Fino Payments Bank
फिनो पेमेंट्स बैंक

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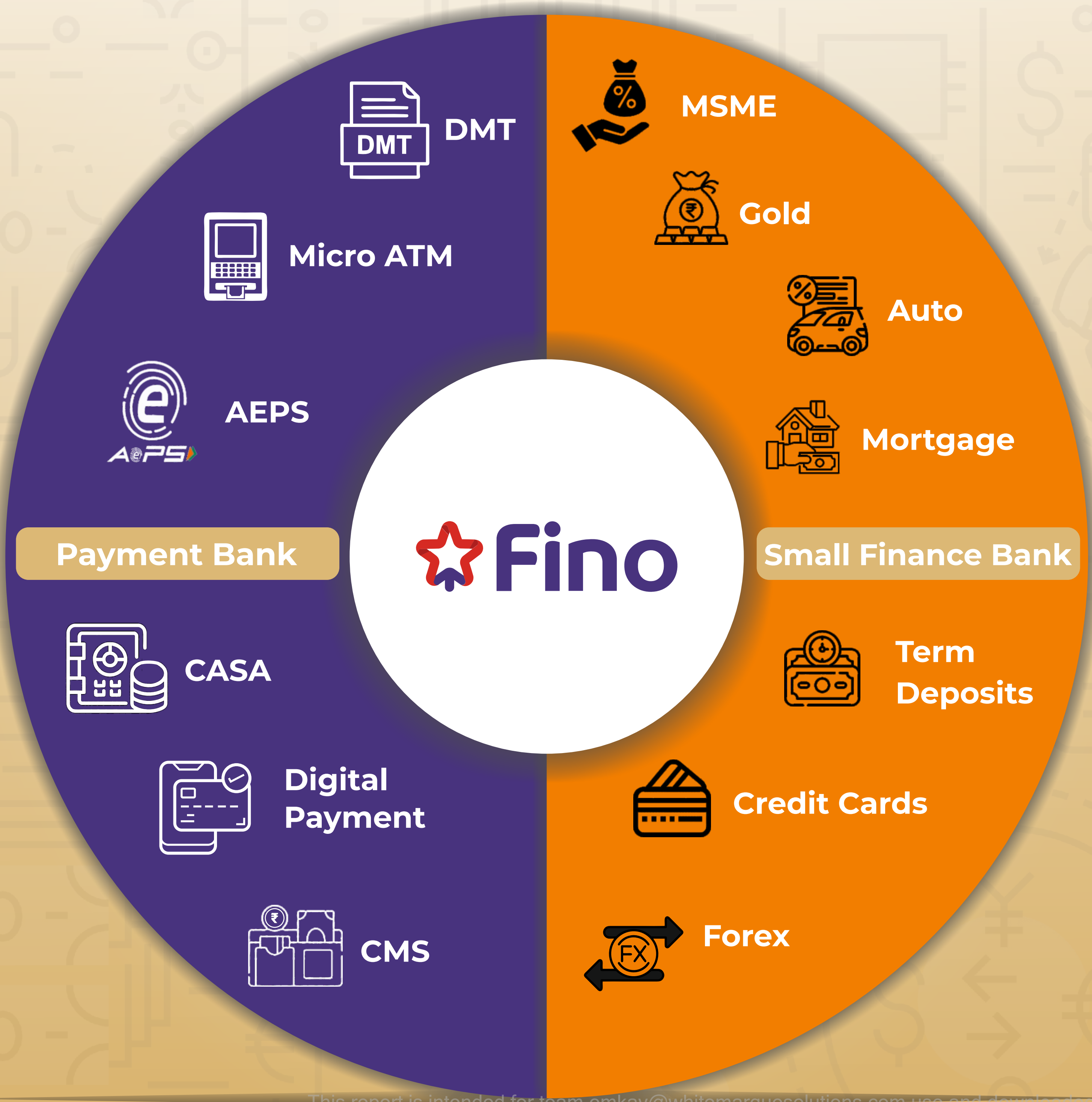
Your success is our success

SET TO TRANSITION INTO A UNIQUE PAYMENT CUM LENDING SFB



BUY

Fino Payments Bank

Set to transition into a unique payment cum lending SFB

Your success is our success

BFSI - Banks ▸ Initiating Coverage ▸ **April 05, 2025**

CMP (Rs): 224 | TP (Rs): 300

We initiate coverage on Fino Payments Bank (Fino) with BUY and TP of Rs300 (upside of 34%). Fino has emerged as a distinctive, asset-light, and profitable payment bank, capitalizing on India's RURBAN digitization wave. It now plans to transition into a unique SFB with payment cum lending business, delivering sustainably higher RoA/RoE (over 2.3-2.5%/17%) in the long run.

Shift from transaction to ownership-led banking to boost annuity income

Fino has built a unique, asset-light, payments bank with merchants at the core, serving underserved customers. The bank is gradually shifting from traditional transactional banking (through its hook products—remittance, MATM, AEPS) to ownership-led banking (CASA), thereby driving-in annualized CASA subscription revenue and other cross-selling opportunities. Notably, its CASA revenue currently accounts for ~24% of total revenue, with renewal/annuity income contributing 10%, and it boasts of the highest contribution margin of 50% and thus supporting profitability.

Digital Payments to aid revenue growth and contribution margins

The growing adoption of digital payments and regulatory disruption have impacted the remittance, AEPS, and M-ATM business and, thus, overall profitability. To address this shift, Fino has built a strong UPI stack, positioning it as the backbone of its digital payment services (DPS), and has entered the B2B UPI business. Contribution of DPS to revenue was 6%/20% in FY24/9MFY25, with 31% expected in FY27E which shall help reclaim overall contribution margins of 28-29%. Fino plans foray into the D2C UPI segment and scale up its PPI proposition, which should further improve margins.

Transition into an SFB with payments + lending business should enhance RoE

Fino has emerged as a profitable payments bank at a time when most paytechs are still struggling. The bank has applied for an SFB license, which should ease restrictions on deposits (mobilization of SA of over Rs0.2mn and TD shall be allowed) and open a lending opportunity and other fee-based businesses (including Cards). Unlike existing SFBs, Fino could emerge as a differentiated SFB with a healthy payments business, stronger liability/CASA (a challenge for most SFBs), and healthy secured lending (mortgage, etc) business (given cost advantage), thereby leading to higher RoE in the long term (~17% in FY28E as an SFB, from 13-14%, under the Payments bank model).

A digi-payment bank set to become an SFB; deserves premium valuations

With most SFBs reeling under asset-quality pressure and earnings volatility frequently, and paytechs squeezed by losses, we believe Fino offers a unique long-term play on the payments cum lending business, delivering sustainably higher RoA/RoEs and available at attractive valuations (1.9x FY27E P/B; 14.8x FY27E P/E). Hence, we initiate coverage on Fino with BUY and TP of Rs300, based on our ERE (excess return on equity) model implying FY27E/FY28E P/B of 2.6x/2.2x and P/E of 19.8x/13.4x, respectively.

Target Price – 12M	Mar-26
Change in TP (%)	**NA**
Current Reco.	BUY
Previous Reco.	NA
Upside/(Downside) (%)	33.9

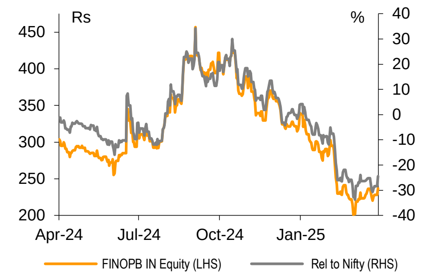
Stock Data	**FINOPB IN**
52-week High (Rs)	467
52-week Low (Rs)	200
Shares outstanding (mn)	83.2
Market-cap (Rs bn)	19
Market-cap (USD mn)	218
Net-debt, FY25E (Rs mn)	NA
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	53.6
ADTV-3M (USD mn)	0.6
Free float (%)	75.2
Nifty-50	22,904.4
INR/USD	85.2

Shareholding, Dec-24	
Promoters (%)	75.0
FPIs/MFs (%)	3.7/6.1

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	11.3	(33.9)	(25.7)
Rel. to Nifty	7.3	(30.7)	(27.0)

1-Year share price trend (Rs)



Fino Payments Bank: Financial Snapshot (Standalone)

Y/E March (Rs mn)	**FY24**	**FY25E**	**FY26E**	**FY27E**	**FY28E**
Net profit	863	929	1,112	1,260	1,858
Net profit Growth (%)	32.3	7.7	19.7	13.3	47.5
NII growth (%)	49.8	30.7	24.3	19.0	107.1
NIM (%)	3.0	2.9	2.9	2.6	3.7
PPOP growth (%)	33.2	25.8	36.0	13.3	52.0
Adj. EPS (Rs)	10.4	11.2	13.4	15.1	22.3
Adj. EPS growth (%)	32.3	7.7	19.7	13.3	47.5
BVPS (INR)	77.3	88.5	101.8	117.0	139.3
BVPS growth (%)	16.4	14.4	15.1	14.9	19.1
RoA (%)	3.0	2.4	2.3	2.0	2.3
RoE (%)	14.4	13.5	14.0	13.8	17.4
P/E (x)	21.6	20.1	16.8	14.8	10.0
P/BV (x)	2.9	2.5	2.2	1.9	1.6

Source: Emkay Research

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Investment thesis

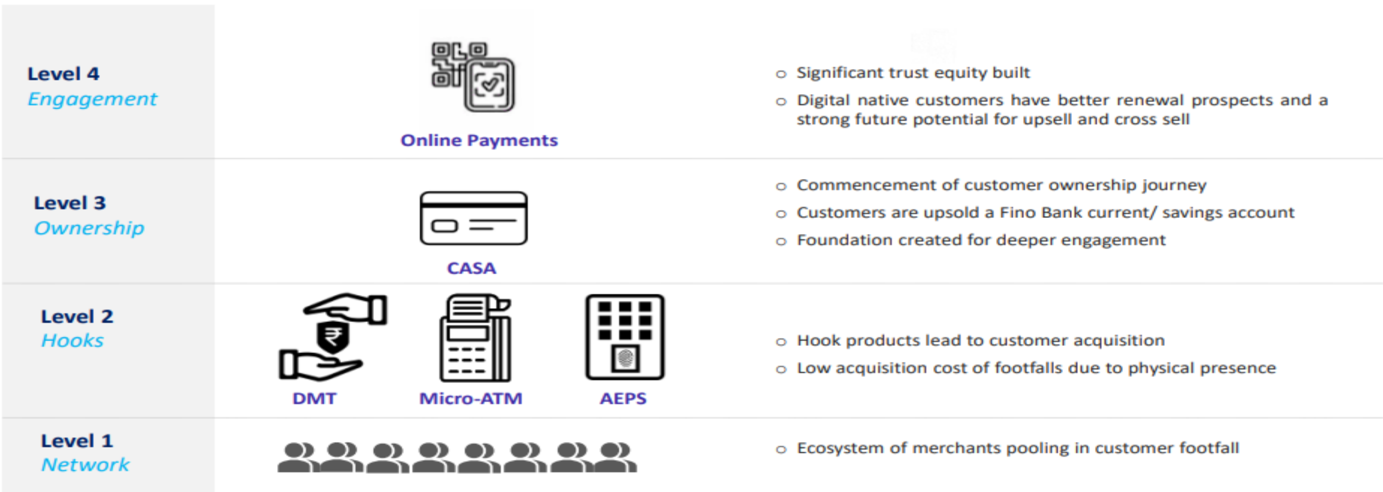
We initiate coverage on Fino Payments Bank with BUY and TP of Rs300 (upside of 34%). We believe Fino offers a direct play on India's rural and semi-urban digitization wave, while delivering sustained profitability unlike other Paytechs, who are struggling to even breakeven. Over the years, Fino has built a unique asset-light, digital-first banking model with merchants at the core, delivering strong CASA growth (>40%), leading to lower funding cost – much to the envy of its peers. This model also generates healthy annuity income. Additionally, Fino is gradually diversifying its revenue stream with increased contribution from digital payment services including UPI, which should support its contribution margin and profitability. After building a successful and profitable payments bank, Fino now plans to transition into a differentiated SFB, which will not only remove the restrictions on deposit limits but also unlock lending opportunities and expand fee-based businesses. Thus, we believe Fino should offer a unique play on payment cum lending business, delivering sustainably higher RoA/RoEs (~17% in FY28E as SFB from 13-14% under the payments bank model) in the long run. Our key investment thesis is as follows:

Shift from transaction-led to ownership-led banking shall boost annuity income

CASA revenue (which boasts highest contribution margin of 50%) currently accounts for ~24% of total revenue, with annuity income contributing 10%

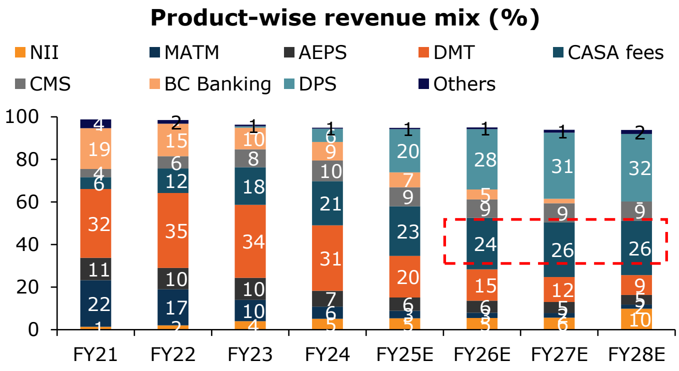
Fino has built a unique asset-light payments bank with merchants at the core serving the underserved customers, thus forming a perfect blend of phygital franchisee network. This approach enables higher throughput at a relatively lower cost. Initially, the bank focused on transactional banking via its hook products (Remittance, MATM, AEPS, and BC banking) to drive transactional revenue and footfalls at its touchpoints. However, it has now shifted its focus on converting these transactional footfalls (off-us customers') into CASA customers (on-us customers'), thereby driving-in annualized subscription revenue and other cross-sell opportunities. Notably, CASA revenue currently accounts for ~24% of total revenue, with renewal/annuity income contributing 10%; it boasts the highest contribution margin of 50%. We believe that a higher CASA transition will enhance customer stickiness, thereby driving a higher stable annuity income, which coupled with the already strong transactional revenue, shall provide a competitive edge to Fino.

Exhibit 1: Fino Payments Bank has transitioned from Level 1 of transactional banking hooks to ownership banking via CASA



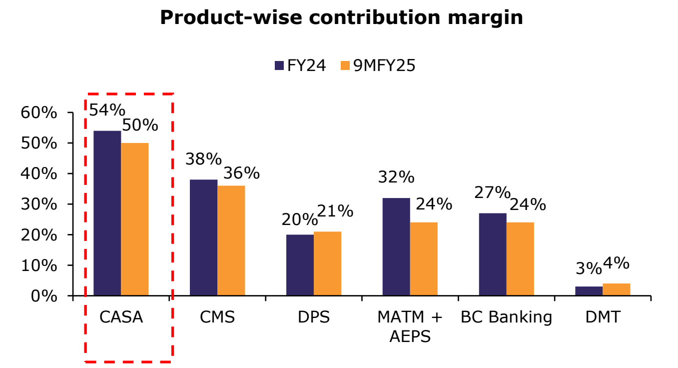
Source: Company, Emkay Research

Exhibit 2: Bank is transitioning from transactional to ownership banking as reflecting in the rising share of CASA revenue…



Source: Company, Emkay Research

Exhibit 3: …which is a higher margin business, leading to better PPOP margins for the bank



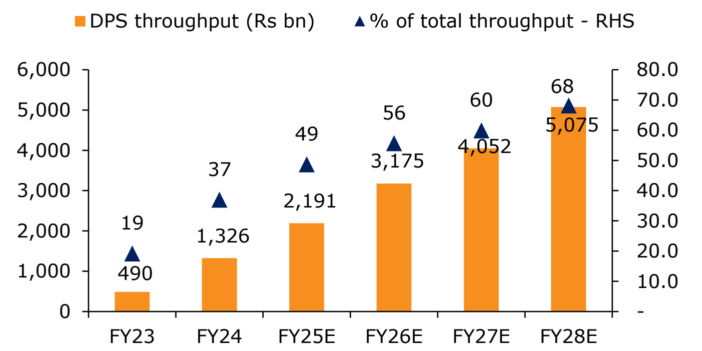
Source: Company, Emkay Research

Accelerating digital payments to support revenue growth, contribution margins

DPS is expected to contribute one-third to total revenues, and this shall offset the natural slowdown in traditional business lines, while also enhancing contribution/PPoP margins

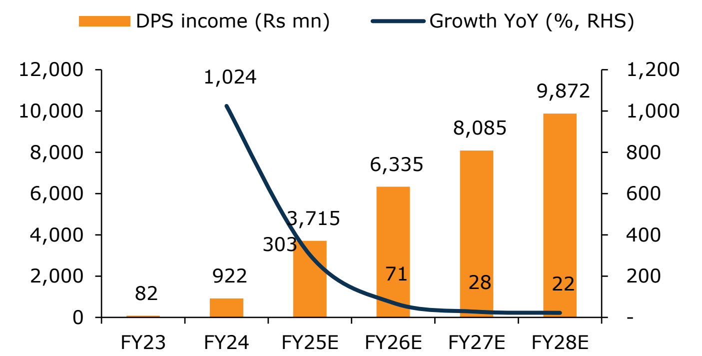
Fino has established a diversified revenue mix including CASA, Remittance/Direct money transfer (DMT), Cash management system (CMS), BC Banking, Micro ATM (MATM), and Aadhar Enabled Payment Services (AEPS). However, increasing adoption of digital payments has cannibalized the remittance, AEPS, and MATM business to some extent. To address this shift, Fino has developed a strong UPI-payment stack, positioning it as the backbone of its digital payment services (DPS), and has entered into a B2B UPI business with TPAP and merchant partners. The contribution of DPS to overall revenue stood at 6%/20% in FY24/9MFY25, which is expected to rise and contribute one-third to overall revenues by FY27E. This transition is anticipated to offset the natural slowdown in traditional business lines, while also enhancing contribution/PPoP margins. Additionally, the bank also plans to foray into the D2C UPI segment as well as scale up its PPI proposition, which should further accelerate revenue growth/margins. Notably, the renewal rate for digitally active customers stands at ~83%, significantly higher than the 60% blended renewal rate, underscoring the complementary relationship between DPS and CASA growth.

