



“CMS Info Systems Limited Q4 FY2026 Earnings Conference Call”

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Management: Mr. Rajiv Kaul – Executive Vice Chairman & Chief Executive Officer
Mr. Pankaj Khandelwal – Chief Financial Officer
Mr. Anush Raghavan – Chief Business Officer
Mr. Puneet Bhirani – Chief Operating Officer

Analyst: Mr. Siddharth Zabak – IIFL Capital Services Limited

Moderator: Ladies and gentlemen, good day and welcome to CMS Info Systems Q4 FY2026 earnings call hosted by IIFL Capital Services Limited. All participants are currently in listen only mode. There will be an opportunity to ask questions following the conclusion of the management's opening remarks. Please note that this conference is being recorded. I now hand the conference over to Mr. Siddharth Zabak from IIFL Capital. Thank you and over to you Sir.

Siddharth Zabak: Thank you. Ladies and gentlemen, good morning and thank you for joining us on the post Q4 FY2026 results conference call for CMS Info Systems Limited. It is my pleasure to introduce the senior management team of CMS who are here with us today to discuss the results. We have Mr. Rajiv Kaul, Executive Vice Chairman and CEO, Mr. Pankaj Khandelwal, CFO, Mr. Anush Raghavan, Chief Business Officer and Mr. Puneet Bhirani, Chief Operating officer. We will begin the call with opening remarks by the management team and thereafter we will open the call for a Q&A session. I will like to now hand over the call to Mr. Rajiv Kaul to take the proceedings forward. Thank you and over to you Sir!

Rajiv Kaul: Siddharth thank you so much. Good afternoon everyone. I hope you all have the link and you can see our presentation and I hope some of you at least have had a chance to read our shareholder letter, which we published last night. If not, I would recommend you have a look at the letter also in parallel to get a better flavour of what we are going to talk to you about. So we are going to cover the last year. We will talk about some of the wins in this year and the shift in our business and we will talk in detail about capital allocation. And then we will quickly move forward towards FY2027 and FY2030.

Slide number three, to summarize, FY2026 was a hard year. Even though Q1 was in line with our plans, Q2 saw a sharp impact from four factors which converged around the same time. To detail them out, there was a significant impact in H1 on consumption linked to a very prolonged adverse climate cycle and geopolitical issues. We think this had an impact of almost Rs.25 Crores on our revenue. The SBI cash outsourcing delay caught us off guard with a significant investment in routes and infrastructure. This RFP closure delayed from February to April to December had a huge Rs.100 Crores revenue impact for us in the year. We learned and we have made fixes in our operating processes post that. The offsite ATM market contracted after AGS exited the sector and many private and public sector banks were not able to find MSPs who were willing to deploy new ATMs on the transaction fee models. This has affected our ATM cash management business with the revenue impact of almost Rs.30 Crores. So for just these three items, the impact to our FY2026 revenue was Rs.150 Crores on our services revenue base. Had this revenue come in, our rev growth for the year would have been 13% for services and 9% overall.

We also, if you remember, had mentioned this in Q2, we had to give out larger than usual wage hikes, which were linked to a long-term employee settlement cycles, which are done every three to four years. So, overall for FY2026, our revenue grew to Rs.2487 Crores, which is about a 3% growth, and our services revenue, which is our annuity revenue, that grew to Rs.2312 Crores, almost a 6% growth rate. On our part, we called for an analyst meeting as soon as things were looking good in September to avoid any surprises and to share with you as we saw the lay of the land changing. And we took quick actions to fix and control what we could. In September, we told you about what we are going to focus on to try and arrest this decline. We have always maintained that a good management team has to focus on balancing revenue growth, market share, and margin profile. I think we focussed the remainder of the year on protecting our revenue and trying to gain market share. End result is that our cash logistics business grew in market share by 200 bps and at the managed services business, we moved from number five to number three position. We have been always a big deployer of technology and leveraging it. We were able to accelerate that using AI, and we are able to drive significant cost efficiencies. Our immediate focus was on our route network and using ML, we are able to reduce our route network by a sharp 10% in the September 2025 to March 2026 part.

Given the overall weakness in the MSP segment, we were able to drive a more sensible commercial model of fixed price contracts. Historically, the industry has not been to get off the transaction fee model and I feel, at this stage, for all practical purposes, the transaction fee model is dead in the ATM business. We in fact ourselves won a contract for Rs.700 Crores at a reasonably high transaction fee of Rs.19 per transaction, but we still chose to stick to our principle of not doing any transaction fee model deals. And we did not want to take the risk, even though this could have meant Rs.75 Crores annual revenue to start with at reasonable margins the first few years. We chose to preserve that Rs.100 Crores of capital for expansion and diversification into businesses which would have a more sustainable return metric. After years of strong growth in the prior years, we also examined our longer tail of lower yielding customers and try to drive price increases where possible. And in cases where we could not, we migrated some contracts where the prices did not make sense. We also significantly tightened DSOs around our managed services business segment.

Our OCF to EBITDA ratio in H2 was 173% compared to a negative 40% in H1. We had told you that we will be making a big investment in technology, and even in a tough year, we continue to do that. In fact, we ramped up our tech investments to almost Rs.40 Crores of investment, which is 1.6% of our revenue, up from our usual 1% of revenue in the prior years. We also made a significant investment in a gig delivery model of about Rs.15 Crores. We feel this is very critical to convert some part of our fixed cost network into a variable cost structure and for expanding our retail business into tier 3 and tier 4 markets in India.

