

Transaction Solutions International (India) Private Limited

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Introduction

- One of the earliest movers in the Indian ATM outsourcing space

Current Bank Customers	Branches	Customers	Total ATMs	TSI ATMs	New ATMs/Year
HDFC Bank	2813	>32 mn	10,583	250	3,000 - 3,500
Tamilnad Mercantile Bank	310	1 mn	430	398	200 – 300
Punjab National Bank	5937	72 mn	6,058	392	~2,500

- Own and operate 1,040 ATMs, contracts in hand for ~400 more
- Management:
 - Operating Team ex-Citibank Consumer Bank, been together for ~15 years
 - Supported by Gary Foster – 15 years of ATM outsourcing experience

Business model

- TSI deploys ATMs on behalf of Indian banks:
 - at either the bank's branches or at offsite locations
 - ATMs are owned and managed by TSI
- Revenue model:
 - the Bank pays TSI on a per transaction basis
 - risk & upside of usage resides with TSI, subject to some contractual exceptions

Our value add to banks

Site Identification & Leasing

- Identify sites
- Negotiate with landlords
- Get regulatory approvals



Execution

- Civil work
- Selection of equipment
- Install & integrate with the bank's network
- Testing by the bank
- Appoint service vendors



Rollout

- Go live with cash
- Ongoing maintenance & monitoring

Banks: Why ATMs; Why outsource

Why ATMs?

- Costs a bank ~INR 25 for an ATM transaction; ~INR 55 for a branch transaction
- 24 hour banking

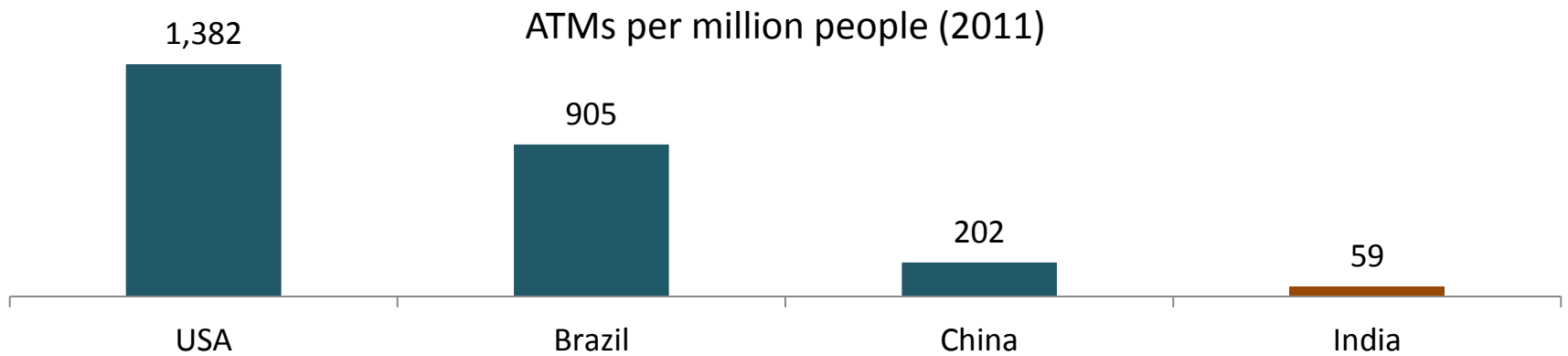
Why Outsource?

- Non-core function for banks
- Faster deployment and higher uptime with credible vendors
- ATM service providers enjoy economies of scale on managed services

