

**Impressive background and business model..**

CMS Info Systems Limited ("CMS") was incorporated on March 26, 2008. CMS is India's largest cash management company based on number of ATM points and number of retail pick-up points, as well as one of the largest ATM cash management companies worldwide based on number of ATM points as of March 31, 2021. For Fiscal Year 2021, the Company's total currency throughput, or the total value of the currency passing through all of their ATM and retail cash management businesses, amounted to ₹9,158.86 billion. The Company's business includes installing, maintaining and managing assets and technology solutions on end-to-end outsourced basis for banks under long term contracts. CMS is also supported by their Promoter, Sion Investment Holdings Pte. Ltd, which acquired the company in 2015 and is an affiliate of Baring Private Equity Asia, a private equity firm that has over US\$27 billion assets under management as of June 30, 2021. As of August 31, 2021, their Promoter held 100% of their share capital.

**CMS operates their business in three segments:**

**Cash management services:** which includes end-to-end ATM replenishment services; cash pick-up and delivery; network cash management and verification services.

Company's cash management business is largely route-based in nature with 78.11 percent and 78.70 percent of revenue, respectively, in Fiscal 2021 and the 5 months ended August 31, 2021 being generated from activities where route density drives profitability and enables operating leverage. The Company's managed services business on the other hand is largely recurring in nature with 52.45 percent and 65.80 percent of revenue in Fiscal 2021 and the 5 months ended August 31, 2021 being generated from long-term contracts, which provides high revenue visibility. The Company's services help increase the velocity of cash through the cash cycle by assisting customers to meet their outsourcing needs and increase the speed with which they handle cash by automating and decreasing duplication in the processing and turnaround of cash, which allows customers to improve their productivity and reduce their cash handling and processing costs. As the amount of cash in circulation increases, so does the need for cash and cash-related services.

**Managed services:** which includes banking automation product sales, deployment and associated annual maintenance; end-to-end Brown Label deployment and managed services for banks. The managed services business is largely recurring in nature.

**Others:** which includes end-to-end financial cards issuance and management for banks and card personalisation services.

Company's integrated service and product offering has enabled them to shift their business mix towards providing more integrated end-to-end services for their customers, which has meant that they are able to offer their customers lower pricing, more reliable service through a single point of accountability, improved advance planning of routes, faster reconciliation and improved days sales outstanding, which is a measure of the average number of days that it takes company to collect payment for sales, as well as increased customer loyalty and reduced customer turnover. Banks and other participants in India are increasingly also outsourcing their managed service's needs, such as through Brown Label ATMs, where CMS deploy, maintain and manage ATMs on an end-to-end basis under a bank's brand name, and other services, such as multi-vendor software solutions and remote monitoring, in order to drive better ATM management and accountability. As the ATM market continues to shift from bank-managed ATMs to end-to-end deployment by service providers such as CMS, the business of outsourcing ATM managed services is expected to continue to grow in India.

Issue date	Dec. 21 - Dec. 23, 2021
Listing date	Dec. 31, 2021
Price Band	₹205 - ₹216 (Face value: ₹ 10)
Bid lot	69 equity shares and in multiple thereof
Issue size and type	Rs. 1,100 Crore Offer for sale of upto: Rs. 1,100 Crore
Issue structure	QIB - 50%, NIB - 15%, Retail - 35%
Post issue shares	14.80 Crore equity shares
Promoter and Promoter group Public	Pre IPO: 100.00 %   Post IPO: 65.59 % Pre IPO: -   Post IPO: 34.41%
Post issue market cap	₹ 3,197 Crore
BRLMs	Axis Capital, DAM Capital, Jefferies India, JM Financial
Registrar to the issue	Link Intime India Pvt. Ltd.

Particulars (₹ Crore)	5MFY22	FY21	FY20	FY19
Topline	626	1,306	1,383	1,146
EBITDA	153	309	259	211
EBITDA (%)	24.4	23.7	18.7	18.4
Profit after tax	84	169	135	96
PAT margin (%)	13.49	12.90	9.74	8.41
Equity share cap.	148	148	148	148
Networth	1,059	984	850	746
Book value (₹)	72	67	57	50
Diluted EPS (₹)	13.17 <sup>^</sup>	11.09	8.87	6.33
P/E (x)	16	19	24	34
RoNW (%)	7.97	17.12	15.84	12.89

