

CMS Info Systems Limited (CMSINFO)

CMS Info Systems reported a 15% YoY increase in consolidated revenue to Rs.624 crore for Q2 FY25, driven by a 28% rise in Managed Services and Technology Solutions and an 8% increase in Cash Logistics. EBITDA grew by 8% to Rs.90.4 crore, with a margin of 14.5%. PAT also rose by 8% to Rs.84 crore. CAPEX was lower than expected at Rs.30 crore due to order book execution delays. Trade receivables increased, with Rs.175 crore linked to delayed payments from a major banking project. Operationally, Cash Logistics expanded its network by 11%, though revenue growth was affected by muted consumption trends. Managed Services secured Rs.200 crore in new orders in Q2, but execution delays impacted revenue. The company plans to invest in capacity building, growth initiatives, and M&A activities, with mid-term growth expected from rising ATM interchange rates and potential outsourcing by PSU banks. Concerns include order execution delays, muted consumption trends, and reliance on the banking sector. CMS aims for a robust return on capital in the mid-20s and is optimistic about improved performance in the second half. Management withheld specific revenue guidance for FY26.

Financial Summary

Financial Summary							
Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net sales	13,061	15,897	19,147	22,647	26,443	29,531	32,476
EBIDTA	2,936	3,997	5,378	5,995	7,282	8,562	9,528
Margins(%)	22.5	25.1	28.1	26.5	27.5	29.0	29.3
PAT (adj)	1,685	2,240	2,973	3,471	3,941	4,389	4,867
Growth (%)	25%	33%	33%	17%	14%	11%	11%
EPS	11.39	15.06	19.32	21.33	23.82	26.10	28.94
P/E (x)	44	33	26	23	21	19	17
P/B (x)	8	6	5	4	4	3	2
EV/EBITDA (x)	20	15	12	11	9	8	6
RoE (%)	17	18	19	18	17	16	18
ROCE (%)	21	24	26	23	23	24	24
RoIC (%)	14	16	20	19	20	21	22
Net Debt	-2,885	-2,240	-2,568	-3,014	-2,660	-2,667	-2,889

Source: Dalal and Broacha

Source: Dalal & Broacha Research

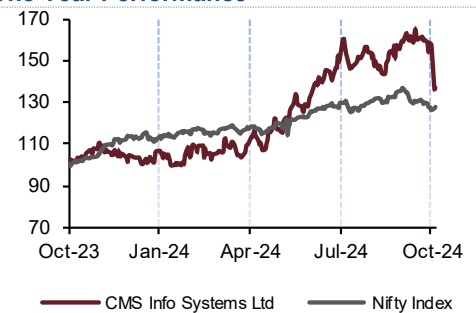
Rating	TP (Rs)	Up/Dn (%)
BUY	560	12

Market data

Current price	Rs	502
Market Cap (Rs.Bn)	(Rs Bn)	82
Market Cap (US\$ Mn)	(US\$ Mn)	974
Face Value	Rs	10
52 Weeks High/Low	Rs	616.5 / 355.1
Average Daily Volume	('000)	2,888
BSE Code		543441
Bloomberg		CMSINFO .IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-24	Jun-24
Promoters	0	0
Public	100	100
Total	100	100

Source: BSE

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Conference Call Highlights

Current Financial Performance (Q2 FY25 vs. Q2 FY24):

- **Consolidated Revenue:** Rose by 15% to Rs.624 crore, driven by a 28% growth in Managed Services and Technology Solutions, along with an 8% increase in Cash Logistics.
- **EBITDA:** Increased by 4% to Rs.90.4 crore. The decline in EBITDA margin was due to increase in contribution of Product business from 3% to 12%.
- **PAT:** Up by 8% to Rs.90.9 crore.
- **PAT Margin:** Declined to 14.5% from 15.5%, owing to investments for future order execution and subdued consumption trends affecting realizations.
- **Capex:** Substantially lower at Rs.30 crore against the projected Rs.100-150 crore for H1 FY25, due to delayed execution of the order book.
- **Trade Receivables:** Increased, with Rs.175 crore attributed to payment slippage from Q2 to Q3 for a key project with a large bank.
- **Provisions:** Reduced to 4.3% of revenue from 5.1% in FY23, remaining within the guided range of 4-5%.

Segment Performance (Q2 FY25 vs. Q2 FY24):

- **Cash Logistics:** - Revenue grew by 8% to Rs.390 crore. EBIT increased by 2% to Rs.97 crore. EBIT margin at 25%. Business points expanded by 11% to 143,000
- **Managed Services and Technology Solutions:** -Formalization of the economy, rising consumption, increased outsourcing in the BFSI sector, and growth in new business lines.