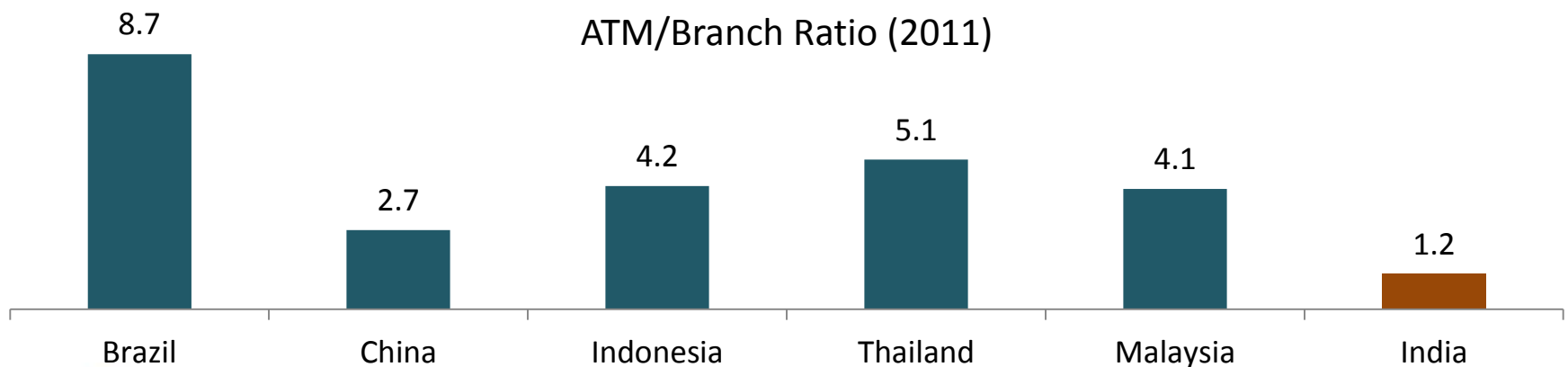
Compelling proposition for banks

Low ATM penetration

- India lags other markets:



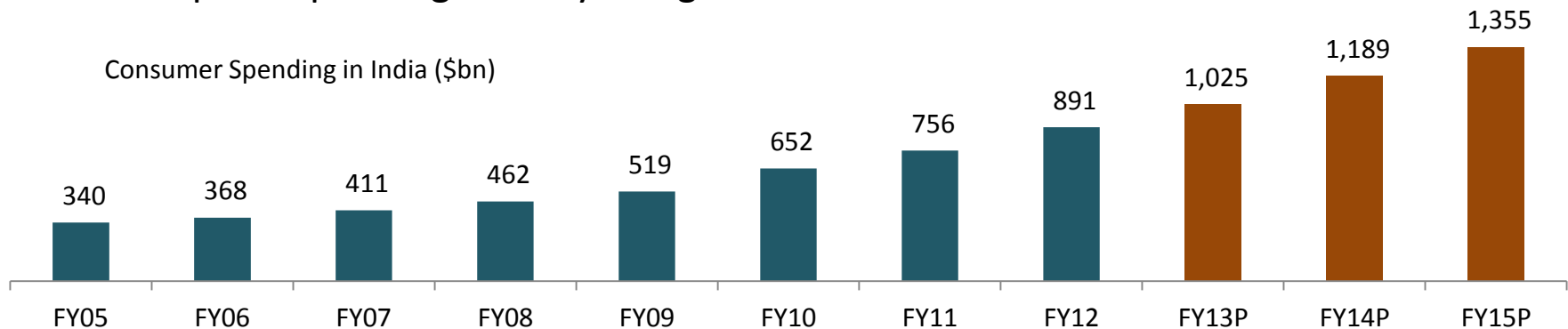
- ATM/Branch ratio low:



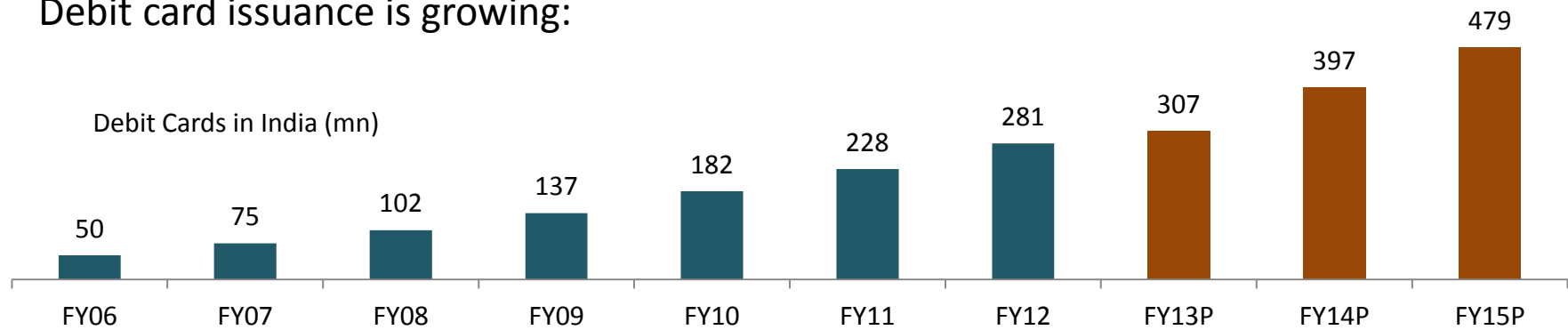
Principal drivers in place

Cash continues to account for 90% of retail payments (2011)

- Consumption spending steadily rising:

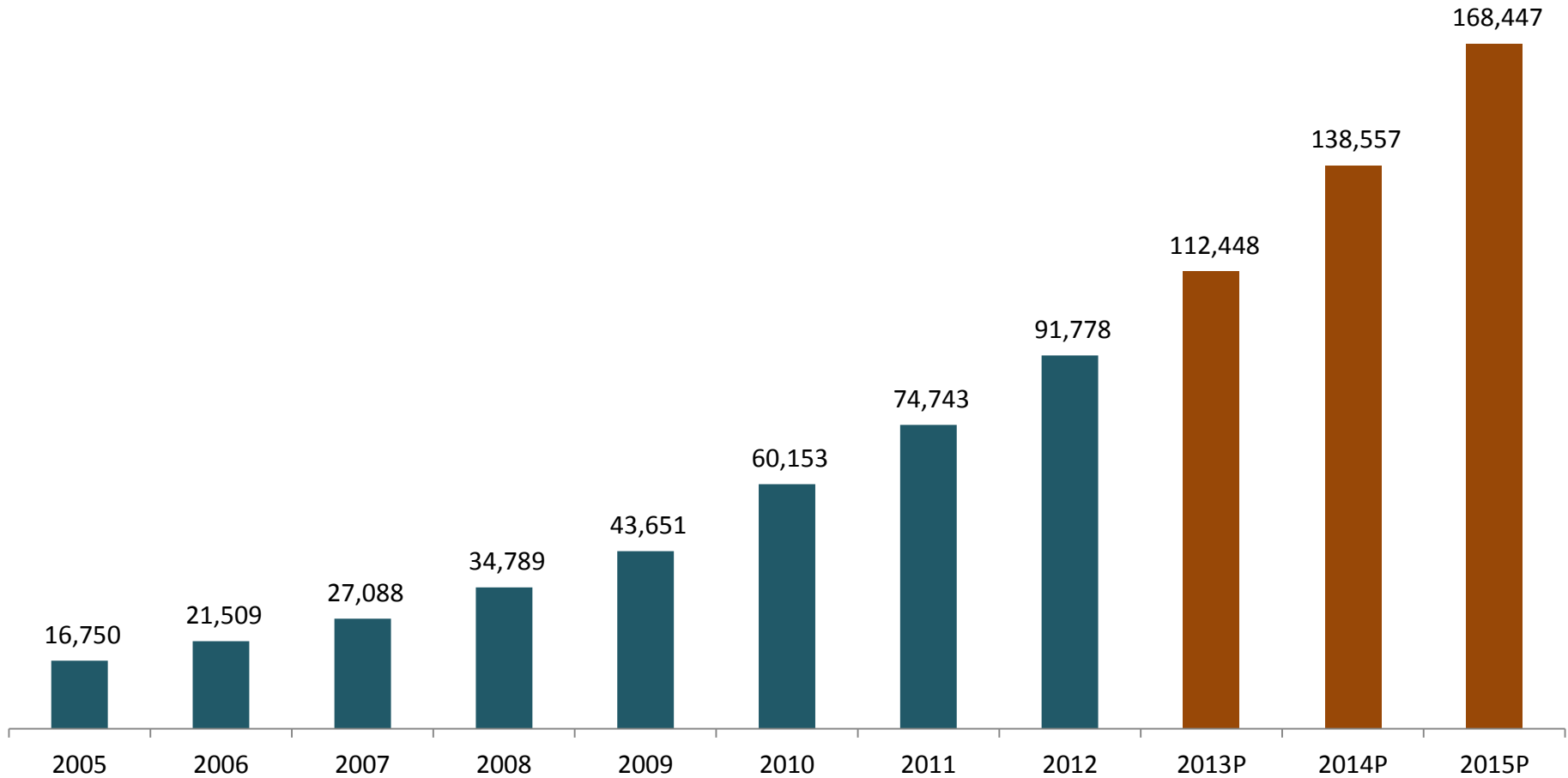


- Debit card issuance is growing:



Therefore, rapid ATM deployment

Number of ATMs installed in India



Evolution of outsourcing:

We are here

Bank Owned ATMs:

- Each bank had independent ATMs and networks
- Limited interoperability

Limited Outsourcing

- ATM maintenance outsourced
- Interoperability between ATMs of different banks








Brown Labelling

- Service provider owns & maintains ATM; takes usage and uptime risk
- Bank keeps control over cash and is responsible for completion of transactions

White Labelling

- Actual user becomes the customer
- Branding, cash management & transaction completion now the responsibility of the service provider

Market landscape*

Player	Ancillary Businesses	PSU ATMs	Private ATMs	Key Clients
	Consulting, EFT software, network gateways, pre-paid top-up services, bill payments	915	1,370	HDFC, ICICI, DCB, Dhanlaxmi, RBS, Corporation Bank
	Payment processing software	2,960	500	ICICI, SBI, Central Bank, Canara Bank, UCO Bank, Allahabad Bank, United Bank of India, Union Bank of India
	POS services, pre-paid cards	200	11,500	Axis, ICICI, Yes Bank, IndusInd, Bank Canara Bank
	Retail, Petroleum, Paint Dispensers, Kiosks, Self Service Software	171	7,850	ICICI, HDFC, Axis, Federal Bank
	Payment Solutions, POS services, core banking solutions, connectivity solutions	2,430	2,600	Axis, HDFC, ICICI, SBI, Central bank, IOB, UCO Bank
	Card Management systems, Core banking systems, Switching systems etc.	2,880	600	Yes Bank, Karnataka Bank, Union Bank of India, Bank of India
	Bill Payments	392	648	HDFC Bank, PNB, TMB

*Contracted ATMs only, excluding ATMs forming a part of the recently awarded PSU banks' tender

Our strategy

Long term contracts

- Target large private banks for growth and smaller private banks for profitability
- Typical tenure of 9-12 years; retain rights to reuse sites

Disciplined capital allocation

- Minimum threshold IRR of 23% for new contracts

Quality of service

- Consistently high QoS, in-house execution & site identification (typically outsourced)
- Our ATMs have superior operating metrics compared with our larger peers
- Goodwill disproportionate to our size - renewals from all current customers

