CMSINFO/PKSD/2608/011 August 13, 2026

To,

BSE Limited
Listing Department,
1st Floor, PJ Towers, Dalal Street,
Fort, Mumbai – 400 001

Scrip Code: 543441

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block-G,
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051

Symbol: CMSINFO

Dear Sir/Madam,

Sub: Transcript of Earnings Call.

Further to our Letter No. CMSINFO/SDVS/2608/002 dated August 6, 2026 and pursuant to Regulation 30 read with Part A of Schedule III of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith the transcript of Earnings Conference Call held on Tuesday, August 11 2026 at 02:00 P.M. (IST) on Company's Q1FY27 earnings.

The transcript is being uploaded on the website of the Company at www.cms.com

You are requested to kindly take the same on record.

Thanking You,

For CMS Info Systems Limited

DEBASHIS DEY
Digitally signed by DEBASHIS DEY
Date: 2026.08.13 18:35:31 +05'30'

Debashis Dey
Company Secretary & Compliance Officer

Encl: a/a

"CMS Info Systems Limited
Q1 FY27 Earnings Conference Call"
August 11, 2026

MANAGEMENT: **MR. RAJIV KAUL – EXECUTIVE VICE CHAIRMAN AND CHIEF EXECUTIVE OFFICER – CMS INFO SYSTEMS LIMITED**
MR. PANKAJ KHANDELWAL – CHIEF FINANCIAL OFFICER – CMS INFO SYSTEMS LIMITED
MR. ANUSH RAGHAVAN – CHIEF BUSINESS OFFICER – CMS INFO SYSTEMS LIMITED
MR. PUNEET BHIRANI – CHIEF OPERATING OFFICER – CMS INFO SYSTEMS LIMITED

MODERATOR: **MR. SHALIN CHOKSY – JM FINANCIAL**

Moderator: Ladies and gentlemen, good day, and welcome to the Q1 FY27 earnings conference call of CMS Info Systems Limited, hosted by JM Financial. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I would now like to hand the conference over to Mr. Shalin Choksy from JM Financial. Thank you, and over to you, sir.

Shalin Choksy: Thank you, Manav. Good afternoon, everyone. On behalf of JM Financial Institutional Securities, I welcome you all to the Q1 FY27 Earnings Call of CMS Info Systems. We have with us the management of the company, represented by Mr. Rajiv Kaul, Executive Vice Chairman and Chief Executive Officer; Mr. Pankaj Khandelwal, Chief Financial Officer; Mr. Anush Raghavan, Chief Business Officer; and Mr. Puneet Bhirani, Chief Operating Officer.

With this, I will hand over the call to the management for their opening remarks, post which we can open the floor for question and answers. Thank you, and over to you, Rajiv.

Rajiv Kaul: Thank you. Thank you for joining our Q1 call. Let me take a few minutes to talk about the quarter and the year, and then hand it over to the team for more details.

The first thing we set out to do this year was to grow our services revenue run rate from INR609 crores in Q4 to INR650 crores. In Q1, we came in at INR625 crores. This is some modest growth on Q4, but is INR25 crores short of what we aimed for. And the shortfall is entirely down to the worst cash supply squeeze this industry has seen in the last decade.

Banks supplied about 70% of currency what the industry indented for on a daily basis. This is a risk we had called out in our May call, and this INR25 crores revenue loss has an operating deleverage impact on the P&L. We believe this should normalize by the end of Q2. So we are setting our full year services revenue goal at INR2,650 crores to INR2,750 crores against the INR2,700 crores to INR2,800 crores earlier. The total revenue, including product revenue, is estimated accordingly at INR2,750 crores to INR2,850 crores. Against this, we are raising our EBITDA margin guidance to about 27% from the 25% to 26% we had guided in May.

So in summary, we have trimmed the revenue number affected by an external supply issue, but we have raised the guidance on a metric which reflects the quality of the business. The supply squeeze has been painful across the industry for banks, their customers as much as for the ATM deployers and operators. After extensive industry representation, the Indian Banks' Association, IBA, has constituted a committee to review the situation and evaluate repricing legacy PSE contracts. Anush, our Chief Business Officer, is going to cover this more on this in his commentary.

A quarter like this does test how well a business can absorb a shock it did not fully see coming. In this environment, we delivered our highest ever services revenue and expanded margins by 170 basis points, while carrying higher-than-normal wage and fuel inflation in the cost base.

This is a result of the investments we have made over the last 2 years in higher technology spends, which drove productivity gains and also towards a flexible workforce model.

Pricing discipline has also helped us step away from lower-yield contracts and our shift towards fixed price contracts while winning large private sector bank contracts has also helped.

Now I would like Anush, our Chief Business Officer, to take you through more details on the business environment, the key wins. And after him, Pankaj, our CFO, will take you through the financial highlights.

