

CMSINFO/2302/001

February 3, 2023

To,

**BSE Limited**  
Listing Department,  
1<sup>st</sup> Floor, PJ Towers,  
Dalal Street,  
Fort, Mumbai – 400 001

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

**Scrip Code: 543441**

**Symbol: CMSINFO**

Dear Sir/Madam,

**Sub: Earnings Call Transcript**

Pursuant to Regulation 46(2)(oa) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed transcript of audio recording of post result conference call held on Monday, January 30, 2023 at 4.00 p.m. (IST) on Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and nine months ended December 31, 2022.

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 your record.

Thanking You,

**For CMS Info Systems Limited**

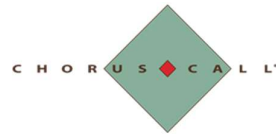
**CS Praveen Soni**  
Company Secretary & Compliance Officer  
(Membership No. FCS 6495)

Encl: a/a



“CMS Info Systems Limited  
Q3 FY ‘23 Results Conference Call”

January 30, 2023



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

**MODERATOR:** **MR. SHALIN CHOKSY – AXIS CAPITAL LIMITED**



**Moderator:** Ladies and gentlemen, good day and welcome to CMS Info Systems Limited Q3 FY '23 Results Conference Call hosted by Axis Capital 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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shalin Choksy from Axis Capital. Thank you, and over to you, Mr. Choksy.

**Shalin Choksy:** Yes. Thanks, Neerav. Hi, everyone. On behalf of Axis Capital, we are happy to welcome you all today on CMS Info Systems Q3 FY '23 Earnings Call. From the management side, we have with us Mr. Rajiv Kaul, Executive Vice Chairman, Whole-Time Director and CEO; Mr. Pankaj Khandelwal, President and CFO, Mr. Anush Raghavan, President, Cash Management; and Mr. Manjunath Rao, President, Managed Services.

I now hand over to Mr. Rajiv Kaul for his opening remarks. Thanks, and over to you, Mr. Kaul.

**Rajiv Kaul:** Thank you. Good afternoon, everyone. Thank you for taking the time to attend our Q3 earnings call. This is our fifth quarterly Earnings Call since our listing on December 31st, 2021. We are happy to report that we are continuing our growth momentum with another quarter of strong 20% plus year-on-year growth across revenue, EBITDA and PAT metrics. In fact, this is our seventh consecutive quarter with an EBITDA growth of more than 20% year-on-year.

Given we are close to the end of the fiscal year, I wanted to highlight our nine-month results. Our revenue has grown by 23% to INR 1,413 crores. Our EBITDA has grown 39% and our EBITDA margin profile is at 27.9%. Our PAT has grown by 36% to INR 217 crores, which is almost equal to our full year PAT of FY '22. All of this is a reflection of our market leadership, our execution capability, a methodical expansion strategy and our right to win for large complex end-to-end outsourcing deals in the banking sector.

I'll now request our CFO, Pankaj to take you through the Q3 financial highlights.

**Pankaj Khandelwal:** Thanks, Rajiv. Good afternoon, everyone. In Q3, our revenue has grown by 21% on a year-on-year basis to INR 488 crores. EBITDA in the same period has grown by 29% to INR 135 crores, and net profit grew to INR 76 crores, 26% on a year-on-year basis. PAT margin has expanded by 50 basis points to 15.4% on a year-on-year basis. All our business segments have seen strong growth.

Coming to the businesses. Cash Management business revenue has grown 16% to INR 338 crores in Q3 with EBIT growth of 21% to INR 85 crores. Managed Services segment revenue has grown by 39% to INR 156 crores in Q3 with EBIT growing by 49% to INR 31 crores.



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With this, I now hand over the call to Anush Raghavan, President of our Cash Logistics business for more insight into the business performance.

**Anush Raghavan:**

Thank you, Pankaj, and good afternoon, everyone. For the cash business on a nine-month basis, our YTD FY '23 revenues have grown by 20% to INR 975 crores, and the EBIT by 28% to INR 243 crores. Further, our EBIT margins have expanded by 110 basis points year-on-year despite an inflationary cost environment.