Exhibit 4: The growing adoption of digital payments is leading to cannibalization of the bank's traditional transaction business…



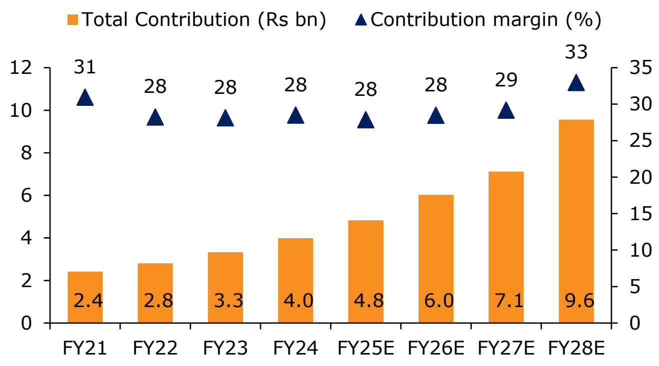
Source: Company, Emkay Research

Exhibit 5: …which shall be offset by higher share of DPS revenues



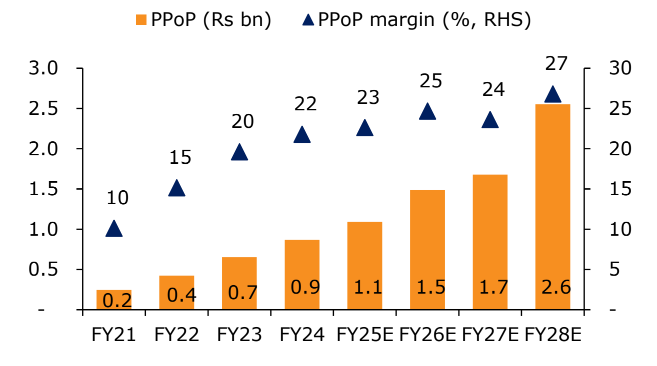
Source: Company, Emkay Research

Exhibit 6: Faster pace of DPS revenue growth shall lead to higher overall contribution margins…



Source: Emkay Research

Exhibit 7: …as well as enhance overall PPoP margins of Fino



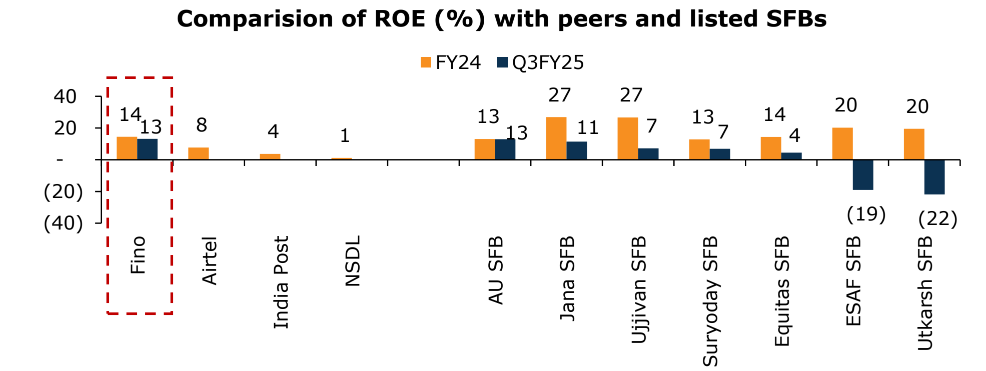
Source: Emkay Research

Transition into a differentiated SFB with payments + lending business should enhance RoE

Incremental lending revenue on top of its otherwise healthy payment fees should drive-up RoAs in the long run (2.3-2.5%), which coupled with better equity leverage, should lift RoEs to >17%.

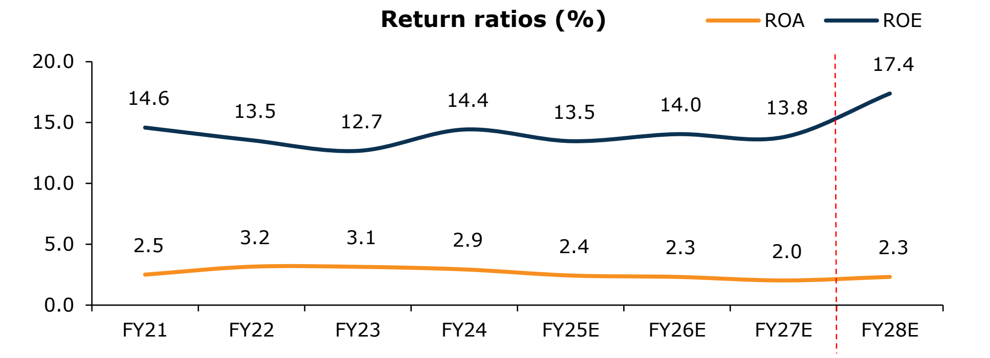
Fino has turned reasonably profitable under the payments bank model, amid a spate of failures and sub-scale operations within the peer set. Now, it aims to transition into a differentiated small finance bank (SFB), offering a play on payments + lending business, while maintaining its unique asset-light business model and lower operational cost. After transitioning into an SFB by FY27-28E, Fino plans to remain a payments-dominated bank, while focusing on gradually building a quality lending portfolio (including secured loans like HL, GL and so on) that shall contribute 20-25% of total revenues by the end of third year of SFB operations. The shift to an SFB model will remove deposit restrictions (cap of Rs0.2mn on SA shall be lifted and mobilization of TD shall be allowed), enhancing customer engagement, and attracting high-net worth urban/metro customers. Additionally, the bank will also be able to offer credit cards (payment cum lending product), which should not only boost revenue, but also improve customer acquisition in the medium-long term. We believe that incremental lending revenue on top of its otherwise healthy payment fees should drive up RoAs in the long run (2.3-2.5%), which coupled with better equity leverage, should lift RoEs to >17% on a sustained basis unlike peer SFBs (being otherwise prone to frequent asset quality disruptions and earnings volatility).

Exhibit 8: Fino as a payment bank remains reasonably profitable, which could get a further boost once it transitions into an SFB



Source: Emkay Research

Exhibit 9: Lending business should boost the bank's RoA, which coupled with higher equity leverage, should drive-up Fino's RoE well above 17% on a sustained basis by FY28E



Source: Emkay Research; Note: Bank to transition into full stack SFB from FY28E onwards

Unique play on Digi-Payments cum Lending business with superior returns; deserves premium valuations

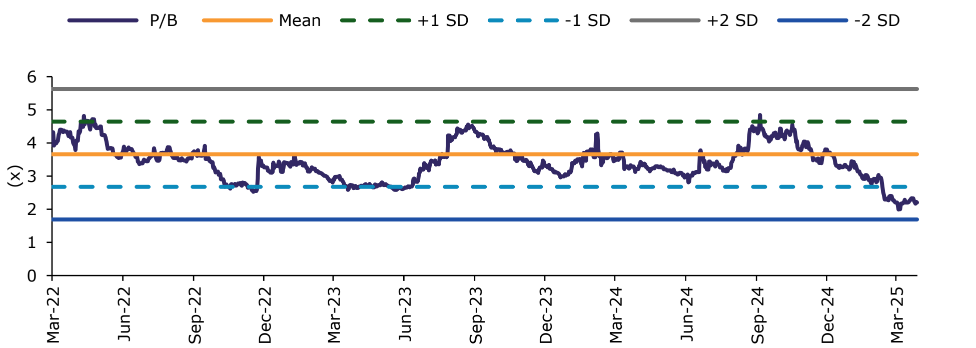
Fino has emerged as a strong payments bank capitalizing on India's rural and semi-urban digitization trend, while delivering healthy profitability unlike other PayTech firms that are struggling to achieve break even. Additionally, Fino has applied for an SFB license and should emerge as a differentiated SFB with a strong CASA ratio (a weak link for peer SFBs), payment revenues, and (topped up by) healthy lending revenue. Most SFBs are reeling under frequent asset quality issues, earnings volatility and are exposed to high-risk loans (including MFI) owing to cost disadvantage and their past lineages. However, Fino should be able to build a healthy asset book leveraging its captive merchant/retail user base, thereby offering a safe and unique play on payment cum lending business, thus delivering sustainably higher RoA/RoEs of >2.3-2.5%/17% in long run, which in turn, command premium valuations. Thus, we initiate coverage with a BUY rating and TP of Rs300, based on our ERE model (excess return on equity model), implying 2.6x/2.2x FY27E/FY28E P/B, and 19.8x/13.4x FY27E/FY28E P/E.

Exhibit 10: Valuation assumptions for ERE model

Particulars	%
Risk-free rate	6.8
Cost of equity	12.8
Terminal growth rate	5.0

Source: Emkay Research; Note: The ERE model values a company by measuring how much its return on equity (ROE) exceeds its cost of equity (Ke)

Exhibit 11: Stock is currently trading below -1 SD P/B



Source: Bloomberg, Emkay Research

Exhibit 12: We believe Fino's unique payment cum lending banking model with sustainably higher return ratios as an SFB in the long run should deserve premium valuations

Peers (Rs bn)	TTM Revenue	TTM PAT	CASA (%)	RoA (%)	RoE (%)	Mcap	Networth (BV)	P/E (x)	P/B (x)
Fino Payments Bank	**17**	**1**	**100**	**2.5**	**13.2**	**19**	**7**	**20.1**	**2.6**
Small Finance Banks									
AU SFB	101	21	30.6	1.5	13.0	412	159	19.3	2.6
Ujjivan	45	10	25.1	1.2	7.2	71	60	7.3	1.2
Equitas	41	3	28.6	0.5	4.4	64	60	20.4	1.1
Utkarsh	26	2	20.0	(2.5)	(21.8)	26	30	14.2	0.9
Jana	31	7	18.4	1.3	11.4	45	40	6.0	1.1
ESAF	27	(3)	24.9	(1.7)	(19.0)	14	21	NM	0.6
Capital SFB	5	1	39.1	1.4	10.9	12	13	9.9	1.0
Mean								**12.9**	**1.2**
Median								**12.1**	**1.1**
Other Paytech peers									
Airtel Payments	18	0.4	100	0.9	7.6	NA	5	NA	NA
India Post Payments	13	0.3	100	0.3	3.3	NA	12	NA	NA
NSDL Payments	7	0.0	100	0.5	1.2	NA	1	NA	NA
Paytm Payments	25	(2)	100	(2.5)	(24.3)	NA	3	NA	NA
Mobikwik	9	0.1	NA	1.8	8.7	22	1	157.1	21.3
Paytm (One97)	73	3.8	NA	(0.2)	(0.2)	521	147	137.9	3.5
Niyogin	3	(0)	NA	(3.7)	(6.0)	5	3	NM	1.7
AGS Transact	13	(2)	NA	2.8	12.0	1	3	NM	0.3
Radiant Cash Mngt	4	0.5	NA	16.4	19.5	7	3	14.9	2.5
CMS Info Systems	24	4	NA	13.8	18.4	76	22	20.7	3.5
Digispice (Spice money)	4	0.2	NA	(4.4)	(13.0)	4	2	22.0	2.0
Vakrangee	2	0.1	NA	2.2	5.0	12	2	203.3	6.2
Zaggle	12	1	NA	10.6	12.9	46	6	60.1	7.2
Jupiter	1	(3)	NA	(36.4)	(44.1)	NA	NA	NM	10.9
Mean								**19.2**	**2.7**
Median								**20.7**	**2.5**
Overall Mean								**15.0**	**1.8**
Overall Median								**14.9**	**1.5**

Source: Emkay Research

Note 1: Networth of Fino is computed as sum of networth as of Sep-24 and profit for the quarter ended Dec-24.
Note 2: All figures of Mobikwik, Jupiter, Airtel, India Post, NSDL, Paytm Payments bank are as of Mar-24.
Note 3: All figures of SFB and other paytech peers (other than those mentioned in Note 1) are as of Dec-24, while the RoA/RoE are as of Sep-24.
Note 4: Mcap is as on 04-Apr-25. Valuation ratios are computed on a trailing basis. Outliers were excluded while computing the mean/median ratios.

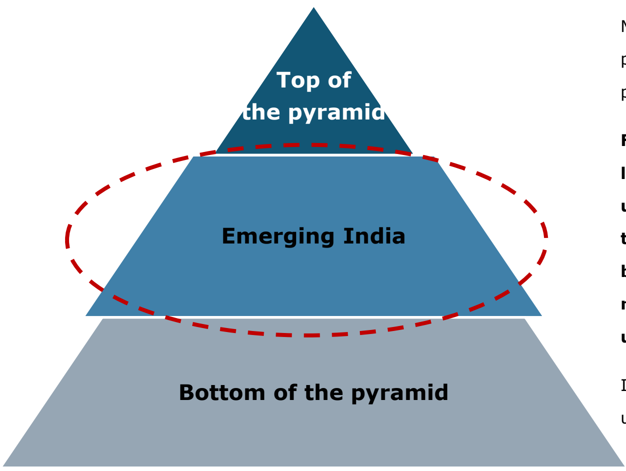
Key risks:

- Persistent interoperability issues, unattractive incentive structures, complex tax laws, and heightened cannibalization by digital payments can lead to further reduction in AEPS and MATM business, the two main hook products of the bank.
- Post-SFB conversion, we believe that lending business will require the bank to develop the entire credit underwriting (which it currently lacks) as well as sourcing and risk management architecture, which would in turn lead to higher operational cost. Additionally, the bank will be undertaking the lending business and thus be exposed to credit risk.
- Rising competition from large private banks and other SFBs could have a bearing on CASA growth as Fino enters the core banking space.
- Most business transitions leads to lower bandwidth for the existing business, and Fino too, could be prone to similar transitional risk. Additionally, changes in business models could also lead to attrition.

Evolved as a differentiated and profitable payment bank with diversified revenue streams

Fino Payments Bank has emerged as a unique, digital heavy, diversified, and profitable payments bank among its peers, offering a comprehensive suite of transactional banking services like money transfers, AEPS (Aadhar Enabled Payment System), MATM (Micro-ATM), CMS (Cash Management Services), and BC (Business Correspondent) banking to financially unserved and underserved customers (Emerging India) including low-income households, gig economy workers, and rural communities. The bank has gradually migrated from transactional banking, digital-heavy banking to ownership banking, promoting its subscription-based CASA product and thus mobilizing a strong low-cost deposit base (over Rs15bn). With some of its products like DMT, AEPS, and MATM coming under pressure recently due to regulatory issues or cannibalization due to rising usage of digital payments, the bank adapted to this changing business dynamic and launched its digital banking services, which is expected to emerge as a key revenue/margin driver, apart from CASA, under the payment banking model. With RBI offering SFB license to payment banks, Fino has now applied for an SFB license and plans to emerge as an SFB, offering a unique combo play on payment and lending business, thereby delivering strong return ratios.

Exhibit 13: Fino's target market is the 'emerging India' population of the pyramid, which is characterized as the 'unserved and underserved' population



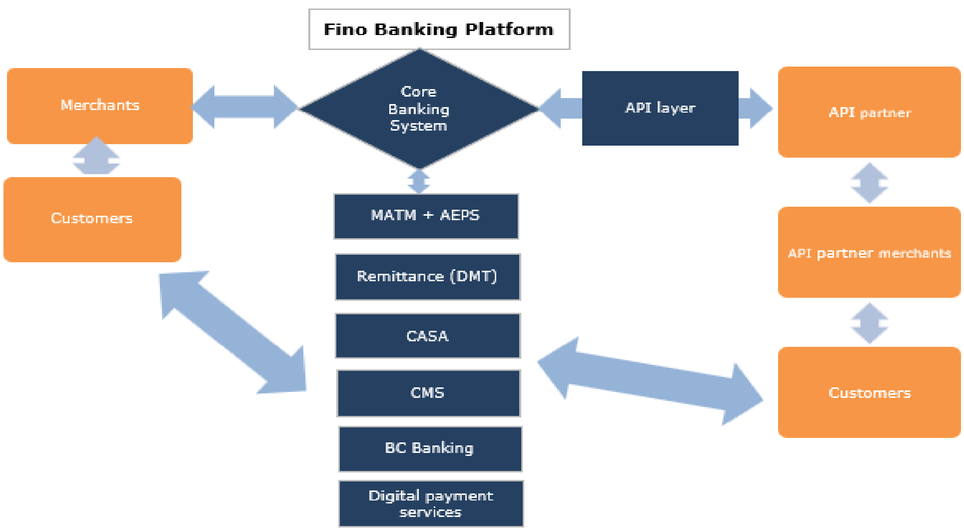
Market already being served by top performing private sector banks, multinational banks and public sector banks with strong balance sheets.

Fino's target market. 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.

Intense competition from a large number of unorganized entities.

Source: Company, Emkay Research

Exhibit 14: Fino's integrated offerings and service network



Source: Company, Emkay Research

Fino outperforms its peers given its unique model and high-margin products

Unlike its competitors, such as Airtel Payments Bank which earns about 2/3rd of its income from low-margin DMT and CMS, or India Post Payments Bank which generates ~50% of its revenue from investments and 30% from account management services, or NSDL Payments Bank which relies almost entirely on remittance income, Fino stands out with its distinctive and highly efficient asset-light model, relatively deeper market penetration, and an extensive range of products including high margin ones like CASA, CMS, and DPS. Its non-banking peers like Spice Money relies heavily on DMT and CMS, and Niyogin is facing challenges in breaking even, despite engaging in on-balance sheet lending in addition to AEPS, MATM, and DMT. Consequently, Fino's strategic focus enables it to deliver peer-best RoA/RoE of 2.9%/14.4%, respectively in FY24, thus setting it apart as the top performer in the sector.

Exhibit 15: Fino's unique asset-light model, and wide gamut of products with healthy margins, sets it apart as the top performer

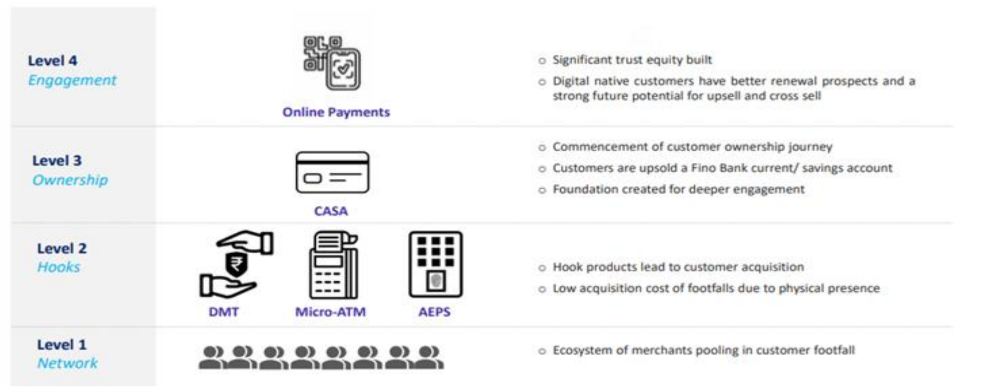
Particulars (FY24)	**Fino Payments Bank**	**Airtel Payments Bank**	**India Post Payments Bank**	**NSDL Payments Bank**	**Paytm Payments bank**	**Spice Money**	**Niyogin**
Primary products/services offered	DMT, AEPS, CASA, CMS, MATM, BC banking, DPS, and third-party financial product distribution	DMT, CASA, CMS, 3rd party financial product distribution, prepaid cards, bill payments and FASTag	DMT, AEPS, A/c mgmt services	DMT	CASA, wallet, bill payments, FASTag	AEPS, mini-ATM, DMT, CMS, air ticket bookings	AEPS, MATM, DMT, On-balance sheet lending
Merchants (mn)	1.8	na	na	1.0	na	1.4	1.6
Customer Service Points (no of)	1,750,000	500,000	162,185	3,002	na	na	53,000
Customers (mn)	11	80 (MTU)	88	0.8	na	150	50
Paid-up Capital – Mar-24 (Rs bn)	1	24	21	2	4	0	1
Networth (Rs bn)	6	5	12	1	3	2	3
Deposits (Rs bn)	14	26	116	1	6	na	na
Investments (Rs bn)	17	26	88	na	11	1	0.0
I/D ratio	*124*	*100*	*77*	*na*	*183*	*na*	*na*
Total Income (Rs bn)	**13**	**18**	**13**	**7**	**25**	**5**	**2**
- Remittances (Rs bn)	5	6	1	7	na	na	na
- AEPS (Rs bn)	1	na	1	na	na	na	na
- CMS	1	6	na	na	na	na	na
EBITDA (Rs bn)	1,544	2.4	3.5	0.0	(0.2)	0.4	(0.0)
EBITDA margin	*13%*	*13%*	*28%*	*0%*	-1%	*9%*	*-2%*
PAT (Rs bn)	0.9	0.4	0.3	0.01	(1.6)	0.1	(0.3)
Total throughput (Rs bn)	**3,585**	**6,553**	**na**	**1,162**	**na**	**1,078**	**438**
AePS throughput	329	na	312	663	na	1	131
DMT throughput	527	na	na	245	na	na	44
MATM throughput	130	na	na	198	na	na	48
CMS throughput	656	na	na	56	na	319	na
FY24 RoA (%)	3.0	0.9	0.3	0.5	(2.5)	2.5	(6.2)
FY24 RoE (%)	14.4	7.6	3.3	1.2	(24.3)	13.1	(8.6)

Source: Company, Emkay Research

Diversified revenue streams to de-risk its payment business from regulatory/competitive disruptions

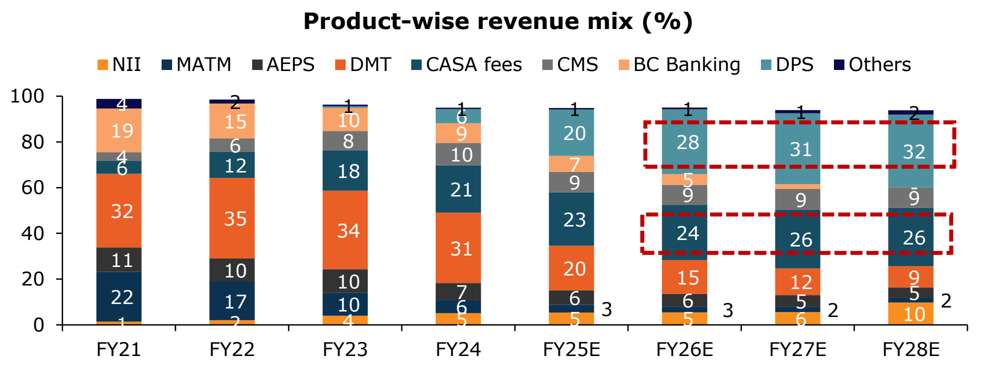
Over the years, Fino Payments Bank has developed a gamut of products including DMT, AEPS, CASA, MATM, CMS, and BC banking. Recently, the bank has also diversified into Digital Payments Services (DPS) to offset product cannibalization as well as regulatory and competitive dislocations in select businesses like DMT, AEPS, and MATM, which collectively contributed 44%/31% to its revenue in FY24/9MFY25, respectively. This shift is visible with DPS revenue now contributing 20% of revenue and expected to scale up further, before the bank transitions into an SFB thus opening up new revenue lines. Bank has strategically scaled up its subscription-based CASA business, which we believe, will get further boost under the SFB model. A detailed breakdown of each product is provided below.

Exhibit 16: Fino's comprehensive product suite comprises of its hook products (DMT, MATM, AEPS) along with CASA and digital payment services



Source: Company, Emkay Research

Exhibit 17: High margin products such as CASA and DPS forms ~43% of total revenue mix



Source: Company, Emkay Research

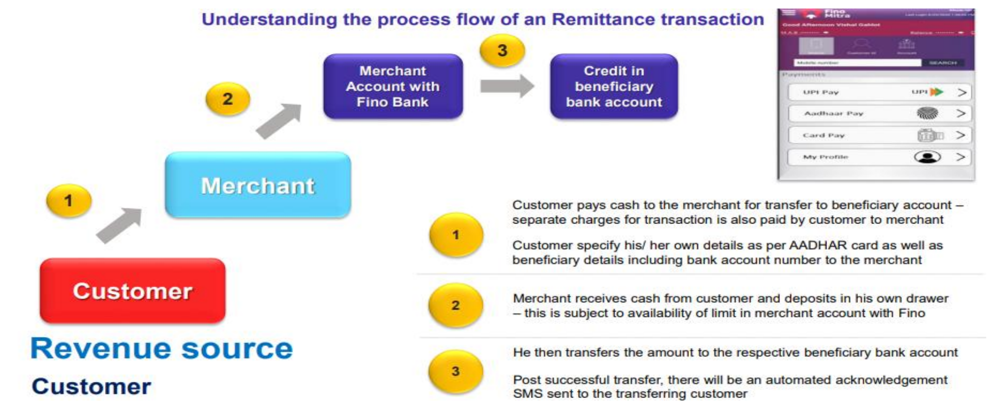
Remittance/DMT business creates a funnel for cross-sell, though it faces some cannibalization from UPI

Rising competition, stricter regulations and growing adoption of digital payments has cannibalized the DMT business.

DMT (Direct Money Transfer) was launched in 2017, and it served as the foundation for the bank's initial distribution strategy (focused on remittance corridors like Gujarat, Bihar, and southern states). Fino still holds an impressive ~16% market share, though it has now fallen from 18%, in domestic money transfers driven by its cutting-edge technology and strategic distribution network near urban and metro centers, particularly in industrial zones and construction sites. The bank earns revenue on a commission basis for each transaction facilitated and it also acts as a 'hook' product, attracting and onboarding customers to whom Fino subsequently cross-sells other financial products.

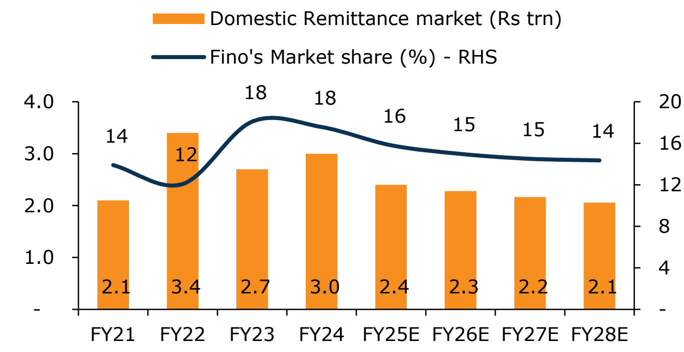
Since inception, DMT has been the highest revenue contributor accounting for ~31%/21% in FY24/9MFY25. However, rising competition and high reliance on API-based channels for throughput (>80%) have compressed margins, leaving the bank with thin contribution margins of 3-4% from this product. Additionally, the growing adoption of digital payments has cannibalized the DMT business in recent quarters, a trend that is expected to persist. Further, RBI's new DMT rules wef Nov-24 which calls for additional factors of authentication for each transaction and verification of remitter's documents by the banks/BCs, among others, have made the waters even murkier. Lastly, the bank's strategy to convert the transaction customers ('off-us customers') to CASA customers ('on-us customers') shall also lead to decline in DMT revenues. As a result, Fino's DMT revenue is projected to decline going forward with its contribution to overall revenue gradually declining to 9% by FY28E.

Exhibit 18: Process flow of a Remittance transaction



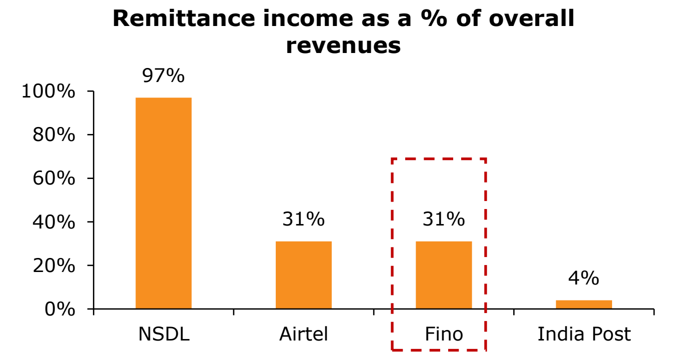
Source: Company, Emkay Research

Exhibit 19: Fino commands 16% DMT market share due to its advanced technology and widespread distribution network



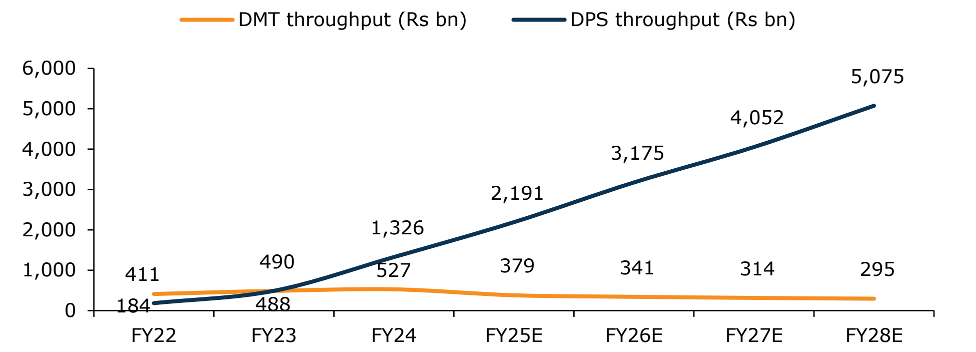
Source: Company, Emkay Research

Exhibit 20: Among peers, NSDL Payments Bank's revenue is more concentrated toward the remittance business, whereas India Post earns only a small portion from this business



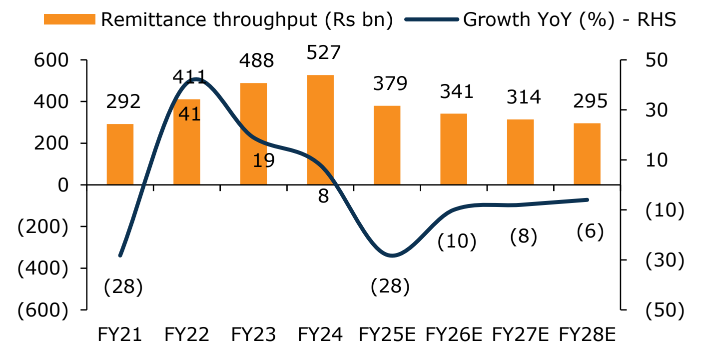
Source: Emkay Research

Exhibit 21: With the rise in digital adoption, DPS throughput reported robust growth, outpacing DMT performance



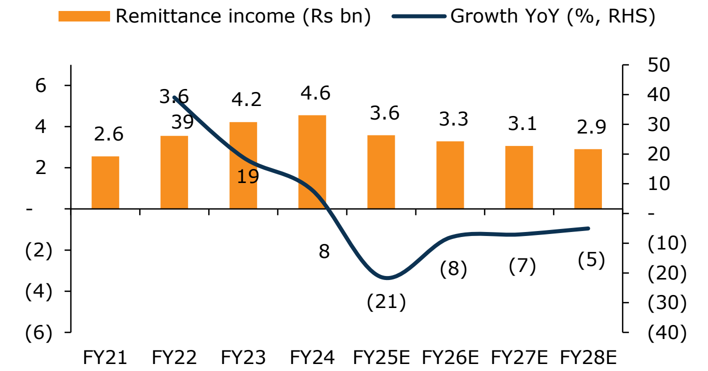
Source: Company, Emkay Research

Exhibit 22: Growing adoption of digital payments has cannibalized the remittance market, and the same trend is expected going forward…



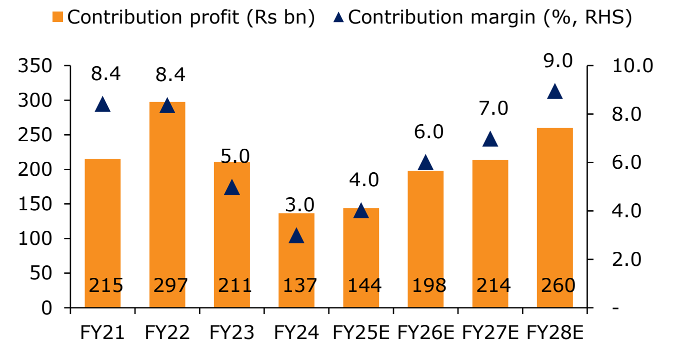
Source: Company, Emkay Research

Exhibit 23: …which, coupled with RBI's new rules, is expected to lead to a fall in revenues going forward



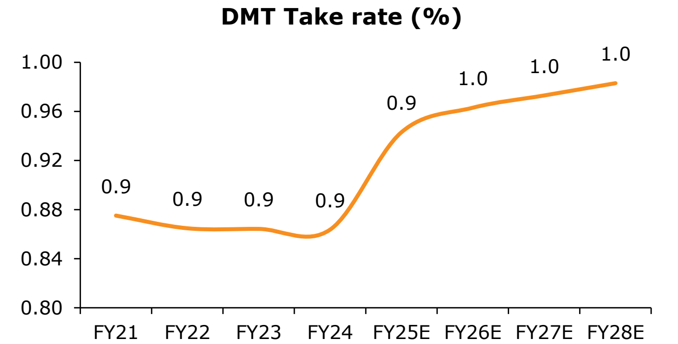
Source: Company, Emkay Research

Exhibit 24: Increased sourcing through API channels and rising competition led to shrinkage of margins



Source: Company, Emkay Research

Exhibit 25: Fino has recently raised the DMT take rate to offset the increase in compliance costs



Source: Company, Emkay Research; Note: The take rates mentioned above are on calculated basis and are not reported take rates

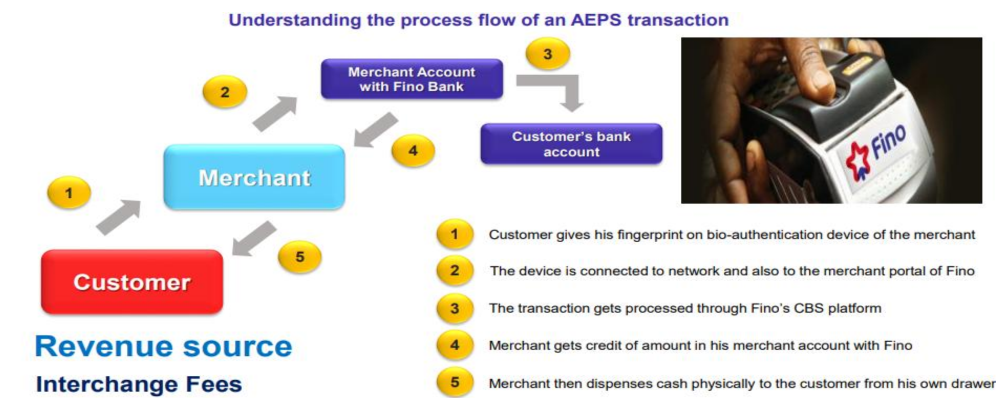
Micro ATM (MATM), Aadhaar Enabled Payment Services (AEPS) business consolidating due to rising digitization, regulatory issues

AEPS and MATM to see modest growth amid regulatory and digital transition headwinds.

