CMS Info Systems Limited

Instrument	Amount	Rating Action (September 2016)
Term Loan	Rs. 10.50 crore	[ICRA]AA (Stable) reaffirmed
Fund Based Limits (CC/WCTL)	Rs. 131.50 crore	[ICRA]AA (Stable) reaffirmed
Non Fund Based Limits (BG/LC)	Rs. 138 crore	[ICRA]AA (Stable) / [ICRA]A1+ reaffirmed

ICRA has reaffirmed the long term rating of [ICRA]AA (pronounced as ICRA double A)[1] and the short term rating of [ICRA]A1+ (pronounced ICRA A One Plus) outstanding on the Rs. 280 crore[2] bank line limits of CMS Info Systems Limited (CMS). The outlook on the long term rating is stable.

The reaffirmation of the ratings takes into account the CMS' demonstrated track record as well as its established position in the ATM and cash management (ACM) business. CMS continues to remain a market leader in the ACM business. The rating reaffirmation also takes into account the healthy performance in the ATM projects business as evidenced by healthy inflow as well as execution of orders. The ratings additionally take into account the strong financial profile of the company characterised by the healthy capital structure (gearing improved from 0.19x as of Mar-15 to 0.15x as of Mar-16), comfortable coverage indicators. The ratings continue to draw support from the CMS' diversified service portfolio, long and established relationships with its clientele comprising of large and reputed entities, comprehensive geographic spread with a pan India presence and well qualified and experienced management.

While reaffirming the ratings ICRA has taken note of the moderation in the revenue growth rate in the recent past, from 25% year-on-year in FY2015 (excluding the IT/ITES business) to 5% in FY2016. CMS hived off the loss making IT/ITES business with effect from Q3 FY2015. While this was expected to have a positive impact on the profitability levels going forward, the company reported a marginal contraction in operating margins in FY2016 on account of certain one-time expenses. While the ACM business witnessed a contraction in the profitability levels, the impact on the company's overall operating margins was limited on account of increase in profitability in the ATM project business (from 8% in FY2015 to 11% in FY2016) owing to economies of scale. Given the rising competitive intensity with the entry of newer players, in the ACM business, the profitability is expected to continue to remain under pressure. The ratings remain constrained by increase in the working capital intensity of operations, primarily on account of the ATM Projects business. Further, ICRA notes that given the favourable payment terms in the new contracts, the receivables are expected to improve going forward. The ACM business remains vulnerable to risk of cash loss in transit, though the strong internal processes and comprehensive insurance provide comfort to an extent.

Going forward, the outlook in the ACM as well as ATM projects business is expected to remain healthy supported by the expected expansion of the ATM network in the country. The gradual increase in outsourcing of cash management by banks would further augment the market potential. The company's ability to scale up the operations in the ATM projects business as well as sustain the growth momentum in the ACM business, while managing the profitability as well as working capital requirement, remains critical from a credit perspective.

Company Profile

CMS Info Systems Limited (CMS, erstwhile CMS Info Systems Private Limited) was incorporated effective March 2008, by hiving off selected business segments of CMS Computer Limited. CMS is head quartered in Mumbai, Maharashtra. The services provided by the company include ATM & Cash Management, ATM Projects (ATM installation and maintenance) and Card Personalization. The Barings Private Equity Asia holds 100%stake in the company which it acquired from Blackstone (57%) and Grover family (43%) in Aug 2015.

For the financial year ending March 2016, CMS reported an operating income of Rs. 936.19 crore (standalone) and a net profit of Rs. 44.95 crore as compared to revenues of Rs. 1105.8 crore and a net profit of Rs. 57.38 crore in the previous year.

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[1] For complete rating scale and definitions please refer to ICRA's Website www.icra.in or other ICRA Rating Publications.

[2] 100 lakh = 1 crore = 10 million

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