

Company Overview

Incorporated in 2008, CMS Info Systems Ltd (CMS) is India's largest cash management company based on number of ATM points and number of pick up points. 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 operates their business under 3 verticals, namely "Cash management services" which include end to end ATM replenishment services, "Managed Services" which includes banking, automation and "Other" which are in the nature of end-to-end financial card issuance and card personalization services. CMS has served more than 141,977 business points across their ATM cash management system, retail cash management and managed services businesses. The promoter of the company (having a pre-IPO 100% holding) is Sion Investment Holding Pte Ltd, which is an affiliate of Baring Private Equity Asia.

Objects of the issue

The IPO proceed will be used towards the following purposes;

- ⇒ Carry out the offer for sale of up to 50.93 Mn shares
- ⇒ Achieve benefits of listing the equity shares on the stock exchange

Investment Rationale

Leading player with a Pan-India footprint

In the "Cash Management segment", CMS is a market leader with over 66,000 ATMs, 43,000 retail pick up points and a massive 41% market share in the ATM cash management sector, as of FY21. In their "ATM Managed services", they have an order book of over INR 15bn in Brown Level ATM solutions. On the other hand, they are also an emerging leader in "Tech Solutions" where they have an order book of 15,000 monitoring sites which is worth over INR 3.8bn. State Bank of India has been associated with CMS since FY14, has provided recurring revenue streams and expanded to 8+ solutions. As of FY21, CMS is remote monitoring 9520 ATMs, worth INR 217crs for them. CMS targets to replicate the same playbook with other private banks and public sector banks. The company has a network of 238 branches all over India and a fleet of 3965 cash vans. As of Aug'21, of the total number of ATM points their cash management business serviced, 22.4% were metro, 15.1% were semi-metro and 62.5% were semi-urban and rural, and in terms of geographic location, 23.5% were in the North of India, 26.5% were in the South, 17.6% were in the East and 32.3% were in the West. In addition, as of Aug'21, of the total number of retail pick-up points their cash management business serviced, 33.% were metro, 16.7% were semi-metro and 50.3% were semi-urban and rural, and in terms of geographic location, 26% were in the North of India, 30.4% were in the South, 13% were in the East and 30.6% were in the West.

Track record of productivity and financial excellence

The company has improved their productivity through their multiple measures including increase in stops of their cash route vans, standardizing and automating processes. This has led to reduction in ATM downtime and improvements in their reconciliation process. They 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. Another factor promoting their productivity is their smart acquisitions which are namely "Brown label ATM Company", "Logicash", "SIPL". In FY13, they entered into a strategic arrangement with Hyosung TNS Inc., through which they offered a full suite of bank automation products and have base of over 37,000 installed products, supported by a network of over 500 engineers across India, as of Aug21, to provide banking automation product sales and service and maintenance services. Their financials have shown a positive growth rate in EBITDA and PAT, at a CAGR of 19% and 32% respectively, over FY19-21. As of Aug'21 their net profit margin is 13.5% and the PAT stands at INR 845mn.

Valuation and Outlook

CMS is a leading player in cash management system and as per the management, is bound to benefit from the shifting trend towards outsourcing. As per the company, the outsourced ATMs are expected to grow at a CAGR of 10% and outsourced organized retail points to grow at a CAGR of 13% over FY21-27. India is the worlds 3rd largest ATM market with significant under-penetration. There are government incentives too favoring this sector. This gives CMS immense opportunities to scale up their business. They are supported by a senior management team comprising of highly experienced and qualified professionals. At the upper price band, the stock is valued at PE of 16.4x (based on FY22 annualized earnings) on post issue equity. The company has also displayed positive financial performance, therefore, we give a "SUBSCRIBE" rating to this issue for long term.

Issue Details	
Offer Period	21 st Dec - 23 rd Dec, 2021
Price Band	INR.205 to INR.216
Bid Lot	69
Listing	BSE&NSE
Issue Size (no. of shares in mn)	50.93
Issue Size (INR. in bn)	11
Face Value	10

Issue Structure	
QIB	50 %
NIB	15 %
Retail	35 %
BRLM	Axis Capital, DAM Capital, Jefferies India and JM Financial
Registrar	Link Intime India Pvt Ltd.

Particulars	Pre Issue %	Post Issue %
Promoter	100%	65.59%
Public	-	34.41%
Total	100%	100%

(Assuming issue subscribed at higher band)

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Income Statement (In mn)

Particulars	FY19	FY20	FY21	5MFY22
Revenue				
Revenue from operations	11,462	13,832	13,061	6,263
Total Revenue	11,462	13,832	13,061	6,263
Expenses				
Purchase of traded goods	1,006	1,815	2,070	433
Decrease/(Increase) in inventories	(114)	99	(273)	280
Employee benefit expenses	2,135	2,194	2,016	905
Other expenses	6,456	7,187	6,313	3,149
Total Operating Expenses	9,482	11,293	10,125	4,766
EBITDA	1,979	2,539	2,936	1,497
Depreciation and amortization expense	537	566	635	346
Finance income	132	51	158	34
EBIT	1,574	2,024	2,460	1,185
Finance costs	74	73	82	51
Profit Before Tax	1,499	1,951	2,378	1,134
Current tax	543	541	654	376
Adjustment for tax relating to earlier periods	(1)	5	12	-
Deferred tax charge/ (charge)	(3)	57	26	(87)
Total Tax	538	604	692	290
PAT	961	1,347	1,685	845
Diluted EPS	6.3	8.9	11.1	5.5

Source: RHP, BP Equities Research

Cash Flow Statement (In mn)

Particulars	FY19	FY20	FY21	5MFY22
Cash flow from operating activities	1,018	2,142	1,854	82
Cash flow from investing activities	62	(1,194)	(1,493)	(271)
Cash flow from financing activities	(524)	(576)	(617)	(248)
Net increase/(decrease) in cash and cash equivalents	556	371	(256)	(437)
Cash and cash equivalents at the beginning of the period	665	1,220	1,591	1,335
Cash and cash equivalents at the end of the period	1,220	1,591	1,335	898

Source: RHP, BP Equities Research



Balance Sheet (In mn)

Particulars	FY19	FY20	FY21	5MFY22
Liabilities				
Share capital	1,480	1,480	1,480	1,480
Other equity	5,979	7,024	8,365	9,114
Net Worth	7,459	8,504	9,845	10,594
Lease liabilities	599	634	945	1,106
Long-term provisions	168	191	191	195
Total Non Current Liabilities	767	825	1,136	1,301
Lease liabilities	243	232	321	367
Trade payables	1,627	2,670	3,062	2,336
Other financial liabilities	594	613	1,410	848
Other current liabilities	194	458	315	230
Short term provisions	43	27	29	30
Income tax liabilities (net)	-	-	-	76
Total Current Liabilities	2,701	3,999	5,137	3,886
Total Liabilities	10,927	13,327	16,118	15,781
Assets				
Property, plant & equipment	804	1,206	1,897	2,221
Capital work-in-progress	4	29	227	188
Right-of-use asset	813	839	1,211	1,401
Goodwill	2,034	2,034	2,034	2,034
Other intangible assets	164	183	190	162
Intangible assets under development	21	10	5	2
Other financial assets	280	246	259	245
Deferred tax assets (net)	338	273	248	334
Income tax assets (net)	249	197	99	-
Other non-current assets	58	114	146	302
Total Non Current Assets	4,765	5,131	6,315	6,889
Inventories	416	430	895	565
Investments	115	566	1,123	615
Trade receivables	3,906	4,486	5,008	5,554
Cash and cash equivalents	1,220	1,591	1,335	898
Bank balances other than above	172	314	610	407
Other financial assets	18	28	41	59
Other current assets	314	781	792	794
Total Current Assets	6,162	8,197	9,804	8,892
Net current assets	3,461	4,198	4,667	5,006
Total Assets	10,927	13,327	16,118	15,781

Source: RHP, BP Equities Research

Key Risks

- ⇒ Any decrease in the availability or use of cash as the predominant mode of payment in India could have an adverse effect on their business, results of their operations, cash flows and the financial condition.
- ⇒ Their business is highly dependent on the banking sector in India and any adverse development with respect to Indian banks that adversely affects their utilization of and demand for cash management services or their deployment or utilization of ATMs could have an adverse effect on their business, results of operations, cash flows and the financial condition.
- ⇒ Their business and operations have been and may continue to be materially affected by the COVID-19 pandemic.

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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