and we have launched AI based remote monitoring solution for banks so that they can digitally monitor the bank branches and ATM sites for better security and to help reduce that cost. In a very short period of time, we are emerging to be a clear leader in this sector and have a very good order book.

These three types of businesses which we all offer in-house make us a fairly unique platform which offers end-to-end integrated services to banks.

Before we dive into the current performance, I do want to establish the historical trend. In the year before COVID, our revenue had grown by 20%. Our PAT CAGR from FY2019 to FY2021 has been 32%. Our margin and return profiles are in line with some of the best outsourcing especially IT outsourcing companies you may be tracking. If you compare us to business services outsourcing companies in India, our margin profiles are dramatically much higher and different than compared to most of them.

Specifically coming to fiscal year 2022, the cash in circulation continues to grow at a very robust pace. It has almost touched 30 lakh Crores currency and circulation as of December 2021. The currency handled by CMS in our ATM and retail network has grown by 18% year-on-year from 2.37 lakh Crores to 2.8 lakh Crores in Q3 FY2022, it sort of indicates underline the robustness of the usage of cash as well as links to the broader recovery in both economic activity and consumption in the country.

In the ATM space, we are seeing a very strong ATM RFP pipeline led by the Public Sector banks almost 30,000 ATMs at the space will come up for procurement in the next 12 months which are both going to be followed a fresh as well as expansion of the network. For us, one of our key focus area has been employee health and safety. We are relieved that we have been able to contain the impact of the third wave despite a fact that a large part of our workforce which is almost 23,000 strong is on the ground, on the road and potentially in high exposure roles. Therefore, there is a relentless focus on their safety we have managed to touch almost a 90% second vaccination of our employee base.

As a private company itself we held ourselves to a very high aspiration for excellence of governance but I am pleased to inform you that right after we listed in December 31, 2021 we have expanded our board and added two more independent directors. We have the

pleasure of having Ms. Manju Agarwal, who retired as an Ex-DMD of SBI, a few years ago. She has more than 34 years of banking experience and strong operational experience across both ATM channel and the digital channel. She has joined the board. In addition, we have Ms. Sayali Karanjkar, who was the Co-founder of PaySense before it was sold to PayU and she was in PayU as a Chief Business Officer of PayU Credit India, both these esteemed board members have joined our board effective from January 1, 2022. Mr. Tapan Ray and Ms. Shyamala Gopinath and Mr. Krzysztof Jamroz continue as other directors of board and we also have board members from Baring Asia who are our promoter and largest shareholders.

Coming to our business, we are seeing very strong growth across all our verticals. There is an ongoing consolidation in the cash management sector and that is helping us not only grown volumes but also in market share. Our market share specifically in the ATM cash management has now grown from 41% to almost 44% in the last 6 months to 9 months.

In the Managed Services Sector, our focus has been on execution. As some of you know we have won significant order book of almost Rs. 2,000 Crores and I am happy to announce that a large part of the order book which is State Bank of India, Brown Label, ATM deployment for 3,000 machines is fully executed and that is running fairly stable and demonstrating very robust transaction trends. We have also completed in the remote monitoring sector, a soft integration of our acquisition of Hemant Technologies and we are right now undergoing closing procedures with them.

To talk about our overall financials of the quarter and also for the nine months ending December 2021, I would like to invite our CFO, Pankaj to share more details.

Pankaj Khandelwal:

Thank you Rajiv. Good afternoon everybody and welcome to this earnings call. We have strong growth on all financial parameters both on year-on-year basis and on quarter-on-quarter basis. The revenue from operations grew by around 9% on quarter-on-quarter basis and around 21% on year-on-year basis to around Rs. 403 Crores. The adjusted EBITDA was also reported at Rs. 108 Crores which grew around 43% year-on-year and around 13% on quarter-on-quarter with an adjusted EBITDA margin of 26.83%. The net profit reported was around 60 Crores which grew by 48% year-on-year and 14% on quarter-on-quarter with PAT margin of 14.9%.

For nine months ended, the revenue from operation stood at around 1145 Crores which grew by around 28% year-on-year with adjusted EBITDA growing by around 39% year-on-year to 289 Crores and margins of 25.22%. The net profit stood at 160 Crores signifying a growth of 42% year-on-year and PAT margin stood at 13.97%.

