

IndoStar to lend ₹100 cr to Prizm to expand ATM network

The company will use the money to expand its ATM network

By Deepti Chaudhary



Prizm Payments has recently received contracts and is in the final stages of inking deals to set up and manage an additional 23,000 ATMs across the country in the next two years. Photo: Indranil Bhoumik/Mint

Mumbai: IndoStar Capital Finance Pvt. Ltd., backed by private equity (PE) firm **Everstone Capital Ltd.**, is lending nearly ₹100 crore to Chennai-based payment service provider **Prizm Payment Services Pvt. Ltd.**

The company will use the money to expand its automated teller machine (ATM) network. The loan has a tenure of six years. While IndoStar did not comment on the interest rate, non-banking financial companies (NBFCs) typically lend at 13-14%.

The funding from IndoStar comes at a time when Prizm has been in talks with investors to raise capital. The existing investors in the company include Sequoia Capital, Axis Bank Private Equity and Silicon Valley Bank.

In August, **Loney Antony**, managing director of Prizm, said the company was raising capital and that the talks were at an early stage. "While we are open to both, PE funding as well as strategic partnership, we prefer financial sponsors or PE funds," Antony had said.

He did not respond to calls and messages on Thursday.

IndoStar Capital has funded Prizm Payment through OPC Asset Solutions, a Mumbai-based asset management company. Using the structured financing provided by IndoStar Capital, Prizm has opted for an operating lease model for ATM assets. This structure will allow Prizm to return the ATM machines and get others at a later stage.

"This structured financing solution is a part of our evolving strategy. Apart from Prizm Payments, we are also working with companies belonging to diverse sectors providing innovative solutions and reducing their liability risks," said **Vimal Bhandari**, managing director and chief executive, IndoStar Capital.

IndoStar, which was set up by London-based **Ashmore Group Plc.**, **Everstone Capital Management** and the PE arm of **Goldman Sachs Group Inc.** last year, has nearly 50 lending relationships and an asset book of over ₹1,300 crore.

Prizm Payments was formed in 2008 and now provides financial services with over 10,000 ATMs deployed and under management and maintenance.

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The interest to raise capital by ATM operators has peaked in the past few months after the Reserve Bank of India (RBI) allowed non-banking entities with a minimum net worth of ₹100 crore to set up, own and operate money dispensing machines on behalf of banks.

The public sector lenders are outsourcing ATMs to third parties under the operating expense model to widen cash-machine networks in smaller towns and rural areas as part of efforts aimed at widening their reach.

There are quite a few payment services firms in the country that are raising money.

In end August, *Mint* had reported that Chennai-based payment services firm **Financial Software and Systems Pvt. Ltd** is in talks with

private equity firms to raise up to `220 crore by selling a minority stake.

Mumbai-based **Accura Infotech Pvt. Ltd**, which installs ATMs, is in talks with PE investors to raise `125-200 crore by selling a minority stake. In August, Mumbai-based ATM distributor and operator, **AGS Transact technologies (AGS) Ltd** raised \$40 million (around `212 crore today) from private equity investor Actis.

With RBI opening doors to non-banking entities, the ATM business will grow and four or five strong companies will emerge, said **K. Ramakrishnan**, executive director, **Spark Capital Advisors (India) Pvt. Ltd**, an investment bank.

"These companies have multiple revenue streams and can become asset owners. With ATMs allowed to offer other services like utility bills payment, they can become businesses that can sustain themselves," Ramakrishnan said.

Ramakrishnan said these firms can offer exits to their investors through initial public offerings and acquisitions.