



ELECTRONIC PAYMENT AND SERVICES (P) LTD.:

REVOLUTIONIZING THE INDIAN ATM INDUSTRY



ELECTRONIC PAYMENT AND SERVICES (P) LTD™
A payment system company

ET CASES 
ENABLING DECISIONS

ABSTRACT

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ABSTRACT

This case study focusses on the entrepreneurial journey of Electronic Payment and Services (P) Ltd. (EPS) – one of the startups in the Indian ATM Managed Services and Outsourcing Industry. Industry veteran, Mani Mamallan, also known as ‘The Architect behind Indian ATM Systems’, founded EPS in 2011. Supported by the vast industry experience of its founder and other members of the leadership team alongside the financial inclusion initiatives of the Government of India, EPS grew rapidly and its revenues increased from INR8 crore in FY2013 to INR170 crore in FY2016.

Although EPS achieved quick growth, it is faced with the challenge of coping up with this fast-paced growth. What measures can EPS take to overcome this challenge? Further, EPS is led by the vision to be the leading provider of technology solutions in the Retail Banking & Payments System. What are the challenges faced by this young enterprise in its path to achieve its vision and how can it overcome these challenges? This case study focuses on these dilemmas and debates on the roadmap for the company.

Pedagogical Objectives

- To study the dynamics of Indian ATM Managed Services and Outsourcing Industry
- To understand EPS’ operations, revenue and business model in being one of the promising players of the Indian ATM Managed Services and Outsourcing Industry
- To identify the challenges faced by EPS in its vision of becoming a leading provider of technology solutions in the Retail Banking & Payments System

Case Positioning and Setting

- This case study can be suitably used for MBA Program in Banking and Financial Services – To understand the nuances of operations, revenue and business model of players in the Indian ATM Managed Services and Outsourcing Industry
- This case study can also be used for MBA Program on Startups and Entrepreneurship – To discuss the entrepreneurial journey of Mani Mamallan, the Founder, Chairman & Managing Director of EPS
- It can also be used in Management/Executive Development Program – To understand the dynamics of the Indian ATM Managed Services and Outsourcing Industry

CASE STUDY

Electronic Payment and Services (P) Ltd.: Revolutionizing the Indian ATM industry

“We have developed a highly scalable platform and are working to become the leading ATM outsourcing provider in India, where the number of ATMs is expected to grow from approximately 230,000 today to 550,000 by 2021. At the same time, EPS’ market presence and brand equity in the ATM industry and payments industry is growing at an accelerated rate.”

– Mani Mamallan, Founder, Chairman and Managing Director,
Electronic Payment and Services (P) Ltd.¹

“ATMs represent vital last-mile financial services infrastructure for many in India, especially those living in rural areas; but despite the high dependence on cash, there are currently only 15 ATMs per 100,000 adults in the country, far less than in other growth markets. The sector is growing rapidly thanks to the Indian Government’s recent emphasis on financial inclusion, and the high growth of card-holders as a result of the new Indian card scheme RuPay. We believe EPS is ideally positioned to deliver exciting growth.”

– Udayan Goyal, Co-founder and Managing Partner, Apis Partners LLP²

Universal financial inclusion³ agenda gained momentum in India 2005 onwards after the Reserve Bank of India (RBI), India’s Central Bank, drafted the Financial Inclusion Policy. Indian ATM industry has been instrumental in supporting financial inclusion initiatives of India. Hence, there is an increasing need for expanding the ATM infrastructure aggressively to drive financial inclusion at a faster pace. Outsourcing of ATM services brought in the much-needed rigor to the expansion of ATM infrastructure. The Indian Managed Services and Outsourcing industry has been playing a key role in faster expansion of ATM network to achieve the last mile financial inclusion.

¹ “Intellectap advises EPS in raising Series D investment from APIS partners and in the acquisition of CISB ATM Services”, <http://www.intellecap.com/news-and-events/news/intellecap-advises-eps-raising-series-d-investment-apis-partners-and>, February 19th 2016 (accessed date: May 22nd 2016)

² “Apis Partners announces investment in EPS”, apis.pe/wp-content/uploads/2016/01/Apis-Partners-EPS-press-release-Final.pdf, January 20th 2016 (accessed date: May 25th 2016)

³ Financial inclusion refers to a universal access to a wide range of financial services at affordable costs to sections of disadvantaged and low-income segments of society

This Case Study was written by Y. Bala Bharathi and Vandana Jayakumar, ET CASES. It is intended to be used as the basis for classroom discussion rather than to illustrate either effective or ineffective handling of a management situation. The case study is based on primary and secondary research.

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Though there are many established players like Tata Communications Payment Solutions Ltd. (TCPSL), Financial Software & Systems (FSS), etc., operating in the ATM Managed Services and Outsourcing space, Electronic Payment and Services (P) Ltd. (EPS) which is one of the youngest players has been playing a key role in supporting the financial inclusion initiatives of India by expanding the ATM infrastructure at a rapid pace. Despite being a start-up, it successfully won the Ministry of Finance (MoF) contract during the initial years of its journey and was the first company to deploy the first live ATM for the project in July 2012 and also stood first among all vendors in single-cluster overall deployment of ATMs for the project in Maharashtra.⁴ Certain practices/tools that enabled its success in the ATM outsourcing business are Transaction-based Revenue Model, Business Intelligence Tools (Analytics) and EPSecure. Because of its commendable contribution to the ATM industry, it bagged many prestigious awards within a short span of 5 years.

ATM Industry Landscape

ATMs were introduced in developed economies during 1960s. Over the decades with incessant innovations, ATMs have evolved and changed from being mere cash dispensers to multi-utility service providers by offering a much wider range of services. A 2014 Allied Market Research Report predicted that the global ATM market would reach \$21.9 billion by 2020, forecasting an annual 7.6% growth rate.⁵ As per the 2015 Global ATM Market Report, growth of Global ATM industry predominantly lies in Asia-Pacific region where the industry was expected to grow at a rate of 12% from 2015–2022⁶, with China and India contributing immensely due to rapid economic growth, ever increasing banking population and persistent demand for cash.

As of 2016, India is one of the largest ATM markets in Asia, owing to its high economic growth rate of 7%⁷, which is expected to deploy 2.75 lakh⁸ ATMs by the end of 2016 and 5.50 lakh ATMs by 2021⁹. The main drivers of Indian ATM industry growth are initiatives to further financial inclusion such as Direct Benefit Transfer (DBT) program, *Pradhan Mantri Jan-Dhan Yojana* (PMJDY) initiative (the biggest financial inclusion initiative in the world where millions of accounts were opened and RuPay cards¹⁰ were issued), rolling of White Label ATMs¹¹ in rural India, etc.

⁴ “Pushing Limits. Setting Standards”, <http://www.electronicpay.in/milestones.html>, October 2012 (accessed date: May 20th 2016)

⁵ Lita Person, “World ATM Market - Opportunities and Forecasts, 2013–2020”, <https://www.alliedmarketresearch.com/automated-teller-machine-ATM-market>, December 2014 (accessed date: June 25th 2016)

⁶ “ATM Market Size Anticipated To Reach \$24.92 Billion By 2022”, <http://www.grandviewresearch.com/pressrelease/global-atm-market>, December 2015 (accessed date: April 15th 2016)

⁷ “Hitachi rolls out ‘Make in India ATMs’ through new manufacturing company, investing Rs. 1 billion”, http://www.indiaonline.com/article/news-business/hitachi-rolls-out-make-in-india-atms-through-new-manufacturing-company-investing-rs-1-billion-116031700295_1.html, March 17th 2016 (accessed date: April 15th 2016)

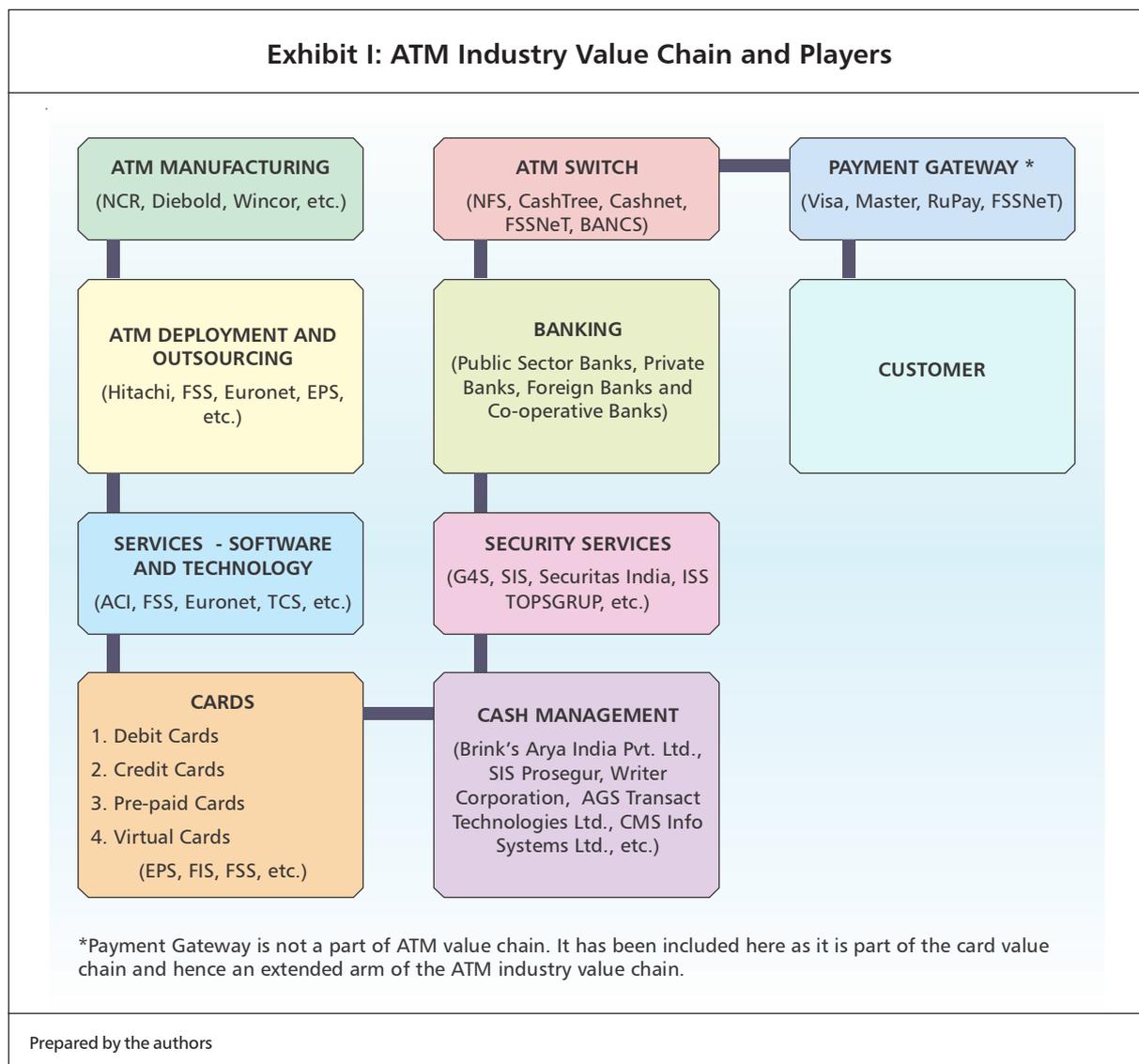
⁸ Sangita Mehta, “India to see hi-tech ATM machines in the next 2-3 years”, http://articles.economicstimes.indiatimes.com/2015-09-07/news/66297210_1_atm-machines-ncr-india-navroze-dastur, September 7th 2015 (accessed date: March 20th 2016)

⁹ “Payments firm EPS to get \$35m from APIS”, <http://timesofindia.indiatimes.com/business/indiabusiness/Payments-firm-EPS-to-get-35m-from-Apis/articleshow/50661348.cms>, January 21st 2016 (accessed date: March 20th 2016)

¹⁰ RuPay Card is an Indian domestic card scheme conceived and launched by the National Payments Corporation of India (NPCI).

¹¹ ATMs that are set-up, owned and operated by non-banking entities are known as White Label ATMs. They help in increasing the geographical reach of the ATMs and thereby improve the customer service.