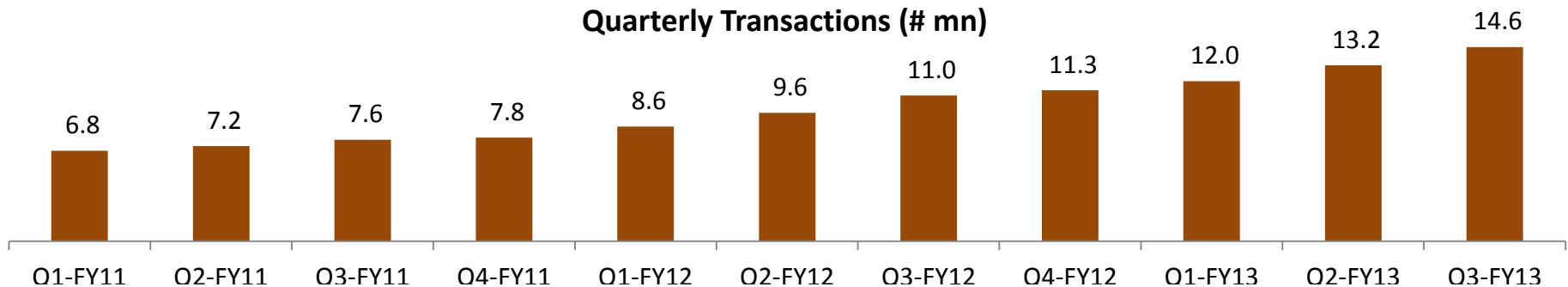
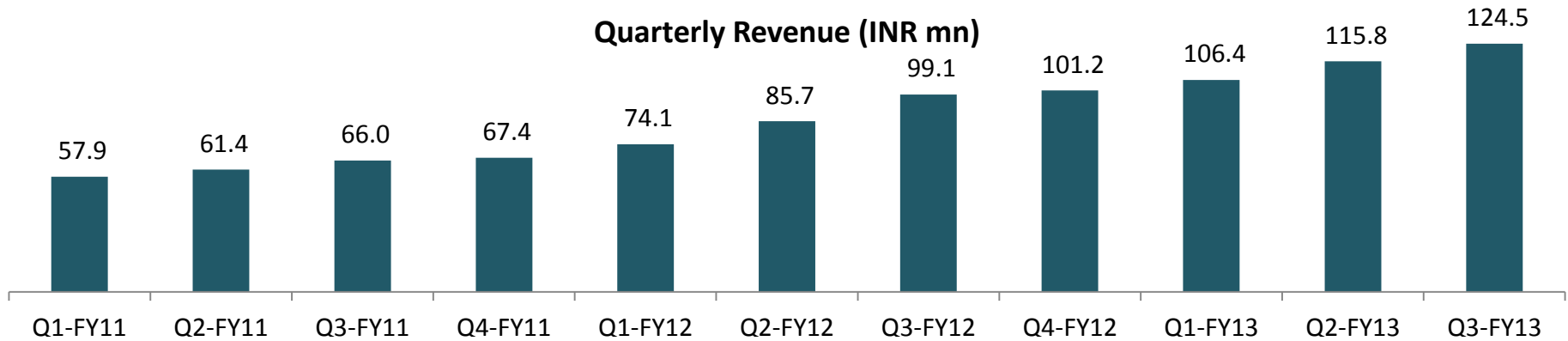
Economies of scale

- Build internal capabilities in managed services, second level maintenance
- Choose contracts for density over geographical spread

Inorganic growth

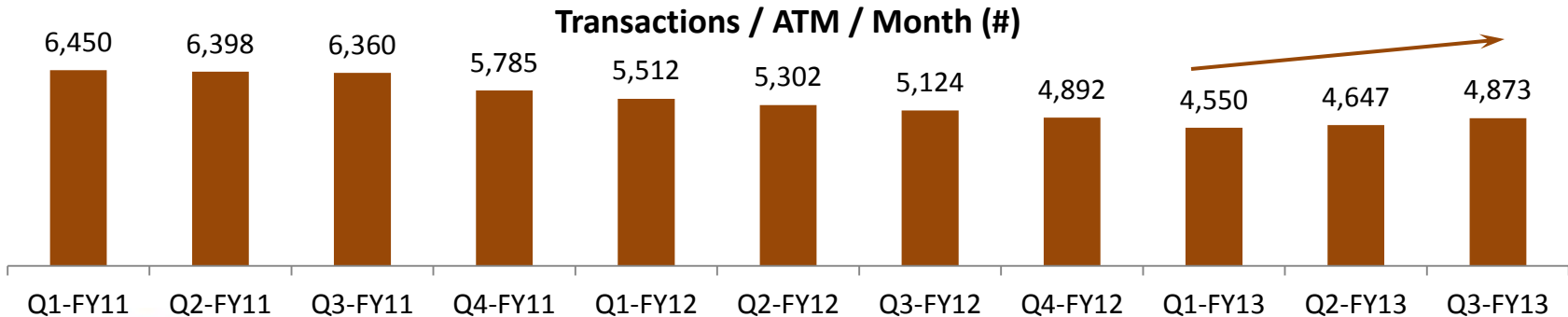
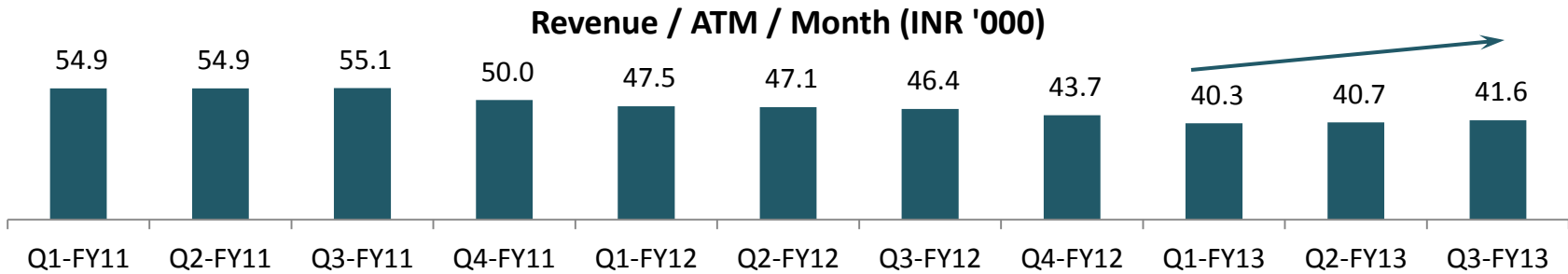
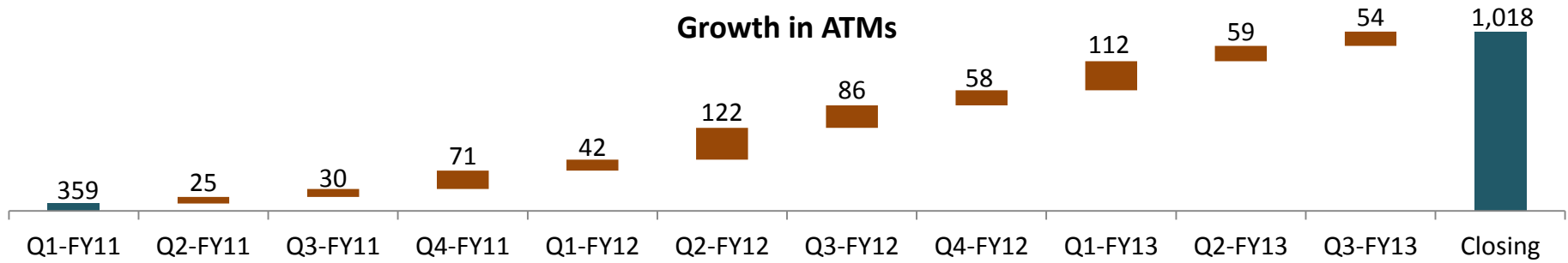
- Opportunistically acquire smaller players who lack capital, have good contracts
- Acquire banks' existing networks when the opportunity presents itself

Key metrics



Quarterly turnover and transactions have grown at a CAGR of 24% over the last 3.5 years

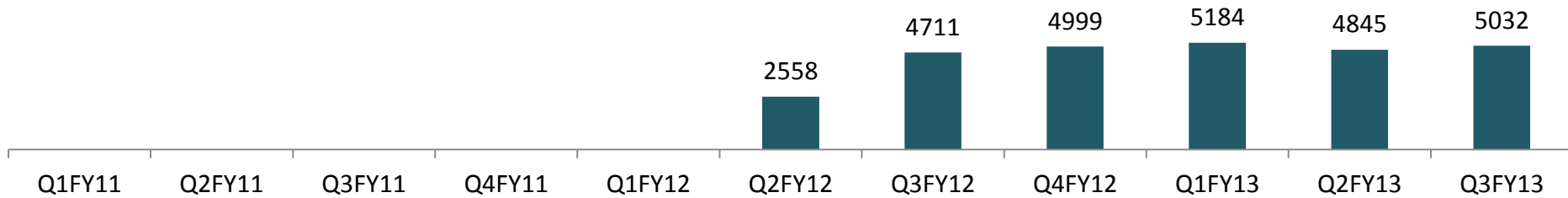
Overall ATM performance



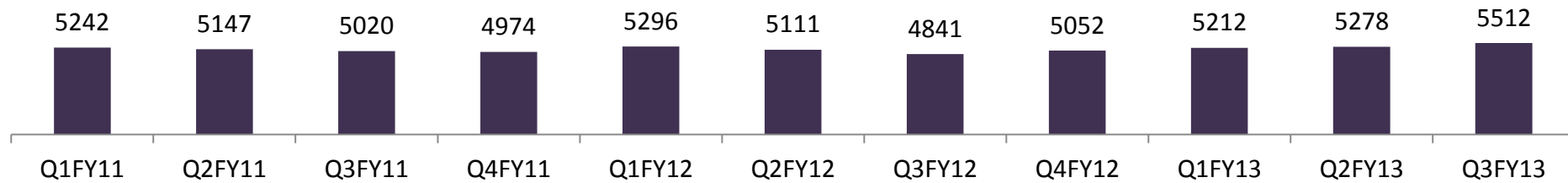
Growth constrained by lack of capital; As ATMs mature, per ATM metrics improving in FY13