Source: RHP, ^ denotes not annualised, # denotes annualised

**Investment recommendation and rationale**

At the upper end of the price band of ₹216, the Company's IPO is valued at P/E of 16x at 5MFY22 annualised EPS and P/E of 19x on FY21 EPS which is attractive and reasonable. We recommend investors to "SUBSCRIBE and HOLD" to the issue owing to the following factors: a) CMS is India's largest cash management company based on number of ATM points and number of retail pick-up points, as well as one of the largest ATM cash management companies worldwide based on number of ATM points as of March 31, 2021, b) CMS caters to broad set of outsourcing requirements for banks, financial institutions, organized retail and e-commerce companies in India, c) record of winning large and complex end-to-end Brown Label deployment and managed services customer contracts and expanding the services, d) track record of successfully incubating and building multiple new service lines in areas adjacent to its business, e) pan-India footprint with deep penetration in growing markets - 3,965 cash vans and 238 branches and offices, f) longstanding customer relationships leading to increased business opportunities, g) integrated business platform offering a broad range of services and products, h) systems and processes to manage and scale an operationally complex business, i) track record of strong productivity and operational excellence, j) experienced and highly qualified management team that have successfully grown the business, k) good financial performance with strong EBITDA margin and decent return ratios, l) the Company has raised Rs. 330 Crore from 18 anchor investors instills confidence in the issue.

## Objects of the issue

Offer for sale by Promoter: Upto ₹1,100 Crore by Promoter Sion Investment Holdings Pte. Limited

## Business model



Source: RHP

## Competitive strengths

### ***Leading player in a consolidating market with strong fundamentals***

As of March 31, 2021, CMS is India's largest cash management company based on number of ATM points and number of retail pick-up points and had a market share of 24.7%, based on the total number of ATMs in India, as well as a market share of 41.1%, based on the total number of outsourced ATMs in India. For Fiscal Year 2021, their total currency throughput, or the total value of the currency passing through all of their ATM and retail cash management businesses, amounted to ₹9,158.86 billion.

The market share of the 2 largest ATM cash management companies, one of which being CMS, has increased from 60% in Fiscal Year 2018 to 72% in Fiscal Year 2021, while the number of cash management companies with over 5% market share has decreased from 6 to 4. They provide a wide range of services across each stage of the entire cash cycle in India and believe their services help increase the velocity of cash through the cash cycle by assisting customers to meet their outsourcing needs and increase the speed with which they handle cash. In addition, the size and wide reach of their network enables them to realize further economies of scale, allowing them to increase the productivity of their operations and their profit margins.

### ***Pan-India footprint with deep penetration in growing markets***

Company's pan-India fleet of 3,965 cash vans and their network of 238 branches and offices based on the numbers as of August 31, 2021 cover all of India's states and union territories, except remote union territory of Lakshwadeep.

CMS is among the first cash management companies to invest in the growth of their business in rural and semi-urban areas in India, and their pan-India footprint enables them to offer their services to their customers in these areas as they grow their businesses and take advantage of opportunities created by these government initiatives and the expansion of the banking network in India. Company's platform offers their customers a single point of reference across India for their operations, as well as an integrated service offering. Their knowledge of the markets in which they operate and their regional requirements, enable them to provide their customers with better quality services that are customized to their needs. As of August 31, 2021, of the total number of ATM points their cash management business serviced, 22.40% were metro, 15.11% were semi-metro and 62.49% were semi-urban and rural, and in terms of geographic location, 23.51% were in the North of India, 26.54% were in the South, 17.61% were in the East and 32.34% were in the West. In addition, as of August 31, 2021, of the total number of retail pick-up points their cash management business serviced, 33.01% were metro, 16.66% were semi-metro and 50.33% were semi-urban and rural, and in terms of geographic location, 26% were in the North of India, 30.39% were in the South, 13% were in the East and 30.61% were in the West.

### ***Longstanding customer relationships leading to increased business opportunities***

The cash management services, managed services and other services that CMS provides to MSPs, banks and their other customers form a critical function in the businesses that they serve. CMS has built up that trust through their track record of providing efficient, cost-effective and quality-oriented services, while using risk management systems and processes. The Company's platform of services aims to provide their customers with the same level of quality, efficiency and consistency across India, regardless of location, while enabling them to benefit from the economies of scale of their network. In Fiscal Years 2019, 2020 and 2021, they generated at least ₹20 crore in revenues from 15, 16 and 16 customers, respectively. In addition:

The customer base of the Company's ATM cash management business is diversified and includes over 13 MSPs, and service more than 45 public and private Indian banks directly and through MSPs, as well as white label ATM deployers, as of August, 2021. The banks that they service include public sector banks and private sector banks such as Axis Bank, HDFC Bank and ICICI Bank.

