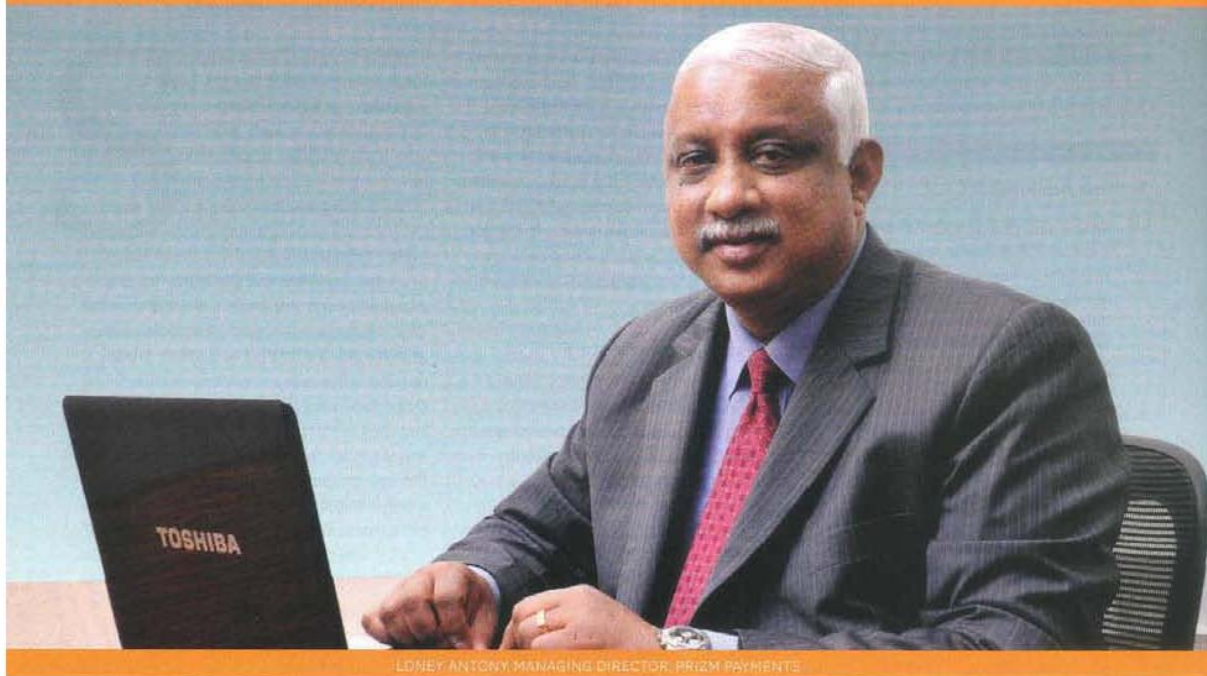


GROWTH ENTERPRISE

THE BUSINESS OF ATMS

Prizm Payments has built a robust business around deploying ATMs and point-of-sale terminals for over 20 top banks in India. The company is now scouting for acquisition opportunities and is planning its international foray

S. PREM KUMAR



LONEY ANTONY, MANAGING DIRECTOR, PRIZM PAYMENTS

Loney Antony has been in the ATM (automatic teller machines) business since the mid 1990s. At the time, India had a total of 200 ATMs. To put these numbers in perspective, the country has about 90,000 ATMs today and now, the Indian public sector banks want to deploy 40,000 more ATMs within the next two years. "We were pleasantly surprised hearing these numbers. Our focus now is to continue to grow rapidly and build scale on the back of increasing demand," says Antony, managing director of Chennai-based Prizm Payments (Prizm).