Operational Performance:

- **Order Book:** Obtained new orders worth Rs.200 crore in Q2 FY25, totaling Rs.400 crore for H1 FY25. However, only 15% of the Rs.1600 crore orders secured over the last four quarters have been executed due to delays, mainly from bank-dependent technical testing and integration issues, especially in the PSU bank space.
- **Network Expansion:** Cash Logistics: Touchpoints grew by 11% to 143,000. - Managed Services: Collaborating with 60 direct clients in retail, up from 40 in March.
- **New Business Incubation:** - AIoT RMS: Scaling effectively with multiple retail pilots, in addition to BFSI. - Bullion and CID Businesses: Demonstrating positive growth.
- **Cash Handled** was 3.46 lakh crore vs 3.23 Lakh crore, 5% up YOY

Future Outlook

- **FY25 Revenue Guidance:** Targeting the midpoint of the earlier provided range of Rs.2500-2700 crore. Still aiming to double revenue from FY21 to FY25.

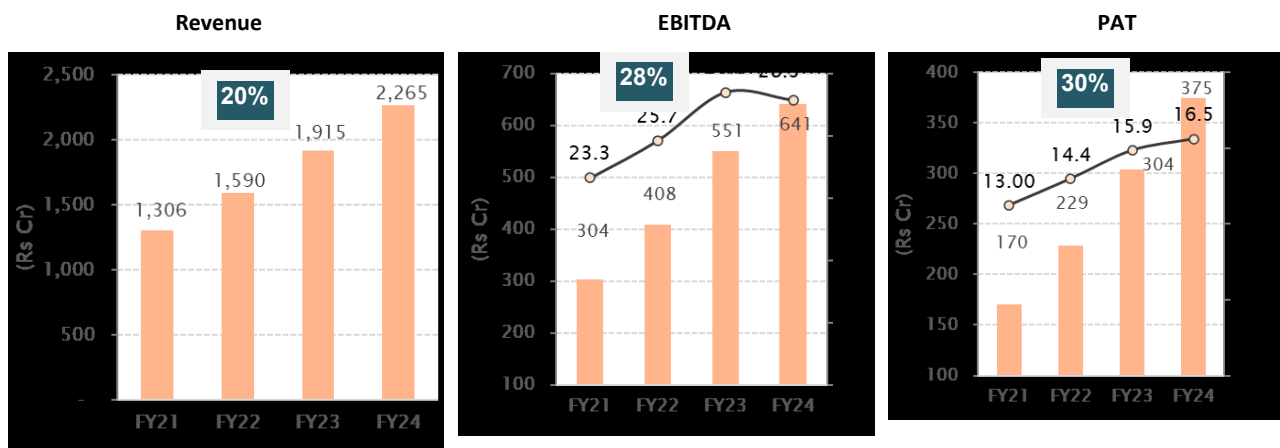
Quarterly Consolidated Financial Performance

Quarterly Consolidated Financial Performance

<i>Particulars</i> <i>(All figures in INR Mn)</i>	Q2'FY25	Q1'FY25	Q-o-Q	Q2'FY24	Y-o-Y
Operating Income	6,245	5,994	4%	5,437	15%
Expenses	4,716	4,472	5%	3,981	18%
Operating EBITDA	1,530	1,523	0%	1,456	5%
Adj. EBITDA	1,634	1,639	0%	1,573	4%
EBITDA Margins (%)	24.5%	25.4%	(90 bps)	26.8%	(230 bps)
Adj. EBITDA Margins (%)	26.2%	27.3%	(110 bps)	28.9%	(270 bps)
Finance costs	52	37	39%	41	28%
Depreciation and amortisation expense	389	388	0%	364	7%
Other Income	137	115	19%	83	64%
Profit before tax	1,225	1,213	1%	1,135	8%
Tax	316	305	4%	292	8%
Profit After Tax	909	908	0%	844	8%
Adj. Profit After Tax	967	985	(2.0)%	923	5%
PAT Margins (%)	14.6%	15.1%	(50 bps)	15.5%	(90 bps)
Adj. PAT Margins (%)	15.5%	16.4%	(90 bps)	17%	(150 bps)
Other Comprehensive income for the year	(2)	(2)		2	
Total Comprehensive Income for the year	908	906	0%	845	7%