The details of BU financial will be given by Anush, our Cash Management head and Manjunath, our Managed Services Head subsequently. Now, I would like to call upon Anush who is our business head for the Cash BU to talk about our cash management business in detail.

Anush Raghavan:

Thank you Pankaj. Good afternoon to everybody. I would like to brief you about cash management segment. As Rajiv mentioned, we are the market leaders of the segment. During this quarter, India continued to witness a healthy growth in currency in circulation with the total currency handled touching Rs. 30 trillion. CMS had witnessed a robust growth in currency handled in Q3 FY2022 to 2.8 trillion which signifies a year-on-year growth 18% and a quarter-on-quarter growth of 9%.

Our overall cash management network grew to 112,000 points which includes ATMs and retail touch points as we continue to expand our network across the country. We witnessed volume and market share growth across all verticals led by a strong economic recovery and market consolidation. We continue to drive automation across various operational processes using technology and this has helped us maintain and grow our margins. I am also happy to announce that we have received the ISO 27001 certification for the cash management business.

For Q3, we achieved the 19% year-on-year growth in operating revenues to 292 Crores and then EBIT growth of 23% year-on-year to 71 Crores. For the nine months ended, we achieved a 22% year-on-year growth in revenues to 812 Crores and EBIT grew by 27% to 189 Crores.

I would like to now handover to Manju to talk about the managed services and the tech solutions business.

Manjunath Rao:

Thanks Anush and good afternoon everyone. As Rajiv mentioned earlier the focus for Managed Services business for this year has been on execution of the order book which we had one over last 12 months to 18 months. Total ATM network under Managed Services grew 1.4 times year-on-year to 11,000 as of December 31, 2021.

In Tech Solutions business, we are seeing strong traction in recently started AI based remote monitoring solution with an order book of 20,000+ sites as of December 31, 2021. We also have an order book of 7,000+ ATMs for our proprietary ATM security software CMS ALGO as of December 31, 2021.

Our financial performance in this segment has been very strong with significant growth on both revenue and EBITDA. Revenue for Q3 grew at almost 51% to 113 Crores and for nine

months ending grew to 67% to 337 Crores. EBIT for the segment for Q3 was INR 21 Crores which is a growth of 127% and for nine months FY2022 was INR 55 Crores which is 81% growth. Margin percentage for the segment also expanded considerably from 12.5% in Q3 FY2021 to 18.6% in Q3 FY2022.

In conclusion, we are all very excited about the journey ahead with a new chapter as recently listed company and also with significant addressable market opportunity ahead of us giving growth levers to all our business segments.

With this, we can now open the floor for question-and-answer session. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: Thanks for the opportunity and congratulation on great set of numbers. Just couple of questions, what is in the case of, can you give us the number of ATM points and the number of business points for last three quarters and last three years so that we can see the revenue trend per business point how it is shaping up?

Rajiv Kaul: I think the number which we can share with you today is our overall cash manager network which is combination of number of ATM points and retail points that has grown 112,000 points at the end of December 2021.¹ This is a 15% growth over the corresponding December 2021 versus 2020.

Devansh Nigotia: If we compare it against the cash management number that has grown by 19%?

Rajiv Kaul: Our revenue in the cash management business over the nine months period is that about 18% to 19% year on year.

Devansh Nigotia: Okay, so bulk of the market share gains is?

Rajiv Kaul: The market share gain number which you have referred to is in the ATM side.

Moderator: Thank you. We lost the client. We will move to the next question which is from the line of Sanjay Ladha from Perfect Research. Please go ahead.

Sanjay Ladha: Congratulation on a good set numbers Sir, I just have a couple questions that is, over a period of two years to three years, how do you see your revenue mix changing like managed

¹ During the call, the period ending December 2022 was mentioned. The same has been corrected to December 2021

service and cash managed service as a percentage of revenue and if you can share growth guidance for each of the business and sustainable margin profile for the same?