Initiated in 2007, a company like Prizm that offers ATM and PoS (point of sale) deployment, maintenance and processing services for banks, a key indicator of demand is the number of debit cards in the country. According to Antony, there are over 260 million debit cards in the market today and this number is slated to touch 400 million over the next two to three years. Typically, people use their debit cards at ATMs and PoS terminals, so it is a direct indicator of growth in the sector. Prizm's business model revolves around servicing banks and getting

paid for deploying, maintaining and processing transactions at ATM and PoS terminals. "Our business with a bank is like any other outsourcing deal. Our clients can focus on their core banking functions while we take care of ATM and related operations," explains Antony. The company has also worked out a revenue model, where it gets paid based on the amount of transactions in a location as against charging a one-time service fee. This model ensures the company has skin in the game and hence, picks the right locations to deploy these terminals.

Currently, the company has over 10,000 ATMs under its infrastructure (maintains them), out of which it also deployed over 4500 of them.

In FY 2011, the company's annual revenue stood at Rs. 110 crore. Given the higher demand for ATMs and PoS, Antony expects this number to triple this fiscal. Additionally, it is exploring inorganic growth and plans to enter other emerging markets outside of India.

The early days

Prizm was started about four years ago through the acquisition of Integrated Maintenance and Services Pvt Ltd (IMAS), an ATM maintenance company founded by Raghu Nathan, who is currently the director of services delivery at the company. It raised over US \$7 million from Sequoia Capital to fund the initial stages and the acquisition. Antony says, "We thought it was a good idea to acquire Raghu's company, both from people and business standpoint." IMAS' expertise in ATM maintenance helped Prizm expand into other service areas within electronic payment transactions and get into deployment and payment processing.

Prizm's co-founders, Shyam Sunder, Jayant D'Mello and Srinivas Rao, had worked with Antony in a couple of his earlier ventures. The team knew execution was crucial to make this venture work and prior experience in the payment processing and ATM space helped. From setting up ATM manufacturing facilities to building relationships with banks, the founding team complimented each other.

No reinventions

Right from the early years, Prizm knew its focus would be on delivering and offering services to banks. "Around the world, hardware and software technology used in this industry was getting better. It made sense to partner with technology providers and bring in our execution skills in offering services rather than reinventing the wheel," explains Antony.

SNAPSHOT

Prizm Payments

Location: Chennai

Year: 2007

Founders: Loney Antony, Raghu Nathan, Shyam Sunder, Jayant D'Mello and Srinivas Rao

USP: One-stop shop for ATM and PoS related services for banks

Revenue: FY 211: 110 Crore

FY 2012: Targeting Rs. 330 crore

WHAT NEXT FOR PRIZM?

- » *Deploy over 500 ATMs per month in India*
- » *Enter emerging markets globally*
- » *Inorganic growth, especially in the areas of mobile payment processing and cash cards*
- » *Build tremendous scale in the payments processing space in India*

The company today partners with global corporations like Diebol and NCR to Indian companies like Vortex Engineering to source the technology used in ATMs. On the software front, it partners with S1, the global leader in payment processing and Cogent Systems (a subsidiary of U.S.-based 3M Company) that offers security solutions. In short, Prizm serves as a one-point vendor for banks, and in turn, works with

various suppliers to deliver its service. For security services and secure logistics, it partners with companies like G4S and vendors like Brink's respectively.

"It's important for us to receive continued support from regulators," says Antony. On the regulatory front, it has been fairly positive for the sector as a whole. ATMs were de-licensed, which meant one didn't need a license to deploy individual ATMs. The government made ATMs inter-operable, which meant there are no fees for using debit cards on other bank ATMs. The government has also put together a framework for mobile payments and pre-paid cards, which opens up more growth prospects for the company as it enters other areas within the payment services domain.

Going forward

For Prizm, the next steps are entry into newer markets and new service areas including pre-paid cards and mobile payment processing. The company is also exploring the possibility of managing online payments for clients; especially for those merchants it manages PoS terminals. "We could potentially become a one-stop shop for all payment processing needs," says Antony.

In August 2011, the company raised US \$8 million more from Sequoia Capital to fund its expansion plans. Currently, present in over 70 cities in India, Prizm services over 20 top banks in the country. While keeping its eyes on its long-term expansion plans, the short-term focus on deploying more and more ATMs on a daily basis continues to be a part of its agenda.

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