

FINO PAYMENTS BANK LIMITED

Issue highlights

- ❑ **Fino Payments Bank Limited (“Fino Bank”)** was incorporated on June 23, 2007. 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.
- ❑ Fino Bank operates an asset light business model that is underpinned by their “**phygital**” delivery model (i.e., a combination of physical and digital) and relies on their merchant network and other participants.
- ❑ 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 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.
- ❑ The unique framework of distribution, technology and partnership (**the “DTP” framework**) enables them to serve their target market efficiently and is used to overcome and/or achieve improvements on 3 key challenges associated with serving their target market, being **scale, service** and **sustainability**.
- ❑ As of June 30, 2021, Fino Banks has built a pan-India presence with 724,671 merchants (own and API) which are typically located in Tier-2 and Tier-3 towns. They currently have approximately 17,430 active BCs across India. Additionally, they operate 54 branches and 130 Customer Service Points (“**CSPs**”).
- ❑ Fino Bank is currently a wholly-owned subsidiary of Fino Paytech Ltd, whose principle shareholders include marquee investors such as **ICICI Bank Ltd, Intel Capital Corporation, International Finance Corporation, HAV3 Holdings (Mauritius) Ltd, Blackstone GPV Capital Partners (Mauritius) VI-B FDI Ltd and Bharat Petroleum Corporation Ltd.**

Brief Financial Details*

(₹ In Cr)

	As at Jun’ 30,		As at Mar’ 31,		
	2021(03)	2020(03)	2021(12)	2020(12)	2019(12)
Equity Share Capital	44.58	44.58	44.58	44.58	44.58
Reserves	109.10	87.34	105.97	85.49	117.53
Net worth as stated	153.68	131.92	150.55	130.07	162.11
Interest earned	6.06	4.43	20.26	18.13	19.15
Non-Interest Income	200.19	146.90	770.77	673.27	351.97
Total Income	206.24	151.32	791.03	691.40	371.12
Growth in Total Income (%)	36.29%	-	14.41%	86.30%	-
Net Profit/(Loss) for the period	3.13	1.85	20.47	(32.04)	(62.38)
EPS (₹)	0.40	0.24	2.62	(4.11)	(8.00)
RoNW (%) as stated	2.1%^	1.4%	14.6%	(21.9)%	(32.3)%
NAV (₹)	19.70^	16.91	19.30	16.67	20.78

Source: RHP *Restated Summary, EPS and NAV calculated on increased equity Capital, ^not annualised

Issue Details

Fresh Issue of Equity shares aggregating upto ₹ 300 Cr and Offer for sale of 15,602,999 Equity shares

Issue summary

Issue size: ₹ 1,174 - 1,200 Cr

No. of shares: 20,960,141 – 20,802,305 Shares

Face value: ₹ 10

Price band: ₹ 560 - 577

Bid Lot: 25 Shares and in multiple thereof

Post Issue Implied Market Cap =

₹ 4,669 - 4,801 Cr

BRLMs: Axis Capital, CLSA India, ICICI Securities, Nomura Financial

Registrar: KFin Technologies Pvt. Ltd.

Issue opens on: Friday, 29th Oct’2021

Issue closes on: Tuesday, 2nd Nov’2021

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	09-11-2021
Refunds/Unblocking ASBA Fund	10-11-2021
Credit of equity shares to DP A/c	11-11-2021
Trading commences	12-11-2021

Issue break-up

	No. of Shares		₹ In Cr		% of Issue
	@Lower	@upper	@Lower	@upper	
QIB	15,679,928	15,562,735	878.08	897.97	75%
NIB	3,135,985	3,112,546	175.62	179.59	15%
RET	2,090,657	2,075,031	117.08	119.73	10%
EMP	53,571	51,993	3.00	3.00	-
TOT	20,960,141	20,802,305	1,173.77	1,200.29	100%

Listing: BSE & NSE

Shareholding (No. of Shares)

Pre issue	Post issue [~]	Post issue [^]
78,014,996	83,372,138	83,214,302

[~]@Lower price Band [^]@ Upper Price Band

Shareholding (%)

	Pre-Issue	Post-Issue
Promoters and Promoters Gr	100.00%	75.00%
Public	-	25.00%
Total	100.00%	100.00%

BACKGROUND

Bank and Directors

The Bank was initially formed as 'Fino Fintech Foundation' on June 23, 2007 at Mumbai. The Sole Promoter, Fino PayTech Limited, was granted an in-principle approval to establish a payments bank ("Payments Bank"), by the RBI, pursuant to its letter dated September 7, 2015. Subsequently, the Bank received the final approval of the RBI to carry on the business as a Payments Bank on March 30, 2017. The sole promoter, Fino PayTech Limited along with its nominees, currently holds an aggregate of 78,014,996 Equity Shares, comprising 100% of the pre-Offer issued, subscribed and paid-up Equity Share capital of the Bank.

Brief Biographies of Directors

Rishi Gupta is the Managing Director and CEO of the Bank. He is a founding member of the Bank and he was an employee of Financial Information Network and Operations Pvt Ltd (erstwhile name of their Promoter, Fino PayTech Ltd). Prior to joining Fino PayTech Ltd, he worked with International Finance Corporation, ICICI Bank Ltd and Maruti Udyog Ltd. He is also the founding member of Business Correspondent Federation of India (BCFI) and has served as the Chairman of its Economic Affairs Committee.

Mahendra Kumar Chouhan is the part time Chairman and an Independent Director in the Bank. He has also served on the boards of a wide range of industries, such as financial services, capital goods, exposition, and housing. At present, he is a director of Mahendra & Ardneham Consulting (P) Ltd, a board advisory consulting company, and is a visiting faculty at Jamanlal Bajaj Institute of Management Studies.

Suresh Kumar Jain is the Independent Director in the Bank. He has been a banker for over 36 years and was a General Manager at Bank of India, He was selected by GoI as Executive Director of Union Bank of India and retired in May 2014. Besides his experience in domestic market he has experience in dealing in credit and foreign exchange, with stints in London and Hong Kong.

