



Kaul: Our mission is to become India's best business services platform

Driving transformation

CMS Info's tech-based services help it dominate the market

CMS Info Systems Ltd is today a leading business services company, providing logistics and technology solutions to banks, financial institutions, organised retail and e-commerce companies in the country. It enables financial inclusion by providing access to formal banking services and enabling seamless physical payments. In a short span of time, the company has transformed itself from being a sheer cash management company for banks, to a business

services platform for banks, retailers and financial institutions, with presence across cash logistics, managed services and technology solutions.

CMS Info was founded in 2008 when Blackstone Private Equity partnered with the Grover family-promoted CMS group to set up a new company by carving out the IT infrastructure management and outsourced business services divisions (comprising card solutions, transaction printing solutions and ATM cash management)

of CMS Computers Ltd. This happened after the Grovers had completed a complex restructuring exercise of their disparate businesses.

Blackstone owned a majority stake in the new company, while the promoters, primarily the Grover family, held a substantial minority stake. The new company entered into an agreement with Rajiv Kaul, former CEO, Microsoft India, to lead it as executive vice-chairman and CEO. Kaul, 55, who has been instrumental in transforming the business, continues to be at the helm of affairs. Showing his commitment, he has recently

increased its stake in CMS Info to 6.20 per cent from 2.62 per cent, with a mission to make the company India’s premier business services platform.

In 2015, Baring Private Equity Asia acquired a 100 per cent stake from Blackstone and other shareholders for about ₹2,000 crore. The private equity firm has successfully exited its investment through an IPO in December 2021 and subsequent sell-downs in the past year. In February 2024, the PE offloaded its remaining 26.7 per cent holding or 41.77 million shares through a block deal. The sale is estimated to be worth ₹1,503.8 crore. Baring has made nearly a fourfold return on its investment, potentially positioning it as one of its most successful exits in India.

Today, CMS Info is a 100 per cent publicly-owned company. Domestic institutional investors such as SBI Mutual Fund, ICICI Mutual Fund, Aditya Birla Mutual Fund, Kotak Mutual Fund and 360 One together hold a 30.7 per cent in the company, while FIIs – Ward Ferry, Nomura, Abu Dhabi Investment Authority and Goldman Sachs – have a 35.2 per cent stake.

“I started this journey with a dream to make CMS a public institution,” says Kaul, executive vice-chairman, whole-time director & CEO, CMS Info Systems Ltd. “Today, we are one of the few unique companies in India with a 100 per cent public shareholder base. Most of our anchor investors have increased their stakes significantly since our listing. In the last 15 years, our revenues have grown at a CAGR of 17 per cent and earnings at over 20 per cent. In the same period, the company’s valuation has compounded at an IRR of over 25 per cent. Our mission is to become India’s best business services platform, leveraging our network, technology and solutions mindset to solve complex problems for our BFSI and retail clients. We are a play on both the consumption and outsourcing opportunities India has to offer on its path to becoming a \$7 trillion economy by 2030”.

Exponential growth

This BSE & NSE-listed entity has grown 9x in the last 15 years through expansion into new business segments. Over a period of four years, from 2018-19

to 2022-23, its revenue has grown at a CAGR of 14 per cent to ₹1,915 crore, while PAT grew at a CAGR of 32 per cent to ₹304 crore. In the last one year, CMS Info’s stock price has gone up by about 35 per cent to ₹385 as on 22 March 2024. CMS services almost every leading bank, including SBI, HDFC, BoB, Union Bank, ICICI and Axis, as also NBFCs like Bajaj Finance, Indiabulls Housing Finance and Hero Fincorp. Besides, it also caters to a large group of retailers including Big Basket, Titan and Meesho.