The Q2 deterioration was arrested by Q3, and we sharply recovered in Q4. Q4 saw a 6% Q-o-Q services revenue growth. In fact, if you notice, we have given you a 12 quarter trajectory. We have been sort of stuck in the Rs.535 Crores to Rs.575 Crores services revenue for eight quarters and have meaningfully broken out. In February we had mentioned that Q3 will be the bottom for us on margins and we aimed to expand margins by 150 to 170 bps in Q4 and another similar expansion in FY2027. I am glad to report that we are able to sharply improve margins by 280 bps in Q4, so overall Q4 services revenue is at Rs.609 Crores, 6% growth. The total revenue for Q4 is Rs.633 Crores at 2.4 % growth. EBITDA for Q4 is at Rs.162 Crores, which is 15% Q-o-Q growth, but flat year-on-year. PAT for Q4 of Rs.79 Crores, 38% growth Q-o-Q, but a 19% dip Y-o-Y. The full year numbers on services revenue at Rs.2312 Crores at 6% year-on-year growth, and overall total revenue at Rs.2487 Crores, 3% growth year-on-year. EBITDA for the year at Rs.600 Crores, negative 5%, and PAT of Rs.303 Crores, negative 20%. The EBITDA and PAT numbers mentioned here include the wage code impact.

Now, for historical purposes, we will show you the segment breakup. However, we have guided you to the fact that segments no longer make sense anymore for us because this was an IPO when our business was mostly 70% cash management and 30% managed services. That split since then has moved to 60-40, and last year went to 55-45 split. Given we are able to drive a lot of our business and growth towards integrated contracts, where splitting a margin is not possible and feasible. So on an overall EBIT margins in Q4 have gone from last year Q4 was 22.6%, they dipped to 15% in Q3 and have come back up to 19% in Q4 of this year. For the full year EBIT margins for FY2026, they have contracted by 360 bps from 19.2 % to 15.6%.

Let me shift gears now. After patiently waiting for the right opportunity and the right price and valuations for the last four years, we finally did two acquisitions in FY2026. We have kept you as periodically abreast of our M&A thinking, plans, and the sectors of focus. We have intensely worked on 15 opportunities, letting some go after a lot of time analysis and investment of time. Either the sectors finally did not make sense to us to take a risk on, or the valuations were way out of our comfort zone. All of this experience has sharpened our approach, how we quickly screen deals, and the terms we operate on. The two deals in the year specifically, Securens is a key deal for us to scale in the vision AI segment and to grow this business. The deal has closed and integrated and will be accretive to us in FY2027. In Q4, we signed our contract deal with FSS for the managed services business. This not only helps us consolidate the managed services segment, but more importantly for CMS, it allows us an entry into midsized private banks for cross-selling. It also helps us influence and shift those contracts from a transaction fee model historically to fixed fee models when those contracts expire. We hope to close this and integrate this deal at the end of Q1.

We have been able to drive this shift of transaction to fixed fee by showing the value of such contracts to the largest banks in India and the rest of the market will follow in a matter of time.

I am now on slide number nine. As we talked about M&A, I wanted to talk about capital allocation. This is covered in significant detail in the shareholder letter we have published last night, and I would request you to go through that letter. But to summarize, our IPO was an offer of a sale, no capital raised. Over these five years, the company has averaged a high 70% OCF to EBITDA and generated almost Rs.2,275 Crores of cash, out of which Rs.1,000 Crores have gone in for organic growth into capital investment. In fact, even if you look at the trends of capex investment, we have invested capital when we have been clear and convinced of the investment opportunity and the returns on it. So we went from an average of Rs.200 Crores of capex investment in FY2022 and FY2023, and it dropped to Rs.100 Crores in FY2024 and FY2025, as most of the contracts which were being bid were transaction price oriented, and the prices were very low, and we stayed out of those businesses, which affects our FY2025 to FY2026 growth, but we preserved capital for better times. In FY2026, in the middle of the storm, we upped our capex spend significantly to drive higher growth in the coming years, and we have invested Rs.350 Crores of capex in FY2026. Dividends, or broadly in terms of shareholder returns, I think have been linked to PAT and have grown each year till FY2025. We have returned Rs.438 Crores through dividends to shareholders, including the special dividend we did in FY2025. To those of you who know us well, CMS is a self-funded compounder and not a grow at any cost operator.

Let me pause before I move to slide 10. We are seeing a significant change in the business mix, which is critical to our transformation journey and to continue growing at our historical growth rates. This slide shows you a massive shift in the customer mix. In our prior years, our growth was led by the managed services segment and the SBI. Due to the transaction fee model being impacted in the country and that affecting the growth opportunity, we have been steadily and consciously diversifying our base to other large banks, especially in the private sector and retail segments. So you can see the sharp shift in the mix, which was 58.42 in FY2025. At the end of FY2026, this mix has shifted to 48.52. That is a very big shift in just one year and will hopefully accelerate in the coming years.

Slide number 11. At the analyst day, we introduced to you a new way of thinking about CMS, and we identified the three platforms we think will lead our growth to FY2030. The ATM management solutions, the retail and currency logistics business, and the technology and payment solutions. These businesses were a 63-37 split in FY2022. And in the four-year period, you can see this mix change again in these segments. It is 58-26-16. The technology and payment solutions business has had a significant mix change from 7% to 16% of revenue. In fact, it was 12 % revenue last year itself. This is now a Rs.370 Crores

business now for us and what is driving the shift is Hawkai, which is now Rs.200 Crores revenue and has doubled for us in the last two years. Through the Securens acquisitions, we have scaled this business significantly. We today have 50,000 sites live, which are being actively monitored by a software. Think about this. This is a phenomenal scale when you compare this to the fact that it took us 20 years to get to 70,000 ATMs, 20 years to get to 65,000 retail points, but four years to get to 50,000 to RMS sites. This is targeting a large Rs.8,000 Crores TAM for us.