Rajiv Kaul:

When we think of our business, we think of this in terms of creating an integrated solution for banks. We feel over time banks will procure, many banks will move from piecemeal procurement to integrated contracts and I think we have seen that trend already play out. At the end of FY2021, we had looked at our four-year targets and four-year growth aspiration and we think that we aspire to be a Rs 2,500 Crores to Rs 2,700 Crores revenue business by FY2025. Specifically to your question of the mix of businesses we have our managed services business obviously started from the smaller base and now as we can witness it growing rapidly on a smaller base, the mix of the businesses may be 80:20 a couple of years ago, it is closer to 70:30 today, I think just given the type of business and the market opportunity because the Managed Services sector is pretty large sector out there, we think this potentially could be a 65%:35% split assuming both the businesses continue to grow strongly.

Sanjay Ladha:

Sir on the margin front?

Rajiv Kaul:

I think the margin profile as we have indicated right now, we saw FY2021 very substantial improvement in our cash management business margins, in FY2022 nine months we have seen a substantial increase in our services EBITDA margin profile, I think both of them are almost close to each other right now on the margin profile of the businesses and we hope that will sustain an improve steadily as we grow on revenue.

Sanjay Ladha:

Okay and Sir my next question will be in the managed business, how much percentage of revenue is recurring in nature and one last question will be what are the challenges you see, you due to the online transaction and how are you preparing ourselves for the same? Thank you.

Rajiv Kaul:

The majority of our managed services business is recurring a nature. It may vary year to year depending on how much one-time business we win but I think 80% of the revenue we can consider as a recurring in nature and the remaining 20% of the managed services businesses potentially what we would do by selling of an automation solution which then in turn leads to maintain its revenues coming in which are recurring in nature. Your second question was around digital thing, I think on digital which is a fairly broader question, we have seen a whole trend post demonetisation where UPI picked up significantly and we have seen again during COVID a lot of digital payments growing rapidly, our point of view is that as India grows there are many parts of India and we will see both growth in currency as well as digital which is already witnessed in this statistics you see, currency circulation is up by 17%-18% and we are almost at Rs 30 lakh Crore. On the question on digital, I will

repeat myself. We have seen a trend line to digital through UPI in 2017-2018 and even during COVID growth. Our perspective is that as India grows there will be significant growth in both digital payment as well as physical currency, physical currency as you see has already grown by 18% year-on-year and I think that gives us a fairly robust opportunity out there for our business to grow, what we are doing specifically to protect against this I think we feel there is a significant business with the banks which will get outsource which have done in-house of the banks which is already in the base number today which we do not get to work on I think that gives us 5 years to 10 years opportunity for very high growth, we see retail sector as a large sector which will as it moves to organized retail from semi organized retail, I think that will become a good area of a growth for us and our approach is that when we think of digital, we think tech and we say we will look at the whole technology which goes behind the cash cycle and our attempt is to get into that through our managed services vertical and also from a remote monitoring vertical.

- Sanjay Ladha:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Good morning. Thank you for the opportunity. My question was if you could talk about the ATM touch points as of September 30, 2021, you talked about December 31, 2021 so just wanted to see the touch points Q-o-Q, if you could split between ATM and retail?
- Anush Raghavan:** Good afternoon, Anush here. As of Q2 ending our total number of touch points across ATM and retail was about 110,000.²
- Achal Lohade:** Would you guys be splitting it in terms of the number of ATMs and the retail on a quarterly basis?
- Anush Raghavan:** I think fundamentally we look at the cash business as Route Logistics business which has a certain platform effect and for us whichever we try to measure this in terms of our business points, so we would like to report our consolidated number of ATM and retail touch points.
- Achal Lohade:** Understood. My second question was in terms of the compliance if you could talk a little about that aspect in terms of for the industry and for CMS, what these compliances are and how does it impact the financial for us?

² During the call, the number of 104,000 to 105,000 was mentioned, which was for a prior period. The same has been corrected to 110,000 above for Q2-FY22

Rajiv Kaul: I think our whole efforts to drive compliance across are progressing very well. You would also see that in addition to the capital spends have incurred in FY2021, we continue to invest in operating our infrastructure across the cash business. We are currently compliant for about 30% of overall ATM network which we think by end of March should increase to about 40%-45%. There is a strong push on part of the banks given by the Central Bank requirement for them to complete this as soon as possible, basis this we are also seeing a significant increase in the momentum and pipeline of RFPs which are being allotted by banks, so that is as far as compliance is concerned. With respect to the industry, we would prefer not to comment about that right now.

