

# CMS Info Systems | BUY

## In-line quarter; Pointing at upper range of FY24 guidance

CMS Info Systems' (CMS) 3QFY24 performance was broadly in line. Revenue/ EBITDA/ PAT grew 19%/11%/15% YoY respectively. Cash management segment grew 11% YoY while Managed Services (MS) segment surprised positively (+36% YoY; 15% above JMFe) on higher product sales. EBITDA margin contracted 180bps YoY (-90bps QoQ) to 25.9%, mainly on account of lower gross margin (higher mix of product sales). On the operational front, CMS has a) new order wins of INR 6bn during 3QFY24 in MS (gross order book of INR 44bn), b) added 4k business touch points in CM segment, total business points stood at 133k (+10% YoY/+3% QoQ). CMS has now guided to achieve the upper range of guidance of INR 22.5bn-23bn in FY24 (implying robust 20% plus growth YoY in 4QFY24). CMS remains on a strong footing given its robust business model (significant market leadership in the CM segment, strong track record of diversification and strong earnings growth and return profile (FY25E RoIC >35%). We tweak our FY24 -26 estimates and roll forward with Mar'25TP of INR 490, basis 17xMar'26EPS. Sharp reduction in cash in circulation and delay in compliance implementation remain key risks to our call.

- Steady revenue growth:** CMS' total revenue grew +19% YoY/+7% QoQ to INR 5.8bn (4% above JMFe) driven by strong growth in managed services (+36% YoY/ 17% QoQ) while cash management (CM) segment grew 11% YoY (+ 4% QoQ, in line with JMFe). The steady growth momentum supports the management's revenue guidance of INR 25-27bn for FY25E (CAGR of c.17-18% over FY23-25E). Gross profit grew 12% YoY (+3% QoQ), while gross margin contracted 380bps YoY/ 220bps QoQ on account of higher mix of product revenue. EBITDA grew 11% YoY (-4% QoQ, 1% below JMFe) while PAT grew 15% YoY/ +3% QoQ to INR 871mn (1% above JMFe). The company has now guided to grow by 17-19% in FY24 and have total revenue of INR 22.5bn-23bn for FY24.
- CM continues to climb well:** CM EBIT grew 14% YoY/+2%QoQ to INR 976mn in 3QFY24 while EBIT margin improved 80bps YoY (-40bps QoQ) to 26.0% on the back of efficiencies. Route compliance for ATMs touched 85% while cassette swap implementation stood at 15% in 3QFY24 and is expected to reach 25% by 4QFY24. During the quarter, the company added 4k business points (10% YoY) for cash logistics business to 133k (+16% YoY/+3%QoQ). The management expects medium-term growth in this segment of 10-13% YoY.
- MS segment see sharp upswing:** MS EBIT grew +20% YoY/+4% QoQ to INR 376mn and margin contracted 240bps YoY/220bps QoQ to 17.7% on account of higher mix of product sales. The company's AIoT and remote monitoring services won a mandate for ALGO AIoT remote monitoring solution for 2K new sites. In the MS business, the company won orders of INR 6bn (INR 12.5bn in 9MFY24), taking the total order book of INR 44bn (to be executed over next 3-5 years).
- Maintain BUY:** We tweak our FY24-26 estimates and arrive at Mar'25TP of INR 490, basis 17xMar'26EPS. CMS remains on a strong footing given its robust business model (significant market leadership in the CM segment, strong track record of diversification and strong earnings growth and return profile (FY25E RoIC >40%). Sharp reduction in cash in circulation and delay in compliance implementation remain key risks to our call.



