

## 3QFY24: Steady Growth at Tad Lower Margins

For 3QFY24, CMS Info reported profit of Rs871mn, up 15% YoY, with adjusted profit growth (ex-Esop cost) at a healthy 22%. Revenue growth of 19% was led by managed services, whereas growth in cash management business has moderated from 16% YoY last year to 11% now. This has diluted core margins a bit. We trim estimates & see 16% Cagr in profit over FY24-26. Buy stays as we see steady growth and cashflows over next 2-3yrs; ramp-up of RMS segment is encouraging.

**Healthy top-line growth and core profit growth; ESOP drags.** For 3Q, CMS reported 19% YoY growth in revenues led by 38% growth in managed services and 11% in cash business. Growth in managed services segment was aided by new contract wins and it has won remote monitoring systems for additional 2k sites. In cash logistics business, growth was aided by 10% expansion of touch-points and rise in compliance levels at ATMs (85% now), although revenue growth has moderated from last year's levels. This led to core Ebitda growth of 16% YoY (excluding non-cash ESOPs) with margins at 28%. However, reported Ebitda was 7% lower than adjusted Ebitda, as CMS amortised cost of ESOPs, which will also stay into 2H & mildly into FY25-26 as well. Profit grew by 15% YoY, but ex of ESOP growth was healthy at 22% YoY.

**Steady growth ahead, at tad lower margins.** Management was confident of growth outlook across segments. ATM segment has strong pipeline and rollout is likely to pick-up. Yet, management is focussed on managing ATMs that fully comply with new norms, which may have some impact on reported growth. Growth in managed services is likely to stay stronger contributing 40% of revenues with growth in AloT Remote Monitoring and automation segments. However, margins in the managed services segments tends to be slightly lower and hence we trim our Ebitda growth forecasts with tad lower margins and slightly higher Esop costs.

**Trim estimates; Buy stays.** A pick-up in ATM rollout & outsourcing as well as ramp-up of remote monitoring system should drive growth. We trim estimates by 2-3% and expect CMS to deliver 16% CAGR in profits over FY24-26, aided by 16% revenue growth. Valuations are attractive, and we see scope for re-rating aided by healthy growth as well as cashflows. We maintain BUY call with target price of Rs460 (earlier Rs470) based on 15x Mar-26 PE & rate CMS as Buy.

### Exhibit 1 - CMS Info Systems: Key Metrics

Key Metrics	FY22	FY23	FY24E	FY25E	FY26E
EBITDA Margin (%)	25%	28%	27%	27%	27%
Net Profit (Rsm)	2,240	2,972	3,480	4,066	4,671
PAT Growth (% YoY)	33%	33%	17%	17%	15%
ROE (%)	20%	21%	21%	21%	21%
P/S	14.9	11.2	9.9	8.6	7.3
P/E	26	20	17	15	13
P/BV	4.7	3.8	3.3	2.9	2.5

Source: Company Data, Jefferies

(FY Mar)	2023A	2024E	2025E	2026E
Net Profit	2,972.4	3,480.0	4,066.0	4,671.0
BV/Share	101.20	117.15	135.58	156.35
P/B	3.8x	3.3x	2.9x	2.5x
DPS	4.75	5.46	6.56	7.87

### TARGET | ESTIMATE CHANGE

RATING	BUY
PRICE	INR389.55*
PRICE TARGET   % TO PT	↓ INR460 (INR470)   +18%
52W HIGH-LOW	INR421.05 - INR261.10
FLOAT (%)   ADV MM (USD)	72.1%   244.50
MARKET CAP	INR60.1B   \$723.6M
TICKER	CMSINFO IN

\*Prior trading day's closing price unless otherwise noted.

	CHANGE TO JEF		JEF vs CONS	
	2024	2025	2024	2025
REV	NA	NA	NA	NA
EPS	<1%	-2%	NA	NA

2024 (INR)	Q1	Q2	Q3	Q4	FY
EPS	-	-	-	-	↑22.54
PREV					22.34

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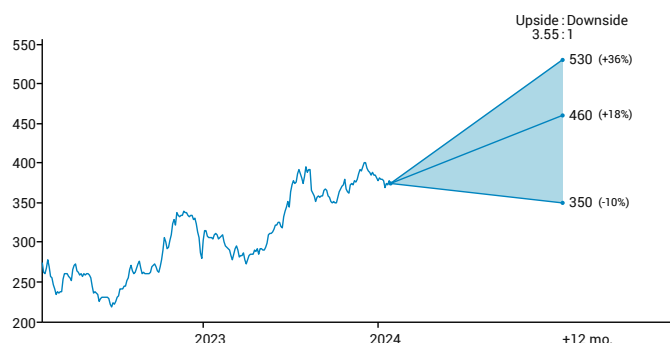
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## The Long View: CMSINFO

