

Q3 Muted; Long-term growth Promising

6 February 2025

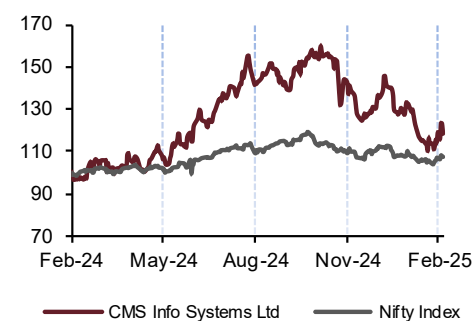
CMS Infosystem reported a consolidated revenue of INR 581.5 crore, with flat overall growth, while service revenue grew by 3%. Profit After Tax (PAT) rose by 7% to INR 93 crore, expanding the PAT margin by 140 basis points to 16%. The cash logistics segment recorded 8% growth in revenue, while its EBIT increased by 6% to INR 103 crore, with a 25.6% margin. Managed services and technology solutions saw a 10% decline in revenue, primarily due to lower banking automation, but still achieved an EBIT of INR 38 crore with a 17.9% margin. Managed Services have grown by 2.2 times in three years, now contributing 40% of total revenue. The company spent INR 50 crore in capex during the first nine months, with an expected full-year spend of INR 150-200 crore. An interim dividend of INR 3.25 per share has been declared.

The company reported its highest-ever cash volume handled in Q3, with a 6% YoY growth and a 10% increase in overall business. Cash usage remained strong across metro, urban, and semi-urban areas, and the recent budget tax cuts could further drive consumption. The retail business grew 15% year-to-date, supported by strong retail segment performance. **In managed services and tech, the company secured two significant wins, including a large outsourcing contract with a private bank and an AIoT remote monitoring deployment for a quick-commerce customer.** On the regulatory side, the Reserve Bank of India revised cassette swap guidelines, impacting outsourced ATMs, with 25% of implementation completed, and plans to expand to 30-80 cities. This transition presents an opportunity for growth in managed services and tech solutions, especially with private sector banks.

Rating	TP (Rs)	Up/Dn (%)
HOLD	522	16

Market data		
Current price	Rs	448
Market Cap (Rs.Bn)	(Rs Bn)	74
Market Cap (US\$ Mn)	(US\$ Mn)	842
Face Value	Rs	10
52 Weeks High/Low	Rs	616.5 / 355.1
Average Daily Volume	('000)	265
BSE Code		543441
Bloomberg		CMSINFO .IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

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

Source: BSE

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

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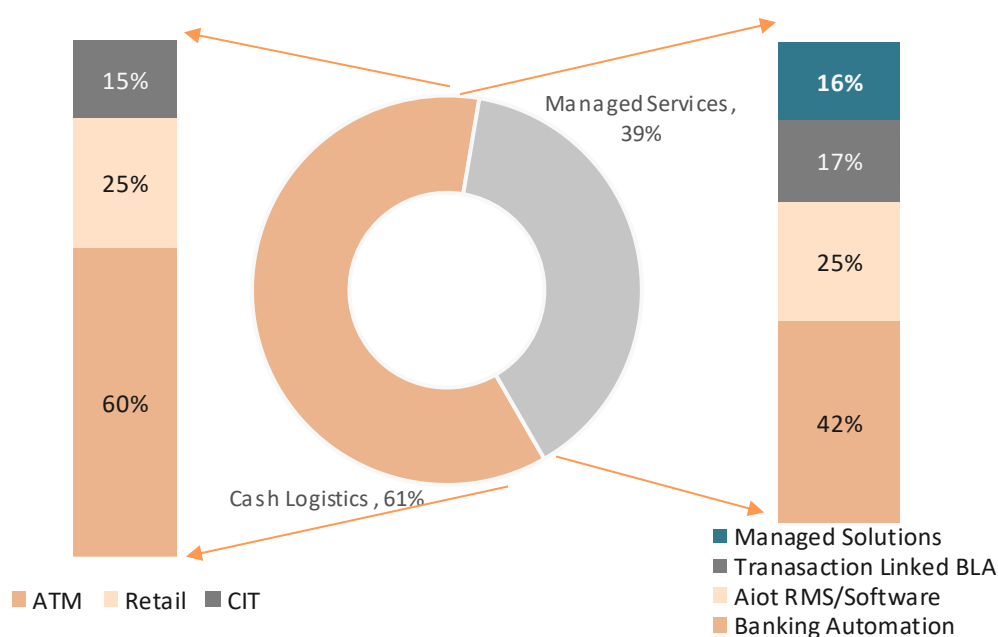
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Quarterly Consolidated Financial Performance

