

Fino Payments Bank Ltd.
Sector
Finance

Issue Highlights

Issue Open	October 29, 2021
Issue Close	November 2, 2021
Issue Price	Rs. 560 - Rs. 577 Per Share
Total Issue Size	Rs. 1,200.3 Cr
<i>Of which</i>	
Fresh Issue	Rs. 300 Cr
Offer for Sale	Rs. 900.3 Cr
Face Value	Rs. 10 Per share
Market Lot	25 Equity Shares
Issue Type	Book Built Issue

Offer Structure

QIB Category	75%
Non-Institutional	15%
Retail category	10%

Lead Book Running Managers

- Axis Capital Ltd
- ICICI Securities Ltd
- CLSA India Pvt Ltd
- Nomura Financial Advisory And Sec. India Pvt

Registrar To The Offer

- KFin Technologies Pvt. Ltd

About the Company

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. It operates an asset-light business model referred to as “phygital” delivery model (i.e., a combination of physical and digital). They serve the “unserved and underserved” population and provide products and services include various current accounts and savings accounts (CASA), issuance of debit card and related transactions, facilitating domestic remittances, open banking functionality (via Application Programming Interface), withdrawing and depositing cash (via micro-ATM or Aadhaar Enabled Payment System) and cash management services. They have built a pan-India presence with 724,671 merchants (own and API) and operate 54 branches and 130 customer service points as of June 30, 2021.

The company has a strong leadership position within the Indian fintech industry, as they are ranked third among banks in facilitating digital transactions, as of February 2020 by the Ministry of Electronics & Information Technology; and had the largest network of micro-ATMs, as of August 2021. They are a wholly-owned subsidiary of Fino Paytech Ltd whose shareholders include marquee investors such as ICICI Bank, Intel Capital Corporation, International Finance Corporation, HAV3 Holdings (Mauritius), Blackstone GPV Capital Partners (Mauritius) VI-B FDI and Bharat Petroleum Corporation.

Objects of the Issue

- To utilize the net proceeds towards augmenting its Tier-1 capital base to meet its future capital requirements;

Valuation

Fintech companies' demand is poised for growth on the back of rising internet penetration, higher disposable income, development of technology, low-cost infrastructure, government initiatives like UPI, etc. Going forward, India presents a huge opportunity for growth of fintechs owing to high potential in the underpenetrated customer segments. To attract mid-to-low-income customers and the rural population, there is a need to develop tailor-made solutions. There will be huge growth potential for players in payments, lending, wealth, Insurance, etc. segments. We believe Fino Bank is one of the key beneficiaries of opportunities in the sector.

Fino Bank operates an asset-light business model which is a merchant-led distribution model. This model requires minimal capital expenditure as the on-boarding and setup costs are borne by the merchant, this helps in improving operating leverage and efficient expansion. They have a unique DTP (distribution, technology and partnership) framework which enables them to reach a vast population and serve the target audience efficiently. On the financial front, the company has incurred losses in FY19 & FY20 but it turned profitable in FY21. Nonetheless, going ahead, their focus will remain on innovating products, improving technology platforms, expanding geographical footprint and deeper penetration in the regions where they are currently present. This would enable them to earn better revenues & profits, improve operating leverage and gain market share. From the long term perspective, we have a positive view on the company.

Key Risks: i) Highly dependent on merchants and strategic commercial relationships for service and product distribution network. ii) Financials are improving but not stable.

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest (if answer to F (a) above is Yes :

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Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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