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### Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	490
Upside/(Downside)	25.8%
Previous Price Target	460
Change	6.5%

### Key Data – CMSINFO IN

Current Market Price	INR390
Market cap (bn)	INR61.0/US\$0.7
Free Float	66%
Shares in issue (mn)	156.6
Diluted share (mn)	168.2
3-mon avg daily val (mn)	INR289.2/US\$3.5
52-week range	421/261
Sensex/Nifty	70,701/21,353
INR/US\$	83.1

### Price Performance

%	1M	6M	12M
Absolute	0.9	5.9	24.2
Relative*	1.5	-0.6	5.8

\* To the BSE Sensex

### Financial Summary

Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E
Net Sales	15,897	19,147	22,571	26,006	29,452
Sales Growth (%)	21.7	20.4	17.9	15.2	13.3
EBITDA	3,998	5,377	6,239	7,077	7,907
EBITDA Margin (%)	25.1	28.1	27.6	27.2	26.8
Adjusted Net Profit	2,240	2,972	3,500	4,175	4,865
Diluted EPS (INR)	15.1	19.3	21.2	24.8	28.5
Diluted EPS Growth (%)	32.3	28.2	9.5	17.4	14.6
ROIC (%)	27.4	28.4	29.4	34.3	39.9
ROE (%)	20.0	21.1	19.9	19.8	20.0
P/E (x)	25.9	20.2	18.4	15.7	13.7
P/B (x)	4.6	3.8	3.3	2.9	2.6
EV/EBITDA (x)	15.0	11.1	9.0	7.5	6.3
Dividend Yield (%)	0.4	1.7	2.2	2.9	3.3

Source: Company data, JM Financial. Note: Valuations as of 25/Jan/2024

JM Financial Institutional Securities Limited

JM Financial Research is also available on:  
Bloomberg - JMFR <GO>,  
Thomson Publisher & Reuters,  
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Please see Appendix I at the end of this report for Important Disclosures and Disclaimers and Research Analyst Certification.

**■ Other key highlights from 3QFY24 post results conference call:****- CM segment**

- In the cash logistics business, the company is handling cash of ~INR 2.7trln-3trln per quarter basis.
- In retail cash management (RCM), the company sees strong growth over the next few years on the back of the formalisation trend in the retail sector. The business model in this segment is shifting from per pick up model to a more solution-based one with integration of Cash-X, Direct2Retail, payment banks, fin-techs and traditional banks. CMS has onboarded 40 retail logos.
- Given the investments in compliance, CMS may let go/reduce business with non-compliant customers in the near term in order to avoid any conflicts and maintain standards of operations

**- Managed services**

- MS segment contributed 40% to overall revenue and expects to maintain a similar contribution in FY25.
- The company won an order of INR 6bn in the MS segment during the quarter, taking the total order win to INR 12.5bn in 9MFY24. The order will accrue over the next 2-3 years. Of the total order book, 1/3 of the book is capital intensive while the remaining are services.
- Of the 51,000 ATMs expected to be awarded in FY24, 33,000 ATMs' RFPs have been already closed and the remaining RFPs are expected to be closed in 4QFY24/1QFY25.
- CMS' Algos and AIoT services have an annual run rate of INR 1bn; they have been implemented at c. 20K sites and are expected to be implemented at c. 25K sites by FY24. Remote monitoring and AIoT's target audience ranges beyond the BFSI segment. TAM f is INR 17bn for the BFSI segment and INR 60bn (consisting of big modern retail chain, logistics, warehousing, railways, metros, etc.) for non-BFSI sector.

**- Others**

- The company will continue to focus on growing organically over acquisitions and seek opportunities to expand into bullion logistics and collections. In collections, it is already running a pilot project and has signed up 15+ contracts.
- The management guided for capex of INR 1.0bn-1.3bn in FY24, which is lower than earlier guidance of INR 1.5bn-1.8bn as some of the capex is expected to be spilled over to FY25 (guides for INR2.5bn-3bn capex in FY25)
- The company expects to see further gradual reduction in compliance costs to sub 4% (vs. 5.1% in FY23 and 4.1% in 1HFY24)
- The company will focus on revenue growth and market share while margins could take a second priority.

