

Fino Payments Bank Limited

Poised to revolutionize banking and transform India's financial landscape



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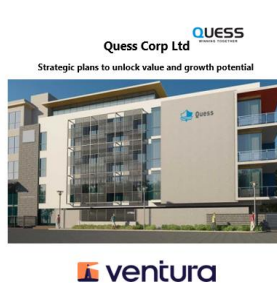
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PayTM

BUY @ CMP INR 405.5

Target: INR 856 in 24-30 months

Upside Potential: 111%

Poised to revolutionize banking and transform India's financial landscape

Fino Payments Bank (Fino), with its unique distribution network of almost 1.8 million merchants covering ~97% pincodes across India, along with its digital interface provides a unique exposure to bring the vast underbanked population into the formal economy. Already it has amassed ~11 million accounts which are expected to grow to 25 million (32% CAGR growth) by FY27E. While opening these accounts, Fino charges an upfront fee to customers that provides steady annuity revenues over the long term. We expect revenues from these streams to grow at a CAGR of 33% to INR 726 cr over the forecast period.

Leveraging this network, Fino has innovated B2B revenue streams like:

- CMS - CAGR growth of 32% to INR 329 cr
- Digital Payments - CAGR growth of 102% to INR 763 cr
- BC Banking - CAGR growth of 4% to INR 143 cr

This is over and above its initial retail offerings of MATM & AePS (CAGR growth of 4% to INR 217 cr) and Remittances (CAGR growth of 7% to INR 564 cr).

Recently the bank has applied to the RBI for an upgrade to a SFB (Small Finance Bank) license and is very upbeat on getting the go-ahead in the next 12-18 months. This will enable Fino to start lending operations and even undertake cross selling of other financial products. We have modelled lending revenues to start kicking in from FY27E and estimate the AUM at INR 1,500 cr.

Over the period FY24-FY27E, we estimate net revenues/operating profit/net earnings to grow at a CAGR of 28%/38%/34% to INR 3,093 cr/INR 571 cr/INR 205 cr respectively. Since the merchants themselves operate as branches and earn commission on every transaction, no significant manpower/capex cost is incurred. Also, in preparation for SFB operations, the bank will incur a minimal headcount increase/capex as the transition to SFB is already factored into the technological architecture. We expect significant operating leverage to pan-out post FY27E.

We initiate with a BUY for a price target of INR 856 over the next 24-30 months representing an upside of 111% of CMP of INR 405.5.

Industry BFSI (FinTech)

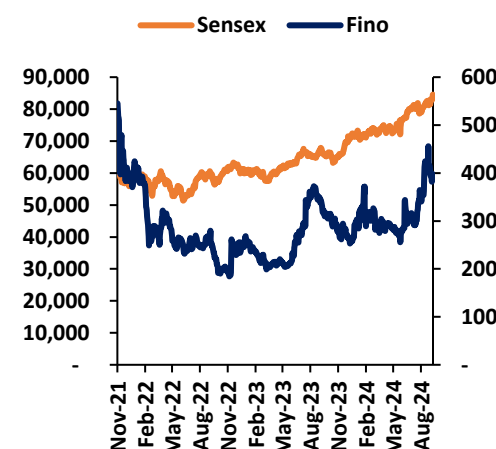
Scrip Details

Face Value (INR)	10.0
Market Cap (INR Cr)	3,374
Price (INR)	405.5
No of Sh O/S (Cr)	8.3
3M Avg Vol (000)	38.9
52W H/L (INR)	467/249
Dividend Yield (%)	0.00

Shareholding (%)

	Jun 2024
Promoter	75.00
Institution	11.10
Public	13.90
TOTAL	100.0

Price Chart



Key consolidated financial data (INR Cr, unless specified)

	Revenue	Operating Profit	Net Profit	Operating (%)	Net (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/Operating Profit (X)
FY23	1,230	154	65	12.5	5.3	7.8	66.4	11.8	8.3	51.8	27.1
FY24	1,478	219	86	14.8	5.8	10.4	77.3	13.4	8.2	39.1	21.6
FY25E	1,922	285	102	14.8	5.3	12.3	88.8	13.8	7.8	33.0	19.3
FY26E	2,438	438	170	18.0	7.0	20.4	107.6	18.9	9.2	19.9	14.6
FY27E	3,093	571	205	18.5	6.6	24.7	129.1	19.1	8.4	16.4	13.2

Why Fino?

Transition into lending business is going to be cost effective & smooth due to certain factors

Fino's entry into the lending business is set to be both cost-effective and smooth, leveraging its established merchant network and existing technological infrastructure. Minimal additional hiring is required, as current employees already have the necessary expertise (since Fino distributes loans to its merchants and their consumers on behalf of its partner banks and NBFCs). The sale of its Business Correspondent (BC) business will allow for further investments in the new venture.

Digital payments & lending vertical to act as growth levers for Fino going forward

With its new Small Finance Bank (SFB) license, Fino will start lending while also expanding its digital payments business, which is expected to more than triple its share of Fino's total revenue over the next decade. Fino will be able to cross-sell its existing B2B products to its lending customers and offer lending options to its B2B clients, creating additional opportunities. These two verticals are expected to act as significant growth levers for Fino going forward.

What differentiates Fino from other traditional banking players?

Fino's targeted audience is entirely different from the kind of customers traditional banks serve

While many banks in India focus on urban areas and treat rural audiences as secondary, Fino Bank is exclusively dedicated to rural India and underserved urban areas. It specializes in serving customers with smaller financial needs, addressing small-value, everyday transactions.

The way Fino expands its network is entirely different from how the traditional banks expand & is more cost effective than the later

Most banks in India widen their reach through a network of branches, especially in rural territories. Fino bank operates without any physical branches across thousands of rural locations, emerging as the future of banking. It does so by partnering with the thousands of mom-n-pop ('kirana') stores across such rural areas, effectively enabling to these stores to act as branches for the bank & earn while doing the same.

What differentiates Fino from other players who operate through a similar distribution network?

Which other companies operate like Fino, using a similar merchant distribution network?

Spice Money (Digispice Technologies Limited), PayNearby Technologies, RapiPay FinTech, BANKIT MiniATM Services & RNFI (Relipay) are some of the players that operate through a similar merchant network as Fino does. There may be other players too but these are the most prominent players with this model, operating in India.

So what exactly differentiates Fino from such players?

There are two main differences between Fino and these players. First is the product mix. Although they have a similar operational model, Fino's revenue mix is distinct. While around 80-90% of revenue for these players comes from services like MATM, AePS, and remittance, these services only accounted for 44% of Fino's revenue for FY24 (compared to 54% in FY23) and are expected to decrease further. Second, Fino's banking license sets it apart. Unlike the mentioned players, Fino has a banking license, enabling it to offer services directly and earn higher margins compared to its peers.

DCF Valuation Methodology

Fino consistently generates stable cash flows with minimal capex. Consequently, we have applied the DCF methodology to calculate the intrinsic value for FY27, after adjusting for the expected Net NPAs of the lending business going forward.

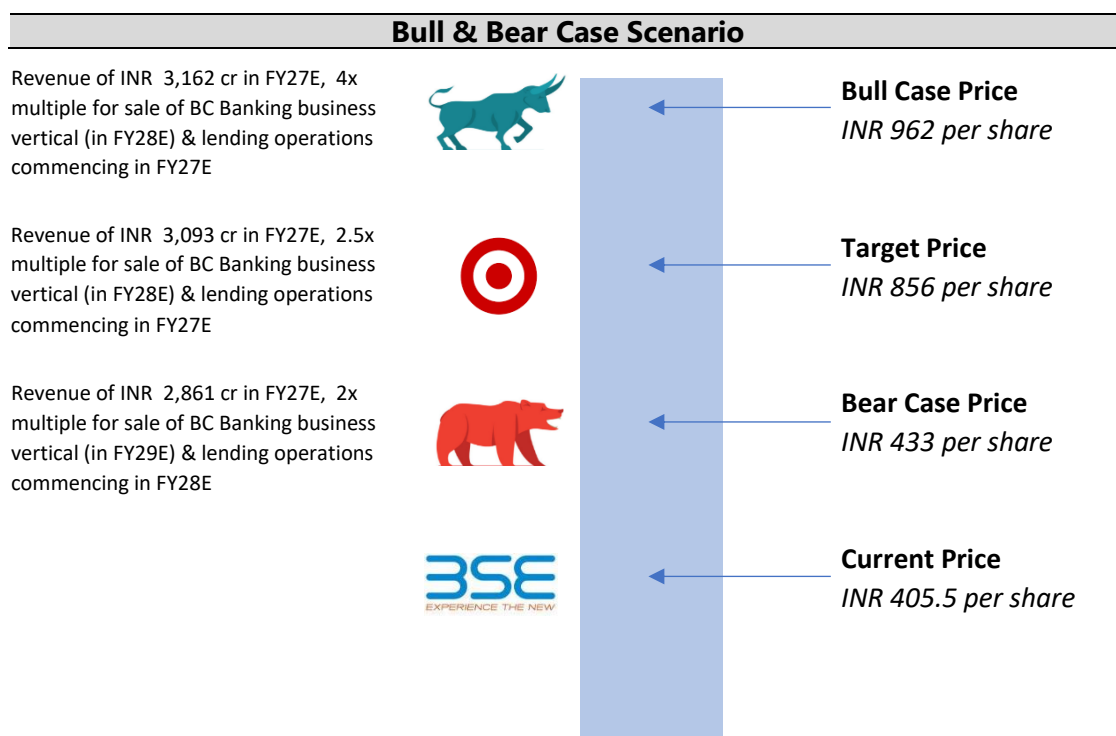
Using the DCF methodology, we have arrived at the FY27 final valuation of INR 856 per share (16.4X FY27 P/E).

Fig in INR cr, unless specified	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
FCFF	-660	983	425	835	876	1031	1401	1595	1855
Net NPA	6	21	30	39	49	61	75	86	99
Adjusted FCFF	-666	962	396	796	827	971	1327	1509	1756
Discount Factor @ 12.1% WACC	1.00	0.89	0.80	0.71	0.63	0.56	0.50	0.45	0.40
Discounted FCFF	-666	858	315	565	523	548	668	678	703
Total of Discounted FCFF	4191								
Terminal Value @ 2% growth	17699								
Present Value of Terminal Value	7087								
Enterprise Value	11279								
Net Debt	4155								
Intrinsic Value	7123								
Per Share Price (INR)	856								

Our Bull and Bear Case Scenarios

We have prepared likely Bull and Bear case scenarios for the FY27 price, based on revenue growth (driven by the digital payments vertical), time of commencement of the lending business and the multiple & time for sale of BC Banking vertical.

- **Bull Case:** We have assumed that Fino will be receiving the approval of its SFB license by end of FY26E & accordingly commence its lending operations by FY27E. Also, the revenue growth (driven by digital payments) is assumed to be at a CAGR of 29% for FY24-FY27EE & a 4x multiple is considered while taking into consideration, the event of sale of the BC Banking vertical (which is assumed to happen in FY28E).
- **Bear Case:** We have assumed that Fino will be receiving the approval of its SFB license by end of FY27E & accordingly commence its lending operations by FY28E. Also, the revenue growth (driven by digital payments) is assumed to be at a CAGR of 25% for FY24-FY27E & a 2x multiple is considered while taking into consideration, the event of sale of the BC Banking vertical (which is assumed to happen in FY29E).



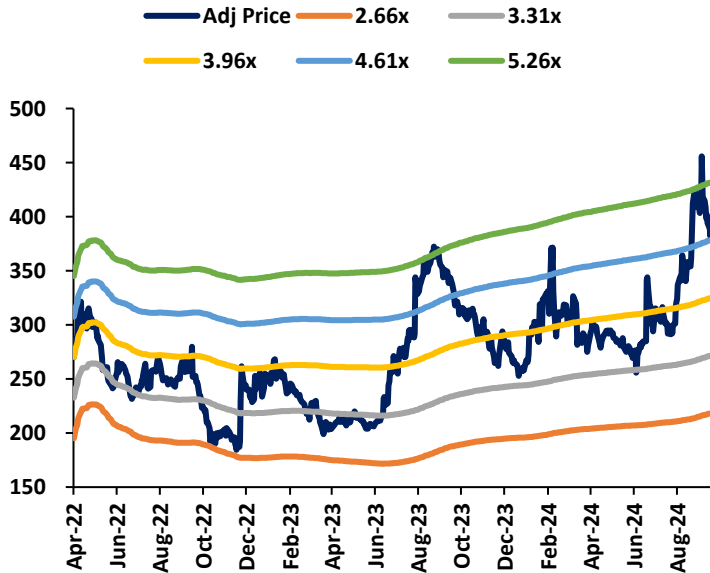
Source: BSE & Ventura Research

Consensus vs Ventura Estimates

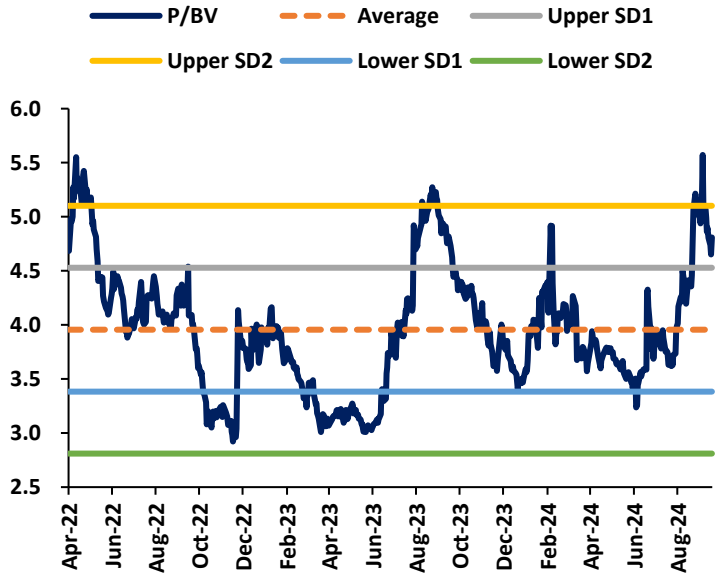
Consensus vs Ventura Estimates					
Consensus vs Ventura Estimates	FY24	FY25E	FY26E	FY27E	FY24-27E CAGR (%)
Revenue [Net of interest expense] (INR cr)					
Consensus	1,399.5	1,744.9	2,159.6	2,649.5	23.7
<i>YoY Growth (%)</i>	38.7	24.7	23.8	22.7	
Ventura Estimates	1,399.5	1,818.4	2,306.4	2,926.2	27.9
<i>YoY Growth (%)</i>	38.7	29.9	26.8	26.9	
PBT (INR cr) & PBT margin (%)					
Consensus	86.3	113.1	147.5	193.4	30.9
<i>Consensus Margin (%)</i>	6.2	6.5	6.8	7.3	
Ventura Estimates	86.3	120.2	226.2	273.8	46.9
<i>Ventura Margin (%)</i>	6.2	6.6	9.8	9.4	
Net Profit (INR cr) & Net margin (%)					
Consensus	86.2	84.8	110.6	145.0	18.9
<i>Consensus Margin (%)</i>	6.2	4.9	5.1	5.5	
Ventura Estimates	86.2	102.1	169.6	205.3	33.5
<i>Ventura Margin (%)</i>	5.8	5.6	7.4	7.0	
Valuation					
P/E Ratio (X)					
Consensus	39.1	38.1	29.2	22.3	
Ventura Estimates	39.1	33.0	19.9	16.4	
P/BV Ratio (X)					
Consensus	5.2	4.5	4.0	3.6	
Ventura Estimates	5.2	4.6	3.8	3.1	