### Investment Thesis / Where We Differ

- CMS can gain market share as it leverages its wider reach, operational edge, stronger balance sheet, partnerships with leading banks and expansion into new verticals like remote monitoring systems and brown-label ATMs (BLA).
- Like global markets in cash mgt., India can also consolidate further, and CMS should be a beneficiary of this phenomenon.

### Risk/Reward - 12 Month View



### Base Case, INR460, +18%

- Top line CAGR of 16% over FY24-26
- PAT CAGR of 16% over FY24-26
- Average ROE of 21%
- Price Target of Rs460 based on 15x Mar-26 P/E

### Upside Scenario, INR530, +36%

- Top line CAGR of 18% over FY24-26
- PAT CAGR of 18% over FY24-26
- Average ROE of 22%
- Price Target of Rs530 based on 18x Mar-26 P/E

### Downside Scenario, INR350, -10%

- Top line CAGR of 14% over FY24-26
- PAT CAGR of 14% over FY24-26
- Average ROE of 19%
- Price Target of Rs350 based on 12x Mar-26 P/E

### Sustainability Matters

**Top Material Issue(s):** 1) Responsible Business 2) Customer Privacy & Data Security 3) Carbon Emissions

**Company Target(s):** 1) Reduce its carbon footprint through the efficient use of its fleet 2) Increasing diversity and inclusion in its workforce.

**Qs to Mgmt:** 1) How does the Company plan to reduce its carbon emissions given the high usage of vehicles in its business? Do you plan to include EVs in your fleet? 2) What steps is the company taking to ensure strong data security? 3) What steps is the company taking to promote diversity at different levels? What are initiatives towards employee training/ reskilling?

### Catalysts

- Faster gain of market share through organic/ inorganic routes.
- Profitability can expand further through route-optimisation and upgrade of ATM-services.
- Key risks can arise from rapid digitisation of retail transactions and any adverse change in bank-partnership terms.

## Exhibit 2 - CMS Info Systems: 3QFY24 Result Summary

CMS Info Systems (Rsmn)	3QFY23	2QFY24	3QFY24	YoY	QoQ
Cash management services	3,383	3,605	3,750	11%	4%
Managed services	1,565	1,821	2,126	36%	17%
Others	124	239	200	62%	-17%
Inter-segmental	(188)	(229)	(252)	34%	10%
<b>Revenue from operations</b>	<b>4,883</b>	<b>5,437</b>	<b>5,823</b>	<b>19%</b>	<b>7%</b>
Employee benefits expenses	694	850	861	24%	1%
Service and security charges	975	1,087	1,207	24%	11%
Vehicle maintenance, hire and fuel cost	358	413	401	12%	-3%
Other expenses	1,501	1,632	1,846	23%	13%
<b>Total Expenses</b>	<b>3,528</b>	<b>3,981</b>	<b>4,315</b>	<b>22%</b>	<b>8%</b>
<b>EBITDA</b>	<b>1,355</b>	<b>1,456</b>	<b>1,508</b>	<b>11%</b>	<b>4%</b>
EBITDA Margin (%)	27.7%	26.8%	25.9%	-185 bps	-89 bps
Depreciation and amortization expense	324	364	377	16%	4%
Other Income	48	83	78	64%	-6%
Finance costs	46	41	39	-15%	-3%
<b>Profit before tax</b>	<b>1,032</b>	<b>1,135</b>	<b>1,170</b>	<b>13%</b>	<b>3%</b>
Total tax expense	274	292	299	9%	2%
<b>Profit after tax</b>	<b>758</b>	<b>844</b>	<b>871</b>	<b>15%</b>	<b>3%</b>
PAT Margin	15.4%	15.3%	14.8%	-61 bps	-52 bps
<b>Other Metrics</b>					
<b>Segmental EBIT margin (%)</b>					
Cash management services	25.2%	26.4%	26.0%	77 bps	-40 bps
Managed services	20.0%	19.9%	17.7%	-236 bps	-218 bps

