



Target Price 601	Absolute Return 58.6%	CAGR 26.7%
Time Horizon: 2 years		as on 20 Apr 2024

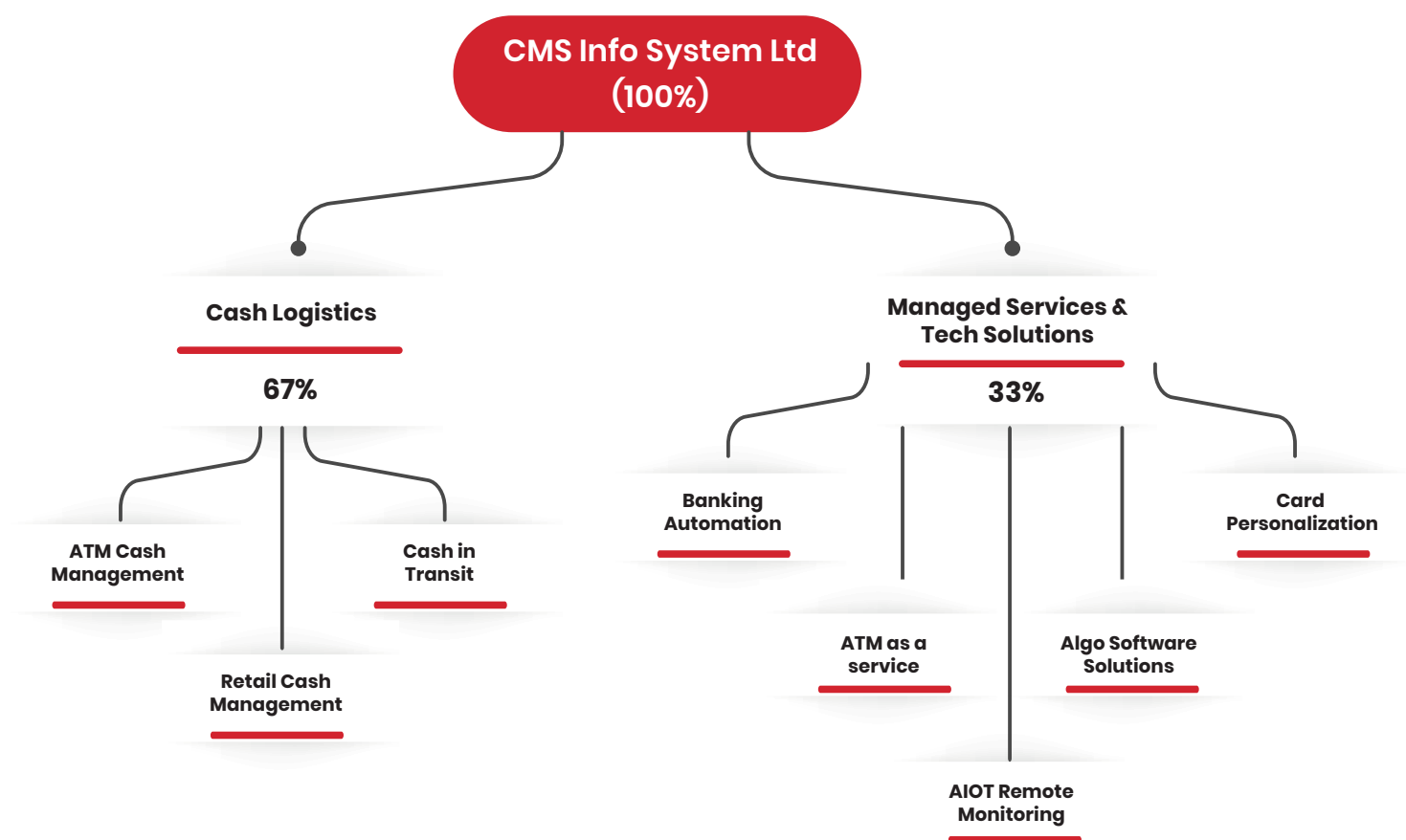


Key Investment Thesis for CMS Info Systems

A common belief among many is that as India embraces digitalization, the use of cash in the system will reduce, consequently fewer ATMs will be needed. Data suggests otherwise, cash logistics and ATM-as-a-service markets are expected to grow at 19% & 17% CAGR till FY27. The expansion of banking infrastructure and the proliferation of ATMs further fuel the demand ATM related services.

CMS Info Systems is a leading provider of end-to-end cash management and payment solutions in India. With over three decades of experience, CMS has established itself as a pioneer in the cash management industry, offering a wide range of services including currency management, ATM services, managed services, and digital payment solutions.

- India has over 2.2 lakh ATMs, with 58% of them outsourcing their services. CMS Info Systems stands as a market leader in India's cash management industry, commanding a market share of over 45% in outsourced business.
- In the next 12-18 months, banks are anticipated to undergo a significant ATM refresh cycle, which will involve both the replacement of aging ATMs and the addition of new ones.
- Books of banks are getting cleaner which is helping them to improve their spends on branch expansions. As and how the branches increase, so will the ATMs. In the medium term it is anticipated that 80,000 ATMs will be opened by PSU banks and 20,000 by private banks.
- Key customers of CMS include HDFC Bank, SBI, ICICI Bank and Axis Bank. Widespread network and strong customer relationships. The company's established presence provides it with a competitive edge, barriers to entry for new players, and economies of scale, which contribute to sustainable growth and profitability.



