

FINO PAYMENTS BANK LTD.

RECOMMENDATION : BUY

MARKET PRICE : Rs.319.00 (As on 22nd Sep 2023)

TARGET PRICE : Rs.399.00

FACE VALUE : Rs.10

BSE CODE : 543386

NSE CODE : FINOPB



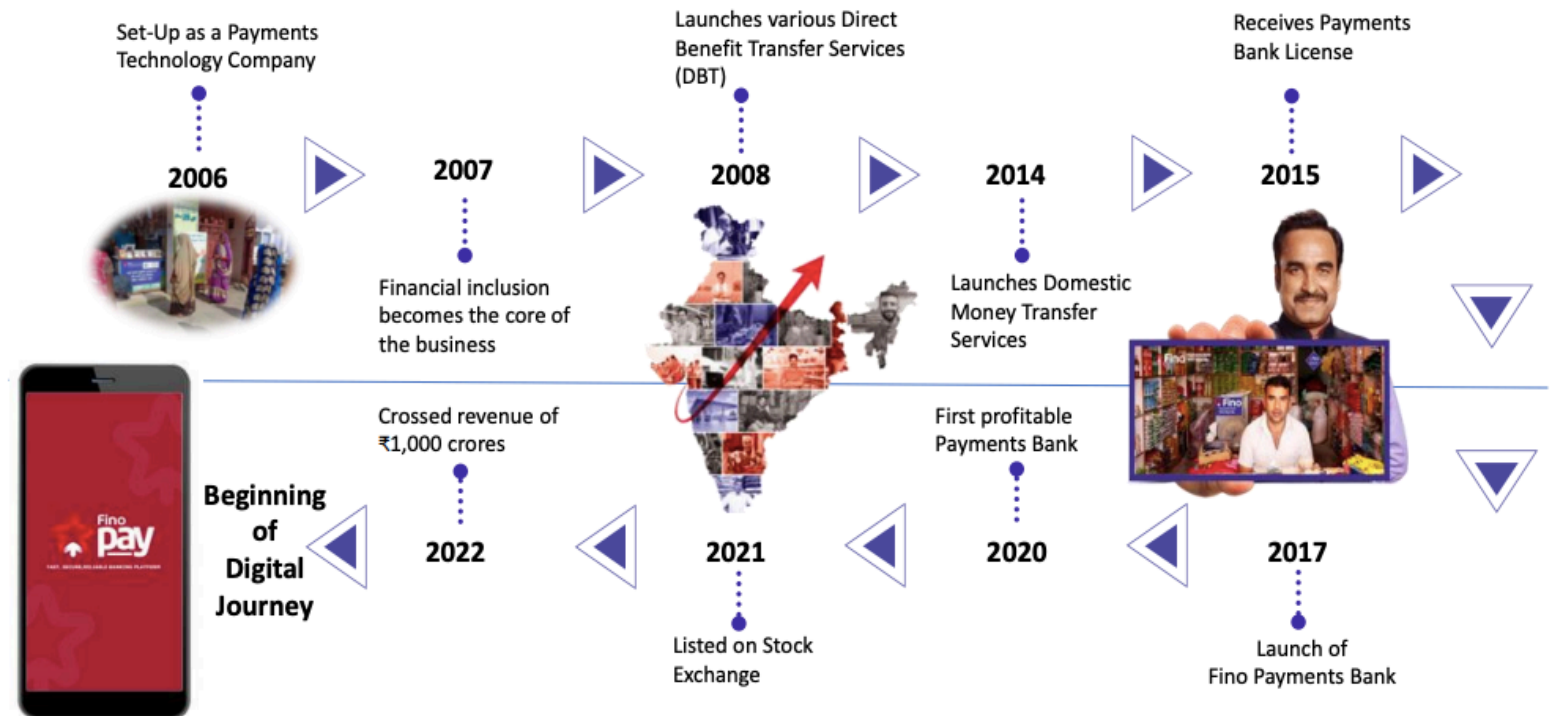


Fino Payments Bank Ltd. is the Digital Banking Partner for millions of hardworking Indians. Hamesha. The Bank understand consumers and their needs from a bank and it is its continuous endeavour to provide them with an unmatched banking experience, through its simple products & services that can easily be accessed anytime, anywhere.

ABOUT THE COMPANY

The Bank is present in 90% of India's districts with over 724671 banking outlets, 54 Bank Branches and 130 Customer Service Points. Fino Payments Bank was incorporated on 4th April 2017. Invested in by ICICI Bank, BPCL, Blackstone, IFC Fino Payments Bank has an enviable financial and distribution track record. This powerful network registers impressive growth numbers every year!

