"CMS Info Systems Limited

Q2 FY27 Earnings Conference Call"

November 14, 2026

MANAGEMENT: **MR. RAJIV KAUL – EXECUTIVE VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER – CMS INFO SYSTEMS LIMITED**
MR. PANKAJ KHANDELWAL – CHIEF FINANCIAL OFFICER – CMS INFO SYSTEMS LIMITED
MR. ANUSH RAGHAVAN – CHIEF BUSINESS OFFICER – CMS INFO SYSTEMS LIMITED
MR. PUNEET BHIRANI – CHIEF OPERATING OFFICER – CMS INFO SYSTEMS LIMITED

MODERATOR: **MR. SHOBHIT SHARMA – ELARA SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the CMS Info Systems Q2 FY27 Earnings Conference Call. 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shobhit Sharma from Elara Securities. Thank you, and over to you, sir.

Shobhit Sharma: Thank you, Huda. Good day, ladies and gentlemen, and thank you for joining us on the Q2 FY27 results conference call for CMS Info Systems Limited. It is our pleasure to host 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 would like to hand over the call now to Mr. Rajiv Kaul to take the proceedings forward. Thank you, and over to you, sir.

Rajiv Kaul: Thank you, Shobhit. Good afternoon, everyone, and thank you for joining our Q2 call on a Saturday. Let me take a few minutes to talk about the quarter and then hand it over to my colleagues, Anush Raghavan and Pankaj Khandelwal, for more details.

Let me start with the headline. Our services revenue for the quarter was INR644 crores, which is our highest ever and the fourth consecutive quarter of a record services revenue. This is a growth of 16.2% over Q2 of last year and 3% Q-on-Q. EBITDA grew 24.8% to INR173 crores at a margin profile of 26.7%.

For H1 of this year, margin was overall at 27%, 290 basis points higher than the first half of last year. Operating cash flows for this half were at INR177 crores against an outflow of INR117 crores in H1 of last year. And importantly, our tech and payment segment is now contributing 20% of our services revenue, two quarters ahead of our forecast.

These numbers were delivered in an environment where statutory minimum wages went up steeply in some large states and fuel costs went up 8%, leading to a fairly high inflation environment. Currency supply was disrupted from February till August, and ATM transactions had a cascading downward impact in that period.

Anush is going to now take you through the operating environment, the business wins, and Pankaj is then going to take you through the financials and the outlook. With that, I hand it over to Anush.

Anush Raghavan: Thank you, Rajiv. Good afternoon, everyone. Let me take you through the operating environment and the business highlights for the quarter. I'll first begin with demand, because demand was the one thing which has not been an issue this year. Our currency in circulation is

at a record high of about INR43.5 lakh crores, which is 13.5% on a year-on-year basis. It's the fastest growth in five years, and it's about 3x the level of FY 2015. In our retail business, same-store cash throughput across our key customers grew by 3.7% year-over-year in the second quarter, and that is before the festive season, because this year Navratri is falling in October, as against September last year.

The disruption, however, has been on the supply side, which we alluded to in our previous calls, but that situation is now changing. In August, we told you that fulfillment of our currency intents had recovered from about 70% at the lowest in Q1 to 80%. That recovery has continued through this quarter.

On the ATMs which we manage, average dispense per ATM per day is up by 8% from the low of May. It is still about 10% below last year's levels, so we're not calling it fully normal yet, but the trend has moved in one direction since May, and further recovery helps our transaction-linked revenue directly.

On costs, as we said last quarter, statutory minimum wages have risen by 6% to as much as 60% across key states, and fuel cost is up by 8%. These are statutory and external cost increases on contracts, which in many cases were priced several years back. No one in the industry can absorb them without a revision in pricing, and our customers recognize that.

With private sector banks and retail customers, our revised pricing is now in place across most of these contracts. PSU bank pricing is pending, and we expect to conclude soon in a process which is led by the IBA working committee, which was constituted in August this year.

A word on transaction-linked ATMs. These ATMs were an important part of our growth between FY 23 and FY25. They helped us offer banks a complete end-to-end solution. They are now about 12% of our revenue. Revenue per ATM has come down over the last 18 months as transactions fell, and this has weighed on the EBIT of our Managed Services segment. The rest of our business has more than absorbed it.

Group EBITDA is up 25% year-on-year, even after this year's cost increases. We saw the stress early and acted on it. From FY25, we stayed out of most transaction price tenders and cut our investment. In FY26, we declined a INR700 crores contract that was priced on transactions.

In the first half of this year, our capex in these ATMs were INR10.6 crores, down 63% from last year, and limited to deployments which we were already committed to. All of our new business is on fixed-fee contracts. The industry data bears this out as well. Off-site ATMs in India have come down from about 88,000 to 73,000 over the last two years, as banks have rationalized their networks post the exit of a large operator.

Over the same period, the overall ATM base has held steady at 2.1 lakh, with on-site ATMs growing about 4% a year as banks add ATMs and recyclers inside their branches. The industry as a whole is now moving to fixed-price contracts, a model which we moved to early.

Coming to the business highlights. Tech and payments reached 20% of our service revenues in Q2. In August, in our last call, we had shared that we expect to cross 20% by Q4, and we have gotten there two quarters early. That already puts us within the FY30 aspiration of 20% to 22% that we set out at our 2025 Analyst Day. On a Q2 annualized basis, this business is now about INR500 crores of revenue, which is more than four times its FY22 level.

