May 22, 2025

Fino Payments Bank Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term/Short-term fund based – Overdraft	294.54	294.54	[ICRA]BBB+ (Stable)/[ICRA]A2+; reaffirmed
Total	**294.54**	**294.54**	

**Instrument details are provided in Annexure I*

Rationale

The ratings factor in Fino Payments Bank Limited's (FPBL) increasing throughput volumes (gross value of transactions), supported by the expanding merchant network and scale of operations. Further, the bank's current account savings account (CASA) deposits have been consistently rising, driven by the increase in depositors as well as average deposits per account. FPBL continues to maintain an adequate earnings profile, supported by increasing transaction volumes and rising net interest income (NII) from the treasury operations, wherein it deploys funds raised via deposits and other borrowings in Government securities (G-Secs)/Treasury bills (T-bills). Nonetheless, the bank's ability to improve its operational efficiency remains monitorable. The ratings also consider FPBL's comfortable capitalisation profile vis-à-vis the regulatory requirement, supported by internal capital accretion. The bank's external funding requirement is limited to short-term funding (typically overnight funding). With growing treasury operations, its borrowings have been increasing, which are invested to earn additional NII. Though the gearing is expected to rise with the anticipated increase in borrowings (including deposits), the same will be deployed in G-Secs/T-bills. The capital adequacy ratio is expected to remain at a comfortable level.

The ratings are, however, constrained by the significant operational risk, given the bank's external merchant/agent-driven model and the risks associated with high cash handling activities. ICRA takes note of FPBL's checks and systems, which help mitigate the risk to some extent, though the aforementioned risks persist. Moreover, competition and the increasing digitisation of the payment infrastructure pose a challenge to FPBL for retaining and continuously adding merchants/agents and customers. Additionally, despite registering robust growth, the overall scale of operations remains moderate. Also, the credit profile could be impacted by any adverse regulatory change.

The Stable outlook on the rating reflects ICRA's opinion that FPBL will be able to maintain its credit profile, while registering healthy growth in its scale, and maintaining a comfortable capitalisation profile.

Key rating drivers and their description

Credit strengths

Improving scale and diversification – The bank offers a variety of products and services including micro ATMs (MATMs) and Aadhaar enabled payment system (AePS) transactions, business correspondent (BC) banking for its banking partners, remittances, CASA, cash management services (CMS), and third-party products like insurance, loan referrals, deposit referrals, etc. FPBL's reported throughput volumes have been consistently increasing and were reported at Rs. 4.61 lakh crore in FY2025 against Rs. 3.59 lakh crore in FY2024, translating into a YoY growth of ~29%. Further, its CASA deposits have been rising and stood at Rs. 1,939 crore as on March 31, 2025 (Rs. 1,413 crore as on March 31, 2024). Its major source of revenue in FY2025 was CASA, which contributed around 30% to the total revenue, followed by 28% from transaction business (Direct money transfer, MATM & AEPS), 21% from digital payment services, 8% from CMS, 6% from treasury and others, and the remaining 7% from BC banking. It carries out its operations via a vast network of merchants and BC agents as well as through its application programming interface (API) channel. As on March 31, 2025, FPBL had a merchant network (including BC agents) of 19 lakh merchants[1] spread across India.

Adequate profitability – FPBL reported a net profit of Rs. 93 crore in FY2025, translating into a return on average total assets (RoTA) of 2.4% and a return on net worth (RoNW) of 13.3% against a net profit of Rs. 86 crore in FY2024 with RoTA of 2.9% and RoNW of 14.4%. The increase in the net profit was supported by higher NII from treasury operations and the rise in subscription and renewal income on account of the growing depositor base. ICRA notes that while the throughput volumes and overall revenue have been increasing, operating expenses remain elevated. ICRA also notes that FPBL became eligible to expense taxes from Q2 FY2025, after having utilised brought forward losses and unabsorbed depreciation from previous years. The profitability is expected to remain adequate, driven by the likely increase in throughput volumes and deposits. Nevertheless, it remains important for the bank to maintain its net yield on transactions and improve its operating efficiency, while further scaling up its operations.

Credit challenges

Significant operational risk, given high cash handling activities and external merchant/agent-driven business model – FPBL operates through external merchants and agents, who are involved in cash handling activities like CMS, remittances, CASA, etc. The management has stated that the risk associated with the same is mitigated by taking security deposits from these external merchants/agents and capping their transactional limits up to the amount of such security deposit. However, ICRA believes such risk shall persist, given the nature of the operations, heavy dependence on external merchants, and the challenges in keeping a continuous check on the activities of all the merchants.

ICRA notes that FPBL had received certain complaints in FY2024 and FY2025 from its clients and some of its merchants/distributors/other individuals regarding non-receipt/repayment of funds pertaining to/invested in potential fictitious schemes of the cash management system and/or gold loan referral services allegedly floated by the identified employees in their personal capacity. ICRA also notes that the bank is of the view that there is no liability/impact on it and it has neither benefited nor incurred any loss due to these incident(s).