Punita Kumar Sinha is the Independent Director in the Bank. She is the founder and managing partner of Pacific Paradigm Advisors, LLC and is also on the Board of Governors of the CFA Institute. She has experience in investment management and financial markets. Previously she has worked as a senior managing director of Blackstone – Asia Advisory Group.

Deena Asit Mehta is the Independent Director in the Bank. She was a director and also served as acting president of BSE Ltd. She was also a director of CDSL. At present she holds the position of director of Asit C. Mehta Investment Intermediaries Ltd.

Rajat Kumar Jain is the Independent Director in the Bank. He has several years of experience in helming various leadership roles in sectors across Consumer, Telecom, Media & Technology in India. He is the Founder Director of PadUp Ventures. He also serves as non-executive director on several boards and advisory boards.

Avijit Saha is the Nominee Director in the Bank. He has previously worked with Operations Research Group and ICI Paints. He has been working with ICICI Bank for nearly 15 years and at present he is the Head -Rural and Inclusive Banking at ICICI Bank.

Ravi Subbaiah Pagadala is the Nominee Director in the Bank. He joined Bharat Petroleum Corporation Limited ("BPCL") in 1987 and has over 30 years of experience in oil industry.

Key Managerial Personnel

Ashish Ahuja is the Chief Operations Officer of the Bank, he joined the Bank with effect from April 1, 2017.

Ketan Dhirendra Merchant is the Chief Financial Officer of the Bank, he joined the Bank with effect from August 30, 2018.

Shailesh Pandey is the Chief Sales Officer of the Bank, he joined the Bank on April 1, 2017.

Vinod Kumar K B is the Chief Information Officer/ Infrastructure and Facilities of the Bank. He joined the Bank with effect from July 18, 2017.

Bharat Bhanushali is the Head – Business Technology of the Bank, he joined the Bank with effect from April 1, 2017.

Amit Kumar Jain is the Head – Business Alliance of the Bank, he joined the Bank with effect from April 1, 2017.

Anand Bhatia is the Chief Marketing Officer of the Bank and he joined the Bank with effect from February 5, 2018.

Pratima Pinto Thomas is the Head- Human Resource of the Bank and she joined the Bank with effect from May 27, 2019.

Basavraj Loni is Company Secretary and Compliance Officer of the Bank, he has been associated with Fino since November 1, 2017 and was transferred to the Bank as Head – Legal and Secretarial with effect from May 6, 2020.

OBJECTS OF THE ISSUE

The net proceeds of the Fresh Issue and the proceeds from the Pre-IPO Placement are proposed to be utilised as:

Objects	Amount (₹ Cr)
• Augmenting its Tier – 1 capital base to meet its future capital requirements.	[•]
• General Corporate Purposes	[•]
Total	[•]

OFFER DETAILS

The Offer	No. of Shares
Fresh Issue (₹ 300 Cr)	Upto 5,357,142 [~] - 5,199,306 [^] Equity Shares
Offer for Sale	Upto 15,602,999 Equity Shares
<i>Fino Paytech Limited – Promoter Selling Shareholder</i>	<i>Upto 15,602,999 Equity Shares</i>

([~] at lower price band and [^] upper price band)

SHAREHOLDING PATTERN

Shareholders	Pre-offer		No. of Shares offered	Post-offer	
	Number of Equity Shares	% of Total Equity Share Capital		Number of Equity Shares	% of Total Equity Share Capital
Promoter and Promoters Group					
<i>Promoter and Promoters Group*</i>	78,014,996	100.00%	15,602,999	62,411,997	75.00%
Total for Promoter and Promoter Group	78,014,996	100.00%	15,602,999	62,411,997	75.00%
<i>Public</i>	-	-	-	20,802,305	25.00%
Total for Public Shareholder	-	-	-	20,802,305	25.00%
Total Equity Share Capital	78,014,996	100.00%	15,602,999	88,014,996	100.00%

*Includes 2 Equity Share held by each of the 6 nominee shareholders of the Promoter (Fino PayTech Ltd) viz., Rishi Gupta, Rajeev Arora, Vipr Raj Bharadwaj, Ashish Ahuja, Shailesh Pandey and Amit Jain.

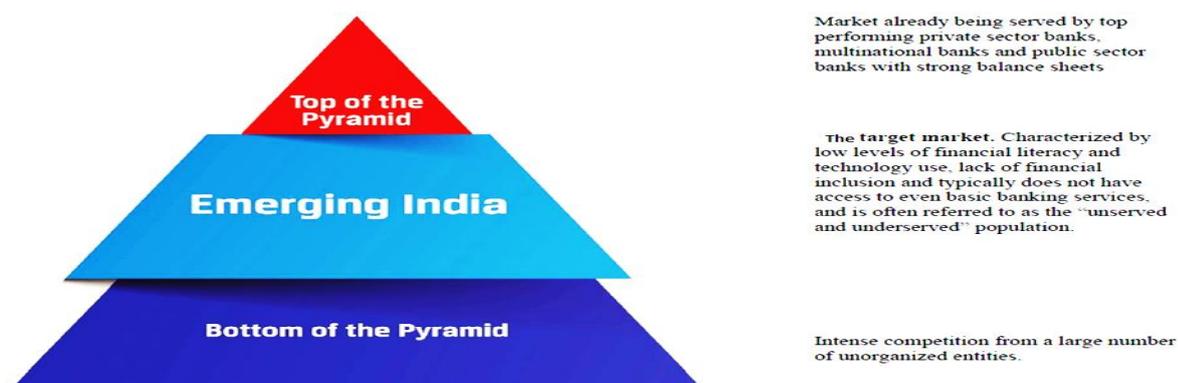
BUSINESS OVERVIEW

Fino Payments Bank Limited (“**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. They first became profitable in the 4th quarter of financial year 2020 and have been profitable in subsequent quarterly periods. In addition, in the financial years 2019, 2020, 2021 and the 3 months ended June 30, 2021, their 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.