**Exhibit 1. 3QFY24 financial performance**

INR mn	3Q23	3Q24	YoY	2Q24	QoQ	3Q24E	Var	9MFY23	9MFY24	YoY
<b>Revenue</b>	<b>4,883</b>	<b>5,823</b>	<b>19%</b>	<b>5,437</b>	<b>7%</b>	<b>5,601</b>	<b>4%</b>	<b>14,133</b>	<b>16,376</b>	<b>16%</b>
Operating Expenses (incl RM costs)	1,600	2,130	33%	1,869	14%	1,890	13%	4,951	5,637	14%
<b>Gross Profit</b>	<b>3,283</b>	<b>3,693</b>	<b>12%</b>	<b>3,569</b>	<b>3%</b>	<b>3,711</b>	<b>0%</b>	<b>9,181</b>	<b>10,739</b>	<b>17%</b>
Gross Margin	67.2%	63.4%	-380 bps	65.6%	-220 bps	66.3%	-280 bps	65.0%	65.6%	60 bps
Employee cost	694	861	24%	850	1%	763	13%	1,986	2,443	23%
% of revenue	14.2%	14.8%	60 bps	15.6%	-80 bps	13.6%	120 bps	14.1%	14.9%	90 bps
Other Expenses	1,234	1,324	7%	1,263	5%	1,420	-7%	3,259	3,855	18%
% of revenue	25.3%	22.7%	-250 bps	23.2%	-50 bps	25.3%	-260 bps	23.1%	23.5%	50 bps
Total Expenditure	3,528	4,315	22%	3,981	8%	4,073	6%	10,197	11,936	17%
<b>EBITDA</b>	<b>1,355</b>	<b>1,508</b>	<b>11%</b>	<b>1,456</b>	<b>4%</b>	<b>1,528</b>	<b>-1%</b>	<b>3,936</b>	<b>4,440</b>	<b>13%</b>
<b>EBITDA Margin</b>	<b>27.7%</b>	<b>25.9%</b>	<b>-180 bps</b>	<b>26.8%</b>	<b>-90 bps</b>	<b>27.3%</b>	<b>-140 bps</b>	<b>27.9%</b>	<b>27.1%</b>	<b>-70 bps</b>
Depreciation	324	377	16%	364	4%	408	-7%	964	1,105	15%
EBIT	1,031	1,131	10%	1,093	3%	1,121	1%	2,973	3,336	12%
EBIT Margin	21.1%	19.4%	-170 bps	20.1%	-70 bps	20.0%	-60 bps	21.0%	20.4%	-70 bps
Other Income	48	78	64%	83	-6%	75	4%	101	229	127%
Interest	46	39	-15%	41	-3%	40	-2%	141	122	-13%
<b>Profit before tax</b>	<b>1,032</b>	<b>1,170</b>	<b>13%</b>	<b>1,135</b>	<b>3%</b>	<b>1,156</b>	<b>1%</b>	<b>2,933</b>	<b>3,442</b>	<b>17%</b>
% margin	21.1%	20.1%	-110 bps	20.9%	-80 bps	20.6%	-50 bps	20.8%	21.0%	30 bps
Tax expense	274	299	9%	292	2%	291	3%	760	885	16%
%	26.6%	25.6%	-100 bps	25.7%	-10 bps	25.2%	40 bps	25.9%	25.7%	-20 bps
<b>PAT</b>	<b>758</b>	<b>871</b>	<b>15%</b>	<b>844</b>	<b>3%</b>	<b>865</b>	<b>1%</b>	<b>2,173</b>	<b>2,557</b>	<b>18%</b>
PAT Margin	15.5%	15.0%	-60 bps	15.5%	-60 bps	15.4%	-50 bps	15.4%	15.6%	20 bps
Basic EPS	4.9	5.6	13%	5.4	2%	5.6	-1%	14.1	16.5	16%
ESOP charge (net of tax)	28	89	218%	79	13%			63	193	206%
<b>Adj PAT</b>	<b>786</b>	<b>960</b>	<b>22%</b>	<b>923</b>	<b>4%</b>			<b>2,236</b>	<b>2,750</b>	<b>23%</b>