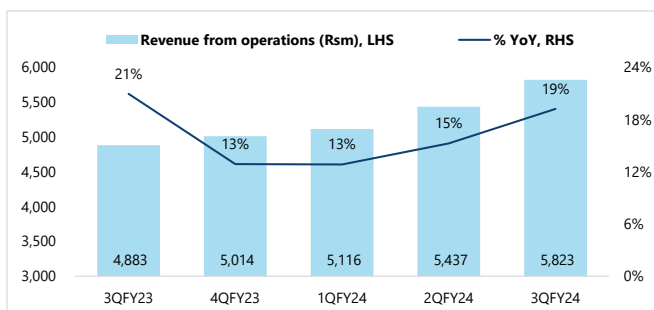
Source: Company Data, Jefferies

## Exhibit 3 - Adjusted for ESOP cost, PAT (adj.) grew 22% YoY in 3QFY24

Particulars (Rsmn)	3QFY23	4QFY23	FY23	1QFY24	2QFY24	3QFY24	YoY	QoQ
Total Revenue	4,883	5,014	19,147	5,116	5,437	5,823	19%	7%
<b>Adj. EBITDA</b>	<b>1,412</b>	<b>1,451</b>	<b>5,506</b>	<b>1,515</b>	<b>1,573</b>	<b>1,630</b>	<b>15%</b>	<b>4%</b>
PBT	1,032	1,078	4,010	1,137	1,135	1,170	13%	3%
Adj. PBT	1,069	1,087	4,103	1,171	1,241	1,288	20%	4%
<b>Adj. PAT</b>	<b>786</b>	<b>806</b>	<b>3,042</b>	<b>868</b>	<b>923</b>	<b>960</b>	<b>22%</b>	<b>4%</b>
<b>PAT</b>	<b>758</b>	<b>799</b>	<b>2,972</b>	<b>843</b>	<b>844</b>	<b>871</b>	<b>15%</b>	<b>3%</b>
Adj. EBITDA%	28.9%	28.9%	28.8%	29.6%	28.9%	28.0%		
Adj. PBT%	21.9%	21.7%	21.4%	22.9%	22.8%	22.1%		
Adj. PAT%	16.1%	16.1%	15.9%	17.0%	17.0%	16.5%		