Achal Lohade: And when you say 30% for ATM network, I presume you are talking about the route compliance, what about the cassette swap?

Rajiv Kaul: Cassette swap I think also would be better time to talk would be post the year end as there are many banks which are piloting this on their network today, some banks have started deploying it, I think at the end of the year would be a better and appropriate time to look at it and take stock of it.

Achal Lohade: Understood. You talked about in an answer just before my question, you talked about certain activities which are banks doing in-house increasingly we are looking at those opportunities, so just wanted to get some more colour if you could talk a little bit on that front?

Rajiv Kaul: I think when you think from a 5-year to 10-year perspective, there are different opportunities for growth. One part of the growth comes when the base increases, the base is of the activity a bank does, number of touch points set up, the number of branches they have, the number of ATMs, the number of retail points which get outsource. The second of the fact is that banks still do a large part of the work in-house and that over time is going to increase in outsourcing which presents ourselves as a strong growth opportunity. Today almost one-third of the ATM network is done in-house with the bank and we think this will reduce overtime given the cost and the compliance levels will become difficult and expensive to banks to do it in-house will be far more will be far more cheaper for them to outsource this to larger players who can do this for them more effectively and at a cheaper cost. I think that is the opportunity which I talked about when it comes to cash management, there is an overall base of cash usage which is growing in the country still and then there was large part of the value chain which is still done in-house by banks especially public sector banks, co-operative banks, rural bank and we think that over the next decade will present a very significant opportunity for outsourcing.

- Achal Lohade:** Understood. Any growth guidance we would talk about over the medium term in terms of both the segments?
- Rajiv Kaul:** I think that the company which I stated in my opening remarks where the company we are looking at a revenue range of Rs 2,500 Crores to Rs 2,700 Crores by FY2025 levels.
- Achal Lohade:** And margins?
- Rajiv Kaul:** We are a network business. Margins should systematically expand as we have seen at the preceding years and of course to maintain we feel confident that we should maintain our current margin levels and hopefully improve steadily from here.
- 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. My first question is on the order book that we had referred so how much of the brown label ATMs order book outstanding is to be executed in next few months?
- Rajiv Kaul:** At the end of Q3, we had finished the brown label order from the SBI that is successfully executed. We have another public sector bank brown label opportunity which we are in the midst of executing and we will complete that by the end of Q4. So the SBI contract was so roughly 3,000 ATMs and the other public sector bank is roughly 900 ATMs which we will complete by Q4.
- Nirmal Bari:** Okay and then what is this for the current year considering this almost entire execution would happen in the current year, so if you can guide for this and the same for next year if there is an achievement?
- Rajiv Kaul:** Apart from this BLA ATMs, the order book also contains large AI based remote monitoring, deployment of around 20,000 sites and lot of software related orders which we are in the process of implementing. The BLA ATMs might be deployed that is the revenue will come over a period of seven years and right now the orders we have executed for BLA sites which we have executed so far have one month to seven months revenue for this nine month ended period.
- Nirmal Bari:** No, I was talking about the capital expenditure for the current year?
- Rajiv Kaul:** I think it will not be for a comfortable sharing that data as you know I think what we have seen is from the order book as I said the SBI order is fully executed and revenue is part of

our Q3 revenue and that will continue going forward. There will be incremental orders if they can execute we will see the trend line and also we are little bit uncomfortable right now given COVID wave 3.0 sometimes decisions at banks can get delayed and we just want to make sure that we are careful before we commit giving number here. I think a broader trend line of revenues what you should think about is that we were end of FY2021 at Rs 1,300 Crores revenue. We feel that confident that we should become a Rs 2,500 Crores to Rs 2,700 Crores company by FY2025.

Nirmal Bari: On the compliance issue a participant before me also asked about it and you said that about 30% to 45% compliance at present, so now overall when ATM moves from normal refilling to compliant and cassette refilling, how does our revenue and margin profile change over there, any qualitative guidance on that would be helpful?

Rajiv Kaul: If you see our commentary in DRHP and RHP as well, I think the commonly agreed commissions across the cash industry and the banks, there are two levels of compliance here, there is a base compliance and then there is cassette swap. The base compliance should lead to revenue uplift of about Rs. 2,800 to Rs. 3,000 per ATM and the cassette swap should be another Rs. 800 – Rs. 1,000 from there.