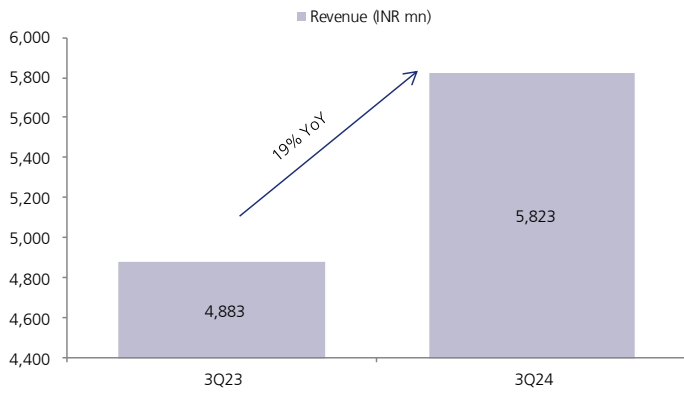
Source: Company, JM Financial

**Exhibit 2. 3QFY24 segment performance**

INR mn	3Q23	3Q24	YoY	2Q24	QoQ	3Q24E	Var	9MFY23	9MFY24	YoY
<b>Revenue</b>										
Cash Management Services	3,383	3,750	11%	3,605	4%	3,755	0%	9,756	10,862	11%
Managed Services	1,565	2,126	36%	1,821	17%	1,846	15%	4,582	5,589	22%
Cards	124	200	62%	239	-17%	210	-5%	301	620	106%
Total	4,883	5,823	19%	5,437	7%	5,579	4%	14,133	16,376	16%
<b>EBIT</b>										
Cash Management Services	854	976	14%	953	2%	991	-2%	2,429	2,867	18%
Managed Services	314	376	20%	362	4%	354	6%	926	1,065	15%
Cards	11	35	222%	27	31%	15	136%	11	75	569%
Total	1,178	1,386	18%	1,341	3%	1,361	2%	3,367	4,007	19%
<b>EBIT margin</b>										
Cash Management Services	25.2%	26.0%	80 bps	26.4%	-40 bps	26.4%	-40 bps	24.9%	26.4%	150 bps
Managed Services	20.0%	17.7%	-240 bps	19.9%	-220 bps	19.2%	-150 bps	20.2%	19.1%	-110 bps
Cards	8.7%	17.4%	860 bps	11.1%	630 bps	7.0%	1040 bps	3.7%	12.1%	840 bps
Total	24.1%	23.8%	-30 bps	24.7%	-90 bps	24.4%	-60 bps	23.8%	24.5%	60 bps
<b>Capital Employed</b>										
Cash Management Services	5,907	6,851	16%	6,755	1%			17,662	20,249	15%
Managed Services	4,876	5,159	6%	4,947	4%			14,255	15,150	6%
Cards	241	194	-19%	168	16%			715	575	-20%
Unallocable	3,774	5,814	54%	5,164	13%			9,476	15,579	64%
Total	14,798	18,019	22%	17,034	6%			42,108	51,553	22%