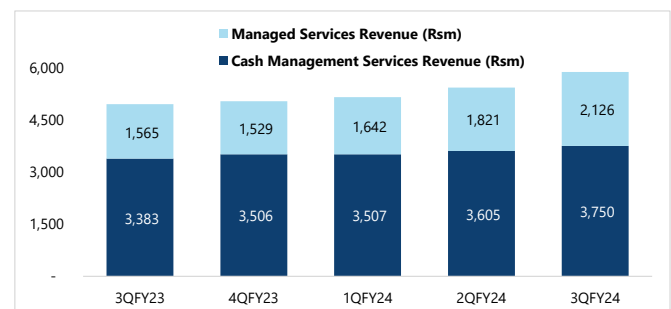
Source: Company Data, Jefferies

## Exhibit 4 - Revenue grew 19% YoY, aided by growth in managed services and card segment



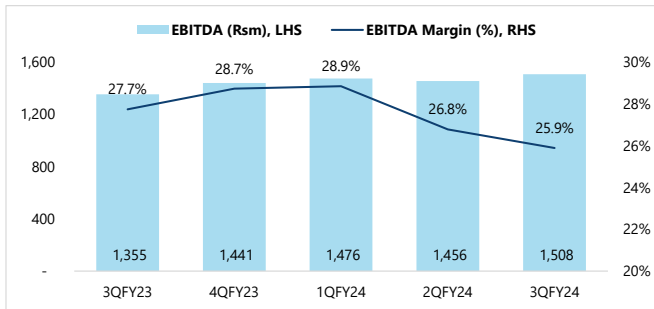
Source: Company Data, Jefferies

## Exhibit 5 - Share of CMS in overall revenue has declined 400bps YoY to 64%



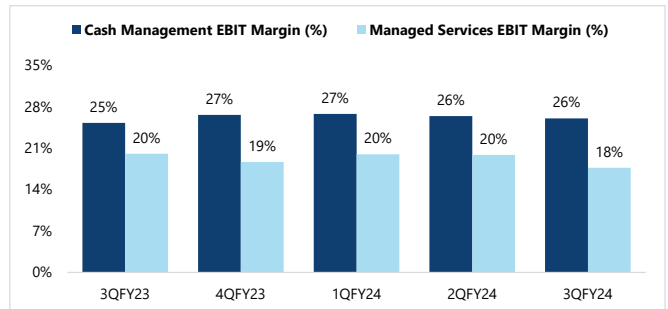
Source: Company Data, Jefferies

**Exhibit 6 - EBITDA margin contracted by 180bps on a YoY basis due to higher share of lower margin segment**



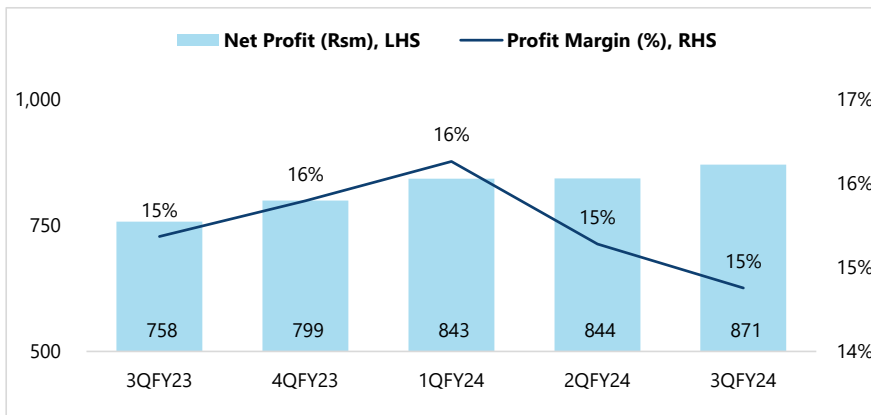
Source: Company Data, Jefferies

**Exhibit 7 - Segmental margins rose tad bit in CMS, while it fell in the Managed Services segment**



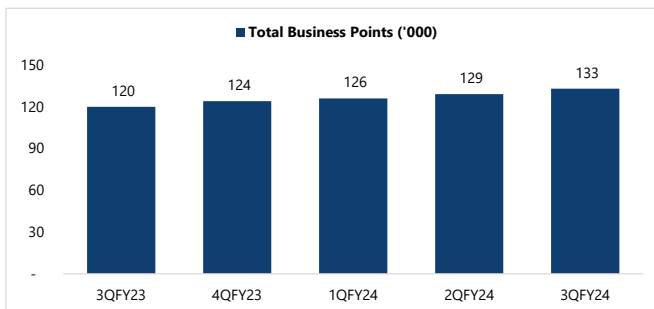
Source: Company Data, Jefferies

**Exhibit 8 - Healthy earnings growth of 15% YoY, led by 19% revenue growth at tad lower margins**



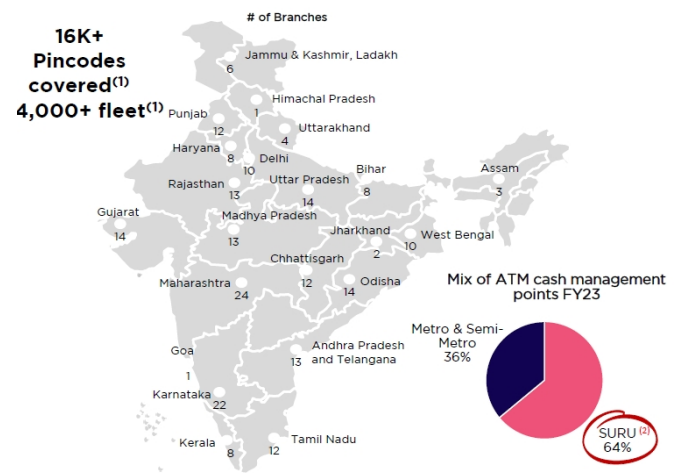
Source: Company Data, Jefferies

**Exhibit 9 - Total business touchpoints (ATM + retail) expanded by c.10% YoY to 133K in 3QFY24**



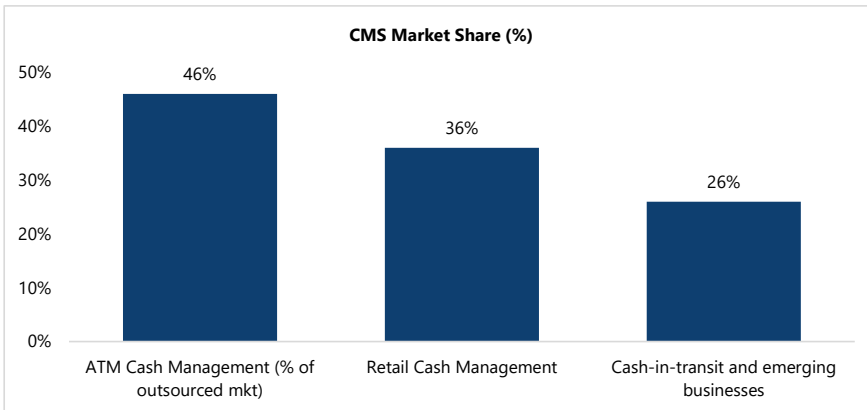
Source: Company Data, Jefferies

**Exhibit 10 - CMS has 97% coverage in India, with presence across rural geographies**



Source: Company Data, Jefferies

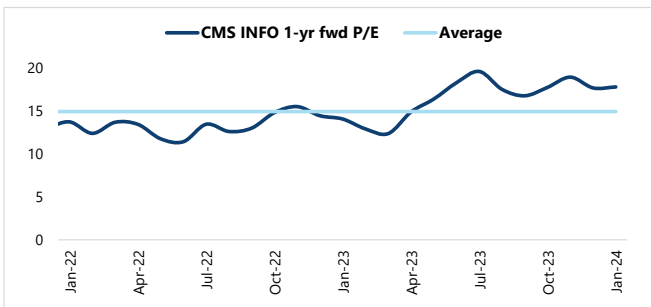
**Exhibit 11 - CMS retains #1 standing across different segments of cash logistics business**



Source: Company Data, Jefferies