In the Company's ATM cash management business, CMS has enjoyed relationships with 6 of their 12 largest MSP customers for more than 10 years and 4 additional customers for more than 5 years. Their contracts with these customers typically range from 1 to 5 years; and

In its retail cash management business, the Company has enjoyed relationships with their 9 largest customers for more than 10 years. Their contracts with these customers typically range from 1 to 5 years. Company's customers in their retail cash management business are primarily banks and include Axis Bank, HDFC Bank, ICICI Bank and IDBI Bank, among others. CMS directly and indirectly serve more than 2,000 end-customers of their bank customers across various sectors, including e-commerce logistics providers, NBFC and financial services institutions, large format organized retailers, insurance companies, railways and transportation network operators, apparels and accessories retail chains, healthcare chains, hospitality chains and government and utilities, among others.

### ***Integrated business platform offering a broad range of services and products***

CMS has a track record of successfully incubating and building multiple new service lines, which has allowed them to offer their customers a broad range of services and products, as well as realize synergies within their business. In 2017, they acquired the business of a small Brown Label ATM services company (including its ATM outsourcing business contracts to increase their capacity to provide Brown Label ATM services to mid-sized banks and other customers and have successfully scaled up that business to providing Brown Label ATM services for 3,669 ATMs as of August 31, 2021. In addition, in 2019, the Company entered the multi-vendor software solutions segment and are now a leading player for multi-vendor software opportunities in India.

The Company also entered the remote monitoring segment in 2021 and have an order book for 14,920 ATM sites as of July 31, 2021 based on 2 contract wins of 9,520 and 5,400 ATMs, respectively. With their expanded service and product offering, they are present in all major market segments in the cash management and ATM managed services industry, which means they are able to offer integrated services to customers and provide them with 'one-stop' solutions, which also provides them with a competitive advantage for future projects. The Company's ability to do this is demonstrated by its track record of expanding the services they provide to their customers, such as SBI, to which they initially only provided ATM cash management services and now offer multiple solutions across the cash management value chain, including retail cash management, banking automation products, remote monitoring, brown label ATM services, managed services, multi-vendor software solutions and currency chest services. The Company is also able to leverage its broad service and product offering to realize synergies and efficiencies within their own business, such as through combining deliveries and service visits across the different products and services they offer. The Company's integrated business platform is also supported by customised technology and process controls, which enables them to tailor their cash management and managed services solutions to their customers, while generating cross-selling opportunities and driving synergies and efficiencies across their business.

### ***Systems and processes to manage and scale an operationally complex business***

In this industry, as market share and sales volumes increase, operating resources can often be deployed more efficiently and margins can be improved. In order to maximize the scalability of their operations, they leverage customised systems and processes that are designed around internally developed applications tailored to cater to the specific requirements of the Indian banking sector and their other customers.

The Company has implemented technology platforms, such as **CMS Connect**, which facilitates critical processes in ATM operations, and **CMS ALGO**, their fully automated, mobility based, ATM security application, which reduce the time spent on pre- and post-route activities and during first line ATM maintenance calls and replenishments, respectively. The Company has also developed and implemented **AGILE**, which is a risk management solution that tracks, reconciles and resolves reconciliation issues between them and their customers.

The Company systems and processes are present at all levels of their business, including through:

- a) Enabling the field mobility of their workforce through mobile applications;
- b) Facilitating real-time reporting and monitoring by their branches through web enabled applications;
- c) Identifying available capacities in their network and synergies across their businesses to continue to increase their productivity through route optimization for over 3,300 routes that they planned and structured in Fiscal Year 2021; and
- d) Facilitating coordination of disaster recovery and data centres by corporate management.

**Track record of strong productivity and operational excellence**

As the Company business has grown, the Company has actively sought to increase their profitability and the efficiency with which they deploy their resources by: (i) increasing the density of stops in the routes of their cash vans; (ii) leveraging the fixed costs of their cash processing infrastructure; and (iii) introducing other efficiencies, such as by standardizing and automating processes.

As a result of these efforts, the Company has realized important gains in critical metrics, including:

**Productivity:** The Company has increased its productivity by leveraging the network to realize economies of scale, improving the processes and planning and increasing the density of stops in the routes of their cash vans. They also encourage and plan overnight vaulting and early withdrawals with their customers, which helps them to maximize the time they have for their operations at customer locations.

**ATM uptime:** The efficiencies and controls they introduced helped them to further reduce ATM downtime or “cash-outs”, when cash is not available at an ATM, and improve ATM uptime. In Fiscal Year 2021 and during the 5 months ended August 31, 2021, they received an average of 9,276 and 9,020 ATM first line maintenance calls per day, respectively.