Source: Company, Dalal & Broacha Research

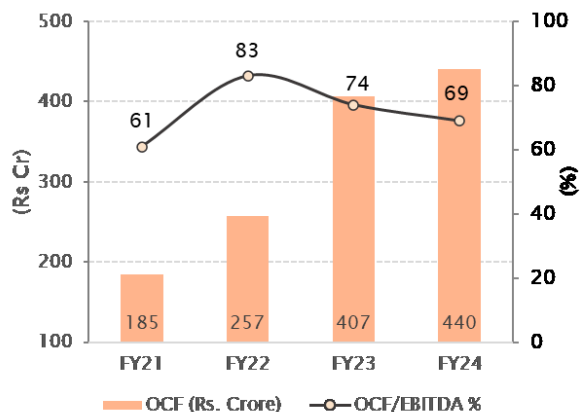
Track record of delivering high revenue and earnings growth



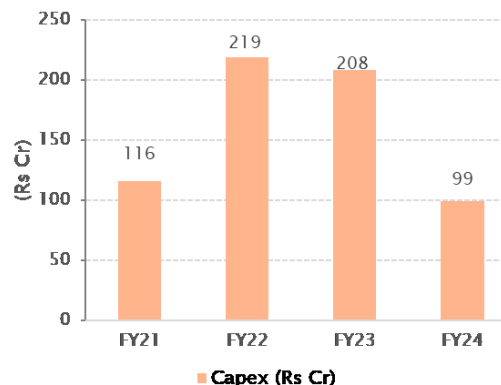
Source: Company, Dalal & Broacha Research

High cash flow generation with strong capital allocation discipline

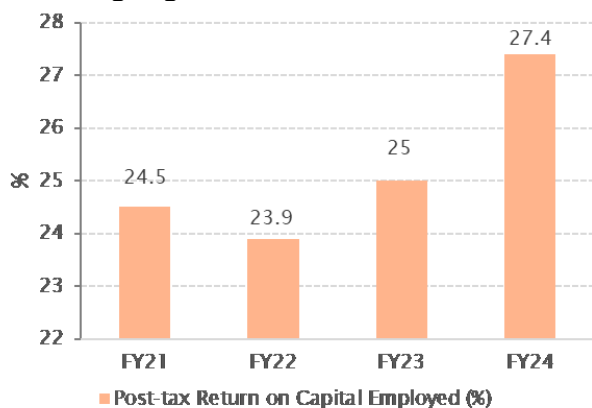
Strong cash flow generation...



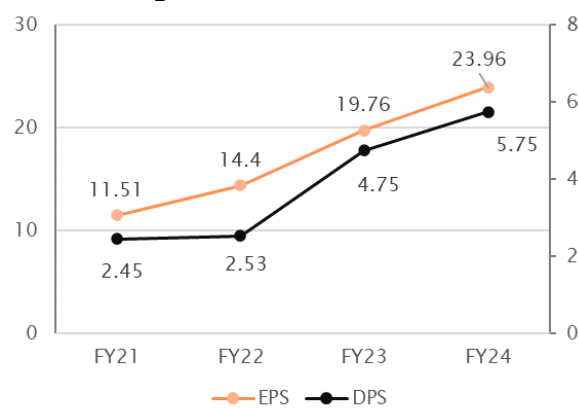
...reinvesting for growth...



...delivering high RoCEs...

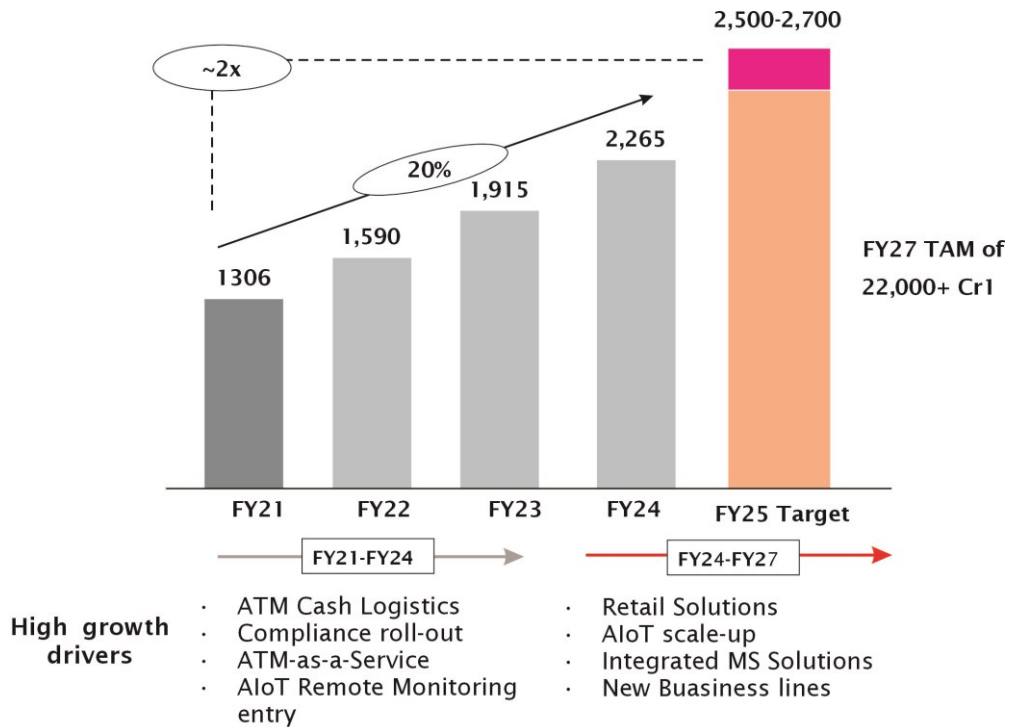


...increasing dividends

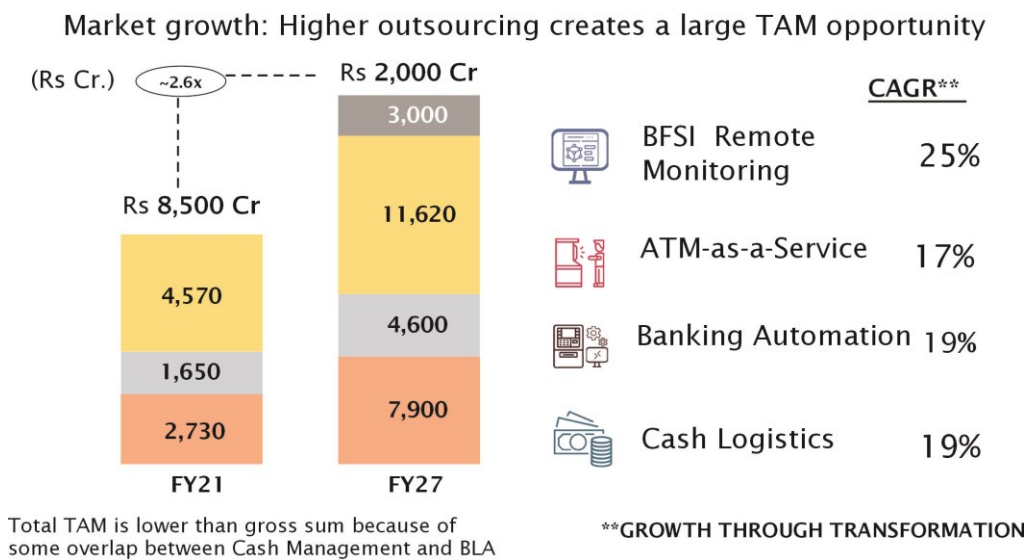


Source: Company, Dalal & Broacha Research

FY25 revenue outlook to be in the upper-end of the 2x target range



Market growth: Higher outsourcing creates a large TAM opportunity



Source: Company, Dalal & Broacha Research

Valuation & Outlook

CMS Info Systems is strategically focusing on increasing its market share amidst a competitive landscape, despite facing challenges in the last quarter due to external factors like elections and slower consumption rates. The management aims to meet its revenue guidance for FY25, targeting ₹2,500 to ₹2,700 crore while maintaining a Return on Capital Employed (ROCE) above 20%. Given the current scenario, CMS Infosystems commands a premium multiple compared to its peers due to its robust order book and diverse product portfolio catering to banks. We anticipate that the second half of FY25 will outperform the first half in terms of execution. In our view, CMS Infosystems is integral to the banking system.

At CMP of Rs 500 the stock is trading at 20x/18x FY26E/FY27E expected EPS of Rs 26/29. We maintained our rating to BUY with a Target Price of Rs 560 (20x 12-month Fwd PE multiple).