Nirmal Bari: Thank you. Just one clarification when we talk about this 7,000 ATMs order book for CMS sites, this would be a part of the 20,000 ATMs remote monitoring order book, right?

Pankaj Khandelwal: This is a separate order, the AI based remote monitoring is two different orders but this is a part of around 2,000 Crores order book.

Nirmal Bari: 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. Just wanted to understand two things, number one on the depreciation part how do you see your depreciation over next two years to three years and secondly, you did speak about EBITDA margin and moving steadily from here, so at a scale may be 2,500 Crores to 2,700 Crores may be next three years to four years. EBITDA margin of 30% is that what one can envisage given the operating level advantage that we might get?

Rajiv Kaul: I think what we are right now our EBITDA margins at 25%-26% I think we will see the steady increasing. It will be very premature to common turn what whether they hit 30% number or what, I think we aim to maintain it and steadily improve it hopefully. I think the

broader opportunity here is to get significant revenue growth as we have witnessed in FY2020 and as we are witnessing in FY2022, there has been a quick bounce back post COVID and I think maintaining strong healthy revenue growth is important and we think that will accrue to the bottomline and will be accretive.

Pankaj Khandelwal: As Depreciation and Amortization is concerned in FY2021, our depreciation was around 63 Crores and for nine months ended it is 64 Crores that is because that in last one year we had done a capex of around Rs. 250 Crores and we expect that this will further increase by around 15% to 20% level based on the current order book level and the current execution.

Deepak Poddar: So, your depreciation will increase by 15% to 20%?

Pankaj Khandelwal: Yes.

Deepak Poddar: Year-on-year?

Pankaj Khandelwal: For whatever right now these are the order book and the capex right now we are forecasting based on that, this is the estimate.

Deepak Poddar: Okay, understood. Thank you.

Moderator: Thank you. The next question is from the line of Dhiral Shah from PhillipCapital. Please go ahead.

Dhiral Shah: Good afternoon and congratulations on the good set of numbers. As you talked about I think coming decade there must be a huge opportunity which is going to increase for you as large part of banking activity will get outsourced, so my question is in last 5 years to 10 years, how this industry has progressed?

Rajiv Kaul: This is a fairly broad question. I will be trying to give some specific answers on it. If I look at the fact that if I just look at CMS, CMS in 2010 was maybe handling 9,000 ATMs under cash management. Today we are close to a number which is eight times bigger, so in ten years we have gone from handling 9,000 ATMs to roughly 70,000 ATM. The ATM base in the country was maybe 50,000 ATMs then which now 2.5 lakh ATMs is, so the number of ATMs has gone up by 5 times. The outsourcing I think which is your question specifically, I do not remember the number of ATMs which are being outsourced in FY2010 but I would guess that based on where CMS was, roughly I think maybe 50% outsourcing was going then and now that outsourcing level will be at 65% or something. That was one element. The second element comes into play when you think of the retail sector. I think at the broader level if you compare the cash management industry in a country like India and you

look at it and you compare it with some of the other larger countries in the world, a substantial part of revenue comes from the retail segments ATM side because India is the world's third largest ATM market but when you think of retail and all of you will be looking at the broader retail opportunity in India which is a lot to do with formalization of the economy, I think there is a multi decade opportunity as retail gets more formalized whether it is a Reliance Retail or D-Mart or an IKEA, you will see substantial use of cash as well as digital in these stores and that cash will need to be managed for these stores using technology and our network, I think that will give us a decadal growth opportunity in a retail. The last part which I wanted to mention here is when you think of things like even like currency chests and the currency vault, many banks today in India will run this in-house but again when you think from a ten year perspective – five year perspective, it will be sub-scale to do it in-house and it will make far more sense for banks to outsource this to third-party companies which can do the technology part of it, the physical logistics part of it and that opportunity can become a significant opportunity again. Our overall cash management market is a Rs 2,700 Crores – 2,800 Crores market opportunity FY2021 that as per Frost & Sullivan is expected to grow to close to Rs 8,000 Crores in FY2027. The managed services market in India is roughly a Rs 7,000 Crores market opportunity expected to grow to Rs 17,000 Crores market, so if you combine these two, our overall market opportunity grows from a Rs 7,000 Crores – 8,000 Crores to Rs 21,000 Crores market opportunity for the business line again over the next 5 years to 6 years.