(Rs.Mn)	Q3FY25A	Q3FY24	YoY Growth (%)	Q2FY25	QoQ Growth (%)
Revenue from Operations	5,815	5,823	0%	6,245	-7%
Other Income	117	78	50%	137	-14%
Total RM Cost	1,481	1,729	-14%	2,013	-26%
Employee Benefits Expense	871	861	1%	869	0%
Other Expenses	1,868	1,725	8%	1,833	2%
Total Expenses	4,220	4,315	-2%	4,716	-11%
EBITDA (Excluding Other Income)	1,595	1,508	6%	1,530	4%
Depreciation and Amortisation Expenses	410	377	9%	389	5%
EBIT / PBIT	1,302	1,209	8%	1,277	2%
Finance Costs	47	39	20%	52	-9%
EBT/ PBT	1,254	1,170	7%	1,225	2%
Tax Expense	322	299	8%	316	2%
Net Profit after Tax	932	871	7%	909	3%
Adj Earning Per Share	5.67	5.56	2%	5.57	2%
Margins (%)			(In bps)		(In bps)
Gross Margins	74.5%	70.3%	422	67.8%	676
EBITDA Margins (Excl Other Income)	27.4%	25.9%	153	24.5%	293
PAT Margins	16.0%	15.0%	108	14.6%	147
As a % to sales					
RM as a % to sales	25.5%	29.7%		32.2%	
EE Cost as a % to sales	15.0%	14.8%		13.9%	
Other exps as a % to sales	32.1%	29.6%		29.4%	

Source: Company, Dalal & Broacha Research

Revenue Spilt



Source: Company, Dalal & Broacha Research

Conference Concall KTAs

Business Highlights

- Technology spending has increased from 1% to 1.5% of revenue over the last three years.

Market Dynamics & Future Outlook

- The ATM base for many large banks was disrupted in Q3 due to instability at a key industry player, which is causing banks to transition to stronger market players.
- The company is focused on transitioning contracts from transaction-based to fixed-fee.
- The company expects to execute 60% of its PSU order book by the end of Q4 which will enable a revenue growth of 15% plus for FY26.
- The company anticipates a reduction in competitive intensity.
- The cash logistics business is expected to grow between 10% to 13% in the medium term, the MS and tech business is expected to grow upwards of 15%, and AIoT RMS business is expected to compound at 15% to 20% growth rates.
- Overall revenue growth opportunity is estimated at 13% to 15% CAGR.
- They are also making progress in growing their bullion logistics business.
- The company is actively looking for M&A opportunities in B2B, payments, business services, banking software and technology, and specialized logistics.
- The company is being cautious about transaction-led BLA contracts and plans to reduce BLA to less than 10% of revenue.