Anush Raghavan: Thank you, Rajiv. Good day, everyone. Let me start by covering the currency supply situation, where it stands today, what are we doing about it and the business highlights.

Starting with currency, we normally see some disruptions around election cycles. This year, with the 4 key state elections in Feb to April, currency movements typically come under a lot more closer scrutiny through the model code of conduct period. There are currency imbalances, which strain the currency chest networks.

Now this happens every cycle, and we plan for it in advance. This year, however, saw a much larger and a longer-lasting impact on the geographically larger part of the country. When fulfillment constantly fails the levels of cash which are indented, everyone tends to behave a little differently and start indenting differently. And effectively, this creates a bullwhip effect.

Now this is not a demand problem. Currency in circulation is up 12% year-on-year. And on the retail side of the business, our own same-store volumes have held constant. The constraint imposed around currency supply affected distribution, and it was concentrated in Tier 1 and Tier 3 -- Tier 2 and Tier 3 locations, where our transaction BLA estate is. Now this has a direct impact on the operating deleverage for us on 12% of our revenue base.

On per transaction contracts, an ATM which is not filled does not earn and there is no way to offset the operating costs. Across our own estate, ATMs that stayed well supplied saw transactions flat year-on-year. Those which saw currency supply lower at about 70% saw transactions fall by 27%. So in effect, there is almost a near one-to-one correlation between currency supply and the impact on transaction at these ATMs.

This, in effect, has lowered our revenues by INR18 crores in the BLA business and impact to us on the cash logistics side from the work that we do for other MSPs is about INR7 crores. As of today, the currency fulfillment has recovered partially through Q2 to about 80% of indented volume. And in our plan, we now assume that this should improve gradually by the end of the quarter.

On the cost side, this year has seen very steep increases in state-level minimum wages, ranging from 6% to as much as 60% in certain key large states. Fuel costs are up 8% this year. Now this will all necessitate a larger price increase than average. With private sector banks and our retail customers, the discussions are progressing well. As regards to the public sector banks, the industry and banks are engaging through IBA, which is the Indian Banks' Association, which has set up a committee to look into this and come up with pricing to handle these large statutory increases. We hope to have an update for you on this by the end of the Q2.

On the market share side, we have been able to retain our share gained over the last year. We are now at 60% in ATM cash management and 38% in retail solutions. On the contract wins, we won INR500 crores of orders in Q1. The largest of these is the HDFC Bank mandate, which we announced in May, 6,000 ATMs over 5 years at a TCV of INR400 crores. This win effectively cements our market position with large long-term contract wins at all 3 of India's largest banks in the last 18 months.

Our Tech and Payments segment is seeing strong traction. Over the last year, we have invested significantly in creating a world-class HAWKAI Enterprise product on the back of a large win at a large PSU bank.

The demanding AI use cases developed there were tested and deployed over a national network, and this will be key for us in competing for a large pipeline of similar bids across banks in the next 2 years. Similarly, there are other banks also evaluating our ALGO MVS software, which is a multi-vendor software for powering their ATM networks. This has already been deployed in SBI and will go live at ICICI in Q3.

With that, let me hand over to Pankaj, who will take you through the financial highlights.

Pankaj Khandelwal: Thank you, Anush. Total revenue for the quarter was INR635 crores, with services revenue at all-time high at INR625 crores, up 9.3% on a year-on-year basis and 2.6% on a quarter-on-quarter basis. Rajiv and Anush have called out the currency supply impacting services revenue by INR25 crores, out of which INR18 crores in the BLA business and INR7 crores in the Cash Logistics segment.

EBITDA came in at INR173 crores, up 8.9% on a year-on-year basis and 6.8% sequentially, with margin expanding 170 basis points quarter-on-quarter to 27.2%. Three key drivers led to the EBITDA margin expansion. One, the automation and the technology investment for route and process automation -- which has structurally lowered our unit costs, pricing focus and yield management, and increasing share of the higher-margin Tech and Payments revenue growth in this space.

We are maintaining our increased spend on tech at 1.5% of revenue, so this margin expansion comes after fully carrying that investment. At an EBIT level, Managed Services EBIT has been directly impacted by the INR18 crores revenue drop in the BLA business. The EBIT for Q1 was INR32 crores at 10.3% margin versus 14.1% a year ago. If not for the INR18 crores revenue impact, the EBIT would have been 15%. As and when the supply normalizes and transition comes back to earlier trend, the increased revenue will have positive impact.

Depreciation is higher mainly due to higher capex incurred in H2 towards HAWKAI and ALGO product development and incremental depreciation related to FSS acquisition impacting in Q1. For reference, FY26 saw peak capex of INR350 crores as against our average capex run rate of INR200 crores. For FY27, we currently estimate capex to be substantially lower at INR100 crores to INR125 crores range. Apart from that, synergy benefits from FSS integration should start flowing in H2.