Strong growth outlook, improving profitability and healthy balance sheet could re-rate the valuation

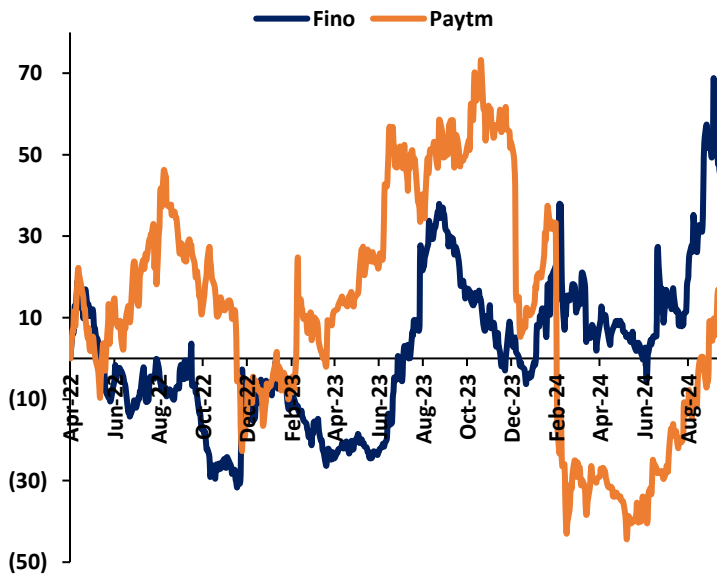
1 year forward P/BV band chart



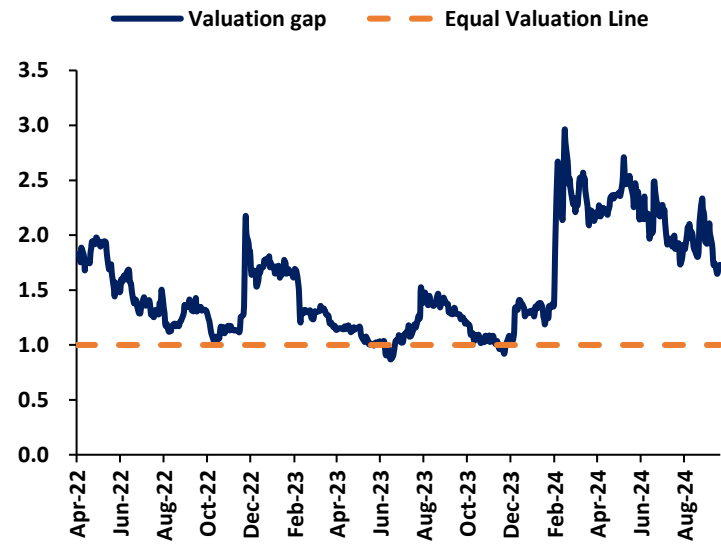
1 year forward P/BV and its standard deviation



Price Performance: Fino V/S Paytm



Fino seems to be always at a premium to due to the past underperformance of PayTM

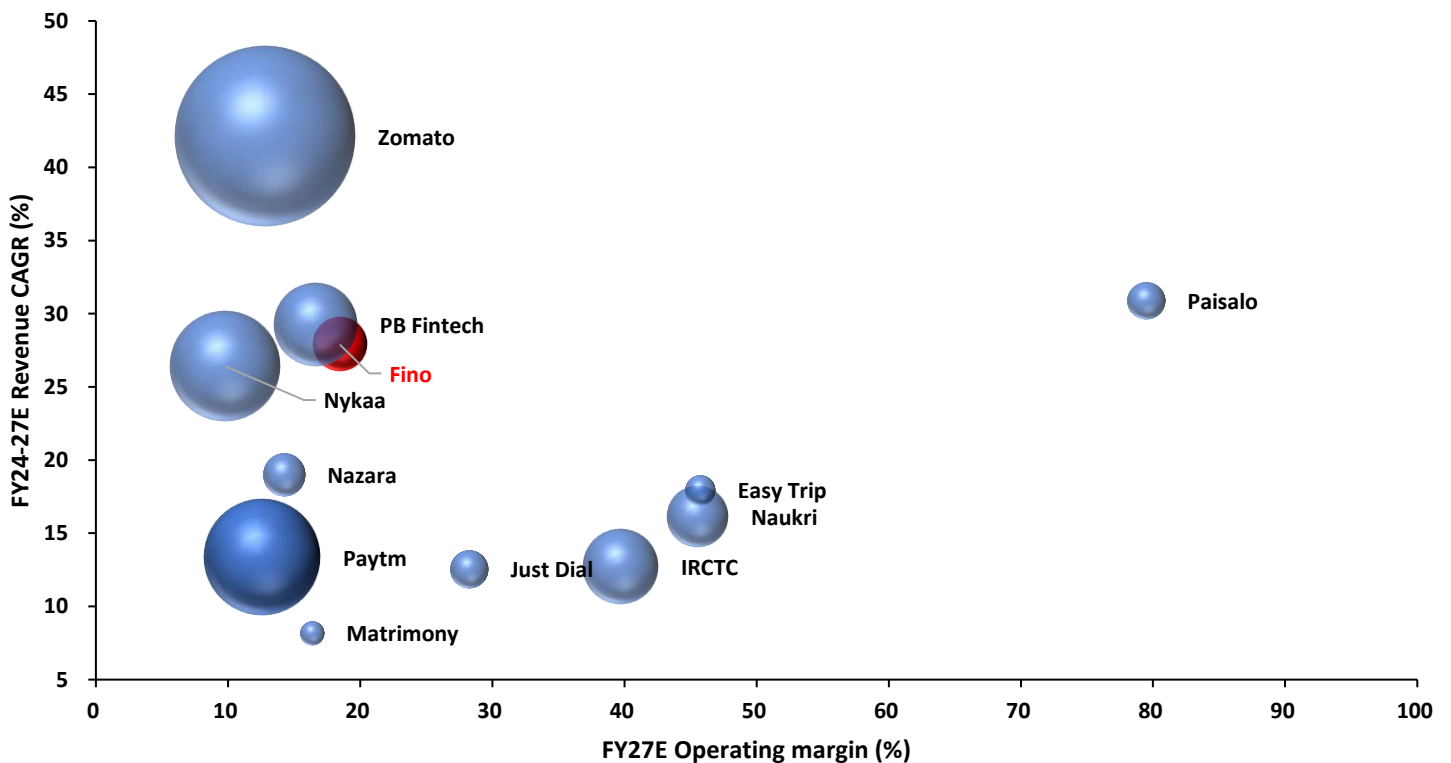
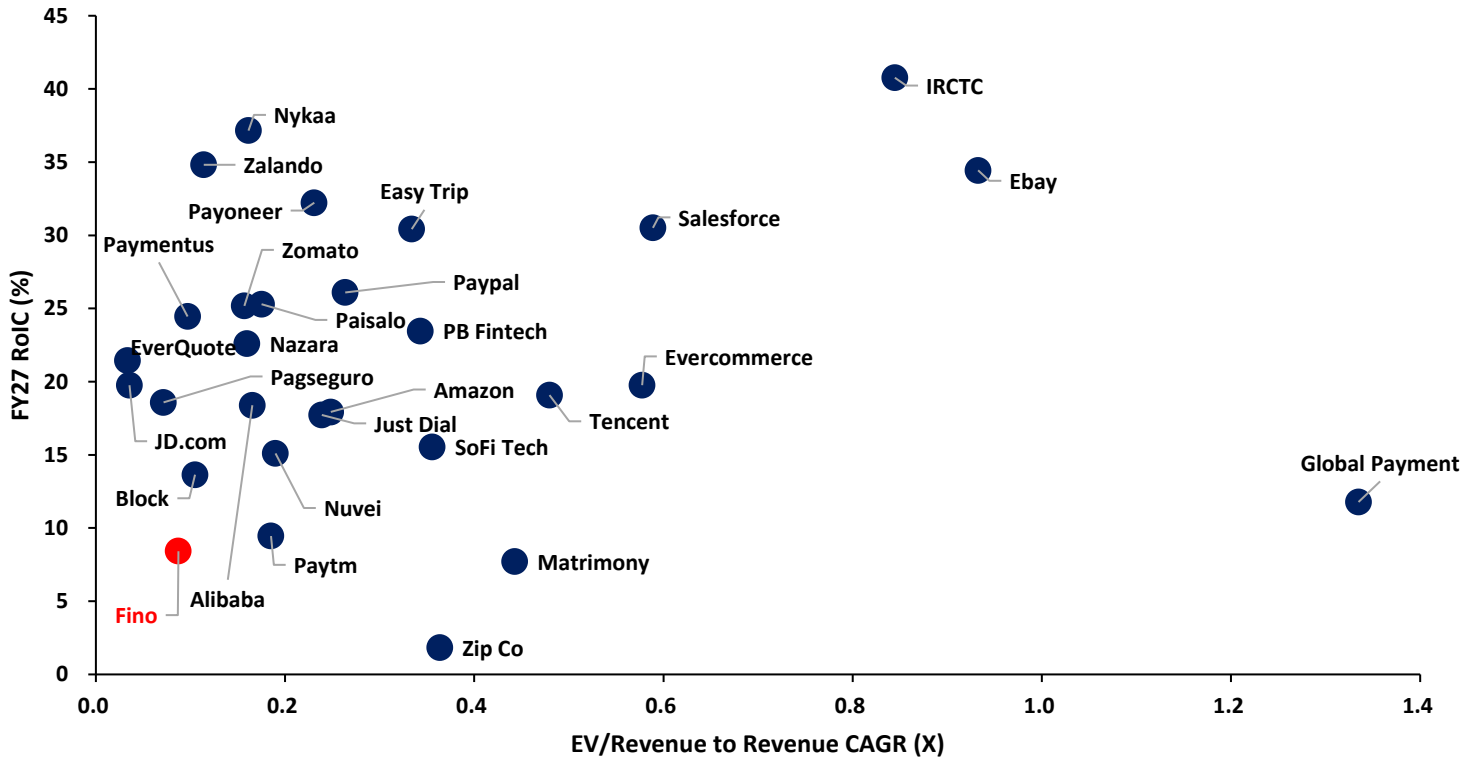