To reinforce the usage of cash in everyday commerce, I want to share some interesting insights from our CMS cash index. At INR 3.3 lakh crores we had the highest ever quarterly throughput of currency through our network in the company's history. This represents an 11% growth on a year-on-year basis. Further, in FY '23, over for the last nine months, we have seen a trend reversal with currency usage growing in metros by 15% year-on-year, outpacing the growth of semi-urban and rural. Our business network has expanded, and we currently service 120,000 business points.

As the largest company in this sector, we remain committed to investing in our network and infrastructure to comply with the RBI and MHA guidelines. As shared in prior calls, two-thirds of our estate will be compliant by the end of this fiscal year. This we feel is going to be a key differentiator in keeping our quality and reliability of service offerings to the banking sector.

With that, I'll now request my colleague, Manju, Manjunath Rao, to share with you an update on the Managed Services and Tech solutions businesses.

**Manjunath Rao:**

Thanks, Anush. Good afternoon, everyone. Pankaj has already shared with you the Q3 financial details. I'm happy to share that we are now 35% of the total revenue of the company. In the last three years, we have grown our share from 29% to 35% of the overall revenue. FY '23 continues to be a strong growth. In nine months of FY '23, we have seen revenue growth of 36% to INR 458 crores, with EBIT growing by 69% to INR 93 crores.

In the banking automation sector, with the RBI push on ATM network compliance, most banks are focused on this as a top priority. This is leading to some delays in key RFPs for ATM refresh and expansion. We are hopeful that these will be completed in the coming months between March and June 2023 timeframe.

In our AIoT Remote Monitoring business, we are happy to announce that we have crossed 20,000 live installations, making this one of the large IoT implementations in India. In our software business, CMS won a prestigious order for our Algo software, AIoT-based ATM security application for a large bank. This will be implemented over 15,000 ATMs.

With this, I will hand over to Rajiv for his closing remarks.

**Rajiv Kaul:**

So, I think what I want to highlight is a couple of things here. First, as we look at the whole banking sector and some of you would have read these articles in the last week, we feel very



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happy to see a renewed focus the banks have on expanding their branch network. It was quite obvious to us for the past few years, that there was a dire need to increase banking access. But at the same time, I think, due to COVID and also disproportionate investments going towards digital and other banking areas, this area did not get the requisite focus.

But today, we feel fairly vindicated that banks are recognizing the need for balancing their investments in both physical and digital infrastructure, and there is plans to increase the number of branches. In fact, private sector banks are poised to add maybe 12,000 branches in the coming year across the country. There is severe under-penetration in Tier 4, Tier 5, Tier 6 towns in India. And these will need branches, ATMs, micro-ATMs, DBUs and whatnot.

This, along with the formalization which we have seen in the economy on the back of the reform efforts like GST should present to us good growth avenues over the medium-term.

When we started FY '23, we have set our big focus in this year and thrust from the team at CMS is going to be on execution of a large order book. I'm very happy to report that all our key projects are well in track. Our enterprise sales execution is also showing good results. We today have expanded, and we have several large banks in India where we are winning contracts across multiple business lines.

Our track record of bidding for and winning these large complex contracts continues, and we have added more than INR 800 crores of new wins in the first nine months of FY '23. And as Manju already mentioned to you about our AIoT business, when we had started this business with a focus at the end of FY '21, we went and acquired a small company, which had maybe 2,000 sites, which have now grown to over 20,000 sites and, as reiterated, we will hit an annual revenue run rate, in this business, of INR 100 crores by the end of March '23.

Thank you for attending our call. And now we can move to the Q&A.

**Moderator:**

The first question is from the line of Balaji from India Infoline.

**Balaji:**

Congrats on a great set of results. So, I just had three questions, if I may. So, the first is on the central bank digital currency that was recently launched. So, in the long run, what are the potential risks that you see from CBDC?

And the second question would be on the AIoT-based remote monitoring business. So, once you've achieved the targeted delivery of 25,000 ATMs by March 2023, what is the future visibility we have?

And the final would be more on a housekeeping basis. So, we have seen a pretty sharp increase in other expenses. I understand that inflationary pressures are there, but is some of this attributable to anything like an increase in bad debt provisions or any risk-related costs? That would be my last question.

**Rajiv Kaul:** Balaji, sure will take these questions one by one. Let Anush give you his view on CBDC, and then I'll tell you quickly about AIoT and Pankaj can help you on the other expenses part.