Our tax rate this quarter is lower at 20.3% due to the deferred tax gain, as our Securens acquisition's turnaround operationally allowed us to recognize the deferred tax asset. PAT for Q1 is INR84 crores, down 10.6% year-on-year and up 5.8% sequentially. PAT margin is 13.2%, down 170 basis points year-on-year, but up 70 basis points quarter-on-quarter basis.

As you are aware, we completed a share buyback on June 19, 2026, for 49.39 lakh shares at INR340 per share, totaling to INR168 crores.

With this, I would like to hand over to Rajiv, for closing remarks.

Rajiv Kaul: Thank you, Pankaj. Over the last 18 months, we have signed large long-term contracts with State Bank of India, ICICI Bank, and HDFC Bank. Execution for all of these is on-track. Midsized and some large banks are preparing for a product refresh after pausing this in FY26. We have won 2 of these mandates in Q1 for ATM recyclers to be executed by the year-end.

The Technology and Payments segment is growing ahead and now a meaningful part of our revenue. All of this should help us deliver a good growth year in FY27.

Platform-wise, we expect ATM Management and the Retail and Currency logistics platforms to grow between 11% to 14%, as supply normalizes and our pricing efforts deliver fruit. The Technology and Payments platform should grow between 35% to 40%. Combined, the services revenue growth should be in the 15% to 19% range.

When it comes to profitability, we are expecting this to be stronger than what we told you in May. Last year, we invested about INR350 crores of capex against an average of INR200 crores in prior years. This investment was for large project wins and also for the product development for our HAWKAI and ALGO MVS products.

The P&L now carries a full depreciation on these assets, while the revenue from them is still building out, which is what you're seeing reflect in the EBIT line this quarter. The capex in FY27 will drop to INR100 crores to INR125 crores, in line with our long-term average. So depreciation should normalize over FY27 and FY28.

Now Q1 EBITDA margins were strong at 27.2%. This is something I want to reinforce. This is amongst the highest margins of any business services company in India, where the norm is single digits. We aim to maintain these levels for the year ahead of the 25% to 26% we had guided in May.

We have a track record of converting 65% to 70% of this EBITDA into operating cash flows, as we have done for the last 5 years. For those of you who know us well, we run this company for margin, cash, and returns. When assets stop earning, we will act on it. And if the currency supply and the transaction levels do not improve, we will prune the persistently underperforming ATMs out of our BLA estate.

On our overall direction, we are executing as per the basis we set out at the Analyst Day in September 2024 -- sorry, that is September 2025 -- and also reinforced in my letter to shareholders in May.

Technology and Payments segment, which was 7% of our services revenue in FY22, has grown to 16% in FY26, is 18% in this quarter, and we expect this to cross 20% contribution by the end of Q4.

The HAWKAI Enterprise product has now been proven in a very demanding national deployment at one of the largest banks in the country, and we are bidding with this experience into a strong pipeline. The competition is broadening as attractive markets will attract newer entrants. But we like our position because we own the full stack of hardware and software. We are operating at national scale, and our models are tuned on Vision AI and cash operations data over a decade, which a new entrant does not have and cannot build quickly.

We were early to machine learning, and we are now using AI inside our own operations. Cash forecasting and end-to-end vault automation have gone live for us last quarter, built by our own technology teams, and some of the productivity gains which you are seeing in this quarter's margins comes from there.

It is also why I'm pleased to welcome Will Poole to our Board. Will has co-founded and leads Capria Ventures with more than 60 investments in companies putting AI to work in the real economy. And before that, he built and scaled platform businesses at Microsoft. That is a judgment we want in the room to help scale this part of our business.

Overall, FY27 will be a good year with strong double-digit growth rates in both revenue and profits, with margins hopefully outperforming revenue growth.

Thank you, and we now look forward to your questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have our first question from the line of Praveen Kumar from Aequitas Capital Advisors.

Praveen Kumar: Yes. I had a couple of questions. The first one was on the cash crunch, the cash supply crunch which you talked about. The question was, how much of it do you see as being transient versus being more structural in nature? Or do you -- I mean, for example, do you perceive it as a behavior change from banks and RBI?

And related to that is also the question on, you have put the statistics on partly supplied ATMs versus fully supplied ATMs and different transactions. The question on that was, is it possible that some of the causality is the other way around, meaning that the banks chose to supply lesser to ATMs, which they -- where they saw lesser potential, right? That's my first question.

Second question was on broadly over the last couple of years, there have been multiple, I would say, exogenous kind of shocks, which have detracted from you achieving what you have set out to. So my question was what kind of changes have you made or are you currently making to your internal forecasting models to be able to give a better sense of what could happen? Yes. Those are my 2 questions.

Anush Raghavan: Praveen, very interesting questions. Let me tackle the first part in some -- because I think it's very interesting you're examining this from all different angles. I think as far as the transient nature of this is concerned, right now, I can comment on the currency supply situation.

