

CMSINFO/2410/009

October 30, 2024

To

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

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

**Scrip Code: 543441**

**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 **Monday, October 28, 2024** at 12.30 Noon (IST) on Unaudited Financial Results of the Company for the quarter and half year ended September 30, 2024.

The transcript is also available on the website of the Company at [www.cms.com](http://www.cms.com)

You are requested to kindly take the same on record.

Thanking You,

For **CMS Info Systems Limited**

**Debashis Dey**  
**Company Secretary and Compliance Officer**

Encl: a/a



“CMS Info Systems Limited  
Q2 FY ‘25 Earnings Conference Call”

October 28, 2024



**Elara**Securities



**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:** **MR. PRITHVISH UPPAL – ELARA SECURITIES PRIVATE  
LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to the CMS Info Systems Limited Q2 FY '25 Earnings Conference Call hosted by Elara Securities Private Limited. As a reminder, all participant 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 conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Prithvish Uppal from Elara Securities Private Limited. Thank you, and over to you, sir.

**Prithvish Uppal:** On behalf of Elara Securities, I'm pleased to welcome you to CMS Info Systems Q2 FY '25 Earnings Conference Call. Joining us today from the management team are Mr. Rajiv Kaul, Executive Vice Chairman, Whole-Time Director and CEO; Mr. Anush Raghavan, President, Cash Management Services; and Mr. Pankaj Khandelwal, CFO. I now hand over the conference to Mr. Rajiv Kaul for his opening remarks. Over to you, sir.

**Rajiv Kaul:** Thank you, Prithvish. Good afternoon, everybody, and thank you for joining our H1 call. In a slower-than-expected H1, we were able to grow our revenue at a strong 16%, which represents a consistent and a strong business momentum. H1, as you know, has seen some prolonged and intense monsoons under a fairly extended election cycle, which has affected consumption trends, which led to lower activities on both our cash logistics network as well as our BLA network, impacting revenue and realizations to some level.

On our Cash Logistics business, we continue to expand the network. We've seen an 11% growth in our touch points to 143,000 points, which also showcases and demonstrate the results of our investments in building capacity and deepening our coverage. In the retail business, where specifically our direct-to-retail segment, we now are working with 60 direct lines, up from 40 in March.

Coming to our Managed Services and Technology business. We have secured new orders worth INR200 crores in H1, bringing the total order wins to INR400 crores for the period. Although we secured INR1,600 crores in orders over the last 4 quarters, only 15% of these have been executed, largely in part due to some delays, which is bank-dependent technical testing, integration issues primarily in the PSU bank space.

Our efforts in incubating new adjacencies are showing good results. Our AIoT RMS business is scaling well, and we are now running multiple pilots with retail clients in addition to BFSI for specific AI use cases, which we have developed. The Bullion as well of the CIT businesses also are showing good growth. I would like to now hand over to Pankaj, our CFO, who will take you through the financial summary.

**Pankaj Khandelwal:** Thank you, Rajiv. In Q2, our consolidated revenue grew by 15% to INR624 crores, led by 28% growth in the Managed Services and Technology Solutions business and 8% growth in Cash

Logistic business. PAT grew by 8% to INR90.4 crores, and PAT margin stood at 14.5%. This lower PAT growth, despite strong revenue is attributable to couple of factors.

As already explained by Rajiv, we had to invest and ramp up capacity for order book won, but the execution was delayed. So we incurred the cost, while the revenue approval will happen in H2 and later. This also led to much lower capex spend, only INR30 crores net of CWIP in H1 out of FY '25 projection of INR300 crores was spent.

Segment-wise, the Cash Logistic business grew by 8% year-on-year to INR390 crores, with EBIT of INR97 crores and EBIT margin at 25%. Our Managed Services and Technology Solutions business saw a 28% year-on-year growth in revenue to INR264 crores with an EBIT of INR40 crores and EBIT margin at 15.1%. Now I hand over to Rajiv for his closing remarks.

**Rajiv Kaul:**

So as a management team, we have earlier highlighted both our strong performance for the last 3 years and the opportunity ahead for us as we expand. While we do so and many questions we asked, how will we balance our different goals? Our key goals remain to drive revenue growth, market share gain and margin growth in that order, while delivering strong ROCs in the mid-20s range.

We are focused on investing our strong cash flows for capacity addition, growth, incubations as well as M&A. We are continuing to make important investments to our platform, whether it's our route network, technology as well as adding talent in critical areas. We have invested significantly in unifying our operations platform across cash, Managed Services and RMS under our new President, Puneet Bhirani. This is critical for strengthening our customer value proposition and improving customer satisfaction as these businesses scale up and giving us a competitive advantage.

Our market position across key business lines is stronger. The competitive intensity is much better and we are focused on gaining market share in key businesses, along with driving strong revenue growth. On the M&A front, we have a robust pipeline of deals under evaluation. Given our track record of scaling up businesses, our customer access, our brand in BFSI and Retail, a deep countrywide network and balancesheet strength, all of these attract founders and companies who want to partner with us or get required. From a midterm perspective, there are some initial encouraging developments.

The ATM interchange rates seem to have a higher probability to increase. The ATM channel remains one of the most secure and reliable digital financial inclusion tools in India and penetration remains low in rural India. There is some momentum towards the large PSU Bank increasing cash ATM for outsourcing. The RBI currency chest white paper indicates RBI's plans to revamp the currency chest infrastructure and distribution logistics with CIT companies as key stakeholders. This reinforces the critical role for cash and the need to invest in enhancing the supply chain efficiencies.

All of these can be midterm growth drivers in line with the market opportunity, which we have detailed in our investor deck presentation and shared with you in prior calls and meetings. Coming to October, October did witness some intense rains in parts of India. But with the initial encouraging festive season data, the renewed focus on government capex and bank's liquidity easing out, hopefully, things should get better in H2.

On our part, we are intensely focused on getting our order book to go live so that we can have a strong Q4 and a good base for FY '26 growth. With that, I would like to open the floor for questions.

**Moderator:** Thank you very much. We will now begin the question and answer session, anyone who wishes to ask a question may press \* and 1 on your touchscreen telephone. If you wish to remove yourself from question queue you may press \* and 2. Participants are requested to use only handset while asking a question. Ladies and Gentlemen's we will wait for a moment while a question queue is assembled. The first question is from the line of Karan from Monarch AIF. Please go ahead sir.

**Karan:** My first question would be on our Cash Logistics business. If you see that from the last year to this quarter, our growth is kind of slowing down. And even though it's quite heartfelt to see that Managed Services grew this big, very solid, can you just throw some light on other than the seasonal challenges that we got, how do we see the next 2 quarters pan out for Cash Management services?

**Rajiv Kaul:** Sure, Karan. I think that given the penetration, the percentage of outsourcing, formalization and growth economy, we feel this business can grow at 10% or so over the next 5 years. In fact, if you think of H1 last year to this year, the growth in the business is roughly about 9% revenue. We grew in the last 3 years at a higher pace in part due to both market share again during COVID, compliance rollouts. But even growing 9% in this H1, where the overall economic activity is affected, I think, is fairly decent growth. Touchpoints, which is really linked to more formalization, I think, has grown at 10% in this half.

**Karan:** Got it, sir. And sir, if you just can allude to our EBITDA margins, if I look at our adjusted EBITDA margins adjusted for ESOPs, that has also seen a year-on-year pressure of around 270 bps, right, and a Q-o-Q pressure as well. Is this a factor of this operating leverage because of higher growth and some kind of fixed costs sitting in the P&L? Or are we seeing that some normalization of EBITDA margins should be in this range now going forward?

**Rajiv Kaul:** I think that's a great question. And let me take the opportunity to give our perspective. As we think of it, when you look at it -- first of all, we are an annuity business. Having said that, we have some seasonality linked to our automation business. The contribution of our automation business -- in this half was close to -- I'm talking H1, right? So don't get confuse with Q2, I'm talking about H1, with roughly about 12%.

Last year, at the same time, our contribution of this business was 82%. So there is an impact on what you see as a margin profile, which gets little affected with this. Having said that, overall, of course, the PAT numbers could have been better. I think in our mind, the impact of the consumption led impact on both our cash activities and BLA would have been about INR5 -6 crores difference in H1 than we would have expected. And about INR3-3.5 crores would have been investment in just people and for incubations.

If you think in our business, I would think it will be better to look at H2 last year versus H1 this year where from a margin profile because the mix was almost similar, 10-12% revenue from automation businesses. And therefore, if you think H2 last year, the EBITDA was about 25.5%. H1 this year is about 25.3%. I think these are numbers for this type of business.

The second half of the year, I would hope we never give margin guidance. It's impossible to control and know what factors are out there. But with our order book execution going live, services revenue contribution to increase, it should have a positive implication in our margin profile as you see. However, we have guided to this our last call also. For a business like us, you have to finally look at ROCs. And I think maintaining a mid-20s ROC remains our goal.

**Karan:** Got it. Got it. And sir, if I can just squeeze the last one. Can you just also help us understand what kind of acquisitions or if you're looking at any M&A activities, if we're going to see some M&A this year? Or have you already narrowed down on potential targets because we have some cash lying on the balance sheet, and we alluded to it in the past calls. So if you can just throw some light there as well, that would be great.

**Rajiv Kaul:** So you and I know that controlling M&A timing is not in anybody's hand. We are working on some specifically -- again, so the situation for M&A discussion and M&A, what is the word, the chemistry in M&A discussion was much better than it was in the last 1, 1.5 years, where I think people were -- many companies were hopeful of -- hopefully different exit paths and different options in life. I also feel that the competitive intensity across our ecosystem is moderating. They've never -- in a market like India it will never become low, but it is moderating.

And we hope M&A would be more in line with the way we like to run a business, right? I mean you can do M&A aggressively, you can do M&A in a synergistic manner. We are working -- our pipeline is very robust. In fact, right now, I think we have to be very careful of where we invest our time in M&A deals. And the goal is to obviously think about how do we expand our suite of offerings, how do we scale in some of the businesses we have already explained to you before.

And if there is any consolidation in our core sectors, we'd be very happy to look at it if it works out. I can't commit on whether it will happen in H2 or not, but our goal remains to do a synergistic deal sooner than later.

**Karan:** Sir, just any clue on what spaces are we looking at in M&A, what sector, what spaces? You said synergistic, but if you can give a broad overview.

**Rajiv Kaul:** I think in the interest of time and to open the floor for other people's questions, I would just please look at the investor deck, which is on our website. We have clearly detailed what are the areas we focus on M&A, where our energy is going into.

**Moderator:** The next question is from the line of the Divyanshu Mahawar from Dalal & Broacha Stock Broking Private Limited. Please go ahead, sir.

**Divyanshu Mahawar:** Just a couple of questions. First on the Cash Logistics business. And if you look at our Cash Logistics business is more kind of a matured business. So if you look on a revenue, we get an 8% to 10% revenue growth. But if you look on the bottom line on the EBIT side, we just only get 2% to 4% EBIT growth. So why is it like that the operating leverage doesn't come through the bottom line or where this growth is not matching to the revenue. Anything inside our cost is increasing, just wanted to understand that part.

**Rajiv Kaul:** So if you think of our cash business, you said it's -- I don't think 10% of the mature business, 10% growth is fairly good growth. The EBIT percentages are very robust at about 25%. What you're seeing in H1, I think if you would just add the fact that I did allude to it in one of my answers, I think, the impact on consumption, both in our cash network and BLA, that would have had a INR5 crores to INR7 crores impact on our PAT. You take some of it on the cash EBIT. I think you would see a much higher growth percentage.

But I think you want to just keep in mind that linked to consumption, there is already capacity in the business. And if the utilization gets affected by any seasonal or any other characteristics, there is a minor dip at that time. But we are still managing to grow the business at a fairly -- I mean, maintain a robust EBIT profile for the business.

**Divyanshu Mahawar:** And the same in Managed Services, we get a higher growth. Like if you look at in this quarter, we have a 28% Y-o-Y growth. But on the EBIT side, it's just a 3% growth. So what actually happened in between that, I just wanted to know the maths, is it the cost is going up or something is in Managed Services also?

**Rajiv Kaul:** So I think Managed Services, 2 implications. One is the fact that the mix of the business was very different. The mix of product revenue contribution is very high. Last year, in first half of the year, the contribution of products was maybe 2% while at this time, it's 12%. So there's a fairly significant shift. Product businesses, our important businesses to get access to new clients, but come at a lower margin profile. So that is one.

The second was the BLA sector. Given overall mobility was affected with the rains, the Q1 had your impact of election cycle, I think the numbers -- the utilization of the ATM network and BLA was lower. So I think that led to lesser revenue, which flows down to the EBIT.

**Divyanshu Mahawar:** And sir, last one question. What could be the reason of the increase in the trade receivables in the first half of the H1 FY '25?

**Rajiv Kaul:** Let me have Pankaj reply to that.

**Pankaj Khandelwal:** So H1 is usually slow in the terms of collection. Given the liquidity crunch, payment from the bank have delayed. Out of total AR increase, INR175 crores is on account of payments slipping from Q2 to Q3 for a key project of a large bank.

**Moderator:** The next question is from the line of Yashodhan Nerurkar from Edelweiss MF.

**Yashodhan Nerurkar:** So I just wanted to understand, I mean, if -- our business is more or less dependent on the banking sector, how exactly they are planning their ATM additions. So considering that the banks are under some stress, does it lead to moderation of our growth, that's one? And is there a pressure in terms of reworking on the pricing -- on the BLA side as well as the Cash Logistics? So that's the first question.

The second was about -- you were talking about executions very delayed. So could you come again as to why this execution was delayed because we had upfronted certain cost and the revenue would be followed up in the coming quarters. So could you help me understand that as well?

**Rajiv Kaul:** Okay. So the first question around the overall -- so we work with banks. We work with retail. I think these are our 2 large sectors. From a competitive intensity in the ecosystem, I think the competitive intensity has reduced. We saw intense competitive pressures across Managed Services and cash networks in the last 1, 1.5 years. I think that seems to be getting better, but only time will tell if that remains or not. I don't think there's an issue we foresee in terms of pricing pressure or something. But banks were -- a lot of PSU bank deployments got bunched up. The order cycles got elongated. Orders have been placed for about 40,000, 45,000 ATMs to be deployed.

However, having said that, there is -- what the delays we saw is not only relevant to us, but the entire industry. Given these are integrated contracts, a lot of them have seen multiple OEMs, which need integration and testing, both at the bank IT level, the NPCI and MasterCard and Visa, which has led to delays in execution. And that's why some of the services revenue you would have hoped to have seen in H1 is going to slip to H2. The overall value will not go down in the contract cycle, it's just the timing of that is getting impacted.

So we had INR1,600 crores of orders won in the last 4 quarters. As of now, only 15% has got executed. By now, we hope to have at least 30%, 35% executed. In line with this, even our capital investment has reduced significantly, where we thought in H1, we would have spent about INR120 crores, INR150 crores of capex. I think our capex spend is roughly about INR30 crores.

**Yashodhan Nerurkar:** Okay. So in terms of the pricing, even on the BLA side, where I think you had alluded earlier that around 75% of it is somewhat fixed. So is there any sort of indication from the banks that



they would try to negotiate the pricing model or you would be going to continue with the similar ones?

**Rajiv Kaul:**

Specifically to BLA now, let me underline this. We may not have interacted much in the earlier. But our overall BLA as a revenue contribution will be 10% to 12% of our revenue. We are not very aggressive in the BLA business as such. We are focused, of course, on businesses where we can get more longer term and fixed price contracts. It's about 75%, but I think we look for more fixed price contracts in BLA than transaction linked.

The BLA sector did see very aggressive price bidding in the last 6 to 9 months, primarily from MO, Ministry of Finance Project incumbents, which are trying to defend their revenue as the project went end of life. We are limiting our explosion on BLA at this point and not being aggressive with that at all.

So I don't think banks once they agree on a price or something go back and change it. I actually think that with the whole compliances roll out and all, I think prices will only tend to get better going forward.

Interchange is an issue because at the INR7 interchange, banks are not able to deploy new ATMs. Therefore, there has been a lot of industry work going on between the banks and the regulators to relook at interchange to make it viable for them to roll out more ATMs. We are led to believe, again, we are led to believe, I don't think we have full knowledge of this that there is a strong likelihood that the interchange may go up so that deployments can start picking up in the rural areas.

**Moderator:**

The next question is from the line of Balaji from IIFL.

**Balaji:**

So Rajiv, you did mention that product revenue accounted for about 2% of overall revenue in the first half of last year versus 12% this year. So if I take that out, then I can see that the Managed Services has almost stayed flat Y-o-Y. That is the revenue I'm talking about. So I did listen to some of the reasons you alluded to on why there has been a weakness in the first half of this year.

But is there something one needs to be worried about because for -- something which was expected to grow at 25%, 30%, we have had a 6-month period where the growth almost was negligible. So that will be one. The other one will be more of on the housekeeping front. This would be on what is the estimated capex for the full year, considering that there has been a delay in terms of execution?

**Rajiv Kaul:**

Great question, Balaji. I think when you think of our Managed Services business and you split it between services and products, the services revenue is an annuity type revenue, right? And therefore, we are dependent on new contracts going live so that the revenue will accrue. And it accrues at a slower pace, right, month-on-month and these are 6, 7-year contracts.

Given the fact that some of these projects haven't gone live as per our books, we did accelerate some of the product business because that's a little more easier to go execute and get them live and bill. So we shifted our priority in Q2 to making sure that we can get at least the revenue streams going so that we are able to maintain the ongoing services, which have come from the products later. Q3, Q4 would hopefully see the order book execution coming in, and we'll start getting the benefit of that, both in MS services growth as well as the margin profile of that business.

And also more importantly just getting these contracts started on the journeys. From a capex perspective, I think we initially thought this year will be INR300 crores capex. But given where we are, how much we've spent, I think the rest of the year -- for the full year, I think Pankaj's estimates will be roughly at INR250 crores capex.

**Moderator:** The next question is from the line of Manav from SP Capital.

**Manav:** My question would be regarding '25, '27 guidance. Is it still intact. Are we still aiming for the INR2,500 crores target as of now?

**Rajiv Kaul:** Sorry, your line wasn't too clear, but I'm guessing you're talking about FY '25 revenue guidance, which is -- if that is the question? I think our revenue guidance was INR2,500 crores, INR2,700 crores. Yes. So I think at half year, we are at INR1,225 crores. We are trying to still see how much we can do in H2. We will hope to be somewhere in the midpoint of the range. I think that's what we're trying to goal ourselves for to end the year.

I think achieving the higher end of the margin will not be possible given the H1 we have seen, but we are still trying to be focused on trying to get to the midpoint so that our original goal of doubling revenue from FY '21 to '25, we are able to meet. So we have 5.5 months ahead to work on that.

**Manav:** But don't you think the consumption growth could affect our growth in the coming half?

**Rajiv Kaul:** Sorry, can you be a little bit louder or closer to the phone?

**Manav:** Sorry. So my question was, don't you think the muted consumption could affect our growth and reaching that double target in the second half?

**Rajiv Kaul:** So listen, this is a fairly -- we should think of our revenue growth aspiration that what we are trying to do. They are strong growth numbers. We have as the team delivered in the past. We're hoping to deliver. We don't have all factors in our control. but we will try our best to see as much as we can do, will do.

As of now, I don't have a number to tell you. We normally shy away from giving any guidances beyond the range we have pointed out to. And we have 5 months left. If order execution picks up, we should see much better revenue in the second half of the year.

Coming to specific consumption, I don't know how consumption will trend. Initial data in October, again, I'm saying initial data. This is just cash index data, is looking good when you look at our retail collections and what not. But again, 2 or 3 weeks don't determine the whole half. We'll have to see how overall economy does, we are still linked to the overall consumption of economy, right. So I think I don't want to go away from that linkage as the economy does improves or does better than it has done in the last 6 months, I think we should see some benefit of that.

**Manav:** Got it. And my other question would be regarding our cash management business. Do you think it has reached its peak or it is consolidated due to the recent UPI transaction growth and people are more relying on that rather than going to using cash as a transaction system.

**Rajiv Kaul:** Well, I don't think so. I don't think cash usage compared to GDP and all have had significant declines if you look at 5-year, 10-year data. I think as you think our business, you think about touch point growth, we've talked about touch point growth of 10%. We talked about revenue growth of 9%. I don't think that is peaking. And then most importantly, I think amount of outsourcing, which is still not done and formalization.

So I desperately hope what you're saying is not true. I don't see any indicator that we have peaked or the opportunity has peaked anywhere.

**Moderator:** The next question is from the line of Ankit Kanodia from Smart Sync Services.

**Ankit Kanodia:** My first question is basically, if you see from March 2024 to September 2024, the increase in our debtors is INR270 crores. And if my calculation is correct, the increase in revenue is lesser than that. So I think it is about INR169 crores. So can you just throw some light on this as to why this is happening and what is our view -- some more colour on to why this is happening.

**Pankaj Khandelwal:** So I've explained earlier that out of total AR increase in this particular half, INR175 crores increase on account of payment slipping from Q2 to Q3 for a large key project for the large bank. We do see that any of our metrics where the working capital increase is generally higher in H1 than H2. If I will give the context that in FY '23 and FY '24, OCF of H1 was only 25% of the full year OCF. So working capital increase is higher than the H1 than the H2. And the main contribution is by AR.

**Ankit Kanodia:** Got it. Sir, regarding the bad debt also, so we have a written off around INR55 crores in the first half. Is there any additional bad debt sitting in the debtors column, which we need to recognize in the H2? Any color on that as well?

**Pankaj Khandelwal:** No, we provide for based on the expected credit loss and we have adequately provided it. In past when the penalties or the deductions or the gaps was higher, we have provided higher. It was around 5.3%, 5.1% earlier and which is gradually reduced to this quarter -- this half which is 4.3% of the revenue.

**Rajiv Kaul:** And it's bad debt, right? These are provisions of risk costs. This includes multiple things. This is reconciliation differences, penalties, any cash losses we have. So our provisions in H1 of this year are about 4.3%. And I think this number was roughly 4.1% from last year, about 5.1% for FY '23. And we have guided to the 4% to 5% range as a range to estimate just as a trend line what we think.

**Moderator:** The next question is from the line of Bhargav from Elara.

**Bhargav:** I have 2 questions on remote monitoring and another on Bullion Logistics. So coming to the remote monitoring, you mentioned in your opening remarks that you have done some pilots in the monitoring space especially the beyond ATM, e-commerce, hospitality & retail. Could you highlight a few points on the following aspects, like are you facing any challenges in terms of execution or competition?

And one more thing in the realization, like if you compare it with BFSI, I mean the bank's realization, how it is different from the bank? Is it lower or higher? And like how is the profitability over there like in terms of margin and the return profile? And last on the remote monitoring. So what's the opportunity size that we are seeing in the beyond ATMs remote monitoring? So this is my first question on remote monitoring. I'll have the second one after your answer..

**Rajiv Kaul:** I would say that if you want to look at the TAM for remote monitoring, please refer to the presentation we have on our website. I think that will give you a size of the TAM as we estimate it.

Coming to your question on the BFSI -- sorry, the retail, let me clarify, which I already said in my comments very clearly. We were developing last year AI use cases for use in retail sector. As you know, we've built our business primarily on the BFSI side. As an area of expansion, we are looking at retail, hospitality, where we have invested money in creating use cases, AI use cases specific to clients. Those use cases are getting piloted right now. I don't think right now we would be able to give you an estimate of the margin profile or whatever. I don't think that it should be significantly different than what we are doing right now.

The opportunity size may be a little more different just because with bank, there is concentration and retail is more widespread, and therefore, use cases are going to be very expected to each client's needs at that time. I think this is just an important area for us to invest to expand and build a horizontal platform for RMS business for the coming 5 years.

Our RMS business, I think, otherwise, is doing well. I don't -- you mentioned something about competition and execution. I think in retail, given these are just pilots, obviously, pilots we are learning and changing as per what clients want. I think there's nothing about a specific execution risk, which I could point out to right now.

- Bhargav:** Sir, one follow-up on that. So you mentioned the space in the retail segment is really higher than in the bank side. So how can we expect the realization to move with goes well? So we can expect a higher realization from these retail...
- Rajiv Kaul:** Let me not put the cart before the horse. Let just wait to see how we win. Again, when you think of building businesses, we are building them from a long-term perspective. I think initially, as we move into these sectors, we will look forward getting marquee wins and important clients as references to build our base.
- I don't think worrying about gross rate, revenue rates and pricing is -- we don't think that's a concern, neither is that a big area of concern or a priority. I think important to establish our footprint there. When we have something which is different than our current type of business profile, then we will come and update you.
- Bhargav:** Okay, sir. And one last question on the Bullion Logistics. Has the revenue for this has started kicking in the Q2? If yes, what's the revenue for Q2 from the Bullion Logistics?
- Rajiv Kaul:** We don't split revenue by any of our sub-segments, I think beyond what you see in the financials. That's what, yes, but they are scaling up well, we are incubating this in-house right now, and we are building this business. We will definitely come and tell you more at the end of the financial year on -- important metrics on how we're doing this business.
- Moderator:** The next question is from the line of Divyansh Gupta from Latent Advisors.
- Divyansh Gupta:** A couple of data keeping questions. So we used to disclose earlier sometime the activities per trip. Is it possible for you to let us know what would be the number this quarter and, let's say, previous quarter or just the trend of it?
- Rajiv Kaul:** I think what you may be referring to is total number of activities in our network. I think we'll update you on that number at the end of the year as to how those are going. We have told you I think what we do on a quarterly basis will tell you the number of touch points. And I think that's what you shared at 143,000 for the cash network.
- Divyansh Gupta:** Got it. Got it. And the other question was the collection business that we have been incubating, what would have been the, let's say, the cash burn in this quarter that we charge in the Cash Management business?
- Rajiv Kaul:** I think specific to collections, we won't know -- again, these are numbers we will be more accurate and comfortable sharing on an annualized basis. But I think our incubations and investments in the incubations across would have been roughly about INR2.5 crores, INR3 crores for the quarter.
- Divyansh Gupta:** Got it. And just the last question, what would be our network compliance and the cassette swap compliance status -- percentage?

- Rajiv Kaul:** Let me get Anush to pipe in and update on that. Anush?
- Anush Raghavan:** Thanks, Rajiv. So overall cassette swap, I think we are right now about 25% compliant, as we have said earlier. Very recently, there's been an update from the RBI urging the idea to sort of accelerate and expand on cassette swap and achieve a further milestone by end of March.
- From a network perspective, I think we've shared earlier, our network is almost fully compliant on the ATM and RCM side. So almost any business that we do for those businesses will be on a full compliance basis.
- Divyansh Gupta:** Got it. And just one last question. What would be the quantum of cash that we would have handled this quarter?
- Rajiv Kaul:** Roughly about INR3.4 lakh crores.
- Divyansh Gupta:** Got it. This number has been similar to, let's say, December 2023 also, we were around the same number. So is there anything we...
- Rajiv Kaul:** It's higher than March. I think it's grown about 4% to 5% from last year Q2.
- Moderator:** The next question is from the line of Nemish Shah from Emkay Investment Managers Limited.
- Nemish Shah:** Thanks for the opportunity. So I need few data points on the Managed Services business...
- Moderator:** Sorry to interrupt you, sir. Sir, can you use your handset while asking the question.
- Nemish Shah:** So I wanted data points. If you could help me with the mix of products versus services in Q2 versus Q1 for our Managed Services business?
- Rajiv Kaul:** I think we've said it was about 12%. I already said 12% for the half. Q1 and Q2, certainly, I don't have the number handy right now. But I think it was 2% last year H1. This year, it's 12% for the half of the year. For the complete company, I think you can use that to do your calculation. I don't know what you're trying to arrive at, but hopefully, that should give you enough data points to calculate what you need.
- Nemish Shah:** No. So the reason I was asking is so since the service mix was lower and probably that would have impacted our margins. So then was trying to compare to Q2 and the Q1 numbers.
- Rajiv Kaul:** Q1, Q2 of this year, specifically?
- Nemish Shah:** Yes.
- Rajiv Kaul:** Let's come back towards the end of the call and calculate and give you the number.

**Moderator:** The next question is from the line of Malav Sharedalal from Pravin Ratilal Share and Stock Brokers.

**Malav Sharedalal:** Any new revenue target for FY '27 and so on? If you can, sir.

**Rajiv Kaul:** No revenue target for FY '27. I think right now, we're focused on achieving the guidance we have for FY '25. At the end of FY '25, we'll come and update you on what we are doing overall the company, how we think of FY '27 and FY '30 more from a strategy and the direction perspective. And I think for the prior question, just the data point on Q1 and Q2 is 10% and 14%, respectively, of the overall company revenue.

**Moderator:** The next question is from the line of Aasim from DAM Capital.

**Aasim:** Sir, one question on the Cash Management growth, the segment group. So we have grown strong in the past, the reasons we mentioned during the call. But for the last 6 quarters, I think growth is at 12%. This quarter, it is 8%. So would you attribute that growth going forward would be more measured at best, low double digits? Or can this still be a mid-teen growth segment, excluding any onetime price hike that may come through from RBI?

**Rajiv Kaul:** I think we've guided to the fact that the cash business has the potential to grow in the 10% to 13% in the midterm. And I think we are sort of ballpark in that range, subject to plus or minus a little bit of the consumption and activity level. So I think the guidance or -- not the guidance, just a bottom-up for a large market share player like us. With our margin profile, I think we are seeing about 10% to 13% of the growth potential for the midterm of the business without any significant M&A or anything else happening there.

**Aasim:** But 10% to 13% would be more unit addition driven, right? Or are you also expecting upgrades in pricing?

**Rajiv Kaul:** I think the revenue growth is a combination of all of these elements, right? It is about...

**Aasim:** Rather would it be more volume-driven is what I was thinking. Because I think price hikes from RBI and all those take time also. So one should not ideally be building that in the business proposal, right? That's what I wanted to get a sense from you.

**Rajiv Kaul:** It's a good point. I think it's important for other investors who are listening. If you look at our -- the revenue and the points growth in the last few quarters, I think they've all been around the 9%, 10%, 11%. Somewhere you're expanding capacity, pricing kicks in. I think there is a long-term track record of pricing change in our business, which we have talked about, not just regulatory overall.

But the opportunity for us is to increase penetration, take market share in some of our key businesses. And therefore, we are focused on driving that. I think as a sector consolidates, there may be opportunity for pricing, which is difficult for you or I to predict right now.

**Aasim:** Okay. So the second question, I think I missed this in your opening remarks. But on the Managed Services margins in Q2 or in H1, would you attribute a larger portion of the margins coming off on the delayed order execution? Or would the product sales being in the 10% to 12% range is the primary driver of margins coming up?

**Rajiv Kaul:** No, I think there are 2 factors. One is just the overall consumption being down and therefore, BLA transactions on that part of our revenue stream coming down lower than, the realizations get impacted which affect the bottom line straight away.

The second is the orders, which could have gone live. We are hoping to go live basis having won them, didn't flow through into the revenue accrual in first half or Q2. And that obviously has a straightway impact on our mix and therefore, the margin profile.

**Moderator:** The next question is from the line of Sunny Roy, an Individual Investor.

**Sunny Roy:** Yes. So I just wanted to know, are you sticking to the annual guidance of INR2,700 crores that you earlier alluded to for FY '25?

**Rajiv Kaul:** I think we've alluded to, we have referred to revenue growth number for this year of INR2,500 crores to INR2,700 crores. That's the range. But given where we are in H1, I think we are looking at more coming towards the midpoint of that range.

**Sunny Roy:** Okay. And sir, any guidance for FY '26 as of now?

**Rajiv Kaul:** No, not at all. Right now, I think we just want to end Q4 on a strong base so that we get a good base for FY '26.

**Moderator:** The next question is from the line of Nihal Shah from Prudent Corporate Advisory.

**Nihal Shah:** So in the Cash Logistics business, I understand that because of the volumes, the operating leverage didn't play out. But in the Managed Services business as well, we are seeing a margin decline of around 300 to 400 basis points. So why would that be? So is that because of the change in product mix?

**Rajiv Kaul:** That's right.

**Nihal Shah:** Okay. And so AIoT's contribution has increased or decreased. So how is AIoT playing out?

**Rajiv Kaul:** So I think AIoT contribution is growing as per what we have alluded to. I think it will be roughly that our software AIoT businesses are -- I'm not saying Q2, I think we talked about this on an annual basis rather than quarter. I think they largely will be around the 5% contribution to revenue.

And we think in the midterm, that can go up to 8% or so. Right now, I mean, specifically to the exact number, we'll let you know at the end of the year how that business is going on track.



- Nihal Shah:** Okay. And that has a higher EBIT margin, right? So what would that be?
- Rajiv Kaul:** We don't break EBIT by each business line. I think the EBIT numbers are reported at both cash and MS level as a group.
- Nihal Shah:** Okay. But the assumption is correct, right? So there, the margins would be a bit higher than the overall margin?
- Rajiv Kaul:** I think we have many businesses that have very high margin profile compared to the rest, right? If you look at our Cash Logistics business, I think that has a pretty robust margin profile. AIoT has -- given the technology nature has a robust margin profile. Our software business also is like that. Our product revenue business would be obviously a lower margin profile.
- Our cards business, which is the smallest business has seen a significant margin improvement in the last one year. So again, there are many drivers for margins across the business. But overall, if you think of it and you look at our performance, I think it's been fairly steady.
- Nihal Shah:** Sure. And so there are a lot of reports that there is some shortage of ATM machines in the country in some parts of India. So we also had a plan to make the machines. So where has that progressed?
- Rajiv Kaul:** So I think overall supply chain issues may have been there in different parts. We have a manufacturing plant, which we had invested in to align with Make in India norms in India for large contracts. And as and when we are winning the order book, which will need ATM machines from our partner, Ferosum, they will be partially manufactured at our plant in Chennai. I think this is more for -- a large part will be used for our order book execution.
- Nihal Shah:** Okay. So the progress is there, right? So we are making some parts in Chennai.
- Rajiv Kaul:** Yeah
- Moderator:** The next question is from the line of Harsh from Kuber Investments.
- Harsh:** My financial questions have been answered. Just one question that I ask is that how have you seen cash utilization in the urban areas, especially in the festive season, given all the commentary that we hearing regarding slowing consumption?
- Rajiv Kaul:** Yes. So festive season data is like just 2 weeks, right? And therefore, I don't want to make a norm out of 2 weeks data. We are seeing the metro, I think, at a little weaker metro, not urban, metro a little weaker than semi-metro and SURU.
- I think semi-metro and semi-urban is growing positively. The metro is sort of flattish to a minor dip as of now. But again, I think these are very -- 2-week data is not something, which you'll start projecting basis on that. We'll have to see how October, November, December. O&D is normally a good quarter. We'll see how that plays out -- and yes.

- Harsh:** Fair enough. And also, in this quarter, we had a large inventory charge that was there. I joined late, so I don't know whether it was covered or not, but could you maybe throw some light on that?
- Pankaj Khandelwal:** So the inventory reduction is on account of the deployment of the product automation business. So we have purchased those machines and the parts in the Q1 or prior to that and which was deployed in this particular quarter.
- Moderator:** The next question is from the line of Ganesh Shetty, an Individual Investor.
- Ganesh Shetty:** I just want to know whether the new businesses are coming up from the same clients scaling up their businesses or we are acquiring new set of customers also?
- Rajiv Kaul:** Well, I think in some of our -- there are obviously a limited number of banks. Within each bank, we're trying to sell new service lines. But if -- I did mention this in my opening comments where if you think of a segment in retail, our direct to retail, where we're directly working with retail clients compared to a couple of years ago, I think the number of direct clients have gone up from 40 at the end of March to 60 clients we're working with right now.
- So it's both depth and breadth. I think for a business to be growing, you need both depth and breadth focus, selling more solutions to the same customer or gaining share as well as increasing your base and -- but given the banking sector, we've been there for a long time and some of our core business lines are being used there, I think we are looking to grow with them with new solutions like AIoT and RMS.
- Ganesh Shetty:** So my second question is regarding Managed Services business. Managed Services business like a niche business, for which you have incubated and developed for such a large extent. And going forward, are we adding some new facilities or new products into the same business so that we can scale up or we can give more services in the same category with our existing customers. Can you please throw some light on this?
- Rajiv Kaul:** No, it's a great question. I think the last significant incubation we have done in the Managed Services business is our AIoT RMS business started about 3 years ago. Within that, I think having gotten very good traction in the BFSI, we are now taking that and we are trying to grow on the retail side with that solution set, right?
- The second area of interest for us, interest, I would say. I wouldn't say we have started yet is generally trying to do more with software for banks and NBFCs. So I think we have been examining areas of expansion. This will be primarily M&A led as and when we get the right opportunity and the right company to partner with.
- Moderator:** As there are no further questions, I would now like to hand the conference over to management for closing comments.

**Rajiv Kaul:**

Thank you. I would like to reiterate a few points here. Our execution has been fairly good. I feel our competitive intensity in the market has reduced, and we're feeling stronger and better about the opportunity ahead. Our performance remains very steady. If you think of H2 last year to H1 this year, I think we are trying to make sure despite a weakish macro, we are performing very well on absolute numbers in terms of revenue, EBIT and PAT.

With the order book execution, hopefully, going live towards Q3, Q4, we should start seeing that impact and accrual in both revenue and margin and profile of the business for the second half. The goal is to end with a strong Q4 for a base for FY '26 and to also have an overall H2, which is better than we've had in H1. Thank you so much.

**Moderator:**

On behalf of Elara Securities Private Limited, that concludes the conference call. Thank you for joining us, and you may now disconnect your lines.