

DECEMBER 20, 2021

## IPO Note

**CMS INFO SYSTEMS LTD.****NOT RATED**

(Note: All the information in this note is taken from RHP)

(For private circulation only)

**Offer Details**

The offer consists of an offer for sale of Rs. 1,100 cr (at the upper end of the price band). The price band is in the range of Rs. 205-216/share.

**Details of the offer**

Particulars	Details
Price band (Rs/share)	205-216
Opening date of the Issue <sup>^</sup>	21-Dec-21
Closing date of the issue	23-Dec-21
No. of shares pre-issue (nos. lakhs)	1,480
Fresh Issue (nos. lakhs)*	-
Offer for sale (nos. lakhs)*	509
No. of shares post-issue (nos. lakhs)*	1,480
Fresh Issue size (Rs Cr)*	-
Offer for sale size (Rs Cr)*	1,100
Issue size (Rs Cr)*	1,100
Face Value (Rs/ share)	10
Bid Lot	69 and multiples thereof
<b>Book Building</b>	
QIBs (Including Anchor)	50%
Non-Institutional	15%
Retail	35%
Book Running Lead managers (BRLM)	Axis Capital Limited/DAM Capital Advisors Limited/Jefferies India Private Limited/JM Financial Limited
Registrar to the issue	Link Intime India Private Limited

Source: Company's RHP, \*Based on upper price band <sup>^</sup>The Anchor Investor Bidding Date shall be one Working Day prior to the Bid/Offer Opening Date/Objects of the issues

**Objects of issues**

Particulars	Rs. Cr.*
Offer for sale (Not to be received by the company)	1,100
<b>Total</b>	<b>1,100</b>

Source: Company's RHP, \*Based on upper price band

**Shareholding pattern**

Particulars	Pre-Issue	Post-Issue*
Promoter & Promoter Group holding (%)	100.0	65.6
Public holding (%)	-	34.4
<b>Total (%)</b>	<b>100.0</b>	<b>100.0</b>

Source: Company's RHP, \*Based on upper price band

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### Selling shareholders

Particulars	Amount to be raised from the offer for sale (Rs. Cr.)	Number of equity shares offered in the offer for sale*	Number of equity shares held pre offer for sale	% of pre offer paid up equity share capital	% of share-holding offered for sale*	% of post-offer paid up equity share capital*
<b>Promoter</b>						
Sion Investment Holdings Pte. Limited	1,100	50,925,926	148,000,000	100.0	34.4	65.6

Source: Company RHP \* Based on the upper price band

### Listing schedule

Finalisation of Basis of Allotment with the Designated Stock Exchange	On or about December 28, 2021
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	On or about December 29, 2021
Credit of Equity Shares to demat accounts of Allottees	On or about December 30, 2021
Commencement of trading of the Equity Shares on the Stock Exchanges	On or about December 31, 2021

Source: Company RHP

## About the Company

The company is India's largest cash management company based on number of ATM points and 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 number of ATM points as of March 31, 2021.

### Business segments – The Company has three business segments

Segment	Products	% of revenue As of March 2021	% of revenue As of August 2021*	CAGR(%) over FY19-21
Cash management services	End-to-end ATM replenishment services; cash pick-up and delivery; network cash management and verification services (together known as "retail cash management services"); and cash-in-transit services for banks. This is largely route based where route density drives profitability and enable operating leverage.	68.61	66.74	0.31
Managed services	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 This revenue is recurring in nature and provide high revenue visibility.	27.88	30.64	35.88
Others	End-to-end financial cards issuance and management for banks and card personalization services	3.51	2.62	NA

Source: Company RHP \*Proforma

### Breakdown of the three business segments, as well as the end-to-end service and product solutions



Source: Company RHP

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% of all payment transactions in 2020. In Fiscal Year 2021, approximately 85% to 88% of all transactions by volume were anticipated to be cash transactions. (Source: Frost & Sullivan).

The Company believes its pan-India fleet of 3,965 cash vans and its network of 238 branches and offices, which 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 742 districts and 14,949, or 77.46%, Indian postal codes,

including difficult to reach and remote rural and semi-urban areas, position it well to take advantage of future opportunities arising from this growth and these initiatives. Through its network, it served 141,977 business points across its ATM cash management, retail cash management and managed services businesses as of August 31, 2021.

## Strengths

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

India is the third largest ATM market in the world based on number of installed ATMs and is expected to grow at a CAGR of 6.16% from 255,000 as of March 31, 2021 to 365,000 as of March 31, 2027.

As of March 31, 2021, the Company 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 (the total value of the currency passing through all of its ATM) and retail cash management businesses, amounted to Rs. 9,15,886 cr.

There is a positive correlation between market share, network size and profitability. The industry is consolidating due to changes in regulations designed to ensure that cash management companies meet certain operating standards with respect to the handing of cash, as well as trends in customer preference favouring larger cash management companies with more scaled and stable operations. (Source: Frost & Sullivan) The market share of the two largest ATM cash management companies, one of which being the Company itself, has increased from 60.0% in Fiscal Year 2018 to 72.0% in Fiscal Year 2021, while the number of cash management companies with over 5.0% market share has decreased from six to four. (Source: Frost & Sullivan)

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 their outsourcing needs and increase the speed with which they handle cash. In addition, the size and wide reach of its network enables it to realize further economies of scale, allowing it to increase the productivity of its operations and its profit margins.

As the demand for cash and cash-related services in India has increased, banks and other participants in India are outsourcing their cash management needs, such as through Brown Label ATM, and other managed services, in order to drive better ATM management and accountability. Brown label ATMs are currently expected to increase from 86,000 as of March 31, 2021 to 180,000 as of March 31, 2027, and the outsourcing of ATM cash management services is expected to increase from 60.0% as of March 31, 2021 as a percentage of the total number of ATMs in India to 75.0% as of March 31, 2027. (Source: RBI; Frost & Sullivan) The outsourcing of cash management services is expected to also be driven by public sector banks increasingly outsourcing their cash-in-transit services to increase their productivity and reduce costs; the outsourcing of cash services by commercial businesses that handle large volumes of cash and security and accountability reasons; as well as increased demand for outsourced cash management services in Tier 2 cities in India from organized retailers, financial services institutions and government agencies. (Source: Frost & Sullivan)

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

The Company's pan-India fleet of 3,965 cash vans and its 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 semi urban areas.

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 2020, and the GoI has undertaken initiatives aimed at increasing financial inclusion, and other direct benefit transfers, provide direct benefits and subsidies to populations in semi-urban and rural areas and this is expected to result in an increase in cash withdrawals and a higher demand for ATMs in those areas in the future, requiring banks to deploy and outsource a greater number of ATMs. In addition, the RBI requires that at least 25% of any new branches that Indian banks open in a given year be in rural areas that do not have access to banking services, and private sector banks have been independently expanding their bank branches in the rural and semi-urban areas as a result of the opportunities created by rural economic growth being created by government initiatives in those areas. (Source: Frost & Sullivan) For these reasons, the geographic reach of ATM cash management services providers is a key purchasing criterion for banks. (Source: Frost & Sullivan)

The Company believes these initiatives have increased and will continue to increase the number of cash transactions in these regions, as well as demand for cash management services and ATM sales and maintenance services. It believes it is among the first cash management companies to invest in the growth of its business in rural and semi-urban areas in India, and its pan-India footprint enables it to offer its services to its 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. Its platform offers its customers a single point of reference across India for their operations, as well as an integrated service offering. It believes its knowledge of the markets in which they operate and their regional requirements enables us to provide its customers with better quality services that are customized to their needs.

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

The Company believes trust and reliability in its services are of utmost importance to its customers. It believes it 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. The platform of services aims to provide its 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 its network. 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.

It believes that the strength of its relationships with its customers also puts it in an advantageous position to win new mandates for other key aspects of their businesses, opens cross-selling opportunities and enhances its market reputation as its customers expand their businesses geographically and increase the outsourcing and automation of their banking services, which has

been demonstrated by the recent winning of large and complex contracts for projects from various public sector and private sector banks in India.

### **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. It is present in all major market segments in the cash management and ATM managed services industry, which means it is able to offer integrated services to customers and provide them with 'one-stop' solutions, which also provides it with a competitive advantage for future projects. It is also able to leverage its broad service and product offering to realize synergies and efficiencies within its own business, such as through combining deliveries and service visits across the different products and services it offers. Its integrated business platform is also supported by customised technology and process controls, which enables it to tailor its cash management and managed services solutions to its customers, while generating cross-selling opportunities and driving synergies and efficiencies across its business.

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

The Company is India's largest cash management company based on number of ATM points and number of retail pick-up points as of March 31, 2021.

Managing and coordinating movements of large volumes of cash and the various other services involves complex planning and logistics that can have a significant impact on performance and profitability. In order to maximize the scalability of its operations, it 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.

It has implemented technology platforms, such as:

- CMS Connect, which facilitates critical processes in ATM operations,
- 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.
- AGILE, which is a risk management solution that tracks, reconciles and resolves reconciliation issues between the Company and its customers.

These systems monitor and track the allocation of resources across its business, enabling it to minimize the duplication of efforts and resources and drive operational efficiencies. They also allow it to automate certain processes within its operations, helping reduce human error and optimize costs associated with its employees and the third-party service providers and third-party security service providers from whom it procure services.

It believes these systems and processes and the manner in which it has integrated them into its operations give it a competitive advantage relative to its competitors.

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

As the business has grown, the Company has actively sought to increase its profitability and the efficiency with which it deploys its resources by:

- increasing the density of stops in the routes of its cash vans;
- leveraging the fixed costs of its cash processing infrastructure; and
- introducing other efficiencies, such as by standardizing and automating processes.

It has done this in conjunction with independent consultants, with whom it undertakes studies to identify improvement areas in its operations.

As a result of these efforts, it has realized important gains in critical metrics, Productivity, ATM uptime, Reporting and settlement.

It has also implemented a range of risk management systems, including (i) cash reconciliation processes for analysing any discrepancies reported (and taking appropriate actions, where necessary); (ii) comprehensive auditing procedures, conducted by attending ATMs and routes, and process audits at branches and other relevant locations; (iii) comprehensive and appropriate insurance policies with reputable institutions to distribute risks, and (iv) a team of 19 consultants as of August 31, 2021, which coordinates with enforcement authorities, conducts training, undertakes preventative risk assessments and performs audits of the routes that its cash vans follow. As of August 31, 2021, it also had an audit team of approximately 133 internal auditors that performed internal audits of all of its ATMs, vaults and branches in Fiscal Year 2021 and during the five months ended August 31, 2021. It also has specific technology-based risk management solutions, such as in-house products like CMS AGILE and CMS ALGO.

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

The 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 the senior management team have also held senior positions at leading multinational companies in the industry and other reputable institutions.

It is also supported by Baring Private Equity Asia (Sion Investment Holdings Pte. Limited. 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.

The senior management team is led by its Executive Vice Chairman, Chief Executive Officer and Whole Time Director, Rajiv Kaul, who is the former general manager and managing director, India at Microsoft Corporation (India) Private Limited and a former partner at Actis Capital LLP, London.

Since 2009, Rajiv and the management team have scaled its Company's operations by identifying growth opportunities for its business to transform its Company into India's largest ATM cash management services and retail cash management services company based on number of ATM points and number of retail pick-up points as of March 31, 2021. (Source: Frost & Sullivan) (For example, it believes it is among the first cash management companies to invest in the growth of its business in rural and semi-urban areas in India.)

Rajiv and the senior management team are supported by a strong group of middle management leaders across all its business functions and geographies, who have been key to the growth and performance of its Company.

Many of the members of the 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. It believes in investing in its employees and enhancing their leadership capabilities. As an example of its commitment to continuously developing its workforce, it has launched the CMS Learning Academy, where the senior and middle management teams invest time and expertise to train other members of its workforce in areas relevant to their business. It has also implemented a reward and recognition framework, known as the Simply Excellent, across all functions under which it rewards the contributions of its workforce to its business. In Fiscal Year 2021 and the five months ended August 31, 2021, over 1,700 and 825 employees, respectively, were awarded under the Simply Excellent framework.

## The Strategies

### Leverage scale and integrated offerings to grow business

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 GoI 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, which as of August 31, 2021 covers 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 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.

Its platform offers its customers a single point of reference across India for their operations, and it believes its integrated offerings and knowledge of the markets and regional requirements in which they operate enables it to provide customers with better quality services that are customized to their needs and offer them a 'one stop' solution for a variety of their 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. This is reflected in its track record of winning large and complex customer contracts, such as its recent remote monitoring contract with SBI in 2021 covering 9,520 ATMs in India and its implementation of multi-vendor software for SBI covering 46,377 ATMs across eight OEMs and 12 ATM models with over 50 device configurations as of end August 2021.

**Grow through selective value accretive strategic acquisitions**

Globally, the cash management industry is a highly consolidated industry, with a small number of large competitors in each market, in part since market participants are often required to leverage their scale and geographic footprint in order to drive productivity and must also make significant investments in technologies and risk management. The cash management industry in India has continued to consolidate in recent years, with a number of large and medium scale mergers and acquisitions in the industry, resulting in the two largest companies (which includes itself) in the industry increasing their aggregate market share with respect to the ATM segment from 58% in Fiscal Year 2018 to 74% in Fiscal Year 2021.

The Company has benefited from this trend and have grown and plan to continue to grow its business through value accretive strategic acquisitions, where it can realize synergies across its business. It believes it has a track record of successfully completing business acquisitions and optimizing acquired businesses.

A key part of its business strategy is also acquiring and incubating new businesses and scaling them up where it identifies opportunities for potential growth. It regularly evaluates new opportunities for acquisitions and often, given its reach and relationships with banks, potential target candidates approach them from time to time in order to leverage off its platform. It aims to continue to use acquisitions such as these to continue to expand its service and product offering in the future.

It currently intend to consider opportunities that consolidate the market position in existing business lines, achieve operating leverage in key markets and potentially new geographic markets by unlocking potential efficiency and synergy benefits to increase productivity, strengthen and expand its service and product portfolio and enhance its economies of scale and depth of experience, knowledge-base and know-how. It is continually exploring opportunities in the markets that it services and ways in which it can leverage its existing network, expertise and management experience to expand its business through potential new acquisitions.

**Acquisitions and segment expansions**

Year	Name/ Nature of business	Amount (Rs. Cr.)	Business Objective/Strategy	Benefits
2,011	SIPL	119.93	Consolidating position as the leading cash management services company in India.	The contribution of SIPL to total income based on audited financials, was Rs.189.71 cr. in Fiscal 2021 as compared to Rs. 102.16 cr. in Fiscal 2011. The contribution, of SIPL, to profit before tax based on audited financials, was Rs. 24.67 cr. in Fiscal 2021 as compared to Rs. 14.46 Cr. in Fiscal 2011.
2,017	The business of a mid-sized cash management company	1.67	Increase the number of ATMs for which it provide cash management services.	The business transfer of a mid-sized cash management company, 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 62,919 by Fiscal 2021. As of August 31, 2021, the number of ATMs under cash management services was 66,431.
2,018	The retail cash management business of a cash management company in India	36.10	The number of Retail cash management pick-up points was 4,526.	The business transfer of a retail cash Management company, 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 40,249 by Fiscal 2021. As of August 31, 2021, the number of Retail pick-up points was 42,715.
2,020	Logicash	11.24	Grow the ATM cash management business.	Number of ATMs was 5340. The business transfer helped increase the number of ATMs under cash management services from 58,458 as of March 2020 to 62,919 by March 2021. As of August 31, 2021, the number of ATMs under cash management services was 66,431.
2,017	The business of a small Brown Label ATM services company	6.56	To increase 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.	The business transfer helped the Company to increase its capacity, to provide Brown Label ATM services to mid-sized banks and other customers. As a result of the aforesaid business transfer as well as other means, the number of Brown-label ATMs of the Company have increased from nil in Fiscal 2016 to 3,120 in Fiscal 2021. As of August 31, 2021, the number of Brown-label ATMs of the Company was 3,669.
2,019	Entered in the multi-vendor software solutions segment		It is now a leading player for multi-vendor software opportunities in India.	
2,021	Entered the remote monitoring segment	21.00	It had an order book for 14,920 ATM sites as of August 31, 2021.	