Dhiral Shah:

Sir, you believe you will go faster than the industry growth rate?

Rajiv Kaul:

We, as a market leader, our aspiration always is to grow at higher than the industry growth rate I mean that will be testimony to our quality, our range of services and also to gain our market share whether it is organic or inorganic, we do aspire to grow and we have grown at always higher than the industry in the preceding year and that remains aspiration.

Dhiral Shah:

Sir if you can bifurcate order book break up between how much is it AI based remote monitor is project, how much is software related orders, how much is brown label ATM kind of a thing?

Pankaj Khandelwal:

This order book what we are talking is mainly related to Managed Services which is recurring in nature and these contracts are generally for 5 years to 7 years. The cash business is annuity based business which the number of touch points increases quarter-on-quarter basis. For that 2,000 Crores order book what we talk about in the Managed Services business largely it is BLA related sites which is around 65% of total order book, around 20%-25% of rest is to the AI based remote monitoring sites, there we have around 20,000 sites to be implemented and remaining is the software related pieces where we have around Rs. 70 Crores to Rs. 80 Crores of the order book right now in hand.

- Dhiral Shah:** Sir, how much of this we are going to execute in next two years?
- Pankaj Khandelwal:** As of now, as we explained that we have majority of our BLA related sites we have already executed or we are in process of executing that, we recently got bonus orders from State Bank of India which we are in process of executing that, the AI based remote monitoring the process has already started and we are hopeful based on the bank clearance sector we are hopeful that in next 6 months to 1 year time we will execute a maximum portion of that.
- Dhiral Shah:** We also hold good amount cash in our balance sheet, so what is the utilization plan for the same?
- Pankaj Khandelwal:** You will see that in last three years we have done a capex of around Rs. 300 Crores and this year also to execute this order, we have so far done a capex of around Rs. 175 Crores. So, based on the availability of our new orders and growth what we have been able to see in the outsourced market which is around Rs. 18,000 Crores of the business basically which is going to the overall market size is going to increase by two to three times, we expect that these cash will help us to achieve better goals.
- Rajiv Kaul:** We will also have inorganic growth opportunities clearly in some of our sectors, so therefore having we have always been a conservative team keeping sufficient capital for both organic and inorganic growth and if good opportunity for consolidation appears, we would want to make sure that we have the cash to be able to make an acquisition.
- Dhiral Shah:** Okay. Thank you.
- Moderator:** Thank you. The next question is from the line of Nitin A Khandkarr, Proprietary Investor. Please go ahead.
- Nitin A Khandkarr:** Slide 30 in your investor material mentioned that size of TAM for your three verticals as per those data points remote monitoring tech has a second highest TAM cash management would be a distant third, now cash management and ATM mange services if I am not mistaken so it is the best margins currently but are nevertheless highly competitive segments, so in this backdrop would your marketing strategy also evolve in such a way that revenue share of remote monitoring rises significantly by FY2027 and we expect the competitor landscape to be less stringent in the remote monitoring segment?
- Rajiv Kaul:** Good question. Appreciate for your raising this. I think the cash management sector is something which we have a PhD in and have been in this business for long time, we understand it very well, we see the sector being gone through multiple cycles over the last 12 years, growth, consolidation, churn, we feel that sector is right for consolidation in the

coming two to three years and we have already seen that we witnessed that playing out the last three years, so we feel the competitive intensely in the sector should reduce just given the fact that these are scale operating leverage businesses very difficult to manage this unless you have built phenomenal scale out there. Coming to the remote monitoring side, if you look at the slide, there is a broader Rs. 10,000 Crores opportunity by FY2027; however, when you think of it, the BFSI sector which is where we today have our sales and our sales expertise that is roughly Rs. 800 Crores size going to about potentially of Rs. 3,000 Crores size in the next five years to six years, our immediate playbook is to first focus on the BFSI site which is what we have started doing, our order book of 20,000 site is all BFSI. We will over the coming years build both the technology used cases and also the feet on street and sales effort in the non-BFSI site but we will have to see and deliver it before we come in talked about it, I think from your perspective you should think that our immediate exactable opportunity is the Rs. 800 Crores going to Rs. 3,000 Crores opportunity out there. Will the competitive intensity there be lesser or more - difficult to predict because this is sector we have entered in the last 12 months and we would be little careful before we start opining and being experts on this, our playbook remains standard CMS play book which is try and create the best solution possible, gain operating leverage in scale by high growth in the base of business we cover, reduce our price points and make reasonable margin through scale to become competitive compared to anybody else. Given to the technology sector, I would have argued that many people could enter this business because the barrier to entry may be lower but the barrier to scale would be there, so I think our goal is to have the best technology possible to be able to scale this and then bring down the cost of that through our network and also integrating it along with the other offerings to our client.