As you would appreciate, I think there are two parts to this issue. The first is how soon do we think the currency situation will normalize? And second, what is the implications of that normalization on further ATM transaction levels?

As we speak, we've already seen that the worst of the dip is behind us, somewhere around the May, June -- or April, May of Q1, the impact was as much as only 70% of the money that we were indenting is what we were receiving from the banks, which means there was almost a 30% dip in currency levels. That situation has improved. It has gone up from 70% closer to 80%, 85% now.

In conversation with multiple industry stakeholders, banking association and what our association has also engaged with the regulator, and we'll also be able to see this in the public data of what they show as currency in circulation, you'll be seeing that those levels are improving, which means there is fresh infusion of currency coming in.

I think this is just a situation where I don't think anybody has a perfect answer on why and what. But we do know that, unfortunately, implications have been quite severe for the industry as a whole.

With respect to your second part of your question on the supply of currency to ATMs of different transaction levels, so I don't think there was any such -- sorry to use the language, but I don't think there's any conspiracy theory of that nature.

Banks give us currency in bulk against indents that we raise. Now at some point from a forecasting perspective, we need to figure out what is the best way to supply that currency to ATMs. And this disparity was not -- was widespread in the nature of the fact that there were geographical imbalances. So when we are comparing and looking at differences, there are differences in the way we have analyzed statistically between different ATMs of different banks, ATMs across different geographies.

So I think to that extent, we've been able to sort of get to the conclusion that this is more a supply which is impacting the growth and not the demand side of the problem.

With respect to your exogenous things, I'll just hand over to Rajiv for that.

Rajiv Kaul: Yes, Praveen, just to add to Anush's comments on this, we -- I think the press has covered this in fair detail. So I would sort of refer to that. There is a supply issue, which has got a cascade effect, which was not sort of anticipated between the currency issuing banks to the various banks which are fulfilling the currency needs of the country. And a shortfall consistently overall builds more pressure to the system because indent levels just keep going up.

Now I think we are seeing this situation improve. It isn't back to normal. What happens to demand, we'll have to see, right? I mean, that will just play out, and we'll get to know at the end of Q2. I think it will be very futile of us to try and estimate that right now. So we'll just track the trend and report it as soon as it's visible to us.

Going back to your other question on your point on comment you made on forecasting and how do we improve the quality of forecasting. It's a fair criticism. And if -- as I reflect, and we do reflect on this, just to put context, I think FY22, '23, '24 were 3 years where we met or exceeded all forecast and high growth. '25, '26, I think we have come under.

Now I think we -- when we look at the forecast, this is a team which is trying to set good goals as per what we think our potential to perform in the market is. We don't put the highest number, but we do put a number which we think is realistic, but a stretch target.

I think that's the culture. I don't want to set targets which are very safe and guide towards it. I think we will put our best foot forward. There have been some shocks. We -- some of them have played out differently than we anticipated when AGS impact was both positive and negative, as we have seen over the last 1, 1.5 years.

I do think that we are putting in the right investments to manage the quality of the business. So you think of EBITDA margins, I think we have done better. I hope we can maintain that. And we are looking at, obviously, also our forecasting and saying how do we sort of get back to a trend line.

So the year has just started. This is Q1. If you look at it last year, as soon as we felt there was going to be a dip, we were early to come and call it out. In Q1, we have seen a little dip, we have called it out. We will still put our effort for and hope in the next 9 months, we are able to cross the growth numbers, which we are indicating right now.

Moderator: Next question is from the line of Umang Shah from Banyan Tree Advisors.

Umang Shah: My first question was in Q1, how much of our revenues would be coming from FSS acquisition?

Anush Raghavan: Umang, Anush here. I think we've spoken about the FSS deal the last time, most in terms of the overall revenue and effective valuation. As we speak right now, the contracts are in process of getting novated. In Q1, I think it will be roughly close to a INR20 crores accrual from FSS.

Umang Shah: Understood. And sir, any thoughts on the government introducing or planning, paving the way for introduction of MDR on UPI transactions. Any sense on how it will help increase cash transaction?

Anush Raghavan: Yes. I think that's a flavor of the season right now. We have spoken to some of our direct customers to try and see -- get a sense of how they are thinking about it. But I think what they tell us pretty much resonates with our own thinking and -- the fact is it's a little too difficult to anticipate without knowing the specific details of how exactly they will come out.

We've been hearing different media that it will be anywhere in the range of 30 to 50 bps. What I can try and tell you is that I think there are two aspects that we are trying to keep in mind. First is we go back and look at what is the fundamental vision that we have of CMS and what we set for ourselves when I look at from a cash perspective. Our goal has been always to try and invest in technology and process efficiency to keep the cost of cash as low as possible and to make the transaction as frictionless as possible. Ultimately, in the long run, that is what will help keep cash relevant as compared to any other payment systems options.