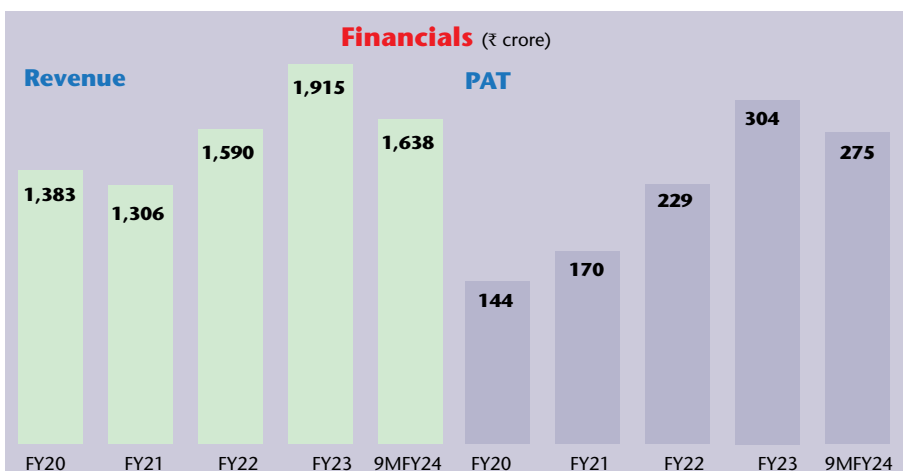
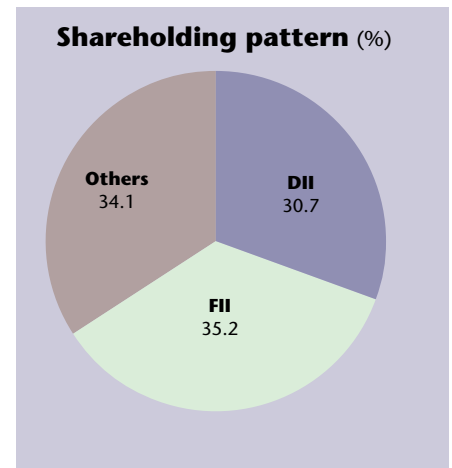
CMS Info is today India’s largest cash management company, based on the number of ATM points and retail pick-up points, as well as one of the largest ATM cash management companies worldwide. Backed by a workforce of 25,000 people and 4,000+ fleet, the company now covers 97 per cent of the districts (16,000+ pin codes) in the country. It touches more than 150,000 business points (including 72,000+ ATMs and 52,000+ retail points) across the length and breadth of India. Today, the company is the only integrated banking solutions provider with end-to-end offerings.

It offers its customers a wide range of tailored cash management and managed services solutions, including ATM network management, retail management and managed services. The company handles the entire flow and management of money for the 150,000 business points that it serves every day – from when the RBI initially deposits its cash in the bank’s currency chests, to when cash is deposited back in banks after going through the various stages of the cash cycle. The company

processed ₹12.7 lakh crore (16 per cent y-o-y growth) of currency in 2022-23.

CMS runs a portfolio of services comprising seven different business lines, five out of which were more than ₹200 crore in 2022-23, when the company saw its revenue growing to ₹1,915 crore from ₹1,590 crore in 2021-22. The new business line in banking automation space – managed services and tech solutions, set up in 2015 – has grown more than 30 per cent in the last few years and now contributes 40 per cent to the overall revenue. The latest AIoT business in remote monitoring solution space set up in 2021, is clocking an annual run rate of ₹100 crore. In fact, the business has become the market leader in the banking segment, crossing 22,000 installations.

“This performance comes from our continued focus on delivering significant value to our clients through our extensive network, cost leadership and quality,” contends Kaul. “These create superior service levels, while reducing



operational costs and increasing customer confidence in our services. A virtuous cycle is created, through which we can then offer them newer services. For us to abide by our playbook in a disciplined manner, we follow some core values at CMS. The first core value is 'Do more with less'.

"We have made significant technology automation investments to our network and operations over the years resulting in cost savings. These are then used to fund newer investments. It is a matter of great pride that we have self-funded our growth over the past decade without raising any new equity. We are debt-free and our credit rating has been upgraded to AA+ this year. Our prudent capital allocation has helped us expand RoE by 720 bps over the last five years," adds Kaul.

