CMSINFO/2502/010 February 11, 2025

To

BSE Limited
Listing Department,
1st Floor, PJ Towers, Dalal Street,
Fort, Mumbai – 400 001

Scrip Code: 543441

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block-G,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051

Symbol: CMSINFO

Dear Sir/Madam,

Sub: Transcript of Earnings Call.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of post result conference call held on **Thursday, February 06, 2025** at 12.00 Noon (IST) on Unaudited Financial Results of the Company for the quarter and nine months ended December 31, 2024.

The transcript is also available on the website of the Company at www.cms.com

You are requested to kindly take the same on record.

Thanking You,

For **CMS Info Systems Limited**

DEBASHIS DEY

Digitally signed by DEBASHIS DEY
Date: 2025.02.11 18:01:50 +05'30'

Debashis Dey
Company Secretary and Compliance Officer

Encl: a/a

"CMS Info Systems Limited Q3 2025 Earnings Call"

February 06, 2025

MANAGEMENT:	**MR. RAJIV KAUL – EXECUTIVE VICE CHAIRMAN, WHOLE TIME DIRECTOR AND CHIEF EXECUTIVE OFFICER, CMS INFO SYSTEMS LIMITED** **MR. PANKAJ KHANDELWAL – CHIEF FINANCIAL OFFICER, CMS INFO SYSTEMS LIMITED** **MR. ANUSH RAGHAVAN – PRESIDENT, CASH MANAGEMENT, CMS INFO SYSTEMS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the CMS Info Systems Q3 FY '25 Earnings Conference Call, hosted by IIFL Capital Services Limited.

As a reminder, all participants' lines will be in the listen-only, mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Balaji Subramanian of IIFL Capital Services. Thank you, and over to you, sir.

Balaji Subramanian: Thank you, Rayo. Ladies and gentlemen, good day, and thank you for joining us on the post Q3 and 9 months FY '25 Results Conference Call for CMS Info Systems Limited.

It's my pleasure to introduce the Senior Management Team of CMS who are here with us today to discuss the results. We have Mr. Rajiv Kaul – Executive Vice Chairman, Whole Time Director and Chief Executive Officer; Mr. Pankaj Khandelwal – Chief Financial Officer; and Mr. Anush Raghavan – President, Cash Management.

We'll begin the call with "Opening Remarks" by the Management Team, and thereafter, we'll open the call for a Q&A session. I would like to now hand over the call to Rajiv to take proceedings forward.

Thank you, and over to you, Rajiv.

Rajiv Kaul: Balaji, thank you. Good afternoon, everyone, and thank you for joining our Q3 FY '25 Earnings Call. For the 9 months of FY '25, we have delivered a steady and consistent performance with 10% revenue growth and 7% PAT growth.

While navigating the surprises in this year with agility and disciplined execution, we are happy to report that our focus on quality of services, integrated offerings, and aggressive focus on the retail sector have helped us notch up strong share gains this year. Our revenue share in the Cash Logistics segment has grown from 40% to 42%.

Given the scale of our route network, the investments we have been making in technology, automation and risk management as well as careful selection of contracts, have helped us in expanding our margin profile.

In our Managed Services and Technology business, we are continuing with a good order wins momentum and have over INR 700 crores of wins this year, majority being recurring services revenue in nature. The broader industry is seeing consolidation trends.

The ATM base for many large banks was disrupted in Q3, due to instability in operations at a key industry player. These banks have been focused on planning and transitioning this base to stronger market players.

Our investments in becoming an end-to-end platform player have delivered great value for our customers, and enabled solid growth over the last 3 years. We have increased our tech spends from 1% to 1.5% of revenue. This is critical to have a superior quality offering, and also to keep building a strong margin profile.

With that, let me now turn this over to Pankaj to share more financial highlights for the quarter.

Pankaj Khandelwal*:* Thanks, Rajiv. Our consolidated revenue is INR 581.5 crore. On year-on-year basis, total revenue is flat. However, service revenue has grown by 3%. Our PAT grew by 7% year-on-year to INR 93.2 crores. PAT margin has expanded by 140 basis points to 16%.

Segment-wise, the Cash Logistic business with INR 404 crores recorded an 8% year-on-year revenue growth, while the EBIT grew by 6% to INR 103 crores, delivering a robust 25.6% margin.

Our Managed Services and Technology Solution business revenue at INR 210 crores saw a decline of around 10% primarily due to lower banking automation revenue. Despite this, the business achieved an EBIT of INR 38 crores and the margin of 17.9%.

Our MS & Tech Solution have grown 2.2 times in 3 years and today contribute 40% of our revenue. Our CAPEX spend has been INR 50 crores in 9 months of the year and we expect this to be INR 150 crores to INR 200 crore for the full year.

I'm happy to announce that our Board has declared an interim dividend of INR 3.25 per share.

With this, I would like to invite Anush to share his key business highlights.

Anush Raghavan*:* Thank you, Pankaj, and good afternoon, everybody. We have recorded our highest ever cash volume handled in Q3 with a 6% Y-o-Y growth and an overall business point addition of 10% on a year-on-year basis. Further, we also see that the usage of cash on a same-store basis has been very robust across metros, urban and semi-urban locations. You will be able to see more details on this in Slide #7 of our investor presentation.

With the budget announcing tax cuts, if there is an uptick in consumption, that would be a further tailwind to us. Our Retail business has grown 15% year-to-date on the back of aggressive thrust in Retail segment to regain our market leadership.

In our Managed Services and Tech business, we have had two breakthrough wins, a large end-to-end fixed fee outsourcing contract with a leading private bank, and the second is winning an

AIoT remote monitoring deployment at a leading quick commerce customer, marking our entry into non-BFSI remote monitoring solutions.

On the regulatory side, the Reserve Bank of India has revised the cassette swap guidelines, as per which it would now be applicable on all outsourced ATMs and will exclude recyclers. We have till date completed cassette swap implementation on about 25% of our base.

The next phase will expand the coverage from 30 to 80 cities. The modalities of this rollout, timing, pricing, etc., are still being discussed between the Indian Banking Association and the Cash Logistics Association.

The last few weeks have seen a heightened operational intensity as banks have been working with us to manage transition from an affected market player. This engagement is also an opportunity for us to grow our MS and Tech Solutions with large private sector banks. We will be able to share more details on this at the end of FY '25.

And with that, I now hand it back to Rajiv for the closing remarks.

Rajiv Kaul: Thanks, Anush. We started this year being very bullish and having a revenue estimate of roughly about INR 2,600 crores. However, due to multiple external factors in H1 and unexpected delays in the large INR 1,900 crore plus PSU order book execution has resulted in revenues coming in lower this year.

We had completed 15% of this order book at end of H1, have ramped it up with 30% completion at the end of Q3 and our focus remains on getting 60% of this order book live by Q4. The impact from this itself is to the tune of INR 150 crores lower revenue in FY '25. This will, though ensure that FY '26 services revenue growth can ramp back up to 15% plus.

The medium-term opportunity for our business is looking very solid. The competitive intensity, as I've mentioned before, has reduced significantly, and we have detailed out opportunity on Slide 12 of our investor deck.

The Cash Logistics business can grow between 10% to 13% in the midterm. Our MS and Tech business should grow upwards of 15%, and our AIoT RMS business should compound at 15% to 20% growth rates over the medium term. You combine these 3 on organic basis, our revenue growth opportunity is at 13% to 15% CAGR.

Let me reiterate the potential midterm drivers. The banking outsourcing opportunity is poised to grow with a potential increase in ATM interchange rates, which would drive better economics for the entire sector and also lead to an expansion in the ATM TAM. We are likely to see an increase in cash management TAM as large PSU banks are looking to outsource in-house ATMs for cash management services.

Our thrust on expansion in the retail sector is overall delivering good results and good synergies. And now with our new AIoT win at a leading quick commerce platform, we can see the synergy of having a combined effort towards a new sector in addition to BFSI.

We are also making good progress in growing our Bullion Logistics business. With a strong balance sheet, a track record of programmatic, disciplined and value-creating M&A deals, we have built an active pipeline in our sectors of interest, B2B Payments; Business Services; Banking Software and Technology; and Specialized Logistics.

We look forward to discussing FY '25 performance, and the next phase of our growth journey in our Investor Day at the end of the fiscal year in Q1 FY '26.

With that, I would like to open the floor for questions, and thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session.

Anyone who wishes to ask questions may press "*"and "1" on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. To ask questions may press "*"and "1".

The first question is from Balaji Subramanian of IIFL Capital Services. Please go ahead.

Balaji Subramanian: While you have talked about 13% to 15% revenue CAGR going forward, is there any guidance that you would like to provide for the next 4 years, like how you had guided for doubling of revenue between FY '21 and FY '25?

My second question is on with the issues faced by one of your competitors, how do you see the market dynamics changing in the short term as well as the medium term? And would you be interested in acquiring parts of their business?

Rajiv Kaul: Thank you, Balaji. So, as you know, Balaji, this is Q3. We are very focused on getting this order book live by Q4. I think the right time to discuss the FY '26-'27 sort of trajectory would be the Investor Day, and we did the last one 2 years ago. I think it's high time we come and update our investors and analysts on the developments in the company, how the market is changing. The market has been very dynamic this year, right, both from an industry perspective and a country perspective.

We want to wait a little bit to see how the dust settles down in some of these developments which you are alluding to, and see what benefit and gains we are going to be able to derive from that. Specifically, we will not talk about any particular competitor by name as such, but whenever we have seen any impact to a company, for whatever reasons, it's natural to expect that customers will move business to stronger players and be careful.

We are seeing good momentum in some of these conversations. And again, I would defer till the end of Q4 to be able to come and give you a better update.

In terms of acquisitions, I think our strategy always has been that in our core businesses, we should be able to grow on our own. However, if there is an acquisition in any of our current business lines which comes at an accretive basis and is logical for us, we'll definitely look at it.

Balaji Subramanian: Thanks. That is helpful.

Moderator: Thank you. Next question is from Prithvish Uppal from Elara Securities. Please go ahead.

Prithvish Uppal*:* So, couple of things from my side. First, just wanted to understand the progress on the order book, as you alluded to earlier, about 15% was executed in H1 and now is about 30%, and you'd highlighted there were certain testing delays.

So, any shift that has happened in the last quarter in terms of progress towards faster execution of this order book, and what is giving us the confidence to reach probably a 60% kind of order book execution? So, that would be the first part.

And within this order book, what would be the split of the pending order book in terms of the MS and maybe the Product Sales segment, and which parts have probably seen some bit of delay and which segments which other components are within the MS book, which would do well?

Second is, we have seen uptick in the other services, which is largely your Cards business in terms of the margin. So, just wanted to get a sense of what has been driving this better EBIT margin. And do you see it as is this a one-time or more of a sustainable kind of basis on the margin? And thirdly is that you said that the retail cash logistics has grown by about 15 % for the 9 months, which would mean that your ATM cash logistics and maybe CIT are sort of flat or have seen a decline in the first 9 months. So, any sense on that, like what has caused that, because we guided to earlier that this segment could probably grow at about 6%, 7% CAGR, at least the ATM and the CIT business. So, just some sense on that, yes?

Anush Raghavan: Hi, Prithvish, Anush here. I will answer the first and third parts of your question, and will come back to the second one. I think as far as the order book is concerned, maybe let me reiterate it in this way. We had solid order wins in FY '24 of about INR 1,800 crores of total wins, which we carried into FY '25. As we updated you in second quarterly call, through the 6 months of the year, we were able to get progress to about 15% of that execution.

Most of the delays was on account of the fact that as various OEMs replaced and changed and upgraded the models of their equipments, could be ATMs, recyclers, kiosks, all of them went into various testing cycles, some with NPCI, Visa, Master, with the banks and the switches and the softwares themselves.

So, what used to typically take 3 to 4 months for one product to make it through all of the various steps, in certain cases, expanded to as much as long as 3 quarters. That combined with handover delays on part of the banks in working with the incumbents to exit from some of those sites and hand it over to us has effectively led to an extension of the ability to implement the order book.

From that 15% in Q2, we have been able to quickly ramp it up to 30% by Q3, and with the good momentum in across most of these contracts, we hope to further double that and get to 60% by Q3.

With respect to the third question, which is on retail growth, I think that's a good point. But you also need to sort of bear in mind that retail is about 25% plus-minus of our overall cash services. So, ex-retail, our ATM and CIT would have still grown by about 7%.

Also bear in mind that, as we have said, right, through the year, we have had various external factors, consumption issues and so on, and we have been able to grow 15% despite that. Coming towards Q3 and now Q4, we are seeing good momentum in both ATM and CIT. We have also been able to notch up revenue share gains and volume gains across all of our Cash businesses, ATM, retail and CIT.

Rajiv Kaul: Pankaj, will you take the cards question?

Pankaj Khandelwal: So, historically, our card margins was over 20%. Over the post COVID because of the cost increase in the cards and the availability of the plastic was very costly, that has resulted in the lowering of margins. However, in last 6 to 9 months, or in 1 year, that rates have settled and because of that, now the margins have improved up to the normal level.

Prithvish Uppal: Okay, understood. Thanks for that. Just follow-up is, with this, the dark store AIoT business that we received an order win for, so are we doing the retail cash logistics with the same partner, and is this a cross-sell or is this just purely going to be only for AIoT?

And further to that, if you could just help us understand how we should be assessing the AIoT business in terms of the profitability standpoint, means what could possibly be the margin profile for this? Or should we look at it more from an IRR or a ROCE perspective? And what would those numbers be, maybe as typically or a ballpark?

Rajiv Kaul: So, Prithvish, the win in this customer is a cross-sell win. It is a customer who we have been working with from a cash logistics perspective. If you remember about 1.5 year ago, we talked about investing in technology to build solution stacks for across sectors in retail. I think we were doing a POC with the customer for the last 4 to 6 months. After extensive testing, they have liked the solution and now we will be deploying the solution at their dark stores and warehouses.

In terms of client-specific profitability, I think it almost gets impossible. I think our overall AIoT and RMS business is very margin accretive. You can see it in the profile of the overall MS business, and I don't think we share any client-wise profitability metrics, it's a quasi-SaaS business. The margin profile of any of our AIoT businesses where we choose to work in is reasonably good, and IRRs will range in the 18% to 25% range.

Prithvish Uppal: Got it, sir. My question was not client-specific, but generally on the AIoT segment, would the margins be higher than the 16% to 16.5% that we have on the Managed Services book as of now?

Rajiv Kaul: If you look at our slide on the investor deck, right, as a Slide #11, where we have given you a broader breakdown into the Managed Services business, which is overall 40% revenue, but 42% of the business is from Managed Solutions, 25% is linked to the Transaction Linked BLA, 17% as of now is from RMS and Software, and 16% is from Banking Automation.

Now if the overall EBIT number, which we reported at 17%, right, the Product Automation business is obviously a lower EBIT business as you know. And the Solution and Services business is obviously higher, and that's where you get the blend of 17%, which you have seen for this quarter. So, I think the margin profile of business is relatively strong. The IRR of any of these projects you look at is in the range of 18% to 25% and that will apply to the business also.

Prithvish Uppal: Got it. Thank you for that. For further question, I will join back in the queue. And all the best.

Moderator: Thank you. Next question is from Nitish Rege from Chrys Capital. Please go ahead.

Nitish Rege: Hi. Thank you for the opportunity. So, we need around 43% growth in the MS segment in Q4 to meet our segment guidance. So, now that Jan has ended, are you seeing momentum as you highlighted, flowing in from Q3? Are you confident of meeting the guidance we have given before?

Rajiv Kaul: Sorry, if you can repeat, you said our guidance for?

Nitish Rege: The MS segment, around INR 1,000 crores.

Rajiv Kaul: If you look at Slide #8, and also I mentioned in my comments, right, we will have a slip in the overall revenue from what we are guided to. All of that revenue slip is primarily in the MS business. So, the revenue guidance for MS would be lower than the estimated, I think you've taken 40% of INR 2,500 crores or INR 2,600 crores, that is roughly INR 1,000 crores. So, it will be lower than that.

Nitish Rege: Okay. Okay. And just on the AIoT, the quick commerce...

Rajiv Kaul: Split of revenue between cash and MS will largely be in the 60-40 range. That range will remain.

Nitish Rege: Okay. Okay. And just on the quick commerce order win, which you've got, could you quantify the order size, how large it has grown.

Rajiv Kaul: No. I think we can talk about the number of sites at some point, but right now our focus is on execution, and this is competitive in nature. And again, we don't talk about a client-wise win size ever. We'll always give you an overall order win book. But let's get the project executed in live and we will share more and maybe show you the technology at our Investor Day.

Nitish Rege: Okay. That's all from my side. I will fall back in the queue.

Moderator: Thank you. Next question is from Baidik Sarkar from Unifi Capital. Please go ahead.

Baidik Sarkar: Rajiv, hi. Good morning. Thanks. Couple of questions. In terms of the disruption that you called out, right, is this translating to an active conversation as yet of a vendor churn at the client's end? In other words, is this translating to commercial opportunity, or is this an operational disruption that does really benefit us? That's the first question. And if you could please quantify the opportunity loss that we have suffered here on account of this disruption in Q3?

And secondly, in terms of the new initiatives that we have been working on for a couple of quarters across the gold bullion or the Loan Collection business, right, I understand the base might be small as things stand today, but could you perhaps call out the run rate we are looking at today and how you're perceiving the momentum in these businesses to shape up?

Rajiv Kaul: Baidik, hi. Let Anush answer some of it and I will jump it for the rest.

Anush Raghavan: Thanks. Hi, Baidik. I think as far as the disruption was concerned, so clearly, right, we have made clear that there are parts of the business in the MS and Tech that we like, and there are parts that we'll be very careful about, more specifically Transaction-Led BLA. So, clearly, that is something that we want to be a little careful and picky.

The 1 thing that we are trying to do is in navigating the opportunity around this is to try and see how do we build and scale up our engagement with private sector banks. If you go back to some of our earlier calls, we did say that the private sector banks had pretty much done their end-to-end integrated outsourcing around 2012 to 2014. And when we started building scale in our MS business around 2017 to 2018, the only way for us to go about that was to work with large public sector banks on the RFP-led business. So, this actually presents itself as interesting way for us to get into many of these accounts.

What we are trying to do is to sort of actively engage with them, and try and see how do we switch contracts from lumpiness into long-term fixed fee nature, and from transaction fee to a fixed fee nature. So, yes, there are commercial opportunities. And I think we would, as Rajiv said, be able to share more once we execute and once we meet in our Investor Day.

Rajiv Kaul: So, Baidik, I think you know…

Baidik Sarkar: Very quickly, Anush, is that disruption still extending in the industry? Or is it behind us? I'm just trying to understand how things will shape up going forward?

Anush Raghavan: We are in the middle of it still. I think this has started a couple of months ago and is still ongoing process. I think this will take time, given the base of business involved and banks needing time. It does affect us, I would say, in some ways negatively, because the clients are expecting a lot more for the current remaining players to help.

There is time taken to take over businesses, handing over from current vendors, it's a little tricky process without getting into operational complexities. The short term, this is positive. But in the immediate term, obviously, this does cause distraction on our client side, which also means that current projects which could have gone live will take maybe a little bit longer, because the first priority is to fix things which may not be working well right now.

But from an investor perspective, I would say that this is a decent opportunity for us as a company. This is a live situation. We will have a far better sense to explain this really in May, June. Right now, I think we should not talk more about this.

So, I think debt collection, we told you we have ramped down internally and our priority on debt collection will be focused to look at the sector only through an acquisition or a partnership. We have done extensive market work, commercial diligence of players there.

We have put it on pause for right now, just given the NBFC loans, the NPA at the personal loans situation. We just want to wait and see how does the sector behave in a sign of some consumer stress, because we want to be careful from a reputational perspective as to how the sector behaves in bad times. But our work is done. I think at the end of this quarter, we will take a call on whether we will pursue an acquisition and play in the sector or not.

On the gold loan and bullion business, organically, we are doing well. We are actively in discussions with a couple of players from a partnership and acquisition perspective. Please allow us some time so that we don't have to share internal numbers. This can impact our discussions in the market.

Baidik Sarkar: Okay. And lastly, on the quick commerce foray, is this a pilot commercialization? Or do you reckon once the scale up, this will be a material impact on a base? I'm just trying to gauge how large the TAM for this specific foray is as far as quick commerce is concerned?

Anush Raghavan: So, again, we are new to the sector, right? Third year running, we primarily focused on ATMs. In Q1, we talked about a significantly large order contract, which we are working to execute from a bank perspective.

Now each client is different, technology needs are different. We have been building a stack for broader hospitality, restaurants and retail. Many pilots are going on, including in, let's say, EV charging, in restaurant spaces. Quick commerce, we have been able to get this customer on board.

Let's get some momentum more and we can talk about the broader retail opportunity, I'm not saying mom-and-pop stores, but broader large chains. I think there's an opportunity for us to be able to synergize across Cash Logistics, our Managed Solution offerings, and AIoT, RMS businesses. This will be a decent size win. Our overall Software and RMS business is 7 percentage of our overall revenue. So, our goal is to get to the 10% mark by FY '27 on organic basis.

Moderator: Thank you. Next question is from Harsh D from Kuber Investments. Please go ahead.