The second being, I think the fintech and the payments world is a lot more -- has a lot more competitive intensity. It has a lot more players. How the MDR situation between what has been announced to what eventually gets effectively implemented and passed on to merchants, I think we'll have to see how that goes.

Right now, when you sort of take the cost of a cash transaction to a merchant, it will be anywhere between 10 to 20 bps. So I mean, to all of our current and potential customers, I think that is what we have placed to them as saying this is what currency -- a cash transaction costs you versus an UPI, which was historically perhaps free, which we'll have to see where the cost lands.

Umang Shah: Understood. And one clarification on your comments. You had mentioned that this shortage has affected 12% of your revenue base. Are you referring to the ATM logistics? Can you say 12% of the revenue base?

Anush Raghavan: No, this is the 12% of our revenue, which is from what we call the brown label estate, the transaction-linked ATM revenues.

Moderator: We have our next question from the line of Krushi Parekh from BugleRock.

Krushi Parekh: Yes. So one of my question is that we mentioned in the presentation that our touch points are currently somewhere around 155,000. What is the growth trajectory when it comes to these touch points because the data that I have last quarter -- I mean, last June, we had somewhere around 153,000. So first of all, including acquisitions and excluding acquisition, what kind of growth are we witnessing in our touch points?

Anush Raghavan: So Krushi, I think we keep updating this number on a quarterly basis. I think right now, we are sort of about 70,000 ATMs and 65,000 retail. Let me tell you about in the last 12 months, we have last quarter told you that on the basis of a 4% sequential growth in the cash business. We used that opportunity to also try and do a little bit of spring cleaning on our specifically retail business, which is to try to weed out some of the lower yield long tail businesses that has induced certain churn.

So -- and second is when you sort of look at this through not the lens of just your touch points, but also through the lens of overall the platform business, which we have introduced in our September annual call, and we said we'll look at ATM business, for example, it's no longer about discrete revenues lying in managed service contracts versus ATM cash management contracts.

A lot of the business that we are incrementally winning are integrated end-to-end contracts, where a customer doesn't discern between managed service and cash management. And as we speak, more than 50% of our overall ATM touch points are today from those end-to-end integrated ATM contracts.

I think Rajiv had mentioned in the beginning part of his commentary that overall between -- across both ATM as well as retail, we expect to grow between 10% to 13% on both those platforms and close to 30% on the -- payments and tech.

Krushi Parekh: Okay. My second question is related to the HAWKAI. We are talking about a TAM of INR3,000 crores for BFSI, INR5,000 crores for non-BFSI. So first of all, how are we estimating this TAM for ourselves? Is it like some kind of an existing market which is there that we are looking to replace with the HAWKAI? Is it some kind of an internal study or it's an extrapolation of what is the current market share and extrapolated to the existing number of the retail stores or the ATMs, et cetera?

Anush Raghavan: So I think on the BFSI side, it's a lot easier because we have been a lot more proximate to that, and that's exactly the customer set where we started incubating HAWKAI 4 years back, and also the one where we've had the fastest historical growth rates just because of our presence in the customer accounts or being part of the broader ATM and branch ecosystem. In those cases, I think when we look at it, there are roughly close to about 400,000 ATMs and bank branches in the country today, of which the current outsourced market is anywhere between 100,000 to 120,000.

So our estimate of the opportunity sizing is really saying in some time frame of the next 5 to 7 years. We anticipate the ones which are not covered under the HAWKAI model, which is using AI-based remote monitoring and visual surveillance for the banks to start outsourcing more and more into those. Right now, we see a very healthy pipeline of banks wanting to start implementing this, either by way of helping us set up a command center for them or also helping them with the branch surveillance, and the RFP pipeline is quite healthy for the next 18 to 24 months.

On the non-BFSI and when we talk about those opportunities, I think it still sort of goes back to the sets of businesses where we have a use case or we have done certain pilots or POCs. These could be gold loan branches. These could be dark stores and warehouses. So in a way, it's sort of qualified by the set of the industry that we're familiar with. Beyond this, there could be a much larger use case, but we don't know because we haven't done some of those things. But incrementally, we've been having a lot of people talking to us.

Just to give you an example, this could be around border fencing. This could be around sort of monitoring and supervising how exams are conducted and to sort of weed out potential discrepancies in those. So I think there's a world of opportunity for that. We just need to pick and choose where we are the best positioned, where we have the video libraries, which have been created, which have a high degree of accuracy and where we are confident on backing ourselves.

Krushi Parekh: Okay. Just one thing. What was the currency handle this quarter and the corresponding quarter of the June last year?

Anush Raghavan: We'll just pull out the data and come back to you at the end of this call.

Moderator: Next question is from the line of Ankit Kanodia from Zen Nivesh.

Ankit Kanodia: I just have one simple question. One of our competitors, they are probably much smaller than us, but they have applied for payment aggregator license. Do we have something on this line as to are we keeping that as an option for us? Or have we looked at it in the past? Any color on that would be very helpful. That is my only question.

