



SMC Ranking

★ ★ ★ ☆ ☆ (2.5/5)

Issue Highlights

Industry	IT Software
Offer for sale (Shares)	50,925,926
Net Offer to the Public	50,925,926
Issue Size (Rs. Cr.)	1043-1100
Price Band (Rs.)	205-216
Offer Date	21-Dec-21
Close Date	23-Dec-21
Face Value	10
Lot Size	69

Issue Composition

	In shares
Total Issue for Sale	50,925,926
QIB	25,462,963
NIB	7,638,889
Retail	17,824,074

About the company

CMS Info Systems Limited is India's largest cash management company in terms of the number of ATM points and retail pick-up points as of March 31, 2021. The company is engaged in installing, maintaining, and managing assets and technology solutions on an end-to-end outsourced basis for banks, financial institutions, organized retail and e-commerce companies in India. The business operates in 3 segments; 1. cash management services, 2. managed services i.e. banking automation product sales, common control systems, and software solutions, etc., and 3. others i.e. financial cards issuance for banks and card personalization services. As of August 31, 2021, it has a network of 3,965 cash vans and 238 branches and offices to cover all of India's states and union territories.

Strength

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, its total currency throughput, or the total value of the currency passing through all of its 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. The company provides a wide range of services across each stage of the entire cash cycle in India and believes its services help increase the velocity of cash through the cash cycle by assisting customers to meet its outsourcing needs and increase the speed with which it handles cash.

Pan-India footprint with deep penetration in growing markets: Its pan-India fleet of 3,965 cash vans and 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, 97.04% of India's districts and 77.46% Indian postal codes, including difficult-to-reach and remote rural and semiurban areas, such as the India-Pakistan and India-China border regions, villages in remote regions in the Himalayas, such as Dras in Kargil, the Andaman and Nicobar islands, border towns in Kutch, and remote towns in North East India, such as Roing in Arunachal Pradesh, and few locations which are only accessible by boat. As of August 31, 2021, of the total number of ATM points its 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 its 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, 26.00% were in the North of India, 30.39% were in the South, 13.00% were in the East and 30.61% were in the West.

Longstanding customer relationships leading to increased business opportunities:

The company has built up that trust through its track record of providing efficient, cost-effective and quality-oriented services, while using risk management systems and processes. In Fiscal Years 2019, 2020 and 2021, it generated at least Rs.20 crore in revenues from 15, 16 and 16 customers, respectively. In its ATM cash management business, it has enjoyed relationships with six of its 12 largest MSP customers for more

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	100.00%	65.59%
QIB	0.00%	17.20%
NIB	0.00%	5.16%
Retail	0.00%	12.04%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

To carry out an offer for sale of equity shares by promoters aggregating upto Rs. 11,000 million.

To achieve the benefits of listing the equity shares on the stock exchanges.

Book Running Lead Manager

- Axis Capital Limited
- DAM Capital Advisors Ltd (Formerly IDFC Securities Ltd)
- Jefferies India Private Limited
- JM Financial Consultants Private Limited

Name of the registrar

- Link Intime India Private Limited

than ten years and four additional customers for more than five years. Its contracts with these customers typically range from one to five years; and in its retail cash management business, it has enjoyed relationships with its nine largest customers for more than 10 years. Its contracts with these customers typically range from one to five years.

Integrated business platform offering a broad range of services and products: The company has a track record of successfully incubating and building multiple new service lines, which has allowed it to offer its customers a broad range of services and products, as well as realize synergies within its business. The company entered the remote monitoring segment in 2021 and has an order book for 14,920 ATM sites as of July 31, 2021 based on two contract wins of 9,520 and 5,400 ATMs, respectively.

Systems and processes to manage and scale an operationally complex business: In order to maximize the scalability of its operations, the company leverages customised systems and processes that are designed around internally developed applications tailored to cater to the specific requirements of the Indian banking sector and its other customers. The company has implemented technology platforms, such as CMS Connect, which facilitates critical processes in ATM operations, and CMS ALGO, its 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. It has also developed and implemented AGILE, which is a risk management solution that tracks, reconciles and resolves reconciliation issues between it and its customers.

Track record of strong productivity and operational excellence: As its business has grown, it has actively sought to increase its profitability and the efficiency with which the company deploy its resources by: (i) increasing the density of stops in the routes of its cash vans; (ii) leveraging the fixed costs of its cash processing infrastructure; and (iii) introducing other efficiencies, such as by standardizing and automating processes.

