February 18, 2020 Revised

CMS Info Systems Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based - Working Capital Facilities	119.00	84.00	[ICRA]AA (Stable)/ [ICRA]A1+; reaffirmed
Non-fund Based - Working Capital Facilities	231.00	266.00	[ICRA]AA (Stable)/ [ICRA]A1+; reaffirmed
Total	**350.00**	**350.00**	

*Instrument details are provided in Annexure-1

Rationale

The ratings continue to take into account the demonstrated track record and established position of CMS Info Systems Limited (CMS) in the ATM and cash management (ACM) business in which it continues to be a market leader. The ratings also factor in the healthy financial performance of CMS in FY2019 and H1 FY2020 driven by 17% YoY growth and 31% YoY growth in its operating income in FY2019 and H1 FY2020, respectively at a consolidated level. The company's profitability also improved with an increase in the operating margins over FY2019 and H1 FY2020. Further, the high-value contracts won by CMS during FY2019 provide revenue visibility over the medium term. The ratings take comfort from CMS's comprehensive geographic reach with pan-India presence and long-term established relationships with its clientele comprising of reputed players. The ratings also favourably consider the strong financial profile of the company characterised by its healthy return indicators and debt-free position which results in strong debt coverage indicators.

The ratings, however, remain constrained by the slowdown in ATM deployment post demonetisation, albeit moderate pickup witnessed in the current fiscal, and increased usage and acceptability of alternative payment methods like debit cards/credit cards/ mobile wallets etc. 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 internal processes as well as comprehensive insurance provide comfort. ICRA notes the acquisitions by CMS over the last few years. While none of the transactions have been sizeable relative to the scale of operations of CMS, the size of acquisitions undertaken by CMS, going forward, and financing means of the same would be a key rating sensitivity.

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. Along with its subsidiary (Securitrans India Private Limited), the company was managing 55,498 ATMs (as of December 2019) which forms over a third 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 remained debt-free as of September 30, 2019. In H1 FY2020, the company's operating income grew by 31% YoY while its operating profits grew by 51% YoY driven by increase in average realisation and customer base across all key businesses.

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

Sizeable orders provide revenue visibility in the medium term – The company won five-six sizeable orders in FY2019 of which the key orders include an order from the State Bank of India (SBI) for installation of 5,000 ATMs and deployment of Multi-Vendor Software at all existing and upcoming SBI ATMs and an order for end-to-end ATM deployment and management of brown label ATMs from ICICI Bank and HDFC Bank. In FY2020, the company won a bonus order from SBI to deploy another 1,250 new ATMs by the end of the current fiscal and another order for deployment of ~5,200 pass kiosks. These orders provide revenue visibility over the medium term.

Credit challenges

Slowdown in ATM deployment – With shift in focus, post demonetisation, to adopting and promoting digital transactions, banks have slowed down fresh ATM deployments. However, the pace of ATM installation has picked up in the current fiscal with an addition of over 6,100 ATMs during H1 FY2020 as against a decline of ~750 ATMs during H1 FY2019.

Business vulnerable to cash loss risk – Given the large volumes of cash it handles, CMS' 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.

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 cash management business may face challenges if there is a significant shift in usage of digital payment methods instead of cash. However, currency in circulation in India continues to grow post demonetization.

Liquidity Position: Strong

CMS has a healthy liquidity profile with sizeable cash balances of Rs. 89.4 crore as September 30, 2019, which is largely free cash. The company has been generating healthy cash flows with net cash accruals of Rs.101.2 crore in FY2019. CMS has no long-term debt repayment obligations. Further, CMS has adequate cushion available in the form of unutilised fund-based working capital limits. CMS' capex plans include regular capex for purchase of new vehicles/cash vans. The company is also expected to acquire companies in the cash management business as it has been over the last few years. However, the capex and acquisitions are expected to be funded by internal accruals.

Rating Sensitivities

Positive triggers – The ratings could be revised upwards if CMS achieves an increase in scale of operations through organic and inorganic route and maintains high profitability levels on a sustainable basis.

Negative triggers – Downward pressure on the ratings could arise if a) the company's revenue growth is impacted due to any adverse regulatory developments or change in consumer preferences leading to decline in demand for cash management services, b) the company undertakes any materially large debt-funded capex or acquisitions leading to weakening of its debt coverage metrics.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology
Parent/Group Support	Not applicable
Consolidation / Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of CMS Info Systems Limited. As of March 31, 2019, CMS had five wholly-owned subsidiaries. The subsidiaries of CMS Info Systems Limited that have been considered are enlisted in Annexure 2.

About the company:

CMS Info Systems Limited (CMS), headquartered in Mumbai, is India's leading cash management services provider. 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 FY2015, the IT business along with print division of CMS was carved out and demerged into a new company, namely, CMS IT Services Private Limited. 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 (consolidated) - audited

	FY2018	FY2019	H1 FY2020*
Operating Income (Rs. crore)	981.5	1,151.6	699.5
PAT (Rs. crore)	80.2	98.1	67.0
OPBDIT/OI (%)	15.4%	15.8%	16.5%
RoCE (%)	19.6%	21.6%	NA
Total Outside Liabilities/Tangible Net Worth (times)	0.3	0.3	0.5
Total Debt/OPBDIT (times)	0.0	0.0	0.0
Interest coverage (times)	107.9	331.8	420.9
DSCR	15.3	237.4	328.5

*NA: not available; *results are provisional in nature*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2020) Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating 18-Feb-20	Chronology of Rating History for the Past 3 Years: Date & Rating in FY2019 8-Jan-19	31-Dec-18	Date & Rating in FY2018 15-Jan-18	Date & Rating in FY2017 12-Oct-16
1	Fund based – CC/WCDL	Long Term/ Short Term	84.00	-	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)	[ICRA]AA (Stable)
2	Non-fund based – BG/LC	Long Term/ Short Term	266.00	-	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (Stable)/ [ICRA]A1+	[ICRA]AA (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 click here

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	Cash Credit/ WCDL	NA	NA	NA	84.00	[ICRA]AA (Stable)/ [ICRA]A1+
NA	Letter of Credit & Bank Guarantee	NA	NA	NA	266.00	[ICRA]AA (Stable)/ [ICRA]A1+

Source: CMS Info Systems Ltd.

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Securitrans India Private Limited	100.00%	Full Consolidation
CMS Securitas Limited	100.00%	Full Consolidation
CMS Marshall Limited	100.00%	Full Consolidation
Quality Logistics Services Private Limited	100.00%	Full Consolidation
CMS Securitas Employees Welfare Trust	100.00%	Full Consolidation

Corrigendum

Document dated February 18, 2020 has been corrected with revision as detailed below –
Section related to Key Financial Indicators has been revised: Total Debt/TNW (times) has been replaced by Total Outside Liabilities/Tangible Net Worth (times) and DSCR has been added.

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