Rajiv Kaul: As of now, we don't have any plans to be in the merchant acquiring space. We find that space to be very competitive and very difficult to make any money. In the past, we've looked at companies which have licenses, including a PA license, but it's not something which has attracted our focus and attention right now. I think the market leadership there is clearly established and not a space we think competitively makes sense.

Moderator: We have our next question from the line of Khush Shah from Vivro Financial Services.

Khush Shah: Congratulations for a good set of numbers.

Moderator:

Khush Shah: My question would be related to the future outlook of the polymer, as there has been news by the government or the -- in the news, that there has been rollout of new polymer sheets of the cash. So I just want to understand the future outlook of what would be the polymer as you are seeing for your view as a cash logistics business?

Anush Raghavan: I think right now, from what we've read publicly, again, I believe the polymer notes are right now being planned for what we call the lower denomination, which is the INR10, INR20s, INR50s and may possibly for INR100s, but between INR10, INR20s and INR50s.

Generally, the industry's experience in sort of when I look at the life of a currency note is that -- and this is a little dated information, but last time I read RBI statistic, they said the life of Indian currency note is about 11 months on average, which means the INR100s, INR200s and INR500s possibly last a little bit longer because the frequency of handling is a little lesser and the lower denomination extinguish a lot sooner.

I think polymer is a great innovation to help try and extend the lifespan of that currency note. It has also been seen internationally that polymer notes tend to have a lower life cycle cost of currency printing and handling. So right now, if India is incurring roughly about INR5,000 crores in currency printing annually, so polymer may have a slightly higher upfront cost. But over a longer-term period, it should reduce this.

To us, I think the implications are a lot lesser because ATMs are still not configured for doing some of the lower denomination, right? There's still INR100, INR200 and INR500. But in terms of some of the work that we do for our CIT work and the currency shifts work, I think there may be some incremental opportunities, especially by way of helping with the transaction and the processing work that we do.

Khush Shah: Maybe around 3 to 5 years, I guess, would be -- it would take time, more or less 3 to 5 years or more than 5 years from your side...

Anush Raghavan: Sorry, I can't help you on that, Khush, because I think that's more a matter for the regulators to decide what time frame. But I think this has been the talks for a while. It just seems to be picking up momentum now.

Moderator: We have our next question from the line of Manav Batra from Desvelado Advisory.

Manav Batra: I just had one question around capex. FY26 capex was around INR350 crores and the guidance for FY27 is around INR100 crores to INR125 crores. So, does that mean that the capex that has already been done in 2026, like, is it enough for FY27, or are you becoming more selective on the incremental deployment?

Pankaj Khandelwal: So, the FY26 capex was mainly for the order execution, but we won around INR2,000 crores of orders. This year, as we have earlier also explained that we are not going for the transition-based BLA model, etcetera. So, we are focusing more on the HAWKAI and ALGOs platform, where the investment we are looking for. And that's the reason the capex investment has reduced to INR100 crores to INR125 crores.

Moderator: We have our next question from the line of Priyam Shrivastav from My Capital

Priyam Shrivastav: I understand there are 1 lakh bank ATMs that have not yet outsourced cash logistics. So what would you expect the pace of outsourcing for those ATMs to be? And also, are there any ongoing tenders or advanced negotiations for outsourcing deals?

Anush Raghavan: Sorry, could you just repeat the last part of your question? It wasn't very clear. Ongoing tenders?

Priyam Shrivastav: Yes. So I wanted to ask if there are any ongoing tenders or advanced negotiations for these outsourcing deals?

Anush Raghavan: Yes. If they were, I don't think I would be able to talk about them given that ultimately, there's a competitive element to it. But in all seriousness, I think -- if you look at the longer-term trend of what the outsourced market has been, I go back 10 years, I think it was closer to about 50%.

Right now, I think it's closer to 60%, 65%. So generally, the theory is that as and when the public sector banks primarily -- and when I look at these 100,000 ATMs, they would be primarily split into 2 cohorts. There would be the public sector banks, where the on-site ATMs, which are co-located to the bank branch are serviced by themselves. And then you would have the white label ATM companies, which typically fulfill a bulk of their ATMs through what we call the franchisee model, where effectively it is managed in a much more decentralized manner.

I think the public sector bank number would be closer to 70,000, 75,000 which are managed by themselves. And with each RFP cycle, a larger percentage of them keeps getting outsourced. And I think that's a trend that we've been seeing, and we'll continue to sort of see that.

Coming to your second part of your question, from an industry RFP pipeline, I think 2 things I would call out. The first is FY26 was mostly when RFPs have taken a pause. In '27, we started seeing the banks get back into the refresh cycle. In Q1, we won 2 of those RFPs for replacement and growth of about 1,000 recyclers for banks. Between Q2 to Q4, we continue to see a fairly healthy RFP pipeline on the recycler side.

