

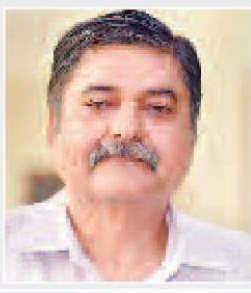
# Fino Payments Bank IPO: A medium to long-term bet

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FINO Payments Bank Ltd is tapping the capital markets with its fresh issue of Rs 300 crore and an offer for sale of 1,56,02,999 equity shares in a price band of Rs 560-577. The issue would garner Rs 1,200.29 crore at the top end of the band. The issue has opened on Friday (October 29) and would close on Tuesday (November 2).

The company started its journey as Fino Fintech Foundation way back in 2007. It was then granted a Post Payments Licensed Bank permission and rechristened itself into Fino Payments Bank Ltd. Its core business is Banker Merchants or Banker Babu as the market calls them. This model involves the merchant paying a one-time fee to the bank for being enrolled as a merchant against which there is a kit and onboarding expenses. Thereafter Fino and the merchant become partners for life where every transaction done through the merchant generates a fee and this is shared. The ratio of sharing differs from type of transaction. The kirana merchant or banker merchant is able to do almost all the types of transactions that could be done through a bank. This is the versatility of the platform that is provided and managed by Fino Payments Bank Limited. At last count the number of merchant bankers were 6.42 lakhs and this was spread over 94 per cent of districts in India.

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revenues of Rs 791 crores and a net profit of Rs 20.74 crores. The EPS for the year was Rs 2.62. In the three months ended June 2021, revenues have increased to Rs 206.24 crores compared to Rs 151.32 crore in the June 2020 quarter. Similarly net profit increased to Rs 3.13 crores from Rs 1.85 crores earlier. EPS for the quarter was at Rs 0.40 against Rs 0.24 earlier.

The PE multiple for the company going public is at a steep 213.74-220.23 times based on the year end March 2021 numbers. Considering the kind of valuations, one would be wondering why the company chose such a price band. The rationale is that the company is a fintech company and has spent over 14 years in building its platform which consists of various stakeholders whether they be banks, merchants or customers through merchants. It uses this platform which is an asset light, and scalable execution proprietary framework, of Fino to provide pan-India merchant led low-cost distribution network. Fino provides superior merchant and customer experience through technology platforms. It is supported by reputed partners through innovative products.

The products offered through this unique merchant bank relationship for

customers include gold loans, mutual funds and insurance products (through third party) and other products like micro-ATM, CMS, etc. In short it offers everything that you could think of as a bank customer and you could do it with your friendly neighbourhood kirana merchant or now banker.

The opportunity lying ahead of Fino is the massive untapped opportunity available to the company and it has the basic infrastructure in place, platform tried and tested and all in place to up-scale. This upscaling comes in through adding new merchants which are being added on a daily basis and the market feedback says that the breakeven for a merchant is as short as less than six months. This means that the asset light model would continue to generate revenues as the population of merchant increases and multiplies. It's a difficult to replicate model and it also ensures that other bank account holders can use the Fino platform for both deposits and payments, ensuring revenues for Fino.

There is hardly any grey market activity in the share currently. Irrespective of the grey market, it makes only sense for investors with a medium- and long-term approach to invest in the company. One may not necessarily get listing pop. The concept of the bank is new and may not be understood by all currently. With six issues already lined up and more to follow, investors are already spoils for choice. At the end of the day, you may have to decide what to apply and what to leave out. Take a measured view.

*(The author is the founder of Kejriwal Research and Investment Services, an advisory firm)*