

Challenges Persist; Recovery slower than Expected



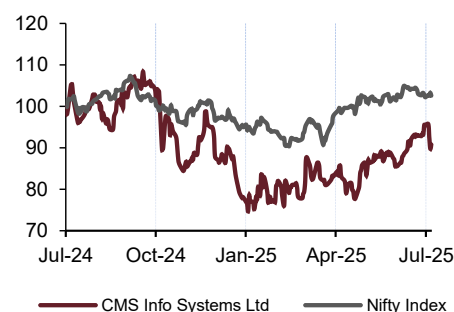
During Q1 FY26, CMS showcased robust resilience amid a complex macroeconomic backdrop marked by geopolitical uncertainties and subdued consumption. The company reported consolidated revenue of INR 627 crore, reflecting a steady 5% year-on-year growth, alongside a PAT of INR 93.6 crore, an uplift of 3% annually. Despite headwinds including a 10% contraction in aggregate India ATM transactions and an estimated INR 8-10 crore impact on revenue and EBIT due to sectoral disruptions, CMS's core segments—cash logistics and managed services—delivered a healthy 8% growth year-on-year, reaching INR 417 crore and INR 258 crore respectively. EBITDA advanced by 3% to INR 159 crore, while EBIT held firm at INR 113 crore. Wage inflation pressures and long-term union agreements tempered Q1 profitability; however, these costs are expected to normalize over the fiscal through targeted productivity gains and pricing adjustments. Maintaining financial discipline, CMS revised its FY26 CAPEX guidance downward to INR 250-300 crore to optimize capital deployment amidst market volatility. Importantly, CMS expanded its cash logistics footprint by 9% year-on-year to 153,000 business touchpoints and secured INR 500 crore worth of new orders—including a landmark multi-vendor software contract with a leading bank—strengthening its leadership position. The strategic acquisition of Securance Systems Private Limited, valued at approximately INR 80 crore, exemplifies CMS's proactive investment in cutting-edge AIoT capabilities to fast-track its Vision AI portfolio and enhance predictive analytics and intelligent surveillance across BFSI and retail sectors

Rating	TP (Rs)	Up/Dn (%)
HOLD	522	3

Market data

Current price	Rs	507
Market Cap (Rs.Bn)	(Rs Bn)	83
Market Cap (US\$ Mn)	(US\$ Mn)	965
Face Value	Rs	10
52 Weeks High/Low	Rs	612.67 / 373.32
Average Daily Volume	('000)	201
BSE Code		543441
Bloomberg		CMSINFO .IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Jun-25	Mar-25
Promoters	0	0
Public	100	100
Total	100	100

Source: Bloomberg

Key Risks:

- ATM Sector Uncertainties
- Consumption Slowdown
- Regulatory/Procurement Delays

Financial Summary

Y/E Mar (Rs mn)	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e
Net sales	13,061	15,897	19,147	22,647	24,245	27,320	31,026
EBIDTA	2,936	3,997	5,378	5,995	6,268	6,972	7,918
PAT (adj)	1,685	2,240	2,973	3,471	3,724	4,124	4,665
EPS	11.39	15.06	19.32	21.33	22.66	25.09	28.38
P/E (x)	46	35	27	24	23	21	18
RoE (%)	17	18	19	18	16	15	15
ROCE (%)	21	24	26	23	21	19	18
RoIC (%)	14	16	20	19	17	19	20
Net Debt	-1,945	-1,418	-1,563	-1,590	-2,309	-7,809	-11,767

Source: Dalal and Broacha

Divyanshu Mahawar
+91 22 6714 1438

divyanshu.mahawar@dalal-broacha.com

The ATM ecosystem continues to experience significant disruption driven by AGS-related ATM shutdowns, liquidity shortages impacting smaller and mid-sized MSPs, and delayed ATM rollouts. With close to 50% of AGS's roughly 20,000 ATMs currently offline and only 6,000 of 24,000 awarded public sector bank ATMs deployed, the near-term operational challenges remain pronounced. Nevertheless, CMS has successfully increased its ATM cash market share to approximately 58-60%, underscoring the effectiveness of its strategic pivot away from transaction-linked BLA contracts toward fixed-price models that enhance revenue predictability. Strategic partnerships with premier banking clients—anchored by ICICI Bank's ascent as CMS's second-largest customer—and significant traction in Algo MVSo software adoption (now powering more than 85,000 ATMs for two of the top four Indian banks) underline CMS's technological leadership and competitive advantage. Supported by a robust INR 4,000 crore balance sheet and a disciplined M&A playbook shaped by a decade of successful integrations, CMS remains committed to disciplined growth, selective strategic investments, and pricing integrity. Recent organizational realignments, including the appointment of Anush Raghavan as Chief Business Officer and Puneet Bhirani as Chief Operations Officer, further enhance operational agility, customer centricity, and market responsiveness—positions CMS strongly for sustainable, scalable growth in an increasingly dynamic and competitive environment.