Fino Bank operates an asset light business model that principally relies on fee and commission based income generated from their merchant network and strategic commercial relationships. Each merchant serves the banking and financial needs of its community, which, in turn forms the backbone of their assisted-digital ecosystem, referred to as their “phygital” delivery model (i.e., a combination of physical and digital). The merchant’s use of technology and their use of analytics on the data that they capture, enhances the merchant’s ability to cross sell the third party products that they also offer, to their existing customers, thereby increasing their potential revenue and opportunity to further customize their products and services offering. Such a merchant-led distribution model requires minimal capital expenditure cost from them because the on-boarding and setup capital expenditure costs are borne by the merchant, and accordingly, allows for operating leverage and efficient expansion in a timely manner. Through the

“phygital” delivery model their merchant’s on-board customers and facilitate transactions, ensuring their network grows and their products and services are more accessible to a broader range of customers throughout India, giving them a significant advantage compared to their competitors.

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. This section of Indian society is characterized by low levels of financial literacy and technology use, lack of financial inclusion and typically does not have access to even basic banking services, and is often referred to as the “unserved and underserved” population. Their target addressable market as of March 31, 2021 is approximately ₹0.85 trillion by potential revenue. Such addressable market refers to the potential revenue pool available to companies providing CASA deposit accounts in rural and semi-urban areas and also providing the entire range of payment and remittances related services across urban, semi-urban and rural areas.



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”). Their merchants also leverage the customer relationships within their respective communities to facilitate them cross-selling other financial products and services such as third party gold loans, insurance, bill payments and recharges. They also manage a large BC network on behalf of other banks. Income derived from all of their financial products and services in the financial years 2019, 2020, 2021 and 3 months ended June 30, 2021 was ₹351.97 crore, ₹673.27 crore, ₹770.77 crore and ₹200.19 crore, respectively. In addition, as a condition of their RBI License they are not permitted to directly provide credit products and thereby are not exposed to the credit risk associated with underwriting credit products.

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;
- 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. Additionally, by remaining focused on their payments business they are able to continue leveraging their deep market expertise which in turn helps them develop products and services that meet the needs of their target market. 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 unique framework of distribution, technology and partnership (the “DTP” framework) enables them to serve their target market efficiently and is used to overcome and/or achieve improvements on 3 key challenges associated with serving their target market, being scale, service and sustainability. Their DTP framework allows them to reach a vast number of customers in under-penetrated markets and keep their fixed costs low – all of which supports the sustainability and scalability of their business model. Their open banking API capability has also been an important element in the delivery of financial products and services to their customers.

The product and service ecosystem:



Fino PayTech Limited and Bank's Inception and Evolution

Financial Inclusion Network Operations (“FINO”) started as a technology company aimed at developing technological solutions and comprised key employees including Rishi Gupta, the MD and CEO. On September 7, 2015, Fino PayTech Ltd was granted an in-principle approval to set up a payments bank and, following their incorporation in April 2017, they commenced operations as a Payments Bank with effect from June, 2017, pursuant to receipt of the final RBI approval dated March 30, 2017. With the “FINO” brand being in existence before the commencement of their business operations, and Rishi Gupta being a key employee of Fino PayTech Ltd, the Bank benefits from his operational experience and expertise gained throughout that time. Bank’s business model in particular is partly a product of and, a beneficiary of such combined experience. Further, Rishi Gupta is supported by their Key Management Personnel (“KMP”) which includes among others Ketan Dharendra Merchant (Chief Financial Officer), Ashish Ahuja (Chief Operating Officer) and Shailesh Pandey (Chief Sales Officer). The combination of their experienced management team, as well as their Board of Directors, their Promoter and shareholder Fino Paytech Ltd, and their ability to address a large number of customers across a broad geographic area, provides them with deep industry expertise.

Marquee investors in Fino PayTech Limited

Fino Bank is currently a wholly-owned subsidiary of Fino Paytech Ltd, whose principle shareholders include marquee investors such as ICICI Bank Ltd, Intel Capital Corporation, International Finance Corporation, HAV3 Holdings (Mauritius) Ltd, Blackstone GPV Capital Partners (Mauritius) VI-B FDI Ltd and Bharat Petroleum Corporation Ltd.

Key Performance indicators with respect to the Business and Operations:

Metric	5 months ended August 31, 2021	FY2021	FY2020	FY2019
Merchants	777,010	641,892	277,399	10,1230
CASA Accounts (in Cr)	0.32	0.26	0.14	0.08
Total transactions (in Cr)	21.74	43.50	31.86	15.40
Total throughput (₹ Cr)	64,375.09	132,930.69	94,452.58	45,684.80
Cash withdrawals via micro-ATM and AePS (₹ Cr)	23,492.33	56,186.94	30,138.69	7,383.65

The Capital Adequacy Ratio:

	June 30, 2021	FY2021	FY2020	FY2019	FY2018
CRAR	54.84%	56.25%	60.87%	65.45%	135.36%

Business ratios

Particulars	As at 30 June,		As at 31 st March		
	2021	2020	2021	2020	2019
Interest income as % to Working funds	0.84%	1.08%	3.98%	5.16%	5.39%
Non-interest income as % to Working funds	27.87%	35.78%	151.61%	191.77%	99.09%
Operating profit as % to Working funds	0.44%	0.48%	4.82%	(8.83)%	(17.30)%
Return on assets (Working funds)	0.44%	0.45%	4.03%	(9.13)%	(17.56)%
Business (Deposit plus advance) per employee (₹ Million)	0.92	0.48	0.89	0.40	0.19
Profit per employee (₹ Million)	0.01	0.01	0.07	(0.11)	(0.24)

In addition, in August, 2021 they launched Sampaan Current Account, the second current account in their suite of accounts offered to customers. For an annual subscription fee of ₹700, this account has no minimum Monthly Average Balance, and offers a sweep account function and issuance of free debit card. They have also entered into a new CMS related strategic commercial relationship with New Opportunity Consultancy Pvt Ltd (“NOCPL”) dated August 4, 2021, for an initial term of 3 years in connection with NOCPL’s BC service offering.