As per latest available data

**Exhibit 12 - P/E history of CMS Info: Should continue to re-rate, led by steady growth & cashflows**



Source: Company Data, FactSet, Jefferies

## Exhibit 13 - CMS Info Systems: Profit & Loss Statement

Profit & Loss (Rsm)	FY22	FY23	FY24E	FY25E	FY26E
Cash Management Services	11,108	13,263	14,761	16,483	18,779
Managed Services	4,896	6,111	7,747	9,377	11,232
Cards	477	469	844	1,013	1,114
Inter-Segment	584	696	864	994	1,120
<b>Revenue from operations</b>	<b>15,897</b>	<b>19,147</b>	<b>22,488</b>	<b>25,878</b>	<b>30,004</b>
Total expenses	11,899	13,770	16,432	18,876	21,802
<b>Ebitda</b>	<b>3,998</b>	<b>5,377</b>	<b>6,056</b>	<b>7,003</b>	<b>8,203</b>
Ebitda margin (%)	25.1%	28.1%	26.9%	27.1%	27.3%
Depreciation and amortisation expense	918	1,318	1,474	1,725	2,127
<b>Operating Profit</b>	<b>3,079</b>	<b>4,059</b>	<b>4,582</b>	<b>5,278</b>	<b>6,076</b>
Other income	79	147	267	342	368
<b>EBIT</b>	<b>3,158</b>	<b>4,206</b>	<b>4,848</b>	<b>5,620</b>	<b>6,444</b>
Finance costs	144	196	153	134	142
<b>Profit before tax</b>	<b>3,014</b>	<b>4,010</b>	<b>4,695</b>	<b>5,486</b>	<b>6,302</b>
Total tax expense	774	1,038	1,215	1,420	1,631
<b>Profit after tax</b>	<b>2,240</b>	<b>2,972</b>	<b>3,480</b>	<b>4,066</b>	<b>4,671</b>
PAT margin (%)	14.0%	15.4%	15.3%	15.5%	15.4%
PAT growth (% YoY)	33%	33%	17%	17%	15%