In the first half, we won our second large PSU bank branch RMS mandate, a central command center implementation across 650 branches, and monitoring of the bank's entire network of 8,000+ branches. On ALGO MVS, which is a software platform, we have added our third marquee bank with a rollout across 12,000 machines. Our implementation at ICICI Bank will go live in H2.

The two recycler orders which we won from public sector banks in Q1 will deliver in the second half of the year, which is why you will see that the product revenue, which is low in H1, will step up in H2. Order wins in the first half of the year were INR700 crores. We held our market share at 60% in ATM cash management and 38% in retail cash solutions. The pipeline is fairly active. Banks continue to come to market with RFPs for branch surveillance, ATM software, and recyclers. Our near-term focus is on executing this order book.

With that, let me hand over to Pankaj for the financials.

Pankaj Khandelwal: Thank you, Anush, and good afternoon, everyone. Total revenue for the quarter was INR650 crores, which was up 6.7% year-on-year basis and 2.4% quarter-on-quarter basis. Service revenue was at an all-time high at INR644 crores, which was up 16.2% on year-on-year basis and 3% on quarter-on-quarter basis. EBITDA came at INR173 crores, up 24.8% on year-on-year basis, in line with the Q1, with margin at 26.7%, with a 390 basis points higher than Q2 of last year.

Three structural drivers sit behind this margin: price revision, productivity from the route optimization, and automation in our internal operations and business mix, with the higher share of the tech and payments and of the fixed-price contracts in our revenue. At segment level, Cash Logistics revenue was INR404 crores, up 2% year-on-year, with EBIT of INR77 crores at a margin of 19.1%.

Managed services revenue, including cards, was INR321 crores, up 19% year-on-year, with EBIT of INR34 crores at a margin of 10.6%. Managed services EBIT continued to reflect the lower transaction-linked ATM revenue and the higher depreciation from last year capex and the FSS acquisition.

Both of these are transitional, and I will come back to depreciation in a moment. PAT for the quarter was INR81 crores, up 10.3% year-on-year, and earnings per share grew faster, 14.9% to INR5.05, helped by lower share count after the buyback. For the first half, services revenue was INR1,269 crores, up 12.7% year-on-year. EBITDA was INR346 crores, up 16.4%, with margin at 27%, an improvement of 290 basis points.

H1 PAT was INR165 crores compared to INR167 crores in the first half of the last year, and the difference comes from higher depreciation from last year's investment cycle. On depreciation, net capex in H1 was INR50 crores, and we estimate FY27 capex at INR100 crores-INR125 crores against INR351 crores last year. That is about half of our long-term average and well below our depreciation charge.

From FY28, depreciation as a share of revenue should start to come down as last year's investment reach full cycle scale, and more of our EBITDA growth should flow from the profits to earnings. On cash flow, operating cash flow for H1 was INR177 crores, or 51% of EBITDA, compared to an outflow of INR117 crores in the first half of the last year. Our collections were weighted towards the second half.

Over the last five years, we have converted an average of around 70% of our EBITDA into operating cash flow. Our net cash as on September 30 was INR473 crores, after the INR168 crores we returned through the buyback in the month of June. Since listing, we have returned INR606 crores to the shareholders.

On the outlook, we are reaffirming our FY27 guidance. Services revenue of INR2,650 crores-INR2,750 crores, total revenue of INR2,750 crores-INR2,850 crores, and EBITDA margin of 27%, and capex of INR100 crores-INR125 crores.

With this, I would like to hand over to Rajiv for his closing remarks.

Rajiv Kaul: Thank you, Pankaj. If I step back and look at the last 18 months, they have severely tested a part of our industry. The AGS-linked closure of off-site ATMs, the currency supply disruption in the last five months, and the overall pressure on the whole transaction-linked ATM model, with an unusually sharp rise in costs. Through this, we have stayed very disciplined. We walked away from a large INR700 crores contract, which was priced at levels we did not accept.

We have evaluated over 15 acquisitions in depth and completed two at valuations we are comfortable with. We have gone back and repriced contracts where costs had moved significantly, and we cut capex sharply in the part of the business which was under stress, but kept investing in our technology and the HAWKAI platform.

These were not easy decisions, but were the right ones, and you can see the impact on our business mix, quality, margins, and cash flows. The shape of the company is changing in this period. Technology and payments segment, which is 7% of our revenue in FY22, is now 20% of our revenue in Q2. All of our new business wins are on a fixed-fee contract basis.

Tech is doing a lot more of the work inside the company. Our AI agents, built by our own teams, process 99% of our cash indents on a daily basis with high accuracy, and they close over 60% of our monitoring alerts on our HAWKAI software platform. The result is a very robust operating platform with strong operating leverage.

It is a platform which can take on more volume very efficiently, and that makes us a natural integrator of any synergistic acquisitions if the right opportunities come along. Our moats today

extend from our network, distribution, integrated business model, and our technology stack. We have run this company for disciplined growth, market leadership, strong margins, and high returns on capital. Growth capital goes to integrated fixed-fee contracts and towards tech and payment stack.

Acquisitions happen only at the right value, as they did with Securens and FSS CashTech. We keep enough cash for the next 12, 18 months of expected needs, with the rest coming back to shareholders through dividends and where it makes sense through buybacks. To summarize what my team has told you earlier in the call, we are seeing good growth in our services revenue. Margins are strong at 25%+ . Cash generation is solid.