The components of Non-Interest Income:

(₹ in Cr)

Particulars	As at 30 June,		Year ended March 31,		
	2021	2020	2021	2020	2019
Commission, Exchange and Brokerage	177.86	128.61	675.56	604.54	330.50
Profit/(loss) on sale of Investments (Net)	-	-	-	(0.01)	(0.01)
Profit/(loss) on sale of land, building and other assets (Net)	-	-	(0.64)	0.29	0.01
Profit/(loss) on exchange transactions (Net)	-	-	0.00	0	0
Miscellaneous Income	22.32	18.29	95.85	68.46	21.47
Total	200.19	146.90	770.27	673.27	351.97

Income derived from all of their financial products and services representing a CAGR of 29.9% for the financial years 2019, 2020 and 2021 and a CAGR of 22.8% for the 3 months ended June 30, 2021 (assuming annualized first quarter of financial year 2022 data). The miscellaneous income derived from sources such as inter-company BPCL fleet cards, certain UPI transactions, and interchange income on NACH.

BUSINESS AND REVENUE MODEL

Bank’s Business Model and Revenue Model

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. They offer such products and services to their target market, being the unserved and underserved population of Indian society. They cater to the banking requirements of this population primarily through their pan-India merchant network.

Their merchants are a key element in their distribution network and are typically small neighbourhood shops and businesses, where the owners are from the local community and therefore, benefit from a pre-existing familiarity with the people who frequent their outlets. As a result, their merchants form the backbone of their assisted-digital ecosystem which they refer to as their “phygital” delivery model because it combines physical and digital channels, with the aim of migrating customers from offline activity to online activity. Their merchants also leverage the customer relationships within their respective communities to facilitate them cross-selling other financial products and services such as third party gold loans, insurance, making bill payments and recharges. The Bank earns commission or fee income for each of the products and services offered by their merchants (including those that they cross-sell) and they share such commissions and fees with their merchants.

Business Model

Fino Bank operates an asset light business model that is underpinned by their “phygital” model and relies on their merchant network and other participants. They utilize their unique DTP framework to maximize product/ service distribution, maximize cross-sell opportunities, reach a vast number of customers in under-penetrated markets and keep fixed costs low. Automation and digitization of various processes is also a key to supporting their asset light business model, where they aim to achieve higher margins across their products.

Their framework creates a network effect and facilitates a seamless interplay between their unique capabilities that exist across the DTP framework. For instance, with respect to:

Distribution – pan-India network: Fino Bank has built a pan-India presence with 724,671 merchants (own and API) as of June 30, 2021 which are typically located in Tier-2 and Tier-3 towns. They currently have approximately 17,430 active BCs across India. Additionally, they operate 54 branches and 130 Customer Service Points (“CSPs”) as of June 30, 2021.

Technology – scalable platform: Their unique technological capabilities include the “phygital” delivery model for their products, their dedicated mobile banking applications for merchants and customers, a “neo banking” mindset, digital on-boarding, e-KYC and their in-house technology expertise and culture of application-led innovation which includes proprietary technology.

They offer two mobile applications tailored to the needs of their retail customers and merchants:

- ‘Fino BPay’ app is a digital solution that utilizes UPI for secure and fast personal banking, merchant payments, among other functions and is targeted at retail customers. The app also includes their “Cash Bazaar” service.
- ‘Fino Mitra’ app serves as a one-stop-shop solution for their merchants by providing banking and payments related services (utilizing the UPI)

In the financial year 2021, they added 197,876 (3 months ended June 30, 2021: 23,861) active users via the app and transaction throughput amounted to ₹4,928.7 crore (3 months ended June 30, 2021: ₹1,488.20 crore).

Strategic commercial Relationships – expanding customer reach and increasing brand recognition: Fino Bank has established strategic commercial relationships with a wide variety of Indian companies including with ICICI Bank Ltd, Union Bank of India and BPCL, as well as new and upcoming fintech companies, to provide value added products.

PRODUCT PORTFOLIO

Product	Offering:	Revenue Model:																								
Micro-ATMs	<p>Micro-ATMs are handheld terminals that typically require a card to be swiped or dipped by the customer, rely on mobile phone / internet connections and are most often used in geographies where it is not practical for the relevant bank to locate a physical bank branch and/ or facilitate door-stop mobile banking by BCs. The micro-ATM has a maximum limit of ₹10,000.</p> <p>Micro-ATM transactions are either conducted on their “own” channel or on the API channel where they interface with third party financial services –API and as of March 31, 2021, they have arrangements with 45 API Partners, including BankIT, RNFI, Mobisafar and Spice Money.</p>	<p>The Bank generates interchange commission for every transaction that is conducted through micro-ATMs on their system, regardless of whether the user has a bank account with them or is a customer of another bank. This commission is 0.5% of the transaction amount or ₹15, whichever is lower.</p> <p>On their “own” channel, the transaction commission is split between the merchant and them, whereas on the API channel, the transaction commission is split between three parties, being the merchant, them and the API Partner.</p>																								
	<p>The key performance indicators with respect to Micro-ATMs:</p> <table border="1"> <thead> <tr> <th>Metric</th> <th>3 Months ended June 30,2021</th> <th>FY2021</th> <th>FY2020</th> <th>FY2019</th> </tr> </thead> <tbody> <tr> <td>micro-ATM transacting merchants (average monthly)</td> <td>98,275</td> <td>99,984</td> <td>51,714</td> <td>11,891</td> </tr> <tr> <td>micro-ATM throughput (₹ Cr)</td> <td>6,912.71</td> <td>31,109.64</td> <td>16,650.96</td> <td>3,390.20</td> </tr> <tr> <td>micro-ATM transactions (in Cr)</td> <td>1.74</td> <td>8.64</td> <td>4.70</td> <td>0.84</td> </tr> <tr> <td>micro-ATM Market share (%)</td> <td>51%</td> <td>55%</td> <td>-</td> <td>-</td> </tr> </tbody> </table>		Metric	3 Months ended June 30,2021	FY2021	FY2020	FY2019	micro-ATM transacting merchants (average monthly)	98,275	99,984	51,714	11,891	micro-ATM throughput (₹ Cr)	6,912.71	31,109.64	16,650.96	3,390.20	micro-ATM transactions (in Cr)	1.74	8.64	4.70	0.84	micro-ATM Market share (%)	51%	55%	-
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micro-ATM transactions (in Cr)	1.74	8.64	4.70	0.84																						
micro-ATM Market share (%)	51%	55%	-	-																						
AePS	<p>AePS uses Aadhaar biometric authentication through fingerprint or demographic information, linked to the Aadhaar database as the basis for a transaction. Customers primarily use AePS to deposit cash, withdraw cash, check account balances and Aadhaar to Aadhaar remittances that are interbank or intra bank in nature.</p> <p>Together with the biometric reader, AePS transactions are conducted using a transaction application or a POS device that has inbuilt biometric sensors and is AePS compatible, which allow customers to carry out AePS transactions.</p>	<p>The Bank generates interchange commission for every AePS transaction that is conducted through their system, regardless of whether the user has a bank account with them or is a customer of another bank. This commission is 0.5% of the transaction amount or ₹15, whichever is lower.</p> <p>On their “own” channel, the transaction commission is split between the merchant and them, whereas on the API channel, the transaction commission is split between three parties, being the merchant, them and the API Partner.</p>																								
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Metric	3 Months ended June 30,2021	FY2021	FY2020	FY2019																						
Income - AePS (₹ Cr)	24.89	83.29	-	-																						
AePS transacting merchants (average monthly)	185,769	153,147	53,252	17,339																						

Product	Offering:	Revenue Model:			
	AePS throughput (₹ Cr)	7,741.81	25,077.30	13,487.83	3,993.46
	AePS transactions (in Cr)	2.66	10.49	4.70	1.33
Remittances (money transfers)	Remittance predominantly refers to domestic transfers by migrant workers who are sending money from the location of their employment, to their homes which are often in other states/regions. They provide the requisite infrastructure and services to facilitate such domestic remittances primarily through their merchant network, branches, CSPs and BC network. The domestic remittances are capable of being processed using IMPS and NEFT. They also currently have a license to deal as an Authorised Dealer – Category II and expect to be able to offer such service to customers in the near future.	The Bank earns a commission for every domestic remittance transaction facilitated. The revenue they earn through domestic remittance is based on a percentage of transaction value after accounting for costs and depends upon whether the remittance is carried out through their “own” channel or on the API channel (which typically attracts a lower margin than through their “own” channel).			
	The key performance indicators with respect to Remittances:				
	Metric	3 Months ended June 30,2021	FY2021	FY2020	FY2019
Income - Remittance(₹ Cr)	Own	13.77	70.58	-	-
	API	50.08	184.83	-	-
Remittance throughput (₹ Cr)	Own	1,615.46	7,741.65	9,830.65	7,521.17
	API	5,796.26	21,445.30	30,852.12	15,971.24
Remittance transactions (in Cr)	Own	0.61	3.04	3.70	2.76
	API	2.04	7.64	12.22	5.86
CASA	The Bank offers 2type of current account and 6 types of savings accounts to their customers and their CASA ratio as of June 30, 2021 is 100%. Access to the account is also available from all of their branches, merchants and CSPs. Further, all 6 of their savings accounts are interest-bearing and all CASA accounts except the accounts held by minors in the Bhavishya Savings Account have a sweep account facility. These accounts may be used with a debit card and offer a range of Functions, These accounts also have an instant fund transfer facility that leverages the Immediate Payment Service (“IMPS”) system at nominal charges to any bank account within India.	The Bank earns revenue on their CASA accounts by charging: <ul style="list-style-type: none"> • An annual subscription fee on their Shubh Savings Account, Jan Savings Account and Bhavishya Savings Account; • Fees where the customer is unable to maintain the MAB on their Pratham Savings Account & Pragati Current Account; • For fund transfers made from CASA accounts (i.e., account to account transfers and IMPS); • For cash transactions such as cash deposits and cash withdrawals; and • Other miscellaneous fees in connection with certain SMS alerts and physical account statements. 			
	The key performance indicators with respect to CASA:				
	Metric	3 Months ended June 30,2021	FY2021	FY2020	FY2019
Income - CASA (₹ Cr)		17.83	59.46	-	-
CASA Account Deposits (₹ Cr)		248.78	240.63	116.53	47.00
CASA Accounts (in Cr)		0.29	0.26	0.14	0.08
CASA New Accounts (in Cr)		0.03	0.11	0.06	-
CASA Ratio (%)		100%	100%	100%	100%
Debit Cards (Classic and Platinum)	The Bank offers their customers either a “classic” or “platinum” Rupay debit card that is accepted on online platforms and across ATMs and POS terminals deployed throughout India. These are typically offered when a customer opens a CASA Account.	The Bank earns revenue on debit cards by charging one time issuance fees and an annual maintenance charge per card. They also earn revenue on financial and non-financial transactions that occur through their micro-ATMs and which exceed set ‘free’ limits.			
	The key performance indicators with respect to Debit Cards:				