The main players of the ATM value chain are ATM manufacturing companies, ATM deployment companies (ATM Managed Services and Outsourcing Industry), software service providers, debit card manufacturing and personalization companies, cash replenishment agencies, security agencies, banks and customers (Exhibit I).



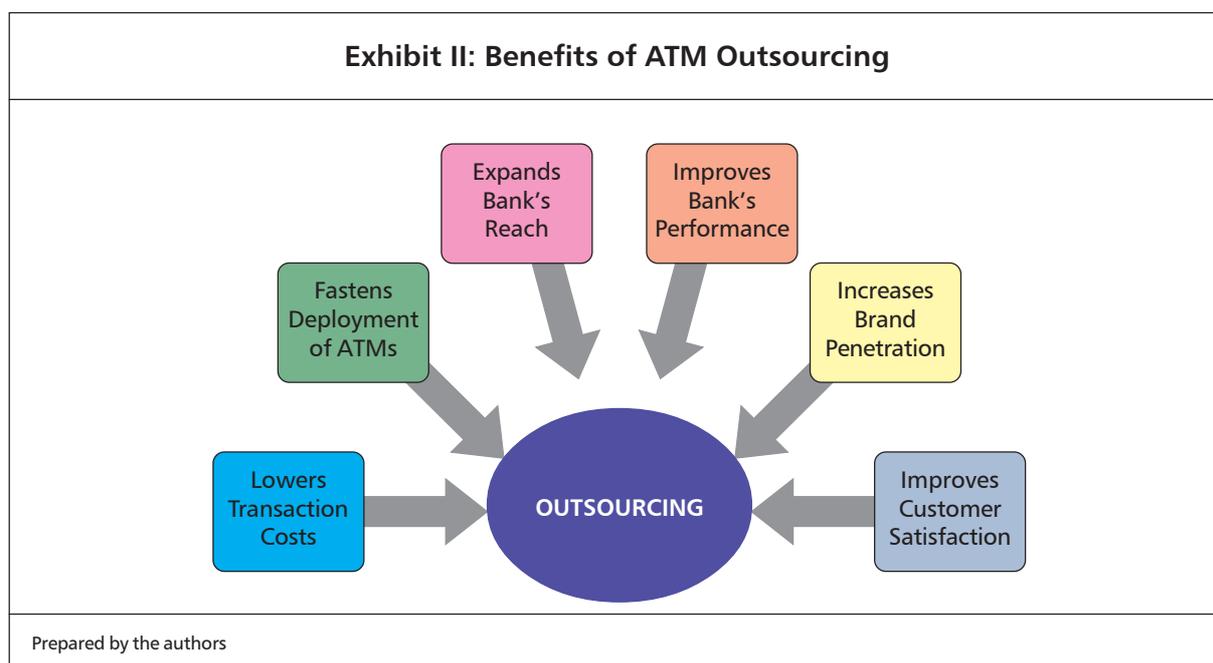
Indian ATM Outsourcing Drive

In 1987, the Hong Kong and Shanghai Banking Corporation (HSBC) installed India's first ATM in Mumbai, heralding the beginning of the Indian ATM industry.¹² During the initial years, it was mandatory for banks to get the RBI license for setting up the ATM, as it was perceived much like any other branch. Banks used to deploy ATMs on their own. During 1990s, private sector banks increasingly used this channel to enhance brand visibility. Public Sector Banks (PSBs) joined the fray during 2000s with the decline in machine costs.

¹² "HSBC in India", <http://www.about.hsbc.co.in/hsbc-in-india> (accessed date: May 23rd 2016)

Nevertheless, outsourcing trend started during early 2000s when one of the PSBs, Bank of India, started outsourcing its entire activity of IT and retail delivery channels. Slowly, other banks also began outsourcing few for their IT activities. That was the time when the era of computerization kick-started at banks with the implementation of Core Banking Software.¹³ Thus, with the increase in the banking automation, MoF advised PSBs to follow Operational Expenditure (OPEX) model for expansion of ATM network rather than deploying Bank-Owned ATMs under Capital Expenditure (CAPEX) model. Under OPEX model, the installation and maintenance of ATMs would be outsourced to third-party service providers/ATM Managed Services and Outsourcing companies. As most of the banks started outsourcing their ATM services, ATM Managed Services and Outsourcing industry flourished.

Faster deployment of ATMs in a shorter span of time is one of the key factors which has lured banks towards outsourcing their ATM businesses to service providers. Outsourcing also results in lower costs for the banks as they do not have to make capital expenditure to purchase, deploy and maintain ATMs. Banks could rather focus on their core business and improve performance. Banks are comfortable entrusting their ATM activities to ATM outsourcing companies whose forte lies in managing ATM activities. With the increased penetration of ATMs through outsourcing model, customers also find it more convenient to transact at ATMs deployed closer to their work or residential areas rather than going to distantly located bank branches (Exhibit II).



Though the ATM industry has been witnessing rapid growth in the past decade, most of the growth has been concentrated in urban areas. Rural areas accounted for just 10.1% of the total number of ATMs deployed in India in FY2013.¹⁴ In a major push to provide financial services to unbanked and underbanked section of the population at affordable costs, Government of India (GoI) announced

¹³ Core Banking Software is a step towards enhancing customer convenience by enabling 'Anywhere and Anytime Banking'. Customers can avail banking services from any branch of the bank on CBS network.

¹⁴ "Deployment of ATMs in Rural Areas leading to growth in Indian ATM industry: Ken Research", <http://www.indiaprwire.com/pressrelease/financial-services/20130903237096.htm>, September 3rd 2013 (accessed date: May 22nd 2016)

financial inclusion initiatives such as PMJDY and DBT programs during late 2000s. Various ministries identified around 33 such social benefit schemes and an amount close to INR60,000 crore was planned to be disbursed through DBT program mainly to rural population.¹⁵ However, as the bank branches were not spread across widely in rural areas, rural people had to depend on intermediaries to withdraw the money. As a result, the amount was not reaching the ultimate beneficiary in its entirety. To address this issue, MoF had a series of discussions with PSBs. Finally, it was concluded that deployment of ATMs would help in reaching the entire benefits to the beneficiaries without having any intermediaries involved. Bank accounts were created through PMJDY and debit cards were issued through RuPay cards and MoF in tie-up with PSBs launched a common procurement program to deploy 63,000 ATMs. PSBs came out with a tendering process to outsource the deployment of 63,000 ATMs across 16 geographical areas in seven clusters during 2012–2014.¹⁶ Various established ATM service providers won the bid along with EPS, which was formed by CIS Bureaus Facility Services Pvt. Ltd. (CISB) led consortium.

Despite being a start-up, EPS turned out to be one of the top performers of the MoF project. EPS stood first among all vendors in single-cluster overall deployment of ATMs. All the credits for the successful and fastest deployment of ATMs in MoF project goes to the veterans of EPS, especially to EPS' Founder, Chairman & Managing Director (Mani Mamallan), who had decades of experience in the ATM industry and played a key role in the significant growth of Indian ATM industry.

Mani Mamallan: The Architect behind Indian ATM Systems

Acknowledged as the 'The Architect behind Indian ATM Systems' and honored with the 'Entrepreneur of the Year 2015' award by Silicon India, Mani Mamallan (Mani) is the Founder, Chairman & Managing Director of EPS.¹⁷ Throughout his three decades of experience in the Indian ATM industry, he was instrumental in the growth of the industry. His contributions to all major milestones of ATM industry are quite commendable.

Since 1996, Mani has been associated with the ATM industry, when he deployed the first seven ATMs for UTI Bank. His achievements at UTI bank included setting up the bank's ATM Switch, IP Network, etc. In 1998, he switched his career from banking to non-banking and joined a company known as India Switch Company (ISC) as Chief Operating Officer (COO), which was then setting up an ATM network for all the banks together. Mani was highly instrumental in initiating and implementing *Swadhan*, the first shared payment network in India, promoted by Indian Banks' Association (IBA) for their member banks.¹⁸ During his stewardship, the company's network grew from 30 ATMs to 1,300 ATMs at a time when the country hardly had 2,000 ATMs in 2003.

Nevertheless, in 2003, after the 5-year contract period expired, IBA decided to withdraw itself from running the network. But, in an attempt to sustain the business of ISC, Mani successfully convinced Bank of India to get the outsourcing contract to deploy 225 ATMs during a 3-year time span. In the

¹⁵ Personal Interview conducted with Thyagarajan Seshadri, President – Banking Relationship, EPS by ET CASES, March 22nd 2016

¹⁶ "PUSHING LIMITS. SETTING STANDARDS", op.cit.

¹⁷ "Electronic Payment & Services (P) Ltd", [https://www.atmia.com/directory-of-atm-services/electronic-payment—services-\(p\)-ltd/1120/](https://www.atmia.com/directory-of-atm-services/electronic-payment—services-(p)-ltd/1120/) (accessed date: May 20th 2016)

¹⁸ "LEADING FROM THE FRONT", <http://www.electronicpay.in/board-of-directors.html> (accessed date: May 20th 2016)

first year of the contract itself, a revenue of around INR4 crore was generated through the outsourcing model. This contract paved the way for the introduction of first ever ATM outsourcing in India. As the banks believed that the outsourcing model helped them expand their network in a faster and cost-effective manner, the industry began to adopt the model swiftly.

Later, Mani moved on to Financial Software and Systems (FSS) in 2004. During his stint at FSS, he spearheaded activities in the payments systems domain. Mani set up FSSNeT, which was the outsourcing wing of FSS. In 2007, he joined as Chief Marketing Officer (CMO) in C-Edge Technologies, which was a JV between SBI and TCS. Transaction-based revenue model was yet another offering from the gamut of ideas seeded by Mani. SBI which has a huge network of ATMs was the first bank to come up with search innovative pay-per-use model to avoid paying fixed costs for some of the ATMs which were not yielding much revenues. Transaction-based revenue model soon became popular in the industry, being a cost-effective model for banks. This has in turn led to the introduction of Brown Label ATMs in India where hardware and the lease of the ATM machine is owned by a service provider, but cash management and connectivity to banking networks is provided by a sponsor bank.

In 2011, as a part of financial inclusion initiative, MoF came out with an offer to banks to deploy 63,000 ATMs through the cost-effective Brown Label ATM model as well as Transaction based revenue model. However, there was lot of disconnect among Ministry, banks and vendors. Banks and Ministry were not happy with the price points and vendors were not happy with the scope of services offered. Mani represented nine vendors and SBI represented six banks to discuss with the Ministry and come out with correct scope of services for the right fee. During the process of discussions, Mani could see a small window of opportunity where he could also bid for the contract. He formed EPS through a consortium to bid for the contract and could successfully bag the contract for deployment of 5,476 ATMs in the Maharashtra circle.

Electronic Payment and Services (P) Ltd.: A Dedicated Deployer

Founded in 2011, EPS specializes in the retail banking & technology domain by offering end-to-end ATM Operations & Outsourcing Services, ATM Managed Services Centre (24x7x365), Transaction Processing Services and Card Management Services thereby enabling banks to concentrate on their core banking functions.¹⁹ Headquartered in Mumbai, the financial hub of India, EPS was launched with an aim to bridge the gap in demand for efficient, secure and technology driven products and services for the banking industry. It has a vision of emerging as a leading provider of technology solutions in the Retail Banking & Payments System.²⁰

Prakash Joshi, Chief Operating Officer, EPS elucidated, “When EPS was launched, the number of ATMs in the country were around 100,000 and there was huge demand as India is one of the countries where the number of machines per capita is very less compared to other countries. The country has the potential of 450,000 machines and there was a gap of about 300,000 machines at that point of time”.²¹ When 63,000 machines were procured under MoF common procurement program, the large-scale deployment project came as an opportunity for EPS to prove its mettle.

