

IPO Note: CMS Info Systems Ltd.

Industry: Cash Management

Date: December 21, 2021

Issue Snapshot		Issue Break up		
Company Name	CMS Info Systems Ltd.	QIB ex Anchor	20%	10,185,185
Issue Opens	December 21, 2021 to December 23, 2021	Anchor Investor	30%	15,277,778
Price Band	Rs. 205 to Rs. 216	HNI	15%	7,638,889
Bid Lot	69 Equity Shares and in multiples thereof.	RII	35%	17,824,074
The Offer	Public issue of 50,925,926 Equity shares of Face value Rs. 10 each, (Comprising of Offer for Sale by Selling Shareholder).	Total Public	100%	50,925,926
Issue Size	Rs. 1100.00 Crore			
IPO Process	100% Book Building	Equity Share Pre Issue (Nos. Cr.)	14.8	
Face Value	Rs. 10.00	OFS Share (Nos. Cr.)	5.1	
Exchanges	NSE & BSE	Equity Share Post Issue (Nos. Cr.)	14.8	
BRLM	Axis Capital Limited, DAM Capital Advisors Limited (Formerly IDFC Securities Limited), Jefferies India Private Limited, JM Financial Limited	Market Cap (Rs. Cr.)	3,196.8	
Registrar	Link Intime India Private Limited	Stake Sale by OFS	34.4%	

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (BY Sion Investment Holdings Pte. Limited)

Company Highlights

- CMS Info Systems Ltd. (CMS) is India's largest cash management company based on the number of ATM points and the number of retail pick-up points as of March 31, 2021, as well as one of the largest ATM cash management companies worldwide based on the number of ATM points as of March 31, 2021. (Source: Frost & Sullivan)
- For FY21, its total currency throughput, or the total value of the currency passing through all of its ATM and retail cash management businesses, amounted to Rs. 9,158.86 billion. CMS's business includes installing, maintaining and managing assets and technology solutions on an end-to-end outsourced basis for banks under long term contracts.
- Its integrated business platform is supported by customized technology and process controls, which enables the company to offer customers a wide range of tailored cash management and managed services solutions while generating cross-selling opportunities and driving synergies and efficiencies across the business. It caters to a broad set of outsourcing requirements for banks, financial institutions, organized retail and e-commerce companies in India.
- The business operates in three segments:
 - ❖ **Cash management services** include end-to-end ATM replenishment services, cash pick-up and delivery, network cash management and verification services and cash-in-transit services for banks, accounting for 68.61% of revenues in FY21.
 - ❖ **Managed services** include banking automation product sales, deployment and associated annual maintenance, end-to-end Brown Label deployment and managed services for banks, common control systems and software solutions, including multi-vendor software solutions and other security and automation software solutions as well as remote monitoring for ATMs, accounting for 27.88% of revenue. The segment revenue grew at a CAGR of 35.88% from FY19 to FY21.
 - ❖ **Others** include end-to-end financial cards issuance and management for banks and card personalization services, accounting for 3.51% of revenues.

- CMS's cash management business is largely route-based in nature with 78.11% and 78.70% of revenue, respectively, in FY21 and 5MFY22, being generated from activities where route density drives profitability and enables operating leverage. Its managed services business on the other hand is largely recurring in nature with 52.45% and 65.80% of revenue from managed services business, respectively, in FY21 and 5MFY22, being generated from long-term contracts, which provides high revenue visibility for its managed services business. As of August 31, 2021, CMS served 141977 business points across its ATM cash management and other related services.
- CMS Info Systems has pan-India fleet of 3,965 cash vans and network of 238 branches and offices end August 2021 cover all of India's states and union territories, except remote union territory of Lakshwadeep, 97.04% of India's 742 districts and 14,949, or 77.46%, Indian postal codes, including difficult to reach and remote rural and semi-urban areas. Through network, the company serves 141,977 business points across ATM cash management, retail cash management and managed services businesses end August 2021.