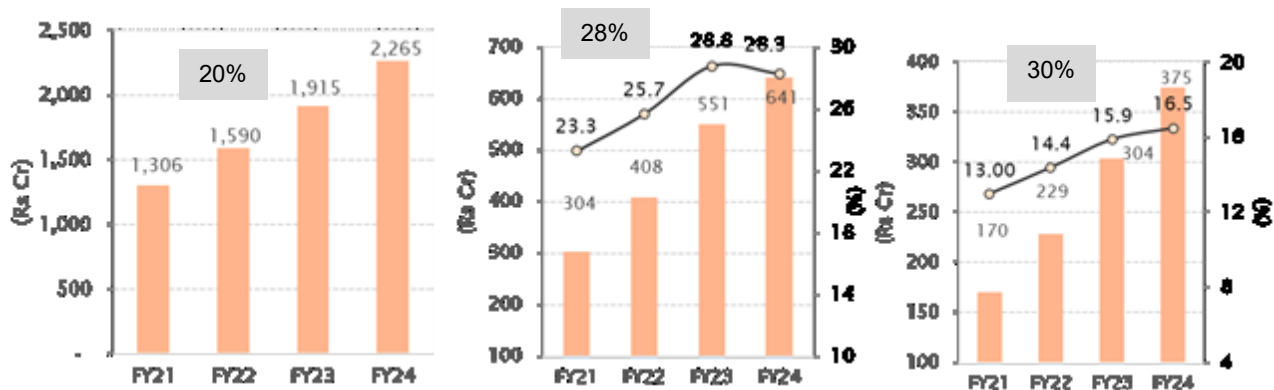
Order Book & Execution

- The company has an order book of about INR 1800 crores from FY24
- Only 15% of the order book was executed in the first half of the year, which increased to 30% by the end of Q3
- Delays in execution were due to testing cycles for equipment upgrades and handover delays from incumbent vendors
- The company is aiming to get 60% of the order book live by the end of Q4. The order book includes both MS and product sales segments

AIoT and Remote Monitoring

- The AIoT remote monitoring business is accretive. IRRs for AIoT projects are expected to range between 18% and 25%. They have also won an AIoT remote monitoring deployment with a quick commerce customer, marking their entry into non-BFSI remote monitoring solution

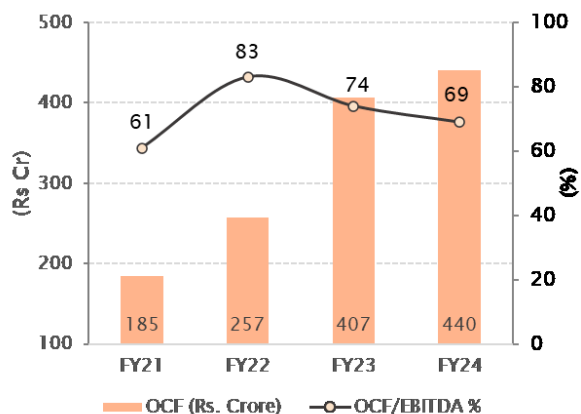
Track record of delivering high revenue and earnings growth



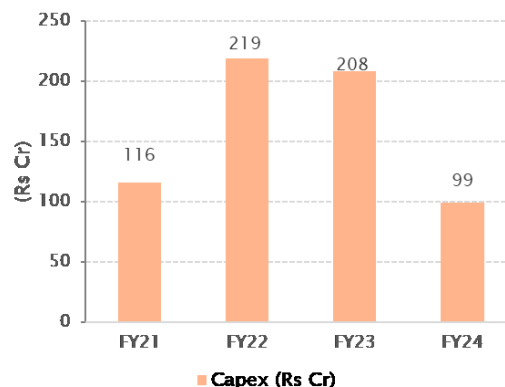
Source: Company, Dalal & Broacha Research

High cash flow generation with strong capital allocation discipline

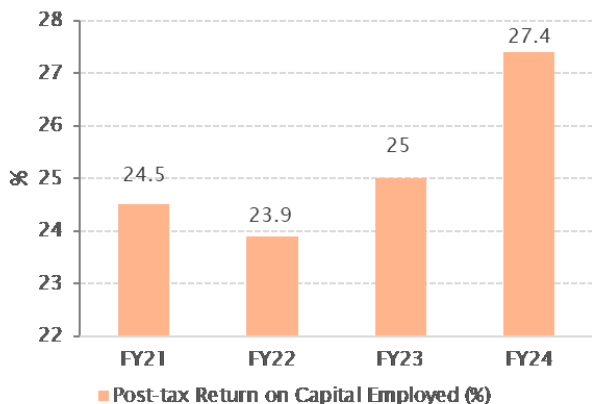
Strong cash flow generation...



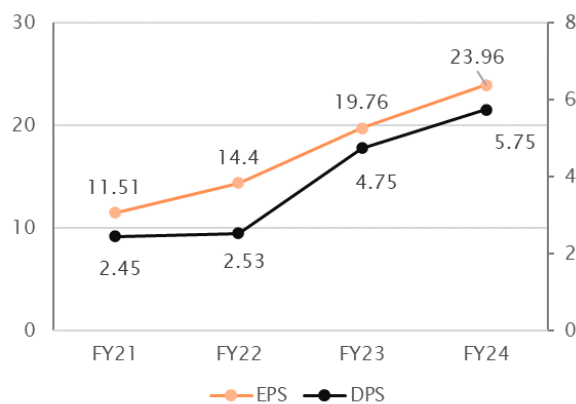
...reinvesting for growth...