Source: Company RHP

### Capitalize on the growing cash cycle to expand operations

As the amount of cash in circulation increases, so does the need for cash and cash-related services, and cash in circulation in India increased at a CAGR of approximately 10% to 12% year-on-year from Fiscal Year 2001 to Fiscal Year 2021. The RBI, in its half-yearly Monetary Policy Report released in October 2021, indicated that among the various modes of retail payments in India, the volume of transactions through ATMs, credit cards and debit cards has a high correlation with India's GDP.

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 also believes 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 to increase the automation of their banking services and their outsourcing of cash management, managed services and other banking services.

The Company currently provide a wide range of services across each stage of the entire cash cycle in India and assist 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, including in areas of the cash cycle, such as currency chest automation, that have only recently started being outsourced to third-party companies such as itself.

It believes this allows them to improve their productivity and reduce their cash processing costs. In addition, within the cash cycle, it sees a large opportunity in the ATM sector due to the increasing number of banks, in particular public sector banks, that are focusing more on their core business and operations as part of this trend and, as a result, are outsourcing their ATM servicing, as well as other cash servicing needs. 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 three 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 their ATM servicing requirements on an end-to-end basis, including with respect to cash replenishment, and since it is present across the entire ATM and cash management value chain, it can offer the customers integrated service and product offering to meet their needs. It plans to utilize the strength of its relationships with its customers, as well as its network and its expertise in providing cash management and managed services to cross sell its services and capitalize on opportunities across the growing cash cycle in India.

### **Drive operational efficiencies and increase profitability**

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

- **Increasing share of integrated services:** It expects its industry to continue to consolidate due to increased regulatory operating standards with respect to the handing of cash and trends in customer preference favouring larger cash management companies with more scaled and stable operations. (Source: Frost & Sullivan) It plans to leverage its scale and reach, together with its integrated offerings, to continue to grow its business and increase market share.

The benefits of doing this include being able to offer its customers lower pricing, more reliable service through a single point of accountability, improved advance planning of routes, faster reconciliation and improved days sales outstanding as well as increased customer loyalty and reduced customer turnover.

- **Improving productivity:** The Company plans to continue to increase its productivity by leveraging its network to realize economies of scale, improving its processes and planning and increasing the density of stops in the routes of its cash vans, such as by using route optimization technologies to identify low density routes and available capacities to optimize the routes of its cash vans, in addition to automating pre- and post-route processes; expanding into semi-urban and rural regions to improve density; reducing withdrawal times in compliance with RBI and MHA guidelines, 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.

- Risk cost reduction: A key aspect of its ability to optimize its business and reduce operational costs is to manage its risk cost through reconciliation and comprehensive auditing procedures, which reduce discrepancies and additional costs associated with its operations. In particular, it intends to continue to invest in and leverage its technological platforms, such as CMS AGILE, CMS ALGO, a fully automated, mobility based, ATM security application; the mobile risk and control self-assessment platform, which is a checklist-based mobile audit application; and the predictive analytics engine used to identify potential defaulters based on demographic and other operational inputs, in order to reduce and mitigate risk cost and comply with RBI and MHA risk-related standards.

It intends to continue to use its comprehensive audit framework, which covers various types of audits, such as ATM audits, route audits, cash vault audits and branch process audits, as well as its dispute resolution processes to ensure timely closure of disputes and recoveries, while continuing to cover its business through analytics engine used to identify potential defaulters based on demographic and other operational inputs and bespoke insurance policies, in order to reduce and mitigate risk cost and comply with RBI and MHA risk-related standards.

### **Expand into business areas that create synergies with current business**

The Company believes 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. It also now has full in-house capability with respect to remote monitoring services that includes its reach and network of existing engineers that it uses for installation and maintenance of its remote monitoring systems.

It has also identified and are in the process of expanding three other new business areas:

- Remote monitoring (outside the ATM and banking sectors):
- End-to-end currency management
- Financial services distribution
- Payment Solutions

In addition to these opportunities, it is continually exploring opportunities in the markets that it service and ways in which it can leverage its existing network, expertise and management experience to expand its business organically.

