

BTI Payments Private Limited (REVISED)

Instruments	Amounts	Ratings
	(Rs. Crore ¹)	July 2016
Short-term fund based facilities	175.00	[ICRA]A1 (SO) / assigned

ICRA has assigned a short term rating of [ICRA]A1 (SO) [pronounced ICRA A one (Structured Obligation)]² to the Rs.175.00 crore short-term fund based facilities of BTI Payments Private Limited (BTI/ the company).

The letter SO in parenthesis suffixed to the rating symbol stands for Structured Obligation. An SO rating is specific to the rated issue, its terms, and its structure. "SO" ratings do not represent ICRA's opinion on the general credit quality of the issuers concerned. The SO rating is based on the strength of the operational mechanism in place, which is designed to ensure servicing of the rated facilities with minimal intervention by the company.

Transaction Structure

BTI opens a current account with each of its sponsor banks for receipt of funds from National Payment Corporation of India (NPCI)³ on a daily basis; funds received into each of these current accounts pertains to a set of BTI White Label ATMs (WLA) earmarked for it. These current accounts are credited by sponsor bank which receives the NPCI settlement to the extent of the amount of funds disbursed to customers through BTI WLAs sponsored by the bank on the following day, i.e, T+1 cycle (RTGS settlement day). BTI then gives RTGS instructions for transfer of the requisite funds from its current accounts to its overdraft account with each of its working capital lending banks (some of which are also sponsor banks). BTI again draws funds from the overdraft account for replenishment of cash in its WLAs. The lending banks have pari passu charge on the ATM cash and NPCI receivables.

Company Profile

Incorporated in 2006, BTI was established as a wholly owned subsidiary of Banktech Group based out of Sydney in Australia. With its head quarters in Bangalore, BTI commenced its operations by managing Point of Sale (POS) terminals before diversifying into brown label ATM deployment. In the year 2013, BTI had received in-principle approval from the RBI to deploy WLAs across India. During FY2014, IDBI Trusteeship Services Limited (fund managed by ICICI Venture Capital Management Company Limited) invested in BTI and acquired a shareholding of 48.95%. Under the WLA business, the company launched its first ATM under the brand 'India1' in Gubbi - a town in Tumkur District in the state of Karnataka on April 9, 2014 after receiving final approval from RBI during February, 2014. BTI has expanded its WTA fleet from 1,154 in March 2015 to 3,416 in March 2016. As of June, 2016, the company had 3,797 WLAs installed across different states in the country and is mandated to set up a total of 9,000 ATMs by FY2017. The company is also involved in operating about 8,000+ POS terminals supporting five banks in South India and is a managed service provider for 700+ ATMs for three South based banks.

The ratings reflects the inherent strength of the overdraft facility being rated, and the short fund flow cycle of the company, wherein the funds drawn under the overdraft facility get repaid to the overdraft bank at a priority pursuant to the settlement proceeds received from the daily settlement from NPCI. The rating also takes into account the longstanding experience of the promoter group (The Banktech Group, Australia) in the White Label ATM (WLA) industry, healthy market share of the company in the Indian WLA market (27% as of June 2016) and strong geographical diversification with the company currently having presence in 11 states across the country. BTI has deployed the highest number of incremental WLAs and was amongst the top five incremental ATM deployers in the country during FY2016. The Government's focus on financial inclusion through higher debit card issuances under the RuPay scheme, Pradhan Mantri Jan Dhan Yojna (PMJDY), Direct Benefit transfer (DBT) for Mahatma Gandhi National Rural Employment Guarantee Act (MNREGA), fertilizer subsidy, kerosene subsidy, LPG subsidy, launch of payment banks and small finance banks; and enhanced focus on

¹ 100 lakhs = 1 crore = 10 millions

² For complete rating scale and definitions, please refer ICRA's website (www.icra.in) or other ICRA Rating Publications

³ NPCI is the settlement body responsible for all the ATM transactions across the country.



under-banked areas is expected to provide impetus for ATM transaction growth across the country in the coming years.

The rating is however constrained by the fact that the funds cycle is not entirely automated but is partly dependent on actions to be taken by BTI—the transfer of funds from BTI's current account to the overdraft account needs to be executed by BTI presently. Further, there is reliance on the company's operating cashflow for servicing the interest on the facility. The rating also takes into account the sensitivity of BTI's revenues and profitability to the successful scaling up of ATMs and volume of ATM transactions, the capital intensive nature of the business and BTI's modest scale of operations. BTI currently has a term loan of Rs.75.0 crore outstanding in its books for funding its capital expenditure in addition to an overdraft facility of Rs.305.0 crore to facilitate availability of cash across its WLAs in the country. ICRA also notes the company's business model necessitates high dependence on working capital bank funding for day-to-day operations over the next 4-5 years. Also, any adverse policy changes by the Reserve Bank of India (RBI) pertaining to white label ATMs and escalations in the operating costs could impact the business of the company. Going forward, ability to manage increasing scale of operations while improving profitability parameters and maintaining prudent debt levels would be key rating sensitivities.

Recent Results

BTI had reported a net loss of 68.2 crore on operating income of Rs.87.5 crore during FY2016 as against net loss of Rs.16.6 crore on operating income of Rs.32.1 crore in FY2015.

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