Source: Ventura Research

Valuation and comparable metrics of domestic and global companies

Company Name	Mkt Cap	Price	EV/Revenue to Revenue gr (X)	P/E (X)			EV/Revenue (X)			EV/Operating Profit (X)			RoE (%)			RoIC (%)			Revenue			Operating Margin (%)			Net Margin (%)		
				2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027	2025	2026	2027
Domestic Peers (fig in INR cr, unless specified)																											
Fino Payments Bank	3,374	406	0.1	33.0	19.9	16.4	2.9	2.6	2.4	19.3	14.6	13.2	13.8	18.9	19.1	7.8	9.2	8.4	1,922	2,438	3,093	14.8	18.0	18.5	5.3	7.0	6.6
One97 Communications	44,256	695	0.2	(31.0)	181.5	31.9	4.4	3.3	2.5	(41.2)	36.1	13.3	(11.0)	1.8	8.9	(59.7)	(8.6)	9.5	7,809	10,836	14,531	(7.2)	6.2	12.6	(18.3)	2.3	9.6
FSN E-Commerce Ventures	54,872	192	0.2	294.5	141.9	86.5	6.8	5.4	4.3	98.2	62.9	43.4	12.6	20.4	25.1	16.4	26.9	37.2	8,127	10,240	12,895	6.9	8.6	9.8	2.3	3.8	4.9
PB Fintech	78,168	1,714	0.3	180.9	93.1	59.2	16.9	12.9	10.0	302.0	96.4	60.3	6.8	11.6	15.6	2.1	12.4	23.4	4,561	5,840	7,419	5.6	13.4	16.6	9.5	14.4	17.8
Zomato	243,210	275	0.2	200.8	95.2	63.9	12.5	9.0	6.6	219.1	89.4	51.5	5.5	10.4	13.3	3.6	11.8	25.2	18,922	26,168	34,767	5.7	10.1	12.8	6.4	9.8	10.9
Info Edge India	106,230	8,198	1.6	114.1	90.0	73.0	36.9	31.0	25.7	93.5	73.1	56.3	3.6	4.4	5.2	3.7	5.0	6.8	2,824	3,335	3,973	39.5	42.4	45.6	33.0	35.4	36.6
IRCTC	69,820	873	0.8	51.8	41.1	36.1	13.9	12.0	10.7	39.1	30.7	27.0	34.4	34.6	40.6	41.0	40.8	4,802	5,528	6,112	35.7	39.1	39.7	28.1	30.7	31.7	
Nazara Technologies	7,303	954	0.2	65.4	54.2	40.4	4.7	3.8	3.0	34.5	26.1	21.3	5.3	6.1	7.7	10.1	15.3	22.6	1,332	1,603	1,918	13.7	14.5	14.2	8.4	8.4	9.4
Easy Trip Planners	5,904	33	0.3	27.1	22.5	20.5	7.8	6.6	6.0	16.8	14.4	13.1	26.5	24.2	21.0	40.6	35.7	30.4	749	881	969	46.3	45.7	45.7	29.1	29.7	29.7
Matrimony.com	1,694	761	0.4	29.2	25.2	24.5	3.5	3.8	3.6	21.5	23.1	22.2	16.6	16.5	15.7	11.1	6.4	7.7	522	574	610	16.1	16.6	16.4	11.1	11.7	11.4
Just Dial	10,153	1,194	0.2	19.8	19.1	18.4	4.2	3.2	3.0	15.3	11.3	10.6	11.3	11.0	11.5	17.5	17.2	17.7	1,206	1,382	1,487	27.4	28.6	28.2	42.6	38.4	37.1
Paisalo Digital	5,201	58	0.2	21.1	15.8	12.8	7.8	6.4	5.4	9.8	8.1	6.8	16.2	19.3	21.5	19.0	22.1	25.3	1,002	1,216	1,450	79.5	79.5	79.5	24.6	27.0	28.0
Global Peers (fig in USD mn, unless specified)																											
Alibaba	219,925	11	0.2	19.7	10.7	9.5	1.1	1.3	1.1	5.9	7.1	6.0	7.8	13.9	14.7	25.8	16.1	18.4	131,313	142,414	154,417	17.9	18.1	18.6	8.5	14.5	14.9
Ebay Inc	31,629	63	0.9	13.0	12.9	12.0	3.4	3.2	3.0	10.9	10.2	9.4	40.2	38.6	35.3	31.2	31.9	34.4	10,312	10,681	11,116	31.0	31.6	31.9	23.6	22.9	23.7
JD.com	44,901	15	0.0	8.5	7.8	7.2	0.2	0.2	0.2	5.3	4.3	4.1	16.5	16.1	14.3	22.0	24.7	19.8	159,267	168,680	177,855	4.1	4.3	4.5	3.3	3.4	3.5
Zalando SE	9,406	36	0.1	42.6	30.5	23.7	0.7	0.7	0.6	10.3	8.7	7.2	7.7	9.6	10.9	27.4	30.4	34.8	11,370	12,041	12,803	7.0	7.7	8.4	1.9	2.6	3.1
EverQuote Inc	823	22	0.0	64.5	29.1	21.3	1.8	1.2	1.0	17.2	11.6	9.3	9.2	15.1	15.3	15.4	21.3	21.5	405	548	621	10.6	10.7	10.5	3.1	5.2	6.2
Amazon.com Inc	2,008,542	192	0.2	34.1	27.8	23.3	3.2	3.0	2.7	15.3	13.6	11.7	21.4	20.1	19.1	18.8	17.7	17.9	635,492	704,713	781,729	21.2	21.7	22.9	9.3	10.2	11.0
Tencent Holdings	459,380	50	0.5	16.4	14.7	13.1	5.1	4.6	4.3	13.6	12.3	11.3	21.0	20.0	19.1	20.3	19.8	19.1	92,738	101,804	111,071	37.2	37.7	37.6	30.2	30.7	31.6
Salesforce.com	258,848	267	0.6	62.6	26.5	23.7	7.4	6.5	5.7	25.8	16.3	14.3	6.9	15.4	15.6	8.5	24.3	30.5	34,857	37,846	41,317	28.7	39.8	39.6	11.9	25.8	26.5
Paymentus Holdings Inc	2,681	22	0.1	52.3	41.0	31.0	3.2	2.6	2.1	30.2	23.9	18.4	11.1	12.4	13.9	13.4	16.6	24.5	773	931	1,110	10.6	11.0	11.5	6.6	7.0	7.8
Paypal Holdings Inc	79,047	77	0.3	17.2	16.3	15.2	2.4	2.2	2.0	11.8	11.2	10.3	22.2	19.5	18.8	31.2	27.6	26.1	31,952	34,473	37,263	20.2	19.7	19.9	14.4	14.1	14.0
Payoneer Global Inc	2,861	8	0.2	30.3	25.6	20.2	2.5	2.2	2.1	9.8	9.3	8.3	10.8	10.8	12.1	42.8	34.4	32.2	929	1,000	1,077	25.3	24.1	25.1	10.2	11.2	13.1
Evercommerce Inc	1,919	11	0.6	(115.8)	56.6	26.0	3.3	3.0	2.7	13.5	11.6	10.2	(2.2)	4.4	9.1	14.1	17.0	19.8	693	729	775	24.6	26.1	26.7	(2.4)	4.7	9.5
Pagseguro Digital	3,091	9	0.1	8.1	7.2	6.5	0.5	0.5	0.4	2.5	1.9	1.6	13.1	12.9	12.4	19.3	19.1	18.6	3,131	3,439	3,787	22.0	26.3	26.7	12.1	12.6	12.5
Shift4 Payment	7,881	87	(0.5)	24.3	19.3	15.8	6.9	5.2	4.6	14.0	10.7	9.1	37.2	26.6	31.8	11.7	16.3	19.5	1,354	1,704	1,967	49.3	48.8	50.1	23.9	24.0	25.4
Global Payment	28,285	111	1.3	9.6	8.7	8.0	4.7	4.3	3.9	9.3	8.5	7.7	12.7	13.1	12.6	10.9	11.5	11.8	9,231	9,777	10,524	50.3	50.8	50.5	32.1	33.3	33.5
Zip Co	2,819	2	0.4	61.0	120.6	68.9	7.3	6.5	5.9	86.7	63.0	51.3	58.9	9.8	9.3	(0.2)	1.1	1.8	571	648	732	8.4	10.3	11.5	8.1	3.6	5.6
SoFi Technologies	9,267	8	0.4	59.2	29.2	15.7	3.5	2.5	2.0	14.2	8.4	5.7	2.6	5.1	8.7	3.5	8.5	15.5	2,457	2,840	3,425	24.9	30.0	34.8	6.4	11.2	17.2
Nuvei Corp	4,731	33	0.2	16.6	13.0	10.0	4.1	3.4	2.8	11.5	9.1	7.4	13.2	15.2	17.4	8.3	11.2	15.1	1,378	1,594	1,804	36.0	37.1	38.1	20.7	22.9	26.1
Block Inc	41,687	67	0.1	19.3	14.8	11.4	1.6	1.4	1.2	13.8	10.9	8.5	10.8	12.6	14.5	6.7	9.4	13.6	24,821	27,723	30,447	11.7	13.2	14.3	8.7	10.2	12.0

Revenue growth and margin expansion deserves re-rating in valuation



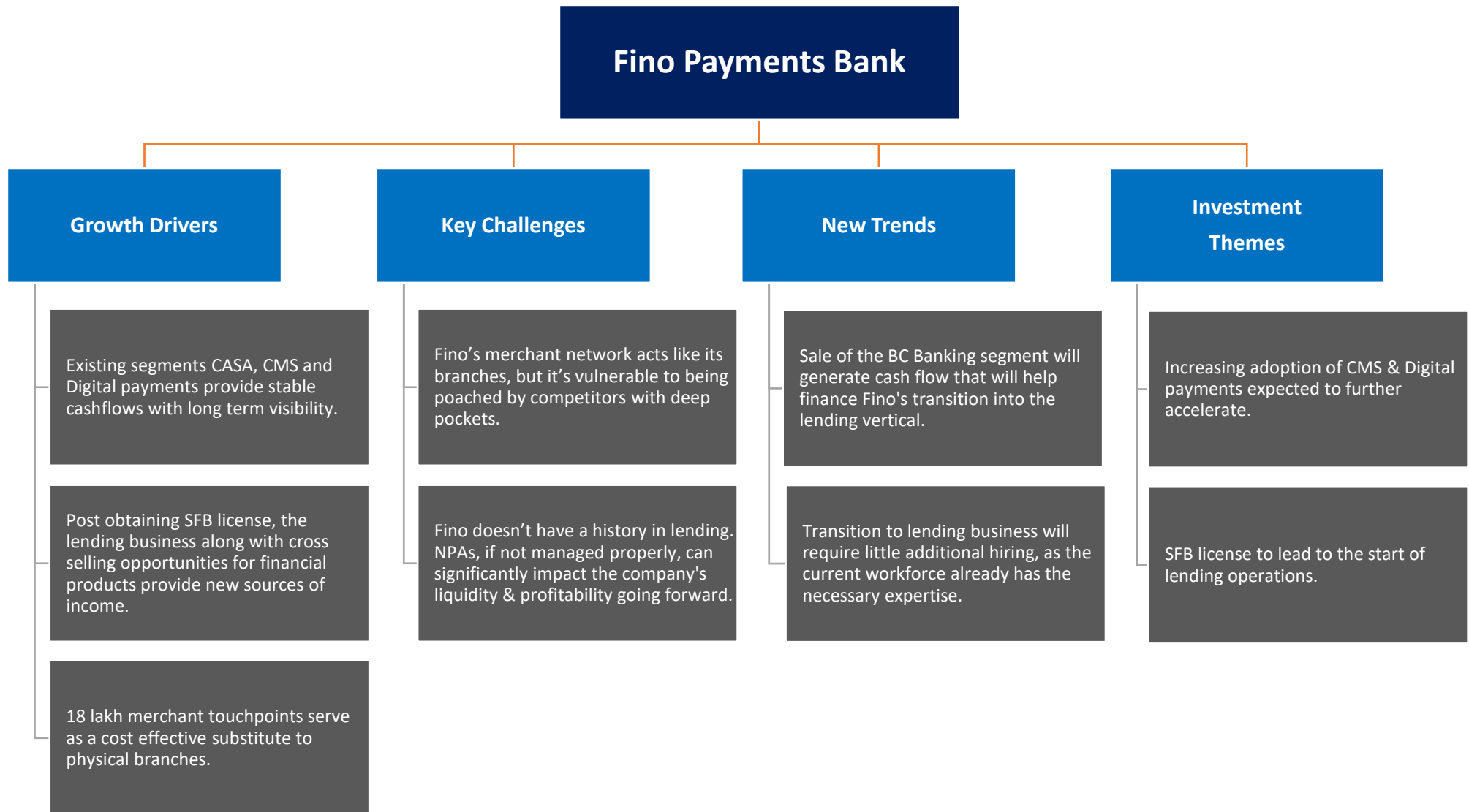
Bubble size represents the size of the companies' revenue

