CMS Info Systems Limited

January 15, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund based-Term Loan	10.50	10.50	[ICRA]AA (Stable); Reaffirmed
Fund based- Working Capital Facilities	131.50	141.50	[ICRA]AA (Stable)/ [ICRA]A1+; Reaffirmed
Non-fund based-BG/LC	138.00	128.00	[ICRA]AA (Stable)/ [ICRA]A1+; Reaffirmed
Total	**280.00**	**280.00**	

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]AA (pronounced ICRA double A) and the short-term rating of [ICRA]A1+ outstanding on the Rs. 280 crore[1] bank lines of CMS Info Systems Limited (CMS)[2]. The outlook on the long-term rating is 'Stable'.

Rationale

The reaffirmation of the ratings favourably factors in the demonstrated track record and established position of CMS in the ATM and cash management (ACM) business as it continues to remain a market leader in the ACM business. The ratings take into account the strong financial profile of the company characterised by negligible debt and healthy coverage indicators. The ratings also factor in CMS's foray into currency chest management business vertical and increased focus on retail cash management, thus diversifying its services portfolio. The ratings take comfort from CMS's comprehensive geographic reach with pan-India presence and long and established relationships with its clientele comprising of reputed players.

The ratings, however, remain constrained by the recent slowdown in ATM deployment post demonetisation and increased usage and acceptability of alternative payment methods like debit cards/credit cards/ mobile wallets etc. Further, the Government's recent drive to promote digital economy through various schemes and incentives has also provided a thrust to digital payments. Nonetheless, the company managed to improve its operating profitability in FY2017 in spite of disruption during demonetisation due to improved operational efficiency and reduction in fixed costs, though the sustainability of the higher margins remains to be seen. The ratings take into account the inherent vulnerability of the business to risk of cash loss in transit due to theft, fraud, armed robbery etc.; however, strong

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[1] *100 lakh = 1 crore = 10 million*

[2] *For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications*

internal processes as well as comprehensive insurance provide comfort. ICRA notes that given the propensity of CMS to acquire smaller companies, its ability to maintain a comfortable capital structure will be a rating sensitivity.

Outlook: Stable

ICRA believes CMS will continue to benefit from its position as the market leader in the ACM business coupled with its pan-India presence. The outlook may be revised to 'Positive' if the company is able to increase its scale of operations further, through organic and inorganic route, and sustain the higher profitability levels. The outlook may be revised to 'Negative' if revenue growth is impacted due to slowdown in ATM deployment and increased use of alternative payment methods, or if the company undertakes any large-size debt-funded acquisition.

Key rating drivers

Credit strengths

Well established position in ATM and cash management business – Incorporated in 2008, CMS is the leading player in ATM and cash management business currently managing, along with its subsidiary (Securitrans India Pvt. Ltd.), 57,098 ATMs which forms ~40% of the total outsourced ATMs in India

Strong financial profile – Over the past few years, CMS has maintained strong credit metrics aided by healthy cash flow generation. The company's borrowing levels remain negligible with the gearing reducing from 0.15 time as on March 31, 2016 to 0.01 time as on March 31, 2017. The liquidity of the company also remains strong with adequate cash and liquid investments and sizeable undrawn bank limits. CMS reported robust improvement in its operating margins from 13.3% in FY2016 to 17.3% in FY2017 led by operational efficiency and reduction in certain fixed cost.

Long-term relationship with key clients - The company has an established clientele comprising of reputed and well established players with whom they have long-term relationship. Its clientele includes SBI, Axis Bank, ICICI Bank, Hitachi Payment Services, Diebold System etc.

Credit weaknesses

Slowdown in ATM deployment – With shift in focus, post demonetisation, to adopting and promoting digital transactions, banks have slowed down fresh ATM deployments as evidenced with less than 2,000 ATMs being deployed post demonetisation. As such, sluggish growth in ATM deployment remains a concern.

Business vulnerable to cash loss risk – Given the large volumes of cash it handles, CMS's business is exposed to various operational risks including armed robbery, end-customer or third party fraud, theft or embezzlement by personnel provided by third-party service providers etc. However, strong internal controls and processes coupled with comprehensive insurance policy provide comfort to an extent.

Challenges from alternative digital payment methods – Post demonetisation, the usability and acceptability of alternative digital payment methods like debit card/credit card/ mobile wallets etc. is on the rise, especially in metro and urban areas. It has further gained momentum with various schemes and incentives by the Government to promote digital transactions. As a result, the ACM business may face challenges if there is a significant shift in usage of digital payment methods instead of cash.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology]

About the company:

CMS Info Systems Limited (CMS), headquartered in Mumbai, provides cash management services. The company was incorporated in March 2008, by hiving off selected business segments of CMS Computers Limited. CMS was historically engaged in two broad lines of businesses, namely, IT Services and Print Solutions (which includes services like Financial Card Management, Print & Digital Solutions and IT Infrastructure support, Trading of IT equipment(s) & IT Training Services) and Cash & ATM management. During FY 2015, the IT business along with print division of CMS was carved out and demerged into a new company, namely, CMS IT Services Private Limited (CMS IT). Post the demerger, CMS is engaged in ATM and Cash Management, ATM Installation and Maintenance services and card personalization services. Sion Investment Holdings Pte. Limited, an affiliate of Baring Private Equity Asia holds 100% stake in the company which it acquired from the Blackstone Group (56.2%), erstwhile promoters (32%), CMS Computers (6.7%) and employees (5.1%) in August 2015.

Key Financial Indicators (Audited)

	FY 2016	FY 2017
Operating Income (Rs. crore)	926	785
PAT (Rs. crore)	60	75
OPBDIT/ OI (%)	13.3%	17.3%
RoCE (%)	18.8%	21.1%
Total Debt/ TNW (times)	0.1	0.0
Total Debt/ OPBDIT (times)	0.6	0.1
Interest coverage (times)	9.2	29.9
NWC/ OI (%)	21%	22%

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2018) Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating Jan 2018	Chronology of Rating History for the past 3 years: Date & Rating in FY2017 Oct 2016	Date & Rating in FY2016 Aug 2015	Date & Rating in FY2015 June 2014
1	Term Loan	Long Term	10.50	1.80	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]A+ (Stable)
2	Fund based – CC/WCDL	Long Term/ Short Term	141.50	-	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)	[ICRA]AA (Stable)	[ICRA]A+ (Stable)
3	Non-fund based – BG/LC	Long Term/ Short Term	128.00	-	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]A+ (Stable)/ [ICRA]A1+

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan (Proposed)	-	-	-	10.50	[ICRA]AA (Stable)
NA	Cash Credit/WCDL	NA	NA	NA	141.50	[ICRA]AA (Stable)/[ICRA]A1+
NA	Letter of Credit & Bank Guarantee	NA	NA	NA	128.00	[ICRA]AA (Stable)/[ICRA]A1+

Source: CMS Info Systems Ltd.

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About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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