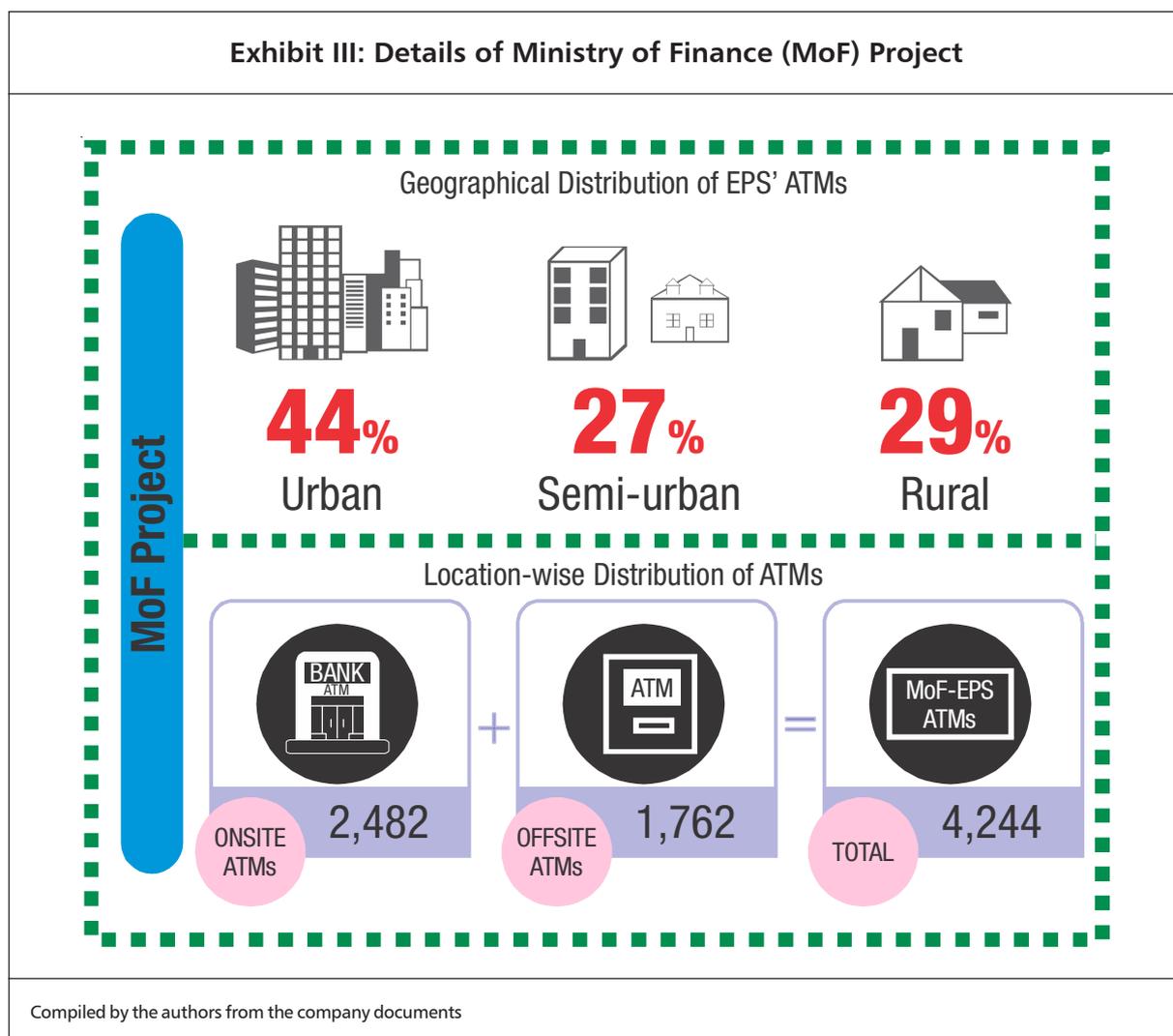
¹⁹ “Driving innovation in the ATM and Payments Industry”, <http://www.electronicpay.in/company-overview.html> (accessed date: May 25th 2016)

²⁰ “Empowered by a Dream”, <http://www.electronicpay.in/mission-vision.html> (accessed date: May 25th 2016)

²¹ Personal Interview conducted with Prakash Joshi, Chief Operating Officer, EPS by ET CASES, March 22nd 2016

The MoF project helped banks expand to larger geographies as it was made mandatory that each bank branch should have one machine/onsite ATM. This mandate enabled them to reach out to rural places. The nine companies (Annexure I) which won the contract from PSBs could manage to deploy 40,000 machines in 2 years' span.

After winning the MoF contract in 2012, EPS built a reputation of delivering results and proved its commitment for excellence by successfully deploying more than 4,200 ATMs²² in urban and rural locations, during 2012–2014 (Exhibit III).



Besides the MoF contract through which it served most of the leading PSBs, EPS has also won contracts from other PSBs such as Canara Bank, Bank of Baroda, etc., (Annexure II). Serving the PSBs had always been EPS' forte. EPS had a long association with many of the leading PSBs given the credibility of EPS' Founder and its dedicated team. This has resulted in many more happy customers such as SBI (Exhibit IV).

²² Personal interview conducted with Thyagarajan Seshadri, President – Banking Relationship, EPS by ET CASES, March 22nd 2016

Exhibit IV: Customer Testimonials

Mrs. Vasudha Sundararaman, Managing Director – SBI Societe Generale Global Securities Services Pvt. Ltd.

I was associated with EPS when the Brown label ATM scheme of the Government of India was floated and EPS won the mandate for Maharashtra. Those were very challenging times because it was totally a new concept and vendors found it difficult to do the implementation. EPS took the initiative and did their best to complete the implementation. They were way ahead of many other vendors in terms of implementation. That initiative was much appreciated by SBI and all of us at the alternate channels.

Mr. VG Kannan, Managing Director & Group Executive – State Bank of India

I have been in touch with EPS from the last 8 years since the time I was General Manager at Chennai... With the coming up of small banks and payment banks, there might be more areas where EPS can come into play.

Mr. Jambunathan Narayanan, Ex-DMD & CIO – SBI and Technical Advisor – Reliance Communications

The efforts of Mani Mamallan and his team in making EPS a successful one are tremendous. He was one of the first person to complete the roll out in Government of India's tender... With the new banks such as payment banks setting up, opportunities are unlimited for EPS.

Source: Company Documents

Setting New Standards

EPS has set several milestones to its credit since its inception. In 2012, it deployed the first live ATM among all the vendors who won the bid for MoF project. In 2013, EPS set a record for deploying 1,000 ATM machines in 60 days. EPS deployed the largest number of ATMs in a single cluster for the MoF's Project in Maharashtra by July 2014.²³ It is the first Regional Board Member (India Chapter) of global ATM Industry Association (ATMIA) in 2015 (Annexure III).

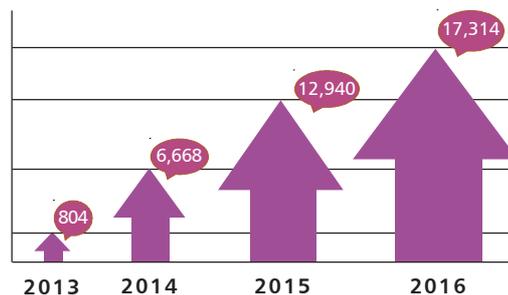
Thanks to the EPS' consistent performance, EPS' topline has witnessed explosive growth from the time of its inception. Total number of ATMs deployed increased by 10x from 460 in FY2013 to 4,842 in FY2016. Its revenues have grown from INR8 crore in FY2013 to INR170 crore by FY2016 (Exhibit V).

Exhibit V: EPS' Growth Parameters (FY2013-2016)

Total ATMs Deployed



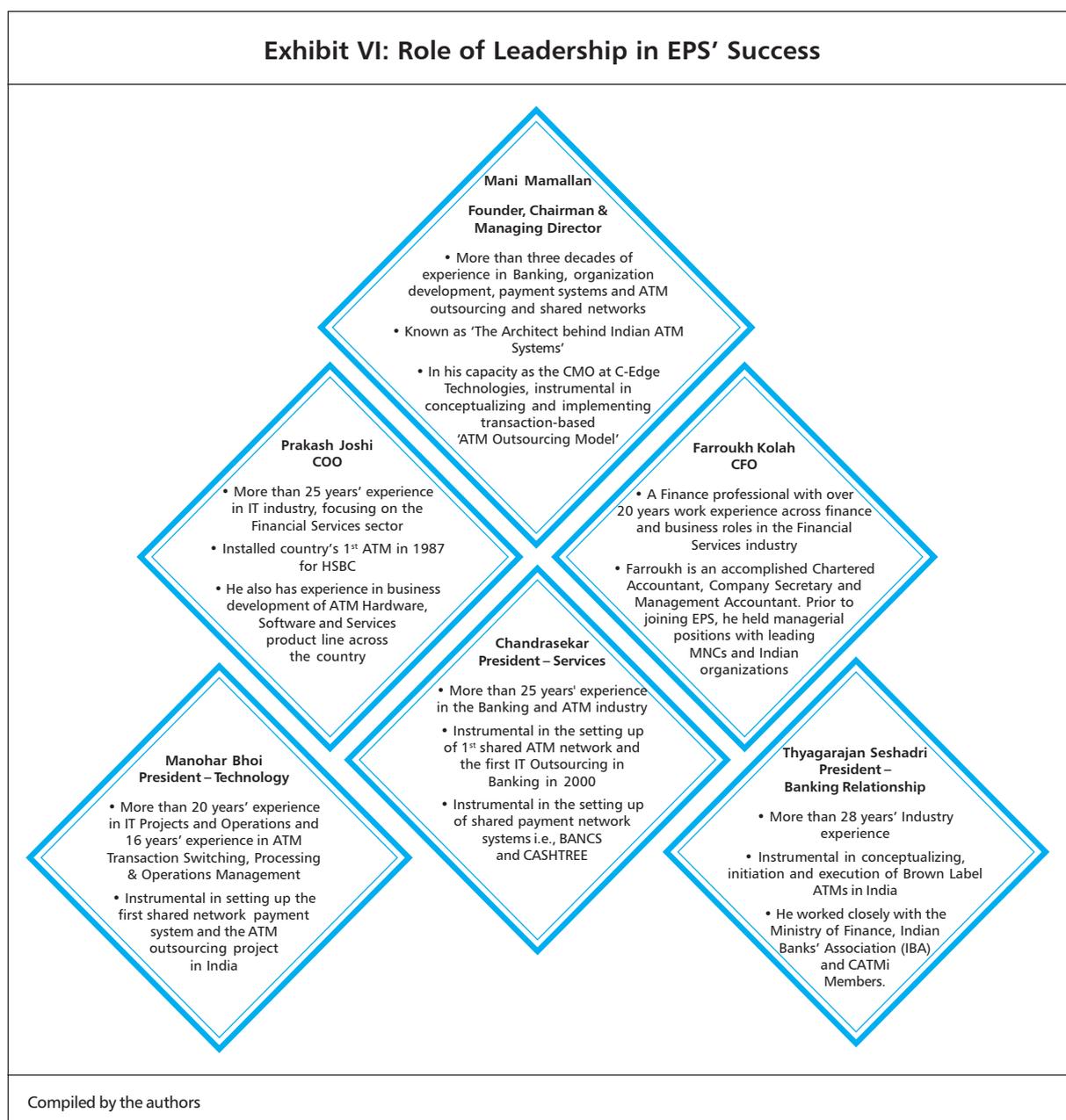
Revenue INR Lakhs



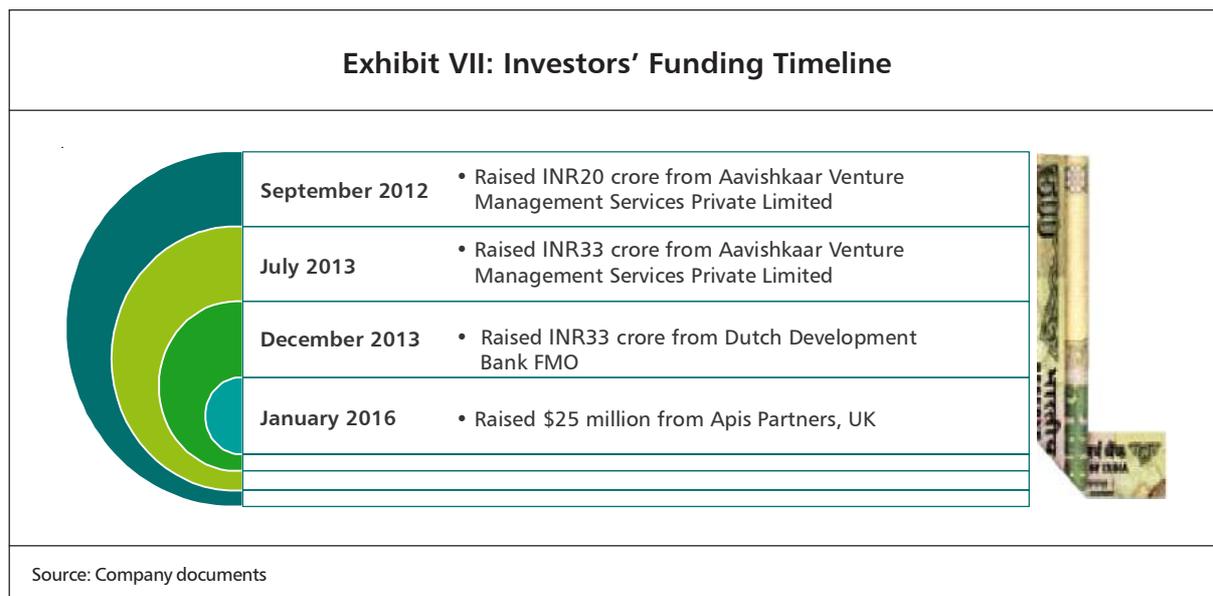
Compiled by the authors from company documents