Fino's Financial Summary

Fig in INR Cr (unless specified)	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E	FY32E	FY33E	FY34E	FY35E
Digital Payments	0.7	8.2	92.2	294.7	508.4	762.6	1,067.6	1,441.3	1,873.7	2,342.1	2,810.5	3,232.1	3,716.9	4,274.4
YoY Growth (%)		1,071.4	1,024.4	219.7	72.5	50.0	40.0	35.0	30.0	25.0	20.0	15.0	15.0	15.0
Share in Revenue (%)	0.1	0.7	6.2	15.3	20.9	24.7	29.1	32.0	34.5	36.5	37.6	37.9	38.5	39.4
Treasury & Others	53.2	103.7	157.6	158.6	215.0	188.2	241.3	274.9	330.2	381.5	438.0	512.5	596.0	692.0
YoY Growth (%)		94.9	52.0	0.6	35.6	(12.5)	28.2	13.9	20.1	15.6	14.8	17.0	16.3	16.1
Share in Revenue (%)	5.3	8.4	10.7	8.2	8.8	6.1	6.6	6.1	6.1	5.9	5.9	6.0	6.2	6.4
CASA	116.0	216.8	306.8	429.5	569.5	726.1	903.5	1,096.7	1,308.8	1,535.2	1,800.8	2,057.2	2,329.2	2,613.3
YoY Growth (%)		86.9	41.5	40.0	32.6	27.5	24.4	21.4	19.3	17.3	17.3	14.2	13.2	12.2
Share in Revenue (%)	11.5	17.6	20.8	22.3	23.4	23.5	24.6	24.4	24.1	23.9	24.1	24.1	24.1	24.1
CMS	58.0	104.0	143.9	202.6	263.4	329.2	401.7	478.0	559.2	643.1	739.6	828.4	919.5	1,011.4
YoY Growth (%)		79.3	38.4	40.8	30.0	25.0	22.0	19.0	17.0	15.0	15.0	12.0	11.0	10.0
Share in Revenue (%)	5.7	8.5	9.7	10.5	10.8	10.6	11.0	10.6	10.3	10.0	9.9	9.7	9.5	9.3
Lending Business	-	-	-	-	-	162.5	233.5	365.3	490.1	623.3	779.2	963.1	1,140.1	1,311.1
YoY Growth (%)							43.7	56.5	34.2	27.2	25.0	23.6	18.4	15.0
Share in Revenue (%)	-	-	-	-	-	5.3	6.4	8.1	9.0	9.7	10.4	11.3	11.8	12.1
Remittance	355.0	422.0	455.1	491.2	527.6	564.2	600.4	636.0	670.5	703.5	734.6	763.4	789.6	812.6
YoY Growth (%)		18.9	7.8	7.9	7.4	6.9	6.4	5.9	5.4	4.9	4.4	3.9	3.4	2.9
Share in Revenue (%)	35.2	34.3	30.8	25.6	21.6	18.2	16.4	14.1	12.3	11.0	9.8	9.0	8.2	7.5
MATM & AePS	272.0	250.3	194.5	210.4	213.9	216.9	219.3	208.4	197.3	186.3	175.3	164.4	153.7	143.3
YoY Growth (%)		(8.0)	(22.3)	8.2	1.7	1.4	1.1	(5.0)	(5.3)	(5.6)	(5.9)	(6.2)	(6.5)	(6.8)
Share in Revenue (%)	27.0	20.4	13.2	10.9	8.8	7.0	6.0	4.6	3.6	2.9	2.3	1.9	1.6	1.3
BC Banking	154.0	124.9	128.3	135.3	140.4	142.8	-	-	-	-	-	-	-	-
YoY Growth (%)		(18.9)	2.7	5.5	3.7	1.7	(100.0)	-	-	-	-	-	-	-
Share in Revenue (%)	15.3	10.2	8.7	7.0	5.8	4.6	-	-	-	-	-	-	-	-
Revenue from operations	1,008.9	1,229.9	1,478.4	1,922.2	2,438.3	3,092.5	3,667.3	4,500.5	5,429.8	6,415.0	7,477.9	8,521.1	9,644.9	10,858.2
YoY Growth (%)	27.5	21.9	20.2	30.0	26.8	26.8	18.6	22.7	20.6	18.1	16.6	14.0	13.2	12.6
Operating Expenses	782.1	920.0	1,081.8	1,436.8	1,780.0	2,266.2	2,686.5	3,274.6	3,928.3	4,622.5	5,371.2	6,113.4	6,913.0	7,776.1
Opex to Sales (%)	77.5	74.8	73.2	74.7	73.0	73.3	73.3	72.8	72.3	72.1	71.8	71.7	71.7	71.6
Employee Cost	133.3	155.6	177.4	200.0	220.0	255.5	280.5	305.1	328.7	360.8	395.8	434.0	475.5	520.8
Employee Cost to Sales (%)	13.2	12.7	12.0	10.4	9.0	8.3	7.6	6.8	6.1	5.6	5.3	5.1	4.9	4.8
Operating Profit	93.5	154.3	219.2	285.4	438.2	570.8	700.4	920.8	1,172.8	1,431.7	1,710.8	1,973.7	2,256.3	2,561.3
Operating Margin (%)	9.3	12.5	14.8	14.8	18.0	18.5	19.1	20.5	21.6	22.3	22.9	23.2	23.4	23.6
PBT	42.7	65.1	86.3	120.2	226.2	273.8	329.4	422.2	600.3	718.1	905.8	990.9	1,168.1	1,281.9
PBT Margin (%)	4.2	5.3	5.8	6.3	9.3	8.9	9.0	9.4	11.1	11.2	12.1	11.6	12.1	11.8
Net Profit	42.7	65.1	86.2	102.1	169.6	205.3	247.1	316.7	450.2	538.5	679.4	743.2	876.1	961.4
Net Margin (%)	4.2	5.3	5.8	5.3	7.0	6.6	6.7	7.0	8.3	8.4	9.1	8.7	9.1	8.9
Adjusted EPS	5.1	7.8	10.4	12.3	20.4	24.7	29.7	38.1	54.1	64.7	81.6	89.3	105.3	115.5
P/E (X)	79.0	51.8	39.1	33.0	19.9	16.4	13.7	10.7	7.5	6.3	5.0	4.5	3.9	3.5
Adjusted BVPS	57.7	66.4	77.3	88.8	107.6	129.1	197.7	228.7	272.4	381.5	443.2	506.2	580.4	661.8
P/BV (X)	7.0	6.1	5.2	4.6	3.8	3.1	2.1	1.8	1.5	1.1	0.9	0.8	0.7	0.6
Net Worth	479.8	552.5	643.2	739.1	895.8	1,074.3	1,645.4	1,902.7	2,266.9	3,174.8	3,688.3	4,212.5	4,829.8	5,506.8
Return on Equity (%)	8.9	11.8	13.4	13.8	18.9	19.1	15.0	16.6	19.9	17.0	18.4	17.6	18.1	17.5
Capital Employed	1,451.5	2,186.4	3,069.6	3,857.8	4,883.3	6,149.0	8,890.5	10,805.3	13,218.1	16,214.5	19,219.0	22,714.8	26,107.4	29,976.0
Return on Capital Employed (%)	4.0	5.1	5.4	4.9	5.5	5.4	4.7	4.9	5.3	5.2	5.4	5.2	5.3	5.1
Invested Capital	685.4	1,352.5	2,004.0	2,863.3	3,904.0	5,229.6	7,612.9	9,450.8	11,703.4	13,943.9	16,603.9	19,663.8	22,544.6	25,790.3
Return on Invested Capital (%)	8.5	8.3	8.2	7.8	9.2	8.4	7.3	7.4	8.0	8.1	8.4	8.0	8.1	8.0
Cash Flow from Operations	335.4	492.3	657.3	558.3	778.6	1,026.9	2,174.3	1,734.6	2,209.8	2,358.8	2,848.4	3,430.7	3,299.8	3,794.0
Cash Flow from Investing	(192.3)	(608.9)	(704.2)	(797.3)	(977.3)	(1,274.2)	(2,008.2)	(1,825.2)	(2,224.9)	(2,273.5)	(2,685.2)	(3,175.5)	(2,989.5)	(3,416.5)
Cash Flow from Financing	352.2	184.4	278.6	167.9	183.5	187.4	192.1	167.5	175.4	670.6	181.2	180.7	201.4	245.4
Net Cash Flow	495.4	67.8	231.6	(71.1)	(15.2)	(59.9)	358.2	76.8	160.3	755.9	344.4	436.0	511.7	622.9
Free Cash Flow	271.0	398.4	553.5	453.3	670.1	(660.2)	983.3	425.5	835.3	875.6	1,031.4	1,401.2	1,594.8	1,854.6
FCF to Revenue (%)	26.9	32.4	37.4	23.6	27.5	(21.3)	26.8	9.5	15.4	13.6	13.8	16.4	16.5	17.1
FCF to EBITDA (%)	289.8	258.2	252.5	158.8	152.9	(115.6)	140.4	46.2	71.2	61.2	60.3	71.0	70.7	72.4
FCF to Net Profit (%)	634.1	612.2	641.9	443.8	395.0	(321.5)	398.0	134.4	185.5	162.6	151.8	188.5	182.0	192.9
FCF to Net Worth (%)	56.5	72.1	86.1	61.3	74.8	(61.5)	59.8	22.4	36.8	27.6	28.0	33.3	33.0	33.7
Total Debt	972	1,634	2,426	3,119	3,988	5,075	7,245	8,903	10,951	13,040	15,531	18,502	21,278	24,469
Net Debt	206	800	1,361	2,124	3,008	4,155	5,968	7,548	9,436	10,769	12,916	15,451	17,715	20,284
Net Debt to Equity (X)	0.4	1.4	2.1	2.9	3.4	3.9	3.6	4.0	4.2	3.4	3.5	3.7	3.7	3.7
Net Debt to EBITDA (X)	2.2	5.2	6.2	7.4	6.9	7.3	8.5	8.2	8.0	7.5	7.5	7.8	7.9	7.9
Interest Coverage Ratio (X)	6.1	3.3	2.8	2.8	3.3	3.4	3.1	3.3	3.4	3.5	3.5	3.4	3.4	3.3

Source: ACE Equity, Company Reports & Ventura Research

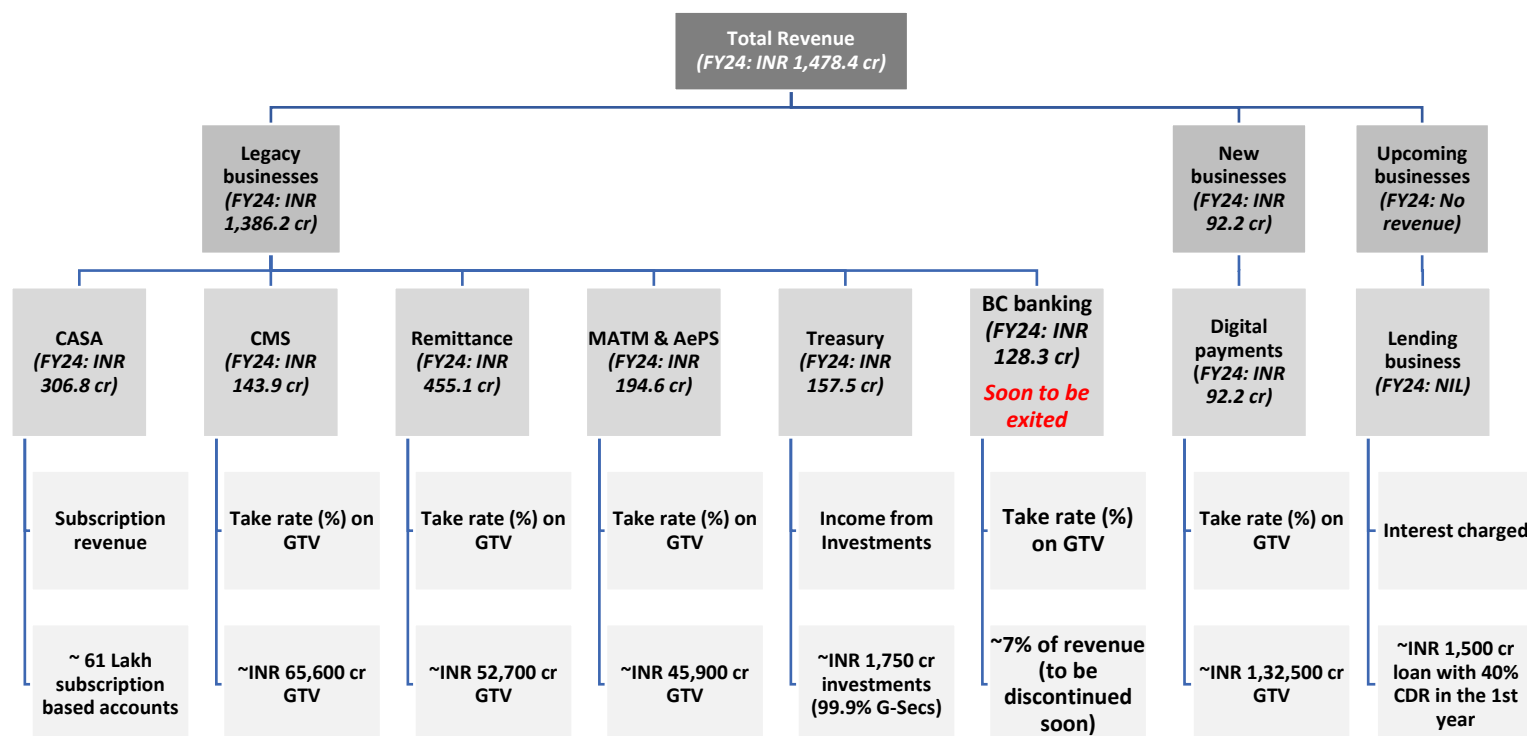
Fino SWOT Analysis in a nutshell



Fino – Banking for everyone

The company provides a range of different financial services for its diverse clientele which starts from people living in remote places & goes upto B2B players like Bata, Flipkart, etc.

Fino's business structure



Legacy Businesses -

- (i) **CASA (Current Account Savings Account):** Subscription-based annuity revenue from savings account holders.
- (ii) **CMS (Cash Management Services):** A working capital solution specifically designed for e-commerce companies, enabling faster cash turnover.
- (iii) **Remittance:** Facilitates the transfer of funds within India, i.e. provides DMT (Domestic Money Transfer) services.
- (iv) **MATM (Micro-ATM) & AePS (Aadhaar Enabled Payment System):** Traditional banking services provided through a branchless ecosystem, leveraging an extensive merchant distribution network.
- (v) **Treasury:** Interest income earned by the company through investing deposits in G-Secs and fixed deposits.
- (vi) **BC (Business Correspondent) Banking [Soon to be exited]:** The institutional business division of the company, where it acts as a business correspondent for partner banks. Regulations state that a Small Finance Bank cannot act as a business correspondent for other banks. We assume this vertical will be discontinued from FY28 onwards, considering that the RBI provides a cool-off period to gradually wind up the business.

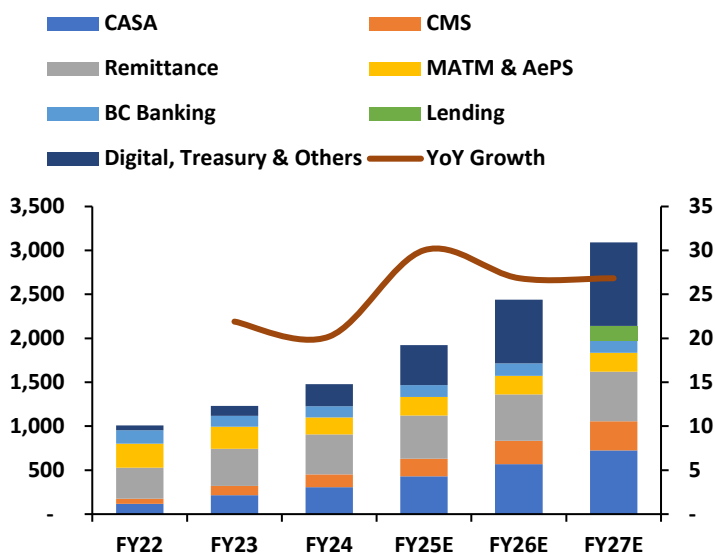
New Businesses -

- (i) **Digital Payments Business:** Facilitating payments for businesses through UPI rail roads.

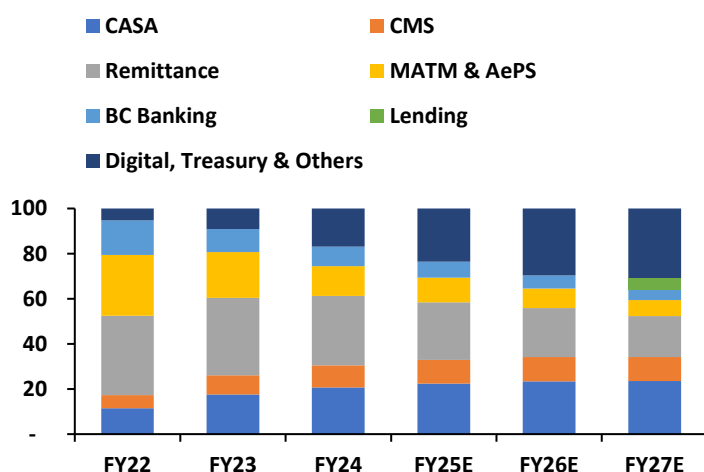
Upcoming Businesses -

- (i) **Lending Business:** The company is expected to venture into the lending business after receiving an SFB license approval from the RBI (approval is assumed by the end of FY25). We have categorized this as part of the B2B vertical, keeping in mind that going forward, the management plans to focus on business and working capital loans.

Consolidated revenue performance



Consolidated revenue share



Revenue is expected to grow at a CAGR of 28% to INR 3,093 cr during FY24-27E, driven by:

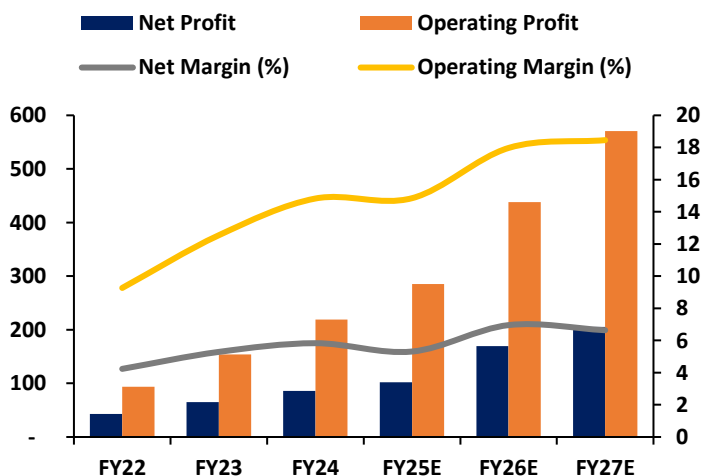
- 33% CAGR growth in CASA to INR 726 cr, driven by:
 - 2% growth in subscription fee per account year.
 - 32% CAGR growth in total number of subscription accounts.
- 32% CAGR growth in CMS to INR 329 cr accountable to 32% CAGR growth in the CMS GTV, assuming take rates are maintained at current levels of around 0.22% going forward.
- 7% CAGR growth in Remittance to INR 564 cr accountable to 7% CAGR growth in the Remittance GTV, assuming take rates are maintained at current levels of around 0.86% going forward.
- 4% CAGR growth in MATM & AePS to INR 217 cr accountable to 4% CAGR growth in the MATM & AePS GTV, assuming transaction take rates are maintained at current levels of around 0.45% going forward.
- 102% CAGR growth in Digital payments revenues to INR 763 cr accountable to 102% CAGR growth in the Digital payments GTV, assuming transaction take rates are maintained at current levels of around 0.07% going forward.
- Introduction of lending business in FY27 with INR 163 cr revenue, starting with a loan book of around INR 1,500 crs & a CDR of 40%, which is expected to reach 65% levels & stabilize going forward.
- 4% CAGR growth in BC Banking revenue to INR 143 cr

Going forward, the digital payments business & lending are expected to drive growth. In FY24 the digital payments business contributed to around 6% of the total gross revenue of the business and is expected to contribute around 25% of the overall gross revenue in FY27E.

Net earnings & operating profits are expected to grow at a CAGR of 34% & 38% to INR 205 cr & INR 571 cr, while net margins & operating margins are expected to improve by 80 bps & 370bps to 6.6% & 18.5% respectively, during FY24-27E.

A slight contraction in net margins can be observed in FY25E given the front loading of costs (manpower + technology) to prepare the business for onboarding the SFB operations.

Consolidated margins

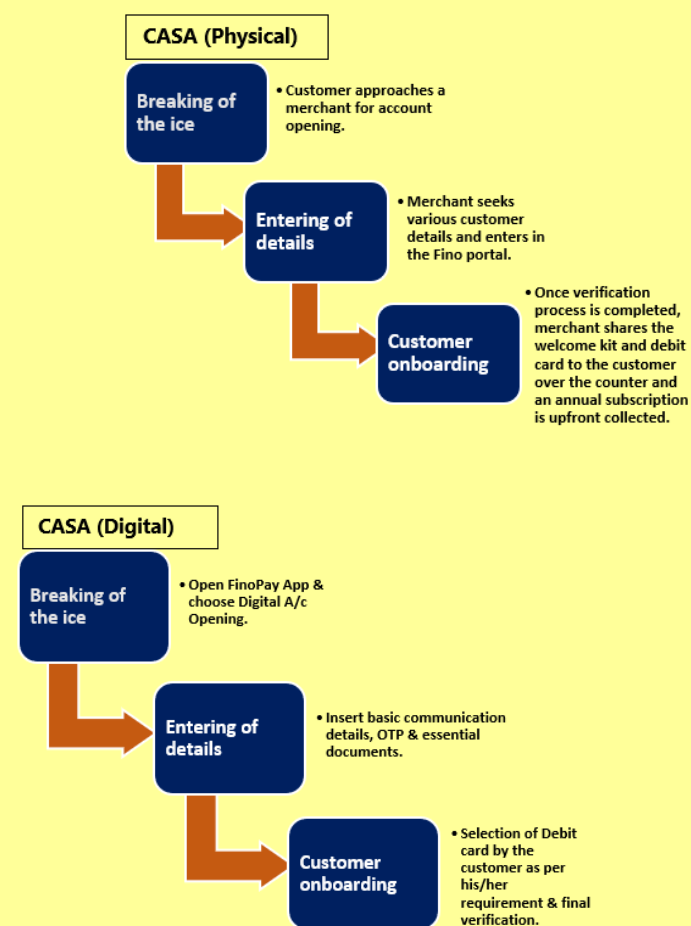


CASA – Outlook going forward

Revenue for this segment is expected to grow at a CAGR of 33% for the period FY24-FY27E to INR 726 cr. This is accountable to the following factors:

- The total number of accounts is expected to grow at a CAGR of 32% to 249.80 Lakhs for the period under consideration.
- The percentage contribution of subscription-based accounts out of total accounts to be around 56% going forward.
- The per account annual subscription fee is anticipated to have a 2% annual hike.

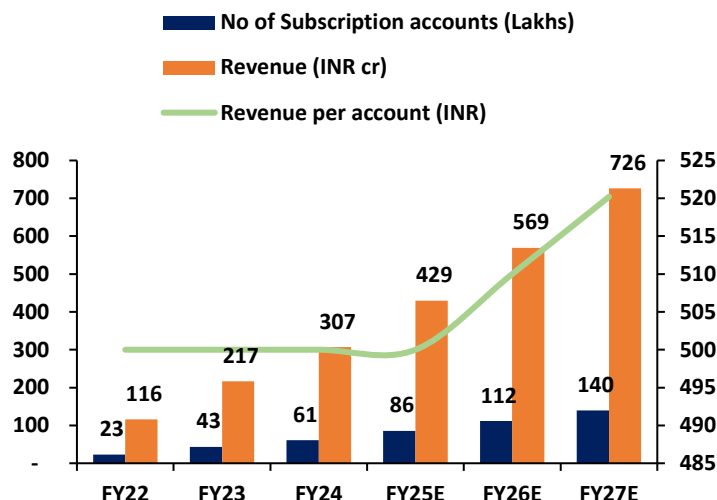
Business process flows in CASA:



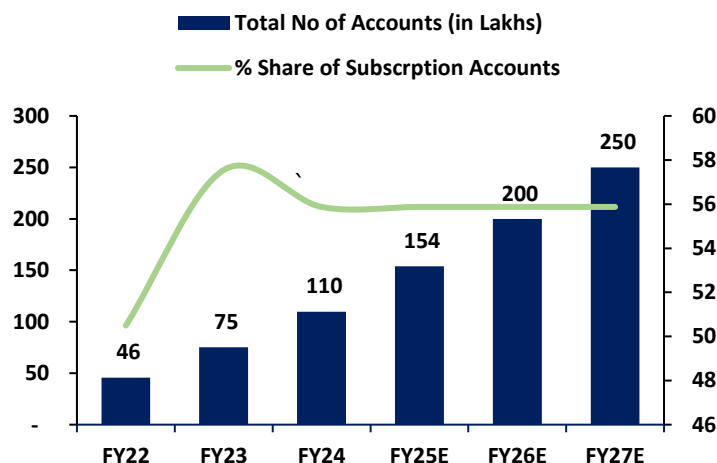
CASA – Key growth drivers for the business

- Rural population getting access to banking and financial services.
- Technological upgrades & digital innovations.
- Government initiatives in favour of 'Financial Inclusion'.

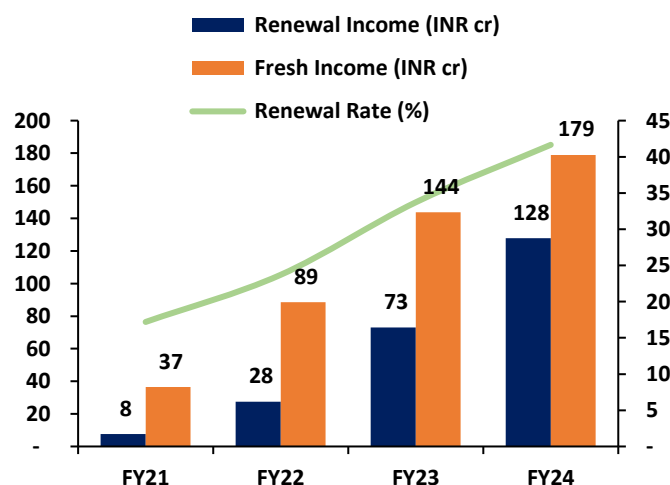
CASA - Annuity revenue



Total number of accounts & share of subscription accounts (%)



Customer stickiness - CASA

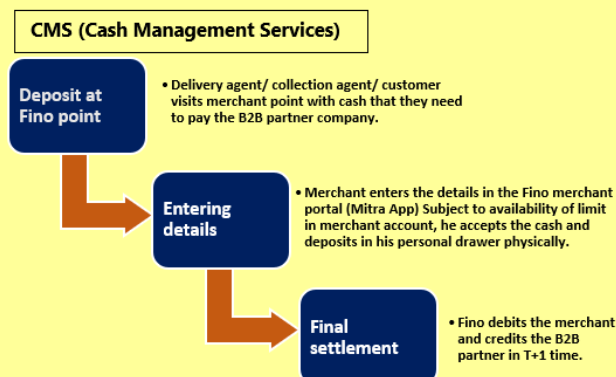


CMS – Outlook going forward

Revenue for this segment is expected to grow at a CAGR of 32% for the period FY24-FY27E to INR 329 cr. This is accountable to the following factors:

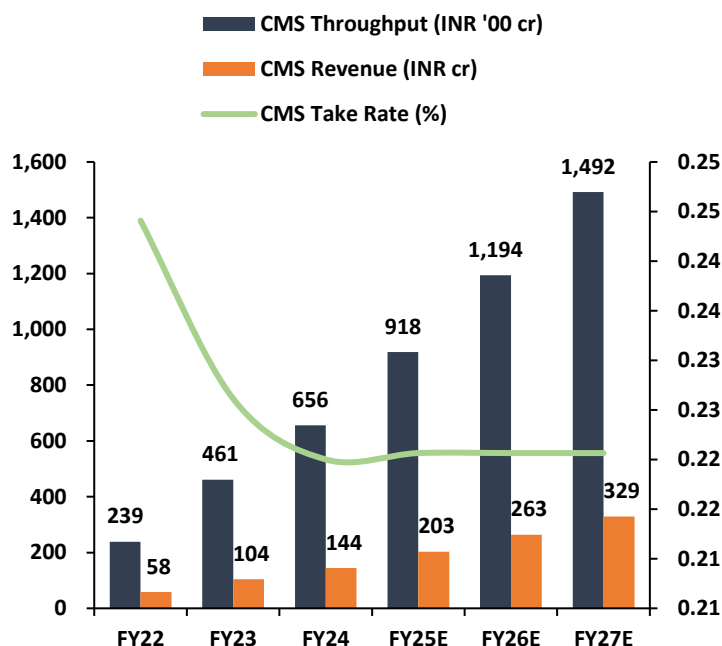
- The total throughput for this segment is expected to grow at a CAGR of 32% to around INR 1,49,000 cr for the period FY24-27E.
- The take rate is assumed to remain constant going forward at 0.22% of the throughput.

Business process flows in CMS:



CMS is one of the high margin verticals of the business. An increase in the share of this vertical in the total revenue is expected to happen going forward, thereby leading to margin expansion.

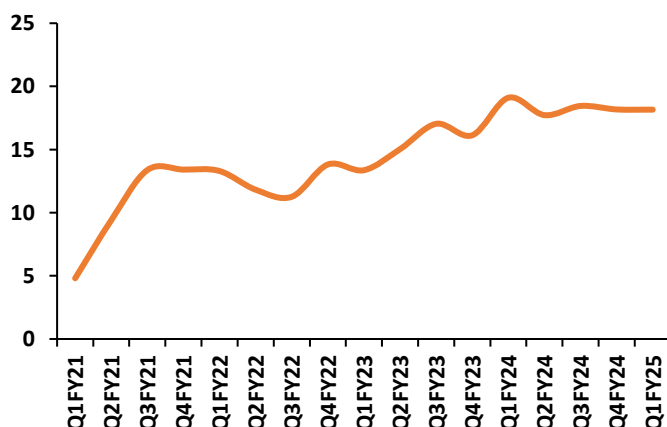
CMS - The high margin cashcow



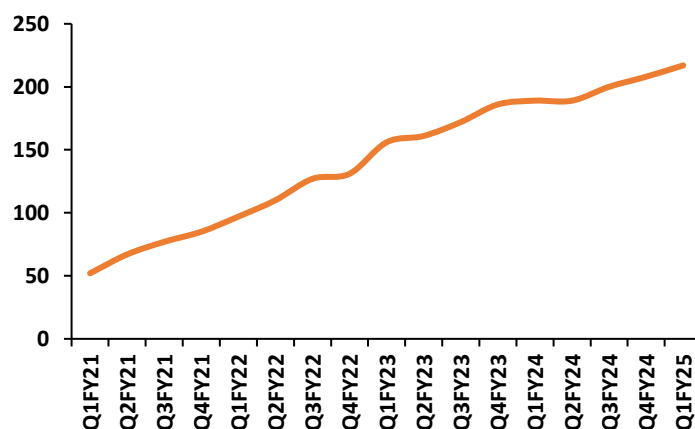
CMS – Key growth drivers for the business

- Increased business and economic activities in rural India.
- Technological upgradations & digital innovations.
- Government initiatives favoring & encouraging rural businesses.

Average revenue per CMS client (INR Lakhs)



No of CMS Clients



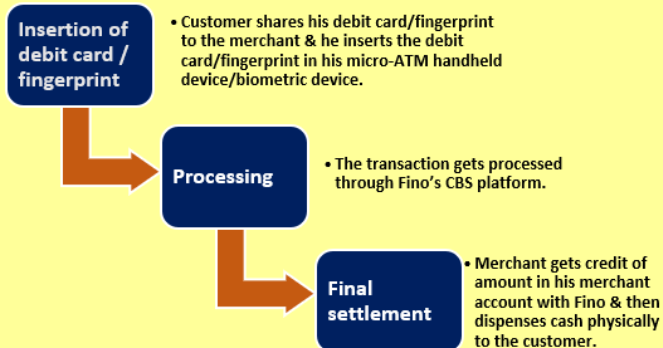
Remittance and MATM & AePS – Outlook going forward

Revenue for the Remittance segment is expected to grow at a CAGR of 7% and for the MATM & AePS segment at a CAGR of 4% for the period FY24-FY27E, reaching INR 564 cr and 217 cr, respectively. This growth is attributed to the following factors:

- The total throughput for the Remittance segment is projected to grow at a CAGR of 7% to around INR 65,000 cr, while for the MATM & AePS segment the throughput is expected to grow at a CAGR of 4% to around INR 48,000 cr during the same period.
- The take rate is assumed to remain constant for both segments, at 0.86% for Remittance and 0.45% for MATM & AePS.