Journey So Far



Three Phases of our Business

Phase I: Transaction

- Build Distribution Network:
Merchant base of 14.4 Lakh
- **Simple & convenient banking solutions**
- Innovate new products to meet evolving needs
- **Crossed total throughput of ₹ 75k crores for the first time in a single quarter (Q1'24)**



Successfully Completed

Phase II: Acquisition

- **2.5 Lakh+ New CASA accounts** added every month in Q1'24
- **96% renewal growth in Q1'24 (YoY), setting base for annuity income**
- Building on our **Digital Presence**
- **Transacting – “OFF US” to CASA customer – “ON US”**



Current Stage : Gearing to Capture Future Growth

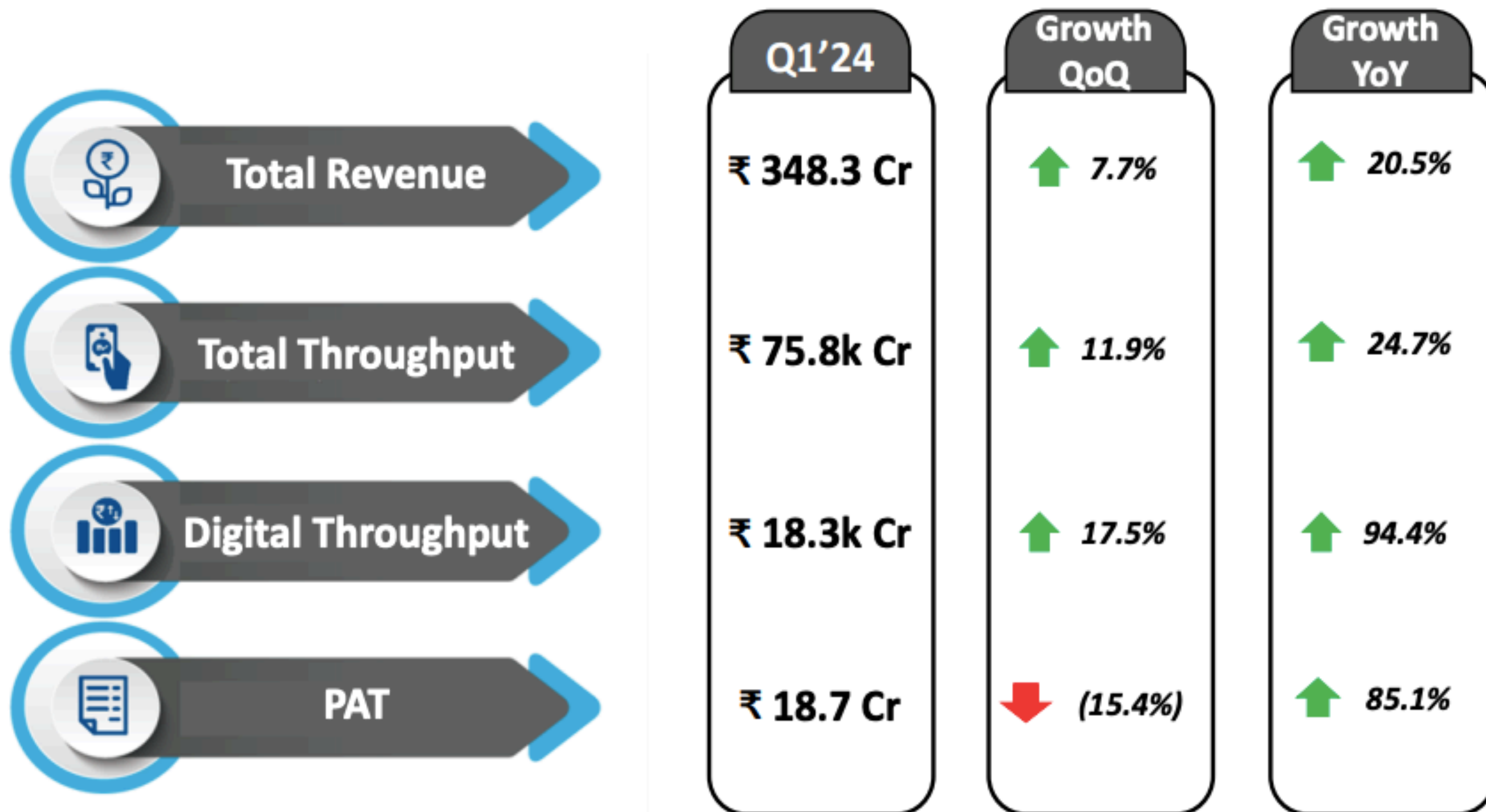
Phase III: Monetization

- **Significant trust equity build:** Strong opportunity for cross sell
- Optimising analytical tools to identify target customers
- Build CASA Liability – setting base for future product
- **Fino 2.0+ :** Simplified digital solutions for customer friendly experience