We remain focused on driving good quarter-on-quarter growth in Q3 and Q4 to build a good exit run rate for FY28. We are confident about where CMS goes from here. Thank you, and we now look forward to your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sooraj Nair from Acuitas Capital. Please proceed.

Sooraj Nair: Hello. Hi, team. I have a question on, I have two questions basically. First, between March 2025 and since March 2025, which is where the peak of the disruption on the cash channels seem to have happened, currency in circulation has grown an absolute 17%. Whereas your cash management revenues were flat in this period.

If I just saw the disruption on the ATM channel, if I remove the ATM logistics kind of revenues, which I guess are about 55% of this segment's revenues, then I want to understand how much did the retail plus currency in transit business grow in this period, since March 2025 to September 2026? I am looking at it on a TTM basis, just to be clear.

Also, on a going-forward basis, it seems like cash throughput and CIC might be not very good indicators of your growth and TAM because of your largely fixed price contracts. So, in this period, what has been the growth in the retail and currency in transit touchpoints, the absolute volume growth since March 2025 to September 2026? That is question one.

Question two is, in HAWKAI, while the competitive advantage in banking is clear, what really is the moat in non-banking channels versus competitors like, let us say, Aditya Infotech and Protech? There are a bunch, Magellanic Cloud, all of whom seem to have a classic hardware plus AI-based software surveillance system. So what is the right win for CMS in non-banking channels versus competitors? Those are my two questions.

Anush Raghavan: Hi, Anush here. Let me take the first one first, which is trying to -- I think you are on the right nuance, which is that the currency in circulation does not immediately have an impact on the business. I think it is a very important indicator of how, at the level of regulatory planning and in terms of estimation of currency demand and consumption, are different inputs coming together which lead to a forecast of increasing cash currency printing. I think at some level, that sort of shows the macro need for currency. To a large extent, that sort of tries to give you an indication of what is the demand side need.

If I try and attempt your answer, when you look at the newer business cuts that we had shared with you last year, which is ATM, retail, and tech and payments, the reason that we also moved into that cut is because we realized that with a lot of our incremental growth coming through integrated contracts, just looking at ATM touchpoints may not be the most relevant indicator of our growth.

That would show you that, and I know you asked for TTM, we will take some time to pull that data out, but if you look at it on a Q2 to Q2 basis, year-over-year, ATM solutions and retail solutions as a whole grew by about 10% between last Q2 to this Q2.

If you are saying that currency grew by 13%, I think that is the closest approximation we can give you to how our businesses have performed in that period. You are also well aware that there are multiple other overhangs on the business side, especially around availability of currency.

Most of this first half has been punctuated by industry as a whole. I say industry, it is our industry, it is the customers, retailers, being involved in a lot of hectic discussions and negotiations on the pricing aspect. When something like this happens, obviously, volume takes a bit of a back step because contracting for incremental volumes can only happen once there is clarity on pricing.

At the end of Q2, when we had closed on most of the contracts on the retail and private side, we think we will work in Q3 and Q4 to get the volume lever back again. That is the first question.

To your second point, and I think you have spoken about this, especially in RMS and HAWKAI, our right to win is really the fact that as a market leader working primarily with BFSI as the focus, banks want a counterparty with whom they have a high degree of trust and relationship and have the regard for being able to execute large, complex solution-based orders with a high degree of quality execution across the country and uptime, which is unparalleled. That really is what got us to the market leadership position from starting this business four years back to now.

As we are moving beyond BFSI into other services, the scale that we have across the country, the AI use cases that we've been able to build up, and our ability to work across a range of non-BFSI. We've, for example, given you some illustrations in the past of working with quick commerce. Since then, we've expanded beyond that into gold loans, NBFCs, manufacturing, for example. I think in all of this, we take a very segment-wise approach of perfecting the use case and then going very deep to penetrate the segment as such.

Rajiv Kaul: If I can also add on the questions you asked, I don't want to refer to a particular specific competitor or an industry player, but we've sort of built an end-to-end stack between both the hardware and software. Our HAWKAI software platform is very robust. It's robust because it is now running on a large estate at CMS, the number of sites we cover.

While your point on right to win at BFSI is very valid, and that's where we started from, we now think we have a platform which can move horizontally across industries as we build our software stacks. The industries which make sense to us are the ones where there is a lot of distribution

coverage, because going and selling this, let's, for example, in a smart metro city may not make sense to us.

It will make sense to us if you've got thousands of retail stores or NBFC branches or bank branches. That's where you need the composite level of hardware, software, and distribution, because things break down, and you need a company with a national network to be able to run and manage it.

We use a lot of our current infrastructure from our managed services business to be able to handle it. We have moved into the EV space, and I think we have a couple of other large industries which we are looking to enter from HAWKAI. I think it's a very large overall TAM, and you will see fragmentation and different companies with different wins and different approaches.

I think for us, we are looking at where are we seeing the most traction and where are we delivering the highest value, and then we try and scale that up to make sure we have a very good market share in that particular sub-vertical.

Sooraj Nair: I understand. Thanks, Anush and Rajiv, for the answers. A quick follow-up. On this, I understand that your competitive advantage on banking and all. I am trying to get a more concrete sense, like when you are sitting across the table competing with others, right?

Again, no names, but let us say within your target segment, which is essentially large format retailers and all those kinds of things, you might get a sense of where you are winning business, why you are winning business, and where you are losing business and why, right? I am trying to get a more concrete sense because, honestly, from our point of view, right? And okay, I should just talk for myself. All of this seems somewhat hyperbolic, right? Because everything is AI, everybody seems to talk about AI.