Nitin A Khandkarr: Alright. One follow up question Rajiv, from the global peers all are showing to PoS segment so they said it is client sites, so we already have client sites, so we already have a McDonald's, which are those automated kiosks where you can place the order, so is there a segment as such in any way?

Rajiv Kaul: We do a kiosk business today which is not the one you talked about but at bank branches, bank branches still many bank branches need kiosks for faster printing, so the automation and maintenance and all of that is something CMS is actually a pretty large market share player. In the retail side, we are seeing a need in demand for retail cash vaults, so if you go to I will give an example of an IKEA store, you will see still very long lines at the cash counter and then there will be a retail cash vault will be implemented by CMS where the cashier will come and deposit the cash in that vault where you can automatically sorted, counted accounted for, so we see interesting automation in the retail cash vault sector is still a very small sector but we think that is potentially something which could be of interest to note and see going forward.

Nitin A Khandkarr: Thanks Rajiv. I have a couple of quick questions for Pankaj. How has our working capital cycle moved during the last four months, is this collection period of four months in industry norm and what are the receivables as of December 31 if you could share the number please?

Pankaj Khandelwal: Our working capital ranges from 60 days to 90 days because our normal business basically by whatever is our recurring business or our cash management business, the working capital cycles remains stable, only in case of the product automation, they are the AR level has increased based on the order we execute; however, we generally have a back to back arrangement with the supplier which helps us to maintain working capital in the range bound level, so even if the DSO level increase but our working capital levels are maintained between 60 days and 90 days and during this quarter also our end of December our working capital day was close to 75 days.

Nitin A Khandkarr: Alright, this is my last question, your investor communication represents three verticals namely cash management, ATM managed services and remote monitoring tech, how is the segments identified in your company's financial statements are cash management services, managed services and card, so my question is if the segment data in these two documents the same and comparable or what?

Pankaj Khandelwal: Actually the card business is relatively very small and the AI based remote monitoring business which we are starting the revenue for that business is yet to commence means there is a small revenue in this quarter and going forward we will revisit this segment and mostly this AI based remote monitoring will be part of the managed services, our order will renew it and we will come back from that. Card personalization services revenue is very small. It is in other category and we are showing others now it is showing in the card because that is only one particular business.

Nitin A Khandkarr: Thanks Pankaj. That is all from me.

Moderator: Thank you. The next question is from the line of Prakhar Sharma from Jefferies. Please go ahead.

Prakhar Sharma: Thank you. Just two things from my side, first question is, is it possible to share some volume trends in terms of value transactions you would have managed for the revenue and second kind of connected question to the previous one, is it possible to share some either a balance sheet or a cash flow information for the quarter versus the previous year? Thank you.

Rajiv Kaul: The volume what we indicated is at this stage the middle of the year we have said that our currency handled in a cash management network around ATM and retail has grown by

about 18% year-on-year, it is almost 2.8 lakh Crores versus 2.37 lakh Crores at the same period last year. I think that is one volume point we can give you, I am not sure what are the volume trend would you specifically asking about?

Prakhar Sharma: I think this is about spot but I think is it possible to split this between ATM and retail that will help me even more, I think this is good?

Pankaj Khandelwal: As far as cash flow is concerned, I explained to you that like working capital days remains range bound between 60 days and 90 days and on December 31 it was 75 days, during this period we have net profit after tax of Rs. 160 Crores and we have done a capex of Rs. 175 Crores, so we have a strong cash position as on December 31, further details you can reach out to our IR team which will give you the further details on this.