Quarterly Financials

(Rs.Mn)	Q1FY26A	Q1FY25	YoY Growth (%)	Q4FY25	QoQ Growth (%)
Revenue from Operations	6,274	5,994	5%	6,191	1%
Other Income	164	115	42%	138	18%
Total RM Cost	1,878	1,862	1%	1,852	1%
Employee Benefits Expense	932	860	8%	845	10%
Other Expenses	1,886	1,750	8%	1,873	1%
Total Expenses	4,695	4,472	5%	4,570	3%
EBITDA (Excluding Other Income)	1,579	1,523	4%	1,621	-3%
Depreciation and Amortisation Expenses	445	388	15%	427	4%
EBIT / PBIT	1,297	1,250	4%	1,332	-3%
Finance Costs	41	37	10%	46	-10%
EBT/ PBT	1,256	1,213	4%	1,286	-2%
Tax Expense	320	305	5%	311	3%
Net Profit after Tax	936	908	3%	976	-4%
Adj Earning Per Share	5.69	5.58	2%	5.94	-4%
Margins (%)			(In bps)		(In bps)
Gross Margins	70.1%	68.9%	112	70.1%	-2
EBITDA Margins (Excl Other Income)	25.2%	25.4%	-24	26.2%	-102
PAT Margins	14.9%	15.1%	-23	15.8%	-84
As a % to sales					
RM as a % to sales	29.9%	31.1%		29.9%	
EE Cost as a % to sales	14.8%	14.3%		13.7%	
Other exps as a % to sales	30.1%	29.2%		30.2%	

Source: Dalal & Broacha Research

M&A and Acquisition Update

Strategic Acquisition to Scale Vision AI Business

Binding agreement with Securens, #4 AIoT RMS player



- ✓ Market leader, BFSI
- ✓ Completed hardware development of
- ✓ CMS Edge, a custom-designed chipset



- ✓ Early entrant with strong brand equity,
- ✓ 12-year track-record with AI module trained on 10 yrs of data
- ✓ Strong presence in Retail sector
- ✓ Expertise in predictive analytics and compliance tech



- ~Rs. 80 Cr investment to acquire upto 100% shareholding
- Combined entity with 45,000+ sites:
 - 36% market share in BFSI
 - More than 2X the next competitor
- Broader client base and synergy potential to drive growth in a key emerging business line
- CMS has a strong track record of 8 successful programmatic M&A deals

Vision AI : Rapid scale up | #1 in ATM | Large TAM Opportunity



Built 40+ deep learning AI modules

BFSI Opportunity of INR 2,000 Crs+

	Banking		BFSI (ex Banking)	
	Total #	% penetration	Total #	
ATMs ▶	260k	~45%	NBFC & MFI ▶	30k+
	140k	<20%	Gold Loan ▶	30k+
			Insurance ▶	15k+

Source: Company & Dalal & Broacha Research

Conference Call KTAs

1. Financial Performance

- **Q1 Revenue:** Consolidated revenue at INR627 crore, up 5% year-on-year, despite sectoral challenges.
- **Profitability:** PAT was INR93.6 crore, +3% YoY. EBITDA grew 3% YoY to INR159 crore. EBIT remained flat at INR113 crore.
- **Business Segment Growth:**
 - Cash Logistic: +8% YoY to INR417 crore.
 - Managed Services: +8% YoY to INR258 crore.
- **CAPEX Guidance:** Revised to INR250–300 crore for the year, down from earlier guidance of INR300–325 crore.
- **Margin Pressure:** EBIT margin for cash business decreased from 30.9% to 25.5% (down 160 bps), managed services margin fell from 17% to 14.1% (down 290 bps), primarily due to wage increases, timing of contracts, and lower transaction volumes.

2. Industry & Market Trends

- **Macroeconomic Headwinds:** Muted consumption and geopolitical factors led to a 10% dip in aggregate ATM transactions in India.
- **ATM Sector Events:** Significant ATM shutdowns, particularly AGS-related, have led to disruptions — nearly 50% of 20,000 AGS round-label ATMs are now offline.
- **Delayed Contract Ramp-Ups:** A large PSU bank canceled a 10,000 ATM cash outsourcing RFP due to low competition; expected to re-float and close in Q2, with potential activation in H2.
- **Transaction Model Pivot:** The company has deliberately reduced exposure to transaction-based BLA contracts (now ~8–9% of revenue), favoring fixed-price agreements for predictability and risk management.

3. Business Initiatives & Strategic Developments

- **Network Expansion:** Cash logistics footprint increased to 153,000 business touchpoints (+9% YoY).
- **Order Wins:** Secured new contracts totaling INR500 crore, including a major multi-year, multi-vendor software contract with a top bank.
- **Market Share:** ATM cash market share has increased to an estimated 58–60%.
- **ICICI Bank:** Now the second-largest customer after significant account expansion.
- **Tech/Software:** Major software wins; two of the top four Indian banks now use CMS software across 85,000+ ATMs.
- **Brand Positioning:** Launched a rebranding initiative — new brand promise, "unified platform, limitless possibilities," reflecting a platform-driven transformation.

4. M&A and Acquisition Update

- **Securance Systems Acquisition:** Binding agreement to acquire Securance Systems Pvt Ltd (AIoT remote monitoring and surveillance specialist) for ~INR80 crore.
 - Implied valuation: 10x FY25 EBITDA pre-synergy; estimated 4x post-synergy.
 - Rationale: Accelerates entry into Vision AI for BFSI and retail, scales intelligent surveillance capabilities, brings complementary client sectors, and offers significant cost synergies (IT, operating overheads).
 - All past CMS acquisitions cited as successful, with a disciplined approach; M&A is a core growth lever given current macro conditions.

5. Operational & Leadership Updates

- **Organization Change:**
 - Anush Raghavan elevated to Chief Business Officer (overseeing all business verticals).
 - Puneet Bhirani (ex-Byju's, Ola, Emphasis) takes full charge as COO.
 - Focus: Enhance customer centricity, accountability, and agility amid an aggressive market.
- **Employee Motivation:** Despite industry-wide delays, CMS implemented timely wage hikes and honored long-term union agreements to retain workforce trust.

6. Outlook & Management Commentary

- **Cyclicality & Margin Recovery:** Q1 typically absorbs wage/provisioning impact; operating leverage and pricing discipline expected to drive margin recovery through the year.
- **Order Execution:** Average deployment/ramp-up for new contracts: 6–12 months, depending on integration and regulatory approvals.
- **Retail & Diversification:**
 - Retail business robust with >100 direct brand relationships; growing presence in NBFCs, education, hospitals, and other sectors.
 - Churn due to wider macro/retail challenges, but topline growth remains steady.
- **No Overseas Expansion Planned:** CMS to maintain India market focus given operational, regulatory, and client advantage domestically.
- **Medium-Term Growth Targets:** Management reiterates double-digit revenue growth aspirations (13–14% CAGR) anchored by order execution and continued outsourcing by banks.

Valuation & Outlook

CMS Info Systems is India's largest cash management company, operating at the core of the country's banking and financial infrastructure. With over 153,000 business touchpoints and a dominant 58–60% share in ATM cash servicing, CMS plays a pivotal role in bridging India's digital and physical financial ecosystems. In a country where digital payments are rising but cash usage remains high, CMS sits at a unique intersection—serving both traditional banking needs and the evolving demands of NBFCs, retail, education, and healthcare sectors.

As part of its future-ready transition, CMS is investing heavily in AIoT and surveillance technologies with the acquisition of Securance Systems, enabling it to offer intelligent branch automation and remote monitoring services. Its strategic shift from transaction-based pricing to fixed, multi-year contracts has enhanced revenue predictability and supported margin resilience. Meanwhile, timely wage hikes, a robust INR1,400 crore order book, and expanding software deployments (85,000+ ATMs on its platform) underscore its operational and financial discipline.

Positioned as a fintech infrastructure leader, CMS is leveraging its platform model and deep domain expertise to support India's financial modernization. With a double-digit growth outlook and increasing client stickiness—including large banks like ICICI—CMS is a compelling play on India's resilient cash economy and digital banking future, combining the strengths of infrastructure-as-a-service with next-gen tech enablement.

At CMP of Rs 522 the stock is trading at 20x/18x FY26E/FY27E expected EPS of Rs 26/29. We maintained our rating to HOLD with a Target Price of Rs 522.

Financials

P&L (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e
Net Sales	13,832	13,061	15,897	19,147	22,647	24,245	27,320	31,026
Operating Expenses	-6,253	-5,613	-6,254	-6,562	-8,083	-7,208	-8,122	-9,224
Employee Cost	-2,194	-2,016	-2,315	-2,649	-3,321	-3,445	-3,973	-4,512
Other Expenses	-2,847	-2,496	-3,330	-4,559	-5,248	-7,324	-8,253	-9,372
Operating Profit	2,539	2,936	3,997	5,378	5,995	6,268	6,972	7,918
Depreciation	-566	-635	-918	-1,318	-1,502	-1,615	-1,846	-2,126
PBIT	1,973	2,301	3,079	4,059	4,493	4,653	5,127	5,793
Other income	51	158	79	147	340	507	573	647
Interest	-73	-82	-144	-196	-162	-182	-200	-220
PBT	1,950	2,377	3,014	4,010	4,671	4,978	5,499	6,220
Profit before tax	1,950	2,377	3,014	4,010	4,671	4,978	5,499	6,220
Provision for tax	-604	-692	-774	-1,038	-1,199	-1,254	-1,375	-1,555
Profit & Loss from	-	-	-	-	-	-	-	-
Reported PAT	1,347	1,685	2,240	2,973	3,471	3,724	4,124	4,665
MI	-	-	-	-	-	-	-	-
Owners PAT	1,347	1,685	2,240	2,973	3,471	3,724	4,124	4,665
Adjusted Profit	1,347	1,685	2,240	2,973	3,471	3,724	4,124	4,665
EPS	9	11	15	19	21	23	25	28

Balance Sheet (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e
Equity capital	1,480	1,480	1,532	1,544	1,628	1,644	1,644	1,644
Reserves	7,024	8,365	11,030	14,081	17,840	21,021	25,767	30,431
Net worth	8,504	9,845	12,561	15,625	19,468	22,665	27,410	32,075
Non Current Liabilites	825	1,136	1,678	1,745	1,602	1,633	1,633	1,633
Current Liabilites	3,999	5,137	4,318	3,642	5,516	6,901	6,770	7,305
Non Current Assets	5,131	6,315	9,012	10,230	10,404	13,109	11,737	11,612
	5,131	6,315	9,012	10,230	10,404	13,109	11,737	11,612
Fixed Assets	3,462	4,352	6,140	7,070	6,983	8,594	7,223	7,097
Right of Use Assets	839	1,211	1,800	1,826	1,558	1,624	1,624	1,624
Financial Assets	226	239	331	656	1,081	2,050	2,050	2,050
Deferred Tax Asset	273	248	304	369	390	399	399	399
Advances	197	99	226	196	206	77	77	77
Assets	134	166	210	112	187	365	365	365
	8,197							
Current Assets	8,197	9,804	9,545	10,782	16,136	17,987	23,904	29,229
Current investments	566	1,123	1,235	2,455	4,251	4,908	4,908	4,908
Inventories	430	895	635	742	1,269	796	897	1,018
Trade Receivables	3,345	3,491	4,993	5,260	7,197	8,146	9,178	10,424
Cash and Bank Balances	1,905	1,945	1,418	1,563	1,590	2,309	7,809	11,767
Advances	-	-	-	-	-	-	-	-
Other Financial Assets	1,454	1,916	276	30	99	482	482	482
Other Current Assets	496	434	988	733	696	803	803	803
TOTAL ASSETS	13,327	16,119	18,557	21,012	26,540	31,096	35,814	41,013

Cashflow (Rs mn)	FY20	FY21	FY22	FY23	FY24	FY25	FY26e	FY27e
PBT	1,950	2,377	3,014	4,010	4,671	4,978	5,499	6,220
Depreciation	566	635	918	1,318	1,502	1,614	1,846	2,126
Net Chg in WC	-573	-979	-1,366	-1,318	-1,661	-1,555	-690	-832
Taxes	-493	-569	-976	-1,049	-1,228	-1,129	-1,375	-1,555
Others	692	390	974	1,106	1,116	917	200	220
CFO	2,142	1,853	2,565	4,068	4,400	4,825	5,480	6,179
Capex	-836	-551	-2,840	-1,933	-1,084	-1,519	-806	-2,332
Net Investments made	-4,033	-5,879	-9,293	-12,650	-16,977	-17,110	-	-
Others	3,674	4,936	8,870	11,357	14,810	15,965	-	-
CFI	-1,194	-1,493	-3,262	-3,226	-3,251	-2,665	-806	-2,332
Change in Share capital	-	-	638	157	1,154	243	621	-
Change in Debts	-	-	-	-	-	-	-	-
Div. & Div Tax	-321	-363	-226	-154	-1,135	-1,063	-	-
Others	-255	-255	-406	-525	-540	-622	206	111
CFF	-576	-617	6	-522	-521	-1,442	827	111
Total Cash Generated	371	-257	-692	320	628	718	5,501	3,958
Cash Opening Balance	1,220	1,592	1,334	642	962	1,590	2,309	7,809
Cash Closing Balance	1,592	1,334	642	962	1,590	2,309	7,809	11,767

