

CMS Info Systems Limited

CMS Info System 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. Its' business includes installing, maintaining and managing assets and technology solutions on end-to-end outsourced basis for banks under long-term contracts. Company caters to broad set of outsourcing requirements for banks, financial institutions, and organized retail and e-commerce companies in India.

Positives: (a) Leading market player with strong fundamentals. (b) Strong Pan-India network of 3,965 cash vans and 238 branches and offices. (c) Longstanding customer relationships with increased business opportunities. (d) Integrated business platform offering a range of products and services.

Investment concerns: (a) A decrease in the use of cash as the predominant mode of payment in India. (b) Highly dependent on the banking sector in India. (c) Adversely affected by the COVID-19 type pandemic. (d) Significant expenses in relation to employee benefits and cash vans and transportation. (e) Derive a substantial portion of revenue from a limited number of customers.

Outlook & Valuation: CMS Infosystems derives majority of its revenues by providing various services to the banking sector. There is no comparable company in the listed space which is exclusively engaged in the portfolio of business similar to the company. However, SIS Ltd. provides cash management services, among other services, through its joint ventures. At the higher end of the price band CMS would be trading at P/E multiple of 19x FY21 EPS of ₹11.4 which would be at a slight premium to SIS. Moreover CMS is primarily dependent upon the banking sector for most of its revenues and has high client concentration with top three customers accounting for 44.6% of revenues for the first five months of FY2022. Moreover the company's business would be impacted in case we witness a third Covid wave in India. Given the dependence on a single sector, high client concentration and possible impact on business due to a third Covid wave we have a **NEUTRAL** recommendation on the IPO.

Key Finance

Y/E March (₹ cr)	FY2019	FY2020	FY2021	5MFY22
Net Sales	1,146.2	1,383.2	1,306.1	626.3
% chg	-	20.7	-5.6	-
Net Profit	96.1	134.7	168.5	84.5
% chg	-	40.1	25.1	-
EBITDA (%)	17.3	18.4	22.5	23.9
EPS (Rs)	6.5	9.1	11.4	-
P/E (x)	33.3	23.7	19.0	-
P/BV (x)	4.3	3.8	3.2	-
ROE (%)	12.9	15.8	17.1	-
ROCE (%)	13.5	16.4	17.7	-
EV/EBITDA	15.4	11.6	9.8	-
EV/Sales	2.7	2.1	2.2	-

Source: Company, Angel Research

NEUTRAL

Issue Open: Dec 21, 2021
Issue Close: Dec 23, 2021

Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹148 cr

Offer for Sale: ₹1,100 cr

Fresh issue: NA

Post Eq. Paid up Capital: ₹148 cr

Issue size (amount): ₹1,100 cr

Price Band: ₹205 - ₹216

Lot Size: 69 shares and in multiple thereafter

Post-issue mkt. cap: * ₹3,034 cr - ** ₹3,196 cr

Promoters holding Pre-Issue: 100%

Promoters holding Post-Issue: 65.59%

* Calculated on lower price band

** Calculated on upper price band

Book Building

QIBs	50% of issue
Non-Institutional	15% of issue
Retail	35% of issue

Post Issue Shareholding Pattern

Promoters	65.6%
Others	34.4%

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Company background

CMS Info Systems Limited ("CMS") was incorporated on March 26, 2008. CMS is India's largest cash management company based on number of ATM points and number of retail pick-up points, as well as one of the largest ATM cash management companies worldwide based on number of ATM points as of March 31, 2021. It operates mainly in three business segments that are *Cash management service* includes end-to-end ATM replenishment services, *Managed services* includes banking automation product sales, deployment and associated annual maintenance; and *Other services* includes end-to-end financial cards issuance and management for banks and card personalization service.

As on August 31, 2021, company has pan-India fleet of 3,965 cash vans and the network of 238 branches and offices. Company is supported by its' Promoter-Sion Investment Holdings Pte. Ltd, who acquired the company in 2015

Issue details

The IPO is made up of offer for sale upto ₹1,100.00 Cr by promoter with no fresh issue.

No of shares	(Pre-issue)	%	(Post-issue)	%
Promoter	148,000,000	100%	97,074,074	66%
Public (others)	0	0%	50,925,926	34%
Total	148,000,000	100%	148,000,000	100%

Objectives of the Offer

- To carry out an offer for sale of equity shares by promoters aggregating upto Rs. 1,100 Cr.
- To achieve the benefits of listing the equity shares on the stock exchanges.

Key Management Personnel

Shyamala Gopinath is the Chairperson of the Company and an Independent Director of the company. . In the past, she has served as the Deputy Governor of the RBI, chairperson of the advisory board on Bank, Commercial and Financial Frauds and part-time non-executive director of HDFC Bank Ltd.

Rajiv Kaul is the Executive Vice Chairman, Whole Time Director and CEO of the company. He has been associated with the company since July 1, 2009. He has over 24 years of experience across technology, private equity and cash management industry.

Jimmy Lachmandas Mahtani is the Non-Executive Director of the company. He has over 21 years of experience in private equity and investment banking. He has been associated with Baring Private Equity Asia (BPEA) since 2006 and currently serves as a managing director of private equity investment team in India.

Ashish Agrawal is the Non-Executive Director of the company. He has been associated with the company since August 27, 2015. He has over 24 years of experience in private equity and investment banking. He currently serves as the

managing director of Baring Private Equity Asia, Mumbai. Prior to that, he was associated with Lehman Brothers in Mumbai as a senior vice president and with Bank of America in Chicago as a vice president.