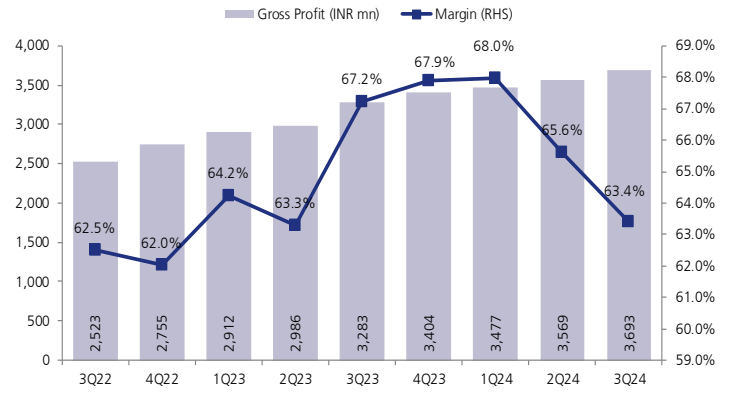
Source: Company, JM Financial

**Exhibit 3. Revenue growth trend**



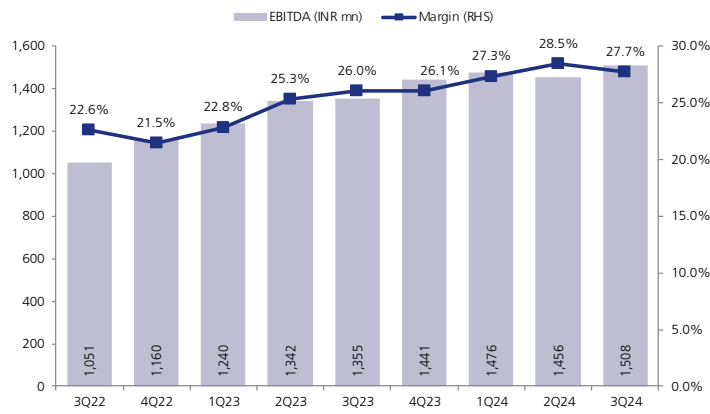
Source: Company, JM Financial

**Exhibit 4. Gross profit and margin trend**



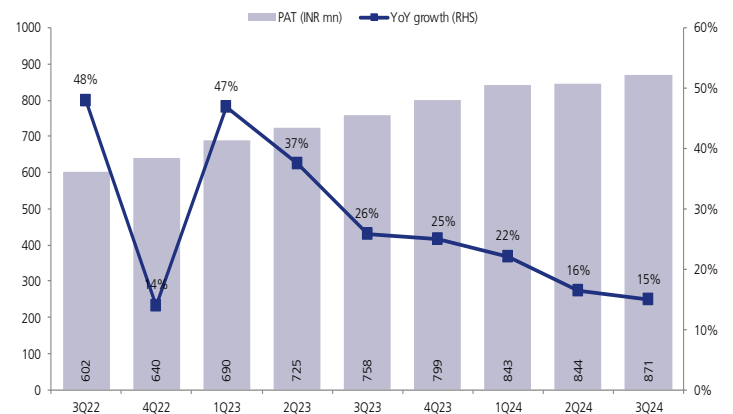
Source: Company, JM Financial

**Exhibit 5. EBITDA and margin trend**



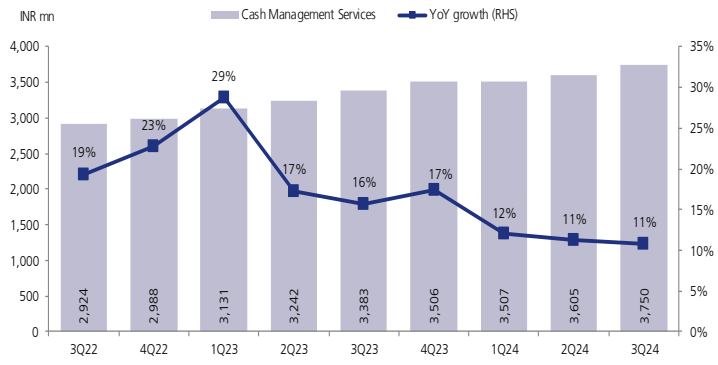
Source: Company, JM Financial

**Exhibit 6. PAT and growth trend**



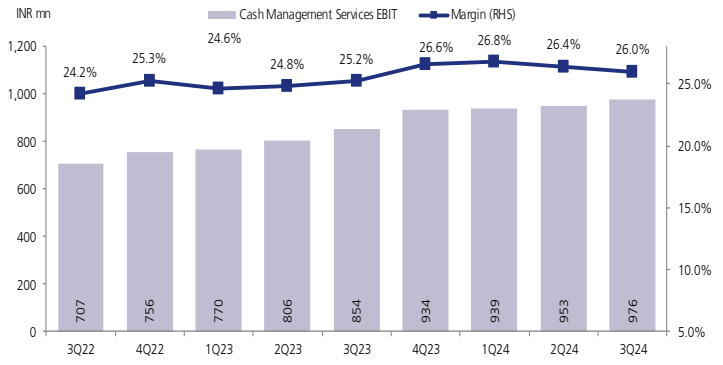
Source: Company, JM Financial

**Exhibit 7. CM segment revenue and growth trend**



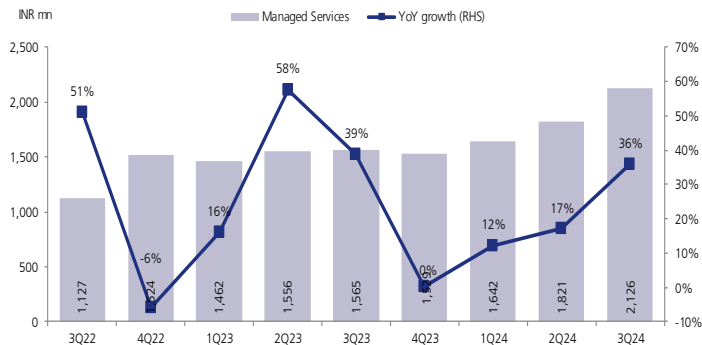
Source: Company, JM Financial

**Exhibit 8. CM segment EBIT and margin trend**



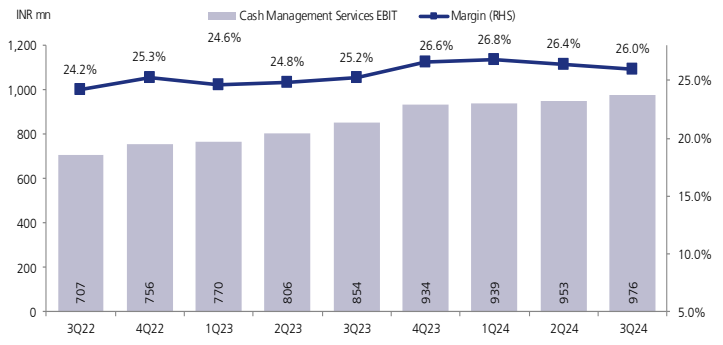
Source: Company, JM Financial

**Exhibit 9. MS segment revenue and growth trend**



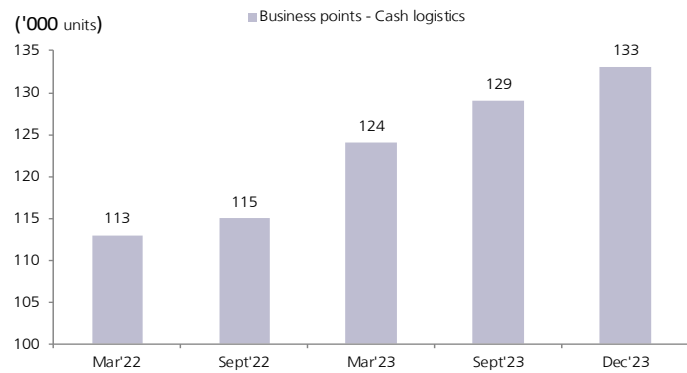
Sources: Company, JM Financial

**Exhibit 10. MS segment EBIT and margin trend**



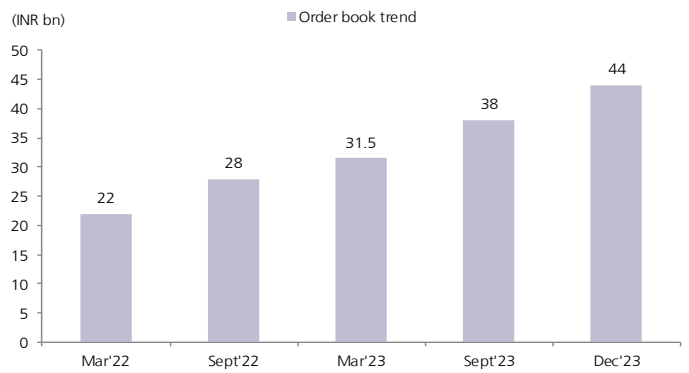
Source: Company, JM Financial

**Exhibit 11. Business points – cash logistics**



Source: Company, JM Financial

**Exhibit 12. Order book trend – managed services (INR bn)**



Source: Company, JM Financial

## Financial Tables (Consolidated)

Income Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Net Sales	15,897	19,147	22,571	26,006	29,452	
Sales Growth	21.7%	20.4%	17.9%	15.2%	13.3%	
Other Operating Income	0	0	0	0	0	
<b>Total Revenue</b>	<b>15,897</b>	<b>19,147</b>	<b>22,571</b>	<b>26,006</b>	<b>29,452</b>	
Cost of Goods Sold/Op. Exp	6,254	6,562	7,665	8,482	9,275	
Personnel Cost	2,315	2,649	2,967	3,323	3,721	
Other Expenses	3,330	4,559	5,699	7,124	8,549	
<b>EBITDA</b>	<b>3,998</b>	<b>5,377</b>	<b>6,239</b>	<b>7,077</b>	<b>7,907</b>	
EBITDA Margin	25.1%	28.1%	27.6%	27.2%	26.8%	
EBITDA Growth	36.2%	34.5%	16.0%	13.4%	11.7%	
Depn. & Amort.	918	1,318	1,691	1,675	1,629	
EBIT	3,079	4,059	4,548	5,403	6,277	
Other Income	79	147	310	350	405	
Finance Cost	144	196	160	173	181	
PBT before Excep. & Forex	3,014	4,010	4,698	5,580	6,501	
Excep. & Forex Inc./Loss(-)	0	0	0	0	0	
PBT	3,014	4,010	4,698	5,580	6,501	
Taxes	774	1,038	1,198	1,404	1,636	
Extraordinary Inc./Loss(-)	0	0	0	0	0	
Assoc. Profit/Min. Int.(-)	0	0	0	0	0	
Reported Net Profit	2,240	2,973	3,500	4,175	4,865	
<b>Adjusted Net Profit</b>	<b>2,240</b>	<b>2,972</b>	<b>3,500</b>	<b>4,175</b>	<b>4,865</b>	
Net Margin	14.1%	15.5%	15.5%	16.1%	16.5%	
Diluted Share Cap. (mn)	148.7	153.9	165.5	168.2	170.9	
<b>Diluted EPS (INR)</b>	<b>15.1</b>	<b>19.3</b>	<b>21.2</b>	<b>24.8</b>	<b>28.5</b>	
Diluted EPS Growth	32.3%	28.2%	9.5%	17.4%	14.6%	
Total Dividend + Tax	226	1,040	1,400	1,879	2,189	
Dividend Per Share (INR)	1.5	6.8	8.5	11.2	12.8	