**Reporting and settlement:** The Company has been able to make improvements in their reconciliation process for their ATM cash management business. The Company received 110,241 reconciliation-related queries in August 2021, and had average success rates of 99.16% for daily reporting of operations performance to clients.

As of August 31, 2021, the Company also had an audit team of approximately 133 internal auditors that performed internal audits of all of their ATMs, vaults and branches in Fiscal Year 2021 and during the 5 months ended August 31, 2021.

**Experienced and highly qualified management team that have successfully grown the business**

The Company’s senior management team comprises a diverse group of highly experienced and qualified professionals, who have in-depth industry knowledge and expertise, as well as several years of experience at the company. Many of their senior management team have also held senior positions at leading multinational companies in their industry and other reputable institutions. The Company is also supported by Baring Private Equity Asia (Sion Investment Holdings Pte. Ltd, the Company’s current Promoter, is an affiliate of Baring Private Equity Asia), which has expertise and business know-how that it has drawn on to support the company and grow the company’s business and improve its operations. Many of the members of their management teams have worked in their assigned regions for many years and come from diverse backgrounds, such as from financial services or IT services industry, enabling them to contribute directly.

**Industry overview**

India has one of the lowest ATM penetration rates in the world, with only 22 ATMs per 100,000 adults, compared to a global average of 47 ATMs per 100,000 adults as of December 31, 2020, and the Govt has undertaken initiatives aimed at increasing financial inclusion to give greater access to bank branches and ATMs, in particular in semi-urban and rural regions where ATM penetration is very low at 15 ATMs per 100,000 adults as of December 31, 2020, while payments in cash, which continues to be the primary medium of transaction in India, accounted for approximately 89 percent of all payment transactions in 2020. In Fiscal Year 2021, approximately 85 percent to 88 percent of all transactions by volume were anticipated to be cash transactions. (Source: Frost & Sullivan).

Cash management	ATM Managed Services	Automation Solutions	Software and Technology
<b>Description</b>			
Involves all cash management services across segments:  <b>ATM:</b> Cash replenishment for ATMs and first line maintenance services – Retail cash management (“RCM”): Cash pick-up and treasury solution for retailers  <b>DCV:</b> Operating cash vans for banks for inter-branch cash movement	Involves all services related to end-to-end management of ATMs including product deployment, annual maintenance contracts (“AMC”) and brown label ATMs (“BLAs”)	Involves sales and deployment of automation product (ATMs, kiosks, passbook printers etc.)	Involves development, customization and deployment of software Also includes endpoint security solutions and Remote monitoring
<b>Key players</b>			
<b>ATM:</b> CMS, WSG, SIS, Brinks, Securevalue and AGS  <b>RCM:</b> CMS, Radiant, Securevalue, WSG and Brinks  <b>DCV:</b> CMS, SIS and Checkmate	<b>CMS,</b> Hitachi, FIS, NCR, FSS, Euronet and Diebold Nixdorf	<b>CMS, NCR,</b> Hitachi, OKI	<b>Software:</b> CMS, NCR and KAL  <b>Remote monitoring:</b> CMS, Securens and Ivis

Source: RHP



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## The competitive landscape of the cash management industry in India as of July 31, 2021

Service provider	Number of employees	ATM cash management	Retail touch points	RCV (no. of vaults)	DCV (no. of vaults)
CMS	20,000	63,000	40,000	400	900
Securevalve	8,716	47,569	DNA	45	DNA
WSG	8,000+	18,000	12,000	60+	NA
SIS	DNA	14,000	5,000	59	1,000
Brinks	7,000	<5,000	DNA	DNA	NA
Radiant	9,300	NA	42,420	DNA	DNA

Source: RHP, DNA - Data not available

## The competitive landscape of the cash management industry in India as of July 31, 2021

Region	ATM supply	Kiosks	Installation	AMC/SLM	MS	BLA	Remote Monitoring	MVS	OTC	End Pt. security
AGS	Mainly CDS	-	Yes	Yes	Yes	Yes	Yes	-	Yes	Yes
CMS	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
FIS	-	-			Yes	Yes	-	-	-	-
FSS	-	-			Yes	Yes	-	-	-	-
Hitachi	Only CRs	-	Only CRs	Only CRs	Yes	Yes	Not in - house	-	-	Yes
NCR	Mainly CDS	-	Yes		Yes	-	Not in - house	Yes	-	Yes
Oki	Only CRs	-	Yes	Only CRs	-	-		-	-	-

Source: RHP

### Background

#### Company and Directors

The company was originally incorporated as 'Subhiksha Realty Private Limited', at Mumbai, on March 26, 2008. The Promoter of the company is Sion Investment Holdings Pte. Limited ("Sion") (The ultimate promoter of Sion is Baring Private Equity Asia GP VI Limited). Currently, Sion holds 148,000,000 Equity Shares, representing 100% of the issued, subscribed and paid-up equity share capital of the company, including 6 Equity Shares held by certain individuals who have declared the beneficial ownership in the favour of Sion.