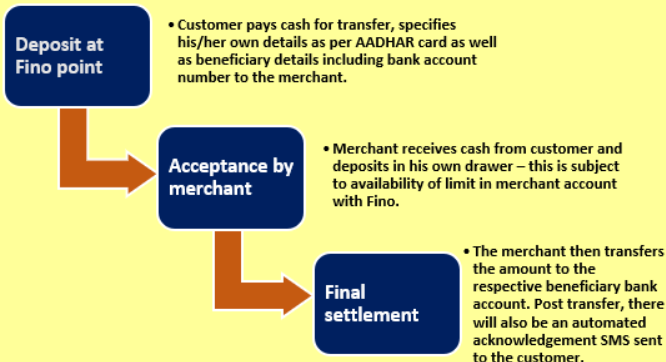
Business process flows in MATM / AePS:

MATM / AePS

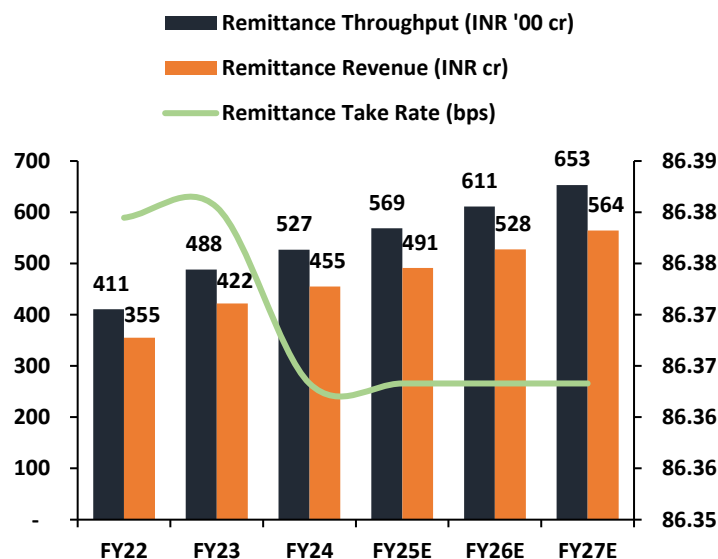


Business process flows in Remittance:

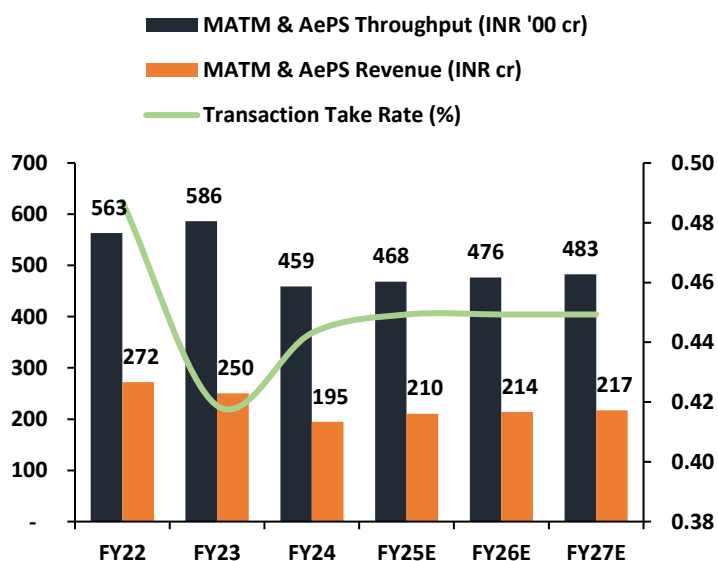
Remittance



Remittance - The 'hook' product



MATM & AePS - Banking everywhere



Remittance and MATM & AePS – Key growth drivers for the business

- Increased rural-urban migration activities in recent times.
- Technological developments in transaction processing, underpenetrated rural markets & a global shift toward digital payments.
- Technological upgradations & the development of 'India Stack'.

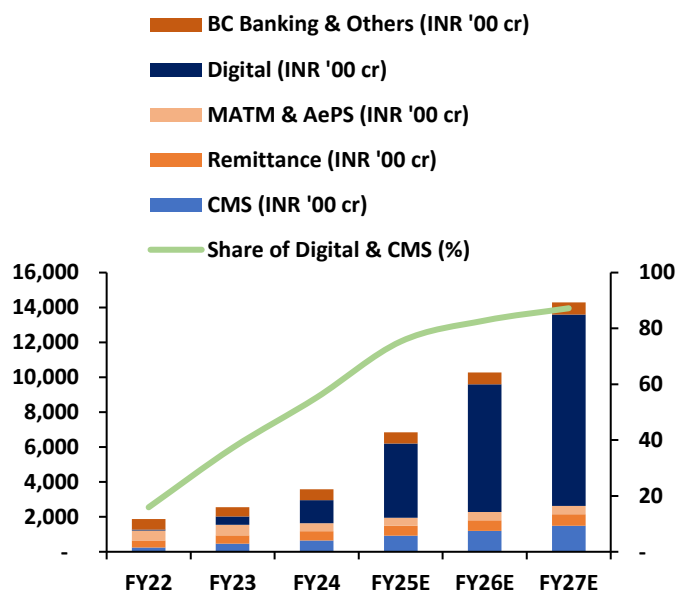
Digital Payments – Outlook going forward

Revenue for the Digital payments segment is expected to grow at a CAGR of 102% for the period FY24-FY27E, reaching INR 763 cr. This growth is attributed to the following factors:

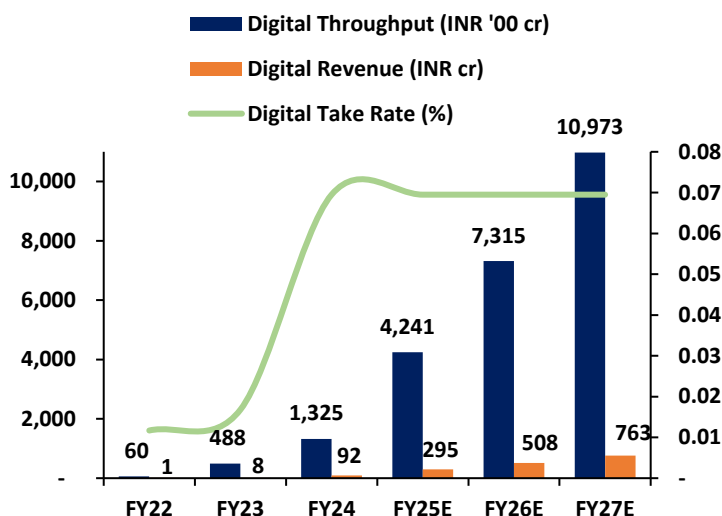
- The total throughput for the Digital payments segment is projected to grow at a staggering CAGR of 102% to around INR 10,97,000 cr.
- The take rate is assumed to maintained at the current levels of around 0.07% for going forward.

Going forward, this segment is expected to reach around 25% of the total revenue of Fino, now contributing to only around 6%. Digital payments is going to be one of the key growth drivers for the business.

Total throughput breakdown over time



Digital - Growth driver for the future



Digital Payments – Key growth drivers for the business

(a) E-commerce growth & its expansion in Tier II & III cities increasing the demand for services like CMS.

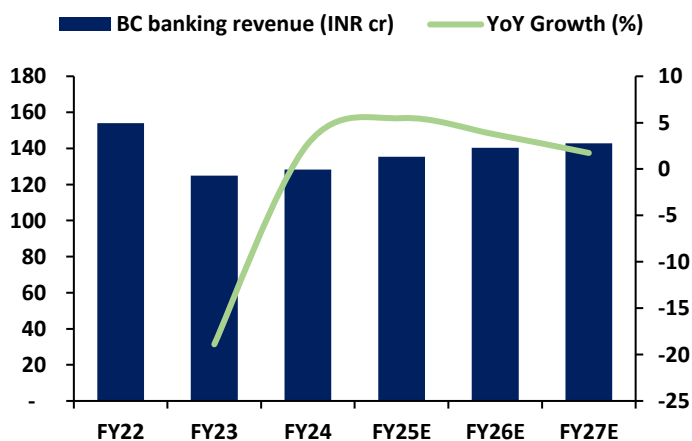
(b) Advanced fintech solutions & developments in transaction processing driving greater adoption of such services by corporates.

(c) Cross selling opportunities to and between customers of other B2B verticals.

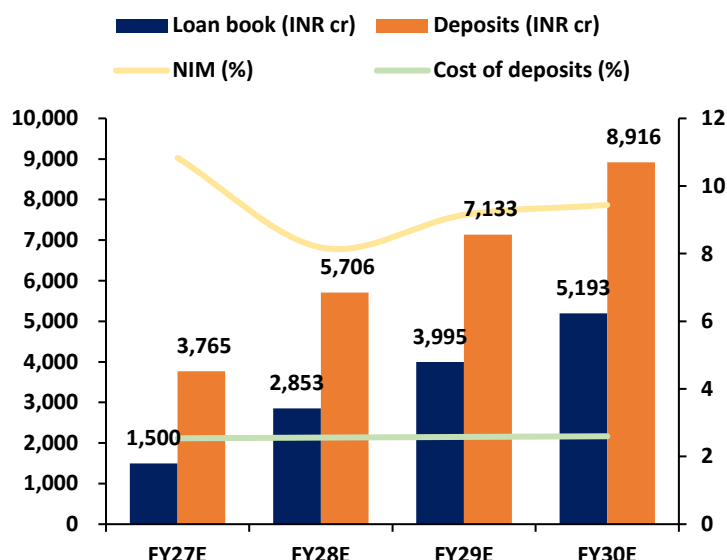
BC banking vertical – Outlook going forward

Following the commencement of lending operations in FY27, Fino will need to **sell its BC banking unit to comply with regulations** that prohibit institutions with an SFB license from acting as a business correspondent to other banking institutions. Management anticipates a **1-year cooling period (until FY28E)** granted by the RBI. Assuming a **2.5x multiple on the revenue of the unit's last year**, the sale is expected to generate around INR 357 cr. The company plans to use the proceeds for further investments in the lending vertical and growth of other verticals.

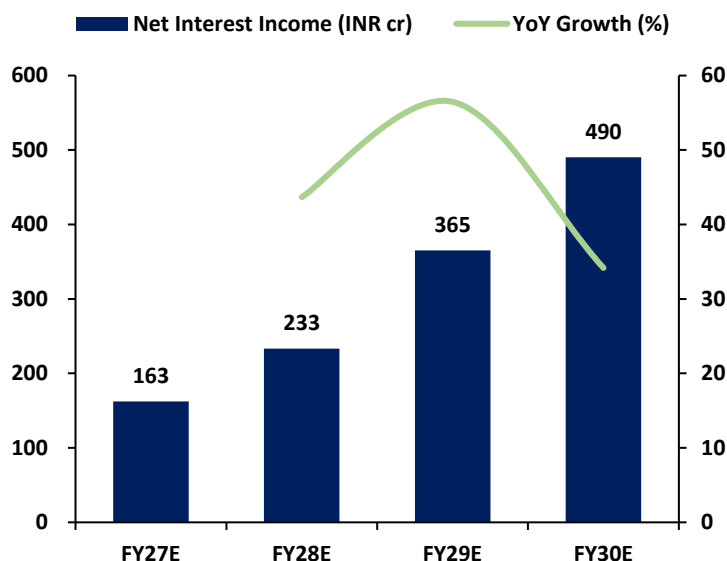
BC banking - On the verge of being phased out



Lending - Upcoming vertical



NII going forward



Lending vertical – Outlook going forward

The company is very optimistic about receiving RBI approval for its Small Finance Bank license. Assuming the approval is granted by the end of FY26E, and the company begins its lending operations in FY27E, the following impact on its financial statements is expected going forward:

- An additional opex of approx INR 60 cr, which includes compliance and admin expenses for running the new vertical.
- The employee headcount will increase by around 150 people, who will be hired for operational roles within this vertical.
- An initial capex of approx INR 75 cr will be required, primarily for tech infrastructure to set up the product online.
- The company anticipates a loan book of around INR 1,500 cr in the first year of operations, with a CDR (Credit-Deposit Ratio) of around 40%, which it expects to reach 65% levels & stabilize going forward.
- With a NIM (Net Interest Margin) of around 10.84%, the company expects to generate net revenue of around INR 163 cr in the first year of commencing the lending operations.

Revenue from lending is expected to commence in FY27E and thereafter grow at an CAGR of 44% for the period FY27E-30E to INR 490 cr.

The transition to lending is expected to be smooth & cost efficient attributable to the following factors:

- Established merchant network acting as branches, thereby drastically reducing expansion costs for the company.
- Existing technological infrastructure which Fino uses for its current products shall also be available for the lending product, after incurring necessary costs.
- Minimal additional hiring required, as current employees already have the necessary expertise (since Fino already distributes loans to its merchants and their consumers on behalf of its partner banks and NBFCs).
- The sale of its Business Correspondent (BC) business will lead to a cash influx, allowing for further investments in the new venture.

Lending vertical – Key growth drivers for the business

(a) The advent of ULI (Unified Lending Interface) in India making borrower data more accessible to financial institutions making it more cost effective to lend.

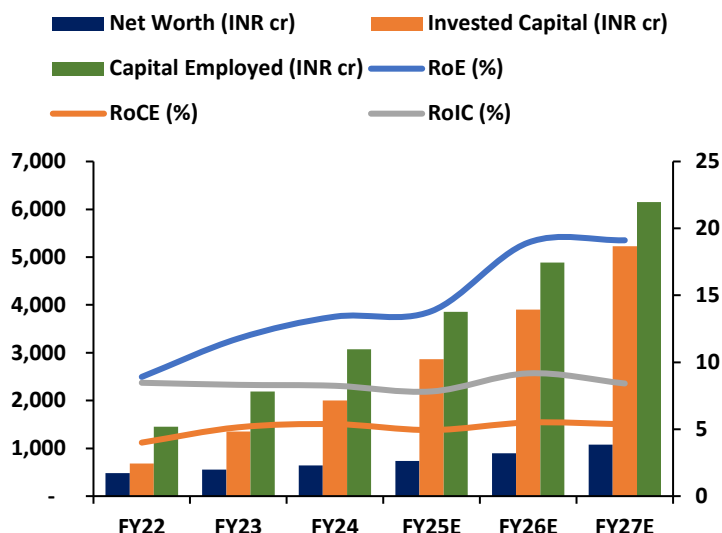
(b) Cross selling opportunities to and between clients of other B2B verticals.

(c) Government initiatives in favor of credit growth in India like the Pradhan Mantri Mudra Yojana (PMMY).

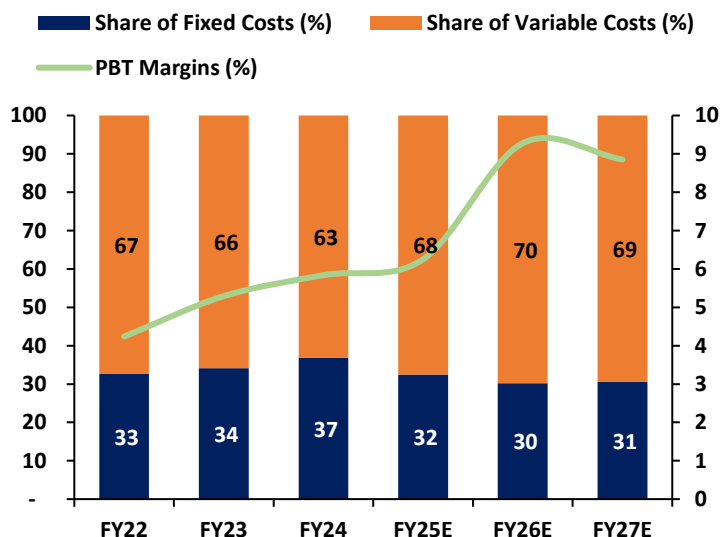
Return ratios – Strong revenue and improving profit margins to enhance return ratios

- Strong revenue growth, improving profit margins and addition of the lending segment (with relatively higher margins) with removal of the BC Banking business (a relatively low margin vertical) are expected to improve return ratios.
- Increasing share of the CMS & Digital verticals in the overall revenue (both of which are high margin businesses) to also aid strengthening of the return ratios.
- Key metrics – RoE, RoCE and RoIC – are expected to improve by 570bps to 19.1%, 5bps to 5.4% and 20bps to 8.4%, respectively.

Return Ratios - RoE, RoCE & RoIC



Operating leverage in effect



How the Bank's Model Fuels Margin Expansion

- In FY24, 63% of total expenses (excluding taxes) were variable, while the remaining 37% were fixed. The PBT margin during that period was approximately 5.8%.
- In FY25E, the PBT margin is expected to take a slight hit due to additional expenses being incurred on account of addition of the lending business in FY27E.
- However, going forward, operating leverage is expected to work in Fino's favor. With around 31% of its total costs being fixed, we expect the PBT margin to reach around 8.9% by FY27E. By that time, the share of fixed costs is expected to decrease by 6% to around 31%, while variable costs will account for the rest 69%.

FY24 annual report analysis

We analysed the FY24 annual report of Quess and our key observations are as follows:

Key takeaways

- In FY 2023-24, the Bank introduced a Women-Specific Digital Savings Account. For discerning customers seeking elevated privileges, the Bank offered a premium variant of its existing digital savings bank product.
- The Bank is witnessing a growing UPI transaction volume on the Fino platform, which accounted for 1.27% of the total UPI ecosystem transaction volume in the last quarter of FY 2023-24.
- The number of digitally active customers increased from 27.7 Lakh at the close of FY 2022-23 to 39.2 Lakh ('active') by the end of FY 2023-24. The transactions during the year under review increased from 120.7 Cr to 211 Cr.
- The Bank reported that during the last quarter of the year under review, the proportion of transactions driven by the digital portion was 80%. Also, the total merchant count increased from 13.65 Lakh in FY 2022-23 to over 17.50 Lakh in FY 2023-24.
- The cost-to-income percentage declined every single year from 37.0% in FY 2019-20 to 26.5% in FY 2023-24. Around 75% of the Bank's overheads comprised people and technology costs.

Auditors and their opinion/comments

The auditors for FY2024-25, are of the opinion that the aforesaid financial statements give a true & fair picture of the reality. Accordingly, they have given an unqualified opinion for the period under consideration.

Contingent liabilities

The contingent liabilities of the bank increased 86% YoY from around INR 7.06 cr in FY23 to INR 13.18 cr in FY24. However, as a percentage of net worth, contingent liabilities as a % of net worth is merely around 2%.

Board members

Apart from some ins & outs, there has been consistency in the composition of the Board of Directors from FY21 to FY24.

Board members				
Name	FY21	FY22	FY23	FY24
Rajat Kumar Jain	Independent Director	Independent Director	Chairperson	Chairperson
Mahendra Kumar Chouhan	Chairperson	Chairperson		
Punita Kumar Sinha	Independent Director	Independent Director		
Rakesh Bhartia		Independent Director	Independent Director	Independent Director
Deena Asit Mehta	Independent Director	Independent Director	Independent Director	Independent Director
Anita Sudhir Pai				Independent Director
Neeta Mukerji			Independent Director	Independent Director
Suresh Kumar Jain	Independent Director	Independent Director	Independent Director	Independent Director
Prakash Kulathu Iyer		Independent Director	Independent Director	Independent Director
Pankaj Kumar			Non Executive Director	Non Executive Director
Prateek Roongta			Non Executive Director	Non Executive Director
Avijit Saha	Non Executive Director	Non Executive Director		
Ravi Subbaiah Pagadala	Non Executive Director	Non Executive Director		
Rishi Gupta	Managing Director & CEO	Managing Director & CEO	Managing Director & CEO	Managing Director & CEO

Source: Company Reports & Ventura Research

Ventura Business Quality Score

Key Criteria	Score	Risk	Comments
Management & Leadership			
Management Quality	8	Low	The management is of high quality & Investor-friendly with timely updates on developments.
Promoters Holding Pledge	8	Low	The promoter holding stands at 75.0% and there is no pledge against this holding. Fino Paytech, the holding company of Fino holds all of the 75.0% stake in Fino.
Board of Directors Profile	8	Low	The average experience of directors is >25 years with significant experience in their respective sectors and expert areas.
Industry Consideration			
Industry Growth	8	Low	Themes like 'Financial Inclusion' & 'Digital Ecosystem', which are the core principles behind Fino's business, are gaining acceptance in India as well as globally. Fino is a well established name and poised to gain from it.
Regulatory Environment or Risk	5	Medium	The regulatory environment for digital payments and financial services is highly restrictive and stringent. New regulations could impose additional compliance costs or limit certain lucrative operations, potentially impacting profitability.
Entry Barriers / Competition	5	Medium	Companies like Fino primarily operate through their merchant networks, which can be poached by competitors. However, Fino has established strong relationships with its merchants, making such occurrences unlikely.
Business Prospects			
New Business / Client Potential	8	Low	Fino is gaining market share in its industry, particularly in its B2B verticals such as Digital Payments and Cash Management Services, due to the quality of its services.
Business Diversification	8	Low	Fino has a highly diversified business portfolio, ranging from B2C verticals like MATM, AePS, and Remittance to B2B verticals like Digital Payments and CMS. The company also plans to venture into the lending business following the approval of its SFB license from the RBI.
Market Share Potential	8	Low	Due to its expertise and deep knowledge of its business verticals and target audience, Fino has been gaining market share and is expected to continue doing so.
Margin Expansion Potential	8	Low	With diversification from verticals like BC Banking, MATM, and AePS to areas such as Lending and Digital Payments, Fino is expected to have strong growth prospects moving forward, with operating leverage working in its favor.
Earnings Growth	8	Low	Benefits of operating leverage to improve earnings growth, which would be faster than revenue performance.
Valuation and Risk			
Balance Sheet Strength	8	Low	Currently, Fino is operating with a Capital to Risk Assets Ratio (CRAR) of 76%, while the RBI-mandated level for payment banks is only around 15%.
Debt Profile	8	Low	Fino's ratio of liquid investments (which includes cash and government securities) to total debt (which includes deposits and borrowings) at the end of FY24 was approximately 1.16, indicating sufficient liquidity available for Fino even in the event of a bank run.
FCF Generation	8	Low	Rising revenue, improving profitability and lower incremental costing is expected to generate significant FCF in the coming years.
Dividend Policy	5	Medium	Fino has never paid any dividends to its shareholders to date, and no such plans have been made available in the public domain yet.
Total Score	111	Low	The overall risk profile of the company is good and we consider it as a LOW risk company for investments
Ventura Score (%)	74		

Source: Company Reports & Ventura Research

Management Team

Key Person	Designation	Details
Rajat Kumar Jain	Chairperson	He has more than 35 years of overall work experience in which he has been in various leadership roles in companies like Aditya Birla Finance Limited, Vodafone Idea Limited & Xerox. In terms of educational qualifications, he holds a PGDM from IIM Ahmedabad & is an IIT Delhi Graduate.
Rakesh Bhartia	Independent Director	He started his career in 1992 with ICICI Securities & Finance Company Limited. He has worked in various Banks including Standard Chartered Grindlays Bank, Bank of America and Rabobank. He has wide exposure to investment banking, corporate finance and commercial banking related activities. In terms of educational qualifications, he is an Chartered Accountant, Cost Accountant & Company Secretary.
Deena Asit Mehta	Independent Director	She has been associated with several reforms in Capital Market, been on BSE Board for 9 years and served as Vice President and President of the Exchange. She has served on several SEBI committees for past 21 years since SEBI's inception. In terms of educational qualifications, she is a Chartered Accountant, has a post graduate diploma in Securities Law and has done her Master of Management Studies, specializing in finance.
Anita Sudhir Pai	Independent Director	She has around 33 years of overall work experience in which he has been in various leadership roles in companies like Yes Bank where she headed Technology, Digital Banking and Operations. She was also one of the founding members of member of ICICI Prudential Life Insurance Company Limited, and was with them from inception till March 2010. In terms of educational qualifications, he holds a Masters of Business Administration degree from Symbiosis Institute of Business Management, Pune.
Neeta Mukerji	Independent Director	She is a senior banker with over 30 years of experience in premier financial institutions like ICICI Bank, Asset Reconstruction Company of India Limited (ARCIL), GE Capital, RBL Bank and ACRE. She has wide ranging experience across banking with specific focus on credit, risk management and distressed debt. She holds a Post Graduate Diploma in Management from Indian Institute of Management, Calcutta.
Suresh Kumar Jain	Independent Director	He has been a banker for over 36 years and was selected by Government of India as Executive Director of Union Bank of India and retired in May 2014. In terms of educational qualifications, he holds a bachelor's degree in Science (Honors), Master's in Economics, and Diploma in Personnel Management & Labour Welfare and certified associate of the Indian Institute of Bankers.
Prakash Kulathu Iyer	Independent Director	Apart from coaching CEOs, advising leadership teams and speaking to - and inspiring - large teams, Mr. Prakash Kulathu Iyer also serves as an advisor to Multiples – a billion dollar PE fund. He has also served as a director on the board of Xerox India Limited. In his last role in the corporate world, Mr. Prakash Kulathu Iyer was the Managing Director of Kimberly-Clark Lever. In terms of educational qualifications, he holds a MBA (Post graduate) from IIM Ahmedabad.
Rishi Gupta	Managing Director & CEO	He has more than 25 years of experience in the banking industry , which alone includes around 18 years in different leadership roles in Fino Payments Bank. In terms of educational qualifications, he is both a Chartered Accountant (ICAI) & Cost Accountant (AICWA) and a BCom graduate from SRCC.

Source: Company Reports

Key Risks & Concerns

- The Indian Fintech landscape is competitive with numerous players, including new start-ups and established banks. This competition could pose a challenge to the Bank in terms of customer retention and market share.
- The regulatory environment for digital payments and financial services is evolving. Any new regulations could impose additional compliance costs or restrict certain lucrative operations, impacting profitability.
- As digital transactions increase, so does the risk of cyber threats. Ensuring robust security measures and gaining customer trust in the safety of their transactions is critical but also costly.
- All of the projections done by us are on made keeping in mind an assumption that the bank will get RBI Approval regarding SFB License by the end of FY25 & it will be smoothly able to venture out of its institutional business by the end of FY27. We cannot guarantee what is going to happen ahead & hence any events not in line with our assumptions can lead the projections to be very deviant from reality.

Key government schemes to support the theme of “Financial Inclusion”

(i) Pradhan Mantri Jan Dhan Yojana (PMJDY):

Launched in 2014, PMJDY aims to provide affordable access to financial services like bank accounts, credit, insurance, and pensions for every household in India. It focuses on bringing the unbanked population into the formal financial system. Under this scheme, account holders receive a RuPay debit card, accidental insurance, and the ability to access government subsidies directly through their accounts.

(ii) Pradhan Mantri Mudra Yojana (PMMY):

Introduced in 2015, PMMY provides loans to micro and small enterprises (MSEs), particularly to those in the non-corporate sector who lack access to formal credit. The scheme offers loans in three categories: (i) Shishu (up to INR 50,000); (ii) Kishore (INR 50,001 to INR 5 lakh); and Tarun (INR 5 lakh to INR 10 lakh). This scheme has empowered small entrepreneurs, especially in rural areas, by offering them financial support to grow their businesses.

(iii) Pradhan Mantri Suraksha Bima Yojana (PMSBY):

Launched in 2015, PMSBY is an affordable insurance scheme aimed at providing accidental death and disability coverage. With an annual premium of just INR 12, it offers coverage of up to INR 2 lakh for accidental death or full disability. This scheme ensures that even individuals with low incomes can access critical insurance services, contributing to their financial security.

(iv) Deendayal Antyodaya Yojana-National Rural Livelihoods Mission (DAY-NRLM):

DAY-NRLM promotes building strong institutions such as Self-Help Groups (SHGs) for the poor, particularly women, and enabling these institutions to access a range of financial services and livelihoods. These institutions provide them with long-term support to diversify their livelihoods, enhance their incomes, and improve their quality of life.

(v) Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY):

DDU-GKY provides funding support for placement linked skilling projects that address the market demand with funding support ranging from Rs. 25,696 to over Rs. 1 lakh per person, depending on the duration of the project and whether the project is residential or non-residential. DDU-GKY funds projects with training duration from 576 hours (3 months) to 2304 hours (12 months). Funding components under DDU-GKY funds a variety of skill training programs covering over 250 trades sectors such as Retail, Hospitality, Health, Construction, Automotive, Leather, Electrical, Plumbing, Gems and Jewelry, etc.

(vi) Survey of Villages And Mapping with Improved Technology in Village Areas (SVAMITVA):

SVAMITVA, a Central Sector scheme of the Ministry of Panchayati Raj provides a 'Record of Rights' to village household owners with the issuance of legal ownership cards (Property cards/Title deeds) to the property owners by mapping land parcels using drone technology.

(vii) e-GramSwaraj Scheme:

The eGramSwaraj scheme is a technology-based application that aims to improve transparency and e-governance in the Panchayati Raj Institutions (PRIs) of India. It was developed as part of the e-Panchayat Mission Mode Project (MMP) by the Ministry of Panchayati Raj (MoPR). Its key target user groups include Local Bodies, Line Departments & Citizens.

(v) Pradhan Mantri Awas Yojana - Gramin (PMAY-G):

In 2015, the Indian government introduced PMAY-G to provide affordable housing to all citizens by 2022. Through this credit linked subsidy scheme (CLSS), the government aimed to provide its beneficiaries an interest subsidy to avail loans to purchase or build a house.