Bankwise Transactions / ATM*

HDFC Bank

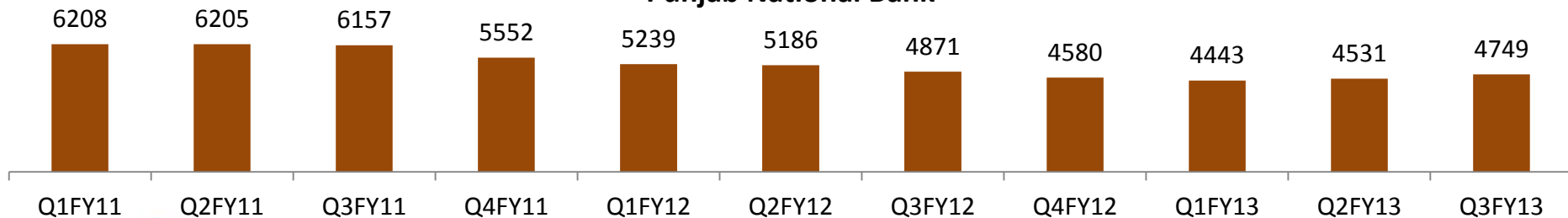


Tamilnad Mercantile Bank



Performance of TMB / HDFC bank ATMs constant; PNB affected by operational issues

Punjab National Bank



Financials

INR mn	FY10	FY11	FY12	9M-FY13
# of ATMs	326	485	787	1,018
Transactions/ATM/Month	5,637	6,225	5,174	4,697
Revenue/ATM/Month (INR)	47,975	53,542	45,954	40,888
Revenues	165.7	293.3	400.6	377.6
y-o-y sales growth %	121%	77%	37%	31%
EBITDA	33.3	60.5	52.9	10.8
EBITDA Margin	20%	21%	13%	3%
y-o-y EBITDA growth%	87%	81%	-12%	-80%
Net Debt	(61.7)	(70.4)	(116.8)	(41.6)
Equity Inflows	135.0	125.0	239.0	-
RoCE	-28.2%	2.4%	-1.7%	-11.7%
RoE	-22.2%	2.7%	-2.0%	-9.2%

- Revenues have grown at a CAGR of 45% over FY2010 to YTD FY13
- Company remains debt free – however, we will need to take up some debt to expand capital and improve return metrics

Key business challenges / risks

Capital deployment

- Given our IRR thresholds, our contracts will tend to be smaller but more in number
- Network density will lead to significant operating leverage

Transaction volumes

- ~70,000 New ATMs being installed over next 2-3 years
- Debit card issuance needs to keep pace to maintain per ATM transactions

Controlling costs

- Need to manage 3 key costs – Rentals, Security, Cash-in-Transit

Competition

- Irrationality of new entrants for larger contracts – PSU Tender is an example

Management team

Name	Designation	With TSI since	Profile
Mohnish Kumar	CEO	2006	MBA; >23 years of marketing, new business development experience; with Citibank for >15 years.
Gary Foster	MD (TSN)	2005	>20 years of industry experience; formerly director, major shareholder of a large Australian ATM deployer
Hemant Sood	COO	2006	MBA; >22 years of marketing, operations experience; prev. work exp with Citibank, Barclays, Western Union
AK Jain	Head (Finance)	2007	CA; >23 years of banking, finance and operations experience; previously with Citibank, Indusind Bank
Mehrunnisa Bedi	Head (BD)	2008	>22 years experience in customer service, collections and sales functions; formerly with Citibank's cards division
Azeet Kumar	Head (IT)	2008	>14 years of experience in system administration and network management

Q & A