Exhibit 1: Consolidated Profit & Loss Account

Y/E March (₹ cr)	FY2019	FY2020	FY2021	5MFY22
Total operating income	1,146.2	1,383.2	1,306.1	626.3
% chg	-	20.7	-5.6	-52.0
Total Expenditure	948.2	1,129.3	1,012.5	476.6
Purchase of traded goods	100.6	181.5	207.0	43.3
Decrease / (Increase) in inventories	-11.4	9.9	-27.3	28.0
Employee benefit expenses	213.5	219.4	201.6	90.5
Other expenses	645.6	718.7	631.3	314.9
EBITDA	197.9	253.9	293.6	149.7
% chg	-	28.3	15.6	-49.0
(% of Net Sales)	17.3	18.4	22.5	23.9
Depreciation & Amortisation	53.7	56.6	63.5	34.6
EBIT	144.2	197.3	230.2	115.1
% chg	-	36.8	16.6	-50.0
(% of Net Sales)	12.6	14.3	17.6	18.4
Finance costs	7.4	7.3	8.2	5.1
Other income	13.2	5.1	15.8	3.4
(% of Sales)	1.1	0.4	1.2	0.5
Recurring PBT	149.9	195.1	237.8	113.4
% chg	-	30.1	21.9	-52.3
Exceptional item	-	-	-	-
Tax	53.8	60.4	69.2	29.0
PAT	96.1	134.7	168.5	84.5
% chg	-	39.1	26.1	-49.8
(% of Net Sales)	8.4	9.7	12.9	13.5
Basic & Fully Diluted EPS (Rs)	6.5	9.1	11.4	5.7

Source: Company, Angel Research

Exhibit 2: Consolidated Balance Sheet

Y/E March (` cr)	FY2019	FY2020	FY2021	5MFY22
SOURCES OF FUNDS				
Equity Share Capital	148.0	148.0	148.0	148.0
Other equity (Retained Earning)	597.9	702.4	836.5	911.4
Shareholders' Funds	745.9	850.4	984.5	1,059.4
Total Loans	-	-	-	-
Other liabilities	76.7	82.5	113.6	130.1
Total Liabilities	822.6	932.9	1,098.1	1,189.4
APPLICATION OF FUNDS				
Property, plant and equipment	80.4	120.6	189.7	222.1
Capital work-in-progress	0.4	2.9	22.7	18.8
Right-of- use assets	81.3	83.9	121.1	140.1
Goodwill	203.4	203.4	203.4	203.4
Other Intangible assets	16.4	18.3	19.0	16.2
Intangible assets under development	2.1	1.0	0.5	0.2
Current Assets	616.2	819.7	980.3	889.2
Inventories	41.6	43.0	89.5	56.5
Investments	11.6	56.6	112.3	61.5
Trade receivables	390.6	448.6	500.7	555.4
Cash and cash equivalents	122.0	159.1	133.5	89.8
Bank balances other than above	17.2	31.4	61.0	40.7
Other financial assets	1.8	2.8	4.1	5.9
Other current assets	31.4	78.1	79.2	79.4
Current Liability	270.1	399.9	513.7	388.6
Net Current Assets	346.1	419.8	466.6	500.6
Other Non-Current Asset	92.6	83.0	75.2	88.2
Total Assets	822.6	932.9	1,098.1	1,189.4

Source: Company, Angel Research

Exhibit 3: Consolidated Cash Flow Statement

Y/E March (₹cr)	FY2019	FY2020	FY2021	5MFY22
Operating profit before changes	234.0	320.8	340.2	180.4
Net changes in working capital	-72.1	-57.3	-97.9	-152.2
Cash generated from operations	161.9	263.5	242.4	28.3
Direct taxes paid (net of refunds)	-60.1	-49.3	-56.9	-20.1
Net cash flow operating activities	101.8	214.2	185.4	8.2
Proceeds from sale of property	0.4	0.4	4.9	0.2
Purchase of property, plant and equipment	-31.3	-83.6	-55.1	-99.0
Purchase consideration	-39.1	-	-	-13.0
Investment in mutual funds	-281.4	-383.0	-335.7	-221.5
Proceeds from redemption of mutual funds	364.6	339.7	281.2	273.5
Others	-7.1	7.1	-44.7	32.7
Cash Flow from Investing	6.2	-119.4	-149.3	-27.1
Dividend paid	-28.5	-32.1	-36.3	-9.2
Finance costs	-0.4	-0.6	-0.9	-
Finance costs on lease liability	-6.9	-6.7	-7.3	-5.1
Payment of principal portion)	-16.5	-18.2	-17.2	-10.5
Cash Flow from Financing	-52.4	-57.6	-61.7	-24.8
Inc./Dec.) in Cash	55.6	37.1	-25.6	-43.7
Opening Cash balances	66.46	122.03	159.13	133.51
Closing Cash balances	122.0	159.1	133.5	89.8

Source: Company, Angel Research

Exhibit 4: Key Ratios

Y/E March	FY2019	FY2020	FY2021
Valuation Ratio (x)			
P/E (on FDEPS)	33.3	23.7	19.0
P/CEPS	21.3	16.7	13.8
P/BV	4.3	3.8	3.2
EV/Sales	2.7	2.1	2.2
EV/EBITDA	15.4	11.6	9.8
Per Share Data (Rs)			
EPS (Basic)	6.5	9.1	11.4
EPS (fully diluted)	6.5	9.1	11.4
Cash EPS	10.1	12.9	15.7
Book Value	50.4	57.5	66.5
Returns (%)			
ROE	12.9	15.8	17.1
ROCE	13.5	16.4	17.7
Turnover ratios (x)			
Receivables (days)	124	118	140
Inventory (days)	13	11	25
Payables (days)	52	70	86
Working capital cycle (days)	85	59	79

Source: Company, Angel Research

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