What really, in banking, it becomes very clear because you have been working with banks for long, and then, yes, that advantage is clear. But in non-banking, it is still a bit murky as to where you are in your business negotiations with customers, where are you seeing that you have an edge, and where are the areas that you think are areas of improvement?

That is one. And second, going back to currency logistics question that I had. Anush, correct me if I am wrong, but are you saying that the disruption in the ATM channel had a spillover effect into non-ATM channels like retail and all, and they also kind of puffed volumes? It is not clear to me what really happened. I was focused only on the non-ATM part of the Cash Logistics business, right? Because I just want to adjust for the disruption that happened in the ATM channel.

Rajiv Kaul: I want to finish the talk on HAWKAI, and then Anush can talk to you about the other parts. I think if you-

Sooraj Nair: Sure

Rajiv Kaul: go back to where do we win, where do we lose? I think fundamentally for any project, execution and getting it up and running, and running and delivering the alerts and controlling the risks is most important, right? I think I won't have stats on how others are doing operationally on that, but I think that's something which we are measured against by.

I think banking, just because of the severity and the nature of risk you're trying to manage at a branch or an ATM, is extremely rugged with extremely low tolerance of failure. It's not about going and managing a factory where you are doing perimeter security, right? It's very different than that. The alerts, the timeliness of the alerts, the resolution time is like in minutes. You don't have an hour or two hours to work on it.

So that gives your models, that gives your machine learning models, your HAWKAI platform, a lot of robustness. It fails sometimes, and you keep learning from it. When you compare it to some of the companies, and again, I will not refer to each company, I think where we stand out today, right? Again, you have to understand the technology, people can easily catch up. Where we stand out today is that we are very OEM agnostic.

We are not linked to a particular camera or an NVR device. We sort of plug and play. So for a lot of people who have made their investments earlier on into hardware in their locations, we built a platform where we can plug and play from a software into those devices, and we're able to give them far better quality monitoring, statistics, and tools and dashboards which they couldn't get earlier.

They had mostly, let's assume, in some cases, just dumb cameras where everything was getting recorded somewhere, but no intelligence behind it, and no proactiveness around preventing things from it. So we offer that. If you go back into, sorry, I've talked about the HAWKAI platform, so I think that's the way we build it. We are seeing a lot of interest in people wanting just our software platform for the hardware they may be doing on their own, and they don't need our hardware.

But when we lose, we lose for two reasons. I think one is the standard reason, and price, right? I think our price delta on what we like to work on is very different than what I see many other competitors end up pricing at. Maybe they've got a different cost structure, I don't know.

This is a very high segment of growth, and therefore competitive intensity is very robust, right? As it should be also. The other thing would be that if in a segment your stack hasn't initially delivered the right result, hasn't delivered the robustness, you have to sort of go back and rework on the software and sort of go back and fix it.

So typically, for any technical project or technology-related project, these are the issues. You win and lose basis the stack and the technical marks you get, but you'll always be competing with others. Some of them will have everything end-to-end. Some of them would be a system integrator who's putting a stack together of Indian or global components.

Sooraj Nair: Okay.

Rajiv Kaul: Sorry, Anush.

Anush Raghavan: Yes. Coming back to your point, Sooraj, I think as I said on the as I shared in our presentation also, specific to retail and the non-ATM parts of the business, you go back to our call at the end of Q4 or in Q1 of this year, we said on the retail business, we grew very strongly and aggressively from FY21 through FY25. FY26, towards the end of the year, we said we will be pruning down some of the points and weeding out some of the long tail.

The focus being how do you drive up productivity realization and yield improvements through that. Most of this year has been a continued focus on getting the price negotiations closed out. As a result of which, from a volume perspective, our numbers are quite steady. However, from a currency throughput in the retail channel on a same-store basis, we are up by almost 3.7%-4% year-over-year, on a similar cut-off, on a same-store basis.

Sooraj Nair: Okay. All right. Thank you, team, for answering the questions. Thank you.

Moderator: Thank you. The next question is from the line of Gaurav from Capital Farming Consultants. Please proceed.

Gaurav: Yes. Thank you. Rajiv and team, first of all, congratulations on a steady set of numbers in this challenging environment. Clearly from your commentary on this call as well as from the presentation, our focus has been on the cash generation and the return ratios that we are talking about. So, two questions from my side, specifically on focusing on this dataset only.

See, though you are claiming that free cash flow from operations is INR177 crores, but when we look at the H1 PAT, which is INR165 crores, and depreciation charge that we have accounted almost INR145 crores. The free cash flow must be on a higher side, but when we look at the cash flow statement, almost, I would say receivables have again consumed almost INR100 crores of numbers over there.

On the fixed assets, again, we have invested somewhere around INR150 crores as per the cash flow statement. So, some confusing statements are coming on. One, we are giving guidance on the capex side that during the FY27, we will be making capex of INR100 crores-INR125 crores, whereas within H1, we have almost made a capex of INR150 crores.

Second, we are saying that our focus is on cash generation, whereas whatever PAT we are generating, a major chunk of that is again getting consumed within the receivables. So, would like to get your view that what exactly, as an investor, as an analyst, we can expect that, why these contradictory statements or what would be the trajectory? Are we really focusing on containing the trade receivables within the range so that whatever PAT we are generating, that is not getting stuck in the receivables?