**Anush Raghavan:** So, Balaji, we've obviously have been following the CBDC and the development as well as the white papers published by the regulator with quite a bit of interest to understand how they're thinking about it because each central bank in each country is looking at things somewhat differently.

From what we understand of the two types of CBDCs that are being looked at, the wholesale and retail. On the retail side, the implementation and the use case seem to be very similar to UPI right now in terms of scanning a QR code and how the payments would be realized. So, to that extent, we feel that this sort of could supplement or complement the UPI-led growth. We will have to see in what way and what sort of momentum it achieves in terms of being able to scale up. That's what we're seeing on the retail side.

Where we feel and in some of our discussions with some of these people, is that the real impact of this would be more in the wholesale markets, either in terms of facilitating and enabling a more frictionless, cross-border payments and remittances. Or also, more importantly, it could help in the settlement of interbank transactions. So that's sort of where we feel the wholesale CBDC could make an impact. We'll obviously keep watching as this stabilizes and evolves, and we'll update you in some of the future calls.

**Rajiv Kaul:** Manjunath will help you with the answer of the RMS side.

**Manjunath Rao:** Hi, Balaji. On Remote Monitoring, we have launched very well, as I explained. I just spoke a little earlier. And it is ramping up very well, too. As I said, our installed base has grown across 20,000 sites. But we have also expanded our solution capability to new areas like branches, vaults and have won contracts with leading private banks and gold loan companies. And that's where the expansion we feel would come across.

In our AIoT and software business, we have also won a new win, which I mentioned, which is for our ALGO software, and it is AIoT-based security software used at the ATMs.

**Rajiv Kaul:** So, Balaji, when we think of our business classification, increasingly, you will hear us talking about both our IoT business, which is RMS and also our software, which again is ML [Machine Learning] driven software business, as a category.

To your question on what is the visibility, there are a couple of key RFPs which should get decided in the coming months. And hopefully, at our analyst meeting in the first quarter of FY '24, we will have, we'll be able to give you, a better direction of the short-term growth opportunity, as the mid-term we have already talked about.

I'll pass on the baton to Pankaj to answer your question on the other expenses.



**Pankaj Khandelwal:** So, the other expenses increased because of the business mix change. So, like take the example of the IoT based Remote Monitoring, which we started recently. Majority of the expenses of Remote Monitoring have gone to the Other expenses.

Basically, because of the initiative we have taken in recent past for the new businesses. All the expenses are booked in the other expenses. Of course, we have to make an adequate provision for our bad debts and ECL provisioning, that is also going in this particular bucket.

**Rajiv Kaul:** So, given our financials, the way we have shared them in the past, we had different businesses, but now we have incubating new business during the AIoT business and a couple of business we alluded to in our earlier calls, some of the start-up costs and the incubation costs are being categorized in Other expenses. And as these business units become by themselves independent, we will then categorize them separately.

**Balaji:** One quick follow-up, if I may. So, is it fair to assume that there is no significant increase in the bad debt provision beyond what is the par for the course?

**Pankaj Khandelwal:** So, all the provisions we have to make adequate provision for the impairment, and which is in line with whatever the four quarter, five quarters you have seen, they will be in line with those numbers. There's no significant increase in any of these numbers.

**Moderator:** Next question is from the line of Achal Lohade from JM Financial.

**Achal Lohade:** My first question was, is it possible to give some market share in terms of the CMS, CIT, RMS business as we speak? A ballpark number would be of great help.

**Rajiv Kaul:** The market share of CIT or RMS, I didn't understand.

**Achal Lohade:** All three sub-segments of cash management business.

**Rajiv Kaul:** Achal, I think we mentioned this in the last call, given the competitive dynamics and given that now we have more companies in the sector which are listed also, we will feel comfortable talking about market share on an annual basis at annual meeting that will be wiser and better for all of us. But there isn't any significant up or down trend just for your comfort in the last three months since we have talked last. And we will classify our market shares annually as we had said even at the end of September.

**Achal Lohade:** With respect to the slide on the pipeline for ATMs, you've mentioned that there's a 40,000 ATMs pipeline what you have talked about. Is it possible to get some color in terms of how much of that would be replacement and how much is actually the net addition?

**Moderator:** Sir, can you hear us?

**Rajiv Kaul:** Our estimate at this stage, because this pipeline which you're referring to, is mostly what we know from the RFPs of some key public sector banks. We don't classify this as the RFP time.

We will know this only once the RFPs are concluded. But our estimate is that from just looking at the track record of some of these banks, we think closer to 65% will be replacement and about 1/3rd of this is possibly going to be expansion.

**Achal Lohade:** And just additional question on that. How much of that will go under the BLA and how much would the banks be managing on their own and you would just be doing the cash management part of it?

**Rajiv Kaul:** We'll have to wait for the RFPs to get concluded. Only then will be able to tell. Till the RFPs don't get closed out, we will not know the final mix and what decisions bank take. As of today, from again, our knowledge, I think it is going to, on the overall 40,000 number, it's a 50-50 bank-owned versus industry-owned or third-party owned assets.

**Achal Lohade:** And with respect to the compliance, if you could talk also about the industry. You'll be 65% compliant, 2/3<sup>rd</sup> compliance by end of March '23. Can you give us some sense about the industry as well where the industry is? And how do you see it in FY '24 for the industry and us?

**Rajiv Kaul:** Anush?

**Anush Raghavan:** So, when I look at the industry overall, the industry number is more representative in terms of the cities that the SRO or the Currency Cycle Association has picked and chosen to implement 100% compliance on. As we speak, that number is somewhere between 80 to 100 cities depending on ATM or retail, which I think is a number which should be a little bit more than 50%, closer to 60% for ATMs, perhaps 50% for the RCM business. We are a little ahead of it given that we decided to expand and cover more cities in the initial period. But I think that it's not very different, like I said. We will be at about 65%, industry number should be about 55% odd.

**Achal Lohade:** Understood. And how about FY '24, Anush?

**Anush Raghavan:** So, I think as we had guided earlier, we sense that and I told you I think at the beginning of this fiscal year, we estimate that the rollout of compliance should be mostly complete for ATMs by end of FY '24. And I think we are sort of on track to delivering to that.

The RCM business was, sort of, lagging by one or two quarters. And again, I think whatever commitments we made or indications that we've given in terms of the rollout of compliance. As things stand, we are pretty much on track to achieving those. So, through the middle of FY '25, is where we will have a significant portion of ask them covered, and ATMs should get completed by FY '24.

**Moderator:** Next question is from the line of Vishal from Motilal Oswal.

**Vishal Katkoria:** Just quickly, of the three sub-segments of cash management being ATM, RCM and CIT, can you just break down the growth for the current quarter and nine months respectively?



**Anush Raghavan:** So, I think we've explained this also earlier. Just given the sheer competitive dynamics of certain listed companies as well as the ones which have listed recently, we would prefer to share certain more intensive data on our performance on annual basis than making this out on a quarterly basis.

**Rajiv Kaul:** But I think the question, another way to think about it, are we seeing any different trends in the three segments? Are we seeing them all growing reasonably?

**Anush Raghavan:** Again, to go back and reaffirm the same, I think our growth in the cash business has been fairly secular whichever way you cut it. We are seeing a fairly secular growth across the different business segments. The only thing that we called out, which is sort of a departure from the earlier norm was more in terms of where we are seeing the intensity of cash usage changing. And in some of earlier calls, we had alluded to the fact that the semi-urban and rural India has seen a much faster recovery from COVID. And in fact, towards the end of last fiscal, they were at about 8% to 10% ahead of the peak-COVID usage and metros were closer to 90%- 95%.

What we've seen is a very interesting development in the last nine months and on a more specific basis in this quarter has been that the use of cash in the metros has actually increased quite sharply, which, as I said earlier, corresponds to almost a 16% increase on a year-on-year basis. I think with that, if I sort of compared to pre-COVID, they are all within the ballpark of each other. Metros being slightly ahead, followed by semi-urban and rural.

**Moderator:** The next question is from the line of Shakti, Individual Investor.

**Shakti:** So I wanted to ask a question regarding the growth drivers. So we are seeing the total installed reduced in the country. So, we are seeing the trend that in the semi-urban and the rural areas are contributing towards significant growth. So can I assume that going forward, like the management said that the addition of close to 12,000 bank branches. So can I assume that going forward, it will be the SURU areas that is going to be contributing to a significant growth for the company?

**Rajiv Kaul:** Your line was audible but not completely clear, but if I understood your question, it was more about saying do we see ATM growth to be dominated in the semi-urban and rural areas? Is my understanding correct of your question?

**Shakti:** Yes.

**Rajiv Kaul:** So, let's talk about the specific pipeline right now. We can talk about the last nine months have seen almost 8,000 ATM additions in the country. And I don't have the exact breakup, but I would assume that a significant part of that would be in semi-urban and rural areas. The 40,000 ATM pipeline of which we think 1/3<sup>rd</sup> of that is going to be expansion, we'll have to wait and see where the banks are planning to install it.

However, when we anecdotally look at our interactions with the private sector banks, the branch infrastructure expansion is mostly in Tier 4, Tier 5 and Tier 6. So, SURU And usually different banks have different strategies - some banks will add one ATM for each branch, some will add two. It would be fair to assume that a large part of the expansion should come in the Tier 4, Tier 5 or Tier 6 cities.

**Anush Raghavan:** The only thing I would like to add to that is you may have heard this from us earlier or also seen this in the presentation, but of our existing network and reach, 2/3<sup>rd</sup> of the business that we do is already in semi-urban and rural India. So, there is already that sort of that inherent distribution of where we do business. In the past, it has been our experience that as and when we have incremental business coming up in these pockets, so it works well in terms of fitting into some of the infrastructure that we already created. And we then, sort of, of expand on the basis of requirement.

**Moderator:** Next question is from the line of Aasim Bharde from DAM Capital Advisors.

**Aasim Bharde:** I had a few questions. Firstly, on your BLA business, the large orders you had, including the bonus one, is all of it now implemented and live?

**Rajiv Kaul:** Manju?

**Manjunath Rao:** Yes. 98% of it has been executed. And that's the question you've asked, right?

**Aasim Bharde:** So, you had from two large banks and plus your bonus orders as well. All of it is now into the system, 98% of it.

**Manjunath Rao:** 98% of it is in the system.

**Aasim Bharde:** So going forward, are there any materially decent-sized orders you are working on or rather are on the radar? Or will the run rate fall back to around 1,000 ATM additions per year on the BLA site.

**Rajiv Kaul:** Here, I think we have said that our strategy will remain that we'll really be very selective and picky about where to bid. We will share as and when we have any development in this space. What we talked about also the INR 800 crores of order wins, I do want to reiterate that this year, amongst the order wins most of them are not capital intensive in nature at all. So I think that's another good highlight of the order wins this year.

So today, we roughly do 5500 BLA sites. There is very little left to be executed. There is no order book pending on the BLA side. And if there is a significant bid or deal, we win, we will come and share that.

**Aasim Bharde:** Is the commentary similar on the remote monitoring sites as well? Are most of the sites live and up and running?

**Rajiv Kaul:** Remote monitoring, I think we are a little lesser because business was started much later. I think we'll be close to 85% completed, and we hope to finish at all as per our commitment by March of this year.

**Aasim Bharde:** So just in terms of a capex number for FY '23, I guess it will be heavier with FY '24. But can you just talk about how much you would end up incurring on capex in FY '23? And any rough estimate for FY '24?

**Rajiv Kaul:** FY '23, we stick to our guidance, which we said it will be roughly around the INR 225 crores range. I don't see that changing. FY '24, I don't know if we have already given, we haven't given guidance really. Let's just wait for the year to finish, and then I think we can give you an idea on that.

**Aasim Bharde:** But it should still be much lesser compared to FY '23, right?

**Rajiv Kaul:** It should be lesser than our FY '22-FY '23 track record, yes.

**Aasim Bharde:** Second question is basically on what is happening on the cassette swap in terms of compliance deadline of March end, how many ATMs are already on the system? And in your estimate or in your talks with the industry, would FY '24 be the year where things ramp up quickly on this front?

**Rajiv Kaul:** Anush will give you more color on this.

**Anush Raghavan:** I think you're absolutely right on that one. FY '24 would, when I look at it in terms of the overall lens of compliance given that the base RBI/MHA compliance implementation is well underway and on track as we spoke. So, FY'24 would be the year of cassette swap. So the most recent update is with most banks and ATM OEMs coming out of the supply chain-related issues, which were causing a challenge in terms of the availability of cassettes and shipments, I think that there's a renewed thrust into focus on cassette swap.

The regulator had a meeting a few weeks back where they have reiterated very strongly that in fiscal FY '24, they would like to see a significant coverage for cassette swap across Tier 1 and Tier 2 cities. The most immediate plan that I can share with you is that there are four large metros which have been planned for implementation, Delhi, Bangalore, Calcutta and Chennai, all of its having scheduled for an industry-wide rollout over the next 90 days to 120 days. I think that for the overall industry should add about 25,000 ATMs for cassette swap, which I think is a significant number.

And once you are able to swap, get such large numbers done in 90 days to 120 days, I think that will just create its own momentum and make sure that we will be able meet the regulatory goals in FY '24.



**Aasim Bharde:** The newer ATMs that are coming in, the pipeline that you talked about to an earlier question, that would all be on cassette swap, right, regardless of which market they are coming in, metro or the smaller ones?

**Anush Raghavan:** There are two parts to that. The ATMs which are being procured by the banks, those the banks are now procuring ATMs with an additional set of cassettes. So, in those RFPs, orders, the availability of cassettes are not a constraint. Banks also undertake, in many cases, a significant back tech upgrade to change the way of reporting, reconciling information in their accounting system and risk management software to implement cassette swap. So, most of that is fully done.

In terms of the cash companies or CMS readiness, we have upgraded quite a few vaults. We have planned upgrades for the further vaults. So, I think with that, most of the work that needs to be done is well underway.

**Aasim Bharde:** But in that case, I think even FY '24 seems ambitious, right? Maybe the top four cities might be more proactive. Maybe the 25,000 ATMs we talked about would probably be the only thing that happens in FY '24, given the back-end headaches that need to be targeted.

**Anush Raghavan:** I think the approach of the regulator is urging as is one of it's both the top down, bottom up. When I say that, bottom-up, they're saying you picked the largest cities and implemented because typically, implementation of this nature is more challenging in the large cities given that we need large infrastructure and space and vaulting capacity to deal with the sheer number of ATMs.

In the Tier 2, Tier 3 cities, it's typically a little bit easier, especially from an operational standpoint. So the top-down approach that they are recommending is that in addition to these large cities, wherever, as a cash company, you have incremental vaulting infrastructure available, they're urging the banks to make full use of those and implement those.

And in addition to these 25,000 ATMs in large cities, the cash industry association has indicated that they will be able to roll out another 8,000 to 10,000 ATMs in the next two to three months in the smaller cities. So, I think the regulatory push is there. I think there's also a standing committee, which has been created under the IBA, which includes participation from OEMs, MSPs and cash logistics companies.

Again, I'm saying a lot of the time in the last eight to twelve quarters has been about creating that infrastructure and ensuring that we are fully in compliance with the MHA and RBI regulation. I think those investments having been done and having now created an infrastructure, which is both world-class and as per regulatory needs, and with the whole industry stakeholders focusing on cassette swap, we are fairly optimistic that we should be able to pick up the pace on this one.

**Rajiv Kaul:** I think the one number I would look will reiterate and maybe Anush mentioned already, some of the larger banks have already gone and bought almost 150,000 to 175,000 cassettes in the country, which have now landed in India, their supply chain has worked because we can't do

cassette swap, there's many things in the infrastructure. But first of all, you need the product. And so we were surprised when we were tabulating all this data. This data adds up to almost 175,000 cassettes which are now in the country for the purpose of cassette swap.

So that gives you a good base of ATMs, let's say, 40,000 - 50,000 ATMs could move on to cassette swap sooner than what you and I may be able to forecast right now. But let's wait and see. We would always like to be conservative and see. The central banks' push is very clear. They have recently very strongly reiterated that drive and focus on this, and they are taking an active role in monitoring this.

**Moderator:** The next question is from the line of Dhiral from PhillipCapital.

**Dhiral:** We have registered a very strong growth. If I look at our Managed Service revenue on a nine-month basis and even if I look at our EBIT margin, there has been a very sharp improvement on a Y-o-Y basis. So, sir, I wanted to know, sir, what has led to this good improvement in the EBIT margin. And what kind of improvement we see going ahead?

**Pankaj Khandelwal:** So the EBIT margin improvement in this Managed Services because of the new line of business we have added. So, the IoT-based remote monitoring as well as the more service revenue, like software services we have added. So that has resulted in higher revenue as well as higher margin in this business. Manjunath has given you the pipeline number of 40,000 ATMs, which are in pipeline over period and the banks focus on higher remote monitoring, be it a bank, ATMs or other gold loan companies added for retails. So, there is a lot of revenue related to that, which will lead to the expansion in our revenue as well as the margin.

**Dhiral:** So sir, we expect this trajectory to even improve going ahead, right?

**Manjunath Rao:** Yes, that's what it looks like. That's what it is showing, the trend because with these additional lines and adding into those points, I think that's what is going to be increasingly being seen right now.

**Dhiral:** And sir, if I look at your other income, there's gone a sharp rise in the other income on a console basis. So, what is the reason for that?

**Pankaj Khandelwal:** The amount is not significant. It is approximately INR 1.5 crores, and that is largely related to some of the investments we have sold. We do investments in short-term mutual fund, etcetera. And so, one of the mutual funds we have sold related to that.

**Dhiral:** This is INR 32 crores [Million] versus INR 6 crores [Million], if I look at on a Y-o-Y basis.

**Pankaj Khandelwal:** So, you were talking about nine months?

**Dhiral:** Yes. If I look at INR 3.2 crores versus INR 60 lakh on the Y-o-Y basis.

**Pankaj Khandelwal:** That is basically as on 30th September, we had INR 248 crores of cash available with us. So higher the cash balance, the higher the investment and resulting in higher Other income as well.

**Dhiral:** And sir, last one question, sir. So how many percentages of our routes are compliant? And are the banks slow or quick to get it compliant?

**Anush Raghavan:** I think I didn't get the second part of your question. If you could just repeat that about the banks.

**Dhiral:** Sir, our banks are quick enough to get it compliant or they are very slow from their end to be compliant.

**Anush Raghavan:** So let me answer the second part first. The way we've rolled out compliance now, especially over the last 1.5 years has been, after we demonstrated pilots in some of the large cities to the banks and all the industry stakeholders are fully onboard. The onus of rolling out compliance has been more on part of the SRO, which is a self-regulatory organization for the cash industry.

So the onus of rolling out compliance is more driven by the regulatory organization for the cash industry, which is the CCA, Currency Cycle Association. What that body does is, on a quarterly basis, it publishes an incremental list of cities in which all cash companies regardless should be able to deliver the compliance. So, when that happens, it means that any type of services which are provided in that city, whether it's ATM or RCM will switch over to compliance. So, banks are very comfortable with this model of rollout.

With their effect to our coverage, we obviously, the route compliance or the infrastructure compliance will for us have run a little bit ahead of the business compliance. We try and manage this as efficiently as we can. So, when we finish this fiscal at 65% compliance for business points, the actual compliant routes may be of the order of 70% to 75%.

**Moderator:** The next question is from the line of Zaid from Concepts Investwell.

**Zaid:** So sir, can you give a breakup of the contribution from private and public banks in your overall business

**Pankaj Khandelwal:** So, we don't track on a quarterly basis. Right now, it is approximately 50-50 is the split across private and public sector.

**Zaid:** Okay. So, it's 50-50.

**Moderator:** The next follow-up question is from the line of Aasim Bharde from DAM Capital Advisors.

**Aasim Bharde:** Yes. Just one question on the cassette swap bit again. What would that do to our ATM realization?

**Anush Raghavan:** So, Aasim, I think there was some figures that had been broadly discussed during the industry negotiations stage and what I recollect from those discussions were the implementation of base

compliance will give an incremental realization of about INR 3,000 per ATM and cassette swap should add another INR 1,000 on top of it. So that's sort of the broad split.

**Aasim Bharde:** And just lastly, any comments on a way forward for your RCM business? The market opportunity is there, you have the vans running on most of the routes, nice way to improve productivity. What are your plans on this side?

**Anush Raghavan:** So, in fact, if you look at our business point additions and as we look at our performance, I think quite pleased with how the growth trajectory in RCM is shaping out. We've always sort of alluded to this business in the mid-to-long term having fairly strong tailwinds especially driven by formalization of the Indian sector, increase in the organized retail. So while on one side, we are seeing the financial sector having a very strong growth aspirations for incremental bank branches. The private sector by itself wants to add close to 12,000 bank branches in the next year, 1.5 years, two years.

Likewise, the counterparts on the retail, I think, have very solid aspirations in terms of just increasing their physical stores and presence across the country. We've added more business in Q3 of the year than we had for H1 of RCM. I think we are seeing a pretty robust growth coming in from expansion of organized retail, e-commerce as well as financial services.

**Moderator:** The next question is from the line of Franklin from Equentis Wealth.

**Franklin:** Congratulations on a good set of numbers. What is the gross and net order book in your Managed Services business?

**Rajiv Kaul:** I think the way we allude to refer to our order book, it cuts across all our businesses. Of course, a large part of it, is an MS business. Our order book, we had shared was roughly INR 2,000 crores when we were going public. That order book is now at a size of INR 3,000 crores.

**Rajiv Kaul:** About INR 800 crores was added to this in this fiscal year.

**Franklin:** So, would this entirely be unexecuted?

**Rajiv Kaul:** I think out of the order book we had last year is all under execution. It's already been executed. Not all the revenue has been accrued. The new order book of INR 1,000 crores addition of that, I think about how much has gone live or not yet? I think it will be roughly 50% of our gone live. The revenue is a more complex calculation because order book contract periods vary from four, five, six, seven years. We take an approximate five years to six years as the order contract duration.

**Franklin:** So, I was trying to understand what part of the order book has not been converted into revenues.

**Rajiv Kaul:** I think this is a number which we I don't have top of the mind because we sort of take stock of this at the end of fiscal year. And I think it will be a better time for us to share this update with you. We'll have a more accurate number at that time.



- Franklin:** And also, I wanted to know how many ATM and RCM touch points do you have as of nine months?
- Rajiv Kaul:** Sorry, same answer. This is a annual number reporting. We'll break this down. Total Anush can tell you where we are.
- Anush Raghavan:** Our combined number would be about 120,000 ATM and RCM points right now.
- Franklin:** And last, in terms of the cassette swap compliance, you did allude to the fact that 40,000 - 50,000 ATMs are likely to move. But for our number of ATMs, how much what percentage of it is already compliant in terms of the cassette swap?
- Anush Raghavan:** So yes, so the cassette swap both for CMS and industry was closely similar at about 7% or 8% which based on the plan which is under discussion with the banks as well as the regulator, we think in the next four to six months, we should be able to move from the 7% - 8% closer to 20%.
- Franklin:** So, is it fair to assume that as and when this is getting more compliant, then will incrementally get higher revenues, which is proportionate to the cassette swap?
- Rajiv Kaul:** Yes, of course. There will be the impact to the revenue for sure, which is positive. But I think overall, cassette swap, you have to think it more from a broad term industry trend, not our industry just banking sector. I think it just brings in a global best practice and how routes are managed, how currency is managed in the country. It leads to a lot of benefit to the central bank, to the banking sector, to the bank themselves and to our industry in terms of the efficiency, productivity and the probability reduces dramatically of something going wrong with the cash while in transit.
- Franklin:** And for whatever reason, in case RBI announces any penalty in case of non-compliance by March '23, who does the bank share this penalty entirely or would it be equally distributed?
- Rajiv Kaul:** No, I think it will be improper for me to tell you what RBI could do or would do, but having seen just being as a normal citizen in the country reading the papers, I think any penalty central bank would pass would be on to the banks which it regulates and not anybody else. That's what I think and now what banks may want to do in turn, I don't know, but I'm just saying from a central bank perspective, I think the purview would be focused on the banking sector itself.
- Moderator:** Thank you very much. I now hand the conference over to the management for closing comments.
- Rajiv Kaul:** Thank you so much. Thank you for your questions. We look forward to talking to you in three months' time. And hopefully, we end the year on the same track we have done the remaining three quarters and hope to talk to you soon in more detail at that time.
- Moderator:** Thank you very much. On behalf of CMS Info Systems Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.