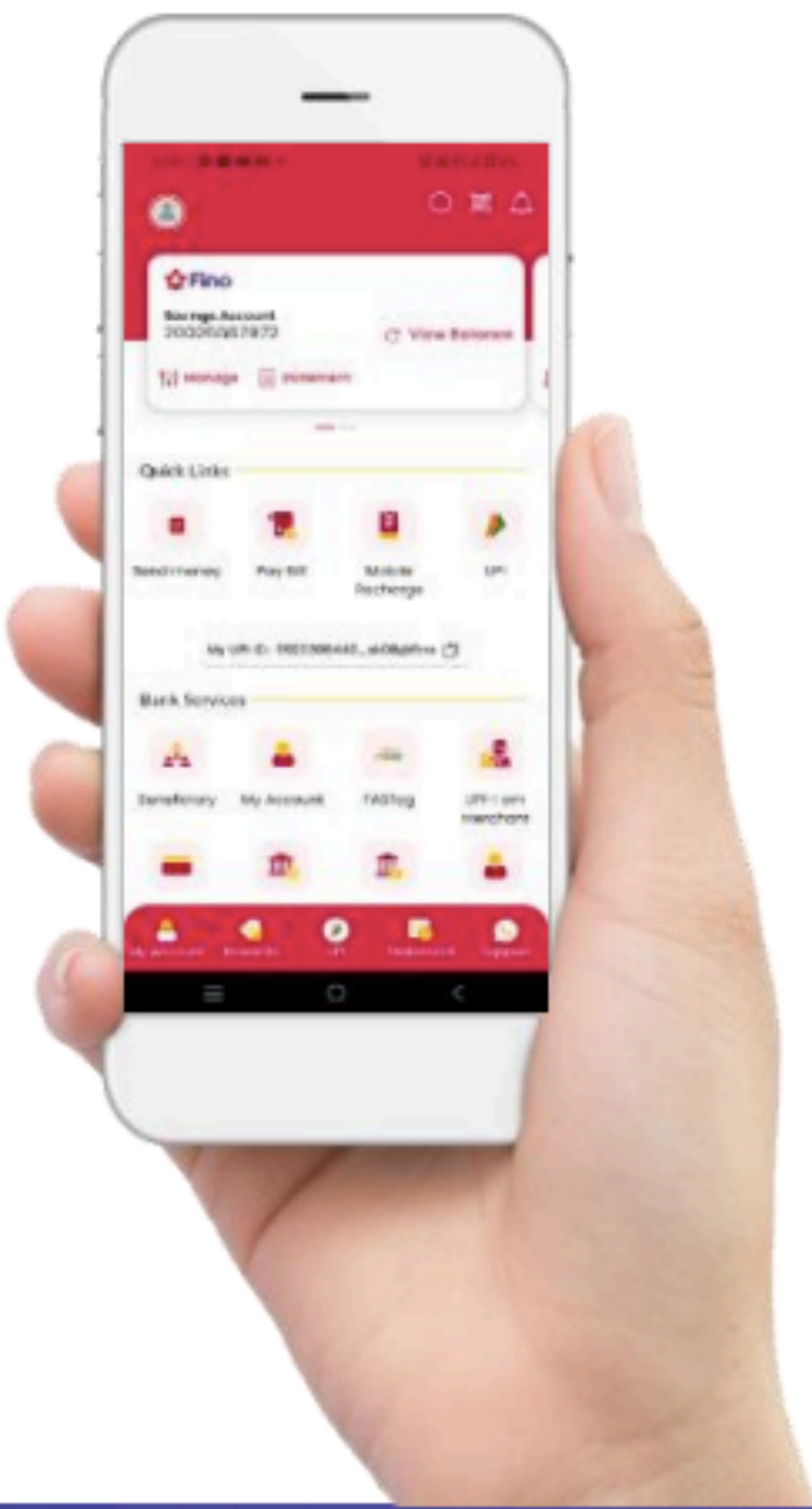


New Levers of Future Growth

Performance At a Glance



Digital Journey



34k+ Digital Accounts
were opened in
Q1'24



7.8 Lakh average
quarterly users on
FinoPay



54k Bill Pay and
recharge transactions
in **June'23**



9.7 Cr UPI transactions
in **June'23** –
Contributing 1% of
Issuing Bank Ecosystem



26.3 Lakh unique
UPI users in **June'23**

Product Portfolio

Product	Drivers	Q1'24 Revenue (₹ Crs)	QoQ Growth	YoY Growth	Q1'24 Margins
CASA	High growth high margin; customer ownership; path to annuity	67	0.2%	63%	54%
CMS	High growth high margin business	36	21%	71%	40%
DMT	Hook product	116	12%	9%	4%
Micro ATM + AEPS	Cash withdrawal business is the key to attract customer footfalls pan-India.	55	(6%)	(17%)	33%
BC Banking	Mature institutional business that has been our core since our inception.	32	7%	(3%)	28%

Fino Core Strategy

Phase I: PB

Transaction (2017 – 2021)

- Build Distribution Network: **Merchant base @ 14.4 Lakh**
- **Simple & convenient banking solutions**
- **Building trust** with partner / customer
- **Innovate new products** to meet evolving needs

Phase II: PB

Acquisition (2022 – 2026)

- **2.5 Lakh+ New CASA accounts** added every month
- Base - 20 Million customers & 2 Million merchants
- Building on our **Digital Presence**
- **Transacting – “OFF US” to CASA customer – “ON US”**

Phase III: PB + SFB

Monetization (2026.....)

- **CASA dominant Liability** franchise
- Lending to **KNOWN** – leveraging existing infra & distribution
- Strong opportunity for **cross sell** – other financial products
- **Fino 2.0+ : Simplified digital solutions for customer friendly experience**

What does SFB transition mean for FINO

- Payments Bank ++ Model - **Operating as Banking Services Provider** – fee based income Continues to be as key source of revenue
- E2E customer lifecycle – providing comprehensive banking services
- CASA Balance Limit ₹ 2 Lakh removal - Expansion of customer base
- Payout product increment business on B2B side
- Lending one of the product lines (**not the core product**)

Will FINO Function like traditional SFB ?

NO

- **Asset light model** continues – Leveraging existing distribution network – digital / merchants
- Anticipation of **only 30 incremental branches in first 3 years of operations**
- **Low cost funds** – sustainable CASA YOY growth
- Cost of funds would be **200 -250 bps lower vis-à-vis others**
- Lending Revenue ~ 20% of Total Revenue in **in first 3 years of operation**

FINO – LIABILITY STRATEGY

	Unit	FY'23	FY'28 (Aspiration)	Comments
CASA Accounts	Million	7.5	~27.5	Adding 4 million customers year on year - trust build up with the target customer segment
Average Balances	₹	1,216	~2,500	<p>Double the average balance, by enhancing the customer experience, more digitally active, based on profiling of customers and analytics.</p> <p>₹ 2 Lakh Balance Limit removal will enable to move up the customer segment.</p>
Total Deposits	₹ Crs	1,200	~6,875	Function of customer base and incremental average balance.
Cost of funds	%	2.2%	~2.5%	Strong liability base – enabler for enhanced NIM- edge over competition

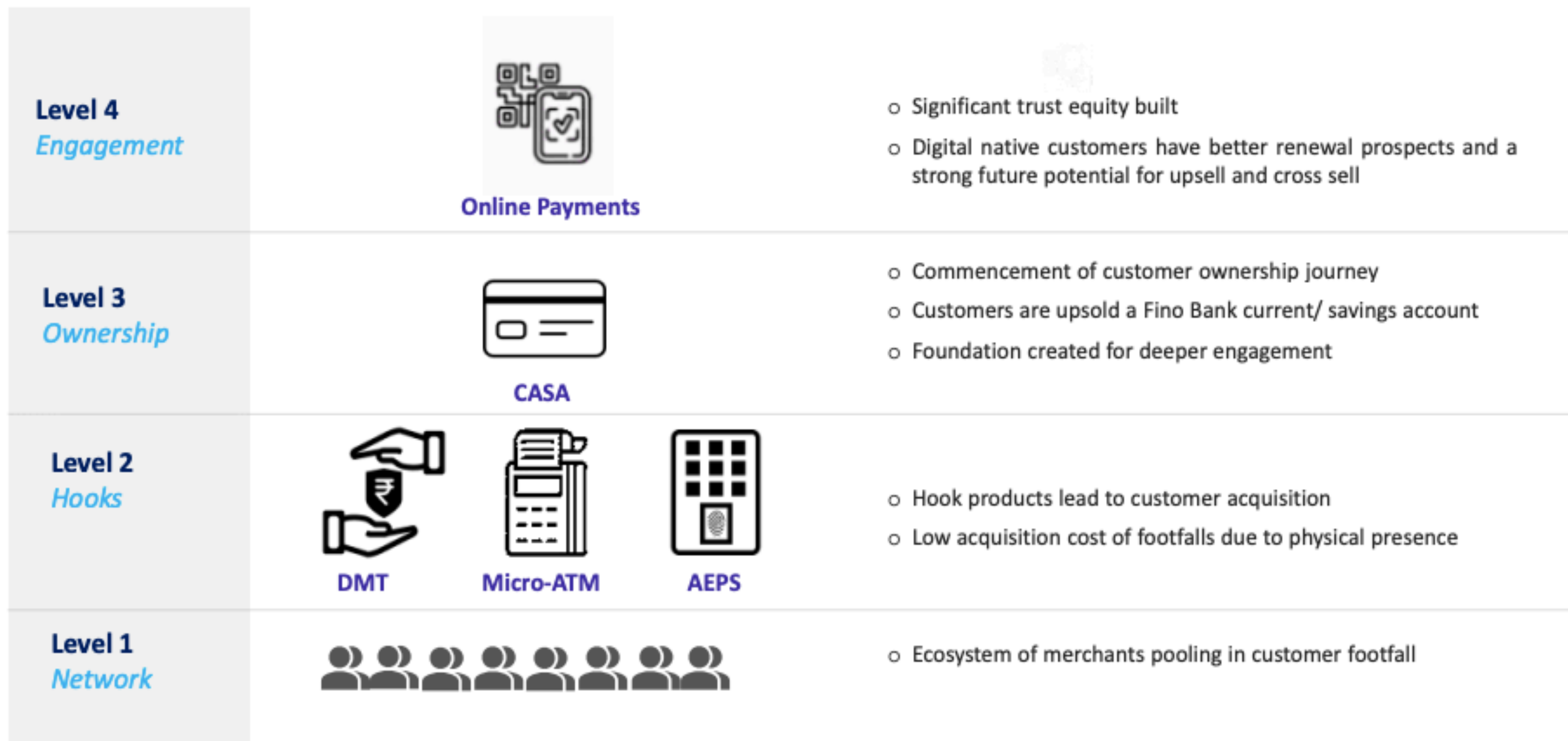
LOW COST LIABILITY – KEY DIFFERENTIATER

FINO Lending Model

- Credit to **“Known Merchant & Customer”**
- Banking **relationship with existing merchant / customers > 2 to 3 years**
- Data driven **conservative credit disbursement model** – Robust Data Analytics tools
- **MSME / Retail focused lending** slowly transitioning into other products – Auto loans, LAP
- **Cross Sell – Opportunities**

Business Model of Fino Payments Bank

Moving Customers up the Fintech Value Chain



Strong Progress Over Last 6 Years

Momentum Continues

Products Launched		Combined Merchant Network (In Lakhs)	
2023	New Payments vertical, LITE Portal for BC Merchant, e-Mandate Services, Cash out module	Q1'24	14.4
2022	Aadhar-Pay, Go Digit <i>shopkeeper's</i> policy, Physical Passbook, Credit card bill payment		
2021	Minor Savings Accounts, Diversified CMS partners, Merchant loan referral, Gold loan referral	FY'23	13.7
2019	Subscription-based Savings Account, CASA Sweep Facility , General Insurance	FY'22	10.2
2018	Micro ATMs, AEPS, Debit Card, Life Insurance, Mobile Banking, UPI (P2P)		
2017	BC Banking, Remittance, Bill Payments, Wallets, Recharge	FY'21	6.4

Q1'24 Key Business Highlights (YoY)



Revenue

₹ 348.3 Crs

↑ 20.5%



EBITDA

₹ 40.5 Crs

↑ 71.9%



PAT

₹ 18.7 Crs

↑ 85.1%



RoE

13.6%

↑ 518 bps



Txn. On Fino Platform

40.6 Crs

↑ 62.6%



Total Throughput

₹ 75.8k Crs

↑ 24.7%



Number of Merchants

14.4 Lakhs

↑ 26.3%



Accounts Opened

7.7 Lakhs

↑ 24.4%

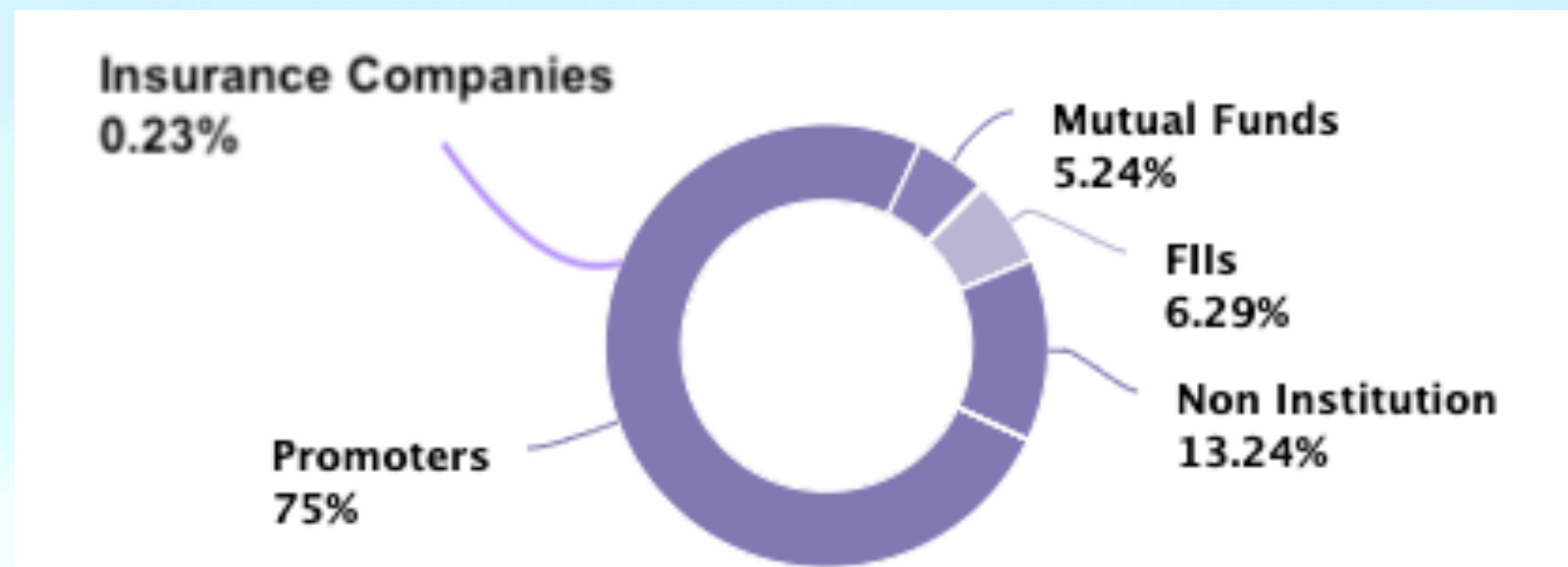
Yearly Results

YEARLY RESULTS OF FINO PAYMENTS BANK (in Rs. Cr.)	MAR '23	MAR '22	MAR '20	MAR '19
INTEREST EARNED				
(a) Int. /Disc. on Adv/Bills	0.01	0.02	0.01	0.01
(b) Income on Investment	66.51	23.13	4.82	4.70
(c) Int. on balances With RBI	25.73	12.47	12.47	12.82
(d) Others	2.61	0.01	0.84	1.63
Other Income	1,135.05	973.22	673.27	351.97
EXPENDITURE				
Interest Expended	47.37	15.31	9.87	5.53
Employees Cost	155.61	133.25	123.88	127.20
Other Expenses	961.85	817.55	565.08	281.58
Depreciation	--	--	23.57	18.26
Operating Profit before Provisions and contingencies	65.08	42.74	-31.00	-61.45
Provisions And Contingencies	--	--	1.03	0.93
P/L Before Tax	65.08	42.74	-32.04	-62.38
P/L After Tax from Ordinary Activities	65.08	42.74	-32.04	-62.38
Net Profit/(Loss) For the Period	65.08	42.74	-32.04	-62.38
Equity Share Capital	83.21	83.21	44.58	44.58
Reserves Excluding Revaluation Reserves	458.52	393.43	85.49	117.53
EPS BEFORE EXTRA ORDINARY				
Basic EPS	7.82	5.34	-7.19	-13.99
Diluted EPS	7.82	5.34	-7.19	-13.99
EPS AFTER EXTRA ORDINARY				
Basic EPS.	7.82	5.34	-7.19	-13.99
Diluted EPS.	7.82	5.34	-7.19	-13.99
NPA RATIOS :				
Return on Assets %	2.64	2.54	--	--