- The current mix of 67:33 in favour of cash management services can move to 60:40 in a couple of years. Managed services business is expected to grow faster than cash management business, primarily due to segments like AIoT and banking automation services, which are anticipated to fuel growth.
- Cash management business, which accounts for approximately 67% of revenue, includes movement of cash from bank to ATM and vice versa. This segment also includes retail cash management, where cash generated by retailers such as e-commerce players and petrol pump owners, who deal with significant cash volumes, is handled.
- With the introduction of the cassette swap method in ATMs, the likelihood of losses will decrease as its implementation accelerates across India. Implementing this compliance measure can also assist CMS in reducing their provisions for potential business losses going forward.
- Banking Automation Involves installing ATMs, cash recyclers, passbook kiosks, and teller cash recyclers. CMSINFO has partnered with Nautilus Hyosung, (3rd largest ATM manufacturer globally) for deployment of machines. It is also setting up a manufacturing facility to manufacture the machines in-house.
- Brown label ATM is a concept wherein the ATM is set up under the bank's brand name on an asset-light model where the capex is borne by players like CMS. These services include deploying, maintaining, and managing ATMs on an end-to-end basis under the bank's name.
- AIoT segment deals with the remote monitoring of ATMs and branches. As of today, less than 40% of ATMs and 30% of branches are remotely monitored, leaving a significant scope in this market. This segment also boasts high operational margins, nearly 40%. Therefore, expansion in this segment would aid CMS in improving its margins.

CMS currently trades at a price/earnings multiple of 19.2 times which looks like an attractive multiple to take a long-term bet. We estimate the profits of CMS to be Rs 463 crore by FY26. Giving an exit multiple of 20 times, we give a target price of Rs 601 including dividend yield.

Risks

- Changes in policies, and frameworks by RBI or government regarding its cash management can have an impact on its business growth or profitability.
- Given the large volumes of cash handled by CMS, it is exposed to various operational risks like theft and embezzlement. CMS has 5% of revenue reserved for such losses.
- Slower than estimated branch expansion can hamper the growth estimates.

Projections for CMS Info Systems

Particulars (in crore)	FY23	FY24	FY25	FY26
Sales	1915	2225	2563	2962
Total Expenses	1424	1621	1882	2167
EBITDA	490	604	681	795
EBITDA Margins (%)	25.6%	27.1%	26.6%	26.8%
Other Income	62	30	30	30
Interest	20	18	18	18
Depreciation	132	150	165	182
Profit Before Tax	401	466	528	625
Tax	104	121	137	163
Profit After Tax	297	345	390	463

Disclaimer:

Analyst Certification: The views expressed in this research report ("Report") accurately reflect the personal views of the research analysts ("Analysts") employed by Prudent Broking Services Private Limited (PBSPL) about any and all of the subject issuer(s) or company (ies) or securities. This report has been prepared based upon information available to the public and sources, believed to be reliable. I/We also certify that no part of my/our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

The Analysts engaged in preparation of this Report or his/her relative:-

- (a) Do not have any financial interests in the subject company mentioned in this Report;
- (b) Do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report;
- (c) Do not have any material conflict of interest at the time of publication of the Report.

The Analysts engaged in preparation of this Report:-

- (a) Have not received any compensation from the subject company in the past twelve months;
- (b) Have not managed or co-managed public offering of securities for the subject company in the past twelve months;
- (c) Have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months;
- (d) Have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months;
- (e) Has not received any compensation or other benefits from the Subject Company or third party in connection with the Report;
- (f) Has not served as an officer, director or employee of the subject company;
- (g) Is not engaged in market making activity for the subject company.

Research Team:

- Mr. Pradip Hotchandani (Research Head)
- Virendra Rathore (Sr. Research Analyst)
- Nihal Shah (Fundamental Research Analyst)

Prudent Broking Services Private Limited ("PBSPL") is a company engaged in diversified financial services business including securities broking, DP services, distribution of Mutual Fund, and other financial products. PBSPL is a member of Stock Exchange(s). PBSPL is also a Depository Participant registered with CDSL. PBSPL is a large broking house catering to retail, HNI and institutional clients. It operates through its branches and authorized persons spread across the country and the clients are provided online trading through internet and offline trading through branches and call & trade facility. PBSPL is a wholly owned subsidiary of Prudent Corporate Advisory Services Limited ("PCASL"), which is engaged into Stock Broking, Mutual Fund distribution and other financial product distribution and is registered with the Securities and Exchange Board of India as Stock Broker. PBSPL is a wholly owned subsidiary of Prudent Corporate Advisory Services Limited. Hence, Prudent Corporate Advisory Services Limited and all its subsidiaries, including, PBSPL and subsidiaries are treated and referred to as Associates of PBSPL.