Harsh D: Thank you for the opportunity. I have a couple of questions related to the quick commerce win. Firstly, is this for all of their dark stores or is it in a specific geography? Could you maybe quantify number of sites? And the follow-up question to that is that do we have like a special task force or a team within the company to service these quick commerce players, given how fast they are growing?

Rajiv Kaul: So, I think we said we won't be able to share the number of stores because there are very few players. So, I think the name of the player will get automatically obvious. But the solution is meant to be deployed across all of their dark stores and warehouses. So, we have just started the execution of the project. And over the next 3 to 6 months, we will try and complete it. But of course, as they're growing, this project will go on for some more time.

The second question is there is an internal war room for this particular sector. Like for any key project, there's a war room where we are working on to work with these clients. I don't think the issue is about their growth. I think the issue is about just new sector for us, getting the technology proven and working, making changes quickly, so that we are able to address customer quality and needs, and then be able to replicate this across the remainder stores where you have to go live.

Harsh D: Got it. Thank you.

Moderator: Thank you. Next question is from Jatin Parashar from Parashar Estates. Please go ahead.

Jatin Parashar: Thank you very much for giving me an opportunity to talk to you. I am very young to attend this meeting, but I'm very fortunate for this meeting. Thank you, Rajiv sir. Sir, my question is that, sir, basically, banks are lowering their ATMs to cut their operation cost. So, how will it impact our businesses?

And basically, sir, a new business initiative has been discovered by the CMS is that we are providing virtual bodyguards to the bank. We are providing that surveillance to the bank. So, how much it will increase the revenue from the virtual security that we are providing, how much will add up to the revenue, sir?

And basically, on the bullion side, sir, we like precious metals. So, how much the bullion will add up to the revenue, sir? And at what margins we will enjoy, sir?

Anush Raghavan: Okay. Hi, Anush here, let me try and address some of them. I'm not sure I heard the second part of your question well, but I will respond to what I understood. As far as the ATMs are concerned, so I think this goes back to the question saying, where is the real opportunity in our ATM cash management.

And I think there are 3 or 4 layers of opportunity 1 needs to think about. First and foremost is the organic need for banks to invest and expand the ATM network. The historical average and even now we are seeing is this should grow at roughly about 3% to 4% on a year-on-year basis.

So, if there are about 250,000 ATMs, the annual need is for about 10,000 ATMs in terms of incremental growth to this network. Now this may not typically happen in a smooth fashion month-on-month, quarter-on-quarter. It is a little lumpy based on how banks are bundling in and expanding it. Sometimes it happens in terms of banks investing their CAPEX to do it. More often than not, banks prefer to do this through an integrated route. And when they do the integrated route, 1 of the challenges was always on the unit economics or the model of outsourcing, which is where I think a revision in the interchange fee plays an important role as a catalyst, because it helps improve the revenue pool for the overall industry and serves as a strong upward trigger to help drive this expansion.

What you may be seeing as a short-term blip in the numbers and shutdowns is mostly because in the course of execution, both of what we have as an order book and as the overall industry replacement cycle, there's always a timing effect of some sites being shut down while new ones get installed. And I think we should be able to see a return to expansion of that.

The second is within the cash management here, overall ATMs is one aspect. What we also do care about is what is the outsourced market. That opportunity is anywhere between 80,000 to 100,000 today.

We have seen a significant shift over the last decade and last 5 years especially as banks seek to outsource more of their captive ATMs to third-party companies such as CMS. In fact, as we speak, there is one large RFP, by one of the largest public sector banks to outsource as many as 10,000 ATMs to cash management directly, which I think will provide a very interesting case for how other public sector banks could follow in the coming short to mid-term.

And the third, of course, is to think about how a large market leader like CMS could drive incremental revenue gains on the back of price increases. So, all of this put together is what gives us a guiding path to tell you how the overall Cash business could grow at a 10% to 13% CAGR in the mid-term.

Rajiv Kaul: And to your question on bullion and logistics, I think what I'd like to highlight is we are operating at fairly good quality, world-class margins. So, any business line and any new business contract we look at, we look at making sure that we can maintain our strong margin profile and return ratios.

So, also given the route network which we have across ATM and retail, a large part of the route network can be used for our Bullion business. Therefore, we should be able to maintain a strong margin profile in that business also.

Jatin Parashar: Okay. Thank you, sir. And sir, I want to say 1 thing to you, sir, if you allow me, sir.

Rajiv Kaul: Please go ahead.

Jatin Parashar: Yes. Yes. Sir, basically, sir, whenever I see the van of CMS, sir, we must add that, sir, apart from the CMS logo, we must add we are Managing businesses. So, it will attract the customer, sir. Because basically, sir, our van is very attractive, sir. So, if we add that we are helping businesses connect businesses, sir. We help in connecting the business. So, the perception will develop, and sir, the CMS will gain the market share as well, it will help increase the revenue, sir.

Rajiv Kaul: Thank you so much. I think we are looking at enhancing our branding and communication. We'll take this feedback and look at it seriously.

Jatin Parashar: And thank you very much, sir, Rajiv, sir, for basically giving me an opportunity to talk, I'm very young basically to talk to you, it's a very big honour for me, sir, because every institution is talking to you. And I am given opportunity, I'm a single shareholder, less than 25-year old. So, it's honour to talk to you, sir. Thank you, sir.

Rajiv Kaul: All the best for your investing journey, and thank you for your passion and interest in CMS.

Jatin Parashar: Thank you, sir. Thank you very much.

Moderator: Thank you. Next question is from Aasim from DAM Capital. Please go ahead.

Aasim Bharde*:* Yes. Hi. Two questions. First, on your order book execution delay comments. So, is the 9-month odd period where all the testing and talking between stakeholders takes place, is this the new normal? And so, every order win will still take time before it materializes into your revenue?

Rajiv Kaul: What's the second question, Aasim?

Aasim Bharde: The other 1 was on CAPEX, but I will have a follow-up question on this depending on how you answer, sir.

Rajiv Kaul: Okay. So, the order wins are across a multitude of banks. Most of this is public sector banks. I would like to hope that this doesn't become a usual norm, because like when the year started, I didn't think we anticipated the number of issues which could crop up, that it could be supply of technology, it could be testing at the technology team side.

It would be about incumbent vendors delaying the handover sometimes. So, therefore, if the older ATM doesn't go out, the next ATM or recycler or software doesn't get implemented. I also think that this year, the first 6 months, we all seem to forget were fairly as a country did get consumed a lot in an extended election cycle.

There was obviously the broader CAPEX slowdown. I'm hoping with the Q4 and March end pressures, we should see much faster ramp-up. We are seeing momentum build up in the last 4 to 6 weeks. So, that's why we are feeling aggressive that the 30% can get to 60%. But also, I wish there was a general theme.

I think at each client, it's been a different factor. So, I really can't tell you if it's a 6- to 9-month process. But banks seem to be in a hurry to conclude RFPs and award contracts. I think execution-wise, overall, there have been hiccups across the value chain.

Aasim Bharde: And the 60% order book live that you're talking about targeting for Q4, that is still for FY '24 orders, right?

Rajiv Kaul: No, it's for current order books, it includes, right? We look at basically last 12 months, whatever the order book is still alive, and therefore, how much of that has been done.

Aasim Bharde: Okay. So, it includes the order wins of this fiscal as well, basically?

Rajiv Kaul: Yes. Yes.

Aasim Bharde: Okay. And 1 more thing, the industry disruption currently, is that also possibly a reason why the timelines might still get extended? Because that's relatively new.

Rajiv Kaul: Sorry, it's a good question. That has led to extra focus on something the banks weren't planning to spend time and effort on. So, that does create a reprioritization in banks as to which area and which thing they need to work more on. There are limited resources always. So, I think that has led to some of the impact we have seen in September, October, November, December. Hopefully, that will start evening out and getting past behind us in the coming months.

Aasim Bharde: Okay. So, is there a chance that FY '26 would be far better in terms of growth for the MS segment, simply because the timelines might come off and the order execution, basically, you'll be executing a lot more orders than you did in FY '25. So, optically, the growth should look better, right, in FY '26?

Rajiv Kaul: Yes. I think we have mentioned that on the Slide #12 also, right, the MS business in the mid-term should grow at 15% plus. Given the slip from this year, it should be better. But we hope that the remainder new orders which come in, they also get progressed faster. So, we'll see how that develops. We want to be a little bit cautious right now instead of being extra bullish.

Aasim Bharde: Fair enough, sir. Okay. And just last question on the CAPEX bit, INR 50 crores done in 9 months, another INR 100 crores to INR 150 crores to be done in Q4 to reach that FY '25 figure. So, basically, is much of it towards the MS segment? Or is it also for the Cash business as well?

Pankaj Khandelwal: It's mostly for the MS segment, and for the order execution as we are going from 30% to 60%. So, most of these are in work-in-progress, which I think we will be able to conclude by the end of March.

Rajiv Kaul: Yes, it will be MS, it will be RMS. There are obviously a little bit of maintenance CAPEX every year. There is some CAPEX, obviously, for the Cash business for growth. So, it's a mix, but majority of this would be linked to the MS order book.

Aasim Bharde: But not BLA, right? It will be more the IoT remote monitoring side on the MS front?

Rajiv Kaul: Why would we say not BLA, what's wrong with BLA?

Aasim Bharde: No, I thought BLA is where you guys are being much more picky on that front. My sense was we have already executed most of that book.

Rajiv Kaul: No. So, we are cautious on BLA. We are increasingly more cautious on BLA. If you remember at IPO, we said we will position size BLA to less than 15% of revenue. In fact, now we are saying that BLA will be less than 10% of our revenue. So, we'll be very cautious and pick BLA contracts, which meet our IRR hurdle.

And we have increasingly moved the BLA business, we started segmenting that to fixed price and transaction price. We hardly do much on transaction pricing. We prioritize picking up contracts where there's a fixed price with some inflation-linked pricing built into it.

But there will be some element to that. There will be some element to RMS. So, it will be a mix of contracts across the business. Also, keep in mind, the contracts come integrated, right? It would be a recycler along with AIoT RMS on top, and maybe an MS solution stack on top.

Aasim Bharde: Okay, great. Thanks a lot for answering my questions.

Moderator: Thank You. Before we take the next question, a reminder to participants that you may press "*" and 1 to join the question queue. Next question is from Divyanshu Mahawar from Dalal & Broacha Stock Broking. Please go ahead.

Divyanshu Mahawar: Thank you, sir, for the opportunity. So, my question is on the side of AIoT remote monitoring. So, I'm clear that we had a center in Belapur and Navi Mumbai. So, is it the new order that has come in? So, that Belapur site is enough to capture that order? Also , going forward, we need to set up more new sites for maintaining that remote monitoring?

Rajiv Kaul: So, our central command room for the AIoT business is based in New Bombay, not in Belapur, in New Bombay. I think we have built it to a good capacity. Our business is quasi-SaaS.

So, while we have increased, we have gone from almost 2,000 sites to 25,000 sites in the last 3 years in the same center as operating for which we are managing it. Using technology, using machine learning, I think our model has been very different. I think we are not focused on a business which needs too many people at the command center. It's more linked to machine learning being able to control any mishaps.

The new growth, I think the center is good enough for our growth plans for the next couple of years. And also, in my opening remarks, talked about the fact that we have bumped up our tech spends from almost 1% of revenue, which was average for the last 3 years to 1.5% this year. A significant part of that is going into investing in the RMS software stack and our machine learning algorithms.

Divyanshu Mahawar: And secondly, sir, if you look at a command center, so on a broad range, so what size of order in a command center can capture it on a broad range that for a small command center can have an order book that can execute a site, say, 5,000 sites. So, what's in broad range for any command center that you operate or your competitor operate, a broad range?

Rajiv Kaul: So, I don't know how to give answer to that question, but this will first depend on the business model you have. Our business model is a lot more linked to machine learning, and therefore, computing either at the site or computing in the cloud, rather than people in the command center controlling this.

So, that's the first difference. I'm not saying others may or may not have it. I necessarily don't know how everybody else is operating in the sector. Our current site and command center is handling 25,000-plus sites.

I do feel that this can go up. We haven't done the sizing. But again, this is a very small investment for us to create. We have meanwhile, in a new operational back office, which we are creating in Belapur, we have created a backup site for any eventuality or even for expansion if required for the coming 3 to 4 years.

Divyanshu Mahawar: Okay, sir. And sir, 1 last question. So, we got an order from any of the quick commerce platform. So, how could be this opportunity for us? And secondly, what was the thought process for entering into a non-BFSI space, because we are already present in the BFSI space? So, what was our thought process for entering into non-BFSI space?

Rajiv Kaul: So, it's a great question. I think for us, we have identified 3 or 4 sectors which are of interest for us, which we think will do well in India, and they will present us an opportunity to grow and compound at a sensible rate with a good quality margin.

Banks, NBFCs, retail and retail includes e-commerce and quick commerce are the areas of our interest. We have built sales teams over the last 3 years and our focus on cross-selling. In fact, if you go to our slide deck in the appendix on Slide #16, you will see our approach, which we are saying how we are looking at launching more service lines and deepening our presence in the client by selling them different parts of services from CMS.

So, I don't think I can quantify the opportunity in broad retail. It can be a very large opportunity, but the opportunity of interest for us at a reasonable margin, and where our solutions will do well, I think that we'll see over time how that grows. For us, the idea is that a client of CMS should be able to get the benefit of our quality from multiple service lines.

They will start from a retail cash management solution possibly and go on to AIoT RMS stack, where there is large volume and scale. I don't think we are a company which can do a very good job with clients of 5, 10, 15, 20 stores. Given the nature of banks where you can get hundreds of sites to work on, we like to focus on clients with a large presence in India.

Therefore, they are able to get the best of CMS, both from a software stack and also from our engineers and field presence, because many times you need local access for any unforeseen circumstances.

Divyanshu Mahawar: Okay, sir. It was nice to hear you. Thank you so much, sir, for the opportunity.

Moderator: Thank you. Next question is from Dhanesh from DS Capital. Please go ahead.

Dhanesh: What kind of capital allocation strategy are you guys looking at? One of your biggest competitor is facing some financial difficulties. Are you guys open to any M&A opportunities in this space? Or any particular segments are you looking for to deploy your cash?

Rajiv Kaul: Good question. I think we have explained our capital allocation track record. I think, we are a fundamentally conservative team. We like to have no debt. We like to make sure we have adequate cash for any opportunity, which may come up. We have been carefully preserving our cash generation, which is all internal. Historically, we have said that in a business where we are market leader, we are not really looking to do M&A.

We don't want to go and buy growth, which a client may not be willing to give to you, unless it comes at a very accretive price and synergy for us. We would like to use the cash ideally to expand our offering lines. We did that with RMS. We made a small investment and then backed it up with significant CAPEX in the last 3 years to grow this into a meaningful and exciting opportunity for us.

That will be our playbook. But as we grow in size, I think we are also now looking at M&A to partner with people, and not necessarily acquire the whole company. Specifically, to a particular deal in the sector, I think it will be wrong for me to comment anything. I think this is a live situation.

We don't know how this will pan out for whom. We are not in any active discussion with a particular company at this stage in our sector right now. I think our focus currently is on companies in our areas of interest. And I think the areas of interest doesn't have Managed Services and Cash Management in them.

Dhanesh: Okay. Thank you.

Moderator: Next question is from Shivam Parakh from ValueWise Wealth Management. Please go ahead.

Shivam Parakh: Hi, sir. Thanks for the opportunity. Like seeing the financials from the last 3 or 4 years, like our bad debt profile write-off, which we have done in our books is similar as far as the absolute amount is concerned. As a percentage of revenue, it has decreased. Like I wanted to know what specific risk assessment profiling with regards to our potential customers, which we are doing, because like there's a significant amount of write-offs and the same has been seen for the last 3, 4 years. So, what are we doing to reduce on that front?

Anush Raghavan: Hi. So, Anush here, I will handle 1 part of it, which is to give you the business context to what these, are and pass them to Pankaj to explain the accounting of it. So, you have to see that in the nature of business we are in, whether it's a Cash Management business or Managed Services. Risk is very intrinsic to what we do.