Financials

P&L (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Net Sales	13,061	15,897	19,147	22,647	26,443	29,531	32,476
Operating Expenses	-5,613	-6,254	-6,562	-8,083	-9,100	-9,792	-10,706
Employee Cost	-2,016	-2,315	-2,649	-3,321	-3,932	-4,333	-4,716
Other Expenses	-2,496	-3,330	-4,559	-5,248	-6,128	-6,843	-7,526
Operating Profit	2,936	3,997	5,378	5,995	7,282	8,562	9,528
Depreciation	-635	-918	-1,318	-1,502	-1,771	-1,977	-2,176
PBIT	2,301	3,079	4,059	4,493	5,511	6,585	7,352
Other income	158	79	147	340	260	274	336
Interest	-82	-144	-196	-162	-186	-208	-229
PBT	2,377	3,014	4,010	4,671	5,585	6,651	7,458
Profit before tax	2,377	3,014	4,010	4,671	5,302	5,906	6,548
Provision for tax	-692	-774	-1,038	-1,199	-1,361	-1,516	-1,681
Profit & Loss from	-	-	-	-	-	-	-
Reported PAT	1,685	2,240	2,973	3,471	3,941	4,389	4,867
MI	-	-	-	-	-	-	-
Owners PAT	1,685	2,240	2,973	3,471	3,941	4,389	4,867
Adjusted Profit	1,685	2,240	2,973	3,471	3,941	4,389	4,867
EPS	11	15	19	21	24	26	29
Balance Sheet (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
Equity capital	1,480	1,532	1,544	1,628	1,655	1,682	1,682
Reserves	8,365	11,030	14,081	17,840	21,858	26,248	31,114
Net worth	9,845	12,561	15,625	19,468	23,513	27,929	32,796
MI	-	-	-	-	-	-	-
Non Current Liabilities	1,136	1,678	1,745	1,602	2,167	2,533	2,776
Current Liabilities	5,137	4,318	3,642	5,516	5,998	6,627	7,205
TOTAL LIABILITIES	16,119	18,557	21,012	26,585	31,678	37,090	42,777
Non Current Assets	6,315	9,012	10,230	10,404	12,668	15,105	17,267
Fixed Assets	4,352	6,140	7,070	6,983	9,035	11,035	12,938
Right of Use Assets	1,211	1,800	1,826	1,558	1,747	2,103	2,352
Financial Assets	239	331	656	1,081	1,094	1,165	1,165
Deferred Tax Asset	248	304	369	390	390	390	390
Advances	99	226	196	206	206	206	206
Other Non Current Assets	166	210	112	187	196	206	216
Current Assets	9,804	9,545	10,782	16,136	18,907	22,312	25,337
Current investments	1,123	1,235	2,455	4,251	5,251	7,251	9,251
Inventories	895	635	742	1,269	1,481	1,654	1,819
Trade Receivables	3,491	4,993	5,260	7,197	8,403	9,385	10,321
Cash and Bank Balances	1,945	1,418	1,563	1,590	2,716	2,889	2,642
Advances	-	-	-	-	-	-	-
Other Financial Assets	1,916	276	30	99	99	99	99
Other Current Assets	434	988	733	696	1,059	1,207	1,378
TOTAL ASSETS	16,119	18,557	21,012	26,585	31,678	37,090	42,777

Cashflow (Rs mn)	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
PBT	2,377	3,014	4,010	4,671	5,302	5,906	6,548
Depreciation	635	918	1,318	1,502	1,771	1,977	2,176
Net Chg in WC	-979	-1,366	-1,318	-1,661	-743	-605	-577
Taxes	-569	-976	-1,049	-1,228	-1,361	-1,516	-1,681
Others	390	974	1,106	1,116	1,325	1,456	1,533
CFO	1,853	2,565	4,068	4,400	6,293	7,218	7,999
Capex	-551	-2,840	-1,933	-1,084	-2,053	-2,000	-2,000
Net Investments made	-5,879	-9,293	-12,650	-16,977	-2,487	-3,500	-3,500
Others	4,936	8,870	11,357	14,810	-	-	-
CFI	-1,493	-3,262	-3,226	-3,251	-4,540	-5,500	-5,500
Change in Share capital	-	638	157	1,154	-	27	-
Change in Debts	-	-	-	-	-	-	-
Div. & Div Tax	-363	-226	-154	-1,135	-	-1,100	-1,746
Others	-255	-406	-525	-540	-628	-243	-771
CFF	-617	6	-522	-521	-628	-1,316	-2,517
Total Cash Generated	-257	-692	320	628	1,126	402	-18
Cash Opening Balance	1,592	1,334	642	962	1,590	2,716	3,118
Cash Closing Balance	1,334	642	962	1,590	2,716	3,118	3,100
Ratios	FY21	FY22	FY23	FY24	FY25e	FY26e	FY27e
OPM	22.5	25.1	28.1	26.5	27.5	29.0	29.3
NPM	12.8	14.0	15.4	15.1	14.8	14.7	14.8
Tax rate	-29.1	-25.7	-25.9	-25.7	-25.7	-25.7	-25.7
Growth Ratios (%)							
Net Sales	-6%	22%	20%	18%	17%	12%	10%
Operating Profit	16%	36%	35%	11%	17%	12%	10%
PBIT	22%	28%	33%	15%	14%	11%	11%
PAT	25%	33%	33%	17%	14%	11%	11%

Source: Dalal & Broacha Research, Company

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