Company Name: CMS Info Systems Ltd

Quarter under review: Q1-FY27

CMS Info Systems Ltd – Q1-FY27 Concall Highlights:

CMS Info Systems Ltd (Consolidated)					
INR In Mn	**Q1-FY27**	**Q1-FY26**	**Y-o-Y**	**Q4-FY26**	**Q-o-Q**
Operational Income	6,347	6,274	1.2%	6,329	0.3%
EBITDA	1,688	1,578	7.0%	1,612	4.7%
EBITDA M (%)	26.60%	25.15%	145 bps	25.47%	113 bps
PAT	837	936	-10.6%	791	5.8%
PAT M (%)	13.19%	14.92%	-173 bps	12.50%	69 bps
Diluted EPS	5.10	5.59	-8.8%	4.76	7.1%

Operational Highlights:

- Q1FY27 services revenue reached an all-time high of INR 625 crore, up 9.3% YoY and 2.6% QoQ, despite the industry-wide currency supply disruption.
- The currency supply shortage was significantly worse and more prolonged than the normal disruptions seen around election cycles, with banks supplying only around 70% of the currency indented during the worst period of April-May.
- The disruption was a supply-side issue rather than a demand issue; currency in circulation increased 12% YoY, while CMS's same-store retail transaction volumes remained broadly stable..
- ATMs that received adequate currency recorded flat YoY transactions, whereas ATMs receiving only around 70% of their required currency witnessed a 27% decline in transactions, highlighting the direct correlation between cash availability and ATM transactions.
- CMS retained its market share gains, with approximately 60% market share in ATM cash management and 38% in retail solutions.
- Banks resume ATM refresh activity around the ATM replacement cycle in FY27, with CMS winning two Q1 mandates involving approximately 1,000 ATM recyclers.
- New managed-services contracts are increasingly moving towards fixed-fee and integrated models, with transaction-based contracts becoming less attractive for the industry
- The company is pursuing price increases with private-sector banks and retail customers, while the industry is engaging with the Indian Banks' Association (IBA) regarding repricing of legacy PSU contracts which is expected by the end of Q2FY27.
- Technology and payments revenue has become an increasingly important part of the business, rising from 7% of services revenue in FY22 to 16% in FY26 and 18% in Q1FY27.
- Management expects technology and payments to contribute more than 20% of services revenue by Q4FY27, supported by strong growth in Hawkeye, Algo MVS and other technology offerings..
- Technology and payments revenue is expected to grow approximately 35–40% in FY27, significantly faster than the 11–14% expected growth across ATM management, retail and currency logistics platforms.
- CMS is also evaluating Hawkeye applications beyond BFSI, including gold-loan branches, dark stores, warehouses, solar installations, virtual fencing and examination monitoring.

Key Questions & Answers discussed during the Concall:

- **How much of the current cash supply disruption is temporary versus structural, and is there any change in behaviour from banks/RBI?** The worst disruption occurred in April-May, when banks were supplying only ~70% of the currency being indented; fulfillment has since improved to ~80–85%. We see the situation improving but does not yet have sufficient visibility to determine the impact on ATM transactions once supply fully normalizes; the trend should become clearer by the end of Q2.

- **Could the lower ATM supply itself be a result of banks supplying less cash to ATMs with weaker transaction potential?** We do not see evidence of such a relationship. The disparity was widespread across banks and geographies, and the analysis indicates that lower transactions were primarily caused by the supply constraint rather than banks selectively reducing supply to lower-potential ATMs.

- **What changes are being made to improve forecasting after repeated external shocks in recent years?** We continue to use realistic but stretch targets rather than conservative guidance, while reviewing forecasting quality after recent deviations. We intend to track the current year's trends closely and has already demonstrated a willingness to flag emerging deviations early rather than wait until year-end.

- **How much revenue did the FSS acquisition contribute in Q1FY27?** FSS contributed approximately INR 20 crore of accrued revenue during Q1FY27. Customer contracts are still in the process of being novated.

- **Could a UPI MDR change improve the relative attractiveness of cash transactions?** The impact remains difficult to assess until the MDR structure and the extent of merchant pass-through are known. We highlighted that a cash transaction currently costs merchants around 10–20 bps, which could become relatively more competitive if UPI acquires a meaningful transaction cost.

- **Does the 12% revenue exposure affected by the currency shortage refer to ATM logistics?** The 12% refers specifically to our brown-label, transaction-linked ATM revenue, where revenue is directly dependent on ATM transaction volumes.

- **How are CMS's overall touchpoints evolving, and what is driving the change in touchpoint count?** We currently have around 70,000 ATMs and 65,000 retail touchpoints. Retail touchpoint growth has been accompanied by deliberate pruning of lower-yield long-tail accounts, while the ATM business is increasingly being won through integrated end-to-end contracts; more than 50% of ATM touchpoints are now under such contracts.

- **How has CMS estimated the INR 3,000 crore BFSI and INR 5,000 crore non-BFSI TAM for Hawkeye?** The BFSI opportunity is based on approximately 400,000 ATMs and bank branches, of which only 100,000–120,000 are currently outsourced under the Hawkeye-type model. The non-BFSI opportunity is based on sectors where we have already conducted pilots or have relevant use cases, while additional applications remain possible as the product expands.

- **What is the potential impact of polymer currency notes on CMS's cash logistics business?** Polymer notes are currently expected to be focused primarily on lower denominations such as INR 10, INR 20 and INR 50, while ATMs continue to dispense mainly INR 100, INR 200 and INR 500 notes. The direct ATM impact is therefore expected to be limited, although incremental opportunities could arise in cash-in-transit and currency-chest processing.

- **Why has FY27 capex estimate fallen sharply from INR 350 crore in FY26 to INR 100–125 crore?** FY26 capex was largely associated with execution of approximately INR 2,000 crore of large project wins, while FY27 investment is focused mainly on replacement capex and selected technology opportunities. We are deliberately avoiding significant incremental capital deployment into transaction-based BLA and instead prioritizing Hawkeye and Algo MVS, which offer higher margins and returns with lower capital intensity

- **What is the current RFP pipeline for ATM outsourcing and ATM refresh?** FY26 saw a pause in RFP activity, but banks have started returning to the refresh cycle in FY27. We won two Q1 mandates covering approximately 1,000 ATM recyclers, with a healthy recycler RFP pipeline expected during Q2–Q4; activity is also strong across AI and Algo MVS opportunities.

- **When should the recent investments start translating into higher EBIT margins?** Higher depreciation from the FSS acquisition and FY26 investment in Hawkeye and Algo MVS is currently weighing on EBIT. FSS synergies are expected from H2FY27, while depreciation as a percentage of revenue should start improving in H2 and normalize further in FY28 as technology revenues scale up.

- **What is the current approach to capital allocation given the company's cash generation and recent buyback?** We had around INR 400 crore of cash and intends to retain a buffer for potential acquisitions, particularly in technology and payments. Any cash considered surplus to the requirements of the next 12–18 months is expected to be returned to shareholders through dividends and/or a future buyback.

- **Will the brown-label ATM business also grow at a similar pace as Hawkeye and Algo MVS?** No. We do not intend to deploy incremental capital into the transaction-based BLA business. Growth investment will be concentrated on technology and payments, while selective opportunities in fixed-fee outsourcing with high-quality banks will continue to be evaluated.

- **Will consolidation in managed services lead to greater ATM outsourcing by public-sector banks?** New contracts are expected to increasingly shift towards fixed-fee, integrated models covering cash supply, managed services and cash management rather than transaction-based structures. We are one of the few players with these capabilities in-house, which should logically support its win rate, although pricing and competitive intensity will remain important.

Key Participants:

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