Fino's quarterly and annual performance

Fig in INR Cr (unless specified)	FY22	FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	FY24	Q1FY25	FY25E	FY26E	FY27E
Digital Payments	0.7	8.2	7.7	18.8	28.8	36.8	92.2	66.8	294.7	508.4	762.6
YoY Growth (%)		1,071.4					1,024.4		219.7	72.5	50.0
Share in Total Revenue (%)	0.1	0.7	2.2	5.2	7.8	9.2	6.2	15.3	15.3	20.9	24.7
Treasury & Others	53.2	103.7	35.2	40.6	32.7	40.3	157.6	46.6	158.6	215.0	188.2
YoY Growth (%)		94.9					52.0		0.6	35.6	(12.5)
Share in Total Revenue (%)	5.3	8.4	10.1	11.3	8.8	10.0	10.7	10.7	8.2	8.8	6.1
CASA	116.0	216.8	66.9	75.2	73.7	91.0	306.8	93.6	429.5	569.5	726.1
YoY Growth (%)		86.9					41.5		40.0	32.6	27.5
Share in Total Revenue (%)	11.5	17.6	19.2	21.0	19.9	22.7	20.8	21.4	22.3	23.4	23.5
CMS	58.0	104.0	36.1	33.5	36.9	37.8	143.9	39.4	202.6	263.4	329.2
YoY Growth (%)		79.3					38.4		40.8	30.0	25.0
Share in Total Revenue (%)	5.7	8.5	10.4	9.3	10.0	9.4	9.7	9.0	10.5	10.8	10.6
Lending Business	-	-	-	-	-	-	-	-	-	-	162.53
YoY Growth (%)											
Share in Total Revenue (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.3
Remittance	355.0	422.0	116.1	107.0	114.3	117.7	455.1	112.5	491.2	527.6	564.2
YoY Growth (%)		18.9					7.8		7.9	7.4	6.9
Share in Total Revenue (%)	35.2	34.3	33.3	29.8	30.9	29.3	30.8	25.8	25.6	21.6	18.2
MATM & AePS	272.0	250.3	54.6	51.8	51.8	45.2	194.5	46.0	210.4	213.9	216.9
YoY Growth (%)		(8.0)					(22.3)		8.2	1.7	1.4
Share in Total Revenue (%)	27.0	20.4	15.7	14.4	14.0	11.3	13.2	10.5	10.9	8.8	7.0
BC Banking	154.0	124.9	31.8	31.7	32.0	32.5	128.3	32.0	135.3	140.4	142.8
YoY Growth (%)		(18.9)					2.7		5.5	3.7	1.7
Share in Total Revenue (%)	15.3	10.2	9.1	8.8	8.6	8.1	8.7	7.3	7.0	5.8	4.6
Revenue from operations	1,008.9	1,229.9	348.3	358.6	370.2	401.3	1,478.4	436.9	1,922.2	2,438.3	3,092.5
YoY Growth (%)		21.9					20.2		30.0	26.8	26.8
Operating Expenses	782.1	920.0	258.1	262.2	268.2	293.4	1,081.8	338.9	1,436.8	1,780.0	2,266.2
Opex to Sales (%)	77.5	74.8	74.1	73.1	72.4	73.1	73.2	77.6	74.7	73.0	73.3
Employee Cost	133.3	155.6	42.7	44.1	44.3	46.3	177.4	49.8	200.0	220.0	255.5
Employee Cost to Sales (%)	13.2	12.7	12.3	12.3	12.0	11.5	12.0	11.4	10.4	9.0	8.3
Operating Profit	93.5	154.3	47.5	52.3	57.8	61.6	219.2	48.2	285.4	438.2	570.8
Operating Margin (%)	9.3	12.5	13.6	14.6	15.6	15.4	14.8	11.0	14.8	18.0	18.5
Net Profit	42.7	65.1	18.7	19.5	22.8	25.2	86.2	24.3	102.1	169.6	205.3
Net Margin (%)	4.2	5.3	5.4	5.4	6.2	6.3	5.8	5.6	5.3	7.0	6.6
Adjusted EPS	5.1	7.8	2.2	2.3	2.7	3.0	10.4	2.9	12.3	20.4	24.7
P/E (X)	79.0	16.4					39.1		33.0	19.9	16.4
Adjusted BVPS	57.7	66.4					77.3		88.8	107.6	129.1
P/BV (X)	7.0	6.1					5.2		4.6	3.8	3.1
Enterprise Value	3,579.9	4,174.3					4,735.2		5,498.6	6,382.6	7,529.6
EV/EBITDA (X)	38.3	27.1					21.6		19.3	14.6	13.2
Net Worth	479.8	552.5					643.2		739.1	895.8	1,074.3
Return on Equity (%)	8.9	11.8					13.4		13.8	18.9	19.1
Capital Employed	1,451.5	2,186.4					3,069.6		3,857.8	4,883.3	6,149.0
Return on Capital Employed (%)	4.0	5.1					5.4		4.9	5.5	5.4
Invested Capital	685.4	1,352.5					2,004.0		2,863.3	3,904.0	5,229.6
Return on Invested Capital (%)	8.5	8.3					8.2		7.8	9.2	8.4
Cash Flow from Operations	335.4	492.3					657.3		558.3	778.6	1,026.9
Cash Flow from Investing	(192.3)	(608.9)					(704.2)		(797.3)	(977.3)	(1,274.2)
Cash Flow from Financing	352.2	184.4					278.6		167.9	183.5	187.4
Net Cash Flow	495.4	67.8					231.6		(71.1)	(15.2)	(59.9)
Free Cash Flow	271.0	398.4					553.5		453.3	670.1	(660.2)
FCF to Revenue (%)	26.9	32.4					37.4		23.6	27.5	(21.3)
FCF to EBITDA (%)	289.8	258.2					252.5		158.8	152.9	(115.6)
FCF to Net Profit (%)	634.1	612.2					641.9		443.8	395.0	(321.5)
FCF to Net Worth (%)	56.5	72.1					86.1		61.3	74.8	(61.5)
Total Debt	971.7	1,633.9					2,426.4		3,118.7	3,987.5	5,074.7
Net Debt	205.5	800.0					1,360.9		2,124.2	3,008.3	4,155.3
Net Debt to Equity (X)	0.4	1.4					2.1		2.9	3.4	3.9
Net Debt to EBITDA (X)	2.2	5.2					6.2		7.4	6.9	7.3
Interest Coverage Ratio (X)	6.1	3.3					2.8		2.8	3.3	3.4

Source: Company Reports & Ventura Research

Fino's consolidated financials & projections

Fig in INR Cr (unless specified)	FY22	FY23	FY24	FY25E	FY26E	FY27E	Fig in INR Cr (unless specified)	FY22	FY23	FY24	FY25E	FY26E	FY27E
Income Statement							Per share data & Yields						
<i>Legacy Businesses</i>	1,008	1,222	1,386	1,628	1,930	2,167	Adjusted EPS (INR)	5.1	7.8	10.4	12.3	20.4	24.7
CASA	116	217	307	429	569	726	Adjusted Cash EPS (INR)	9.4	12.9	16.8	19.6	29.9	36.2
CMS	58	104	144	203	263	329	Adjusted BVPS (INR)	57.7	66.4	77.3	88.8	107.6	129.1
MATM & AePS	272	250	195	210	214	217	Adjusted CFO per share (INR)	40.3	59.2	79.0	67.1	93.6	123.4
Remittance	355	422	455	491	528	564	CFO Yield (%)	9.9	14.6	19.5	16.5	23.1	30.4
BC Banking <i>(Soon to be exited)</i>	154	125	128	135	140	143	Adjusted FCF per share (INR)	32.6	47.9	66.5	54.5	80.5	100.9
Treasury & Others	53	104	158	159	215	188	FCF Yield (%)	8.0	11.8	16.4	13.4	19.9	24.9
<i>Legacy Businesses to Total Income (%)</i>	99.9	99.3	93.8	84.7	79.1	70.1	Solvency Ratio (X)						
<i>New Businesses</i>	1	8	92	295	508	763	Total Debt to Equity	2.0	3.0	3.8	4.2	4.5	4.7
Digital Payments Business	1	8	92	295	508	763	Net Debt to Equity	0.4	1.4	2.1	2.9	3.4	3.9
<i>New Businesses to Total Income (%)</i>	0.1	0.7	6.2	15.3	20.9	24.7	Net Debt to Operating Profit	2.2	5.2	6.2	7.4	6.9	7.3
<i>Upcoming Businesses</i>	0	0	0	0	0	163	Return Ratios (%)						
Lending	0	0	0	0	0	163	Return on Equity	8.9	11.8	13.4	13.8	18.9	19.1
<i>Upcoming Businesses to Total Income (%)</i>	0.0	0.0	0.0	0.0	0.0	5.3	Return on Capital Employed	4.0	5.1	5.4	4.9	5.5	5.4
Revenue from Operations	1,009	1,230	1,478	1,922	2,438	3,093	Return on Invested Capital	8.5	8.3	8.2	7.8	9.2	8.4
<i>YoY Growth (%)</i>	N/A	21.9	20.2	30.0	26.8	26.8	Growth Ratios (%)						
BC & Merchant Commission	559	648	711	1,004	1,273	1,615	Total Revenue	27.5	21.9	20.2	30.0	26.8	26.8
NPCI Switching Fees & Interchange Expenses	56	87	133	155	196	249	Total Expenses	25.4	20.6	19.5	29.5	22.8	27.4
Other Operating Costs	166	184	238	278	310	402	Digital Revenue	N/A	1,071.4	1,024.4	219.7	72.5	50.0
Employee Costs	133	156	177	200	220	256	Total Deposits	197.3	66.2	42.8	30.0	30.0	30.0
Operating Profit	93	154	219	285	438	571	Valuation (X)						
<i>Operating Margin (%)</i>	9.3	12.5	14.8	14.8	18.0	18.5	P/E	79.0	51.8	39.1	33.0	19.9	16.4
Depreciation & Amortisation	35	42	53	61	79	96	P/BV	7.0	6.1	5.2	4.6	3.8	3.1
Other Expenses	0	0	1	1	1	35	EV/Operating Profit	38.3	27.1	21.6	19.3	14.6	13.2
Profit before Interest & Taxes	58	112	165	224	358	440	EV/Revenue	3.5	3.4	3.2	2.9	2.6	2.4
<i>PBIT Margin (%)</i>	5.8	9.1	11.2	11.7	14.7	14.2	Cash Flow Statement						
Interest Expense	15	47	79	104	132	166	Net profit Before Tax	42.7	65.1	86.3	120.2	226.2	273.8
Profit before Taxes	43	65	86	120	226	274	Profit/(Loss) on Sale of Fixed Assets	0.3	0.0	(0.0)	0.0	0.0	0.0
<i>YoY Growth (%)</i>	N/A	52.3	32.6	39.2	88.2	21.0	Depreciation	35.5	41.9	53.5	60.7	79.1	96.1
<i>PBT Margin (%)</i>	4.2	5.3	5.8	6.3	9.3	8.9	Provisions & Contingencies	0.0	0.0	0.6	0.8	1.1	34.7
Tax Expense	0	0	0	18	57	68	Stock Based Compensation Cost	3.2	7.6	4.4	4.0	4.0	4.0
Profit after Taxes	43	65	86	102	170	205	Change in deposits	479.2	477.8	513.9	514.1	668.4	868.9
<i>PAT Margin (%)</i>	4.2	5.3	5.8	5.3	7.0	6.6	Change in other liabilities & provisions	(207.7)	51.5	69.0	0.0	0.0	0.0
Min Int/Share of Associates	0	0	0	0	0	0	Changes in Other assets	(10.3)	(155.0)	(68.1)	(123.5)	(143.6)	(182.0)
Net Profit	43	65	86	102	170	205	Taxes paid	(7.5)	3.5	(2.3)	(18.0)	(56.5)	(68.4)
<i>YoY Growth (%)</i>	N/A	52.3	32.5	18.5	66.1	21.0	Cash flow from operations	335.4	492.3	657.3	558.3	778.6	1,026.9
<i>Net Margin (%)</i>	4.2	5.3	5.8	5.3	7.0	6.6	Net Purchase of fixed assets	(64.3)	(94.0)	(103.8)	(105.0)	(108.5)	(187.2)
Balance Sheet							Change in investments	(127.8)	(515.0)	(600.5)	(692.3)	(868.8)	412.9
Share Capital	83	83	83	83	83	83	Change in advances	(0.1)	0.1	0.0	0.0	0.0	(1,499.9)
Employee Stock Options Outstanding	3	11	15	19	23	27	Proceeds from Sale of Business Unit	0.0	0.0	0.0	0.0	0.0	0.0
Total Reserves	393	459	545	637	789	964	Cash flow from investing	(192.3)	(608.9)	(704.2)	(797.3)	(977.3)	(1,274.2)
Shareholders Fund	480	553	643	739	896	1,074	Proceeds from Issue of Share Capital	38.6	0.0	0.0	0.0	0.0	0.0
Deposits	722	1,200	1,714	2,228	2,896	3,765	Proceeds from Share Premium	244.7	0.0	0.0	0.0	0.0	0.0
Borrowings	250	434	713	891	1,091	1,309	Money received on exercise of ESOPs	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities & provisions	228	280	350	350	351	386	Change in borrowings	68.9	184.4	278.6	178.2	200.4	218.2
Total Liabilities	1,680	2,466	3,419	4,208	5,235	6,535	Dividend Paid	0.0	0.0	0.0	(10.2)	(17.0)	(30.8)
Cash balance with RBI	224	220	317	293	289	271	Cash flow from financing	352.2	184.4	278.6	167.9	183.5	187.4
Balances with banks and other liquid assets	542	614	748	701	690	648	Opening Cash & Cash Equivalents	270.8	766.2	834.0	1,065.6	994.5	979.3
Investments	631	1,146	1,747	2,439	3,308	2,895	Net Cashflow during the year	495.4	67.8	231.6	(71.1)	(15.2)	(59.9)
Advances	0	0	0	0	0	1,500	Closing Cash & Cash Equivalents	766.2	834.0	1,065.6	994.5	979.3	919.4
Net Block	92	139	148	205	234	325							
Capital Work-In-Progress	0	5	47	35	35	35							
Other Assets	189	341	411	535	678	860							
Total Assets	1,680	2,466	3,419	4,208	5,235	6,535							

Source: Company Reports & Ventura Research

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