### **Enhancing organizational capabilities**

It aims to be an employer of choice in India by providing to its employees a compelling place to work and striving to attract the best talent in the industry by focusing on its employees' development, retention and contribution to its success. It believes it offer competitive compensation, superior benefits including health and term insurance, and attractive career growth opportunities to its employees.

It believes that this, together with providing its employees and personnel from its third-party services providers and third-party security service providers with comprehensive training and development resources on ongoing and as-needed basis, benefits its employees and its third-party service providers and creates efficiencies within its business by improving the ability of its employees and the third-party service provider personnel to perform their jobs.

It is also committed to continuing to develop processes and systems that support its workforce and its current scale of operations, but which are also sufficiently powerful, flexible and scalable to continue to support its business and operations as they grow. It plans to continue to develop additional bespoke, internally developed, applications that improve its service response levels and accuracy of information reporting, such as its bespoke Customer Relationship Management portal, developed in conjunction with an IT vendor, which allows it to “ticket” and monitor, through to resolution, issues that arise on a “by customer” basis in connection with maintenance service calls.

## Key Risks

- The Promoter has availed a US\$60 million offshore loan facility dated August 14, 2017 and the holding company of the Promoter has pledged all of its shareholding in the Promoter as security.

The Facility also imposes certain obligations on the Promoter that are based on compliance of the Company with certain financial and operational parameters, and by the Promoter is required to ensure the compliance with those parameters. A default by the Promoter of any such obligations may result in an invocation of the relevant pledges on the Promoter's shares, which subsequent to the Offer, could cause an indirect change in control of the Company and trigger an open offer requirement under the Takeover Regulations.

- A substantial portion of the revenue from a limited number of customers.

### Revenue contribution from customers

Particular	As of March 2019	As of March 2020	As of March 2021	As of August 2021*
Top three customers	31.93	42.33	42.36	44.59
Top five customers	48.25	55.79	55.73	57.01
Top ten customers	71.45	75.41	75.13	74.97
Largest PSU	10.07	23.45	17.9	18.78

Source: Company RHP \*Proforma

- It has outstanding legal proceedings against the Company, Directors, Subsidiaries, and Promoter (Rs 71.2 cr against the company and Rs. 4.9 cr against the subsidiaries).
- A decrease in the availability or use of cash as the predominant mode of payment in India.
- It is exposed to various security risks that may originate from within the Company and criminal attack by third party.
- It operates in certain regions in India where infrastructure may be limited.
- It has entered into certain Brown Label ATM and remote monitoring contracts as part of the expansion of the business, it depends on third party for security personnel and manpower.
- Failures of its information technology systems and violation by third party.

## Financials

### Restated Consolidated Statement of Assets and Liabilities

Y/E March (Rs. In Crores)	As of Mar 2019	As of Mar 2020	As of Mar 2021	As of Aug 2021*
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	80	121	190	222
Capital work-in-progress	0	3	23	19
Right-of- use assets	81	84	121	140
Goodwill	203	203	203	203
Other Intangible assets	16	18	19	16
Intangible assets under development	2	1	0	0
<b>Financial assets</b>				
-Investments	0	0	0	0
-Other financial assets	28	25	26	25
Deferred tax assets (net)	34	27	25	33
Income tax assets (net)	25	20	10	-
Other non-current assets	6	11	15	30
<b>Total of Non-current assets</b>	<b>477</b>	<b>513</b>	<b>631</b>	<b>689</b>
<b>Current assets</b>				
Inventories	42	43	89	56
<b>Financial assets</b>				
-Investments	12	57	112	62
-Trade receivables	391	449	501	555
-Cash and Cash equivalents	122	159	134	90
-Bank balances other than above	17	31	61	41
-Other financial assets	2	3	4	6
Other current assets	31	78	79	79
<b>Total of Current assets</b>	<b>616</b>	<b>820</b>	<b>980</b>	<b>889</b>
<b>Total</b>	<b>1,093</b>	<b>1,333</b>	<b>1,612</b>	<b>1,578</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
a) Equity share capital	148	148	148	148
b) Other equity	598	702	836	911
<b>Total equity attributable to equity holders</b>	<b>746</b>	<b>850</b>	<b>984</b>	<b>1,059</b>
<b>Non-current liabilities</b>				
<b>a) Financial liabilities</b>				
i) Other financial liabilities	60	63	95	111
b) Provisions	17	19	19	20
<b>Total of Non-current liabilities</b>	<b>77</b>	<b>82</b>	<b>114</b>	<b>130</b>
<b>Current liabilities</b>				
<b>a) Financial liabilities</b>				
(i) Lease liabilities	24	23	32	37
<b>(ii) Trade payables</b>				
1. Dues of micro enterprises and small enterprises	1	10	5	5
2. Dues of creditors other than micro enterprises and small enterprises	162	257	302	228
(iii) Other financial liabilities	59	61	141	85
<b>b) Other current liabilities</b>	<b>19</b>	<b>46</b>	<b>31</b>	<b>23</b>
<b>c) Provisions</b>	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>d) Income tax liabilities (net)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>
<b>Total of Current liabilities</b>	<b>270</b>	<b>400</b>	<b>514</b>	<b>389</b>
<b>Total</b>	<b>1,093</b>	<b>1,333</b>	<b>1,612</b>	<b>1,578</b>