And it has just been the agreed practice in this industry that any risk which arises out could be cash losses, could be reconciliation differences, could be SLA penalties for instance. All of them are typically tallied up with our customers on a daily basis, but only finally accounted and adjusted against service invoices.

It could happen in the subsequent month and sometimes it could take longer. 1 of the issues in the Cash business in the past used to be that banks would take an undue amount of time to recognize chargebacks or reconciliation differences, because the RBI effectively allows customers and when I say customers, cardholding customers, anytime up to 7 years to raise a particular dispute with the bank.

Over the last 3 to 5 years, the industry has been able to standardize and improve on these risk management protocols. So, for example, we will have almost a real-time basis wherein if a bank receives a claim from a customer, it comes to us almost real time. We have to agree and settle it from the time we receive a claim typically within 3 days.

But there is no bar to when a customer can raise a claim on the bank. And hence, the best way that overall industry, not just CMS, has found it best to adjust for these risk costs has been by way of debit credit adjustments to our revenues. And hence, you will see all of our risk costs typically recognized as a bad debt.

It doesn't really mean that there are credit issues with the customers, but it is risk. We have in the past alluded that as our businesses have scaled and matured, as we implement more technology into identifying and managing risk better. And as some of these public sector contracts ramp up and then settle into a more streamlined way of delivering services, we expect the risk cost to reduce. So, what used to be about 5% to 5.1% of revenues FY'24 has reduced to about 4% in H1 of this year.

Shivam Parakh: Okay. Yes, sir, another follow-up question. Like the bad debts which we are seeing, is this in a specific segment like PSU banks or the private banks? Or if you could provide some light on that?

Anush Raghavan: No, not really. I think you should think of it as across the business, right? So, if I take Cash management, for example, a lot of our risk would be in the ATM Cash Management business, because that is where we have a far higher exposure to cash.

One way of improving on that has been through implementation of cassette swap, but that's just 1 aspect of the type of risk. We have risk in terms of cash in transit. We have fidelity risk, we have cash in vault, for example. Many of these would also be insured. It's the deductible portions that get adjusted against some of these costs.

But net-net, if I were tell you, in terms of our overall risk exposure, there is the risk of pilferages. There is a risk of large cash losses, and the deductible coming out of it. There's also the cost of the insurance premium. There are penalties, SLA penalties which get adjusted here. So, other than the fact that the ATM Cash business has slightly higher intrinsic risk, which is, of course, price adjusted to what we do, I don't think it has a customer-specific angle to it.

Shivam Parakh: Okay. Sure, that was very helpful. Thank you.

Moderator: Thank you. Next question is from Akshat Bairathi from RSPN Ventures. Please go ahead.

Akshat Bairathi: Hi. Thank you for the opportunity. Sir, I'm fairly new to this company. So, just as per my understanding, the Cash Management Services is an annuity kind of a business, and the Managed Service is based on the order execution. So, as you said in the opening remarks that in the H1, 15% of the order book was executed, while in Q3, it is 30%. So, we have grown that order book execution significantly. So, just trying to understand why is there a dip in the revenue of the MS quarter-on-quarter?

Rajiv Kaul: I think just let me sort of give you an overall context, and then specifically explain this particular quarter. Yes, I think cash was annuity, and we explained this in the past that we like to keep it annuity for the simple reason that it allows us to handle inflation cost pressures a lot more if we have access to adjusting for pricing on an annual basis.

In our MS business, when we started this business, 2014-2015, it started off as being revenues which had a greater component of banking automation or product-led revenues, simply because that was the only way to get into this business and penetrate accounts and over a period, upsell into various solution-based offerings.

As on date, our effort is to try and consistently increase the percentage of recurring revenues as part of our overall MS and Tech offering. FY '26, we hope that recurring revenue should be almost 85% of this business segment. When I say recurring, depending on whether it is AIoT-based remote monitoring or longer-term medium contracts, these should all be in nature of about 5 to 7 years. So, that's 1 way to think about in terms of the implication of order book to revenues.

On a sequential basis, our revenues in MS have dipped only because of the certain lumpiness of product. On the services base would have grown on a quarter-on-quarter basis.

Akshat Bairathi: Got it, sir. Sir, just 1 follow-up. So, what are you excluding from these? Like as you said, services portions have grown. So, what are the businesses that we exclude from the services portion of them?

Rajiv Kaul: So, if you look at Slide 11 of our investor presentation, on the right-hand side, we have given you a revenue split of our overall Managed Services and Technology. The Banking Automation, that 16% at the very top, that is the only portion that we exclude from our services. The rest of them are all services. Yes.

Akshat Bairathi: Got it. Thank you so much.

Rajiv Kaul: Thank you.

Moderator: Thank you very much. That was the last question in queue. I would now like to hand the conference back to the Management team for closing comments.

Rajiv Kaul: Thank you so much. Thank you for attending our call, and thank you for your questions. We started the year with very high bullishness I think in the middle of the year, we were dealing with some headwinds, which we alluded to and we talked about openly at that time.

I think moving to Q3, we are smelling a lot more stronger momentum, and building a base of business and both for market share and volume and pricing, which should help us in our mid-term growth aspirations. We will talk about FY '26 and FY '27 at the end of Q4 results and look forward to seeing and engaging with you then. Thank you so much.

Moderator: Thank you very much. On behalf of IIFL Capital Services Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.