

[NEXT LEVEL]

THREE'S COMPANY

The last three years have held many lessons for the startups we have covered

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Money talks

When we featured Prizm Payment Services in *Entrepreneur's* November 2009 issue, Managing Director Loney Antony (50) had just acquired Reliance Money's Point of Sale (PoS) business, pushing its total count to 5,500 PoS terminals.

Since then, the startup, that's in the space of ATM and PoS deployment, maintenance and handling back-end transaction processes, has achieved several significant milestones in terms of client acquisitions, investor funding and business growth.

The most crucial development facilitating the same has been a tweak in its business model—outsourcing to transaction-based, that has also increased revenues from ₹27 crore in FY'09-'10 to ₹340 crore in FY'11-'12.

The turning point occurred in April 2010 when Prizm signed on Axis Bank as a client, taking them into a new direction. Axis Bank then had 4,000 ATMs, and as of March 2012, its network has grown to 10,000 ATMs. Apart from fixed fees charged for deployment and maintenance in its earlier, traditional model, Prizm now earns revenue on every transaction.

"The traditional model we offered was based on two fundamentals—cost and operational efficiency—managing it cheaper and better for banks. However, other banks were reluctant to use this model as they thought the cost and operational efficiency may not be very high. So we devised an innovative model based on pay per transaction and went to larger banks. Now, we determine where to place an ATM, how to deploy and manage it," Antony explains to us.

The firm charges a flat fee around ₹14 (varies from bank to bank) per transaction as opposed to fixed fee of ₹50,000-60,000 per month, per ATM, excluding rental of premises in the outsourced model. "This gave a new comfort to banks as they didn't have to put down any capital, monthly fixed fee, or find suitable locations," he highlights.

As of March 2012, Prizm Payments has 11,000 ATMs deployed or managed for banks, 35,000 PoSs and the firm's run on the back of 900 employees across 16 offices, with a presence

ALL THAT MONEY ➔

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The crucial change: Tweak in the business model from outsourcing to transaction-based mechanism



SUCCESS BY SWIPES:
Loney Anthony of Prizm Payments

in over 100 locations. In its current model, Prizm Payments undertakes risk for banks, holding all the power to shut inactive ATMs and move them to new locations. The founders targeted banks with a good brand recall value or large customer base to sell the new model. ICICI Bank and HDFC Bank soon became clients and today it has six customers, both private and multinationals.

"Most banks now prefer a transaction based model; it was a transformational move," Antony mentions. For those with lesser brand presence or lower card penetration, it offers a hybrid model—a combination of fixed fee and transaction model. At present, the startup is in the process of completing a deal with 25 public sector banks.

"It's a no-brainer. Only three percent of payments in India happen electronically. In a country moving toward electronic payments it's a good idea to have a portion of revenues linked to transactions. Nor do we want to be a software or hardware company getting fixed fee," says Antony.

Prizm Payments offers clients a hybrid model for its PoS business and hasn't migrated to a completely transaction fee model here as yet. It charges for maintenance, back end functionality and transaction, the latter's pricing varying from ₹300-₹400, per transaction. So far it's rolled in six clients for the PoS business, with State Bank of India and Corporation Bank as main customers apart from some small private banks.

"They are a year ahead of revenue and bottomline projections, and have succeeded in establishing themselves from a no name startup to a company many banks are choosing as a partner," says Mohit Bhatnagar, Managing Director at Sequoia Capital India.

Emerging payments, its newest vertical, is piloting its first offering, mSwipe. This is a card reader which can be fitted on any mobile making it a PoS device, useful also for low value and cash transactions. Prizm is selling this through banks, which in turn sell to merchants. "We are seeing a

convergence of payments in the mobile space, and we want to use it as a payment device, for processing transactions, especially in the home delivery segment," says Antony. Axis Bank is its first customer here, and it is in pilot with a few merchants. "We will roll out a certain number of devices and see acceptance before we aggressively roll out more," he adds.

The firm's challenges have largely been centered around people and infrastructure. Constant innovation has been one of its conscious decisions. In addition, it's ramped up senior management and raised more funding in the last 15-18 months, from Axis Bank, Sequoia (₹55-56 crore), Silicon Valley Bank and some small investors. "This makes the consolidated amount from all sources ₹85 crore over the last four years," says Antony. With 300 million debit cards and 18 million credit cards currently in use in a country with a population of over a billion, Prizm's growth story has just begun.