Source: Dalal & Broacha Research

Disclaimer

Dalal & Broacha Stock Broking Pvt Ltd, hereinafter referred to as D&B (CINU67120MH1997PTC111186) was established in 1997 and is an integrated financial services player offering an extensive range of financial solutions and services to a wide spectrum of customers with varied needs ranging from equities to mutual funds to depository services.

D&B is a corporate trading member of Bombay Stock Exchange Limited (BSE), National Stock Exchange of India Limited (NSE). D&B along with its affiliates offers the most comprehensive avenues for investments and is engaged in the securities businesses including stock broking (Institutional and retail), depository participant, portfolio management and services rendered in connection with distribution of primary market issues and financial products like mutual funds, fixed deposits. Details of associates are available on our website i.e. www.dalal-broacha.com

D&B is registered as Research Analyst with SEBI bearing registration Number INH000001246 as per SEBI (Research Analysts) Regulations, 2014.

D&B hereby declares that it has not defaulted with any stock exchange nor its activities were suspended by any stock exchange with whom it is registered in any time in the past. It has not been debarred from doing business by any Stock Exchange / SEBI or any other authorities; nor has its certificate of registration been cancelled by SEBI at any point of time. SEBI and Stock Exchanges have conducted the routine inspection and based on their observations have issued advice letters or levied minor penalty on D&B for certain operational deviations in routine course of business.

D&B offers research services to clients as well as prospects. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

Other disclosures by D&B (Research Entity) and its Research Analyst under SEBI (Research Analyst) Regulations, 2014 with reference to the subject company(s) covered in this report:-

D&B or its associates may have financial interest in the subject company.

D&B or its associates do not have any material conflict of interest in the subject company.

The Research Analyst or Research Entity (D&B) has not been engaged in market making activity for the subject company.

D&B or its associates may have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report.

Disclosures in respect of Research Analyst:

Whether Research Analyst or his/her relatives have actual/beneficial ownership of 1% or more securities of the subject company at the end of the month immediately preceding the date of publication of Research Report:	No
Whether the Research Analyst or his/her relative's financial interest in the subject company.	No
Whether the research Analyst has served as officer, director or employee of the subject company	No
Whether the Research Analyst has received any compensation from the subject company in the past twelve months	No
Whether the Research Analyst has managed or co-managed public offering of securities for the subject company in the past twelve months	No
Whether the Research Analyst has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
Whether the Research Analyst has 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	No
Whether the Research Analyst has received any compensation or other benefits from the subject company or third party in connection with the research report	No

D&B and/or its affiliates may seek investment banking or other business from the company or companies that are the subject of this material. Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that may be inconsistent with the recommendations expressed herein.

In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest including but not limited to those stated herein. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject D&B or its group companies to any registration or

licensing requirement within such jurisdiction. Specifically, this document does not constitute an offer to or solicitation to any U.S. person for the purchase or sale of any financial instrument or as an official confirmation of any transaction to any U.S. person. Unless otherwise stated, this message should not be construed as official confirmation of any transaction. No part of this document may be distributed in Canada or used by private customers in United Kingdom. All material presented in this report, unless specifically indicated otherwise, is under copyright to D&B. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party, without the prior express written permission of D&B. All trademarks, service marks and logos used in this report are trademarks or registered trademarks of D&B or its Group Companies. The information contained herein is not intended for publication or distribution or circulation in any manner whatsoever and any unauthorized reading, dissemination, distribution or copying of this communication is prohibited unless otherwise expressly authorized. 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. In so far as this report includes current or historic information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400 021.
Tel: 91-22- 2282 2992, 2287 6173 | E-mail: equity.research@dalal-broacha.com