We hereby declare that our activities were neither suspended nor we have materially defaulted with any stock exchange authority with whom we are registered in last five years. However SEBI, Exchanges and Depositories have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty for certain procedural lapses. We have not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has our certificate of registration been cancelled by SEBI at any point of time.

PBSPL or its Associates, may:

- (a) From time to time, have long or short position in, and buy or sell the securities of the company mentioned in the Report or
- (b) Be engaged in any other in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company discussed herein or act as an advisor or lender/borrower to such company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions
- (c) Have any financial interests in the subject company mentioned in this Report
- (d) Be engaged in market making activity for the subject company.

PBSPL does not have actual / beneficial ownership of one percent or more securities of the subject company, at the end of the month immediately preceding the date of publication of the Report.

Compensation paid to Analysts of PBSPL is not based on any specific merchant banking, investment banking or brokerage service transaction.

PBSPL or its Associate did not receive any compensation or any benefit from the subject company or third party in with preparation of this Report.

This Report is for the personal information of the authorized recipient(s) and is not for public distribution and should not be reproduced, transmitted or redistributed to any other person or in any form without PBSPL's prior permission. The information provided in the Report is from publicly available data, which we believe, are reliable. While reasonable endeavors have been made to present reliable data in the Report so far as it relates to current and historical information, but PBSPL does not guarantee the accuracy or completeness of the data in the Report. Accordingly, PBSPL or any of its Associates including directors and employees thereof shall not be in any way responsible or liable for any loss or damage that may arise to any person from any inadvertent error in the information contained, views and opinions expressed in this Report or in connection with the use of this Report.

Please ensure that you have read "Risk Disclosure Document for Capital Market and Derivatives Segments" as prescribed by Securities and Exchange Board of India before investing in Indian securities market.

The projections and forecasts described in this Report should be carefully evaluated as these:

1. Are based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies.
2. Can be expected that some of the estimates on which these were based, will not materialize or will vary significantly from actual results, and such variances may increase over time.
3. Are not prepared with a view towards compliance with published guidelines or generally accepted accounting principles. No independent accountants have expressed an opinion or any other form of assurance on these.
4. Should not be regarded, by mere inclusion in this report, as a representation or warranty by or on behalf of PBSPL the authors of this report, or any other person, that these or their underlying assumptions will be achieved. This Report is for information purposes only and PBSPL or its Associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. Though disseminated to recipients simultaneously, not all recipients may receive this report at the same time. PBSPL will not treat recipients as clients by virtue of their receiving this report. It should not be construed as an offer to sell or solicitation of an offer to buy, purchase or subscribe to any securities this report shall not form the basis of or be relied upon in connection with any contract or commitment, whatsoever. This report does not solicit any action based on the material contained herein.

It does not constitute a personal recommendation and does not take into account the specific investment objectives, financial situation/ circumstances and the particular needs of any specific person who may receive this document. The securities discussed in this Report may not be suitable for all the investors. PBSPL does not provide legal, accounting or tax advice to its clients and you should independently evaluate the suitability of this Report and all investors are strongly advised to seek professional consultation regarding any potential investment.

Certain transactions including those involving futures, options, and other derivatives as well as noninvestment grade securities give rise to substantial risk and are not suitable for all investors. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment.

The price, value and income of the investments referred to in this Report may fluctuate and investors may realize losses on any investments. Past performance is not a guide for future performance. Actual results may differ materially from those set forth in projections. SSL has reviewed the Report and, the current or historical information included here is believed to be reliable, the accuracy and completeness of which is not guaranteed. PBSPL does not have any obligation to update the information discussed in this Report.

The opinions expressed in this report are subject to change without notice and PBSPL or its Associates have no obligation to tell the clients when opinions or information in this report change. This Report has not been approved and will not or may not be reviewed or approved by any statutory or regulatory authority in India. This report may not be all inclusive and may not contain all the information that the recipient may consider material.

The securities described herein may not be eligible for sale in all jurisdictions or to all categories of investors. Distributing /taking/sending/ dispatching/transmitting this document in certain foreign jurisdictions may be restricted by law, and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Failure to comply with this restriction may constitute a violation of laws in that jurisdiction.

Prudent Broking Services Pvt Ltd is a SEBI Registered Stock Broker, Research Analyst, Depository Participant service provider, and is a member of BSE, NSE, MCX, NCDEX and CDSL.

SEBI Stock Broker Reg. No: INZ000166234 | SEBI Research Analyst Reg. No. INH000002228 | SEBI DP Reg. No: IN-DP-06-2015 | AMFI Reg. No. ARN 077995 | NSE Member Code: 13180 | BSE Member Code: 3263 | MCX Member Code: 46060 | NCDEX Member Code: F01097, CIN - U67120GJ1995PTC026716, Registered Address: 401 Sears Tower, Off C. G. Road, Gulbai Tekra, Ahmedabad - 380006. Tel - 079 61560900/ 61600900. Website: www.prudentbroking.com

Compliance Officer: Nilesh Panchal, Email: infobroking@prudentcorporate.com, Phone: 079-61600900.

For any complaints, please write a mail to cmpbroking@prudentcorporate.com "Investment in securities market are subject to market risks, read all the related documents carefully before investing."

"Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors."