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Brown-label ATMs to be history soon: Tata Communications Payment Solutions head

By PTI | Updated: Nov 29, 2015, 12.04 PM IST Post a Comment

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MUMBAI: Tata Communications Payment Solutions that runs the Indicash brand of white-label ATMs as well as brown-label cash vending machines, feels the era of bank-run ATMs will soon be history as the industry has almost fully moved to third-party run operations mode.

The Tata Group enjoys over 60 per cent market share in the white-label ATM space with over 7,000 machines installed in 20 states, while its brown-label machines count over 13,000 as of now.

Out of these 7,000, as many as 4,000 are in fully unbanked areas. Together the company enjoys over 10 per cent market share in the 2 lakh ATMs market in the country, out of which 1.9 lakh are brown-label machines.

The company's white label ATM count nearly doubled in the past one year alone.



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Tata Metaliks Ltd. BSE -5.60 %	348.50	286.70	463.92
Tata Elxsi Ltd. BSE -1.11 %	1242.45	1012.90	441.25
Voltas Ltd. BSE -1.28 %	360.05	254.95	242.58
Tata Communications Ltd. BSE 1.91 %	620.25	383.40	161.87
Tata Consultancy Services Ltd. BSE 0.44 %	2330.55	1063.05	83.87
Tata Sponge Iron Ltd. BSE -2.64 %	560.05	249.60	80.40
Indian Hotels Company Ltd. BSE 3.17 %	112.85	49.75	78.84

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Trent Ltd. BSE -2.46 %			195.80	67.47	52.58
Tinplate Company of India Ltd. BSE -2.71 %			78.80	26.65	51.10
Tata Chemicals Ltd. BSE -0.07 %			510.80	161.10	46.07
Rallis India Ltd. BSE -2.24 %			208.90	58.65	39.03
Titan Company Ltd. BSE -2.16 %			369.05	87.90	31.26
Tata Investment Corporation Ltd. BSE -3.16 %			547.95	84.30	18.18
TRF Ltd. BSE -7.04 %			246.35	21.70	9.66
Tata Steel Ltd. BSE -0.06 %			403.10	-25.45	-5.94
Tata Coffee Ltd. BSE -2.95 %			119.80	-20.42	-14.56
Tata Global Beverages Ltd. BSE -3.81 %			126.85	-33.60	-20.94
Tata Power Company Ltd. BSE -2.74 %			74.60	-34.65	-31.72
Tata Teleservices (Maharashtra) Ltd. BSE -3.08 %			6.60	-4.12	-38.44

At present, there are 11,000 white-label machines installed by the three operators who got permission from the Reserve Bank to run such machines two years ago.

White-label ATMs are those run by companies like Tata Communications, Muthoot Finance and Prism Payment Services and are available for any bank, while brown-label machines are those owned and branded by banks, but could be operated and maintained by third party operators like the Tata company.



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"Since the past one year or so there has not been many contracts coming in from banks for installing ATMs, especially from the private sector players, which have not installed any single machine on their own. Even the government-owned banks are not doing any great numbers.

"And I feel if the trend continues, which is more likely than not, soon brown-label ATMs will become history. To me it seems that we will also soon be following the rest of the world in this regard", Tata Communications Payment Solutions chief executive Sanjeev Patel told PTI in an interview here.

He argued that it makes no sense for a bank to install ATMs on its own now.

Secondly, there are many other ways to build brands in this era, he said, adding on an average a white-label ATM costs just around Rs 5 lakh, while a brown-label one costs many times more as rentals play a big role in the cost.

Talking about his business, Patel said, he sees tremendous opportunities coming in from the 21 payments and small finance banks which will be launching operations over the next 12 months or so.

The company has already tied up with micro-lender Fino to run their ATMs and sales and service counters.

They are also in discussions with over half a dozen payments bank licensees, Patel added.

When asked whether all the 7,000 white-label machines are running in profit on a standalone basis, Patel did not offer a direct answer saying, it depends on the kind of contract and the location of the machines.

"If the contract is short-term say for a year, then those will be in profit shortly; also it depends on the location."

If an ATM gets 70-100 transactions a day it will be profitable, he said, adding "most of his machines get more than 100 footfalls a day."

Patel said it is high time the banking industry increased the inter-change charges to incentivise third party operators like him.

"The Rs 15 fee per transaction as inter-change fee is too little an incentive for me to install more machines. At least it should move up to Rs 18 per transaction to make it sustainable", he said.

This is all the more important if the government really wants to make the financial inclusion drive meaningful and effective.

"The problem is not about having customers, but about access. For financial inclusion to be meaningful, the government should ensure that an account holder has 24x7 access to his money", Patel argued.

When asked whether they have represented to the government and RBI, Patel said, "many times."

"We have been calling up on the government, the RBI and their industry lobby IBA to revise the fees to make the white-label ATM industry sustainable. But nothing positive has come out so far."

As the inter-change fees remain stagnant at Rs 15 per transaction, he said, the company has devised innovative ways to raise revenue by allowing advertisement on the machines.

There are already 25 brands such as Maruti Suzuki, Zee Learning, Coromandal Fertilisers, and Suzuki Motorcycles, among others, advertising with us.

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