Source: Company, JM Financial

Balance Sheet		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Shareholders' Fund	12,561	15,625	19,565	22,576	25,966	
Share Capital	1,532	1,544	1,655	1,682	1,709	
Reserves & Surplus	11,030	14,081	17,911	20,894	24,256	
Preference Share Capital	0	0	0	0	0	
Minority Interest	0	0	0	0	0	
Total Loans	0	0	0	0	0	
Def. Tax Liab. / Assets (-)	-304	-369	-369	-369	-369	
<b>Total - Equity &amp; Liab.</b>	<b>12,257</b>	<b>15,256</b>	<b>19,197</b>	<b>22,207</b>	<b>25,597</b>	
Net Fixed Assets	7,940	8,897	8,702	8,527	8,398	
Gross Fixed Assets	9,455	11,963	13,463	14,963	16,463	
Intangible Assets	2,061	2,061	2,061	2,061	2,061	
Less: Depn. & Amort.	4,013	5,331	7,022	8,697	10,326	
Capital WIP	437	203	200	200	200	
Investments	1,235	2,792	2,455	2,455	2,455	
Current Assets	9,077	8,955	14,391	18,543	23,031	
Inventories	635	742	874	1,007	1,141	
Sundry Debtors	4,993	5,260	6,802	7,837	8,876	
Cash & Bank Balances	1,418	1,563	5,301	8,330	11,760	
Loans & Advances	2,031	1,390	1,413	1,368	1,255	
Other Current Assets	0	0	0	0	0	
Current Liab. & Prov.	5,996	5,388	6,351	7,317	8,287	
Current Liabilities	2,459	2,252	2,655	3,059	3,464	
Provisions & Others	3,537	3,136	3,696	4,259	4,823	
Net Current Assets	3,081	3,567	8,040	11,225	14,744	
<b>Total - Assets</b>	<b>12,257</b>	<b>15,256</b>	<b>19,197</b>	<b>22,207</b>	<b>25,597</b>	