View

- CMS Info Systems is India's largest cash management company 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.
- India is the third largest ATM market in the world based on number of installed ATMs, after China and the United States, and is expected to grow at a CAGR of 6.16% from 255,000 end March 2021 to 365,000 by March 2027. Increasing cash in circulation, which has grown at a CAGR of approximately 10% to 12% from 2001 to 2021 and is expected to continue to increase at a CAGR of approximately 10% from FY21 to FY25 as GDP continues to grow.
- India has one of the lowest ATM penetration rates in the world, with only 22 ATMs per 100,000 adults as of December 31, 2020. This has led to the Govt to take initiatives aimed at increasing financial inclusion to give greater access to bank branches and ATMs particularly in semi-urban and rural regions where ATM penetration is the very low at 15 ATMs per 100,000 adults as of December 31, 2020. The Company believes its pan-India footprint including difficult-to-reach and remote rural and semi-urban areas, positions it well to take advantage of future opportunities arising from this growth and these initiatives. It plans to continue to grow its business organically to meet this demand.
- The increase in demand for cash and cash-related services in India is expected to cause banks and other participants in India to deploy more ATMs. According to Frost & Sullivan, 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, a CAGR of 6.16%. It is expected that these trends have caused and will continue to cause banks and other market participants in the cash management market, managed services and across the cash cycle in India which will be beneficial for company like CMS Info Systems.
- As the business has grown, it has actively sought to increase its profitability and the efficiency with which it deploys resources by increasing the share of integrated services, improving productivity and reducing risk cost associated with the business.
- The Company expects that it has an established track record of incubating new businesses and scaling up its business in business areas where it can identify opportunities for potential growth, whether in a new business area or in areas where it has existing operations.
- On financial front, during FY19-21, CMS revenue and EBITDA grew at a CAGR of 6.8% (to Rs. 1306 cr) and 21.8% (to Rs. 294), respectively, while PAT grew at a CAGR of 32.4% to Rs. 169 cr. EBITDA margins improved by 521bps to 22.5%, while PAT margins improved by 451bps to 12.9%. Subsequently, return ratios RoE improved to 17.1% (+423bps).
- In terms of the valuations, on the higher price band, CMS demands a P/E multiple of 15.8x based on H1FY22 post issue fully diluted EPS and P/B multiple of 3.0x based on H1FY22 post issue fully diluted Book Value. The Issue appears fairly priced as its peer (SIS Ltd.) is trading at a P/E of 18x.

Revenue from Operations

	FY19		FY20		FY21		5MFY22	
	Revenue (Rs. Cr)	% of Total						
Services								
Sale of ATM and ATM Sites	66.4	5.8%	135.5	9.8%	162.3	12.4%	62.0	9.9%
Sale of products	43.7	3.8%	119.9	8.7%	68.3	5.2%	25.3	4.0%
- ATM Spares and related Products	31.7		111.0		53.6		19.8	
- Cards	11.9		7.7		14.4		5.4	
- Others	0.2		1.1		0.3		0.1	
Sale of services	1036.1	90.4%	1127.9	81.5%	1075.5	82.4%	539.0	86.1%
- ATM and Cash management services	892.2		977.7		896.1		446.8	
- AMC services	97.4		114.6		147.9		81.2	
- Card Personalisation	46.5		35.7		31.5		11.0	
Total for Revenue from Operations	1146.2	100.0%	1383.2	100.0%	1306.1	100.0%	626.3	100.0%
Business Segments								
Cash Management Services	890.6	76.8%	977.7	70.4%	896.1	67.8%	418.0	66.4%
Managed Services	197.2	17.0%	362.2	26.1%	361.1	27.5%	191.9	30.5%
Others	58.4	5.0%	43.4	3.1%	45.9	3.5%	16.4	2.6%
Total for Revenue from Operations	1146.2		1383.2		1306.1		626.3	
Total Income	1159.3	98.9%	1388.3	99.6%	1321.9	98.8%	629.7	99.5%

Customer Base Revenue Contributed

	FY19	FY20	FY21	5MFY22
Top 3 Customers	31.9%	42.3%	42.4%	44.6%
Top 5 Customers	48.3%	55.8%	55.7%	57.0%
Top 10 Customers	71.5%	75.4%	75.1%	75.0%
Largest Customer – Public Sector Bank	10.1%	23.5%	17.9%	18.8%

Details of Services and Customers

Cash-in-transit Business	Emerging Businesses	On-demand pick-up solutions	ATM maintenance services	Remote monitoring Services	Card personalization solutions
Axis Bank, HDFC Bank, ICICI Bank and IDBI Bank	Banks for currency chest automation, Jewellery value chain participant	Financial services such as NBFCs and insurance companies	HDFC Bank, ICICI Bank	Leading public sector banks, such as SBI	HDFC Bank, IDBI Bank and ICICI Bank

Financial Statement

(In Rs. Cr)	FY19	FY20	FY21	5MFY22
Share Capital	148.0	148.0	148.0	148.0
Net Worth	745.9	850.4	984.5	1059.4
Long Term Borrowings	0.0	0.0	0.0	0.0
Other Long Term Liabilities	76.7	82.5	113.6	130.1
Short-term borrowings	0.0	0.0	0.0	0.0
Other Current Liabilities	270.1	399.9	513.7	388.6
Fixed Assets	381.8	429.1	555.8	600.5
Non Current Assets	460.1	84.0	75.7	88.4
Current Assets	616.2	819.7	980.3	889.2
Total Assets	1092.7	1332.7	1611.8	1578.1
Revenue from Operations	1146.2	1383.2	1306.1	626.3
Revenue Growth (%)		20.7	(5.6)	
EBITDA	197.9	253.9	293.6	149.7
EBITDA Margin (%)	17.3	18.4	22.5	23.9
Net Profit	96.1	134.7	168.5	84.5
Net Profit Margin (%)	8.4	9.7	12.9	13.5
Earnings Per Share (Rs.)	6.3	8.9	11.1	5.5
Return on Networth (%)	12.9	15.8	17.1	8.0
Net Asset Value per Share (Rs.)	50.4	57.5	66.5	71.6

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY19	FY20	FY21	5MFY22
Cash flow from Operations Activities	101.8	214.2	185.4	8.2
Cash flow from Investing Activities	6.2	(119.4)	(149.3)	(27.1)
Cash flow from Financing Activities	(52.4)	(57.6)	(61.7)	(24.8)
Net increase/(decrease) in cash and cash equivalents	55.6	37.1	(25.6)	(43.7)
Cash and cash equivalents at the beginning of the year	66.5	122.0	159.1	133.5
Cash and cash equivalents at the end of the year	122.0	159.1	133.5	89.8

Source: RHP

Comparison with listed industry peers

Co Name	Net Sales (Rs. Cr.)	OPM (%)	ROCE (%)	RONW (%)	P/E (x)	P/BV (x)	EV/EBIDTA (x)	MCap/Sales (x)	Market Cap (Rs. Cr.)
CMS Info Systems Ltd.	1306.1	22.5	29.8	17.1	15.8	3.0	10.6	2.4	3196.8
SIS Ltd.	9127.3	10.9	21.0	23.0	19.7	3.6	7.3	0.7	6427.7

Ashika Stock Broking Limited ("ASBL") started its journey in the year 1994, and is presently offering a wide bouquet of services to its valued clients including broking services, depository services and distributorship of financial products (Mutual funds, IPO & Bonds). It became a "Research Entity" under SEBI (Research Analyst) Regulations 2014 in the year of 2015 (Reg No. INH00000206).

ASBL is a wholly owned subsidiary of Ashika Global Securities (P) Ltd., a RBI registered non-deposit taking NBFC Company. ASHIKA GROUP (details enumerated on our website www.ashikagroup.com) is an integrated financial service provider inter alia engaged in the business of Investment Banking, Corporate Lending, Commodity Broking, Debt Syndication & Other Advisory Services.

There were no significant and material disciplinary actions against ASBL taken by any regulatory authority during last three years except routine matters.

Disclosure

Research reports are being prepared and distributed by ASBL in the sole capacity of being a Research Analyst under SEBI (Research Analyst) Regulations 2014. The following disclosures and disclaimer are an essential part of any Research Report so being distributed.

1. ASBL or its associates, its Research Analysts (including their relatives) may have financial interest in the subject company(ies). And, the said financial interest is not limited to having an open stock market position in /acting as advisor to /having a loan transaction with the subject company(ies) apart from registration as clients.
2. ASBL or its Research Analysts (including their relatives) do not have any actual / beneficial ownership of 1% or more of securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the source research report or date of the concerned public appearance. However ASBL's associates may have actual / beneficial ownership of 1% or more of securities of the subject company(ies).
3. ASBL or its Research Analysts (including their relatives) do not have any other material conflict of interest at the time of publication of the source research report or date of the concerned public appearance. However ASBL's associates might have an actual / potential conflict of interest (other than ownership).
4. ASBL or its associates may have received compensation for investment banking, merchant banking, brokerage services and for other products and services from the subject companies during the preceding 12 months. However, ASBL or its associates or its Research analysts (forming part of Research Desk) have not received any compensation or other benefits from the subject companies or third parties in connection with the research report/ research recommendation. Moreover, Research Analysts have not received any compensation from the companies mentioned in the research report/ recommendation in the past twelve months.
5. The subject companies in the research report/ recommendation may be a client of or may have been a client of ASBL during the twelve months preceding the date of concerned public appearance for investment banking/ merchant banking / brokerage services.
6. ASBL or their Research Analysts have not managed or co-managed public offering of securities for the subject company(ies) in the past twelve months. However ASBL's associates may have managed or co-managed public offering of securities for the subject company(ies) in the past twelve months.
7. Research Analysts have not served as an officer, director or employee of the companies mentioned in the report/ recommendation.
8. Neither ASBL nor its Research Analysts have been engaged in market making activity for the companies mentioned in the report / recommendation.

Disclaimer

The research recommendations and information are solely for the personal information of the authorized recipient and does not construe to be an offer document or any investment, legal or taxation advice or solicitation of any action based upon it. This report is not for public distribution or use by any person or entity, where such distribution, publication, availability or use would be contrary to law, regulation or subject to any registration or licensing requirement. We will not treat recipients as customer by virtue of their receiving this report. The report is based upon the information obtained from public sources that we consider reliable, but we do not guarantee its accuracy or completeness. ASBL shall not be in anyways responsible for any loss or damage that may arise to any such person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations.