

# IPO Note: Fino Payments Bank Ltd.

Industry: Fintech

Date: October 29, 2021

Issue Snapshot		Issue Break up	
Company Name	Fino Payments Bank Ltd.	QIB ex Anchor	30% 6,225,094
Issue Opens	October 29, 2021 to November 02, 2021	Anchor Investor	45% 9,337,641
Price Band	Rs. 560 to Rs. 577	HNI	15% 3,112,547
Bid Lot	25 Equity Shares and in multiples thereof.	RII	10% 2,075,031
The Offer	Public issue of 20,802,306 Equity shares of Face value Rs. 10 each, (Comprising of fresh issue of 5,199,307 Equity Shares* (Rs. 300 cr.) and Offer for Sale of 15,602,999 Equity Shares (Rs. 900.29 cr.*) by Selling Shareholder).	<b>Total Public</b>	<b>100% 20,750,313</b>
		Employee Reservation	51,993
Issue Size	Rs. 1173.77 – 1200.29 Crore	<b>Total</b>	<b>20,802,306</b>
IPO Process	100% Book Building	Equity Share Pre Issue (Nos. Cr.)	7.8
Face Value	Rs. 10.00	Fresh Share (Nos. Cr.)	0.5
Exchanges	NSE & BSE	OFS Share (Nos. Cr.)	1.6
BRLM	Axis Capital Ltd, CLSA India Private Ltd, ICICI Securities Ltd, Nomura Financial Advisory and Securities (I) Pvt Ltd	Equity Share Post Issue (Nos. Cr.)	8.3
Registrar	KFin Technologies Private Ltd	Market Cap (Rs. Cr.)	4,801.5
		Equity Dilution	6.2%
		Stake Sale by OFS	18.8%

## Objects of the Offer

### Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (By Fino Paytech Limited)

### Fresh Issue

- Augmenting its Tier – 1 capital base to meet its future capital requirements; and
- General corporate purposes.

## Company Highlights

- Fino Payments Bank Ltd. (Fino Bank) is a growing fintech company offering a diverse range of financial products and services that are primarily digital and have a payments focus. The Bank offers such products and services to their target market via a pan-India distribution network and proprietary technologies, and since 2017, they have grown their operational presence to cover over 90% of districts as of September 31, 2021.
- Bank's products and services includes various current accounts and savings accounts ("CASA"), issuance of debit card and related transactions, facilitating domestic remittances, open banking functionality (via their Application Programming Interface ("API")), withdrawing and depositing cash (via micro-ATM or Aadhaar Enabled Payment System "AePS") and cash management services ("CMS").
- Fino Bank has a strong leadership position within the Indian fintech industry, for instance they were ranked 3rd among banks in facilitating digital transactions, as of February 2020 by the Ministry of Electronic & Information Technology and had the largest network of micro-ATMs, as of March, 2021.
- Fino Bank is also the only payments bank to offer a subscription based savings account in India. Customer satisfaction, the brand and reputation have played an important role in them becoming an industry leader in fintech products and services, as well as to further developing their business and improving their market position.
- Their significant geographic coverage and position as a large-scale, leading technology-enabled bank with a diverse banking product offering also provides economies of scale that yield significant operating efficiencies, supports future growth and also helps to diversify some of their risks, such as regional or geographical risks or concentration risks.
- The platform facilitated approximately 15.40 crore, 31.86 crore and 43.50 crore and 12.34 crore transactions, respectively and had gross transaction value of ₹45,684.80 crore, ₹94,452.58 crore, ₹132,930.69 crore and ₹39,035.99 crore, respectively.

- While innovation remains ever-present, technology and customer trust lies at the core of all that Fino Bank do and forms the foundation for their entire business model. They have and will continue to strengthen their focus within “emerging India”, catering to a population that presents a large market opportunity and has typically been overlooked by the majority of the large Indian financial institutions.
- Each merchant serves the banking and financial needs of its community, which in turn forms the backbone of the assisted-digital ecosystem, referred to as its “phygital” delivery model (i.e., a combination of physical and digital).

## View

- Fino Bank is a growing fintech company offering a diverse range of financial products and services that are primarily digital and have a payments focus. The Bank offers such products and services to their target market via a pan-India distribution network and proprietary technologies.
- Unique DTP framework enables to serve target market efficiently and is designed to achieve improvements on three key challenges associated with serving such target market, being: (i) scale (ii) service and (iii) sustainability.
- Bank has and will continue to invest into technology throughout its business. Its in-house technology expertise and culture of application-led innovation provides an attractive value proposition to its stakeholders. Currently, it is equipped with reporting process automation based processes at the back-end, SAS dashboards for analytics and demand forecasting, fraud risk management system for fraud detection, and other security systems and a network of servers. Since 2017, it has made significant investments in technology infrastructure, having designed and digitized large portions of its technology processes, risk management protocols, data analytics capabilities and honed its “phygital” approach.
- Its merchant-led model is a capital light business strategy in respect of network expansion and except for referrals of third party loan providers, it does not offer any lending products and do not hold credit risk for loans. In addition, its well established technology platform and consistent investment in further improvements, allows it to service a wide pool of customers and cater to their diversified requirements. In addition, focus on and use of technology throughout its business assists in expanding its reach throughout India without incurring the relatively higher costs associated with traditional bricks and mortar branch presence. In addition to merchant network which, as of June 30, 2021 was 724,671 (comprising of 366,861 “own” merchants and 357,810 merchants on the open banking network via its API channel), it leverages 17,430 active BCs to reach the underserved and unserved populations in hard to reach locations (referred to the “last mile” of delivery).
- Fino Bank has substantial experience of operating in the market and has a deep understanding of their customer’s needs. The combination of track record and customer knowledge positions them well to seize upon the significant opportunity for their future growth.
- Fino Bank operates in an industry that is continuously evolving, necessitating them to innovate by improving their technology platform, developing new products and/ or exploring new distribution methodologies. The optimum use of well designed, cost-effective technology has significantly driven their operations. They also intend targeting high growth products with high margins within their existing offering, as well as exploring new and/ or improved products, in each case with a focus towards products offered through their “own” channel.
- Fino Payments serves the underserved population in India which is the “Emerging India”, a rural focused mass market, giving it a Pan-India presence which is moving towards a digital economy. Digital payments in India are expected to have a CAGR of 25%-27% in FY 21 to FY25E.
- As of 2021, Fino has a digital presence over 17000 active business correspondents, 50 plus branches and 130 customer service points. They have successfully opened 1.1 million savings account in FY21 and has enabled 249,851 micro-ATMs in India, giving FINO a 55% share in the overall market. Fino is the only scheduled payments bank which is profitable, with a profit of Rs. 20.5 crore and has a 15% Return on Equity.
- In terms of the valuations, on the higher price band, Fino Bank demands a P/B multiple of 10.6x based on Q1FY22 post issue fully diluted BV. There is no peer company having similar business operations.

## Key Performance indicators

Particulars	FY19	FY20	FY21	5MFY22
Merchants	101,230	277,399	641,892	777,010
CASA Accounts (in Cr)	0.08	0.14	0.26	0.32
Total transactions (in Cr)	15.4	31.86	43.5	21.74
Total throughput (Rs. Cr)	45,684.80	94,452.58	132,930.69	64,375.09
Cash withdrawals via micro-ATM and AePS (Rs. Cr)	7,383.65	30,138.69	56,186.94	23,492.33

## Financial Statement

(In Rs. Cr)	FY19	FY20	FY21	Q1FY21	Q1FY22
Share Capital	44.6	44.6	44.6	44.6	44.6
Net Worth	162.1	130.1	150.5	131.9	153.7
Deposits	47.5	117.5	242.8	128.6	251.3
Borrowings	82.9	110.8	180.8	100.5	211.3
Investments	73.2	128.3	503.6	243.7	557.8
Advances	0.1	0.1	0.1	0.1	0.1
Total Assets	684.1	624.0	1010.3	833.2	1020.2
Interest earned	19.2	18.1	20.3	4.4	6.1
Interest expended	5.5	9.9	9.5	2.9	3.1
Net Interest Income	13.6	8.3	10.7	1.5	3.0
Non Interest Income	352.0	673.3	770.8	146.9	200.2
Net Profit	-62.4	-32.0	20.5	1.9	3.1
Earnings Per Share (Rs.)	-8.0	-4.1	2.6	0.2	0.4
Return on Networth (%)	-32.0	-22.0	15.0	1.0	2.0
Net Asset Value per Share (Rs.)	36.4	29.2	33.8	29.6	34.5

Source: RHP, Ashika Research

## Cash Flow Statement

(In Rs. Cr)	FY19	FY20	FY21	Q1FY21	Q1FY22
Cash flow from Operations Activities	28.6	(83.7)	(32.2)	35.0	(64.1)
Cash flow from Investing Activities	(13.6)	(30.5)	(68.9)	(5.4)	(22.7)
Cash flow from Financing Activities	35.0	27.9	70.0	(10.3)	30.5
Net increase/(decrease) in cash and cash equivalents	50.0	(86.3)	(31.2)	19.2	(56.3)
Cash and cash equivalents at the beginning of the year	338.3	388.3	302.0	302.0	270.8
Cash and cash equivalents at the end of the year	388.3	302.0	270.8	321.2	214.5

Source: RHP

## Comparison with listed industry peers

There are no listed companies in India whose business portfolio is comparable with that of the company business and comparable to the scale of operations.

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