#### Brief Biographies of Directors

**Shyamala Gopinath** is the Chairperson of the Company and an Independent Director of the company. She has been associated with the company since November 13, 2017. In the past, she has served as the Deputy Governor of the RBI, chairperson of the advisory board on Bank, Commercial and Financial Frauds and part-time non-executive director of HDFC Bank Ltd. Currently she is a director on the board of several companies including Colgate Palmolive (India) Ltd, CRISIL Ltd, CRISIL Ratings Ltd and Grassroot Trading Network for Women.

**Rajiv Kaul** is the Executive Vice Chairman, Whole Time Director and CEO of the company. He has been associated with the company since July 1, 2009. He is currently heading the Company and is responsible for the overall management of the company. He has over 24 years of experience across technology, private equity and cash management industry. Prior to his association with the company, he was associated with Actis Capital LLP, London as a partner and with Microsoft Corporation (India) Pvt Ltd in the capacity of general manager and managing director, India from where he moved to Redmond, USA as senior director of emerging markets including BRIC.

**Jimmy Lachmandas Mahtani** is the Non-Executive Director of the company. He has been associated with the company since August 27, 2015. He has over 21 years of experience in private equity and investment banking. He has been associated with Baring Private Equity Asia (BPEA) since 2006 and currently serves as a managing director of private equity investment team in India. Prior to BPEA, he was associated with General Atlantic Partners (Mumbai) in the capacity of a vice president.

**Ashish Agrawal** is the Non-Executive Director of the company. He has been associated with the company since August 27, 2015. He has over 24 years of experience in private equity and investment banking. He currently serves as the managing director of Baring Private Equity Asia, Mumbai. Prior to that, he was associated with Lehman Brothers in Mumbai as a senior vice president and with Bank of America in Chicago as a vice president.

**Bhairav Manojbhai Chokshi** is an Independent Director of the company. Prior to joining the Board, he was associated with IDFC Asset Management Co Ltd. Apart from his association with the company he is a director on the boards of Bookbyair (India) Pvt Ltd and IR Financial Services Pvt Ltd.



**Tapan Ray** is the Independent Director of the company. He has been associated with the company since April 9, 2021. He is a retired Indian administrative officer wherein he served as the secretary to the ministry of corporate affairs, Govt. Currently, he serves as the managing director and group chief executive officer of GIFT City, Gandhinagar, Gujarat.

**Krzysztof Wieslaw Jamroz** is the Non-Executive Director of the company. He has been associated with the company since August 10, 2021. He has over 19 years of experience in the logistics, cash management and investment banking. He presently serves as an executive chairman of the Board of Roadrunner Transportation Systems (RRTS) and executive chairman of Ascent Global Logistics.

#### **Key Managerial Personnel**

**Pankaj Khandelwal** is the President and Chief Financial Officer of the company. He has been associated with the company since July 1, 2009 and prior to the demerger was associated with CMS Computers Ltd as a chief financial officer since May 8, 2006. He is currently responsible for finance, legal and secretarial function of the company. He has over 27 years of experience.

**Praveen Soni** is the Company Secretary and Compliance Officer of the company. He has been associated with the company since July 1, 2009 and prior to the demerger was associated with CMS Computers Ltd as a company secretary and legal manager since January 27, 2009. He is currently responsible for handling secretarial compliance and secretarial function of the company. He has over 16 years of experience in secretarial and legal practices.

**Manjunath Rao Pare Parmeshwar** is the President- Managed Services Business. He has been associated with the company since July 6, 2012. He is currently heading the managed services business of the company. He has over 34 years of experience in sales and marketing across sectors.

**Anush Raghavan** is the President- Cash Management Business of the company. He has been associated with the company since October 1, 2009. He is currently heading the cash management business of the company. He has over 14 years of experience in business management and business development.

**Sanjay Singh** is the Chief Human Resources Officer of the company. He has been associated with the company since July 26, 2021. He is currently responsible for developing and executing human resource strategy in the company.

**Rohit Kilam** is the Chief Technology Officer of the company. He has been associated with the company since November 23, 2020. He is currently responsible for the IT function of the company. He has over 20 years of experience in IT across sectors.



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