Within BFSI, which has been historically our strength, we have quickly moved to gain a market leading pole market share of 36%. That is the power of this technology oriented business. We end FY2026 with a solid order book, not only from size, which is Rs.2,000 Crores, but even if we say so, it is high quality wins. None of these deals is linked to any transaction fee linked contract. All of them are fixed fee models. We are especially proud to have had a unique year. We had three huge deals and wins from SBI, ICICI Bank, and HDFC Bank. These are marquee banks, and to have big contracts, long term contracts signed for CMS in these years is huge for us and gives us a good tailwind as we move forward into the coming year. In fact, these contracts help us secure 85% of the FY2027 target and goal we have and we have these contracts in hand and going live.

End of 2025 itself, we have set out our FY2027 revenue goal. Despite the hit we took in FY2026, we are still maintaining that revenue as our goal. Our services revenue goal remains at Rs.2700 Crores to Rs.2800 Crores, which will mean a 17% to 21% growth on FY2026 numbers. At an overall revenue goal, total revenue, we are targeting Rs.2800 Crores to Rs.2900 Crores, which would mean a 13% to 17% growth. On margins, we have historically never guided to margins and there are emerging pressures on possible impact of consumption linked to inflation or geopolitical impact, but we are still aiming to be in the 25% EBITDA margin range. Q4 has helped us significantly ramp up margin profile, and we will look to maintain and defend that in the rest of the year. We have had a lot of feedback on this topic in the last nine months. It seems to be a favourite topic for many of our investors. Our position on shareholder return has been very clear. We will do what is equitable and fair to all classes of shareholders and with prior years, it did not make any sense, given we were not fully clear on our capital needs for growth. Also, the taxation structure was unfavourable to many classes of shareholders. The taxation rules since then have changed. We have done two deals. We have invested a significant Rs.350 Crores of capex last year, and we have weathered the FY2026 storm, and we are well positioned for the coming years. With clarity on our capital needs and our cash balance of Rs.650 Crores, the board has approved Rs.168 Crores buyback, roughly 3% of our outstanding equity shares, at Rs.340 price point. After this buyback, we will still retain sufficient liquidity for our foreseeable growth needs.

As a team, we have meticulously focused on a higher TAM as a goal for us and to help us continue driving high growth rates. Our three platforms today target a TAM of Rs.20,000 Crores. We are seeing a strong market consolidation and linked to that, pricing upside opportunity in the coming years. Over the last four years, we have grown our services revenue at a 12% CAGR. This includes the slower years in FY2025 and FY2026. Over the next four years, we see our opportunity to accelerate this growth to a 13% to 14% CAGR, which is more in line with our historical growth of 15% CAGR. Thank you for your patience and your belief in our tough year and with this, we end now and move on to Q&A.

Moderator:

Thank you so much, Sir. Ladies and gentlemen, we will now begin with the question and answer session. Anyone who wishes to ask a question may click on the raise hand icon from the participants tab on your screen. We will wait for the question queue to assemble. We request all participants to restrict to two questions and then return to the queue for more questions. To re-join the queue, you may click on the raise hand icon again. We will take our first question from Baidik Sarkar of Unifi Capital. Baidik, please unmute your microphone and go ahead with your question.

Baidik Sarkar:

Rajiv, good morning. It has been a tough year overall. I hope 2027 and beyond is better for you and the team and thank you very much for your leadership. A couple of questions. Like you alluded to in your opening comments, there was softness in private bank ATMs in H1 of last year. How is that sentiment overall behaving today especially in the context of what has happened in the last two months, they are all macro at a global level, but decision making has come into things at a country level as well. How are you reading decision makings there? And this question is from the perspective that our guidance of Rs.2,900 Crores is a very strong task. The exit that we have in Q4 pegs our revenues at roughly Rs.2,500 Crores and of course, the HDFC wins probably adds to what takes that number to roughly Rs.2,600 Crores, so which means we still need a line of sight to balance the incremental 300. How would you rate the quality of decision making in this environment and the probability of us getting there?

Anush Raghavan:

Let me answer some of your questions. First of all, let me take the one on what is happening to the overall ATM industry, how are banks thinking about growth? As Rajesh spoke and as we have also shared earlier, we are sort of starting to see two or three trends. The first has been the shift in the mix of banks preferring to move from what we traditionally call ATMs, which are cash dispensers, into recyclers, which enable them to transfer a lot more of the transaction banking activities from a bank branch to an ATM site. So this can do cash acceptance, it can do video KYC, and it can do card issuance. So it is sort of similar to what a digital banking unit would have delivered. So we sort of start to see banks change that. And the second is a change which is being pushed by primarily CMS of urging the banks to switch from a transaction price model to a fixed fee model. I think in some of our earlier calls, we had told you how effective market clearing price for transaction fee has been

constantly inching up higher. The last RFP that a one bank did, this came at close to Rs.25, which is in any case not an economical price for the bank given interchange is at Rs.19. So in FY2027, we know the 6,000 to 7,000 units that we see in different stages of bank RFP pipeline planning are mostly all either product purchase and with subsequent services outsourcing or will be a fixed price outsourcing deals. The second point on how are we thinking about our revenue shift, similar to our last call, our goal at that point in the end of Q3 call when we spoke to you in February was to exit FY2026 on a strong revenue momentum so that we enter Q1 with about Rs.650 Crores of revenue, so between Rs.577 Crores of Q3 to Rs.650 Crores for Q1, Rs.609 is sort of a step in between there in Q4. So a lot of order execution as well as revenue ramp up of some of the new wins that we have had are underway. So the 650 should get us to Rs.2600 Crores run rate. It also means that through the year we have to win and deploy about Rs.100 Crores of products and the balance is things that need to be, additional orders which need to be executed. If I look at FY2026, we won about Rs.2000 Crores of overall orders of which we have close to about Rs.400 Crores to Rs.500 Crores of work, which is still to be executed.

Baidik Sarkar:

On the margin front, I understand, the fuel inflation is something that has just happened. In a typical pricing, how does pass-through work on our ATM milk runs? Is this something that we can pass on overnight or do we have to absorb this before this gets escalated?

Anush Raghavan:

I think there is a little bit of routine to how we have done this over the last y decade to decade and a half. We have sort of been, as a company and the team, been through various inflation cycles, benign ones and more difficult ones, different playbooks and different tools. Simply put, there are some of our contracts which offer a CPI, WPI linked inflation increase. Our effort is to constantly have more contracts move into a regime like that. For the ones which do not, we do have periodic price resets. So effectively, I think the way I would look at it is as we move from 2026 to 2027, we also shared in our analyst meet in September when we met that we are trying to get price increases across a lot of our contracts. So the normal inflation linked increases get set off with price increases which are part of these efforts on an annual basis. In case there are some things which are more extraordinary or there are things that we cannot plan for, it may be certain states which have undergone a much steeper minimum wage increase or fuel price increases, which are beyond normal. Those are times where we try to push or pass on a price increase which is outside these annual cycles.

Rajiv Kaul:

I think the industry gets together at these moments to discuss with the key clients. Again, it is really client relationships and the value drive. So, I do not think it is linked to, directly linked to headline inflation. I think either it is linked to a contractual terms or negotiations which are logically based in what the ground reality is. The private sector engagements, it is far different than it will be the public sector.

- Baidik Sarkar:** No, no, I understand. Mine was a very topical question, given what happened yesterday on the price hikes. So the simple point being that, does it represent a risk to our 25% margin aspiration? That is the only thing I am trying to drive at.
- Rajiv Kaul:** I think it is a fair question, Baidik. You have known us for some time, we are very reticent on margin forecasts because it is not always easy to control what the competitors will do and the market will be. I think we have had a good Q4. We do not want to get carried away with extrapolating that straight away into next year. I think we will want to wait and see what happens in Q1. Right now, there is just unknown volatility given we all feel in India that a lot of the price impact on fuel may have been deferred for whatever consideration. So let us see this play out. We have seen one price hike yesterday. I do not know what more will come in. We do not know what will happen to work from home as a concept right now. So I think we will wait for Q1 to see how things pan out. But our effort, given the investments we have made and the nature of our contract, some of the M&A we have done, is to get to a 25% zip code. Setting in May, impossible to tell you today if we will hit it, achieve it or miss it. I do not think there is significant risk as of today, but we would prefer to be conservative on this. If we are able to drive the revenue growth, I think it gives us a better margin to, I mean, like last year, we talked about and I think in the Q2 or Q3 call, we did wean away some of our lower yield retail customers. That is revenue gone, but also lower margin business gone. So if we have to sort of wean away some business at the end of the year, if you drop Rs.25 Crores, Rs.30 Crores, Rs.40 Crores of revenue to maintain a higher margin profile, we will look at that in H2.
- Baidik Sarkar:** Just a quick question before I get back. There seems to be a ramp up in depreciation costs. I understand the acquisitions have not yet been closed, the FSS one. I am just curious, what is driving this sequential ramp up from Rs.56 Crores to Rs.59 Crores versus depreciation?
- Rajiv Kaul:** Depreciation ramp up, you said? I do not know. Pankaj can answer, sorry.
- Pankaj Khandelwal:** So during the year, we have done around Rs.350 Crores of the capex and as well as the Securens we have already added. So, related to that the depreciation has increased from Rs.54 Crores to Rs.59 Crores.
- Baidik Sarkar:** Got it, got it and just the last question on the FSS acquisition, is it expected to be earnings accreted from the first year itself or we wait before it turns accreted?
- Rajiv Kaul:** Let us finish the deal in Q1, Baidik, and after that we can tell you better.
- Baidik Sarkar:** Sure, Rajiv. Best wishes.

Moderator: Thank you so much, Baidik. We request all participants to restrict to two questions only and if you wish to have any follow-up questions, please raise your hand and you can re-join the queue. We will move to our next participant, Praveen Kumar from Equitas Capital Advisors. Praveen, please unmute your microphone.

Praveen Kumar: Hi, Rajiv and team. Thanks for the opportunity. The investor letter was very, it read in a very heartfelt and frank manner. Thanks for writing that. I had a couple of questions. One was, if I look at your FY2027 revenue guidance, if I were to do something like a pre-mortem on that, assuming let us say one year down the line for some reason that is not achieved, what are the top two or three reasons we know that happening. That was the first question.

Rajiv Kaul: It is a great question. Can you tell us a second while we think of the answer to that?

Praveen Kumar: Sure. Second question was on the kind of transaction linked kind of project that you walked away from, which happened in the later part of 2025, right? I just wanted to understand, did any of your competitors take up that and because, you have been hinting that industry is moving more and more towards the fixed price kind of model. I was just wondering, given that size of contract, was it taken up by someone and if so how do you look at that?

Rajiv Kaul: Where we are right now on revenue, and I think Baidik also referred to that, the Rs.633 Crores, you extrapolate that right now, just out of simplicity, into four. That gets you to Rs.2,500 Crores. We are executing and going live on the HDFC contract, which should get us another Rs.50 Crores to Rs.75 Crores of revenue in the year. That gets you closer to the Rs.2,600 Crores number. Now we are talking about another Rs.200 Crores to hit. I am talking about the bottom end of the range. Let us forget the higher end of the range right now. Rs.200 Crores, I think there are orders and order wins which could help us contribute to that delta. What could go wrong? What could go wrong on the revenue side right now would be if there is a sharp dip in consumption in, let us say, Q1, right because Q1 is then into a four issue. There could be risk to consumption both at the retail side or at the transaction per ATM level. We have seen in March and April a dip in currency supply in the country, which impacts ATM transactions. So I think if that trend continues, let us assume for the next 10 to 12 months, there could be Rs.50 Crores to Rs.70 Crores impact on the revenue. Unlike last year, we do not have I mean, last year forecast was based also on Rs.100 Crores of revenue we were presuming would accrue to us from the SBI contract, which did not happen. We do not have that risk right now. We do not have any such large risk, which is sort of assumed to happen and therefore could sort of dip. Whatever is in the math is either contract either going live or already signed.

So there is a delta from Rs.2,600 Crores to Rs.2,800 Crores, absolutely. I think in the rest of the year, we need to go work hard to earn it. So that is the answer to your first question.

Your second question was, did somebody else take the contract? Yes. Should we name it? No. And will those ATMs go live? Hopefully and will we get some part of the business from there? We should. But again, at Rs. 19, I think it is a great price, because that is the max you can really get at interchange today. For us, it was really about, could we foresee us making money over a seven year cycle of the contract and we could, but not in the levels at the threshold, and the return metrics we have. I have said this historically also to some of you, is that growing our business is not a challenge. There is business. But growing this business at a 25% zip code and EBITDA margins, the ROCE levels, is a challenge and therefore, for us to keep aspiring to grow double digits, maintaining the return profile, is something we have created as a ring fence around ourselves and we have to keep maintaining the high threshold. So, I do think there will be some players who can make reasonable returns on that project. There is a little more risk. We prefer to take that Rs.100 Crores and deploy it when we find a segment or a company where we like the return ratios more in favour to what we prefer.

Praveen Kumar: Thank you. Thanks for the response.

Moderator: Thank you so much, Praveen. We will take our next question from the line of Umang Shah of Banyan Tree Advisors. Please unmute your microphone.

Umang Shah: Good afternoon. Thank you for the letter and the way you communicate every time. I had two questions. First question was, in the analyst meet last year, you had broken down the cash logistics business into ATM cash, retail cash and CIT. Can you give that number for FY2026?

Moderator: Would you like to ask the second question as well?

Umang Shah: Yes, yes, I will do that. Sure and Sir, we see that off-site ATMs are reducing by private sector banks and we also see a number of transactions as per RBI data coming down. In this context, why would banks want to increase off-site ATMs? That was first part and second is that between off-site and on-site ATMs, do our services change? And if yes, which is more profitable?

Anush Raghavan: Let me answer the second one first. It is a very good question. It is a trend that, we had called out early that we are seeing a shift between the behaviour of onsite and offsite ATMs. Like I said, I think banks at the point have changed reasons for why they need a certain network and scale. If you had asked me this question five years back or even 10 years back, both private and public sector banks expanded ATM growth rapidly mostly on the back of independent ATM deployers, or what we call the BLA model, executing this on a transaction basis, simply because there was a significant arbitrage to be earned between interchange fee, which is what one bank settled with the other, versus the cost of running an

ATM network. So it made sense for banks to invest and create net ATM capacity, which was probably running ahead of what they truly needed in terms of their debit card issuance and spread in terms of savings account. Five years back, we started seeing some banks, specifically the private sector banks, changing and taking a pause, saying, this is not about having the biggest or the largest network. It is also about using the network for the right reasons, which is driving penetration and growth in newer areas that we are entering into. So if you set up a branch, they typically wanted the branch to be surrounded by one or two ATMs. It helped in building CASA It also helped in branding and distribution. Right now, if you sort of see what banks are doing, they are treating the ATM channel as a way to effectively act as an alternate servicing mechanism to their bank branch. So it is not just about cash distribution or cash withdrawals anymore. It is also about trying to cater to the customer lifecycle and the needs.

So some of the work that we are doing, and let me take ICICI Bank as an example. Two years back, they had, I think, about 20% cash recyclers and 80% cash dispensers. Two years since now, since we have been working with them, it has gone the other way. We are 80% cash recyclers and 20% dispensers. And now, to most of us, we still call an ATM an ATM but fundamentally, from the views of a banker, a cash recycler provides service to a whole set of customers who are otherwise walking into a bank branch to deposit that cash. These could be SME customers. These could be traders. These could be retail accounts. But all of this then moves into a cash recycler. Second, as we are going live with the ALGO MVS software this year, that allows a bank to up sell a lot of the value added services or a lot of the nonfinancial banking services and package that into a cash recycler. So this could be account opening, it could be video KYC, it could be asking for a cross selling a loan which is specific to you as an individual, not just a traditional loan product. It could be Instacard issuance, it could be passport computation in the context of public banks. So I think we are seeing the cycle shift. Banks are willing to commit their own capex as opposed to getting private parties to put up capex here and on the back of this capex, they are looking at transferring a lot of the expensive transaction banking activities from a branch to an alternate channel model. I will just go back to your earlier question on the split. I think we, if you look at it, we also said we will re-segment our revenues into the three platforms, so all of ATM Cash goes into ATM Solutions. We have retail and CIT combined, and we have technology and payment services. The specific mix of those splits is captured in our presentation.

Rajiv Kaul:

Yeah, I think on the Cash MS split, we said if the 60-40 historically has gone to 55-45. Beyond that, I do not think we even have the live numbers. We are starting to internally just focus on the three platforms and measure them. That split is already mentioned. And I think you talked about the transactions and the stability. Okay, cool.

Umang Shah:

Sure. Thanks, Sir.

Moderator: Thank you, Umag. We will take our next question from the line of Divyansh Gupta of Latent PMS. Divyansh, please go ahead.

Divyansh Gupta: Yes. I have three questions for FSS business. The first one being that whatever revenue that FSS was doing, some would be through CMS and some will be through other players. So how are we thinking of moving all of that business to CMS or will the contracts expire and then only CMS will take up those business revenue opportunities. The second one is more a basic question and then a build-up on that the fixed fee versus let us say transaction. Does it get fixed at FSS level? And if yes, then is there a certain percentage of revenue that FSS is currently doing on transaction basis, which that ways leads us to some bit of exposure to that kind of revenue stream. And the third one is that while we have mentioned that there is a cross sale opportunity of Hawkai and ALGO MVS, do the current client base do not have that offering and therefore it is more of a, let us say be doing an inception sale to them that these are the advantages or it is a replacement of existing vendors and therefore, again, how do we see that timeline moving to CMS?

Anush Raghavan: So, let me go one by one. As far as the first question is concerned, so the contracts that, we are transferring from FSS would be all the managed services contracts. Now, for FSS, we are already one amongst the largest cash management partners. So I think when we talk about incremental revenues, it is mostly the parts that were not attributed to us in terms of the overall managed services for these ATMs and possibly for some ATMs that we are outsourcing to others. Right now, in terms of when we have sort of done our internal math in terms of the focus is really more on getting the customer innovations done, bringing back the quality and stabilizing those networks for the banks. We are not really right now thinking too much in terms of arbitrage of what we do versus what other people do. I think fixing the quality and stabilizing the network is our focus right now for Q1 and Q2. To your second part, yes, there would be some contracts of this which would have a transaction exposure. However, I know, again, the reason that we differentiating this from what we typically bid for is in contracts like this, which have already had two, three, four years of transaction history and aging, it is a lot easier to understand how those ATMs are performing and to take certain calls of what needs to be continually running, what investments you need to make to either fix and improve the sites, or what ATMs need to be shut down. It is an entirely different call from a capital allocation perspective of bidding for a new contract, going hunting and chasing and setting up those sites, and then waiting for the transactions to come.

Rajiv Kaul: So I do want to add here a couple of points here, Divyansh. One is, FSS, and if you are aware of the company, has run a very good quality managed services business for the last decade. It is a respected name, both in the technology side and what they have done for banks, and historically done very well. For their own portfolio needs, this is a business they were looking to maybe exit for some time. We, as a company, have analysed maybe five

managed service providers from acquisitions at different points of stage of time. In our mind, the FSS business is the highest quality business out there in the sector. The client relationships and the profile of the work they do. The transaction linked business, which is there, I think the very good question, has thankfully been contracted mostly to what I would say a high quality base at reasonable price points. There may have been some impact in the last one year to that base of business basis given how overall transactions have occurred. And that reflects in the deal value, the pricing which we have negotiated. And we also have a trend line on when these contracts can end and what we can up sell and how we can convert them. To your question on cross selling with Hawkai, primarily let us say Hawkai and ALGO. ALGO would be a new opportunity, right? It would be a new opportunity for us if we are able to crack one or two deals. I think they will be totally accretive. The Hawkai business, I again think that some of the mid-sized banks have not really deployed aggressively, or they are doing it, I would say that with a smaller quality or a lower quality vendor and not across the whole base. Consolidating this also, as we said, CMS was a number five MSP before FSS acquisition we became a number three post that I do not know what happens to the stack rank there but also helps us consolidate and deliver some synergy and cost savings automatically right because the team which is going to be handling a larger base of ATMs both at manage social level itself helps us drive some synergy out there.

Divyansh Gupta: Got it and second question was the revenue ramp up that you mentioned it let us say 625 into 4, 2500, HDFC around 50 to 60 and just looking from a lower guidance perspective, what would be the ramp up of the SBI and ICICI contract? And rather on a general basis, if we have been a seven year or five year deal, how should we think the revenue ramp up happening across years?

Rajiv Kaul: Well, I think, um, the excel modelling, I will leave it to you. I think we have given what information we should share about some of these customers and contracts. I think the SBI contract is over a period of 7 to 10 years. The ICICI HDFC one, Anush can correct me, is about four to five years, roughly. ICICI is longer and HDFC is how many years.

Anush Raghavan: Five years.

Rajiv Kaul: So all of that revenue is not going to be exactly divided by five in the first year. Obviously, some of it is linked to either a pricing change or to a base increase. But for sake of simplicity, divide it by the number of years and just assume that will flow through from the first year itself.

Divyansh Gupta: Got it.

Rajiv Kaul: Also, the bases do not remain static, right? Bases change, right? There is churn always. Something gets shut down and something gets added. I would love to say this is a very

conservative, but we will not know how the base of the machines changes with some of these banks over a period of time. This is the basis of what we have right now.

Divyansh Gupta: Got it and if I may ask another question.

Moderator: Sorry, Divyansh. Rejoin the queue, please. Thank you so much. We will take our next question from Govindarajan Chellappa of CSIM. Govindarajan, please unmute your microphone. Yes, please. Go ahead.

Govindarajan Chellappa: Yes, thanks for taking my questions. I have a couple of them. One, there seems to be heightened activity, M&A activity across the globe in this space again. So, first question is especially on NCR and Brinks merger. Would you see any opportunity or threat? Do we run a Hitachi kind of risk here? I know Brinks is very small, but just your thoughts on that. My second question is, you still have a reasonable exposure to 28%, I think is what you mentioned to MSPs and that space, at least the smaller ones have struggled to find funding. So of that 28%, are there still any of the MSP customers of yours who you would classify as at risk in terms of their own balance sheet, their own ability to get funding, their ability to pay you up? And a related question is, in your balance sheet, I see about Rs.58 Crores of loans and advances, I am guessing that is to a client if you could just talk about the thought process around that.

Rajiv Kaul: So on NCR and Brinks acquisition, so we will see how this pans out. I am sure they will get regulatory approval to do this around the world. I do not think we are sort of looking at this and saying, they are too small or too big. I fundamentally feel the base we have in the network and density we have in India is impossible to replicate. It is something I mentioned towards the end of my letter also, saying you cannot replicate what CMS has in terms of network reach and density. Can that mean that at some point of time, NCR and MSP customer can shift some base to Brinks and Brinks invest to grow? Absolutely, but I think we have time to ramp up and therefore, I mean, I do not think necessary our diversifications are linked to that, but I think our expansion business will make sure that we have enough growth to compensate for some of these trends, which it happens. Is there any opportunity? I do not think so. There is no opportunity, right? But is there a risk? We presume there will be risk. Will that finally pan out or not? God only knows but I do think this is a more complex global merger. If I was sitting at Brinks in the U.S., my priority would be to focus on the top five markets, which for them is U.S., Canada, and large geographies in Latin America. These are complex deals where global teams have to align and merge, and therefore, far away in other countries, let us see what the impact is and when it comes in. Brinks for those of you who are aware or not aware, in India is predominantly a player focused on the bullion space and global bullion, they are the largest company and huge, and do a great job on that. They have some network presence in India, but links to basically, I think, the larger tier cities. In the cash management space, they are a

very small player and I think if they had to scale in India, this would need significant investments across the country to invest in infrastructure, vans, routes, and all to and let us see what happens. We will know when we know on this.

Your second question was on the MSP base? Yes, so I think that 28% of, so as we finish FY2027, you will, or as we get out of FY2027, let us see what the base of revenue from the managed service customers comes into. But you are right, that sector is going to be, as I said, the prior growth was led by some of these customer segments. The next four to five years growth will not be led by these segments. And so for us to model, we are modelling as a lesser growth from these segments. But the slack will be picked up by our expansion into the new platforms we talked about, and some of the newer customers, especially the larger private sector banks we talked about. And your third question was linked to advances of loans. Anush, if you know, you can just.

Anush Raghavan: Yes, I will just quickly cover this, Govind. So, if you recollect about four or six months back, and I think in our third quarterly call, we spoke about some of the midsize MSPs being under liquidity stress and us going about solving for this in different ways. So, as we speak, and we also said that by end of FY2026, we hope to sort of have these addressed. So, as we speak, with one of them, we have entirely solved for it. The DSOs have come down. We have much lesser exposure. With the second one, we have made this announcement in the fall in FSS, wherein, post the acquisition will be a combination of our receivables from them plus a cash consideration and in the case of a third MSP customer, we have converted what was our exposure into a secure outstanding, which was backed both by physical assets with a significantly higher cover, but also more importantly, getting access to receivables directly from the bank in current escrow facility, which covers both the loan amount as well as the normal work that we render for them.

Govindarajan Chellappa: Yes so basically, you have converted unsecured receivables to secured loans, that is the right way of thinking about it.

Rajiv Kaul: Yes. So unsecured to secured plus getting the collections from their banking customer directly into an escrow account.

Govindarajan Chellappa: Okay. Just, just one small clarification. My question on the exposure to MSPs was not in terms of growth opportunity, but in terms of risk of further receivables issue of the 28%, do you see any, any of your customers having any issues on balance sheet?

Rajiv Kaul: No, Govind. I think we took a provision last year already in Q2. I think the activities we have done both, which Anush detailed about, should cover us from any potential risk in this area.

Govindarajan Chellappa: Cool. Thank you. Thank you so much.

Moderator: Thank you. We have Darshan Shah from Multi-Act Equity Consultancy. Darshan, please go ahead. Darshan, please unmute your microphone so that we can hear your question.

Akshat: I am Akshat from Multi-Act. I had two questions. The first one is on the margins, right? So while we have guided on EBITDA margins, reverting back to 25% plus for FY2027 and also for the longer term. But if you really look at the cost structure below EBITDA, right, our depreciation over the last three years has jumped from almost Rs.132 Crores to Rs.210 Crores approximately for FY2026. So as a percentage of revenue also it is inched by about 1.5% to 2% points. So in terms of EBIT margins what is the thought process and because these investments when do they yield results in terms of better EBITDA margins, etc., that is one and second is on the buyback so what would be the participation from Mr. Kaul on this buyback and what is his view on whether they will be participating in tendering their shareholding. Those were my two questions.

Anush Raghavan: Akshat, I think let me tackle the first one, which is, so I think when you look at FY2026 in context, you should also look at it in terms of how our overall construct or the structure of our business is changing. We are switching from being a 70% cash business to investing into longer term growth potential, especially around technology businesses those will necessitate more upfront investment, but will yield results and more recurring revenue streams on a five to seven to eight year time period. So, the context of capex investment and depreciation would mostly be linked to some of our longer term investments and you should also see in the light that in FY2026, we did get headwinds in the form of consumption weakness, slowdown, and transaction impact especially for some of our, both the ATM as well as the retail business. So in a way, sort of the margin and the structures are weathering both of these ups and downs. As we think about FY2027, there will always be a sort of a lead and lag effect to, from an EBITDA and a PBT or a PAT perspective, as when you look at Securens or we look at FSS, I think we would normally want to assume that it would take a few quarters for the synergy benefits to kick in, whereas the depreciation, gets recognized from day one. So we do hope that over a period, things should get better.

Rajiv Kaul: You know, also, Akshat, we have, I think in the last couple of years, Pankaj has alluded to in his comments that the right way to think about this is ROCE, ROCE apart from this year, have been fairly strong in the 25% range. I think we focus on that. To your second question on participating in buyback, specifically your name called me out, but, I do not intend to participate in the buyback at all.

Akshat: Great, great. Thank you. Thank you for your, clarification on both these questions. Really helpful and all the best for the year ahead.

Moderator: Thank you. Thank you so much, Akshat. We will take our next question from Amish Kanani of Knowise Investment Managers. Amish, please go ahead.

Amish Kanani: Congrats on a good Q4 margin recovery and top three banks in our bag. First question Sir, how do you see the pipeline this year since these three large contracts is already done? How do you see the other contracts you did mention in the presentation that we are looking at from 6000 to 8000 ATM looking for moving to a fixed fee pricing model. But just in general, how is the pipeline vis-a-vis, say, last year? Is it looking similar, better, or maybe a little lower because of the three large contracts that we have already had? And in that context, maybe you can cover the FSS acquisition. You did mention we have a lot of mid cap banks, for want of a better word, in our kitty. How are we planning to cross sell overall things? So maybe pipeline in the context of those new bank clients that we have had.

Anush Raghavan: Amish, so, very valid points. I will just start off by saying, despite all the headwinds and the challenges that we had in FY2026, I think Rs.2,000 Crores order wins has been amongst the best years that we have had. We have executed, I think, as I said earlier, close to about 75% of this. So there is still 25% of work to be done in terms of this execution. So that is, the entire FY2027 with just, I suspect Q1, Q2, and H1 really sort of being fairly intense here from an execution perspective. Some of these orders to be rolled out, the integration of FSS, and, just generally looking at how the macro setup is. We do see in FY2027 banks coming back into the refresh cycle. They have taken a pause in FY2026. We see them coming back into this. However, I think it is a little early for us to comment on how exactly this will work out, simply because given how the overall situation is, we do have some RFPs which are in different stages of the pipeline, but I think we will wait to, maybe at the end of our Q1 or Q2 call to comment about how exactly this is panning out.

Amish Kanani: Sir the margins, we had a fairly good margin bump up in Q4 over Q3, though Y-o-Y looks a bit flat. The question is, Sir, how did we, if you can explain the nuances of the margin, maybe within cash versus the other business, at an EBIT level, there is a huge swing in the cash business. The question is where does this come from and if you can give us some flavour of, the improvement that has come versus volume versus increase that we have had because of the low pricing that we had in the past? The question is, from 25%, we do understand that our aspiration is to maintain. But how much is due to, say, a better pricing versus operating leverage? And we understand the fuel price hike is a big overhang. So how do we think? How have we improved it and what are the levers that we are using to kind of make it stable and maybe improving.

Rajiv Kaul: So, Amish if you go through our past calls, we really do not get into these levels of details on margins. I think for us, given FY2026 was a significant depth we sort of went out on a limb to say we will push back our margin profile, but you are right. I mean, a significant part of the, as revenues start climbing back up, you get the operating leverage and the work

which Puneet and his team have done on rationalizing our routes. Anush and his team have done and trying to get pricing hikes and the new fixed price contracts, I think that all starts contributing back to the margin profile. Your question would be I also think it would be linked to how much of this is sustainable in the future. Do not know, I think we have a good base. Q1, historically, not historically, seasonality wise, is a lower margin profile, bases, wage hikes, and increments, and whatever happens. We will wait to see how Q1 goes through. We will also finish all our contracts, but then we are almost done all our contract execution. The new one, HDFC, will go live this quarter and we will have a better sense of the year on the margin side. I think cash and managed services I told you they are fungible, really. It is very difficult for us to even call out how much is where and overall fuel cost and vehicle cost is a percentage of our business is roughly about 6% of our overall revenue. So if that goes up by X percentage, you can start doing some calculations on that. We have built a pretty tight operating network. I also do want to caution here saying as we roll out new contracts and new businesses, there will be expansion and investment back into our network and all. You cannot exactly time it to quarter by quarter, but hopefully we should be able to maintain those sort of margin profiles.

Amish Kanani:

Sure, sure. Thanks and all the best. A great letter to the shareholders. Thanks.

Moderator:

Thank you so much, Amish. We will take that as the last question. I will hand it over back to the CMS management team for the closing remarks. Over to you team.

Rajiv Kaul:

I really do not have anything more to say. I think we have given out this time a very detailed letter, which normally would have come in the annual report. We thought it is a good trend to get it more circulated widely at the end of the year for every investor to read. That specifies and details out exactly the way we are thinking so that you are able to both get a better sense of the business, what we are doing, which cannot be covered in the presentation accurately, and also hold us accountable for it. We are still maintaining our North Star goal of FY2027 and FY2030, despite having a reset in FY2026. Not easy, but we feel quite confident that we have done superb hard work in the last six to eight months to fix things which were breaking down and the things, which were under control and wish us all the best and thank you for your belief and patience in a tough year and yes, talk to you at the end of Q1.

Moderator:

Thank you so much. On behalf of IIFL Capital Services Limited, that concludes today's conference. Thank you all for joining us and you may now click on the leave icon to exit the meeting. Thank you for your participation.