Source: Company, JM Financial

Cash Flow Statement		(INR mn)				
Y/E March	FY22A	FY23A	FY24E	FY25E	FY26E	
Profit before Tax	3,014	4,010	4,698	5,580	6,501	
Depn. & Amort.	918	1,318	1,691	1,675	1,629	
Net Interest Exp. / Inc. (-)	111	127	-150	-177	-224	
Inc (-) / Dec in WCap.	-1,366	-1,318	-734	-157	-89	
Others	863	1,016	0	0	0	
Taxes Paid	-976	-1,085	-1,198	-1,404	-1,636	
<b>Operating Cash Flow</b>	<b>2,565</b>	<b>4,068</b>	<b>4,307</b>	<b>5,516</b>	<b>6,181</b>	
Capex	-2,833	-1,914	-1,497	-1,500	-1,500	
Free Cash Flow	-268	2,154	2,810	4,016	4,681	
Inc (-) / Dec in Investments	-430	-1,313	338	0	0	
Others	0	0	310	350	405	
<b>Investing Cash Flow</b>	<b>-3,262</b>	<b>-3,226</b>	<b>-849</b>	<b>-1,150</b>	<b>-1,095</b>	
Inc / Dec (-) in Capital	638	157	1,841	714	714	
Dividend + Tax thereon	-226	-154	-1,400	-1,879	-2,189	
Inc / Dec (-) in Loans	0	0	0	0	0	
Others	-406	-525	-160	-173	-181	
<b>Financing Cash Flow</b>	<b>6</b>	<b>-522</b>	<b>281</b>	<b>-1,338</b>	<b>-1,656</b>	
<b>Inc / Dec (-) in Cash</b>	<b>-692</b>	<b>320</b>	<b>3,739</b>	<b>3,029</b>	<b>3,430</b>	
Opening Cash Balance	1,335	643	1,563	5,301	8,330	
Closing Cash Balance	643	963	5,301	8,330	11,760	

Source: Company, JM Financial

Dupont Analysis		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
Net Margin		14.1%	15.5%	15.5%	16.1%	16.5%
Asset Turnover (x)		1.5	1.4	1.3	1.3	1.2
Leverage Factor (x)		1.0	1.0	1.0	1.0	1.0
RoE		20.0%	21.1%	19.9%	19.8%	20.0%

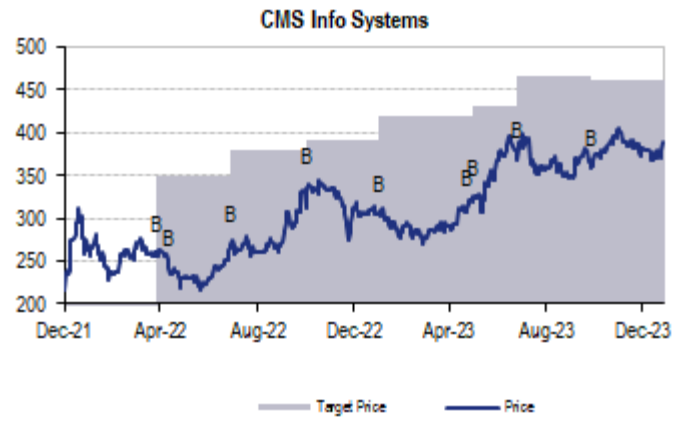
Key Ratios		FY22A	FY23A	FY24E	FY25E	FY26E
Y/E March						
BV/Share (INR)		84.5	101.5	118.2	134.2	151.9
ROIC		27.4%	28.4%	29.4%	34.3%	39.9%
ROE		20.0%	21.1%	19.9%	19.8%	20.0%
Net Debt/Equity (x)		-0.1	-0.1	-0.3	-0.4	-0.5
P/E (x)		25.9	20.2	18.4	15.7	13.7
P/B (x)		4.6	3.8	3.3	2.9	2.6
EV/EBITDA (x)		15.0	11.1	9.0	7.5	6.3
EV/Sales (x)		3.8	3.1	2.5	2.0	1.7
Debtor days		115	100	110	110	110
Inventory days		15	14	14	14	14
Creditor days		75	60	59	59	59

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
25-Apr-22	Buy	350	
11-May-22	Buy	350	0.0
28-Jul-22	Buy	380	8.6
2-Nov-22	Buy	390	2.6
30-Jan-23	Buy	420	7.7
23-May-23	Buy	420	0.0
29-May-23	Buy	430	2.4
25-Jul-23	Buy	465	8.1
26-Oct-23	Buy	460	-1.1

Recommendation History



## APPENDIX I

## JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

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Definition of ratings	
Rating	Meaning
Buy	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
Hold	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
Sell	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

\* REITs refers to Real Estate Investment Trusts.

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