Key Financial Ratios

KEY FINANCIAL RATIOS OF FINO PAYMENTS BANK (in Rs. Cr.)	MAR 23	MAR 22	MAR 21	MAR 20	MAR 19
PER SHARE RATIOS					
Basic EPS (Rs.)	7.82	5.34	4.59	-7.19	-13.99
Diluted EPS (Rs.)	7.82	5.34	4.59	-7.19	-13.99
Cash EPS (Rs.)	7.82	9.40	16.61	-1.90	-9.90
Book Value [Excl. Reval Reserve]/Share (Rs.)	66.40	57.66	33.77	29.18	36.36
Book Value [Incl. Reval Reserve]/Share (Rs.)	66.40	57.66	33.77	29.18	36.36
Dividend/Share (Rs.)	0.00	0.00	0.00	0.00	0.00
Operating Revenue / Share (Rs.)	11.40	4.28	4.54	4.07	4.30
Net Profit/Share (Rs.)	7.82	5.14	4.59	-7.19	-13.99
PER EMPLOYEE RATIOS					
Interest Income/ Employee (Rs.)	0.00	1,23,152.09	0.00	0.00	0.00
Net Profit/ Employee (Rs.)	0.00	1,47,738.68	0.00	0.00	0.00
Business/ Employee (Rs.)	0.00	17,31,531.28	0.00	0.00	0.00
PER BRANCH RATIOS					
Interest Income/ Branch (Rs.)	0.00	84,82,833.33	0.00	0.00	0.00
Net Profit/ Branches (Rs.)	0.00	1,01,76,380.95	0.00	0.00	0.00
Business/ Branches (Rs.)	0.00	11,92,69,523.81	0.00	0.00	0.00
KEY PERFORMANCE RATIOS					
ROCE (%)	3.41	3.47	4.26	-8.65	-21.00
CASA (%)	0.00	100.00	100.00	100.00	100.00
Net Profit Margin (%)	68.60	119.96	101.08	-176.70	-325.73
Operating Profit Margin (%)	-1,127.94	-2,611.67	-3,704.27	-3,890.25	-2,163.50
Return on Assets (%)	2.63	2.54	2.02	-5.13	-9.11
Return on Equity / Networth (%)	11.77	8.90	13.59	-24.62	-38.48
Net Interest Margin (X)	1.92	1.20	1.06	1.32	1.99
Cost to Income (%)	90.85	94.24	96.20	103.20	115.32
Interest Income/Total Assets (%)	3.84	2.12	2.00	2.90	2.79
Non-Interest Income/Total Assets (%)	46.02	57.93	76.29	107.89	51.45
Operating Profit/Total Assets (%)	-43.38	-55.38	-74.26	-113.02	-60.57
Operating Expenses/Total Assets (%)	45.30	56.59	74.92	114.18	62.42
Interest Expenses/Total Assets (%)	1.92	0.91	0.94	1.58	0.80
VALUATION RATIOS					
Enterprise Value (Rs. Cr)	2,826.67	2,611.84	0.00	0.00	0.00
EV Per Net Sales (X)	29.80	73.31	0.00	0.00	0.00
Price To Book Value (X)	3.07	4.35	0.00	0.00	0.00
Price To Sales (X)	17.87	58.54	0.00	0.00	0.00
Retention Ratios (%)	100.00	100.00	100.00	100.00	100.00
Earnings Yield (X)	0.04	0.02	0.00	0.00	0.00

Shareholding Pattern an on Jun'23



Summary

- ❖ With deliverance of robust performance in Q1 of FY'24, the Bank's Interest Earned increased by 20.49% i.e. Rs.348.30 crs in Jun'23 as compared to Rs.289.05 crs in Jun'22. However, the Net Profits grew up by 85.14% i.e. Rs.18.70 crs in Jun'23 versus Rs.10.10 crs in Jun'22.
- ❖ Viewing fine financials and fair fundamentals, the Company is available at a good price of Rs.319.00 with its 52 week low of Rs.180.20 and 52 week high of Rs.379.50.
- ❖ Viewing that the Promoters are holding majority stake around 75.00% as well as its robust valuations, indicates that the Management is growth oriented.
- ❖ The Shareholding Pattern as on Jun'23, shows the FIIs stood with 6.29% stake. Whilst, the Mutual Fund Houses own 5.24% holdings in the Company.
- ❖ As a fact of reassurance, Fino Payments Bank Ltd. is held by MOSL MF, QUANT MF, TATA MF & KOTAK MF.
- ❖ On consolidated basis, the Bank registered Return on Equity (ROE) and Return on Capital Employed (ROCE) around 11.77% & 3.41% respectively as on Mar'23.