Source: Company Data, Jefferies

## Exhibit 14 - CMS Info Systems: Balance Sheet

Balance Sheet (Rsm)	FY22	FY23	FY24E	FY25E	FY26E
Equity share capital	1,532	1,544	1,544	1,544	1,544
Other equity	11,030	14,081	16,544	19,390	22,596
<b>Total equity</b>	<b>12,561</b>	<b>15,625</b>	<b>18,088</b>	<b>20,934</b>	<b>24,140</b>
<b>Non-current liabilities</b>	<b>1,678</b>	<b>1,745</b>	<b>1,326</b>	<b>1,275</b>	<b>1,725</b>
<b>Current liabilities</b>	<b>4,318</b>	<b>3,642</b>	<b>4,603</b>	<b>5,136</b>	<b>5,856</b>
<b>EQUITY AND LIABILITIES</b>	<b>18,557</b>	<b>21,012</b>	<b>24,017</b>	<b>27,344</b>	<b>31,722</b>
Property, plant and equipment	3,470	4,697	4,050	4,012	3,941
Right-of-use assets	1,800	1,826	1,315	1,241	1,763
Goodwill	2,061	2,061	2,061	2,061	2,061
<b>Non-current assets</b>	<b>9,012</b>	<b>9,893</b>	<b>8,987</b>	<b>9,100</b>	<b>9,807</b>
Investments	1,235	2,792	3,909	5,082	6,607
Cash and cash equivalents	643	963	4,659	5,881	6,402
<b>Current assets</b>	<b>9,545</b>	<b>11,120</b>	<b>15,030</b>	<b>18,244</b>	<b>21,914</b>
<b>ASSETS</b>	<b>18,557</b>	<b>21,012</b>	<b>24,017</b>	<b>27,344</b>	<b>31,722</b>

Source: Company Data, Jefferies

## Exhibit 15 - CMS Info Systems: Cash Flow Statement

Cash Flow Statement (Rsm)	FY22	FY23	FY24E	FY25E	FY26E
Profit before tax	3,014	4,010	4,695	5,486	6,302
Adjustments to reconcile PBT to net cash flow	1,892	2,460	1,488	1,667	2,075
Movement in working capital	(1,366)	1,186	241	(97)	(894)
Direct taxes paid (net of refunds)	(976)	(1,085)	(1,270)	(1,484)	(1,705)
<b>Net cash flow from operating activities (CFO)</b>	<b>2,565</b>	<b>6,571</b>	<b>5,153</b>	<b>5,571</b>	<b>5,778</b>
Purchase of PP&E and Intangibles	(2,840)	(1,933)	(1,233)	(1,573)	(1,865)
Investment in mutual funds	(8,305)	(11,578)	(1,117)	(1,173)	(1,525)
Investment in deposits with banks	(988)	(1,071)	-	-	-
<b>Net cash flow from investing activities (CFI)</b>	<b>(3,262)</b>	<b>(3,226)</b>	<b>(2,350)</b>	<b>(2,746)</b>	<b>(3,390)</b>
Dividend paid	(226)	(154)	(1,017)	(1,220)	(1,464)
Finance costs	(0)	-	-	-	-
Finance costs on lease liability	(144)	(184)	(153)	(134)	(142)
Payment of principal portion of lease liabilities	(262)	(341)	(283)	(248)	(262)
<b>Net cash flow from financing activities (CFF)</b>	<b>6</b>	<b>(679)</b>	<b>(1,453)</b>	<b>(1,603)</b>	<b>(1,867)</b>
<b>Net (decrease) / increase in cash</b>	<b>(692)</b>	<b>2,666</b>	<b>1,350</b>	<b>1,222</b>	<b>521</b>
Cash and cash equivalents at the beginning	1,335	643	3,309	4,659	5,881
<b>Cash and cash equivalents at the end</b>	<b>643</b>	<b>3,309</b>	<b>4,659</b>	<b>5,881</b>	<b>6,402</b>

Source: Company Data, Jefferies

## Exhibit 16 - CMS Info Systems: Key Ratios

Key Ratios	FY22	FY23	FY24E	FY25E	FY26E
EPS (Rs)	15.1	19.3	22.5	26.3	30.3
EPS Growth (% YoY)	32%	28%	17%	17%	15%
EBITDA (Rsm)	3,998	5,377	6,056	7,003	8,203
EBITDA Margin (%)	25%	28%	27%	27%	27%
EBITDA growth (% YoY)	36%	35%	13%	16%	17%
Net Profit (Rsm)	2,240	2,972	3,480	4,066	4,671
PAT Margin (%)	14.0%	15.4%	15.3%	15.5%	15.4%
PAT Growth (% YoY)	33%	33%	17%	17%	15%
ROA (%)	13%	15%	15%	16%	16%
ROE (%)	20%	21%	21%	21%	21%
BVPS	82	101	117	136	156
BVPS Growth (% YoY)	32%	28%	17%	17%	15%
DPS	1.0	4.8	5.5	6.6	7.9
Dividend payout (%)	7%	25%	24%	25%	26%
Dividend yield (%)	0.3%	1.2%	1.4%	1.7%	2.0%
P/S	14.9	11.2	9.9	8.6	7.3
P/E	25.8	20.2	17.3	14.8	12.9
P/BV	4.7	3.8	3.3	2.9	2.5
Mcap/ EBITDA	15.0	11.2	9.9	8.6	7.3