The other area where I think we are quite excited looking at the RFP pipeline is especially in our payments and technology parts of the business, where across both HAWKAI, the enterprise solution, which is what we sell into the bank branches and the ALGO MVS, both of those seem to be sort of having a fair degree of activity.

Moderator: We have our next question from the line of Praveen Kumar from Aequitas Capital Advisors.

Praveen Kumar: My question was on the EBIT margins. I mean, while on a Y-o-Y basis, EBITDA margins are better. But due to the higher depreciation, EBIT margins have been lower. So I just want to get a sense of where do you see the fruits of the investment coming through and improving our EBIT margins back, hopefully back to the FY25 levels?

Pankaj Khandelwal: So this quarter, the depreciation was higher due to the FSS acquisition and the higher capex we have done in Q4, mainly in the HAWKAI and the ALGO product development.

The FSS -- we believe that the FSS integration and the synergy benefit will start from H2 onwards. As well as the HAWKAI and ALGO product development, the cost that we have incurred, there is a lot of pipeline which are there, and Rajiv has mentioned that we are expecting a high degree of growth in that particular segment, which will give us a better result. And in the H2 or in the coming year, the benefit will come.

Rajiv Kaul: I think, Praveen, just to summarize the answer, the depreciation as a ratio should trend back to a better level in FY28. But H2, you should start seeing a lesser percentage and then getting better in FY28. I think the way you should think about it, there is an acquisition-linked cost where the returns will come in hopefully in H2 itself.

That is the track record we had when we did Securens. And as per the HAWKAI, we -- there are a couple of large bid pipelines right now. Depending on bidding process and if we win them, I think that will help us get good revenue where the development cost has already been mostly entailed.

Praveen Kumar: Understood. My next question was on -- broadly on capital allocation. I just wanted to get a sense of how are you thinking about capital allocation at this point in time? I understand that you have referred to spending more on technology, and investments in technology from here on. But given that we had already done a buyback 3 months back and the stock, if at all, is somewhat cheaper compared to then -- I understand that you can't do a buyback for some more time, but wanted to get your broad thoughts on how you're looking at capital allocation right now.

Rajiv Kaul: As a Board, we discussed both capital allocation plans, our thinking, and the buyback as a result of that at the last quarter. Buybacks at that time were done at some premium to market prices, right? Where we stand right now, I think we have roughly about INR400 crores of cash on books.

Looking at our cash flow generating capacity at the end of the year, I would see that we will always keep a buffer with us to invest for inorganic opportunities that we have been working in, inorganic opportunities to diversify the business and also move more into Tech and Payments. That's an area of serious interest.

That's something which we have maintained. There are opportunities there, but the pricing and the value is what we keep focusing on. I think anything which is surplus other than what we think we need realistically in the next 1, 1.5 years would always be returned through a mix of dividend and -- if needed, a buyback at that period of time.

I think I would refer to my letter, which I wrote 2, 3 months ago. I think that's the principle we'll follow. I don't think every quarter, there will be a dramatic change in the way we think. I think we'll look at it only towards the end of the year.

Moderator: We have a next question from the line of Amit, an individual investor.

Amit: So just a data keeping question. What was the capex for Q1 net of CWIP? And also, if we were to look at capex since historically, we've talked about capex as a block of 2 to 3 years. So what's the capex plan for, let's say, the FY27 to '29 block? And how much of this is estimated to be, say, towards growth?

Pankaj Khandelwal: So last year, we have done a capex of INR350 crores. The capex year before the capex was much lower. That's the reason that it was INR350 crores. And we have explained that we are expecting a capex of around INR200 crores year-on-year basis, if you see over last 4, 5 years. This year, we are giving a guidance of around capex of INR125 crores, mainly in the tech business.

Right now, based on the -- how the -- there is a lot of opportunity, especially in the tech and ALGO MVS side. If that comes -- right now, whatever the visibility we have, we have given the estimate based on that. If that comes, the capex may increase. But right now, looking to that, it should not cross more than INR200 crores.

Moderator: We have our next question from the line of Shivaram Prasad, an Individual Investor. Shivaram, are you there? We have our next question from the line of Dhruv, an Individual Investor.

Dhruv: My answer goes along the lines of capital allocation. I think one of the things that I was concerned about being an individual investor is that despite the company doing well and producing strong cash flows, I think stock is trading at extremely low multiples, forward multiples of almost about 10x to 12x on a PE basis.

So I was just wondering how is the management thinking about rewarding shareholders, especially given the fact that there was a buyback which was done right now, and the stock reaction and the market reaction to that, it's still not very positive. So just wondering if there are any further thoughts on that.

Rajiv Kaul: Again, I think that's a tricky question for management to answer. We will obviously focus on what we can do, which is run a good quality business and deliver growth in line with it. The markets over time will -- should hopefully normalize.