Disclosure

Copyright © Amiteshwar Singh Proprietor of M/S Amiteshwar.in. Any act of copying or distributing this report in part or in full, for any purpose, without my permission, is strictly prohibited and would be a copyright infringement.

Disclosures as required under SEBI (Research Analyst) Regulations, 2014

Introduction:

I, Amiteshwar Singh, am the proprietor of M/S Amiteshwar.in. I am a Research Analyst registered with SEBI having registration no. INH100010013. I provide services through my website www.researchlyne.com which is primarily focused on research of Multi-Cap stocks of India.

Business Activity:

I provide research services on equity stocks listed on Indian stock exchanges. The research is based on funda-mental analysis. I do thorough research and analysis on fundamentals of companies. As such, I undertake extensive scrutiny of major Company statistics like Balance Sheet, Profit & Loss Account, Key Financial Ratios (ROE, ROCE and Debt to Equity etc.), Quarterly, Half-yearly & Annual Results, Cash Flows, Annual Reports and Shareholding Pattern etc. Each Company's Business Model, Future Projections, Competitive Advantages & other Moats are thoroughly checked before recommending their Stock.

I offer services to the subscribers through the following:
www.researchlyne.com

Disciplinary History

There is no disciplinary action which is / was running / initiated against me or my firm and there are no out-standing litigations against me.

General Terms and Conditions for Researchlyne.com:

1. Every week, 2 stock recommendations will be provided to the subscribers.
2. The subscribers have to login in their account through login credentials provided to them at the time of subscription.
3. The reports should not be considered as an investment advice or personal recommendation.
4. I and my team members will not be liable for any loss or liability incurred to the user due to investments made or decisions taken based on the information provided in the reports.
5. All of the views and opinions expressed in research reports, issued after due diligence and careful study, reflect my unbiased analysis of the Company or Companies as on the date of the report.
6. Still, it is advised that the users should rely on their own research and analysis as well as consult their own investment advisors to determine the suitability of recommendation.
7. Past performance of a Company is no guarantee for future performance or future results.
8. My service is not suitable to investors who are looking for intraday calls i.e. day trading or futures & options in stocks and indexes on basis of technical analysis.

[Click here](#) to view the terms and conditions of the website.

List of Associates / Relatives:

1. My spouse, Mrs. Prabhjash Kaur
2. My daughter, Ms. Palvit Kaur

Note: Subject Company is a company on which buy/sell recommendation or target price is given or changed in the research report.

Disclosure with regards to ownership and material conflicts of interest:

1. Neither I nor my associates / relatives have financial interest in the subject company.
2. Neither I nor my relatives / associates have actual/beneficial ownership of 1% or more in securities of the subject company, at the end of the month immediately preceding the date of publication of the document.
3. Neither I nor my relatives /associates have any other material conflict of interest at the time of publication of the document.

Disclosure with regards to receipt of compensation:

1. Neither I nor my associates / relatives have received any compensation from the subject company in the past 12 months.
2. Neither I nor my associates / relatives have managed or co-managed public offering of securities for the subject company in the past 12 months.
3. Neither I nor my associates / relatives have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past 12 months.
4. Neither I nor my associates / relatives have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.
5. Neither I nor my associates / relatives have received any compensation or other benefits from the subject company or third party in connection with the document.

General Disclosures:

1. I have not served as an officer, director or employee of the subject company.
2. I am not engaged in market making activity for the subject company.

Definition of terms used:

1. **Buy Recommendation:** The subscribers can buy the shares of the subject company at the current market price. I expect a return of around 25% in the next 4 months.
2. **Sell Recommendation:** The subscribers can sell the shares of the subject company when they receive a return of 25% on the market price when the subject company was recommended.



“Investments in Securities Market are subject to market risks. Read all the related documents carefully before investing”.



“Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors”.

Mr. Amiteshwar Singh Proprietor of M/s Amiteshwar.in
SEBI Registered "Research Analyst" Reg. No. INH100010013

Contact: +917973835409

Email: info@Researchlyne.com

Address: Ground Floor, 236 E Block, Bhai Randhir Singh Nagar,
Ludhiana - 141012 (Pb.)