Source: Company Data, Jefferies

## Exhibit 17 - CMS Info Systems: Price Target Computation

CMS Info Systems Target price (Mar-26e)	
EPS (Rs)	30
P/E (x)	15
Target price (Rs)	458
<b>Target price rounded off (Rs)</b>	<b>460</b>
Current price (Rs)	390
Upside (%)	18%

Source: Company Data, Jefferies

## Company Description

### CMSINFO

CMS Info Systems Ltd is one of India's largest cash management company based on number of ATM points and number of retail pick-up points, and offers its customers a wide range of tailored cash management and managed services solutions, including ATM network management, retail management and managed services. CMS manages the entire flow and management of money for the business points that it serves every day - from when the RBI initially deposits cash in the bank's currency chests, to when cash is deposited back in banks after going through the various stages of the cash cycle.

## Company Valuation/Risks

### CMSINFO

We rate CMS Info Systems as Buy with a price target of Rs460 based on 15x Mar-26 PE. M&A led consolidation and diversification into newer/non-cash driven businesses can drive rerating. Key risks can arise from rapid digitisation of retail transactions and any adverse change in bank-partnership terms.

## Analyst Certification:

I, Prakhar Sharma, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

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## Investment Recommendation Record

### (Article 3(1)e and Article 7 of MAR)

Recommendation Published	January 25, 2024 , 14:39 ET.
Recommendation Distributed	January 25, 2024 , 14:39 ET.

## Explanation of Jefferies Ratings

Buy - Describes securities that we expect to provide a total return (price appreciation plus yield) of 15% or more within a 12-month period.

Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes securities that we expect to provide a total return (price appreciation plus yield) of minus 10% or less within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated securities with an average security price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated securities with an average security price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% or less within a 12-month period.

NR - The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Jefferies policies.

CS - Coverage Suspended. Jefferies has suspended coverage of this company.

NC - Not covered. Jefferies does not cover this company.

Restricted - Describes issuers where, in conjunction with Jefferies engagement in certain transactions, company policy or applicable securities regulations prohibit certain types of communications, including investment recommendations.



Monitor - Describes securities whose company fundamentals and financials are being monitored, and for which no financial projections or opinions on the investment merits of the company are provided.

## Valuation Methodology

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### Jefferies Franchise Picks

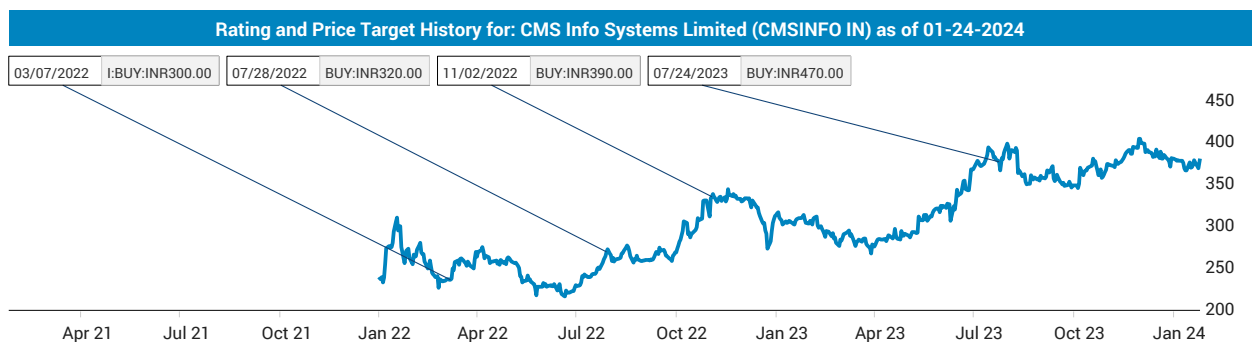
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## Other Companies Mentioned in This Report

- CMS Info Systems Limited (CMSINFO IN: INR389.55, BUY)



**Notes:** Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

## Distribution of Ratings

			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1948	58.34%	338	17.35%	111	5.70%
HOLD	1226	36.72%	117	9.54%	20	1.63%
UNDERPERFORM	165	4.94%	5	3.03%	3	1.82%

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