Thank you for your patience on holding the stock. I don't think the buyback is -- I don't think you should think in terms of the buyback as a reward. I think you should think it just as a way to give back the capital, which we don't need either through a dividend or a buyback format where we felt the stock was very cheap, and therefore, it makes sense to invest in our own stock. If we are able to perform on a journey and as the business continues to grow, we hope the stock price will reflect a fair multiple in the coming year.

Moderator: We have our next question from the line of Umang Shah from Banyan Tree Advisors.

Umang Shah: Sir, we are guiding for strong double-digit growth in this, I'm understanding that HAWKAI and ALGO MVS will be having a larger chunk of growth. Would we also have a similar growth in brown label ATM product business also?

Anush Raghavan: Anush here. I think our capital allocation from a business perspective, I think we are fairly clear on where we want to focus and where we would not want to invest incremental capital. The transaction ATM, BLA business is clearly one. I think we've been very vocal about this in the past, and we'll continue to maintain the same position going forward. This is not an area where we would look at investing our capital at all.

I think if there are interesting opportunities around fixed fee outsourcing and working with high-quality banks, we will look at it. But from a business and growth, I think we'll be very choosy and try to direct an outsized proportion of our investment towards Tech and Payments.

Umang Shah: Understood. And second question, sir, was we also see consolidation happening in the managed services space with you guys via acquiring FSS. With this consolidation also happening, do you see more public sector banks looking to outsource their ATMs to players like us?

Rajiv Kaul: I think -- so when we say managed services, there are multiple types of orders and deals which come up there. We will see, and we've said this before, we will see a big shift in newer contracts to either fixed fee models because I don't think the industry is going to be bidding for transaction models anymore. And when they come to fixed fee, these will be integrated contracts, right, from supply to management of managed services, cash management, whatnot. We are amongst the 1 of the 2 players who have these services in-house. Will that result in a bigger win rate? Logically, yes. But again, we don't know how people will compete about prices.

The fact that we've had a fairly decent track record in the last 12, 18 months in the wins is a reflection of the nature of the services being offered from us and the quality and also the pricing. So over time, do we see fewer companies doing majority of the work? I do think so. But let's see how these RFPs come and how we -- how the win rate is.

Umang Shah: Got it. And just last clarification. You've mentioned that private sector renegotiation will end by Q2. We are targeting closure by Q2. Public sector banks, you've mentioned that IBA is constituting a committee. Any idea by when can the rates be transition or by when can we get the rates increased?

Anush Raghavan: I mean, from our side, I think the ideal goal is to have it happen as soon as possible. And -- but again, given the nuances of managing a complex set of customers with multiple legacy contracts and RFPs, which are fairly binding on them, I think we're just being a little cognizant of that and still hoping to close as soon as possible. But I think why don't we come back to you and hope that by end of Q2, we should have a more positive update.

Moderator: We have a follow-up question from the line of Krushi Parekh from BugleRock.

Krushi Parekh: Just if you guys can give a sense on when most of the contracts are coming up for the renewals over the next 2, 3 years, whereby we may look for upgradation cycle and maybe even integrate our managed services along with those contracts? So that is the first question.

Anush Raghavan: So just trying to -- so for the contracts which CMS is directly servicing as a managed service partner, I think those are fairly long-term contracts. And given that this is a business that has just scaled up in the last 2, 3 years, I think there's some time away from having a cliff in terms of that renewal cycle.

As far as some of the other banks are concerned, I think they've sort of are more spread out and come up with different opportunities through the year. Again, our goal is simple, which is being one of the largest market participants with an ability to deliver end-to-end integrated service of a very high-quality. We just continually keep betting on the fact that our incremental wins should be higher than our current market share, leading to continuing to grow that share of the business.

Krushi Parekh: Okay. And secondly, in terms of gaining share in the retail sector, especially when it comes to our direct efforts, how are we doing right now? And what is something -- what is it that we are looking to do in the near future, which is 1 year? I specifically remember we were looking to gain share and aggression was our strategy to gain volumes over the year.

Anush Raghavan: No change in the strategy or approach, Krushi. I think we continue to be very focused on that. We -- I think if I look at our current number of logos, there will be around 170 to 175 direct logos that we're working with. So every quarter, every month, we continue to chip away and keep adding to our set of customers that we work with.

I think the solution and the offering that we have there is fairly compelling and quite solid. Having said that, there is also a constant effort to try and work on improving overall yield and realizations. Simply put, as we keep widening the base of the pyramid, you will tend to sort of pick up a mix of businesses. It takes a while -- 6 months, 1 year, or maybe longer to evaluate what is really fitting into our core thesis versus not. So we continue to be very focused and very aggressive on that.

Moderator: Ladies and gentlemen, thank you for joining the call. That was the last question of the day. On behalf of JM Financial, that concludes the conference. Thank you for joining us, and you may now disconnect your lines.