Prakhar Sharma: Got it and just at a next two to three years perspective all of you that when you envisage the level of order book that is coming up for yourself, do you think the extent of capex will more or less in line with the cash profits or it could be significantly higher as we invest towards opportunities, so if you can give some context of capex for the next two years or three years vis-à-vis whatever the cash from operation stands out to be? Thank you.

Pankaj Khandelwal: CMS, if you will see historically, we are more focused on the service related revenue and we have strong threshold for the IRR and the payback period and the confidence we have in the quality of the new capex related business we take, so based on that, our capex spend will be dependent on that as you see that our company has a strong cash flow as well as a strong cash on the books, so as Rajiv explained to you that we will do capex or acquisition based on whether our threshold of IRR is met the payback period based on that, so we will continue with that. We see lot of opportunity in this business that market size is increasing threefold, the new refresh cycle part of the banks and the new ATM deployment by the banks and the new outsourcing by the bank, so based on that, our capex will be dependent on that and we are zero debt, we have a cash surplus in our books, so depending upon that the capex depends on that.

Prakhar Sharma: Perfect. Thank you so much.

Moderator: Thank you. The next question is from the line of Devansh Nigotia from SIMPL. Please go ahead.

Devansh Nigotia: All my questions have been answered. Thank you.

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

Aasim Bharde: Just couple of questions from my end, on the software business that you talked about security software, can you just talk more on that front what kind of business opportunity is there, what are all broad targets over here and any rough economics that you want to share on this?

Pankaj Khandelwal: We have different types of software solutions basically, this software business we started around three years back where we deployed multivendor software for the largest bank of India, the entire ATM base of that bank is working on our multivendor software and as far as the estimate this can go up to one lakh ATM, if I will go by the broader target given by the bank. Apart from that we have developed one ATM security solution which we got couple of orders from banks for the ATM security solution that is ALGO, recently we got a large order from a large public sector bank for 7,000 such ATMs basically. I cannot share the exact numbers and value for that being it is confidential information.

Aasim Bharde: That is fine. Just a follow up on this, this would be a limited to your ATMs only or can it be extended to other equipment within bank branches?

Rajiv Kaul: This is got nothing with our ATM, this is a software which we are helping banks use internally for their use and could run on any ATM which belongs to the bank, this revenue is not substantially large revenue line of projection really but I think what is important is to understand the diversity of our solution offering and the way with we are trying to offer an end-to-end offering to the banks to solve the problems, I think that is the real key here as you know that we had one large contract with SBI a few years ago for multivendor software which is running on top of their 40,000 ATMs. The Central Bank has mandated and asked the banks to have a security software to control the access to the ATM especially when the banks are managing the ATMs in-house and that is where we have created the software which we were actually using for our own cash managing purposes and now we have been successfully able to get the pilot test approved and two banks have placed an order to use this ALGO software from CMS for their ATM access, what we call the one time OTC access for the ATMs.

Aasim Bharde: Okay sure, got that and just one final question, assuming no new order wins in a quarter or say no new business points added in the cash business, is it like seasonal business you know like particular quarters would be stronger, if Q3 has stronger quarter versus Q4, just wanted a sense on that?

Rajiv Kaul: Our business is annuity and therefore it should steadily accrue over a period of time as we grow but as your question qualify saying if there are no new business then obviously the revenue will remain static. Q4 tends to have a little bit of seasonality especially in March for the couple of reasons, one the cash volumes in March can be high as they are usually

read during the Diwali period and then March, so I think these are two times when we see cash volumes being substantially larger than normal. The second is in terms of procurement trends especially Public Sector we can tend to see some years where order placement and execution timelines and pressures will see things getting more bunched up in Q4 but then this very different predict that whether that they will remain an ongoing basis or not but that is a trend line we have seen, so this is a little bit seasonality shows Q4 sometimes.

Aasim Bharde: Got it. Okay, thanks a lot.

Moderator: Thank you. As there are no further questions, from the participants, I now hand the conference over to the management for closing comments.

Anush Raghavan: Thank you all for participating in the earnings call. I hope we have been able to answer your questions satisfactorily and at the same time offer insights into the business. If you have any further questions or would like to know more about the company, please reach out to our IR Manager at Valorem Advisors. Thank you, stay safe and stay healthy.

Moderator: Thank you. On behalf of DAM Capital Advisors Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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