Strategy

Leverage its scale and integrated offerings to grow its business: The company's platform offers its customers a single point of reference across India for its operations, and its integrated offerings and knowledge of the markets and regional requirements in which the company operates enables it to provide customers with better quality services that are customized to its needs and offer them a 'one stop' solution for a variety of its outsourcing needs. This is an advantage not only when it is providing a new service in a different location to an existing customer but also when it is taking on a new customer that requires a broad range of services across a number of different locations, and it plans to capitalize on this advantage. As of August 31, 2021, of the total number of ATM points its cash management business serviced, 22.40% were metro, 15.11% were semi-metro and 62.49% were semi-urban. Based on internal management classification of ATMs, 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.

Grow through selective value accretive strategic acquisitions: The company has a track record of successfully completing business acquisitions and optimizing acquired businesses. In 2011 it has acquired SIPL for the amount of ₹119.93 crore, consolidating its position as the leading cash management services company in India. The business transfer from a Brown-Label ATM company, in 2016, helped the company to increase its capacity, to provide Brown Label ATM services to mid-sized banks and other customers. The business transfer of a mid-sized cash management company, in 2017, as well as other means, helped the company to increase the number of ATMs under cash management services from 53,006 as of Fiscal 2017 to 66,431 by August 31, 2021. The number of Retail cash management pick-up points, gained as part of the acquisition of the retail cash management business, of a cash management company in India, was 4,526. The business transfer of a retail cash management company, in 2018, as well as other means, helped the company to increase the number of Retail pick-up points from 37,258 as of Fiscal 2018 to 42,715 by August 31, 2021. Number of ATMs under cash management acquired from the mid-sized cash management company was 5,340. The business transfer of Logicash, in 2020, as well as other means, helped the

company to increase the number of ATMs under cash management services from 58,458 as of March 2020 to 66,431 by August 31, 2021.

Capitalize on the growing cash cycle to expand the operations: The company currently provides a wide range of services across each stage of the entire cash cycle in India and assist customers to meet its outsourcing needs and increase the speed with which it handles cash by automating and decreasing duplication in the processing and turnaround of cash. This trend is also being driven in part by the current base of ATM and cash management assets of banks coming up for renewal and replacement over the next 3 years, given the average life spans of ATMs and since a large portion of ATMs in Indian were installed in 2013 and 2014. Many banks are outsourcing its ATM servicing requirements on an end-to-end basis, and since it is present across the entire ATM and cash management value chain, it can offers its customers integrated service and product offering to meet its needs.

Drive operational efficiencies and increase profitability: As the industry continue to consolidate due to increased regulatory operating standards with respect to the handing of cash and trends in customer preference, CMS plans to leverage its scale and reach, together with its integrated offerings, to continue to grow its business and increase market share. The company plans to continue to increase its productivity by leveraging its network to realize economies of scale, improving the processes and planning and increasing the density of stops in the routes of its cash vans; and improving banking cash services through over-night vaulting and early withdrawals; as well as implementing cassette swaps where possible to reduce the timing of cash replenishments and using technology solutions, such as automated on-time combination (OTC) generation and CMS Connect.

Expand into business areas that create synergies with the current business: CMS has an established track record of incubating new businesses and scaling up its business in business areas. The company has developed, commercialized and implemented multi-vendor software solutions for SBI and intend to continue targeting other large public sector banks in India in this sector. They have also identified and are in the process of expanding 3 other new business areas, which include remote monitoring outside of the ATM and banking sectors, end-to-end currency management and financial services distribution.

Risk factors

- The company business is highly dependent on the banking sector in India. Any adverse development in Indian banks can affect company business
- The company business has affected by covid-19 pandemic and it can affect in future too.
- The company derives a substantial portion of its revenue from limited number of customers. If any loss of such customers can affect business

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
SIS	9612.94	328.28	35.99	12.16	3.53	123.98	5.00	437.55	6427.68
CMS Info Systems Limited	1252.59	168.94	11.41	18.92	2.79	77.29	10.00	216.00	3196.80

* TTM Financials
**Fy21

Valuation

Considering the P/E valuation on the upper price band of Rs.216, EPS and P/E of Estimated Annualised FY2022 are Rs.11.41 and 18.92 multiple respectively and at a lower price band of Rs. 205, P/E multiple is 17.96. Looking at the P/B ratio on the upper price band of Rs.216, book value and P/B of Estimated Annualised FY22 are Rs. 77.29 and 2.79 multiple respectively and at a lower price band of Rs. 205, P/B multiple is 2.65. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

Industry overview

The number of ATMs grew at a CAGR of 20% between Fiscal Year 2011 and Fiscal Year 2016, but the increase between Fiscal Year 2016 and Fiscal Year 2021 slowed down to a 3% CAGR (reaching 255,000 ATMs) due to demonetization, PSB consolidation, and the balance sheet difficulties of PSBs. Given the government's focus on recapitalization and financial inclusion, banks are expected to accelerate retail expansion going forward (both in terms of increasing the number of branches and ATMs). Private banks have stepped up its efforts to expand the number of branches in rural and semi-urban areas in order to capitalize on the opportunities presented by rural economic growth fueled by government policies and consumer habits. ATMs have the potential to play a significant role in the financial inclusion of India's rural population, allowing them to take use of more value-added services. The number of ATMs in India is expected to increase from 255,000 as of March 31, 2021 to 365,000 as of March 31, 2027, representing a CAGR of 6.16%.