Product	Offering:		Revenue Model:																															
	Metric	3 Months ended June 30,2021	FY2021	FY2020	FY2019																													
	Debit cards outstanding (in Cr)	0.27	0.23	0.12	0.04																													
	Debit cards outstanding - CAGR (%)	84%	103%	163%	-																													
	Debit cards issuance (in Cr)	0.04	0.12	0.07	0.02																													
	Debit cards issuance - CAGR (%)	30%	66%	379%	-																													
	Debit cards transaction count (in Cr)	0.30	0.85	0.61	0.28																													
	Debit card transaction throughput (₹ Cr)	835.04	2,156.35	1,534.29	646.77																													
Cash Management Services (CMS)	The CMS offering principally includes cash collection services and cash payment services across traditional physical channels and help digitize physical cash to clients who manage significant volumes of cash. The service involves providing physical locations where agents of their corporate CMS customers can attend and deposit the cash collected from their customers, acceptance of EMI payments, and provision of acknowledgement of the collection/payment transaction through SMS and providing live dashboard (i.e. web portal) for viewing real time transactions.		The Bank earns revenue from CMS on a commission basis according to throughput volumes.																															
	The key performance indicators with respect to CMS: <table border="1"> <thead> <tr> <th>Metric</th> <th>3 Months ended June 30,2021</th> <th>FY2021</th> <th>FY2020</th> <th>FY2019</th> </tr> </thead> <tbody> <tr> <td>Income-CMS (₹ Cr)</td> <td>12.85</td> <td>30.51</td> <td>-</td> <td>-</td> </tr> <tr> <td>CMS throughput (₹ Cr)</td> <td>4,558.26</td> <td>11,828.40</td> <td>4,301.00</td> <td>852.30</td> </tr> <tr> <td>CMS transaction count (in Cr)</td> <td>0.14</td> <td>0.43</td> <td>0.33</td> <td>0.23</td> </tr> <tr> <td>CMS Clients</td> <td>97</td> <td>85</td> <td>39</td> <td>19</td> </tr> <tr> <td>Throughput per Client (₹ Cr)</td> <td>46.99</td> <td>139.16</td> <td>110.28</td> <td>44.86</td> </tr> </tbody> </table>					Metric	3 Months ended June 30,2021	FY2021	FY2020	FY2019	Income-CMS (₹ Cr)	12.85	30.51	-	-	CMS throughput (₹ Cr)	4,558.26	11,828.40	4,301.00	852.30	CMS transaction count (in Cr)	0.14	0.43	0.33	0.23	CMS Clients	97	85	39	19	Throughput per Client (₹ Cr)	46.99	139.16	110.28
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BC Banking	BC Banking describes the BC's that are engaged by the Bank to provide banking products and services on behalf of other banks and are authorised to perform a variety of activities. As of June 30, 2021, they have approximately 17,430 active BCs across India and derive revenue through commissions on each transaction they process.		Income derived from the BCs in the 3 months ended June 30, 2021 and the FY2021 was ₹38.84 Cr and ₹151.22 Cr, respectively. They consider BC Banking and their BCs primarily as part of their distribution network.																															
Third party Gold Loans	Gold loans are cash loans made against the gold jewellery of a customer. Fino Bank has entered into strategic business relationships (i.e., agency agreements) with an NBFC to cross-sell gold loans via their BCs. Such third parties are incentivised to offer products through them due to their extensive retail network.		Fino Bank generates revenue on a commission basis, charged to the credit service provider, calculated as between percentage of the total through put value of gold loans transacted with customers on a monthly basis. Income derived from facilitating gold loans for the 3 months ended June 30, 2021 and the FY2021, was ₹1.16 Cr and ₹10.27 Cr, respectively.																															
Third Party Insurance Products	Fino Bank currently offers general insurance, life insurance and health insurance. To provide such insurance products, they have obtained registration to act as a corporate agent from IRDAI. In addition, they only cross-sell such products to customers that hold a CASA account or a digital wallet account.		They generate revenue in the form of commission. For the 3 months ended June 30, 2021 and the FY2021, they cross sold 5,263 and 80,774 insurance policies, respectively, deriving ₹0.12 Cr and ₹0.96 Cr in income, respectively.																															
Bill payments and Recharge Facilities	Fino Bank facilitate the payment of bills and Direct-to-home ('DTH') recharges (of TV connections, prepaid mobile phone connections and FASTag) via their branch network or at their merchant locations. Customers may pay bills relating to electricity, gas / LPG, insurance premiums, landline phones, mobile postpaid phones, municipal tax and broadband.		Fino Bank generates revenue in the form of commission charged to the service provider. Income derived in the 3 months ended June 30, 2021 and the FY2021 was ₹0.02 Cr and ₹1.05 Cr, respectively.																															

Product	Offering:	Revenue Model:
FASTags	The Fino FASTag product is a simple, reloadable tag which enables automatic deduction of toll charges, assisting customers pass through vehicle toll stations without stopping to make a cash transaction. FASTag is linked to a wallet account or CASA account from which the applicable toll amount is deducted. The tag employs radio-frequency identification technology and is affixed on the vehicle's windscreen after the tag account is active.	The FASTag can be obtained by the customer from their merchants for a flat fee of ₹99. The merchant registers the customer's vehicle and issues the tag by linking it to the customer's account. They also share in the interchange income of 1.5% for every toll transaction. Income derived from FASTags in the 3 months ended June 30, 2021 and the FY 2021 was ₹0.01 Cr and ₹0.05 Cr, respectively.
Nearfield-based contactless ("NFC") pre-paid card payments	In association with City Cash, Fino Bank has introduced a NFC payments solution for mass transit systems. Specifically, the NFC-based prepaid smart card framework facilitates contactless or tap-and-go payments which enable cashless ticketing for transit systems such as bus networks. It also assists transport operators such as State Road Transport Corporations ("SRTC") convert their existing ticketing hardware infrastructure into NFC compatible with minimal incremental investment.	Fino Bank generate revenues by charging the customer a "convenience" fee every time the customer accesses their touch-points over the entire customer life cycle, including at card registration, and Recharge. In June, 2019, a SRTC introduced the NFC smart card and since then they have sold over 3 million cards. Income derived in the 3 months ended June 30, 2021 and FY2021 was ₹nil and ₹0.09 crore respectively. Income from NFC payments was adversely affected by the COVID-19 related government lockdowns from April to September in 2020.
Third party Business Loans	Fino Bank has entered into strategic business relationships with third party lenders such as Riviera Investors Pvt Ltd to cross-sell business loans (including working capital loans) to their merchants and BCs. Such loans are for amounts between ₹0.2 million and ₹ 5 million with varying interests rates of between 18% to 30% p.a., or 1.25% to 2.50% flat rates p.m. The loans are offered for periods between 30 days and 36 months.	Fino Bank generates revenue in the form of commission received from the service provider. Income derived from third party business loans in the 3 months ended June 30, 2021 and the FY2021 was ₹0.06 Cr and ₹0.07 Cr, respectively.

Planned new products

In July 2021, Fino Bank launched their person-to-merchant (P2M) payments offering that operates through a QR code-based UPI solution. They have a number of new product initiatives which are expected to be launched within the next 12 months, with the launch of each product remaining subject to their internal Product Approval Committee approval and RBI approval.

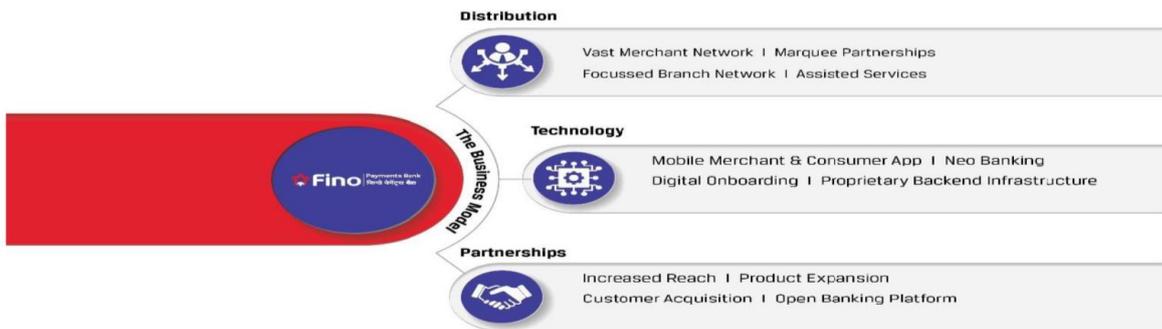
COMPETITIVE STRENGTHS

• The DTP Framework

Bank's unique DTP framework enables them to serve their target market efficiently and is designed to achieve improvements on 3 key challenges associated with serving such target market, being:

- **Scale** – the significant investment of time and capital required to develop and deploy the infrastructure needed to establish the necessary geographic reach;
- **Service** – the high levels of upfront and continued customer service required to build and maintain trust among all of the communities in which they operate and target; and
- **Sustainability** — the customized range of products required to meet the needs of their target market. This framework creates a network effect and facilitates a seamless interplay between each of distribution, technology and partnerships. With respect to:
 - **Distribution** – having access to a vast and established merchant network, the ability to draw upon their strong relationships and trust within the communities, a dedicated and focused branch network and large BC network;
 - **Technology** – The "phygital" model for delivering products, dedicated mobile banking applications for merchants and customers, a "neo banking" mindset, digital on-boarding, e-KYC and their in-house technology expertise and culture of application-led innovation which includes proprietary technology;

- **Partnerships** – leveraging the increased reach of their strategic commercial relationships, product portfolio expansion opportunities, greater customer sourcing and leveraging the open banking regime via their API.

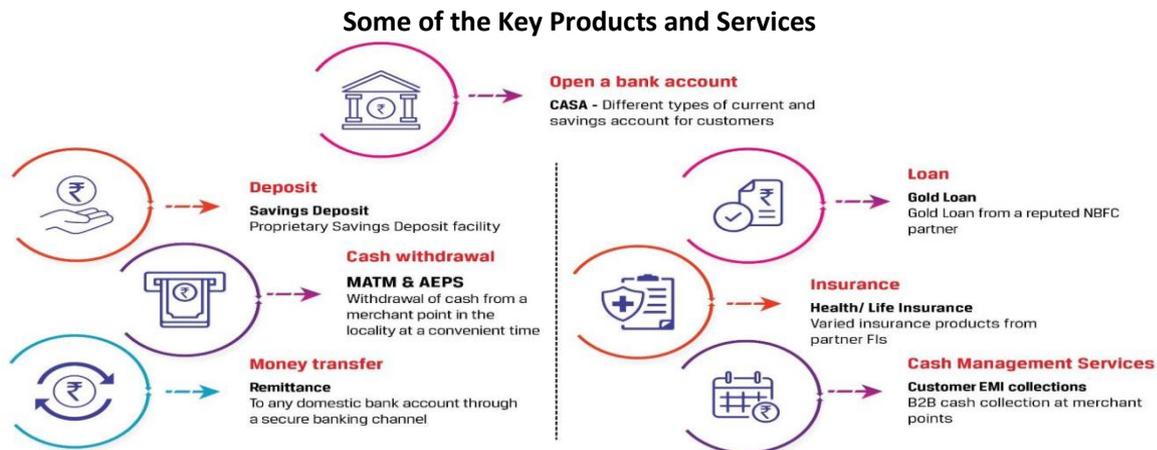


- **A Technology Focused Business Model with an Advanced Digital Platform**

Simplicity in the service and product design and efficient deployment are important factors for Fino Bank, both of which are demonstrated in their **Bpay app**. Currently, they are 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.

The mobile application, ‘**Fino BPay**’, which is a digital solution, utilizes the Unified Payments Interface (“**UPI**”) for secure and fast personal banking and merchant payments, among other functions and targets retail customers. In addition, their ‘**Fino Mitra**’ app serves as a one-stop-shop solution for their merchants by providing banking and payments related services. They have a dedicated business technology team with approximately 110 technical staff as of June 30, 2021, to research, test and develop technology.

- **Customer Centricity and Innovation at the core of business**



The following illustrates how their customer knowledge is integral to their product/service development:

- **Subscription CASA accounts:** Fino Bank introduced this because many individuals in their target market expressed concern about transaction-linked fees that are charged at the time of each transaction. Accordingly, Fino Bank created a product that has no transaction-linked fees up to certain limit, but instead requires the customer to pay an annual fee.
- **Micro-ATMs:** Fino Bank deployed micro-ATMs (as opposed to ATMs) because cash remains extremely popular within the Indian economy and especially in rural India. With lower capital expenditure required as compared to ATMs, micro-ATMs are simpler to set up, have lower operating costs and have no requirement for cash top-up related logistics.
- **AePS IRIS technology:** Fino Bank introduced this functionality because they initially observed high authentication failure rates using fingerprints, due to worn-out fingerprints or quality of capture at the time of transaction. In addition, the device required to conduct IRIS authentication is simpler to use (i.e., plug and play) for their merchants and there is a lower risk of fraud compared to fingerprint scanners which are susceptible to clone prints.
- **Cash bazaar (Latlong):** Fino Bank introduced this so that individuals needing to use banking services could more easily locate and be directed to one of their merchants, branches or CSPs.

- ***An Asset Light and Scalable Business Model***

Bank's merchant-led model is a capital light business strategy in respect of network expansion and except for referrals of third party loan providers, they do not offer any lending products and they do not hold credit risk for loans. In addition, their well-established technology platform and consistent investment in further improvements, allows them to service a wide pool of customers and cater to their diversified requirements. Their focus on and use of technology throughout their business assists them in expanding their reach throughout India without incurring the relatively higher costs associated with traditional bricks and mortar branch presence.

In addition to their 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 their API channel), they leverage 17,430 active BCs to reach the underserved and un-served populations in hard to reach locations.

- ***Operational Experience and Expertise***

With the "FINO" brand being in existence for approximately 14 years (i.e., before the commencement of their business operations in June 2017), and Rishi Gupta being a key employee of FINO, they benefit from his operational experience and expertise gained throughout that time. Their business model in particular is partly a product of and, a beneficiary of such experience. They now leverage this to better understand how the digitization of their products and services can shape customer behaviour into the future and in conjunction with their tech enabled processes and strong team, aim for operational excellence on a regular basis.

- ***Socially inclusive model with positive social impact***

Bank's business model and operations, as well as their mission and vision, benefit Indian society by bringing India's un-served and underserved population into the main stream banking system and accordingly, improving their access to financial products and services and in turn quality of life.

In delivering their financial products and services they also empower women. In particular, as part of their Business Alliance Initiative, they have engaged with two state level rural livelihood missions to grow the number of women acting as merchants and BCs. As a result of such initiative, the number of female merchants ("own") has recently nearly doubled, increasing from 18,191 as of March 31, 2020 to approximately 35,928 as of June 30, 2021. Since February 2021, they have been working with the Uttar Pradesh State Rural Livelihood Mission to train and on-board 10,000 women from self-help groups as BC "Sakhis", for a period of 5 years.

- ***Highly Experienced and Committed Leadership Team, Marquee Investor Base in the Promoter and Shareholder***

Fino Bank is led by a highly experienced and committed leadership team with a diverse and deep level of expertise, particularly in the financial services and technology industries. They also has low attrition rates throughout their KMP, with 5 of their KMP having been with them since inception in 2017 and, on average, their KMP and Board members have been associated with the "FINO" brand for approximately 5.3 years as of March 31, 2021. Having a diverse management team with such breadth and depth of experience allows them to leverage the competitive strengths of their business as well as allowing management to identify and act quickly in connection with new opportunities for their business.

KEY BUSINESS STRATEGIES

- ***Leverage their Market Position to Capture Industry Opportunities***

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. Such addressable market refers to the potential revenue pool available to companies providing CASA deposit accounts in rural and semi-urban areas and also providing the entire range of payment and remittances related services across urban, semi-urban and rural areas. In addition, they continue to apply an innovative approach to their DTP framework so as to expand their distribution network of merchants and BCs, expand and improve their digital offering and foster new and existing strategic commercial relationships.

- ***Continued Innovation Leading to High Growth Products and Diversified Revenue Streams***

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.

They have identified and expect that CASA and micro-ATMs have high growth potential. They are also actively exploring the potential of tie-ups with third party financial institutions such as Non-Banking Financial Companies (“NBFCs”) for referral credit products designed for customers, where they will earn fees on such referrals.

- **Expand and Deepen the Customer Sourcing Capabilities**

As of September 30, 2021, Fino Bank has an operational presence in over 90% of districts, and during the last 3 financial years and 3 months ended June 30, 2021, they acquired 696,513 new merchants across their network (including “own” and API channel merchants). In addition, they also had a number of strategic relationships with businesses/organisations across the country; including with a State Road Transport Corporation where they introduced a near field communication (“NFC”) based contactless payments solutions for the mass transit system.

With a goal to acquire more customers, they intends to continue expanding their network to drive deeper penetration and sustainable operations in these regions and communities, focusing on underserved and unserved individuals and micro businesses that have limited or no access to formal banking channels.

- **Continued focus on use of technology to improve operating leverage**

Bank’s focus on and use of technology throughout their business is a significant factor in improving their operating leverage, as it allows them to improve gross margins and limit variable costs. In the financial years 2019, 2020 and 2021 and the 3 months ended June 30, 2021, they recorded ₹13.93 crore, ₹22.87 crore, ₹66.93 crore and ₹22.50 crore, respectively, of capital expenditure in connection with technology infrastructure.

INDUSTRY OVERVIEW

Peer Comparison of Payments Banks (FY2021)

Players	Deposits (in ₹ Cr)	Net worth (in ₹ Cr)	CRAR (%)	Branches~	Banking touchpoints (in million)
PayTM Payments Bank*	3,450	480	62.40%*	6	21.00#
India Post Payments Bank*	855	570	79.20%	650	0.14
Airtel Payments Bank*	596	320	90.20%*	31	0.50^
Fino Payments Bank	251	150	54.84%	54	0.72
Jio Payments Bank*	17	130	2.35%	9	NA
NSDL Payments Bank*	7	140	230.00%	1	NA

* Data is for FY20; ~ Data is for 9MFY21; ^ Data is for Q1FY22, #Includes in-store and online merchants.

Volume and Value of transactions and card issued:

Players	Debit cards outstanding (in Cr)		Value of transaction at ATM & POS (₹ in Cr)		Volume of transaction at ATM & POS (in Cr)	
	April 2021 to August 2021	FY2021	April 2021 to August 2021	FY2021	April 2021 to August 2021	FY2021
PayTM Payments Bank	6.61	6.38	3,644	8,453	1.81	4.61
India Post Payments Bank	0.22	0.11	84	37	0.14	0.07
Airtel Payments Bank	0.20	0.17	170	269	0.18	0.45
Fino Payments Bank	0.29	0.23	1,181	1,712	0.44	0.69
NSDL Payments Bank	0.02	0.01	7	1	0.01	0.02

Product wise comparison:

Products	Fino Payments Bank	Airtel Payments Bank	India Post Payments Bank	PayTM Payments Bank	NSDL Payments Bank
Savings & Current A/C	✓	✓	✓	✓	✓
Sweep Account Facility	✓	✗	✓	✓	✗
Mobile Wallet	✓	✓	✗	✓	✗
Debit Card	✓	✓	✓	✓	✓
Payments	✓	✓	✓	✓	✓
CMS	✓	✓	✓	✗	✗
Insurance (third party cross sell)	✓	✓	✓	✗	✓
Doorstep Banking	✓	✓	✓	✓	✗
BC Business	✓	✗	✗	✗	✓

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