

# Message from CEO

In my second annual report letter, I want to apprise you, our shareholders, not just with our performance and our buoyant business outlook but how we make important decisions and what we do well. Most importantly, I want to share two of our core principles which form the basis of all that we do.

## FY23: A YEAR OF STRONG EXECUTION AND CONSISTENT OUTPERFORMANCE

All our business lines grew strongly to deliver an overall revenue growth of 20%. Our end-to-end integrated offering

helped drive non-linear profit growth of 33%. We crossed an important milestone of ₹ 500 Crores in quarterly revenues in the last quarter of the year.

Over a period of four years, from FY19 to FY23, our revenue CAGR is 14% and PAT CAGR is 32%. This strong and consistent performance is amongst the best globally amongst our peer set. We successfully executed our order book and completed key technology projects at large banks. The Managed Services business contributed 34% to our revenues.

The newest business of AIoT Remote Monitoring, launched in 2021, has become the market leader in the banking segment and crossed 21,000 installations.

This performance comes from our continued focus on delivering significant value to our clients through our extensive network, cost leadership and quality. 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.'

Doing everything I outlined earlier, while staying focused on maintaining strong margins, helps us deliver shareholder value.

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, our credit rating has been upgraded to AA+ in this year. Our prudent capital allocation has helped us expand RoE by 720 bps over the last 5 years. Despite a peak capex cycle in FY22 and FY23, our dividend payout ratio has increased from 17% of PAT in FY22 to 25% in FY23<sup>1</sup>.



At the end of FY23, we have built strong cash reserves of -₹ 450 Crores, which will allow us to invest in the right long-term organic and inorganic growth opportunities.

The second core value is 'Stay focused on the long-term.'

Every so often I get asked why we aren't in fintech, or why we aren't entering a certain sector. Or making certain venture capital style investments. It's easy to be tempted to jump on this bandwagon, but we go back to first principles. To our core values.

We ask ourselves:

What is our core competency? What value can we bring to a customer if we enter a new sector? Can we solve their problems better? Can we scale to reduce unit cost and be competitive? Can we make sustainable profits? Will it be easy to pivot with regulatory changes? And if we cannot answer these definitively, we do not enter the sector, no matter how attractive the opportunity may sound. If we do enter a new adjacent business, we consider doing so only when the euphoria has died out, valuations have tempered, and we have an opportunity to scale. It should also have the potential to be positioned as a market leader with favorable industry structure or economics

This is how we operate.

We stay disciplined. We stay patient, ignore the noise and sometimes sacrifice the short term for the longer term.

The management team at CMS, which has stayed unchanged for the past 14 years, has driven this long term focus and success by working with great tenacity and cohesion.

Our CSR efforts are focused in the areas of healthcare, livelihood generation, elder care and education. We have now set up the CMS Foundation to drive long term consistency and impact in the community.

This is how we intend to continue.

## FY24 AND BEYOND

Our growth opportunity is strongly linked to formalization and consumption in India's economy. With formalization post GST reforms, cash is growing robustly in the formal economy. Consumer spending patterns have shifted towards organized retail and e-commerce. Last year, currency handled by CMS across India grew by 16%, and in metros, it grew by 19%. While consumers are using UPI for smaller payments, the ATM usage trend shows consumers withdrawing more cash per transaction.

With Banks and NBFCs focusing 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.

We have set an ambitious target of doubling our revenues from FY21 to FY25 to achieve a revenue of ₹ 2,500 Crores to ₹ 2,700 Crores. At the end of FY23, with revenues of ₹ 1,915 Crores, we are on track.

While we are energized about this growth opportunity, I caution you, that record performances will not and do

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not happen year on year. Since 2009, CMS has delivered a 17% revenue CAGR, but not every year has been strong.

We stay committed to build this institution steadily and consistently via a clear strategy. To do what is right every day, so you are proud to be a shareholder.

14 years ago when we created CMS Info Systems, I was asked by our team about how long I was planning to work with the Company. My answer was, "I have been appointed by the Board for a period of five years and with your support, I hope we succeed in our goals."

In March 2023, our Board of Directors has asked me to continue to lead CMS, and extended my appointment till July 2027. This is an enormous responsibility and I am exceptionally honored.

To our clients, our 1.15 lakh+ public shareholders, the teams at CMS and the communities where we operate, I have only deep gratitude for the trust you place in me. And in us.

Thank you,

**RAJIV KAUL**

Executive Vice Chairman,  
Whole-time Director and CEO



<sup>1</sup>Based on recommended dividend for FY23, subject to shareholder approval