Source: Company's RHP: \* Proforma

**Restated Consolidated Statement of Profit and Loss**

Y/E March (Rs. In Crores)	As of Mar 2019	As of Mar 2020	As of Mar 2021	As of Aug 2021*
<b>Income</b>				
Revenue from operations	1,146	1,383	1,306	626
Other income				
-Finance income	1	3	6	2
-Others	12	2	10	2
<b>Total income</b>	<b>1,159</b>	<b>1,388</b>	<b>1,322</b>	<b>630</b>
<b>Expenses</b>	-	-	-	-
Purchase of traded goods	101	181	207	43
Increase) / Decrease in inventories	-11	10	-27	28
Employee benefit expenses	213	219	202	90
Finance costs	7	7	8	5
Depreciation and amortisation expense	54	57	63	35
Other expenses	646	719	631	315
<b>Total expenses</b>	<b>1,009</b>	<b>1,193</b>	<b>1,084</b>	<b>516</b>
<b>Profit before tax</b>	<b>150</b>	<b>195</b>	<b>238</b>	<b>113</b>
Tax expense	-	-	-	-
Current tax	54	54	65	38
Adjustment of tax relating to earlier years	-0	1	1	#VALUE!
Deferred tax charge / (credit)	-0	6	3	-9
Total tax expense	54	60	69	29
<b>Profit for the period/year attributable to equity shareholders</b>	<b>96</b>	<b>135</b>	<b>169</b>	<b>84</b>
Other comprehensive income ('OCI')	-	-	-	-
Items that will not be reclassified subsequently to the statement of profit or loss	-	-	-	-
Remeasurement gain/(losses) on defined benefit plans	-0	-1	-0	0
Income tax effect	-0	0	0	-0
Other Comprehensive income for the period/year, net of tax	-0	-1	-0	0
Total Comprehensive Income for the period/year	96	134	168	84

Source: Company's RHP: \* Proforma

**Restated Consolidated Cash Flow Statement**

Y/E March (Rs. In Crores)	As of Mar 2019	As of Mar 2020	As of Mar 2021	As of Aug 2021*
Net cash inflow/(outflow) from operating activities	1,018	2,142	1,854	81.64
Net cash inflow/(outflow) from investing activities	62	-1,194	-1,493	-270.64
Net cash inflow/(outflow) from financing activities	-524	-576	-617	-247.98
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>556</b>	<b>371</b>	<b>-256</b>	<b>-437</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,220</b>	<b>1,591</b>	<b>1,335</b>	<b>898</b>

Source: Company's RHP: \* Proforma

## RATING SCALE (PRIVATE CLIENT GROUP)

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### Definitions of ratings

<b>BUY</b>	– We expect the stock to deliver more than 15% returns over the next 12 months
<b>ADD</b>	– We expect the stock to deliver 5% - 15% returns over the next 12 months
<b>REDUCE</b>	– We expect the stock to deliver -5% - +5% returns over the next 12 months
<b>SELL</b>	– We expect the stock to deliver < -5% returns over the next 12 months
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<b>NOTE</b>	– Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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