Outlook

CMS Info Systems Limited is the largest cash management company in terms of the number of ATM points and retail pick-up points in India. The Company has long standing customer relationships and potential business opportunities. It has generated stable revenue growth in the last 3 years. The issue is reasonably priced based on its financial data. A long term investor may opt the issue. However, the issue is fully OFS, fund raised through the issue will, go to the selling shareholder.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	Dec 21, 2021
Bid/Offer Closing Date	Dec 23, 2021
Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about Dec 28, 2021
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about Dec 29, 2021
Credit of Equity Shares to depository accounts of Allottees	On or about Dec 30, 2021
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about Dec 31, 2021

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	30-Aug-21 (5 Months)	31-Mar-21 (12 Months)	31-Mar-20 (12 Months)
Revenue from operations	626.29	1306.09	1383.24
Total expenditure	476.63	1012.48	1129.33
Operating Profit	149.67	293.61	253.91
OPM%	23.90	22.48	18.36
Other Income	3.43	15.83	5.06
PBDIT	153.09	309.44	258.96
Depreciation	34.59	63.46	56.59
PBIT	118.51	245.98	202.38
Interest	5.07	8.23	7.32
PBT	113.43	237.75	195.06
Tax	28.96	69.23	60.35
Profit After Tax	84.47	168.52	134.71

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Aug-21	As on 31-Mar-21	As on 31-Mar-20
Non-current assets			
Property, plant and equipment	222.10	189.70	120.61
Capital work-in-progress	18.75	22.68	2.89
Right-of-Use Assets	140.10	121.08	83.86
Goodwill	203.36	203.36	203.36
Other intangible assets	16.19	18.95	18.34
Intangible assets under development	0.20	0.47	1.05
Financial Assets			
Investments	0.01	0.01	0.01
Other financial assets	24.52	25.91	24.65
Deferred tax assets (net)	33.41	24.78	27.30
Income tax assets (net)	0.00	9.93	19.65
Other non-current assets	30.22	14.61	11.37
Total non-current assets	688.87	631.49	513.08
Current assets			
Inventories	56.50	89.47	43.04
Financial Assets	0.00	0.00	0.00
Trade Investments	61.53	112.26	56.62
Trade receivables	555.37	500.72	448.62
Cash and cash equivalents	89.82	133.51	159.13
Bank balances other than above	40.74	61.03	31.42
Other financial assets	5.87	4.09	2.77
Other current assets	79.40	79.24	78.05
Total current assets	889.22	980.33	819.66
Total Assets	1578.09	1611.81	1332.74
Non-current liabilities			
Financial liabilities			
Lease Liabilities	110.56	94.54	63.37
Provisions	19.52	19.10	19.10
Total financial liabilities	130.08	113.64	82.46
Current liabilities			
Financial liabilities			
Lease liabilities	36.69	32.10	23.15
Trade payables	0.00	0.00	0.00
Total outstanding dues of micro enterprises and small enterprises	5.18	4.53	10.04
Total outstanding dues of creditors other than micro enterprises and small enterprises	228.46	301.63	256.91
Other financial liabilities	84.78	141.04	61.34
Other current liabilities	22.98	31.48	45.77
Provisions	2.98	2.92	2.67
Income tax liabilities (net)	7.56	0.00	0.00
Total current liabilities	388.64	513.70	399.89
Total	518.72	627.33	482.35
NET Worth	1059.37	984.48	850.39
Net worth represented by:			
Share capital	148.00	148.00	148.00
Other Equity	911.37	836.48	702.39
Net Worth	1059.37	984.48	850.39

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

E-mail: smc.care@smcindiaonline.com



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Corporate Office:
11/6B, Shanti Chamber,
Pusa Road, New Delhi - 110005
Tel: +91-11-30111000
www.smcindiaonline.com

Mumbai Office:
Lotus Corporate Park, A Wing 401 / 402, 4th Floor,
Graham Firth Steel Compound, Off Western
Express Highway, Jay Coach Signal, Goreagon
(East) Mumbai - 400063
Tel: 91-22-67341600, Fax: 91-22-67341697

Kolkata Office:
18, Rabindra Sarani, Poddar Court, Gate No-4,
5th Floor, Kolkata - 700001
Tel.: 033 6612 7000/033 4058 7000
Fax: 033 6612 7004/033 4058 7004

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