²³ Sudhakar Singh, "Electronic Payment And Services (EPS): Enabling Banks to Concentrate On Core Banking Functions", <http://www.cioreviewindia.com/magazine/Electronic-Payment-And-ServicesEPS-Enabling-Banks-to-Concentrate-On-Core-Banking-Functions-EMVE244053873.html>, March 2015 (accessed date: March 20th 2016)

The credit for the exponential growth of EPS predominantly goes to its dedicated team of veterans who have 140 years of combined experience in the ATM industry. Though EPS was a startup company, its team of professionals pioneered various initiatives in the ATM and Payments industry in India, over the last few decades (Exhibit VI). Trust factor that the EPS’ senior management built over a period of time, the vision, mission and the trendsetting of the founder together enabled to have the trust of the banks in delivering results on time. This helped EPS gain advantage over its competitors.



The commitment and dedication of EPS team has garnered the trust of its investors too. Both national and international investors have been investing in EPS since its inception, having belief in its growth potential (Exhibit VII). Though raising funds would be biggest challenge for any of the start-up companies, EPS easily raised the required funds, thanks to the decades of trust that its team built over decades.

Exhibit VII: Investors' Funding Timeline

The trust that all the stakeholders placed in EPS have reaped in good results. It has achieved significant growth in all the parameters. Founder of EPS, Mani, asserts “By FY2016, EPS has 6,000 machines deployed for 26 banks making revenues of INR14 crore per month and close to INR170 crore per annum with an EBITA of 30%, infusion of capital to the extent of INR270 crore and employee strength of more than 200”.²⁴ This has fetched in several awards and recognitions to EPS during its journey (Annexure IV). “Mr. Mamallan deserves the honor of being named an International ATM Industry Champion for his profound pioneering work since the 1990s in extending ATM banking within the rising economy of India”, said Michael Lee, Chief Executive Officer, ATMIA.²⁵

Ensuring Efficient Operations

EPS’ successful operations start with the identification of right ATM site. It has a team of professionals who identify the site and does the survey with respect to its visibility and safety perspectives. They are also vigilant of the fact that the selected site should attract higher footfalls. The team chooses to select busy residential, commercial and workplaces rather than deserted areas. Once the site is identified, branding is the next important criteria as it increases the visibility and branding is done in a manner that customers easily identify the ATM location. Once the deployment of ATM is done, necessary infrastructure such as UPS, VSAT would be installed and ATM would be connected to the bank switch. EPS’ technology partners would cater to its technological requirements (Annexure V). Cash would be collected from the bank and other services such as maintenance of the machine, maintenance of other equipment, filling up the cash, filling up the stationary would be outsourced to the respective service partners (Annexure V) such as cash filling agencies, maintenance agencies, etc. As and when the requirement arises, agencies are notified to complete the assigned tasks.

Once the machine gets started, it would be monitored continuously from the EPS’ monitoring center. As and when a problem arises in the machine, it flickers which opens up a ticket in the Center. Local

²⁴ Personal Interview conducted with Mani Mamallan, Founder, Chairman & Managing Director, EPS by ET CASES, March 22nd 2016

²⁵ “Mani Mamallan, honored International ATM Industry Champion by ATMIA”, <http://www.dqindia.com/mani-mamallan-honoured-international-atm-industry-champion-by-atmia/>, May 2nd 2016 (accessed date: May 28th 2016)

channel managers who are responsible to sort out the problem would be notified about the problem. Machines would be fixed within the given turnaround time. There is also escalation process in place, which ensures that even the senior managers and top managers are notified in case the machines are not fixed within the prescribed period. EPS is responsible for running all the services of the ATMs end-to-end. EPS' job is to ensure that machines are up and running 24/7 so that customers can access the machine and get the money as and when they want without any inconvenience.

EPS follows the transaction-based revenue model, which charges INR11.9 per transaction. This implies that higher the number of transactions, higher the revenues. This concept ensures that their professionals are always on their toes to ensure that machines are always up and running. With the increase in uptime, customers' trust on such ATM sites increases which converts into more number of transactions and in turn yields more revenues. Besides, EPS' Centralized Monitoring Center and Business Analytics Tools play an important role in maintaining its efficiency.

EPS' Centralized Managed Services Center: Monitoring, Analyzing and Reporting

Apart from providing end-to-end ATM services to banks, EPS developed its own specialized monitoring tool on technology and automation platform, as well as business analytics tools, which help management in decision-making. In 2014, the company launched "Centralized ATM Managed Services Center" with the aim of improving ATM operations, thereby enhancing the value of its projects.

Centralized Managed Service Center is the monitoring center, which is operated on a 24/7 basis for 365 days in a year. Rhythm is a monitoring tool developed by EPS and the consortium to monitor the ATMs on a 24/7 basis. The screen gives the overview of the dashboard, which gives the information about all the banks that EPS integrated with its application.

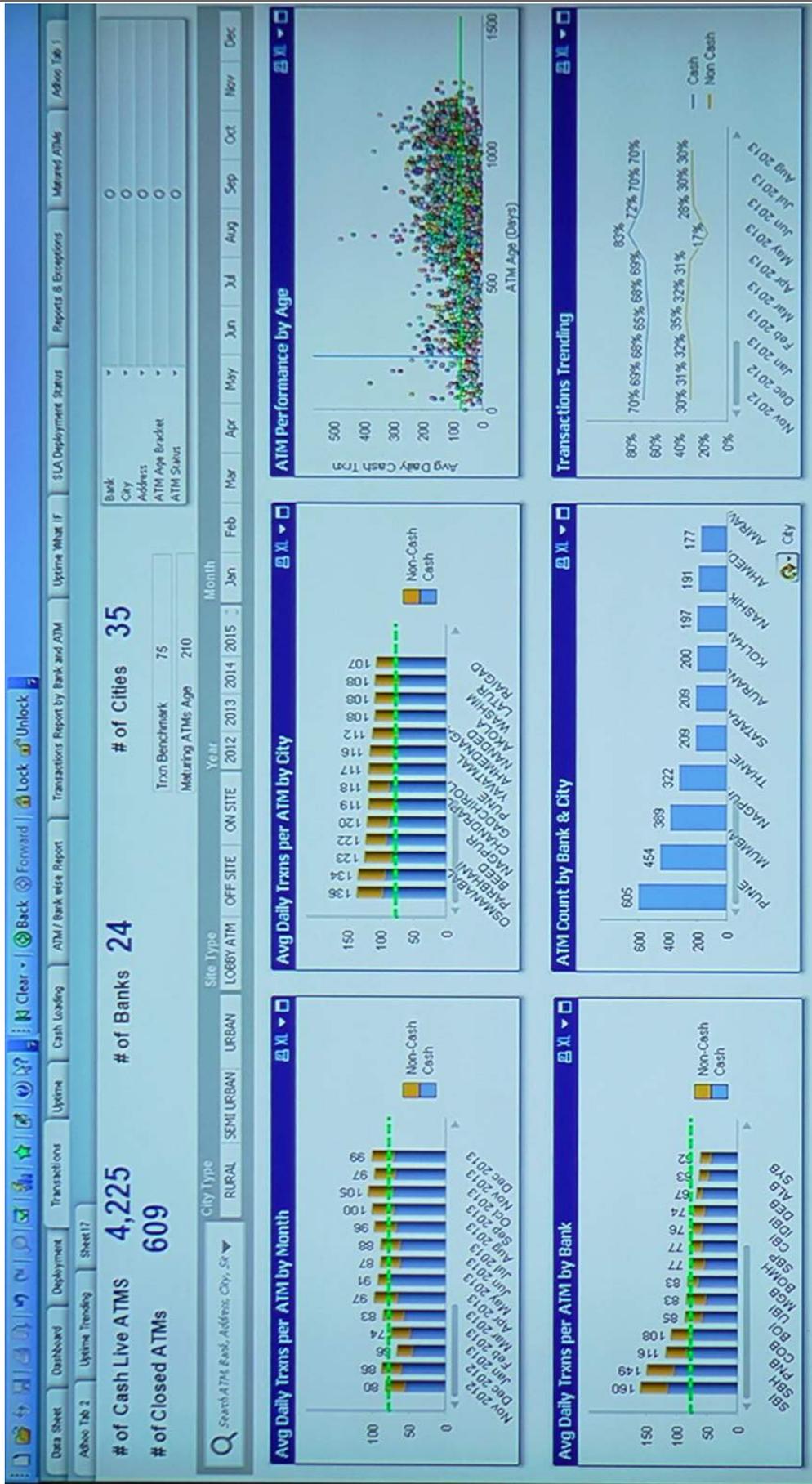
The monitoring screen gives the details about the incidences raised automatically in the system. It gives the details of banks, location, description under which ticket has been automatically raised, open time, duration of the incidence for which the ticket has been opened in the system, ticket status, etc. Agent working in the monitoring area is responsible for dispatching the ticket. As soon as the problem is fixed, ticket is closed automatically.

EPS has also developed its own Business Intelligence Tool. It is a user-friendly tool, which is a one-source solution for analysis and reporting (Exhibit VIII). The tool has been developed in Qlik View platform. It gives an overview of what was done in MoF project. It gives a brief overview of Onsite, Offsite and Lobby ATMs. It also gives details of ATMs installed area-wise i.e., in urban, semi-urban and rural areas. Various tabs include count of ATMs by share of top 10 banks, average daily transactions per ATM by month/by bank/by city, transactions trending, etc., in the MoF project.²⁶

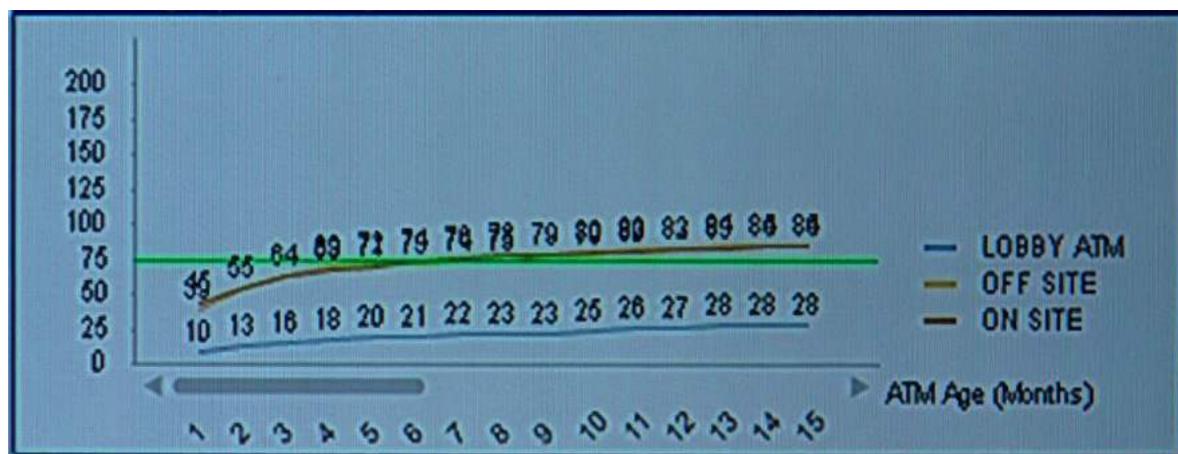
Exhibit IX gives an idea of Trending of ATM, how an ATM has performed and how much time it takes to mature. During the first few months of deployment of an ATM, average number of transactions would be around 10–50 per day. However, within 6 months, the number of transactions would cross the benchmark 75 transactions per day and within 3 years', on an average, around 150–180 transactions would be achieved (Exhibit IX).