In 2021, the company, as part of its vision statement, set an ambitious target of doubling its revenue to ₹2,500-2,700 crore by 2024-25, and it seems the business is on track to achieve that milestone. The company has delivered 20 per cent y-o-y growth in the last six consecutive quarters. In Q3 2023-24, the revenue grew 19 per cent to ₹582 crore and the PAT increased 22 per cent to ₹96 crore.

"We are happy with the strong growth in revenue and PAT, driven by growth across our platform during the 3Q," says the CEO. "We are seeing the benefits from both increased formalisation and refresh cycle in the banking sector. Our integrated platform is helping us execute large order book. We have also won new orders and our total order book has grown to ₹4,400 crore. Our solutions and technology automation capabilities are helping us forge deeper enterprise relationships. Basis the execution and order book, we aim to grow 17-19 per cent in 2023-24 and have a total revenue of ₹2,250-2,300 crore in the current year".

Kaul has over 30 years of experience across technology, private equity and cash management industry. Prior to his association with CMS, he was associated with Actis Capital LLP, London as a partner and with Microsoft Corporation (India) as general manager & managing director, India, from where he moved to Redmond, USA, as senior director, emerging markets, including BRIC. He was formerly a member

of RBI's Committee on Currency movement, which was constituted after the demonetisation, to review the movement of fresh currency. Kaul holds a bachelor's degree in engineering, specialising in computer science (from Birla Institute of Technology, Mesra) and a post-graduate diploma in business management, specialising in marketing and finance (from XLRI, Jamshedpur).

Under his leadership, in the last few years, CMS has transformed in a big way with its new business vertical, managed services and tech solutions in the banking automation space, thereby transiting into an integrated business services platform. The new business, with capabilities across software, banking automation and integrated ATM-as-a-Service offering, has shown an impressive traction in the Indian market, which is the world's third largest ATM market.

The new managed services and tech solutions business is currently contributing 40 per cent to the company's overall revenue (from 22 per cent in 2018-19) and keeping in mind the demand for its services, the momentum is expected to be maintained, going forward. In 9M 2023-24, the company has won new business worth ₹1,250 crore, taking the total order book size to ₹4,400 crore. It has also won the mandate for ALGO AIoT remote monitoring solution for 2,000 new sites. In order to further enhance its offering and competitiveness across the value chain, the company has also set up an ATM manufacturing facility in Chennai, which has received ISO 9001: 2015 and ISO 14001: 2015 certifications.

Impressive growth in ATM solutions

Under the managed services and tech solutions, CMS's ATM solutions range from deployment of ATM machines to setting up the entire ATM site infrastructure, including a complete line maintenance service for these machines. In other words, it makes, deploys and maintains ATMs, currency recyclers and self-service kiosks, enabling an automated and seamless consumer banking experience. The company has installed over 40,000 machines with around 14 per cent market share. The business has been

CMS' AIoT Remote Monitoring Solution is a game-changer in the industry



showing impressive growth over the last few years. The revenue increased to ₹658 crore in 2022-23 from ₹406 crore in 2019-20; and, for the 9M 202-24, it was ₹621 crore.

As part of ATM-as-a-service, CMS offers an end-to-end management of ATM networks through a single point of accountability. The solution combines multiple offerings of the CMS platform – automation, cash management and AIoT – to provide a superior experience and 24x7 availability to banks and customers. The company manages about 17,500 ATMs, over 60 per cent of which are owned by banks, while 40 per cent are BLA.

CMS' AIoT Remote Monitoring Solution is a game-changer in the industry, offering businesses valuable insights for energy management, staff monitoring, and site compliance tracking in addition to plain vanilla monitoring services. With real-time monitoring and reporting, it drives efficiency and productivity. Deployed in over 22,000 sites across India and connected to over 500,000 devices, the company today enjoying a pole position in the banking sector. The service leverages AI and IoT technologies to deliver comprehensive business insights, optimise performance and address site security issues effectively.



CMS solution adheres to global security standards, and can be customised to meet the specific needs of diverse sectors such as banks, NBFCs, hospitality and warehousing, amongst others. Since its launch in 2021, it has successfully prevented over 1,000 threats. CMS processes 60,000+ alerts daily. Currently, less than 40 per cent ATMs and 30 per cent branches are secured by AIoT remote monitoring.

Also, the company's ALGO suite of ATM software solutions (SaaS-like business model) enhances customer experience and ensures network security through central channel management. ALGO MVS is a central component of the bank's digital strategy and delivers personalised products and services to customers. It is a made-in-India and customised-for India solution to help banks realise more from their ATM network. CMS has developed, commercialised and implemented the ALGO MVS solution at scale for SBI.

ALGO MVS (multi-vendor software) enables banks to streamline their development and support operations by eliminating the need to maintain and enhance several distinct delivery infrastructures for each new function or service they provide. It helps bank centralise their ATM

channel management to a single central command control to improve the customer experience and ensure the network has the latest security measures. At present, 25 per cent of ATMs (or 50,000+ ATMs) in India deployed with ALGO MVS.

ALGO OTC, launched in 2019, is a ground-breaking ATM security software application that revolutionises cash replenishment through artificial intelligence and mobility. This innovative solution incorporates advanced features such as geo-fencing, GPS-enabled user face recognition and integration with the maker-checker approval process, making it compatible with any bank or vault. Even in areas with limited internet connectivity, ALGO OTC ensures efficient audit trails and real-time updates. Currently, 30 per cent ATM (or 75,000+ ATMs) in India are secured with ALGO OTC.

Scaling up operations

At its state-of-the-art facility, the company also provides end-to-end financial card issuance and management for banks and card personalisation services. There is a modern Visa and Master Card Certified Card Personalisation Bureau for EMV, as well as one for mag-stripe cards in Mumbai, fully secured processes and single pass card

personalising systems to handle large volumes. Annually, the company processes 10 million payment cards (Visa, Mastercard & RuPay).

"Our managed services business has continued to grow strongly," says Manjunath Rao, president, managed services, CMS Info. "We have set up an ATM manufacturing facility in Chennai, which further enhanced offerings and competitiveness across the value chain. We have successfully scaled up to 22,000 sites to become the market leader in the banking segment and look to take scale it up 25,000 sites by the end of this fiscal year. We have expanded our AIoT remote monitoring solution to NBFCs and are also carrying out pilots in other industry segments. Our market-leading position in the ATM software solutions suite continues to deliver wins with leading banks nationwide," Rao adds.

The cash logistics continues to be the core business of the company, contributing 60 per cent (78 per cent in 2018-19) to the overall revenue. The company is a market leader with 40 per cent market share in the cash logistics business in India. Over the last few years, CMS has invested in technology for driving automation across its operation. This has resulted in improved operational efficiency. In the last three years, there is 20 per cent improvement in route productivity, while today CMS's ATM uptime is 95 per cent, as against 90 per cent for the industry.

All three verticals of CMS – ATM cash management, retail cash management and cash-in-transit – have witnessed impressive traction. The cash logistics revenue grew to ₹1,326 crore in 2022-23, from ₹977 crore in 2019-20. And, for 9M 2023-24, the revenue stood at ₹1,086 crore. Its total business points for cash logistics across ATM and RCM have grown from 113,000 in March 2022 to about 133,000 in Q3 2023-24.

CMS, is today, the leading ATM cash management firm in the country, with more than 72,000 ATMs (64 per cent ATM in the semi urban and rural locations) entrusted to its care and management. Its comprehensive range of services ensures high ATM network uptime and availability. It encompasses cash processing, cassette management, ATM replenishment, cash

evacuation for BNA/recyclers, day-end reporting and reconciliation.

Every day CMS services more than 52,000 merchants, leading hospitals chains, insurance firms and logistics companies. At the end of each business day, the picked-up cash is securely banked and the necessary documentation, accounting and reconciliation reports are generated and shared with our customers. “We partner with banks to offer cash management solutions to retail merchant networks. We facilitate logistics, processing and reconciliation to offer superior working capital and risk management,” says a company official.

Under the cash-in-transit segment, the CMS network interconnects bank branches and currency chests. Backed by a fleet of over 1,100 vehicles, the company facilitates seamless and secure intra and inter-city bulk currency transits across 12,000 bank branches across the country.

“We are making significant investments in upgrading our network and have achieved two-thirds compliance on our network,” says Anush Raghavan, president, cash management services, CMS Info. “This offers strategic advantage to a player like CMS with the RBI and banking sector’s focus on quality and compliance. With focus on continuous operational efficiency, we have invested in technology for driving automation. We have improved our efficiency significantly because of all automation-related initiatives resulting in non-linear growth”.

“With improved infra capacity today, we have been at the forefront of cassette swap implementation and are best placed in the industry to roll out cassette swap,” adds Raghavan. “We have already added ATM cassette swap process in 12,000+ ATMs and we expect 25 per cent of our ATM network to be cassette swap compliant by the end of 2023-24”.

World class service

“In our core cash logistic business, we continuously invest in technology and automation to drive lower unit cost and delivering world class quality services,” informs Kaul. “This helps us grow our market share and we invest the cash flows to expand into high growth adjacencies. We leverage our

platform, reach, and customer trust to work on complex projects which need multiple capabilities. Successful execution of these establishes a ‘right to win’ for future growth, expansion and making these new businesses operate like our core business, creating a virtuous and interlinked flywheel”.

“Overall, both of our businesses are showing great momentum,” contends Kaul. “Our enterprise sales execution across banks and our solutions for retail such as Cash X are delivering good results. A significant part of our last two-three years’ growth was linked to the MS order book, the ATM growth and compliance. Going forward, we continue to see high growth



We have made significant technology automation investments to our network and operations over the years resulting in cost savings

from our managed services business, our retail and AIoT businesses”. He is well-supported by a strong management team with deep industry know-how as also diverse board having names like Shyamala Gopinath, former deputy governor, RBI; Tapan Ray, MD & Group CEO of Gift City; Krzysztof Jamroz, executive chairman, Roadrunner and Jimmy Mahtani, partner, BPEA EQT.

As India continues to witness rapid growth in its formal economy, it will act as a powerful tide lifting all payment mechanisms, including cash. CMS’ recent ‘India Cash Vibrancy Report 2023’ illustrates the strong demand for cash transactions in India – from ATM cash withdrawal patterns across metropolitan, semi-metropolitan, semi-urban, and rural centres to sector-level analysis of business activity through retail cash management data. With a 10.1 per cent growth in monthly average cash replenishment

at ATMs and a strong 1.3x increase in average cash collection per point with e-commerce companies in 2022-23, Indian consumers have demonstrated the relevance and importance of cash in the Indian economy.

The formal retail cash collection in the country by cash logistics and BC networks is today only about 15 per cent of the cash dispensation through ATMs, micro-ATMs and bank branches, thereby providing massive untapped opportunity from outsourcing across the cash value chain. Here, an integrated end-to-end outsourcing player like CMS is best placed to capture this growing addressable market opportunity.

“Our growth opportunity is strongly linked to formalisation and consumption in India’s economy. With formalisation post GST reforms, cash is growing robustly in the formal economy. Consumer spending patterns have shifted towards organised retail and e-commerce. While consumers are using UPI for smaller payments, the ATM usage trend shows consumers withdrawing more cash per transaction. With banks and NBFCs focussing on credit growth, we foresee greater consumption and spends, both in digital and cash-based payments. These institutions will need to deepen their presence to serve their consumers by expanding branch networks. With increased scale, we see a trend towards higher outsourcing. CMS is uniquely poised to manage the needs of scale, reach and technology-oriented services,” explains Kaul.

With all these developments in place, CMS, in its transformed avatar, is much strongly placed to explore the opportunities that the growing Indian economy is throwing up. Over the last few years, the CMS has ramped up its offering in a big way. Along with its core logistics business, the new business line in banking automation space – managed services and tech solutions, has shown a good traction. In its core cash logistic business too, the company has continuously invest in technology and automation to drive lower unit cost and delivering world class quality services. All in all, the company is all geared up to commence its next growth phase. ♦

ARBIND GUPTA

arbind.gupta@businessindiaigroup.com