MATM and AEPS products are widely used by the migrant population for balance inquiries, cash deposits, withdrawals, and remittances through cards/Aadhaar-based biometric authentication at Fino's branches or business correspondent (BC) points. MATM and AEPS together contributed 32% of overall revenues in FY21 where Fino commanded a ~51% market share in MATM (in terms of number of devices issued). However, the share has declined over the years to 13%/11% in FY24/H1FY25 due to stringent regulatory compliances including new certification requirements, complex tax laws for small merchants, and certain ecosystem-level challenges (in case of AEPS), faster-than-expected digital adoption, and cost-revenue dynamics, particularly post-Covid.

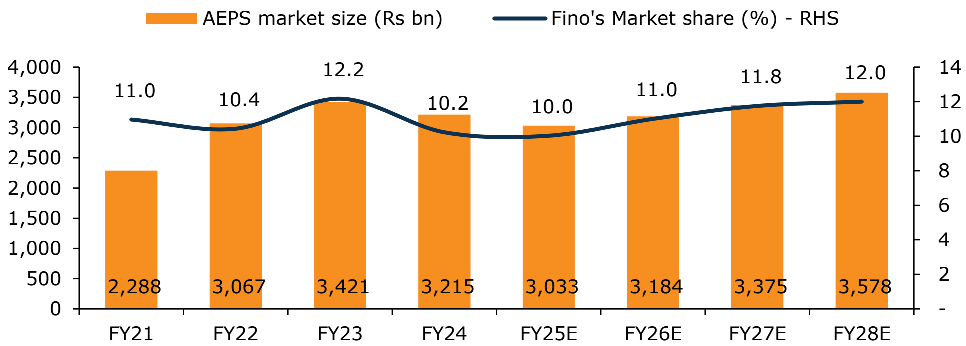
We believe that AEPS and MATM will remain relevant in India as long as government subsidies in the form of direct benefit transfers (DBTs) continue, especially in rural areas, where cash withdrawals are essential. Further, the government's focus on financial inclusion through Jan Dhan accounts ensures demand for both AEPS and MATM. Thus, AEPS and MATM businesses will likely sustain growth in rural areas over the next few years, but their long-term future will depend on regulatory clarity and digital banking evolution (like integration of AEPS with UPI). If interoperability issues persist, growth may slow down. Factoring this, we have projected a modest revenue CAGR of 4% over FY25-28E from these businesses.

Exhibit 26: Process flow of an AEPS transaction



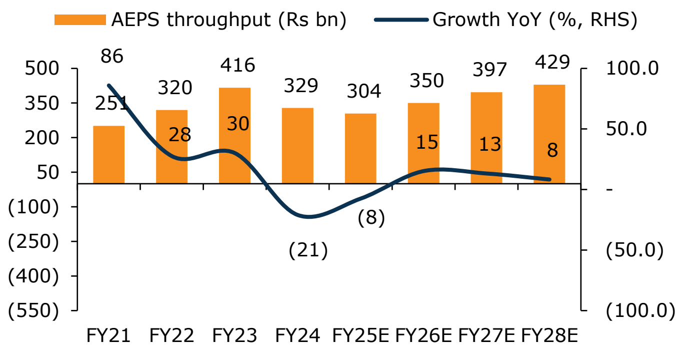
Source: Company, Emkay Research

Exhibit 27: We believe that government subsidies in the form of DBT shall drive AEPS growth with Fino's market share increasing gradually



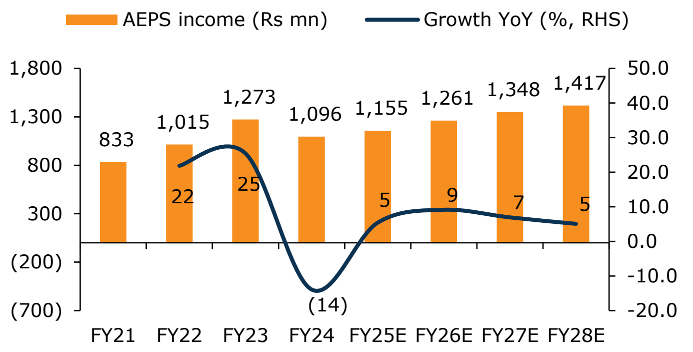
Source: Company, RBI, Emkay Research

Exhibit 28: AEPS throughput is projected at a modest CAGR of 7% over FY24-28E…



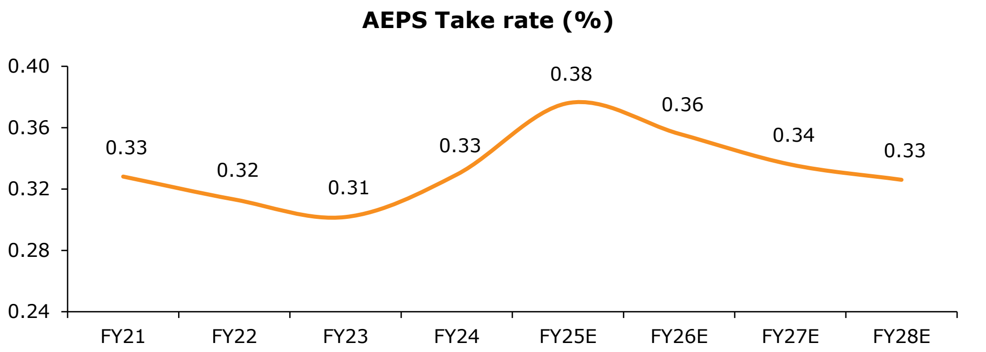
Source: Company, Emkay Research

Exhibit 29: …with income too growing at a similar rate



Source: Company, Emkay Research

Exhibit 30: AEPS take rate has increased during YTDFY25 due to market driven factors, but the same is expected to normalize with increase in competition

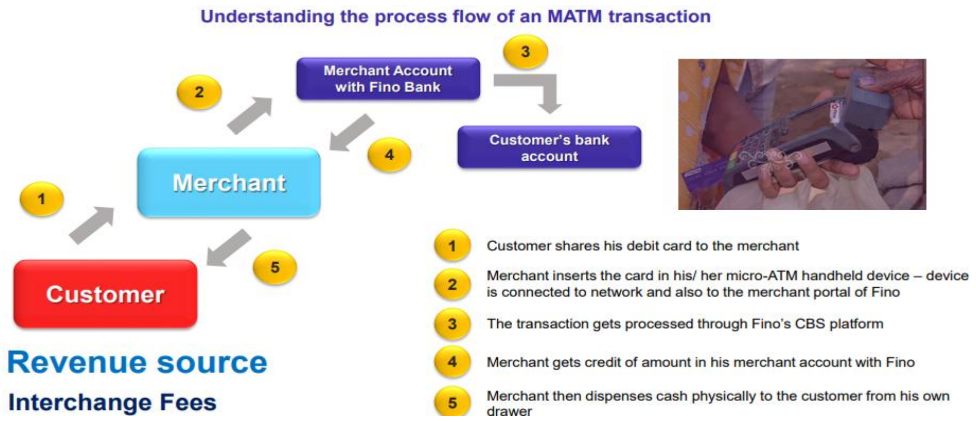


Source: Emkay Research; Note: These are computed take rates and not reported take rates

Over the past three years, AEPS growth has either stagnated or seen a slight decline due to several factors:

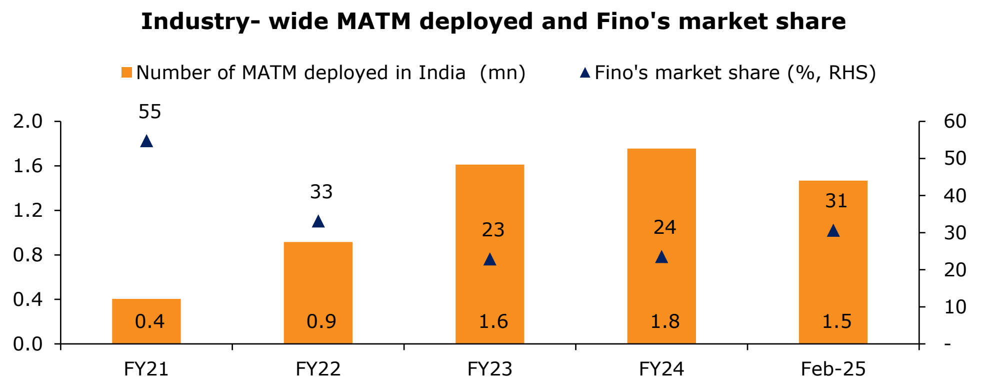
- **Interoperability Issues:** Some public sector banks restrict interbank AEPS transactions despite RBI guidelines, citing fraud risks, but mainly to avoid paying commissions to other banks' BCs.
- **Incentive Structure Constraints:** Banks discourage third-party BC usage to minimize AEPS commissions (0.5% per transaction, capped at Rs15), thus reducing accessibility.
- **Shift to On-Us Transactions:** Banks are directing customers to their own BCs, doubling on-us transactions (170mn to 313mn in 2.5 years), while limiting interoperability.
- **ATM Fee Parity Debate:** BCs push for higher AEPS interchange fees (Rs17 per transaction, equal to ATM fees), but this could further hinder interoperability.
- **Regulatory Compliance Burdens:** Annual inspections and certification requirements for BCs are costly and complex, with digital alternatives yet to be approved by the RBI.

Exhibit 31: Process flow of an MATM transaction



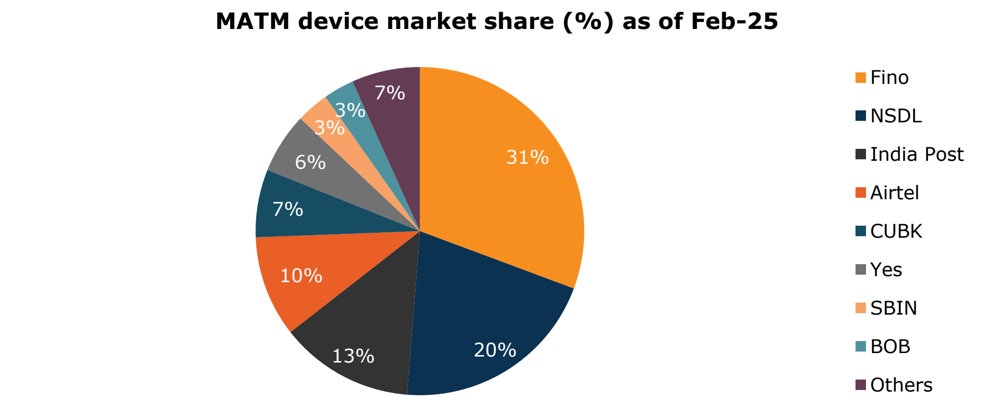
Source: Company, Emkay Research

Exhibit 32: The rise in digital adoption and tedious regulatory policies has led to a decline in industry MATM



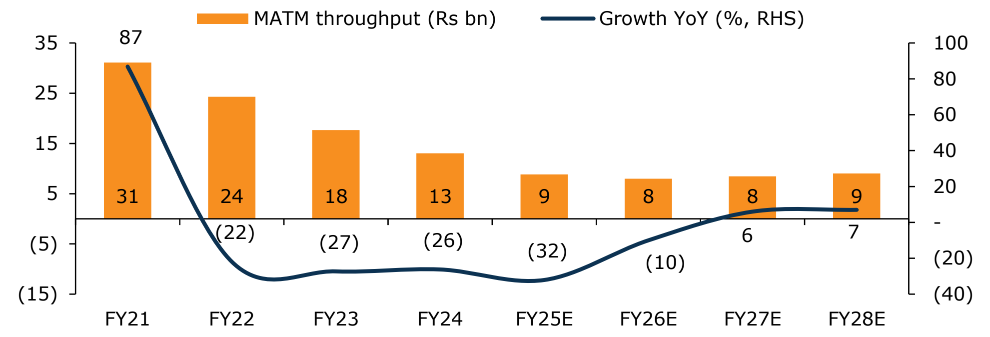
Source: RBI, Emkay research

Exhibit 33: Fino commands a 31% MATM device market share as of Feb-25 followed by NSDL Payment and India Post



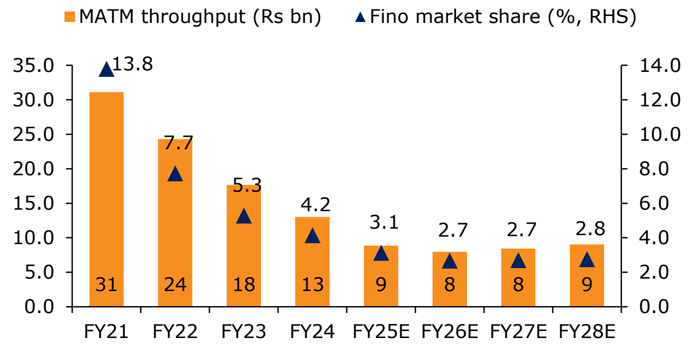
Source: RBI, Emkay Research

Exhibit 34: MATM throughput is projected to decline further in FY26E before it recovers a bit in FY27-28E…



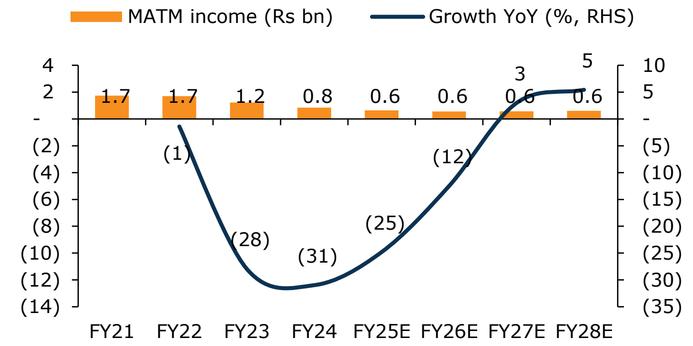
Source: Company, Emkay Research

Exhibit 35: …with Fino's market share remaining broadly stable



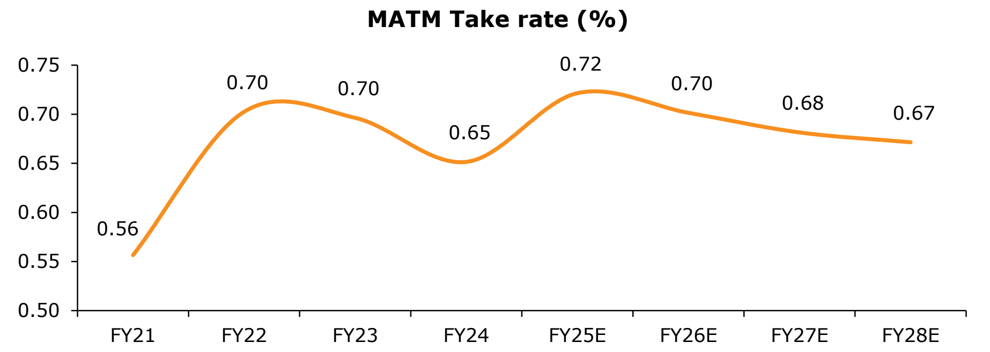
Source: Company, Emkay Research

Exhibit 36: MATM income too shall move in tandem with the throughput



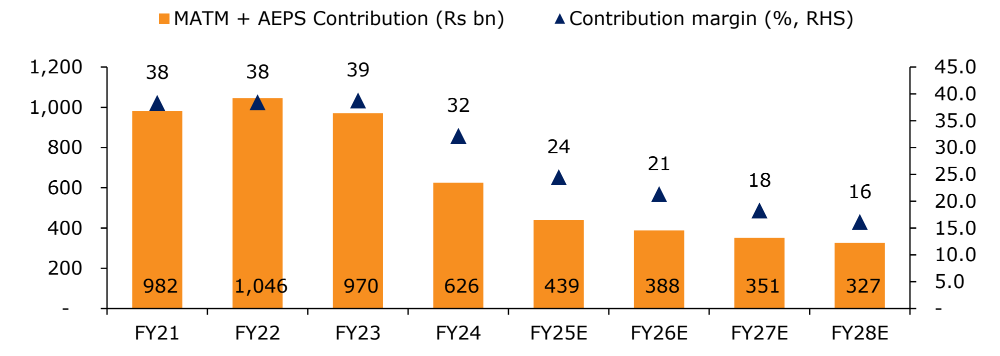
Source: Company, Emkay Research

Exhibit 37: MATM take rate to remain rangebound at ~70bps going forward



Source: Emkay Research; Note: These are computed take rates and not reported take rates

Exhibit 38: Rising competition, stringent compliance, and other interoperability challenges have led to a fall in contribution margins



Source: Company, Emkay Research

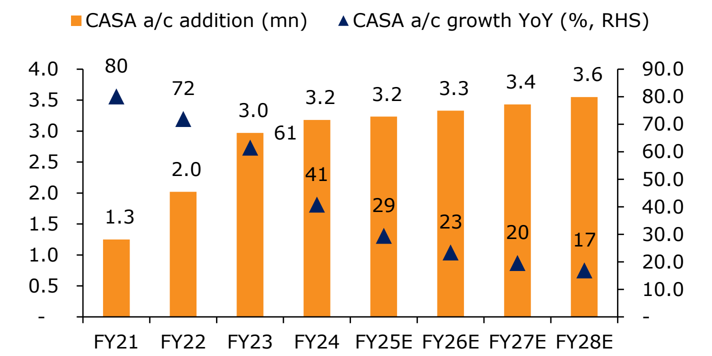
Unique subscription-based CASA offering enables the transition to ownership banking, driving sustainable annuity income

Higher annuity income provides the bank greater revenue visibility, improved margins, and sustained cashflows thereby supporting its long-term strategic initiatives (like lending after conversion into an SFB)

As a part of Fino's strategy to transition from transaction to ownership-led banking, it offers subscription-based CASA services (with a cap of Rs0.2mn on SA as per RBI guidelines), where the bank charges an upfront account opening fee, renewable annually, with a healthy 60% renewal rate. In a way, the subscription fees cannibalizes the remittance fees from DMT customers but increase customer stickiness and drives-in annuity income instead of volatile transactional income. CASA emerged as the second largest revenue contributor after DMT, accounting for ~23% of total revenue in FY24 and 9MFY25. Renewal income (or annuity income) contributed to ~42%/43% of CASA revenue in FY24/9MFY25, respectively (surpassing the subscription income), and provides the bank greater revenue visibility, improved margins, and sustained cashflows thereby supporting its long-term strategic initiatives (like lending after conversion into an SFB). CASA is also Fino's most profitable product, delivering a contribution margin of over 50%.

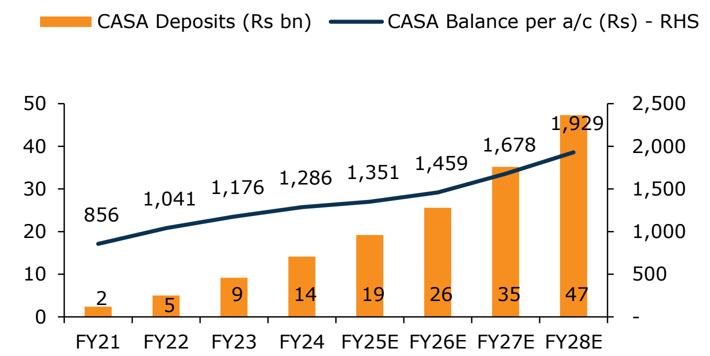
We believe that, with extensive network of merchant-led touchpoints complemented by liability branches, Fino is well-positioned to penetrate the unserved and under-served 'emerging India' market. This strategy shall help to sustain the current customer acquisition rate, driving an estimated ~27% CAGR in CASA revenue over FY24-28E, conquered by higher annuity income CAGR of ~31%. Additionally, these CASA customers can be tapped to up-sell or cross-sell other banking products as well, enhancing their economic value to the bank.

Exhibit 39: Bank has been reporting healthy annualized CASA a/c additions…



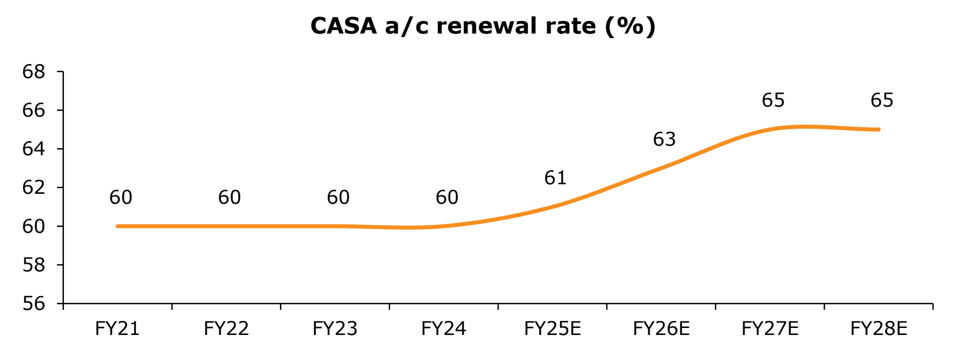
Source: Company, Emkay Research

Exhibit 40: …while transition into an SFB could accelerate a/c balance and thus drive-up CASA deposits from FY27E



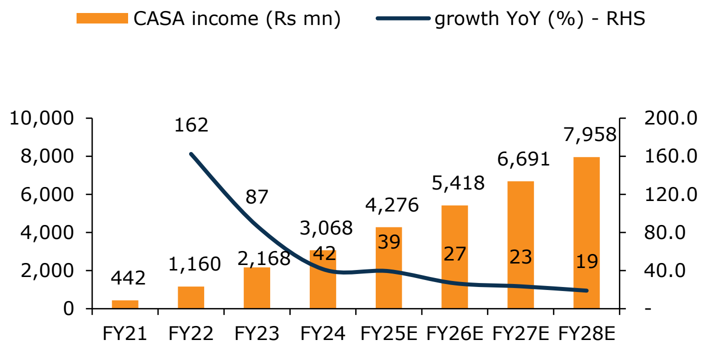
Source: Company, Emkay Research

Exhibit 41: Increasing customer stickiness is driving an improvement in the CASA renewal rate



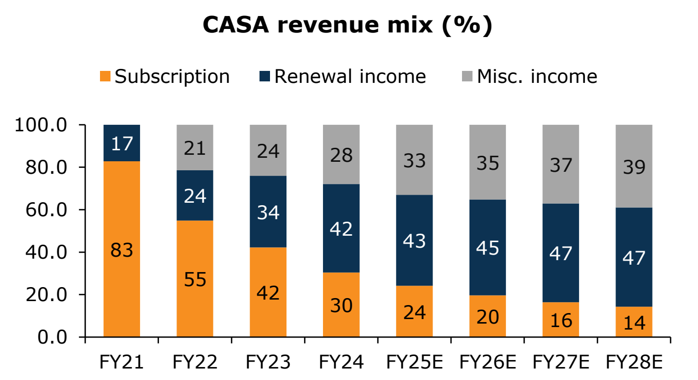
Source: Company, Emkay Research

Exhibit 42: Rapid growth in subscription-based CASA deposits leading to strong growth in CASA income…



Source: Company, Emkay Research

Exhibit 43: …in-turn led by stronger renewal fees and other income



Source: Company, Emkay Research; Note: Misc income includes SMS, statement charges, and other liability fees

Exhibit 44: Various types of Savings Account offered by Fino

Product name	Gullak	Saral	Shubh	Bhavishya	Jan	Aarambh
Description	Basic Savings A/c	Employee Salary A/c	Everyday spend a/c for daily UPI transactions	Minor A/c	A/c for direct govt benefits through Aadhar seeding	A/c for direct govt benefits through Aadhar seeding
Annual Plan fee (Rs)	NA	NA	423	338	211	84
Monthly average balance (MAB) requirement (Rs)	1,000	Nil	Nil	Nil	Nil	Nil
Non-maintenance of MAB	5% of the shortfall, rounded up to nearest Rs5	NA	NA	NA	NA	NA
Initial funding (Rs)	1,500	350 (if debit card is required), Nil (if not required)	500	400	250	100

Source: Company, Emkay Research

Exhibit 45: Various sources of CASA miscellaneous income

Account Statement	
Email Statement	Free
Digital Passbook	1st instance per month: free; thereafter Rs10 per instance
Physical Passbook	1st passbook: free; 2nd passbook onwards: Rs100 per passbook
Account Maintenance & Other Services	
SMS Alert charges per month	10 free SMS per month & thereafter 30 paise per SMS
Account Closure	If account closure is requested from 15 days up to 12 months of account opening then Rs200, otherwise Nil

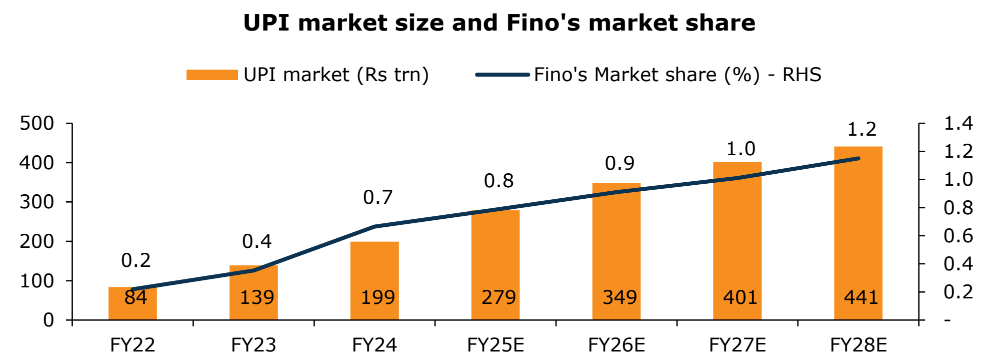
Source: Company, Emkay Research

Digital Payments Services to power the next wave of revenue growth and margins

Fino's pivot to UPI-led Digital Payment Services is driving strong growth, offsetting declines in traditional businesses, with ~81% revenue CAGR expected over FY24–28E.

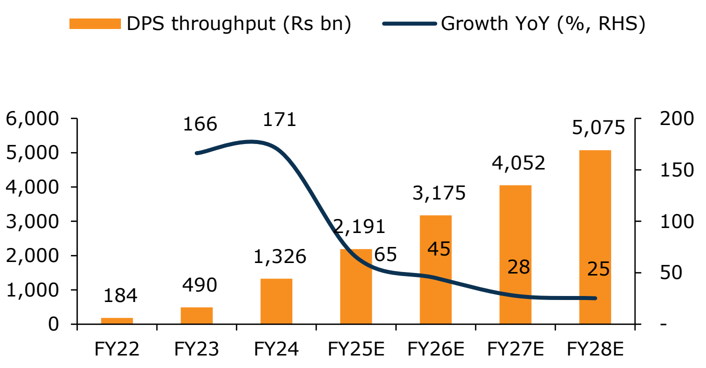
The growing adoption of digital payments has cannibalized Fino's remittance, AEPS, and MATM businesses in recent quarters. In response, Fino has built a robust UPI payment stack, establishing it as the foundation of its Digital Payment Services (DPS) and expanding into the B2B UPI segment through partnerships with TPAP and merchants. DPS contributed 6%/20% of total revenues in FY24/9MFY25, respectively, and is projected to contribute one-third of total revenues by FY28E. This strategic shift is expected to offset the natural slowdown in traditional business lines but drive the next wave of revenue growth and enhance contribution/EBITDA margin. Currently, Fino has partnered with 25 live partners for B2B UPI pay-in services and plans to foray into the D2C UPI segment as well as scale its PPI proposition. Notably, the CASA renewal rate for digitally active customers stands at ~83%, significantly higher than the blended renewal rate of 60%, underscoring the complementary relationship between DPS and CASA growth. With digital payments expected to dominate the retail digital payments landscape, we believe the bank can further expand its services in UPI-based transactions and hence we estimate a strong revenue CAGR of ~81% over FY24-28E.

Exhibit 46: UPI market is growing rapidly with Fino's market share expected to grow at a steady pace



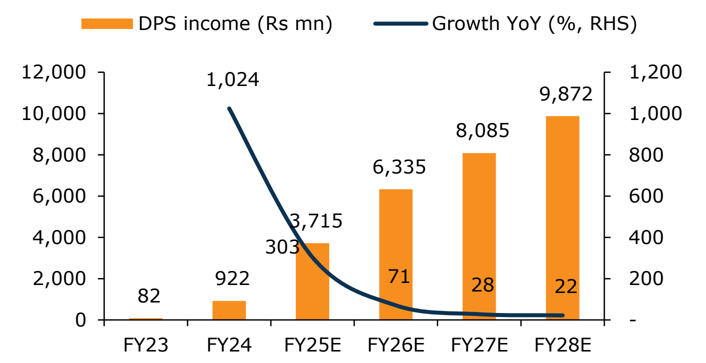
Source: Company, RBI, Emkay Research

Exhibit 47: Fino has experienced remarkable DPS throughput growth in the past and is expected to continue seeing strong growth in the future



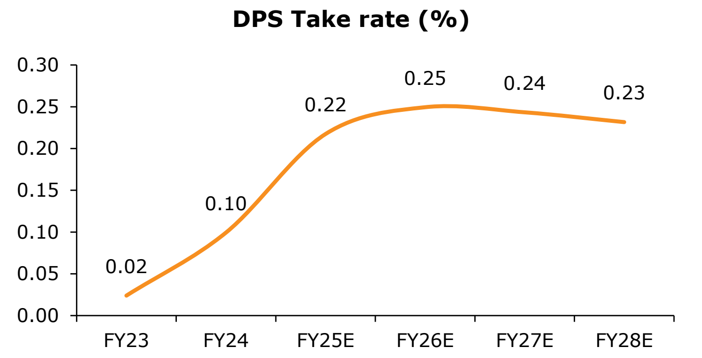
Source: Company, Emkay Research

Exhibit 48: DPS revenue is projected at a CAGR of ~81% over FY24-28E



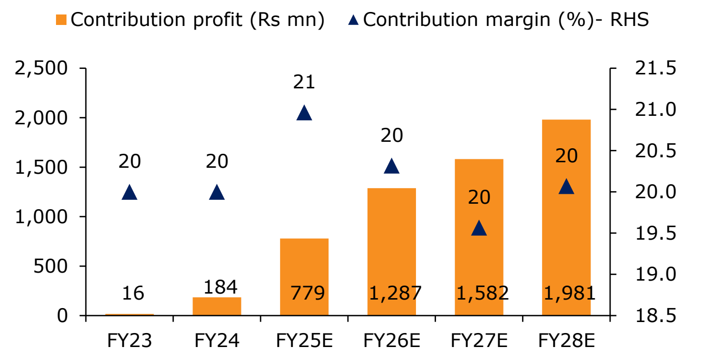
Source: Company, Emkay Research

Exhibit 49: DPS take rates shall be rangebound around ~23-25bps



Source: Company, Emkay Research

Exhibit 50: DPS commands rich contribution margins, and thus, shall enhance the overall margins of the bank



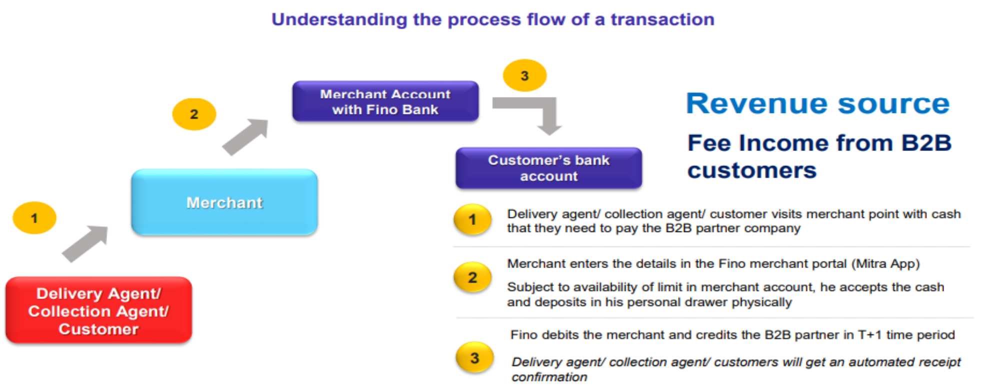
Source: Company, Emkay Research

Higher rural cash collections by NBFC-MFIs and E-Com to catalyze growth in the CMS business

Deeper penetration of NBFC/MFIs in SURU regions, coupled with inadequate banking infrastructure and sustained cash dependency, serve as key catalysts for CMS business.

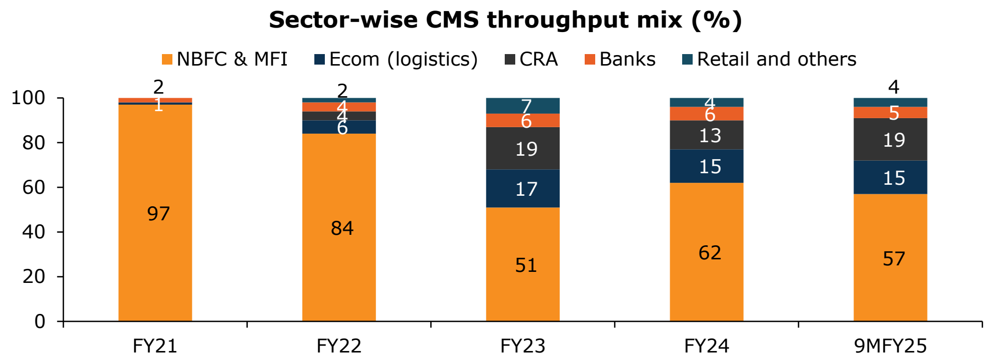
Fino's CMS offering encompasses cash collection and payment services through traditional physical channels, where corporate CMS clients (like cab aggregators/bank's collection officers) can submit their collected cash/EMI payments, helping clients digitize significant cash volumes. In a typical CMS transaction, Fino deducts its commission before remitting the net proceeds to the client. For Fino, the CMS complements the merchant-led digital banking model, where MATM and AePS services manage cash withdrawals, while CMS handles cash deposits, ensuring a well-balanced cash flow. The client base primarily includes NBFCs, MFIs, cash retention agencies (CRAs), and e-commerce players, collectively accounting for over 90% of CMS throughput. CMS is one of the company's high-margin products and it contributed 10%/9% to overall revenues in FY24/9MFY25. We believe that deeper penetration of NBFC/MFIs in SURU regions, coupled with inadequate banking infrastructure and sustained cash dependency, serve as key catalysts for CMS. Leveraging its extensive merchant network in underbanked and unbanked regions, Fino is well-positioned to capitalize on these opportunities, with an estimated revenue CAGR of ~20% over FY24-28E.

Exhibit 51: Process flow of a CMS transaction



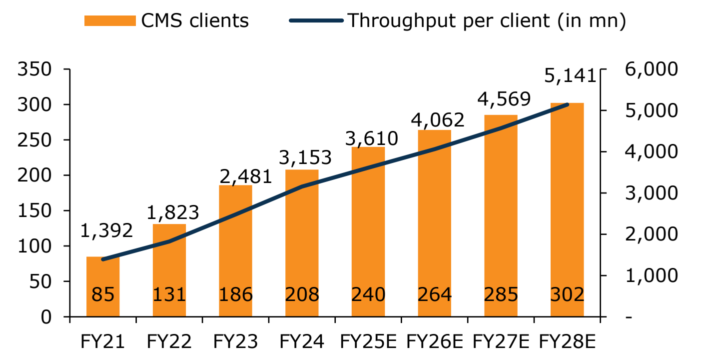
Source: Company, Emkay Research

Exhibit 52: NBFC, followed by MFI and CRA, constitute a major part of the CMS business



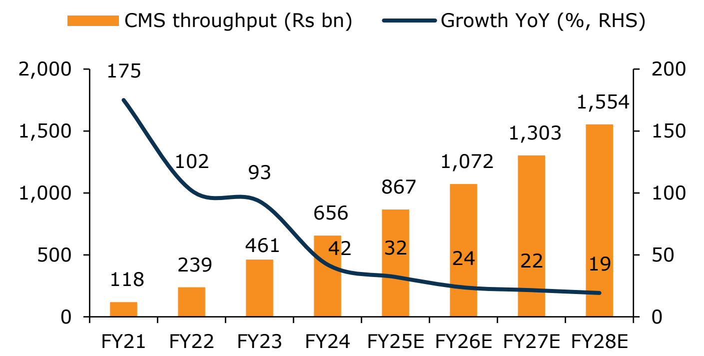
Source: Company, Emkay Research; Note: CRA denotes cash retention agencies

Exhibit 53: Deeper penetration of NBFC/MFIs in SURU regions, coupled with inadequate banking infrastructure…



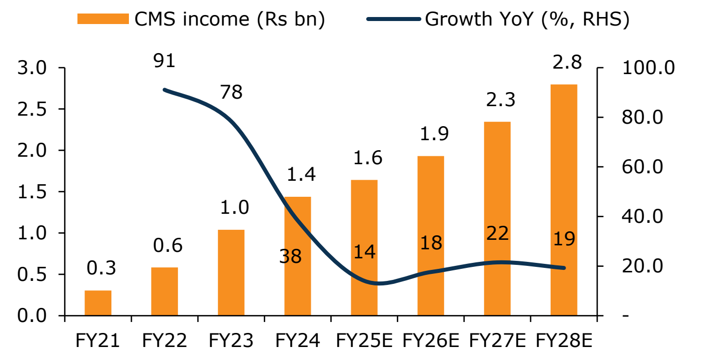
Source: Company, Emkay Research

Exhibit 54: …and sustained cash dependency shall drive the growth in CMS throughput



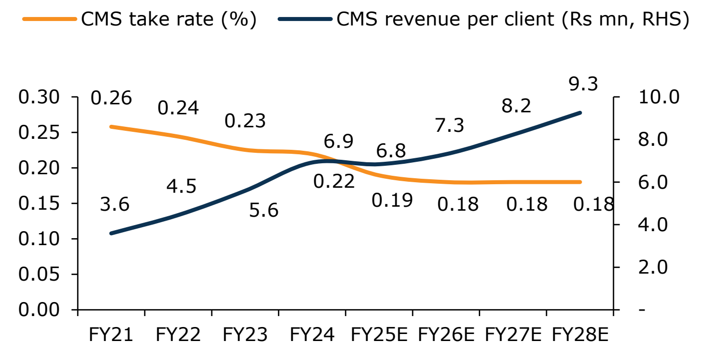
Source: Company, Emkay Research

Exhibit 55: Fino is well-positioned to clock CMS revenue CAGR of ~20% over FY24-28E…



Source: Company, Emkay Research

Exhibit 56: …with revenue per client improving gradually

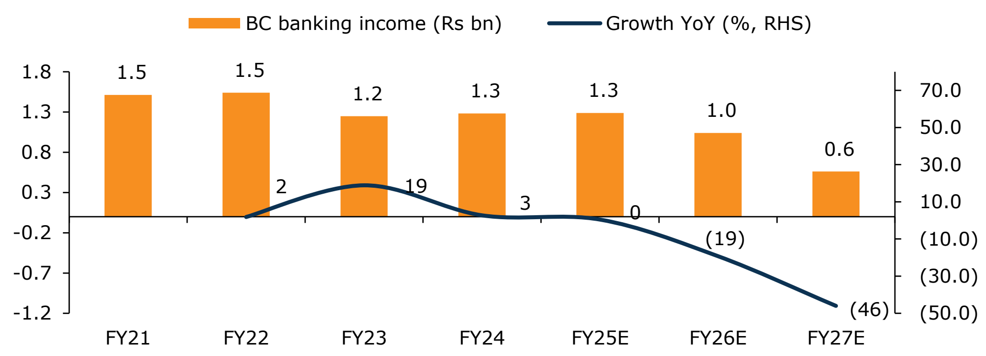


Source: Company, Emkay Research

BC Banking business growth has slowed down and could be hived off after conversion into an SFB

BC banking refers to Business Correspondents (BCs) engaged in delivering banking products and services on behalf of partner banks such as Union Bank and Canara Bank. These BCs are authorized to perform various banking activities, with Fino earning revenue through commissions on each processed transaction. In FY24/9MFY25, income from BC services contributed 9%/7% to total revenues. However, following its conversion into an SFB, Fino may not be permitted to operate as a BC. As a result, the bank plans to integrate existing BCs into its merchant network to support traditional banking products or divest its BC banking business on a going-concern basis, with proceeds potentially used for lending or investment in technology. Given the management's strategic shift away from this segment, BC banking income is expected to remain flat in FY25E and decline ~19%/46% in FY26E/FY27E, respectively. We have not factored in any potential proceeds from the sale of this business in our projections. However, it is prudent to note that BLS E-services (currently trading at P/E of 26.6x on TTM basis) is one such company which provides BC banking services; it reported a revenue of Rs30bn in FY24 compared to Rs13bn BC banking revenues of Fino.

Exhibit 57: BC banking income is expected to decline going forward as the same shall be suspended after conversion into an SFB



Source: Company, Emkay Research

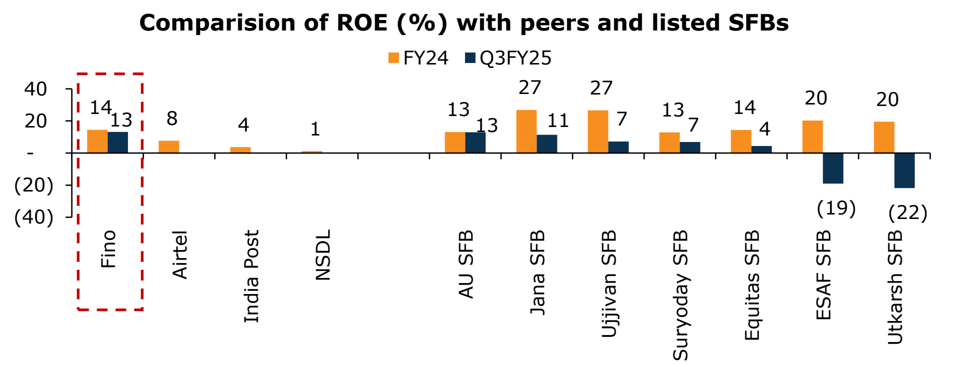
Eyes to transform into a unique SFB with strong payment, lending, and liability business

Fino's transition to an SFB aims to unlock lending-led growth, targeting AUM of Rs50bn by the end of 3 years of operations, with lending revenues contributing 20-25% of total revenues and margins set to improve to 3.7-6%.

Fino has become reasonably profitable under the payments bank model and now aims to transition into a differentiated small finance bank (SFB), offering a strong play on payments (fees) as well as the lending business. The bank has applied for a license in Jan-24 and expects to secure it by FY27 with plans to begin operations within a year. The shift to an SFB model will remove deposit restrictions (cap of Rs0.2mn on SA shall be lifted and mobilization of TD shall be allowed), while enhancing its target customer segment, including the salaried and self-employed customers in urban/metro areas. Additionally, the bank will be able to offer loans including credit cards on its balance sheet instead of just investing its funds in G-sec and other banks, thereby leading to better margins and boosting of RoA/RoE.

As a strategy, even after conversion into an SFB, Fino plans to remain a payment-dominated bank in the initial years and gradually build the lending business tied to its existing customer base (mainly merchants) to ensure portfolio quality and profitability. The bank aims to gradually build a lending AUM of Rs50bn in 3 years over FY28-30E, comprising of 65-70% of MSME loans and 30-35% of LAP/mortgage loans to manage risk and PSL requirement. This would contribute 20-25% of total revenue by the end of 3 years of SFB operations. Initially, the loan portfolio will carry a higher blended yield given the MSME loans, while a strategic shift toward secured lending will lead to some yield moderation, partly offset by reduction in funding cost. We have built the same in our projections, estimating the bank's loan AUM to clock a CAGR of ~125% from Rs10bn in FY28E to Rs50bn in FY30E, with net interest margins set to improve gradually at 3.7-6%, similar to other SFBs, benefiting from increasing share of lending book (from predominantly investment book) and contained CoF given strong liability franchisee.

Exhibit 58: Fino remains reasonably profitable vs peer payments banks and SFBs, and should receive a boost once it converts into a differentiated SFB



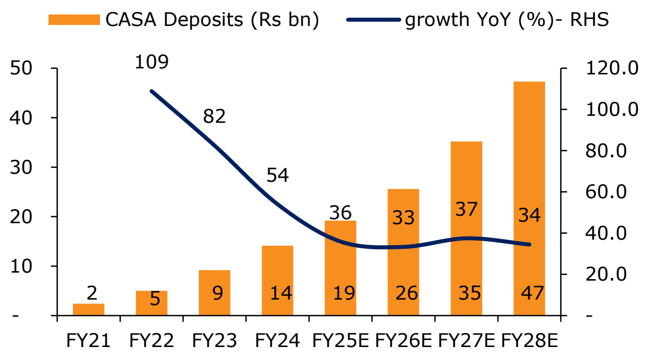
Source: Emkay Research

Exhibit 59: Comparison of product offerings to be provided by Fino vs peer SFBs; as per initial plan, MSME loans shall comprise 65-70% of AUM and the LAP/mortgages shall constitute the remaining 30-35%

	Fino	AU SFB	Ujjivan SFB	Equitas SFB	Suryoday SFB	Utkarsh SFB	ESAF SFB	Jana SFB	Capital SFB
MSME	✓	✓	✓	✓	✓	✓	✓	✓	✓
Micro finance		✓	✓	✓	✓	✓	✓	✓	✓
Mortgage/LAP	✓	✓	✓		✓		✓	✓	✓
Vehicle finance		✓	✓	✓	✓	✓		✓	✓
Home loans	✓	✓	✓	✓	✓	✓	✓	✓	✓
Gold loans		✓	✓	✓		✓	✓	✓	✓
Credit cards		✓							
Personal loans		✓					✓		✓
Agri Banking		✓	✓				✓		✓
FIG/wholesale			✓		✓	✓	✓		✓

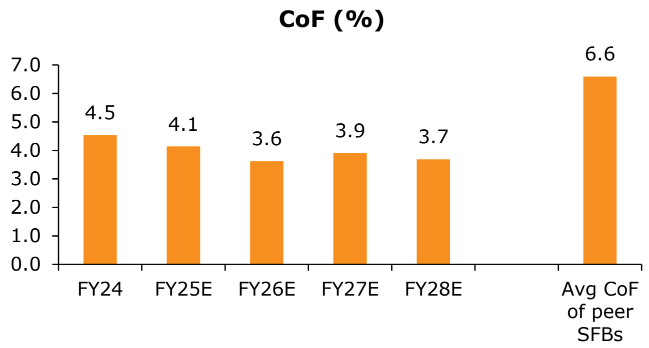
Source: Emkay Research

Exhibit 60: CASA trajectory to accelerate under SFB model from FY28E…



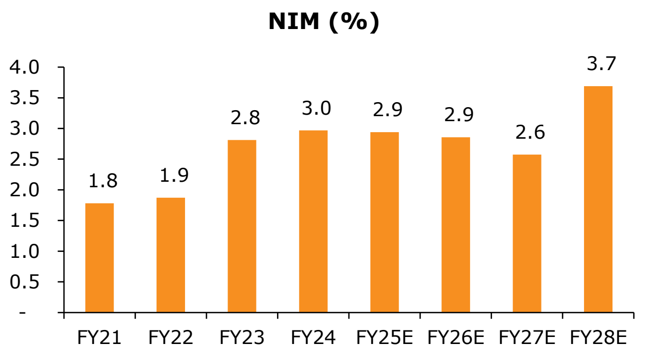
Source: Company, Emkay Research

Exhibit 61: …providing an advantage on CoF for Fino vs peer SFBs…which should improve further under the SFB model



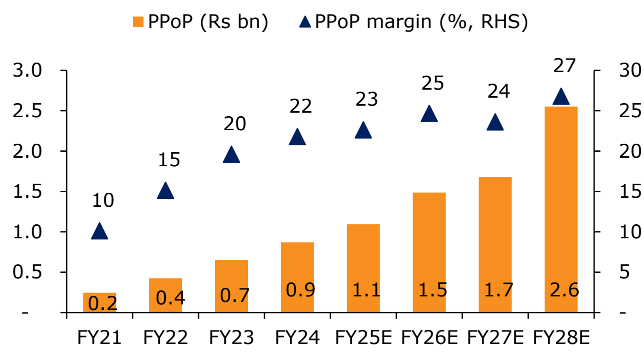
Source: Emkay Research

Exhibit 62: …reflecting in better net interest margins…



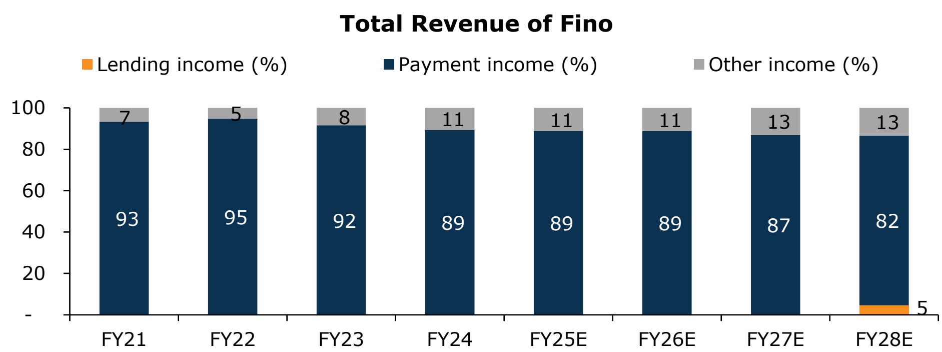
Source: Emkay Research

Exhibit 63: …and so also PPoP margins



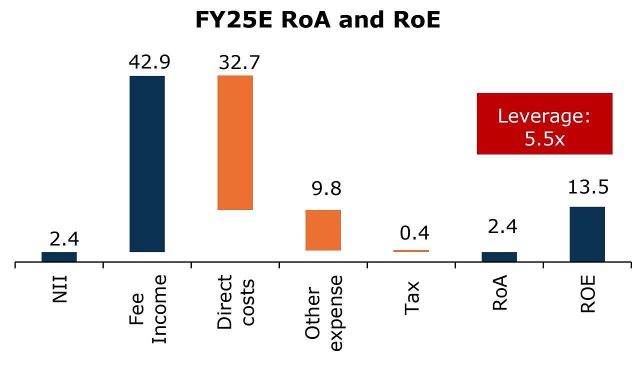
Source: Emkay Research

Exhibit 64: Revenue mix to change as lending revenues shall kick-in upon transformation into an SFB…



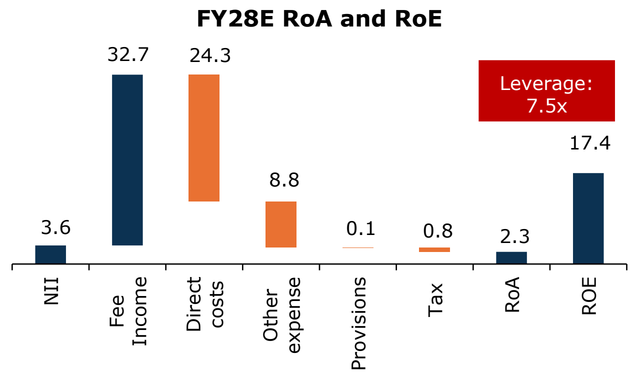
Source: Emkay Research; Note: Lending income is interest income on lending business

Exhibit 65: …and the same shall also be reflected in RoE as it increases from 13.5% in FY25E…



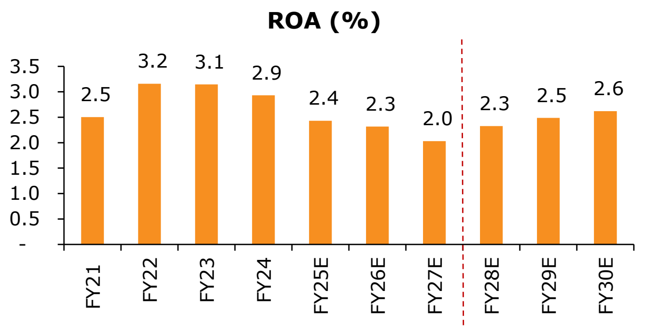
Source: Emkay Research

Exhibit 66: …to 17.4% in FY28E aided by lending business and thus better asset leverage



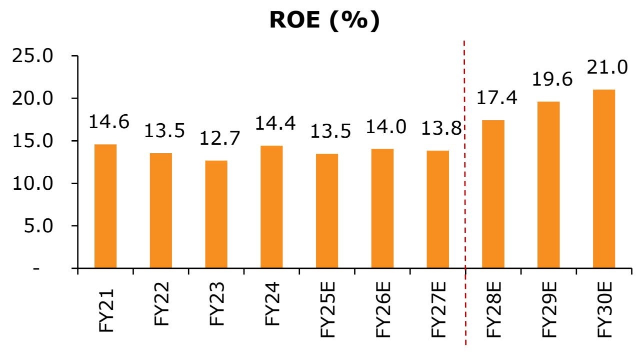
Source: Emkay Research

Exhibit 67: Decline in traditional payment business, higher opex towards SFB transition should keep RoA/RoE in check till FY27E, post which it should improve as lending business kicks-in…



Source: Emkay Research; Note: RoAs from FY28E should improve due to lending business

Exhibit 68: …which coupled with increased leverage shall lead to improvement in RoE >17% under SFB model



Source: Emkay Research

Exhibit 69: Small Finance Bank (SFB) license is relatively less restrictive vs a Payment banking model, and thus, should boost the bank's RoA/RoE

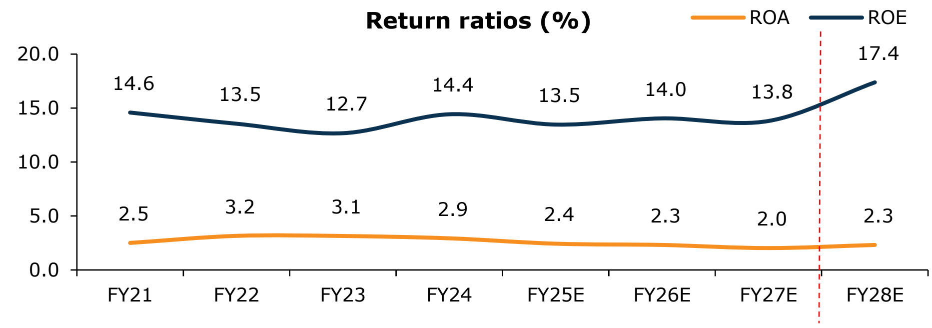
Feature	Payments Bank	Small Finance Bank	Fino's latest position
Definition	Offers limited banking services, primarily focused on payments and remittances	Focused on providing financial inclusion by serving small businesses, low-income households, and the unbanked	
Transition allowed by RBI	Payments banks can apply for conversion into SFBs after 5 years of operation, provided they meet the eligibility criteria	Can transition into a universal bank after they have a minimum paid-up capital or net worth requirements as specified by the RBI	
Key Examples	Paytm Payments Bank, Airtel Payments Bank, India Post Payments Bank	Ujjivan Small Finance Bank, AU Small Finance Bank, Equitas Small Finance Bank	
Objective	To provide basic banking services like deposits, payments, and remittances	To provide credit and financial services to the underserved sections of the population	
Min Paid-Up Capital	Rs1bn	Rs2bn	Fino had a networth of Rs7.1bn* as of Dec-24
Capital Adequacy Ratio (CAR)	15%	15%	66%
Inclusion/Excl in CAR calc	Bank is exposed to credit risks (through investments). No separate capital charge is being prescribed for Market and Operational risk as of now	Bank is exposed to credit risks (through advances and investments). No separate capital charge is being prescribed for Market and Operational risk	
LCR	Exempted	Minimum 100%	
CRR, SLR	Required to maintain both CRR and SLR	Required to maintain both CRR and SLR	
Deposit	Can accept CA (up to any limit) and SA (with a cap of Rs0.2mn). Cannot accept TD	Will be able to operate like regular SCB and accept SA and TD without any limits. Additionally, SFB license will expand the target customer base	
Lending Services	Can distribute loans (without FLDG), but on-balance sheet lending not allowed	Permitted to provide loans and credit facilities	
Lending Regulations	NA	50% of the loan portfolio should constitute loans up to Rs2.5mn	
Investment Regulations	Should invest minimum 75% of demand deposits in G-secs with maturity up to 1Y. The remaining 25% to be held in CA/TD of other banks	Similar to Scheduled Commercial Banks	Investment to deposit ratio as of Sep-24 was 132%. While Sep-24 investment break-up is not given, majority of investments as of Mar-24 were in G-Secs
Target Customers	Individuals, small businesses, and migrant workers for payments and remittances	Small businesses, micro-entrepreneurs, and low-income groups	
PSL	NA	Min 75% of ANBC	
Credit Cards	Not allowed to issue credit cards	Allowed to issue credit cards	
Branches	Required to operate under limited branch network, as it is expected to have a large digital/electronic platform. No cap prescribed as such, but they are encouraged to focus on SURU regions	Minimum 25% of branches should be located in unbanked rural areas. Additionally, they must ensure that majority of their branches are in SURU regions	
Use of Technology	Focuses heavily on technology for digital payments and mobile banking	Uses technology but also provides traditional banking services	
Other fee-based business	Can distribute MFs, insurance, pension products, but are not allowed to do full-scale foreign exchange services (buying/selling currency or forex trading) – can only facilitate inward remittances through partnerships with authorized dealers	SFBs can distribute MFs, insurance, pension products, and even offer forex services	

*Source: Emkay Research; *Computed as networth as of Sep-24 plus profit for the quarter ended Dec-24*

A unique banking play on digi-payments cum lending business; initiate with BUY

Fino has emerged as a strong and profitable payments bank with diversified revenue streams, capitalizing on India's rural and semi-urban digitization trend. With some of its business streams including MATM, AEPS, and DMT facing cannibalization from rising digitization and regulatory pressure, the bank has ventured into the digital payment business, thereby indicating its adaptability and agility to protect its profitability. Further, Fino has applied for an SFB license and plans to transition into a differentiated SFB, which should not only ease restrictions on deposits but also unlock lending opportunities, and other fee-based businesses. Thus, we believe Fino should offer a unique play on payment cum lending business, delivering sustainably higher RoA/RoEs (2.3-2.5%/17%) in the long run vs existing standalone payment banks as well as SFBs, which in turn, commands a premium valuation. Following the recent correction, stock is trading at 1.9x/1.6x FY27E/FY28E P/B and 14.8x/10.0x FY27E/FY28E P/E. Thus, we initiate coverage with a BUY rating and TP of Rs300 based on ERE (excess return on equity model), implying 2.6x/2.2x FY27E/FY28E P/B, and 19.8x/13.4x FY27E/FY28E P/E.

Exhibit 70: Traditional payment business cannibalization, higher opex towards SFB transition should keep RoAs in check till FY27E, post which it should improve as lending business kicks-in



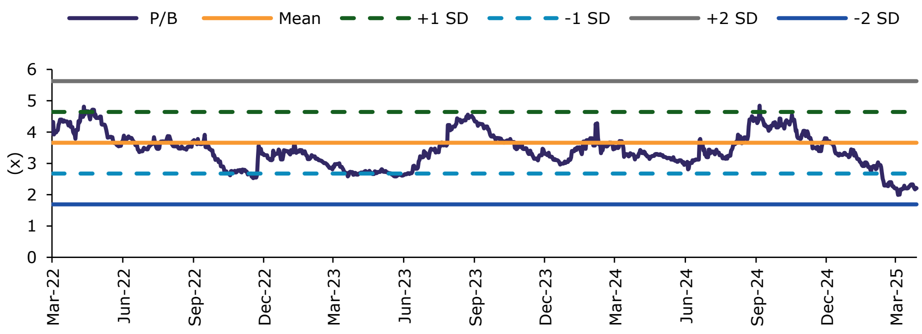
Source: Emkay Research; Note: Bank to transition into full stack SFB from FY28E onwards

Exhibit 71: Valuation assumptions for ERE model

Particulars	%
Risk-free rate	6.8
Cost of equity	12.8
Terminal growth rate	5.0

Source: Emkay Research; Note: The ERE model values a company by measuring how much its return on equity (ROE) exceeds its cost of equity (Ke)

Exhibit 72: Stock is currently trading below -1 SD P/B



Source: Bloomberg, Emkay Research

Exhibit 73: We believe Fino's unique payment cum lending banking model with sustainably higher return ratios as an SFB in the long run should deserve premium valuations

Peers (Rs bn)	TTM Revenue	TTM PAT	CASA (%)	RoA (%)	RoE (%)	Mcap	Networth (BV)	P/E (x)	P/B (x)
Fino Payments Bank	**17**	**1**	**100**	**2.5**	**13.2**	**19**	**7**	**20.1**	**2.6**
Small Finance Banks									
AU SFB	101	21	30.6	1.5	13.0	412	159	19.3	2.6
Ujjivan	45	10	25.1	1.2	7.2	71	60	7.3	1.2
Equitas	41	3	28.6	0.5	4.4	64	60	20.4	1.1
Utkarsh	26	2	20.0	(2.5)	(21.8)	26	30	14.2	0.9
Jana	31	7	18.4	1.3	11.4	45	40	6.0	1.1
ESAF	27	(3)	24.9	(1.7)	(19.0)	14	21	NM	0.6
Capital SFB	5	1	39.1	1.4	10.9	12	13	9.9	1.0
Mean								**12.9**	**1.2**
Median								**12.1**	**1.1**
Other Paytech peers									
Airtel Payments	18	0.4	100	0.9	7.6	NA	5	NA	NA
India Post Payments	13	0.3	100	0.3	3.3	NA	12	NA	NA
NSDL Payments	7	0.0	100	0.5	1.2	NA	1	NA	NA
Paytm Payments	25	(2)	100	(2.5)	(24.3)	NA	3	NA	NA
Mobikwik	9	0.1	NA	1.8	8.7	22	1	157.1	21.3
Paytm (One97)	73	3.8	NA	(0.2)	(0.2)	521	147	137.9	3.5
Niyogin	3	(0)	NA	(3.7)	(6.0)	5	3	NM	1.7
AGS Transact	13	(2)	NA	2.8	12.0	1	3	NM	0.3
Radiant Cash Mngt	4	0.5	NA	16.4	19.5	7	3	14.9	2.5
CMS Info Systems	24	4	NA	13.8	18.4	76	22	20.7	3.5
Digispice (Spice money)	4	0.2	NA	(4.4)	(13.0)	4	2	22.0	2.0
Vakrangee	2	0.1	NA	2.2	5.0	12	2	203.3	6.2
Zaggle	12	1	NA	10.6	12.9	46	6	60.1	7.2
Jupiter	1	(3)	NA	(36.4)	(44.1)	NA	NA	NM	10.9
Mean								**19.2**	**2.7**
Median								**20.7**	**2.5**
Overall Mean								**15.0**	**1.8**
Overall Median								**14.9**	**1.5**

Source: Emkay Research

Note 1: Networth of Fino is computed as sum of networth as of Sep-24 and profit for the quarter ended Dec-24.
Note 2: All figures of Mobikwik, Jupiter, Airtel, India Post, NSDL, Paytm Payments bank are as of Mar-24.
Note 3: All figures of SFB and other paytech peers (other than those mentioned in Note 1) are as of Dec-24, while the RoA/RoE are as of Sep-24.
Note 4: Mcap is as on 04-Apr-25. Valuation ratios are computed on a trailing basis. Outliers were excluded while computing the mean/median ratios.

Company Profile

Fino Paytech (promoter) began its journey in 2007 as a technology company specializing in developing back-end technology frameworks for microfinance institutions. Leveraging its expertise as a banking correspondent, Fino applied for a payment banking license and received in-principal approval on 7-Sep-15. Subsequently, Fino Payments Bank was incorporated on 4-Apr-17, and officially commenced operations in Jun-17, following the RBI's final approval on 30-Mar-17.

The bank adopted a digital-first, asset-light business model focused on fee and commission-based income, leveraging a vast merchant network and strategic partnerships. By collaborating with local small business owners, Fino Payments Bank extends its services through neighborhood physical outlets supported by digital devices, ensuring its platform reaches even the most remote areas. The bank offers a comprehensive suite of services, including MATM, AEPS, DMT, CMS, BC Banking, DPS, and CASA subscription. As of Dec-24, its network had expanded to ~1.9mn merchants and 122 branches, leading to a strong deposit base of over Rs15bn. With the regulator opening the doors, the bank has now applied for a less restrictive SFB license and remains hopeful of starting full-fledged operations by FY28E, offering even credit products.

Exhibit 74: History – From a payments technology company to a full-stacked payments bank now eyeing to transform into an SFB

Year	
2006	Set up as a payments technology company
2007	Financial inclusion became the core of the business
2008	Launched various Direct Benefit Transfer (DBT) services
2011	Extended into the retail business through Fino Money Mart initiative
2014	Launched domestic money transfer services
2015	Initiated lending business
2017	Launched Fino Payments Bank
2020	First profitable payments bank
2021	First and till date the only payments bank in India to be listed on the stock exchanges
2022	Applied for Small Finance Bank license; launched FinoPay on iOS, annuity income surpasses subscription revenue
2023	Launched own UPI Switch, among a select few banks to have it
2024	Crossed Rs14bn in revenues; started digital journey through FinoPay mobile app
2024	Applied for an SFB license

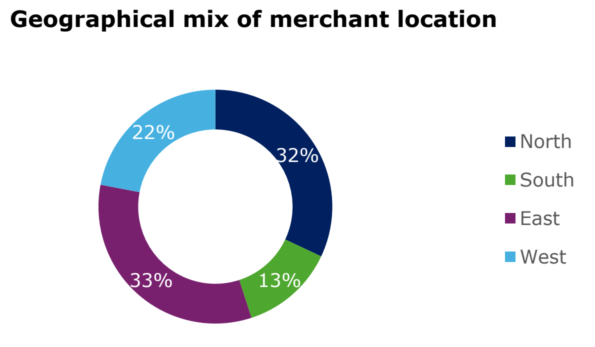
Source: Company, Emkay Research

Exhibit 75: Year-wise list of products launched

Year	Product launched
2017	Subscription Savings Account, CASA Sweep Facility, and General Insurance
2018	Micro ATMs, AEPS, Debit Card, Life Insurance, Mobile Banking, and UPI (P2P)
2019	BC Banking, Remittance, Bill Payments, Wallets, and Recharge
2021	Minor Savings Accounts, Diversified CMS partners, Merchant loan referral and Gold Loan referral
2022	Aadhaar-Pay, Go Digit shopkeeper's policy, Physical Passbook, Credit card bill payment, Digital savings account
2023	FinoPay app on iOS; digital payment services; new website
2024	LITE portal for BC merchant, e-Mandate Services, Cash out module in CMS, FD services with partner, UPI and savings account open banking services

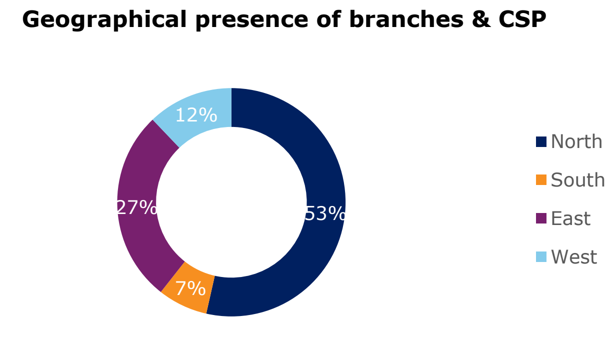
Source: Company, Emkay Research

Exhibit 76: Fino's merchant network is fairly spread across the nation…



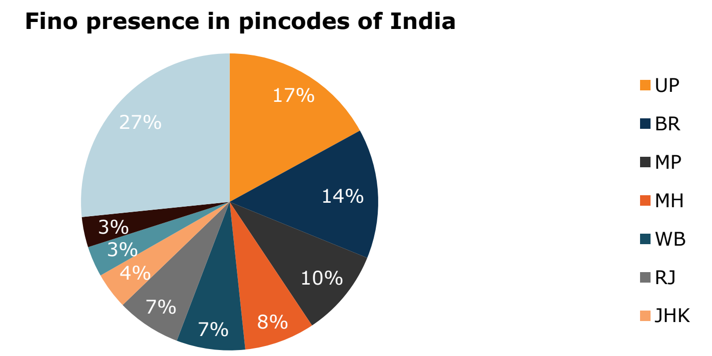
Source: Company, Emkay Research

Exhibit 77: …while its branch and CSPs are concentrated in North and East India



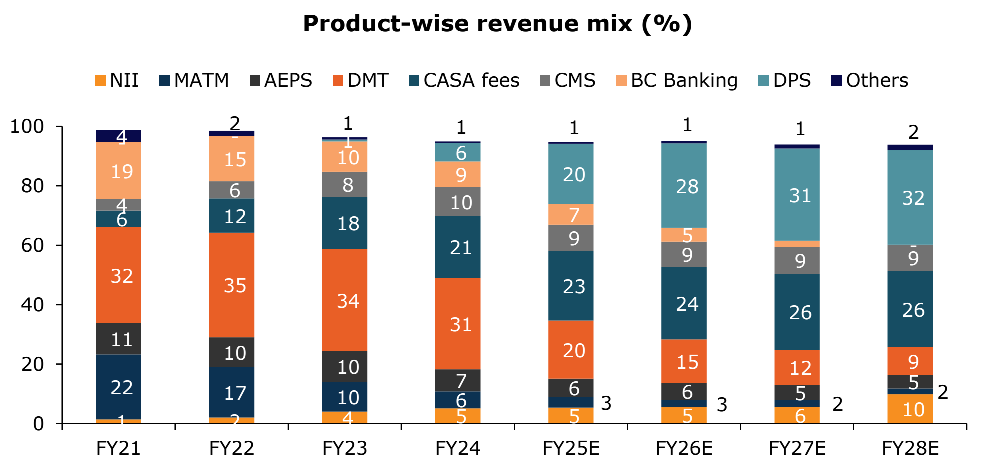
Source: Company, Emkay Research

Exhibit 78: Fino has a presence in 97% pincodes of India



Source: Company, Emkay Research

Exhibit 79: Fino has developed a diversified revenue stream under the payment banking model and will be launching a full-fledged credit business from FY28E, once it receives an SFB license



Source: Company, Emkay Research

Management profile

Exhibit 80: Brief management profile

Key personnel	Position	Profile
Rishi Gupta	MD & CEO	He holds a bachelor's degree in commerce from the University of Delhi and is a qualified CA and ICWA. He is a founding member of the bank and was an employee of Financial Information Network and Operations Private Limited (erstwhile Fino PayTech Limited). Prior to joining Fino PayTech Limited, he worked with IFC, ICICI Bank Limited, and Maruti Udyog Limited.
Ketan Merchant	CFO	He joined Fino on 30-Aug-18 and was made the CFO on 11-Feb-19. He has a bachelor's degree in commerce from the University of Mumbai and is a qualified CA from the ICAI. He has previously worked at Barclays Shared Services Limited, Digicel Central Resources (Fiji) Limited, M Holdings Limited, HSBC, and Standard Chartered Bank.
Shailesh Pandey	COO (wef Apr-24); Chief Sales Officer (Jun-20 to Mar-24)	He joined Fino on 1-Apr-17, and was appointed as the Chief Sales Officer on 1-Jun-20. He holds a bachelor's degree in engineering from Shivaji University and a PGDBM from Sydenham Institute of Management Studies. He has previously worked at BPL Mobile Communications Ltd, ICICI Prudential Life Insurance, Aviva Life Insurance, and Financial Inclusion and Operations Limited.
Vinod Kumar	Chief Information Officer	He joined Fino on 18-Jul-17 and was appointed as Chief Investment Officer – Infrastructure and Facilities on 1-Apr-20. He holds a bachelor's degree in engineering from Rajasthan University, Jaipur and a master's degree in business administration from Manav Bharthi University. He has previously worked at Teletech Services India Limited, ICICI Bank, Rakbank, and K-infosystems - FZE.
Tejas Maniar	Chief Digital Officer	Tejas Maniar joined Fino in Apr-22 as Chief Digital Officer to build and scale up its Fino 2.0 strategy. He has over 20 years of experience in the digital domain. He started out when digital was at a nascent stage in the early 2000s with considerable stints at HDFC Bank, IDFC FIRST Bank in setting and scaling up digital domains including products, applications, business, and sales before joining Fino Bank.
Basavraj Loni	Company Secretary & Head Legal	He has been associated with Fino since Nov-17 and was transferred to the bank as Head – Legal and Secretarial wef May-20 and was appointed as Company Secretary & AVP – Legal of the bank with effect from May-20. He holds a bachelor's degree in law (special) and is an associate member from ICSI. He has experience in the domain of secretarial, legal, corporate governance, and compliance. He has previously worked at Priya Ltd, Raj Oils Mills Ltd, GOL Offshore Ltd, and MMFS Ltd.

Source: Company, Emkay Research

Exhibit 81: Shareholding pattern

Key shareholder	% of holding
FINO PayTech	75.0
Motilal Oswal Asset Management	5.4
FIL	2.1
Fidelity Funds SICAV	1.8
Envision India Fund	1.2
Tata Asset Management	0.7
Nord Est Asset Management SA	0.4
Dimensional Fund Advisors LP	0.1
Fidelity Investments Asset Management	0.1

Source: Company, Bloomberg, Emkay Research

Exhibit 82: Financial Snapshot

(Rs mn)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Total Throughput	**1,329,306**	**1,873,110**	**2,550,110**	**3,584,940**	**4,496,120**	**5,698,373**	**6,761,990**	**7,443,434**
Micro ATM	311,096	242,990	176,640	130,320	88,487	79,639	84,417	90,326
AEPS	250,773	320,000	416,350	328,730	304,045	350,268	396,599	429,339
DMT	291,870	410,630	488,270	526,960	379,411	341,470	314,152	295,303
CMS	118,284	238,850	461,440	655,870	866,621	1,072,443	1,303,018	1,553,849
BC Banking	357,283	478,681	517,760	617,300	666,684	680,018	612,016	-
DPS	-	183,930	489,650	1,325,760	2,190,871	3,174,536	4,051,787	5,074,616
Throughput mix (%)								
Micro ATM	23.4	13.0	6.9	3.6	2.0	1.4	1.2	1.2
AEPS	18.9	17.1	16.3	9.2	6.8	6.1	5.9	5.8
DMT	22.0	21.9	19.1	14.7	8.4	6.0	4.6	4.0
CMS	8.9	12.7	18.1	18.3	19.3	18.8	19.3	20.9
BC Banking	26.9	25.5	20.3	17.2	14.8	11.9	9.1	-
DPS	-	9.8	19.2	37.0	48.7	55.7	59.9	68.2
Total Revenue	**7,814**	**9,933**	**11,825**	**13,994**	**17,334**	**21,166**	**24,397**	**28,988**
NII	107	203	475	711	930	1,155	1,375	2,848
Micro ATM	1,731	1,707	1,230	849	638	559	575	607
AEPS	833	1,015	1,273	1,096	1,155	1,261	1,348	1,417
DMT	2,554	3,551	4,220	4,551	3,578	3,288	3,057	2,903
CASA	442	1,160	2,168	3,068	4,276	5,418	6,691	7,958
CMS	305	583	1,040	1,439	1,641	1,930	2,345	2,797
BC Banking	1,512	1,540	1,249	1,283	1,289	1,041	562	-
DPS	-	-	82	922	3,715	6,335	8,085	9,872
Other segments	329	174	88	75	112	179	358	587
Revenue mix (%)								
NII	1.4	2.0	4.0	5.1	5.4	5.5	5.6	9.8
Micro ATM	22.2	17.2	10.4	6.1	3.7	2.6	2.4	2.1
AEPS	10.7	10.2	10.8	7.8	6.7	6.0	5.5	4.9
DMT	32.7	35.7	35.7	32.5	20.6	15.5	12.5	10.0
CASA	5.7	11.7	18.3	21.9	24.7	25.6	27.4	27.5
CMS	3.9	5.9	8.8	10.3	9.5	9.1	9.6	9.6
BC Banking	19.4	15.5	10.6	9.2	7.4	4.9	2.3	-
DPS	-	-	0.7	6.6	21.4	29.9	33.1	34.1
Other segments	4.2	1.7	0.7	0.5	0.6	0.8	1.5	2.0
Contribution Profit	**2,419**	**2,805**	**3,327**	**3,987**	**4,829**	**6,026**	**7,119**	**9,558**
NII	107	203	475	711	930	1,155	1,375	2,848
Micro ATM	649	640	461	297	196	160	153	155
AEPS	333	406	509	329	243	228	198	172
DMT	215	297	211	137	144	198	214	260
CASA	442	696	1,257	1,657	2,138	2,709	3,345	3,979
CMS	131	262	416	547	575	611	678	730
BC Banking	605	539	400	346	296	239	129	-
DPS	-	-	16	184	779	1,287	1,582	1,981
Contribution Margin (%)	**31**	**28**	**28**	**28**	**28**	**28**	**29**	**33**
NII	53	57	50	47	48	50	45	57
Micro ATM	38	38	38	35	31	29	27	26
AEPS	40	40	40	30	21	18	15	12
DMT	8	8	5	3	4	6	7	9
CASA	-	60	58	54	50	50	50	50
CMS	43	45	40	38	35	32	29	26
BC Banking	40	35	32	27	23	23	23	-
DPS	-	-	20	20	21	20	20	20

Source: Emkay Research; Note: BC banking revenue not included in FY28E as we believe that the bank would surrender this business after securing an SFB license. Accordingly, we have factored lending revenues from FY28E.

Fino Payments Bank: Standalone Financials and Valuations

Profit & Loss

Y/E March (Rs mn)	FY24	FY25E	FY26E	FY27E	FY28E
Interest Income	1,500	1,939	2,323	3,057	4,979
Interest Expense	789	1,009	1,167	1,682	2,131
Net interest income	**711**	**930**	**1,155**	**1,375**	**2,848**
NII growth (%)	49.8	30.7	24.3	19.0	107.1
Other income	13,283	16,404	20,010	23,021	26,140
Total Income	**13,994**	**17,334**	**21,166**	**24,397**	**28,988**
Operating expenses	13,125	16,241	19,679	22,713	26,429
PPOP	**869**	**1,093**	**1,487**	**1,684**	**2,559**
PPOP growth (%)	33.2	25.8	36.0	13.3	52.0
Core PPOP	**869**	**1,093**	**1,487**	**1,684**	**2,559**
Provisions & contingencies	6	0	0	0	75
PBT	**863**	**1,093**	**1,487**	**1,684**	**2,484**
Extraordinary items	-	-	-	-	-
Tax expense	0	164	375	424	626
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	**863**	**929**	**1,112**	**1,260**	**1,858**
PAT growth (%)	32.3	7.7	19.7	13.3	47.5
Adjusted PAT	**863**	**929**	**1,112**	**1,260**	**1,858**
Diluted EPS (Rs)	**10.4**	**11.2**	**13.4**	**15.1**	**22.3**
Diluted EPS growth (%)	32.3	7.7	19.7	13.3	47.5
DPS (Rs)	**-**	**-**	**-**	**-**	**-**
Dividend payout (%)	**-**	**-**	**-**	**-**	**-**
Effective tax rate (%)	0	15.0	25.2	25.2	25.2
Net interest margins (%)	3.0	2.9	2.9	2.6	3.7
Cost-income ratio (%)	93.8	93.7	93.0	93.1	91.2
Shares outstanding (mn)	83.2	83.2	83.2	83.2	83.2

Source: Company, Emkay Research

Balance Sheet

Y/E March (Rs mn)	FY24	FY25E	FY26E	FY27E	FY28E
Share capital	832	832	832	832	832
Reserves & surplus	5,600	6,528	7,641	8,900	10,758
Net worth	**6,432**	**7,361**	**8,473**	**9,732**	**11,591**
Deposits	14,125	19,199	25,594	37,188	51,316
Borrowings	7,127	9,114	10,996	12,739	14,013
Interest bearing liab.	**21,252**	**28,314**	**36,590**	**49,927**	**65,329**
Other liabilities & prov.	6,508	6,532	8,758	10,549	12,591
Total liabilities & equity	**34,191**	**42,206**	**53,821**	**70,209**	**89,510**
Net advances	0	0	0	0	10,000
Investments	17,469	21,260	27,493	41,290	47,464
Cash, other balances	10,656	13,874	18,295	19,721	20,905
Interest earning assets	**28,125**	**35,134**	**45,788**	**61,011**	**78,369**
Fixed assets	1,952	2,341	2,593	2,942	3,946
Other assets	4,114	4,731	5,441	6,257	7,195
Total assets	**34,191**	**42,206**	**53,821**	**70,209**	**89,510**
BVPS (Rs)	77.3	88.5	101.8	117.0	139.3
Adj. BVPS (INR)	77.3	88.5	101.8	117.0	139.3
Throughput (Rs bn)	3,585	4,496	5,698	6,762	7,443
Throughput Growth (%)	40.6	25.4	26.7	18.7	10.1
Contribution margin (%)	28.5	27.9	28.5	29.2	33.0
CASA ratio (%)	100.0	100.0	100.0	94.6	92.2
Investment/Deposit Ratio	123.7	110.7	107.4	111.0	92.5
Investments/(deposits+borrowings)	82.2	75.1	75.1	82.7	72.7
Deposit growth (%)	54.0	35.9	33.3	37.5	34.5
Book value growth (%)	16.4	14.4	15.1	14.9	19.1

Source: Company, Emkay Research

Asset quality and other metrics

Y/E March (Rs mn)	FY24	FY25E	FY26E	FY27E	FY28E
Asset quality					
Gross NPLs	-	-	-	-	50
Net NPLs	-	-	-	-	2
GNPA ratio (%)	-	-	-	-	0.5
NNPA ratio (%)	-	-	-	-	0.0
Provision coverage (%)	-	-	-	-	96.0
Gross slippages	-	-	-	-	80
Gross slippage ratio (%)	-	-	-	-	0.8
LLP ratio (%)	-	-	-	-	0.8
NNPA to networth (%)	-	-	-	-	0.0
Capital adequacy					
Total CAR (%)	74.5	65.1	59.6	53.2	44.8
Tier-1 (%)	70.0	61.7	57.0	51.2	43.4
CET-1 (%)	70.0	61.7	57.0	51.2	43.4
RWA-to-Total Assets (%)	22.2	24.0	24.0	24.0	27.0
Miscellaneous					
Total income growth (%)	20.2	24.1	21.8	16.8	19.3
Opex growth (%)	17.5	23.7	21.2	15.4	16.4
Core PPOP growth (%)	33.2	25.8	36.0	13.3	52.0
PPOP margin (%)	5.9	6.0	6.7	6.5	8.2
PAT/PPOP (%)	99.3	85.0	74.8	74.8	72.6
LLP-to-Core PPOP (%)	0.7	0	0	0	2.9
Yield on advances (%)	-	-	-	-	14.0
Cost of funds (%)	4.5	4.1	3.6	3.9	3.7

Source: Company, Emkay Research

Valuations and key Ratios

Y/E March	FY24	FY25E	FY26E	FY27E	FY28E
P/E (x)	21.6	20.1	16.8	14.8	10.0
P/B (x)	2.9	2.5	2.2	1.9	1.6
P/ABV (x)	2.9	2.5	2.2	1.9	1.6
P/PPOP (x)	21.4	17.0	12.5	11.1	7.3
Dividend yield (%)	-	-	-	-	-
DuPont-RoE split (%)					
NII/avg assets	2.4	2.4	2.4	2.2	3.6
Other income	45.1	42.9	41.7	37.1	32.7
Fee income	-	-	-	-	-
Opex	44.6	42.5	41.0	36.6	33.1
PPOP	**3.0**	**2.9**	**3.1**	**2.7**	**3.2**
Core PPOP	3.0	2.9	3.1	2.7	3.2
Provisions	-	-	-	-	0.1
Tax expense	0	0.4	0.8	0.7	0.8
RoA (%)	**3.0**	**2.4**	**2.3**	**2.0**	**2.3**
Leverage ratio (x)	4.9	5.5	6.1	6.8	7.5
RoE (%)	**14.4**	**13.5**	**14.0**	**13.8**	**17.4**

Quarterly data

Rs mn, Y/E March	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25E
Net income	3,782	4,130	4,304	4,357	4,534
NIM (%)	3.1	3.4	3.4	3.3	3.2
PPOP	252	243	259	285	297
PAT	251	243	211	231	234
EPS (Rs)	12.1	11.7	10.2	11.1	11.3

Source: Company, Emkay Research

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