And that is actually coming as a free cash flow to the firm. That is the first question, right? Second question is that considering we have already spent almost INR150 crores in capex, and our guidance was INR100 and INR125, so what shall be the new guidance or the updated

guidance? Or if these numbers are incorrect in some way, either my reading or either the presentation, maybe you can correct on that.

Then I have two data set questions, like if any provision we have done during H1 or any write-off we have done in the receivables. If yes, then what is the amount? Second data set number is, if you can or the team can help me getting the numbers that what is our receivables between six months to one year, one year to two year, and more than two years? Yes, these are my questions. Thanks.

Pankaj Khandelwal: Yes. Thank you, Gaurav. See, I will first take the capex part. So, in the cash flow, you can able to see the INR149 crores of the cash flow in the cash outflow, out of which there is a three part to that. One is that during the last year, we have purchased one company called Securens, wherein we paid part amount last year and part amount this year. Around INR50 crores was paid in this year, which is part of this INR149 crores.

Apart from that, around INR50 crores or INR54 crores was moved from CWIP last year to capex this year. That is the reason this INR149 crores is including these two numbers. If I exclude this, the number is coming to around INR50 crores, which is H1, and we are giving a guidance of INR100 crores-INR125 crores, which is largely within that.

As regard the provisions are concerned, as we have guided that our risk cost is close to 3.5%-4.5%, which was earlier 6%, and we are within that limit only. This year, this H1 also, we are around 4% of that and which was provided. If you will see that cash flow, there is a separate line item which is the provision is there, which is around INR40 crores approximately.

Third item was about your AR. See, H1 is always be lower in collection, but this year we are focused much on the collection and that's the reason if you will see our cash flow, there is a much more collection from the AR and that's the reason the working capital requirement was much lower compared to last year. And last year, the net OCF was -INR117 crores, which was substantially higher in this year.

So that has resulted that the collection was much better and the AR is reducing. Approximately last year versus this year, last year H1 versus this year, there is a DSO improvement of around 18 days, which is there.

Gaurav: Okay. Hello?

Pankaj Khandelwal: Sorry, does that help you understand this or is there any pending question?

Gaurav: No, no, I think there are two, three gaps into this. Like I asked that on the CapEx INR150 has been spent and I think Mr. Khandelwal said that the consideration for acquisition of business, but in the cash flow statement against the purchase consideration paid for acquisition of business, that is blank over there. So, that is not matching up. Second thing, when we are saying that the DSO has been improving, right?

But vis-a-vis, if we look at the number, that the absolute number that has been increasing, though, H1, like you are claiming that it is not so good in terms of collection. So, can we expect that during H2, you will be able to collect the receivables in a much more faster way and then we can see the absolute number of free cash flow to the firm improving? I think the numbers on the six months to one year, one year to two year, and more than two year, that is yet to be shared.

Pankaj Khandelwal: Yes. So, coming to the capex thing, as I explained to you that Securens have purchased, we have not purchased the company, we have purchased the assets. That is the reason it is not coming in the acquisition. It is coming in the purchase of the property, plant, and equipment, not in the acquisition. So, we purchased the contract, we purchased the asset, etcetera.

Apart from that, if you see the next line item, which was the purchase consideration paid for the acquisition of the business, which is in the last year, so same cash flow, that was Securens. We have purchased a company called Securens, where we have purchased the share from them. That is the reason that is coming in the acquisition. This is coming in the purchase of the property, plant, and machinery, and intangible assets.

So, that is the number one item. As regards your AR is concerned, yes, as I explained to you that our collection, historically, our collection in the H2 is always better than H1. This year, we focused much on the collection. That's the reason our AR is comparatively lower. Say, if you see the last year versus this year, there is a substantial improvement in the H1 AR itself.

That's the reason last year AR DSO versus this year AR DSO, there is an improvement of around 18-20 days. We are hopeful that by end of the historically, we have collected more in the H2, and this year also we will collect more in the H2.

Gaurav: Okay.

Pankaj Khandelwal: As we got right now, I don't have the numbers for the aging right now, but if you will see my the aging has not changed much. If you see my balance sheet, which was already available in the public domain, you can able to see in the notes to accounts, the entire aging statement in that statement, that entire aging is there, from 0 to 365 days and above, and everything is there.

Generally, we have an ECL method wherein anything which is more than a particular time bracket is being provided, and it is monitored regularly and evaluated by the auditors every quarter, and based on the provision is made. That's the reason you can able to see in the provision of around INR40 crores was made, which is already in the cash flow and balance sheet, you can able to see that.

Gaurav: Yes. So, if you allow me to follow up within this, because since you mentioned the annual report reference, this question came from that angle only. Within that latest annual report that was published, one to two-year segment or aging bucket, almost INR151 crores was supposed to be collected.

So, if that aging is not readily available as of now, as on 30th of September 2026, would you be able to tell if that out of this INR151 crores, which was due for more than one year, one to two-

year bucket, if that has been collected or some portion or what portion or not yet collected? Is any clarity on that at least?

Pankaj Khandelwal: It is not with seen on the standalone basis. What is happening, what is the AR which we have billed for, that is coming in whatever the bracket is there, 150, 365 days or whatever is there. But sometimes the amount whatever is collected is not apportioned to that. Like suppose if I have billed for one customer for say, five bills of say INR5 crores or INR25 crores, the customer has ad hoc paid me INR20 crores.

Still my bills will continue to show five into INR25 crores in that bracket, and whatever the collection we have received will show in the collection, unadjusted receipt. That is one part. Secondly, whatever provision we are making, that is also sitting in a one group only. That is also to be apportioned to that.

Anything, most of the item which is more than say 330 days, we have generally been 100% provided for, or we have a 100% confirmation from the customer that it will be paid. Anything which is more than 330 days is already been provided for, already collected for, or customer has already confirmed that for this reason, they will pay me at later date.

This is a subset of the ECL I am explaining to you. There is a multiple way out to calculate the ECL. For every bucket, we calculate the ECL based on last 10 years data, and based on that, we provide for that. And that is the reason you see that every year, we are providing approximately 4% of the provision and all this thing.

Gaurav: No, I understood your provisioning, but I think my question was clear-cut, and I am sorry to say, but the answer is not to the point. That if out of that 150, like you explained, and I also understand the accounting, and when someone is making a payment, how the adjustment is being done. But if out of that 150, how much has been paid, received, or yet to be received, but that clarity is not there.

But nevertheless, if you allow me a clarity within this, that since you operate in multiple segments like tech and digital, cash in transit, right, ATM operations. Can you give me a clarity that out of all of these businesses, in which business you get payments more frequently, and which are the businesses or which are the kind of clients which take so much of time?

Like our DSO is almost four and a half months, right? There must be some segment in which you are getting the payments within a month, or some would be where you are getting, or not even getting payment within six months also, right? Can you give some that qualitative guidance on this, that what kind of segments where you get earlier and where you get stuck? That is all from my side. Thank you.

Pankaj Khandelwal: There is a two part to that. One is that the customer. Customer is very important. Irrespective of the segment, the customer is very important. Generally, public sector banks or public sector undertakings are taking much more time than the private sector. Approximately 30- 60 days difference between the public sector undertaking or public sector banks versus the private sector bank, irrespective of the segment.

Second part is the segment where we perform. Like segment is there, like suppose if I am giving a complex solution to any of my customer, which takes the longer time from my delivery to execution and final acceptance from them, there is a cycle is much longer.

As we go, there is a like, if I will take example of one of my customer, where we have to develop lot of AI-related modules for them, which takes longer time, the AR will be much longer for that. We will recognize the revenue based on the accounting standard basis that how much work we have done and based on that we have recognized that.

Rajiv Kaul: I think, if you think about some of our larger integrated contracts which have a project element, payments take longer because the full approval and execution takes longer. Some banks may pay you after you finish 95% of the project, some may start paying you at 60%-70%. But generally, as a public sector bank, because a lot of approvals and payments are actually linked to the circles, they are not at a central level, we tend to spend more time in collections than it would be on the private side.

That is where we usually see a gap of like Pankaj said 30, 45 days average. Between the three different businesses, ATM, retail, and HAWKAI, I actually do not know the respective DSOs there. I do not think it is linked to the business segment. It is more linked to the nature of the customer.

Gaurav: Yes, thanks. Thank you very much.

Moderator: Thank you. The next question is from the line of Keshav Garg from Counter Cyclical Investments. Please proceed.

Keshav Garg: Yes, Rajiv, if I look at your cash flow statement consol, there are some items which are repeating themselves, impairment allowance for bad and doubtful receivable and bad debt written off, which is INR22 crores in H1. Last full year it was INR24 crores, year before it was INR37 crores. Similarly, ATM cash shortage and claims provision, it is INR22 crores in H1. Last year it was INR62 crores, year before it was INR52 crores.

The same numbers are more or less, we can see them in the other expenses also in the annual report. Basically, when these items, when these are reoccurring in nature and they are not one-off, then the question is why are we adding these items to arrive at the operating cash flow? Sorry, I meant EBITDA, operating profit.

Pankaj Khandelwal: See, it is definitely this expenditure is considered as an expenditure for calculating the EBITDA. I do not know how you are considering that is not part of the EBITDA. EBITDA is always considering after considering all this as an expenditure. As these are the non-cash items, I have to add in the provision itself in the cash flow. EBITDA part, yes, EBITDA is always after this expenditure.

These are considered always the expenditure, whether it is provision or it is actual loss, it is considered, the EBITDA is considered after that. EBITDA is net of these numbers. As regard

these items are non-cash and this is already part of my movement in the receivable, so net it off, it is considered that cash flow properly.

You have to work the increase, decrease in the receivable and this item and then adjust this and then calculate the net impact on my cash flow. It is always we are showing it, otherwise it is net impact only. The other option is that I am showing, say, INR100 crores has gone in the trade receivable, out of which INR45 crores is I am providing, so net is only INR55 crores. You can consider it that way.

Keshav Garg: Basically, if we see last year FY26 other expenses in the annual report, trade receivables written off is around INR26 crores. This is by and large and INR24 crores we are provisioning for bad debts in the cash flow statement. You, see? Actually, there is an outflow.

Pankaj Khandelwal: Sorry, say again.

Keshav Garg: What I am trying to say that if you look at your cash flow statement of FY26, then you can see that there is a provision for impairment for doubtful receivables and bad debts written off of INR24 crores, right? This is for FY26. Now, in FY26 other expenses, under the same heading, you can get the same, by and large, the same number. Trade receivable written off is INR26 crores, right? In other expenses.

My point is that when you are saying it is a non-cash expense and that is why you are adding it back in the cash flow statement to arriving at operating profit before working capital changes. My point is when there is an actual outflow, then I mean, it is no longer just a book entry, it is an actual outflow.

Pankaj Khandelwal: But it is recorded that, no? That whatever the bad debt is happening, or I am making that is out of as against my provision, so that is accounted on that basis.

Keshav Garg: See, my point is that if every year INR26 crores

Pankaj Khandelwal: No, no. When you consider these two items, whatever the provision I'm making and whatever the bad debts I'm doing, you have to net it off both.

Keshav Garg: So see, that's my point that if every year there is an actual outflow of INR26 crores due to bad debts written off. It's not that we are just provisioning for it and it is not materializing. There is an actual outgo, you see. Then it stops becoming a one-time item, you see. If it's a one-time INR26 crores bad debt, then it makes sense to add it back to arrive at the operating profit.

But if it is a reoccurring number, it's a regular expense item, then probably it is not prudent to keep on writing it back in the cash flow statement to arrive at the operating profit before working capital changes. I hope I'm making sense to you.

Pankaj Khandelwal: Whatever we are showing is net of the Whatever we are adding in the cash flow is net of only the provision part.

Keshav Garg: Okay, let me-

Pankaj Khandelwal: If you see the other expenditure, other expenditure has two line items and net amount is being shown. Other expenditure have two different line items.

Keshav Garg: Okay, let me rephrase this. Why are we provisioning such a high amount, INR24 crores in FY26 and INR37 crores in FY25 for bad debt and provision written off?

Pankaj Khandelwal: Sir, that is the business what we are doing. That is, we are right now doing the business of the risk management, and we have to provide based on the ECL provisioning, as I explained in my earlier person, that we are making the provision for that. Based on the ECL, what is the likelihood to be amount which we may not able to receive, and based on that, we provide for that.

After that, the reconciliation with the customer takes longer time, as we handle around INR14 lakh crores. The reconciliation takes longer time, and when it close, then we accept that deduction, and which will provide as a bad debts, or we provide for the cash shortages or claim provision. Against that, we adjust that and net amount is being shown.

Rajiv Kaul: I think, let me try and give you a little higher-level view of this. We have, I think, explained this in our earlier years. There is a risk cost of doing this business. We handle about INR14 lakh crores of cash. Whatever you are seeing here is also a provision which we are doing net of any write-offs, right? That is roughly a 4% what we are to do. This has been consistent in the way we have reported our numbers.

We, so actually, I am sorry, we are not able to really understand your question better, and I am happy to have our team sit with you and explain this to you or understand your point of view separately. I would recommend we move to the next call and maybe come back to you later again at the end of the call to see if we can understand that differently.

Pankaj Khandelwal: Yes, you can send-

Rajiv Kaul: You can send-

Pankaj Khandelwal: Your details to our IR team. We will get back to you. If anything-

Keshav Garg: Yes, we can do that. Thank you. My second question is that if the-

Moderator: Sorry to interrupt you, Mr. Garg, but please rejoin the queue for follow-up. The next question is from the line of Akhilesh from NorthStar. Please proceed.

Akhilesh: Yes. Sir, can you guide us on what will be the absolute number on depreciation in FY28 and '29 without us doing any new acquisitions?

Rajiv Kaul: We can try and calculate it. I mean, I think we. Give us a minute. You have any other question?

Akhilesh: Yes. Also, we changed the useful life of our machines, I think, from seven years to 10 years as a policy in the annual report. Can you also quantify the impact that has had in terms of depreciation in Q2? On a full year basis, how much are we saving on depreciation due to this policy?

Rajiv Kaul: I think the depreciation was last year, not this Q2. That was in last year from what I Pankaj can confirm, but that was done last year itself.

Pankaj Khandelwal: That was in FY26 in Q2 or Q3.

Rajiv Kaul: Q2, Q3 last year.

Pankaj Khandelwal: Q2, Q3 of the last year, actually.

Rajiv Kaul: There is no new incremental change because of that in this quarter.

Akhilesh: Yes, it is not in this quarter, but on a quarterly basis, how much has that affected us? That is what I want to understand.

Rajiv Kaul: We will calculate and come back to you. We will calculate and come back to you. I mean, I do not know if you have…

Pankaj Khandelwal: So, as we discussed in this call also, there is a peak depreciation which we see, because we have acquired this company, FSS, on the 1st of April itself, and our capex is reducing. Last year, we have done a capex of close to INR350 crores approximately, and this year capex we are guiding for around INR100 crores-INR125 crores. So, this we believe should be the peak depreciation during this period.

Rajiv Kaul: Roughly you want to talk about? Do you take INR125 crores depreciation or sorry, capex of this year, you apportioned it over a period of-

Pankaj Khandelwal: Some part will already be depreciated or for the which we have done past. It is a peak depreciation, should be closer to the peak depreciation. Say, 5%± depreciation, what you will

Rajiv Kaul: Our team thinks it is going to be closer to a INR300 crores depreciation next year. I am sorry, this is a question which we can come back and answer to you next quarter.

Pankaj Khandelwal: This year was INR146 crores, right, this quarter? This quarter, this H1 was INR146 crores. Similarly, I am saying that 5%± you can assume for next year as well.

Rajiv Kaul: Yes. So, INR145 crores into two, INR290 crores, so about INR300 crores roughly is what we are thinking about. Yes.

Akhilesh: Sir, couple of other questions. One was HAWKAI has hit or the tech vertical has hit an ARR of INR500 crores. What is next for this vertical according to you in FY28-2029? The second one was on capital allocation. We have mentioned that we will return cash beyond the needs of 12-

18 months. Is there any acquisition which is looking very imminent to you in the next 12-1 8 months? What would be the plan with the cash we have accumulated?

Rajiv Kaul: I think this is something which we review and discuss, but this is a better question for end of fiscal years, and not like every quarter. We have been paying fairly regular dividends. I think that will continue. We did a buyback earlier in the year. Are there acquisition company targets we keep evaluating?

Absolutely. Is there something which we can talk to you about today? No. Coming to technology and the HAWKAI segment, we are evaluating. Well, first, I mean, that business has grown at a fairly rapid pace. That consumes a lot of effort and energy and investment. We always are looking at newer sectors to start building our stack and try.

I think as a team, we generally would like to wait to have those wins and then talk about and not sort of forewarn you or forewarn others about the sectors which we are trying to build a stack in. We've had interest broadly on the technology and payments infrastructure space. We have talked about it. We have looked at companies in that space before.

If and when we can find something at a price point and valuation which sort of meets our risk-return guidelines, we would then look at transacting on that for expanded growth of that sector. HAWKAI, again, could have acquisition opportunities for newer sectors, to expand into new sectors. Broader in the technology solutions side, we continue to look for companies in India which are doing work around the payments infrastructure side.

Pankaj Khandelwal: Okay. More clarification that you have asked for the impact of the change in the life of the assets last year. If you go to our balance sheet at page number 168, which shows that the impact of change in the life is INR4.7 crores. The depreciation impact of…

Akhilesh: For the quarter or is it for the whole year?

Pankaj Khandelwal: Total impact, INR4.7 crores. Page 168 of the Annual Report last year.

Akhilesh: Okay. Thank you for the opportunity.

Moderator: Thank you. The next question is from the line of Banothu Shivaramprasad, an Individual Investor. Please proceed. As there is no response, I am taking the next question from the line of Akshit Shetty, an Individual Investor. Please proceed.

Akshit Shetty: Hi, sir. Good afternoon. My first question is on EBITDA margin. I see the margin has improved from around 24% in first half of '26 to 27% in first half of '27. But I also noticed that the lease payment have also increased from INR32 crores in first half of '26 to approximately INR54 crores in first half of '27. Also, there is an ESOP-related expenses of around INR9 crores in first half of '27 compared to only just INR1 crores in the first half of '26.

So on my rough math calculation, sir, after adjusting for these two, the margin is about 22% in the first half of '27 against the 21.5% in first half of '26. So, sir, I just wanted to understand how

much of this margin improvement is coming from actual operating efficiency and how much is due to accounting or lease-related movements.

Pankaj Khandelwal: The business what we are in is integrated contract what we take, including the BLA contracts or the contracts wherein the lease accounting etcetera to be made. We are doing the lease accounting basis the accounting standard. This year, as we explained that in the H1, there is a substantial disruption because of the currency supply, which has resulted in decline in our revenue as well as the profitability.

That has resulted in somewhat reduction in our profit or EBITDA. However, you can calculate the accounting this basis because this year we have acquired the company called FSS, where there is a lot of businesses related to that, where the integration is taking place. Once that is stabilized, it will further improve. What we calculate is EBITDA, which is after considering all this aspect, and after that, we have EBIT as well as we are also declaring the PAT for that.

Akshit Shetty: Okay. But any idea how much is coming from actual operational efficiency? Say, total from total EBITDA amount, what percent is coming from operational efficiency? If you give some rough idea then.

Pankaj Khandelwal: These are all operational. All these leases are not- These leases are part and parcel of the business. It is not that these are not operational. These are the operational thing. If you want to calculate after the lease, you can calculate that number also. Even that number is also improved significantly. Even after there is a significant impact in our particular that type of business, but that number, as you also explained, there is a substantial improvement in the EBITDA in H1 of last year, H1 of this year as well, on that basis as well.

Akshit Shetty: Okay, got it. My second question is related to FSS acquisition and customer loan only. I wanted to understand if loan given to a customer, the outstanding loan was around INR58 crores in March '26, and has increased to approximately INR64 crores in September '26. During the first half of '27, I can see that around INR18 crores was disbursed and approximately INR12 crores was repaid. Is this the same customer who also has outstanding trade receivable with CMS, and are the regular payments and the loan repayments-

Moderator: Sorry to interrupt you, Mr. Akshit, but due to time constraints, that was the last question for today. I now Okay…

Pankaj Khandelwal: Please let us complete the question. This is the same customer. As we explained in two, three calls back that the customer, whatever the outstanding or due amount as on March 31st was considered as a customer loan given to customer. Apart from that, after that INR18 crores was, which was already due, which was already outstanding on 31st March, this become due in the first quarter of FY27 was INR18 crores.

So, INR58 crores was the last year number. INR18 crores is the this year, which was already there in the 31st March and added that to 58 plus 18 or 57 plus 18, which becomes 75. Out of which they already paid me INR12 crores. So, net outstanding is INR63 crores or INR64 crores. Same customer.

Akshit Shetty: Okay, got it. Okay, got it.

Moderator: Thank you. Ladies and gentlemen, due to time constraints, that was the last question for today. I now hand the conference over to the management for closing comments.

Anush Raghavan: Thank you everybody for your participation on the call and the questions that were asked, especially considering it is a Saturday afternoon. I know some of you may have further questions. You are welcome to reach out to our IR team for a follow-up, and we will try our best to answer to those questions. Thank you once again.

Moderator: Thank you very much. On behalf of Elara Securities and CMS Info Systems, that concludes this conference. Thank you for joining us, and you may now disconnect your lines. Thank you, everyone.