...delivering high RoCEs...



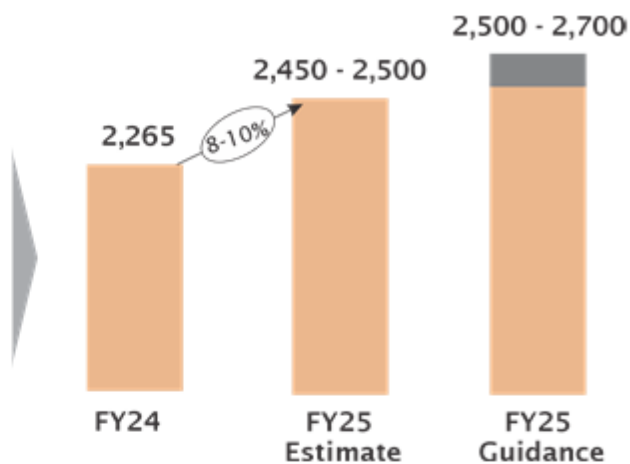
...increasing dividends



Source: Company, Dalal & Broacha Research

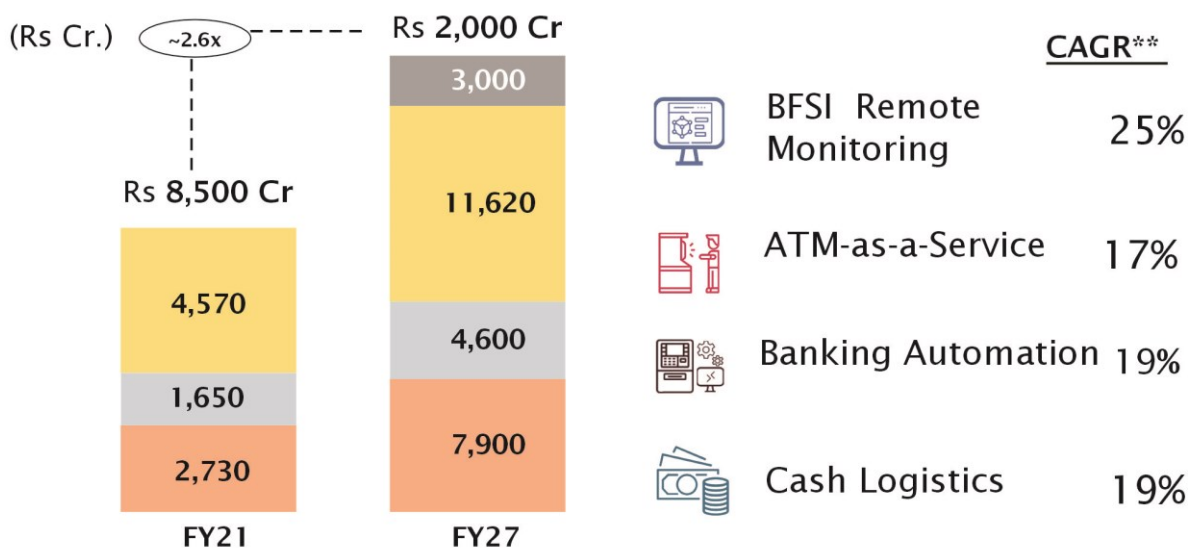
FY25 Outlook: -Revenue to be within 1-2% of lower range of guidance

- Slowdown in Consumption
- Delay in contract roll-out
 - Annual Rev. accrual Rs 300-350 Crs; Impact of Rs 150 Crs in FY25
 - FY25 Capex estimated at Rs 150-200 Crs against guidance of Rs 300 Crs



Market growth: Higher outsourcing creates a large TAM opportunity

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Total TAM is lower than gross sum because of some overlap between Cash Management and BLA

****GROWTH THROUGH TRANSFORMATION**

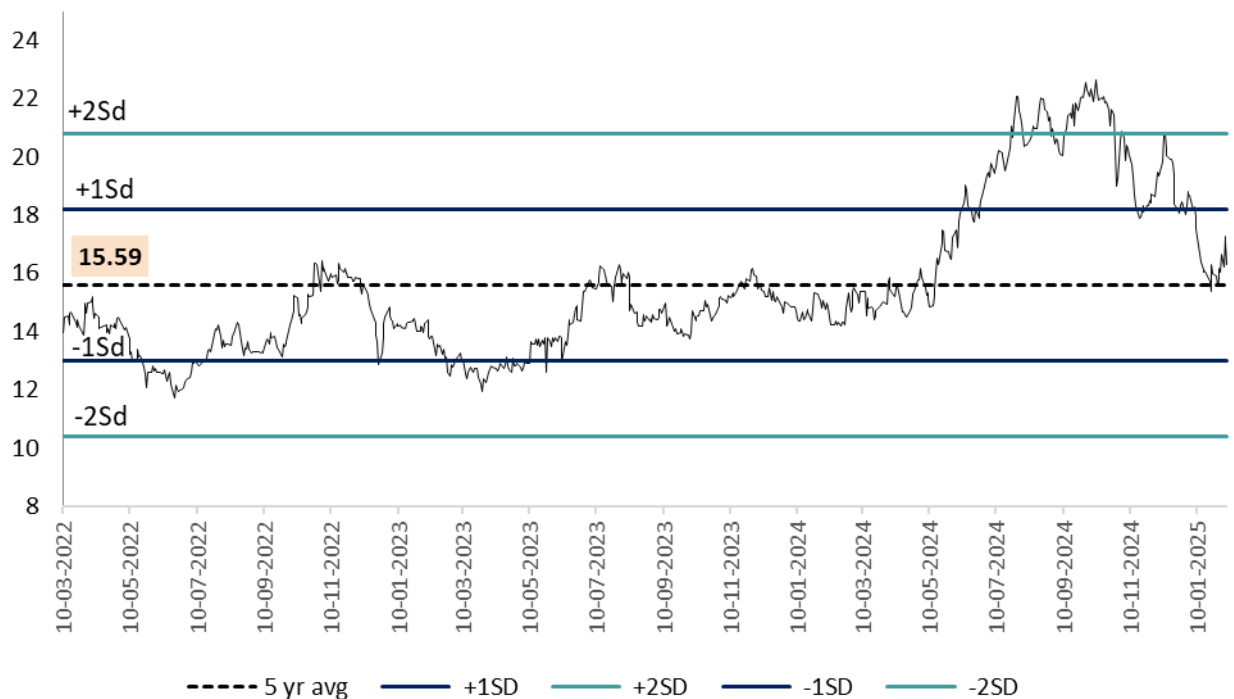
Source: Company, Dalal & Broacha Research

Valuation & Outlook

The company revised its revenue estimate for the year, now expecting a shortfall of INR 150 crore due to delays in executing a large INR 1,900 crore PSU order, which is 30% complete as of Q3, with plans to reach 60% completion by Q4 & while maintaining a Return on Capital Employed (ROCE) above 20%. Despite this, the medium-term outlook remains strong, with projected growth of 10%-13% for the cash logistics business, over 15% for managed services and tech, and 15%-20% for AIoT RMS, leading to a combined organic growth potential of 13%-15% CAGR. Key growth drivers include increased ATM interchange rates, outsourcing of cash management services, retail sector expansion, new AIoT wins in quick commerce, and progress in bullion logistics. The company is also pursuing M&A opportunities in B2B, payments, business services, banking software, and specialized logistics. The outlook will be discussed further during the Investor Day at the end of Q1 FY26.

CMS Info Systems is strategically focusing on increasing its market share amidst a competitive landscape, despite facing challenges due to external factors like elections and slower consumption rates as well as execution delays in order. 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 FY26 will outperform in terms of execution. In our view, CMS Infosystems is integral to the banking system.

At CMP of Rs 448 the stock is trading at 17x/15x FY26E/FY27E expected EPS of Rs 26/29. We maintained our rating to HOLD with a Target Price of Rs 522(18x 12-month Fwd. PE multiple Close to +1Sd).



Source: Company, Dalal & Broacha Research

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

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	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

Source: Company, Dalal & Broacha Research

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

Source: Dalal & Broacha Research, Company

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