²⁶ "ET CASES Case Suite on 'Evolution of the Indian ATM Industry and the Role of EPS' with Rohit Jain", <https://www.youtube.com/watch?v=tTPBT37knVY>, August 30th 2016

Exhibit VIII: EPS' Business Intelligence Tool



Source: "ET CASES Case Suite on 'Evolution of Indian ATM Industry and the Role of EPS' with Rohit Jain", <https://www.youtube.com/watch?v=tTPBT37knVY>, August 30th 2016

Exhibit IX: Trending by ATM Age (No. of Cash Transactions)

Source: "ET CASES Case Suite on 'Evolution of Indian ATM Industry and the Role of EPS' with Rohit Jain", <https://www.youtube.com/watch?v=tTPBT37knVY>, August 30th 2016

Data analytics also helps in identifying both the viable and unviable ATMs. The tool helps the company in taking decision to replace or relocate the unviable ATMs and invest in profitable ATMs with higher footfalls. Thus, the tool is useful for analysis, report generation and for sharing with the customers, investors and the management. In brief, both the tools help EPS in monitoring, gathering information, capturing details about the incidences and finally help the management with the analysis and decision-making.

Challenges Galore

As EPS has been growing at a rapid pace, it had to encounter several challenges on its journey. Initially, when the company started, the biggest challenge was fund raising. However, the credibility of the leaders came in handy. Mani's long standing association with the bankers, customers, community, vendors, ATM manufacturers, etc., helped in raising the necessary capital. As EPS evolved from a start-up company to a matured company, it witnessed explosive growth. Sustaining the growth momentum in the era of ever increasing operational expenditure is one of the other challenges.

Improving technological developments also accompanied with the rise in the number of frauds. Fraudsters have been using various innovative techniques to grab information and draw money from customers' account. Some of them even indulged in physical stealing of the machine from the site.

Deploying ATMs in rural areas also meant dealing with challenges such as power failures, fear of technology among rural population, etc. As rural areas are deprived of power for around 10–12 hours per day, it would be difficult for ATMs to run in such circumstances. Rural masses also have fear of adopting to new technologies. Most of them being illiterate would not be either interested or comfortable using the technology associated with the machines. EPS has to deal with all these challenges on its way to successful deployment of machines.

The Way Forward

Despite the challenges, EPS success formula is driven by its passion, technology and performance. EPS stands for all the professional commitment to all the stakeholders in the ecosystem. Thyagarajan Seshadri, President, Banking Relationship, EPS avers, “EPS is not only one of the very few companies that make things happen, it also makes things better for customers, stakeholders, investors, employees. As EPS moves on to the next platform, the company would be looking at acquiring companies, entering into other areas of payment systems, etc.”²⁷ EPS has acquired 100% stake in CISB ATM Services Pvt. Ltd., (joint venture between CISB and EPS), thereby making it a wholly-owned subsidiary of EPS.²⁸ New initiatives of EPS include entering into Point of Sale (PoS) space and creating EPSecure, a proprietary and innovative solution of EPS to secure transactions that happen across various transaction mediums such as ATMs, PoS, Mobile Banking, Internet Banking, e-commerce, etc.

As EPS is at an inflection point, opportunities galore for EPS to grow at exponential growth in future. EPS perceives a big picture going forward. EPS is looking at INR1,000 crore turnover in the near term as well as IPO for the benefit of all the stakeholders in the ecosystem. EPS would want to evolve as a professionally managed, fastest growing, payment services company. What it takes for a company like EPS to achieve a turnover of such massive scale when it took a long time for established companies to achieve it? What strategies should be adopted by EPS to achieve its targeted revenues? How can EPS maintain the sustained growth momentum and achieve its vision of emerging as leading provider of technology solutions in the Retail Banking & Payments System?

Assignment Questions

- I. Trace the emergence of new business opportunities for the ATM Managed Services and Outsourcing industry vis-à-vis Government of India’s financial inclusion initiatives.
- II. Based on the information provided in the case study, analyze EPS’ business model. How significant has been the role of leadership in building a successful business in the ATM Managed Services and Outsourcing industry?
- III. What are the challenges that EPS faces and how can it overcome these challenges? What should be the ideal strategy for EPS to achieve its vision of becoming one of the leading players in the Indian ATM Managed Services and Outsourcing industry?

Mandatory Readings/Viewings

- Visit <http://electronicpay.in/> – To have a better understanding of the company being discussed in the classroom
- Students should also have an understanding of the following concepts:
 - Michael Porter’s Five Forces Model
 - Operations Model
 - Revenue Model
 - Business Model
 - SWOT Analysis

²⁷ Personal Interview conducted with Thyagarajan Seshadri, President – Banking Relationship, EPS by ET CASES, March 22nd 2016

²⁸ “EPS Acquires 100 Percent Stake in CISB ATM Services Pvt. Ltd.”, <http://businesswireindia.com/news/news-details/eps-acquires-100-percent-stake-cisb-atm-services-pvt-ltd/47079>, January 27th 2016 (accessed date: May 20th 2016)

- Students/participants should also view the following videos wherein the senior personnel from EPS share EPS' growth story and also explain the company's business analytics tool:
 - “ET CASES Case Suite on ‘Evolution of the Indian ATM Industry and the Role of EPS’ with Richard Canday”, https://www.youtube.com/watch?v=VkxVv5FXM_Q, August 30th 2016
 - “ET CASES Case Suite on ‘Indian ATM Industry, EPS and Mani Mamallan’s Experience as an Entrepreneur’ with Mani Mamallan”, <https://www.youtube.com/watch?v=6owqLBUK2vI>, August 30th 2016
 - “ET CASES Case Suite on ‘Evolution of the Indian ATM Industry and the Role of EPS’ with Prakash Joshi”, <https://www.youtube.com/watch?v=SQ7pLwMSCNw>, August 30th 2016
 - “ET CASES Case Suite on ‘Evolution of the Indian ATM Industry and the Role of EPS’ with S. Thyagarajan”, <https://www.youtube.com/watch?v=BaUKROVLKmU>, August 30th 2016
 - “ET CASES Case Suite on ‘Evolution of the Indian ATM Industry and the Role of EPS’ with Vidya Mani Mamallan and Manpritt Kkomal”, <https://www.youtube.com/watch?v=mIuBIsgPdME>, August 30th 2016
 - “ET CASES Case Suite on ‘Evolution of the Indian ATM Industry and the Role of EPS’ with Aditya Saavant”, <https://www.youtube.com/watch?v=wSGykhvgAVA>, August 30th 2016
 - “ET CASES Case Suite on ‘Evolution of the Indian ATM Industry and the Role of EPS’ with Rohit Jain”, <https://www.youtube.com/watch?v=tTPBT37knVY>, August 30th 2016

Annexure I: ATM Managed Service Providers Awarded with the MoF Project of ATM Deployment

-  Accura Infotech
-  AGS Transact Technologies
-  Electronic Payment and Services (P) Ltd.
-  Financial Software and Systems
-  FIS Global
-  Hitachi Payment Services/Prizm Payment Services
-  Mphasis Payment Managed Services
-  NCR Corporation
-  Tata Communications Banking Infra Solutions

Source: “Hughes bags Rs. 200 crore contracts for ministry of finance ATM project”, http://www.telecomtiger.com/Broadband_fullstory.aspx?storyid=16381§ion=S212, December 12th 2012 (accessed date: April 12th 2016)

Annexure II: EPS' Valued Clientele



Source: "Our Valued Clientele", <http://electronicpay.in/our-valued-clientele.html> (accessed date: June 18th 2016)

Annexure III: EPS' Industry Associations' Affiliation



Source: "Industry Associations", <http://electronicpay.in/industry-associations.html> (accessed date: June 18th 2016)

Annexure IV: EPS' Awards and Recognitions

April 2016

Mani Mamallan, Founder of EPS nominated as the international **'ATM Industry Champion'** from India, by the global ATM Industry Association (ATMIA) in April 2016.

EPS featured as the **'Most Promising Payment Solutions Provider in India'** by *ERP Insights* Magazine in April 2016, India.

EPS featured in the cover story **'25 Fastest Growing Startup Companies in India'** of *The CEO* Magazine in April 2016, India.

March 2016

EPS received an **'Award of Excellence'** by HUGHES Communications for deploying 5000 ATMs in the fastest time since company inception in March 2016, India.

February 2016

EPS was honored with the award of **'Best ATM Managed Services Provider'** at the Payment & Cards Summit 2016, Mumbai, India.

January 2016

The global ATM Industry Association (ATMIA) nominated EPS as the **'Member of the Month'**.

December 2015

Mani Mamallan, Founder of EPS was acknowledged as **'The Architect behind Indian ATM Systems'** and honored with the **'Entrepreneur of the Year 2015'** award by Silicon India.

December 2015

EPS was honored with the award of **'Best ATM Service Provider'** at the 3rd Annual Financial Inclusion & Payments Summit in Delhi, India.

November 2015

EPS was honored with **'India's Most Trusted Brand Awards 2015'** under the category of **Electronic Payment Services** organized by IBC InfoMedia Pvt. Ltd., a division of USA TV News Corporation, USA.

October 2015

EPS was honored as the **'Consultant of the Year 2015'** for **ATM Outsourcing and Managed Services** by leading B2B magazine *Consultants Review*

September 2015

EPS won the Bank of Baroda tender for **650 ATMs** end-to-end deployment services across India.

June 2015

Our ATM Managed Services Center successfully acquired ATM monitoring business of **2000 ATMs** from NCR.

September 2014

EPS won the Canara Bank tender for **1200 ATMs** end-to-end deployment services across India.

July 2014

EPS successfully launched an **ATM Managed Services Center (24x7)**

Source: Company documents

Annexure V: EPS' Technology and Service Partners

EPS' Technology Partners



EPS' Service Partners



Source: "Technology & Service Partners", <http://electronicpay.in/technology-service-partners.html> (accessed date: June 18th 2016)

TEACHING NOTE

Electronic Payment and Services (P) Ltd.: Revolutionizing the Indian ATM Industry

Synopsis

This case study focuses on the entrepreneurial journey of Electronic Payment and Services (P) Ltd. (EPS), in the backdrop of 'Indian ATM Managed Services and Outsourcing Industry'. Focusing on EPS, it helps understand the nuances of business and revenue model of players in the Indian ATM Managed Services and Outsourcing Industry. The case study gives an overview of the working of the industry in general and that of EPS in particular. Besides, it discusses the challenges faced by the company despite it being a successful startup and suggests ways in which EPS can overcome these challenges. It also gives an opportunity to use theoretical frameworks such as Michael Porter's Five Forces Model, SWOT Analysis, etc.

This Teaching Note was prepared by Vandana Jayakumar and Y. Bala Bharathi, ET CASES, after classroom adaptation. It is only an illustrative orchestration of the case study 'Electronic Payment and Services (P) Ltd.: Revolutionizing the Indian ATM Industry'. It is never meant to limit the learning outcomes, nor does it suggest in any way being the best possible outcome or decision approach.

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Prerequisite Conceptual Understanding/Before the Classroom Discussion/Viewing

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- Students should also have an understanding of the following concepts:
 - Michael Porter’s Five Forces Model
 - Operations Model
 - Revenue Model
 - Business Model
 - SWOT Analysis
- Students/participants should also view the following videos wherein the senior personnel from EPS share EPS’ growth story and also explain the company’s business analytics tool:
 - “ET CASES Case Suite on ‘Evolution of the Indian ATM Industry and the Role of EPS’ with Richard Canday”, https://www.youtube.com/watch?v=VkxVv5FXM_Q, August 30th 2016
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 - “ET CASES Case Suite on ‘Evolution of the Indian ATM Industry and the Role of EPS’ with Rohit Jain”, <https://www.youtube.com/watch?v=tTPBT37knVY>, August 30th 2016

Mandatory Viewing for the Faculty (provided along with the Teaching Note)

- “Electronic Payment and Services (P) Ltd.: Revolutionizing the Indian ATM Industry – Interview with Mani Mamallan”, July 22nd 2016
- “Electronic Payment and Services (P) Ltd.: Revolutionizing the Indian ATM Industry – Interview with Prakash Joshi”, July 22nd 2016

Suggested Reading for the Faculty

- Mark W Johnson, et al., “Reinventing your Business Model”, *Harvard Business Review*, December 2008 – To examine the elements of a successful business model

Case Positioning and Setting

- This case study can be suitably used for MBA Program in Banking and Financial Services – To understand the nuances of operations, revenue and business model of players in the Indian ATM Managed Services and Outsourcing Industry
- This case study can also be used for MBA Program on Startups and Entrepreneurship – To discuss the entrepreneurial journey of Mani Mamallan, the Founder, Chairman & Managing Director of EPS
- This case study can also be used in Management/Executive Development Programs – To understand the dynamics of the Indian ATM Managed Services and Outsourcing Industry

Assignment Questions

- I. Trace the emergence of new business opportunities for the ATM Managed Services and Outsourcing industry vis-à-vis Government of India’s financial inclusion initiatives.
- II. Based on the information provided in the case study, analyze EPS’ business model. How significant has been the role of leadership in building a successful business in the ATM Managed Services and Outsourcing industry?
- III. What are the challenges that EPS faces and how can it overcome these challenges? What should be the ideal strategy for EPS to achieve its vision of becoming one of the leading players in the Indian ATM Managed Services and Outsourcing industry?

Preamble to the Case Analysis

This case study focuses on the entrepreneurial journey of Electronic Payment and Services (P) Ltd. (EPS) in the backdrop of the Indian ATM Managed Services and Outsourcing Industry. The discussion of the case study is structured to capture the business as well as revenue models of EPS while also highlighting the dynamics of the Indian ATM Managed Services and Outsourcing Industry. The discussion began with an analysis of the industry in general and then narrowed down to EPS, one of the prominent players in the industry. Thereafter, the discussion focused on EPS’ growth story and concluded with suggestions for the company in its way forward. The main discussion points have been captured in Exhibit (TN)-I.

Exhibit (TN)-I: Discussion Dashboard					
Analysis Segment	I. ATM Managed Services and Outsourcing Industry	II. EPS – Operations Model, Revenue Model, Business Model, Factors leading to EPS’ Success	III. EPS – Challenges, Solutions and the Way Forward	Wrapping Up/ Debriefing	
Relevant Section of the Case Study	<ul style="list-style-type: none"> ATM Industry Landscape Indian ATM Outsourcing Drive 	<ul style="list-style-type: none"> Mani Mamallan: The Architect behind Indian ATM Systems Electronic Payment and Services (P) Ltd.: A Dedicated Deployer Setting New Standards Ensuring Efficient Operations EPS’ Centralized Managed Services Center: Monitoring, Analyzing and Reporting 	Challenges Galore: The Way Forward	Learning outcomes from the discussion	
Discussion Points	<ul style="list-style-type: none"> Dynamics of Indian ATM Managed Services and Outsourcing industry Value Chain Architecture of the Industry Role of ATM Deployment and Outsourcing Companies in the Industry Value Chain Competitive Analysis Key Drivers for the Indian ATM Managed Services and Outsourcing Industry 	<ul style="list-style-type: none"> Operations Model Business Model Revenue Model Contributing Factors towards EPS’ Phenomenal Growth – Role of Leadership 	<ul style="list-style-type: none"> EPS’ Challenges and Proposed Solutions EPS SWOT Analysis Framework on Competitive Strategies for Leaders, Followers and Challengers 		
Anchor Point Discussion	Michael Porter’s Five Forces Model	Analyzing EPS vis-à-vis the four elements of a successful business model	Framework on Competitive Strategies for Leaders, Followers and Challengers		
Expected Learning Outcome	To understand the dynamics of the Indian ATM Managed Services and Outsourcing Industry	To understand EPS as a company in terms of its operations, revenue and business models	The ways in which EPS could achieve its vision of being the leading player of the Indian ATM Managed Services and Outsourcing Industry		
Suggested Duration	20 minutes	25 minutes	10 minutes		5 minutes
Source: Based on classroom discussion					

Case Analysis

I. ATM Managed Services and Outsourcing Industry – Industry Analysis

In this section, the discussion was focused on understanding the dynamics of the Indian ATM Managed Services and Outsourcing Industry. This helped in setting the background for a discussion on EPS as one of the players of the industry.

The discussion started by asking the students/participants few generic questions about their experience at an ATM kiosk –

What all do you see at an ATM kiosk, who owns the ATM kiosk, do banks manufacture their own ATMs, how does cash replenishment happen in an ATM, etc.?

↓

Based on students'/participants' responses, it was concluded that their understanding of the industry was limited to the information provided in the case study. However, with this warming up exercise, the students/participants were prepared to analyze the dynamics of Indian ATM Managed Services and Outsourcing industry.

↓

Analyze the value chain architecture of the ATM Industry vis-à-vis position of ATM Managed Service providers in this supply chain.

↓

The ATM industry supply chain encompasses several processes and players at each level. ATM Managed Services and Outsourcing companies are an integral part of the ATM industry value chain [Exhibit (TN)-II].

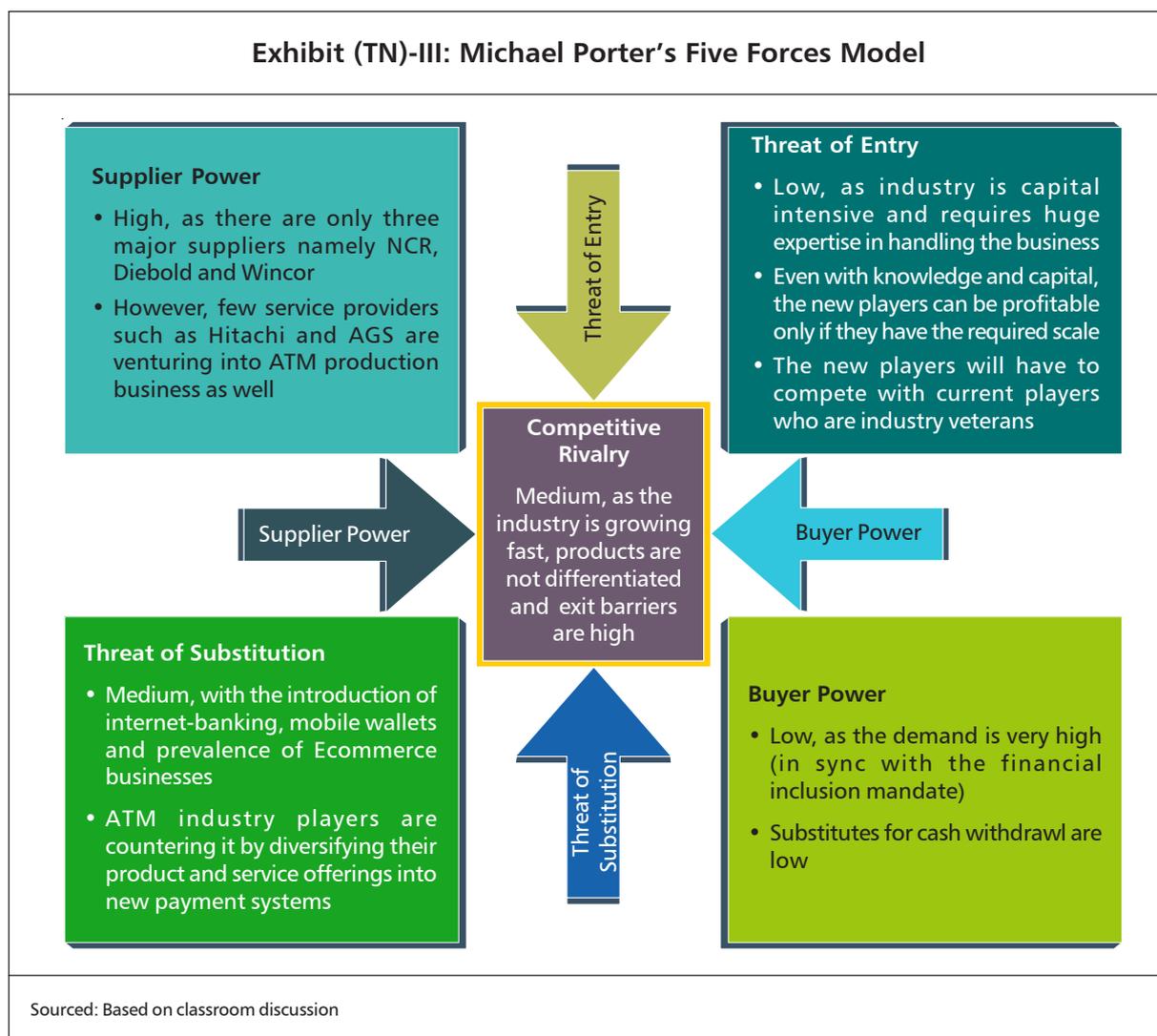
Exhibit (TN)-II: Role of ATM Managed Services and Outsourcing Companies in the Industry Value Chain
<ol style="list-style-type: none"> 1. Managed service providers such as Electronic Payment and Services (P) Ltd. (EPS), Fidelity National Information Services (FIS), Financial Software and Systems (FSS), Hitachi Payment Services/Prizm Payment Services, etc., play a crucial role particularly vis-à-vis Government of India's push on universal financial inclusion which requires the banks to spread their ATM network focusing on the OPEX model as against the CAPEX model 2. ATM Managed Services and Outsourcing providers are present at several stages of the ATM Industry Value chain. Most of the players are present in 80% of the value chain
Source: Based on classroom discussion

Government of India's financial inclusion initiatives and the emerging business opportunities:

- As per the financial inclusion initiatives of the Government of India, the banks were expected to bring the unbanked population from rural areas as well as from the weaker sections of the society within the banking ambit, which would be useful in executing the direct benefit transfer schemes of the government.

- In 2014, the *Pradhan Mantri Jan Dhan Yojana* (PMJDY) was launched with the aim of providing financial services such as availability of basic savings bank account, access to need based credit, remittances facility, insurance and pension to weaker sections of the society, etc.
- Last mile financial inclusion could be achieved with the use of affordable technological infrastructure as against opening up brick-and-mortar bank branches. This could be achieved by large scale ATM deployment
- Also, the banks were urged to use the OPEX model as against the CAPEX model for large-scale ATM deployment wherein banks could outsource their ATM deployment and management activities to outsourcing companies
- Thus, the financial inclusion initiatives helped banks penetrate deeper and earn more profits while also throwing open opportunities for the ATM Managed Services and Outsourcing Industry

Having understood the significant role of ATM deployment companies, the discussion was then focused on the competitive landscape of the ATM Managed Services and Outsourcing industry. Michael Porter’s Five Forces model was used for competitive analysis of the ATM Managed Services and Outsourcing Industry [Exhibit (TN)-III].



Next, the class was asked to identify and debate on the growth drivers for the players in the Indian ATM Managed Services and Outsourcing industry, based on the information provided in the case study [Exhibit (TN)-IV].

Exhibit (TN)-IV: Key Drivers for the Indian ATM Managed Services and Outsourcing Industry
<ul style="list-style-type: none"> • Large unbanked population • Demand-Supply Gap • Financial Inclusion Initiatives of the Government of India • Investments in the sector • White Label ATMs and Payment Banks
Source: Based on classroom discussion

Having discussed the industry dynamics, the students/participants were prepared to analyze EPS as one of the important players in the Industry.

II. EPS – Operations Model, Revenue Model, Business Model, Factors leading to EPS' Success

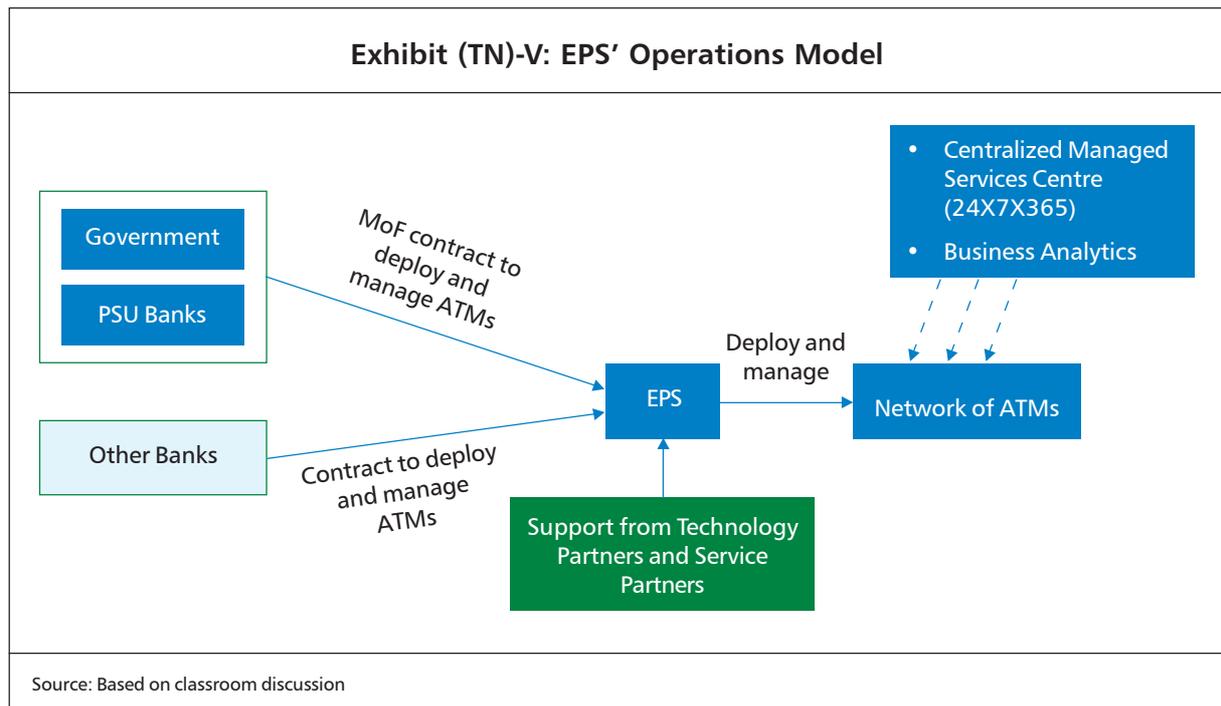
The discussion in this section was aimed at understanding EPS as a company. An analysis of the company would help identify the factors that have led to the success of this entrepreneurial venture. The following points were discussed in this section:

- Operations Model – Centralized Managed Services Centre
- EPS – Business Model
- EPS – Revenue Model
- Contributing factors towards EPS' phenomenal growth

EPS' Operations Model

EPS works in tandem with other members of the value chain in delivering value to its customers [Exhibit (TN)-V].

- EPS' customers are mainly Public Sector Banks
- It procures ATM kiosks from its technology partners i.e., NCR, Diebold, Wincor Nixdorf, Hughes, Vortex and Numeric
- It has also tied up with service partners such as CMS, Active Secure, Logcash, etc., for services such as cash replenishment, assigning security guards, etc.
- It deploys and manages a network of ATMs for its clients which are constantly monitored by its Centralized Managed Services Centre (24x7x365)
- EPS earns revenues for every transaction that the banks' customers make at the ATM

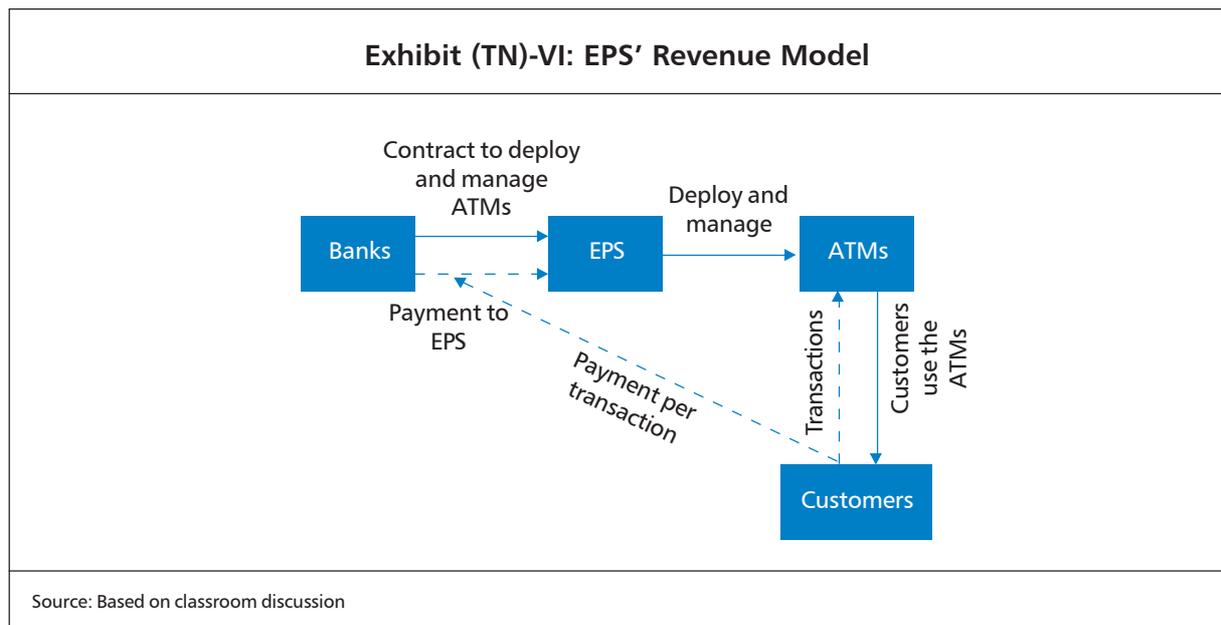


This led the students/participants to a discussion on EPS' revenue model.

EPS' Revenue Model

EPS' revenues increased from INR8 crore in FY2013 to INR170 crore in FY2016, indicating a robust revenue model. EPS has a transaction-based revenue model i.e., EPS earns money every time a customer makes a transaction at the ATM [Exhibit (TN)-VI].

$$\text{Revenue} = \text{Fee per Transaction} \times \text{Volume of Transactions}$$



Fee per transaction being fixed at INR11.9, higher the number of transactions, higher the revenues. At the same time, lower the cost per transaction, higher the margins for EPS [Exhibit (TN)-VII].

Exhibit (TN)-VII: Costs Involved in Operating an ATM Kiosk	
Capital Expenditure	Cost of ATM site infrastructure
Operational Expenditure	Cash replenishment expenses, stationery costs, lease/rent costs, security guard/care taker expenses, electricity expenses, connectivity charges, network & switching costs, etc.
Source: Based on classroom discussion	

After a discussion on EPS' Operations and Revenue Models, the students/participants were prepared to analyze EPS' business model.

EPS' Business Model

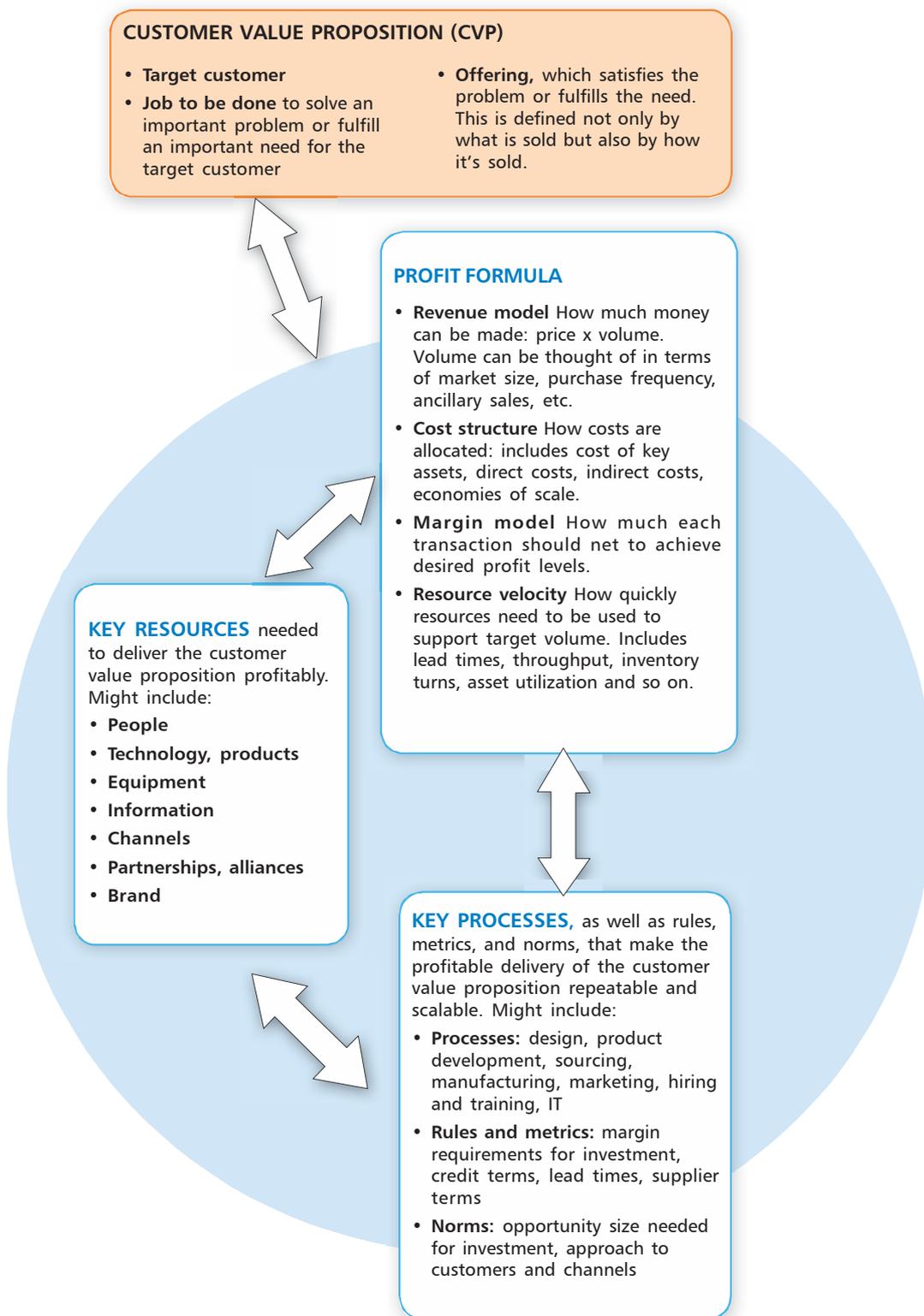
EPS Business model was analyzed using a framework given in the *Harvard Business Review* article, "Reinventing your Business Model", cited as suggested reading for the faculty. As per the article, business model comprises of four inter-related elements that help build value for the organization – customer value proposition, profit formula, key resources and key processes [Exhibit (TN)-VIII].

- **Customer Value Proposition:** How does the company create value for its customers? How does the company help the customer in getting a job done?
- **Profit Formula:** How does the company create value for itself in the process of creating value for the customer?
- **Key Resources:** Resources needed to deliver the customer value proposition profitably – key elements that create value for the customer and the company and how do those elements interact
- **Key Processes:** Operational and Managerial Processes enabling the company to deliver value that can be successfully repeated and scaled-up

EPS' business model was compared with the *HBR* framework on elements of a successful business model for analysis [Exhibit (TN)-IX].

Based on business model analysis, it was concluded that while most of the elements of the business model were effectively used in successful operations of the company, EPS had to focus on branding to be able to be successful in the era of White Label ATMs.

Exhibit (TN)-VIII: The Elements of a Successful Business Model



Source: Mark W. Johnson, et al., "Reinventing Your Business Model", *Harvard Business Review*, December 2008

Exhibit (TN)-IX: Analyzing EPS' Business Model

CUSTOMER VALUE PROPOSITION (CVP)

Target customer – Banks

Job to be done – ATM deployment and management for banks, particularly in rural areas

Offering – Helping banks with the non-core activity of ATM deployment and management in a given time frame on a pay-per-transaction payment model

PROFIT FORMULA

Revenue model – (Price x Volume) – Pay-per-transaction revenue model

Cost structure – Cost of key resource for the business model i.e., a functional ATM unit - cost of deployment and management of ATMs is high and it takes close to 2 years for each ATM unit to achieve the break-even [Exhibit (TN)-VII]

Margin model – Margins can be gained only after the costs are recovered. For achieving higher margins, the volume of transactions has to be quite high

Resource velocity – To achieve expected volume and profits, ATMs to be deployed in places which are likely to have a higher footfall and ATM deployed in sites with lower footfalls have to be relocated to higher footfall areas.

KEY RESOURCES

People – The leadership team includes industry veterans, supported by a 170 member strong team of business and technical personnel

Technology/Products/Services – ATM operations and outsourcing services, transaction-processing services, ATM managed services (24x7x365) centre, card management services, PoS, EPSecure, Business Intelligence tools, etc.

Equipment – EPS sources equipment from well-established ATM manufacturers such as NCR, Diebold, Wincor, Vortex, etc.

Channels – It delivers value to the customers through the ATM channel and aims to operate in all the emerging payment channels

Partnerships – It has collaborated with leading technology and service partners such as NCR, Diebold, CMS, Logicash, etc.

Alliances – EPS plays a significant role in ATMIA (global ATM industry association) and is also a member of significant and relevant industry associations such as the Confederation of Indian Industry (CII), Internet and Mobile Association of India (IAMAI) and the Payments Council of India (PCI)

Brand – While EPS has been successful in having nearly 26 Public Sector Banks as its customers, it does not have a brand recall in relation to the end customer. It will have to build the EPS brand, which would be particularly helpful if it ventures further in the field of White Label ATMs

KEY PROCESSES

Processes - EPS being a professionally driven organization, the company has designated departments – Operations, Banking Relations, Services, Technology, Marcom, Admin and HR – To carry out all the processes required in the delivery of value to the customers i.e., banks

Rules and Metrics - EPS has necessary funds to make right investments to augur its growth potential. EPS is in good credit terms with the manufactures or suppliers

Norms – Given the promising growth in the 5 years of its inception, it has the prerequisites to attract investment. EPS has been attracting investments from national and international investors.

Source: Based on classroom discussion

Factors leading to EPS' Success

At this point, the discussion was steered towards the factors that led to the success of the entrepreneurial venture. Some of the major factors that were discussed in this section include:

- Favorable business environment
- Role of leadership
- Business models and technological tools
- EPS' agile business practices

Favorable Business Environment

- EPS was launched at a time when the Government of India stepped up its efforts in achieving universal financial inclusion initiatives
- There was a focus on OPEX model as against the CAPEX model for ATMs, which made the banks to outsource ATM Deployment and Management, 'ATM Managed Services and Outsourcing Industry' being the biggest beneficiary
- India's favorable economic growth rate of 7%¹

Role of Leadership

While EPS is a startup, its leadership team comprises of industry veterans who have played significant role in the growth and evolution of the Indian ATM industry (Exhibit VI of the case study). Its team of professionals have a combined industry experience of more than 140 years² [Exhibit (TN)-X].

The creditworthiness of company's leadership team was instrumental in the company bagging the MoF project for ATM deployment alongside strong industry players such as Tata Communications Banking Infra Solutions, NCR Corporation, etc.

¹ "Hitachi rolls out 'Make in India ATMs' through new manufacturing company, investing Rs. 1 billion", http://www.indiaonline.com/article/news-business/hitachi-rolls-out-make-in-india-atms-through-new-manufacturing-company-investing-rs-1-billion-116031700295_1.html, March 17th 2016 (accessed date: April 15th 2016)

² Amit Tiwari, "Prakash Joshi, COO, EPS, talks about Financial Inclusion and How EPS is going to revolutionize ATM and payments industry?", <http://techstory.in/electronic-payment-services/>, December 9th 2015 (accessed date: May 27th 2016)

Exhibit (TN)-X: EPS' Leadership Team

Compiled by the authors

Business Models and Technological Tools

- Transaction-based revenue model
- Lean ATM business model
- Business intelligence tools (analytics)
- EPSecure

EPS' Agile Business Practices

EPS won several awards in the short span since its inception in 2011 (Annexure IV of the case study), indicating company's proficiency in its core business activity. EPS' list of awards and recognitions indicate the following attributes of its service delivery:

- Speedy execution of projects
- Quality of service
- Commitment towards work and customers so as to build the required trust
- Exceptional working methodologies
- Unique innovative practices
- Efficient deployment of ATMs

While EPS has several awards and recognitions to its credit, it faces many challenges. The next section of the classroom discussion focused on EPS' challenges and the probable solutions.

III. EPS – Challenges, Solutions and the Way Forward

In this section, the discussion was focused on identifying the challenges being faced by the company despite its good growth over the years. This was followed by EPS' SWOT analysis, which would help set the background to identify the ways in which EPS could achieve its vision of being the leading player of the 'Indian ATM Managed Services and Outsourcing Industry'.

Based on the information provided in the case study, the students/participants listed out the challenges being faced by EPS. The class also discussed the possible solution to those challenges as shared by the senior personnel from the company in video interviews, cited as mandatory viewing for the faculty in the beginning of this teaching note [Exhibit (TN)-XI].

Exhibit (TN)-XI: EPS' Challenges and Solutions	
Operational Challenges	Solutions
Interruptions in power supply in rural areas	Providing 8–12 hours battery backup
Theft of ATM unit	Tracking through GPRS mechanisms
Tackling with newer ways of ATM frauds	Being proactive in finding ways to counter the newer ways of ATM frauds
Fear of technology among the rural population	Liasoning with banks to divert the traffic to ATMs and handholding and training the rural masses to use technology
Increase in operational expenditure in physically addressing technical glitches at ATMs	As against human intervention to address the technical glitches, EPS could deploy Internet of Things (IoT) and software-automated processes such as remotely monitored IoT sensors and run machines on lower operational expenditure model
Strategic Challenges	Solutions
Lesser use of physical cash	Venture into other payment systems
Ever evolving technological environment	Being proactive in technological upgradations
Sustaining the fast paced growth of EPS in particular and the industry in general	Inorganic growth through mergers and acquisitions (the company had already acquired 100% stake in CISB ATM Services Pvt. Ltd. in January 2016)
Based on classroom discussion	

Having debated on the challenges and possible solutions, the discussion moved on to the ideal strategy for EPS to achieve its vision of becoming one of the leading players in the Indian ATM Managed Services and Outsourcing industry. For this, the class was asked to attempt EPS' SWOT Analysis to set the required background [Exhibit (TN)-XII].

Exhibit (TN)-XII: EPS' SWOT ANALYSIS	
<p style="text-align: center;">Strengths</p> <ul style="list-style-type: none"> • Founded and led by industry veterans who have decades of experience in the industry • Creditworthy clientele • Significant presence across industry associations • Dedicated monitoring Center (ATM Managed Services Centre – 24x7x365) • Effective technology – Business intelligence tools which help the management in analysis and decision making 	<p style="text-align: center;">Weaknesses</p> <ul style="list-style-type: none"> • Insufficient branding • Most of its clients are Public Sector Banks while there is huge business opportunity with private sector banks as well • There is still some time before EPS ventures into White Label ATM space • Lack of global footprint
<p style="text-align: center;">Opportunities</p> <ul style="list-style-type: none"> • Huge gap between demand and supply of ATMs as well as PoS • Push for universal financial inclusion by the RBI • Possibilities of inorganic growth • RBI granting licenses to 11 payment banks and Small Finance Banks will increase the number of debit cards and the need for a larger acceptance infrastructure • Use of ATMs for providing various value-added services • Exploring overseas markets 	<p style="text-align: center;">Threats</p> <ul style="list-style-type: none"> • With the flourishing e-commerce business and subsequent higher prevalence of mobile banking, internet banking, lesser usage of cash • Owing to lack of branding, it might lose out in competition in White Label ATMs space • Threat of Competition
Based on classroom discussion	

For EPS to achieve its vision of becoming one of the leading players in the Indian ATM Managed Services and Outsourcing Industry, it would have to beat the competition and emerge as a leader, considering that EPS is currently a challenger in the industry. The discussion can be carried out by using a framework on competitive strategies for leaders, followers and challengers [Exhibit (TN)-XIII].

Exhibit (TN)-XIII: Framework on Competitive Strategies for Leaders, Followers and Challengers				
Strategic Position of the Firm	Stage of Industry Development			
	Introduction	Growth	Maturity	Decline
Leader	<ul style="list-style-type: none"> • Fast grow • Startup 	<ul style="list-style-type: none"> • Keep ahead of the field • Discourage other possible entrants • Raise entry barriers • Develop a strong selling proposition and competitive advantage • 'Lock-in' distributors • Advertise extensively 	<ul style="list-style-type: none"> • Hit back at challengers • Manage costs aggressively • Raise entry barriers further • Increase differentiation • Encourage greater usage • Search for new uses • Harass competitors • Develop new markets • Develop new products and product variations • Tighten control over distributors 	<ul style="list-style-type: none"> • Redefine scope • Divest peripherals • Encourage departures • Squeeze distributors • Manage costs aggressively • Increase profit margins
Challenger	<ul style="list-style-type: none"> • Startup • Differentiate • Fast grow 	<ul style="list-style-type: none"> • Enter early • Price aggressively • Develop a strong alternative selling proposition • Search for the leader's weaknesses • Constantly challenge the leader • Identify possible new segments • Advertise aggressively • Harass the leader and followers 	<ul style="list-style-type: none"> • Exploit the weaknesses of leaders and followers • Challenge the leader • Leapfrog technologically • Maintain high levels of advertising • Price aggressively • Use short-term promotions • Develop alternative distributors • Take over smaller companies 	<p>If the challenging strategy has not been successful, manage the withdrawal in the least costly way to you but in the most costly way to others</p>
Follower	<ul style="list-style-type: none"> • Startup • Differentiate • Focus • Fast grow 	<ul style="list-style-type: none"> • Imitate at lower cost if possible • Search for joint ventures • Maintain vigilance and guard against competitive attacks • Look for unexploited opportunities 	<ul style="list-style-type: none"> • Search for possible competitive advantages in the form of focus or differentiation • Manage costs aggressively • Look for unexploited opportunities • Monitor product and market developments 	<ul style="list-style-type: none"> • Search for opportunities created by the withdrawal by others • Manage costs aggressively • Prepare to withdraw

Compiled by the authors from "Framework on competitive strategies for leaders, followers and challengers", <http://www.spookybin.com/study-zone/marketing-for-beginners/competition-analysis/framework-competitive-strategies-leaders-followers-challengers/> (accessed date: May 27th 2016)

Assuming that the ATM Managed Services and Outsourcing industry was in the maturity stage, and EPS a challenger in the industry, EPS could achieve its vision of becoming a leader by:

- Leveraging its technological capabilities
- Creating a robust EPS brand
- Inorganic growth through mergers and acquisitions
- Venturing into all payment domains
- Focusing on the rural market

Further, the payments landscape in India is at a point of inflection, with consumer behavior, government/regulatory initiatives and investor appetite in accord. Going forward, EPS would want to operate in the entire value chain of payment space. As EPS is a Payment Systems company, it would want to expand its foothold everywhere related to payments in the banking industry. It wants to operate in the entire value chain from payment initiation to payment delivery from customer acquisition to customer transaction processing (issue cards), customer back office, customer transaction routing, transaction settlement, etc.

Wrapping Up/Debriefing

The last five minutes of the classroom discussion were spent on highlighting the main points related to the EPS case study – the growing ‘Indian ATM Managed Services and Outsourcing Industry’ and the opportunities that it presented for the players.

Big Picture

The successful entrepreneurial journey of EPS demonstrated how a technological and services startup could scale greater heights within a short time span with an optimum combination of an effective business model, well-experienced leadership team, agile business practices and the ability to convert the opportunities provided by a favorable business environment.

Additional Reading

- Vandana Jayakumar and Y. Bala Bharathi, “Evolution of the Indian ATM Industry and the Role of Electronic Payment and Services (P) Ltd.”, <http://www.etcases.com/evolution-of-the-indian-atm-industry.html>, March 2016

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