FPBL's ability to retain its merchants/agents and customers, given the high competition and the expanding digital infrastructure space, shall be a key factor for its credit profile. ICRA notes that the bank has been able to consistently add to its merchant network and transaction volumes so far. Nevertheless, its ability to retain merchants and expand the network further while maintaining the net revenues and profitability shall remain monitorable.

Risk of adverse regulatory changes – The financial inclusion industry is highly dependent on the regulatory policies framed by the Reserve Bank of India (RBI) and the Government of India (GoI). Hence, any adverse policy change by the RBI/GoI pertaining to payments banks and/or the financial inclusion industry/activities could impact the business of payments banks and entities operating in this space, including FPBL.

Environmental and social risks

Environmental – While payments banks like FPBL do not face material physical climate risks, they are exposed to environmental risks indirectly through their network of merchants operating in different geographies. If the merchant, with which such banks are operating, faces livelihood disruption because of physical climate adversities, it could translate into operational risks for the bank. However, such risk is not material for FPBL as it benefits from adequate geographical diversification of its operations.

Social – FPBL contributes to promoting financial inclusion by operating largely in rural areas. With regard to social risks, data security and customer privacy are among the key sources of vulnerability for payments banks as any material lapse could be detrimental to their reputation and invite regulatory censure. While there have not been any major instances of fines being

[1] *Active merchants would be lower*

imposed by regulatory authorities in the recent past, the number of frauds reported by the bank has increased. Thus, FPBL's ability to effectively monitor and continuously upgrade its systems and processes remains important.

Liquidity position: Strong

As per FPBL's provisional structural liquidity statement (SLS) for December 2024, there are no negative cumulative mismatches in any bucket. Its operations do not require long-term debt/borrowing. Hence, it only avails short-term working capital lines in the form of overdraft (OD) facilities, which are required to fund the short-term mismatches due to the difference in the settlement cycles for incoming and outgoing funds. The bank has increased its borrowing, which has been completely invested in G-Secs to earn additional NII. As per the RBI's regulations for payments banks, FPBL is required to maintain at least 75% of its demand deposit balances (DDB) in G-Secs on T+3 days and a maximum of 25% with other scheduled commercial banks (SCBs), which it has been adhering to.

Rating sensitivities

Positive factors – Significant growth in its scale of operations while maintaining adequate profitability on a sustained basis could positively impact the ratings.

Negative factors – A decline in its scale or weakening of profitability on a sustained basis could put pressure on the ratings.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Rating methodology for non-banking finance companies
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

FPBL is a 2017-licensed payments bank with 19 lakh merchant points across India as on March 31, 2025. It provides products and services including account opening, CASA deposits, insurance, remittance services, cash withdrawal via MATM and AePS, loan referral, etc, to self and BC partners. It reported a net profit of Rs. 93 crore in FY2025 against a net profit of Rs. 86 crore in FY2024. FPBL targets the lower-income category in rural areas where financial inclusion is required, especially people with an annual income of Rs. 2-5 lakh.

Key financial indicators (audited)

Fino Payments Bank Limited	FY2023	FY2024	FY2025
Total income	1,230	1,478	1,847
Profit after tax	65	86	93
Total managed assets	2,466	3,419	4,206
RoMA	3.1%	2.9%	2.4%
Managed gearing (times)	2.5	3.3	3.7
Gross NPA	NA	NA	NA
CRAR	86.1%	74.5%	80.5%

Source: FPBL, ICRA Research; All ratios as per ICRA's calculations or estimates; Amount in Rs. crore
NA – Not applicable

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Current (FY2026)			Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	**Type**	**Amount Rated (Rs Crore)**	**PR Date (May 22, 2025**	**Date**	**Rating**	**Date**	**Rating**	**Date**	**Rating**
Long term / short term-overdraft-fund based	Long Tem/Short Term	294.54	[ICRA]BBB+ (Stable)/[ICRA]A2+	30-APR-2024	[ICRA]BBB+ (Stable)/[ICRA]A2+	-	-	30-DEC-2022	[ICRA]BBB+ (Stable)/[ICRA]A2+
				-	-	-	-	21-FEB-2023	[ICRA]BBB+ (Stable)/[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term/Short-term fund based – OD	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	**Long-term/Short-term fund based – Overdraft**	NA	NA	NA	294.54	[ICRA]BBB+ (Stable)/ [ICRA]A2+

Source: FPBL

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Not applicable

ANALYST CONTACTS

Karthik Srinivasan
+91 124 6114 3444
karthiks@icraindia.com

A M Karthik
+91 44 4596 4308
a.karthik@icraindia.com

Prateek Mittal
+91 33 7150 1100
prateek.mittal@icraindia.com

Anubhav Khatri
+91 124 4545 313
anubhav.khatri@icraindia.com

Arpit Agarwal
+91 124 4545 873
arpit.agarwal@icraindia.com

RELATIONSHIP CONTACT

L. Shivakumar
+91 22 6114 3406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

ABOUT ICRA LIMITED

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

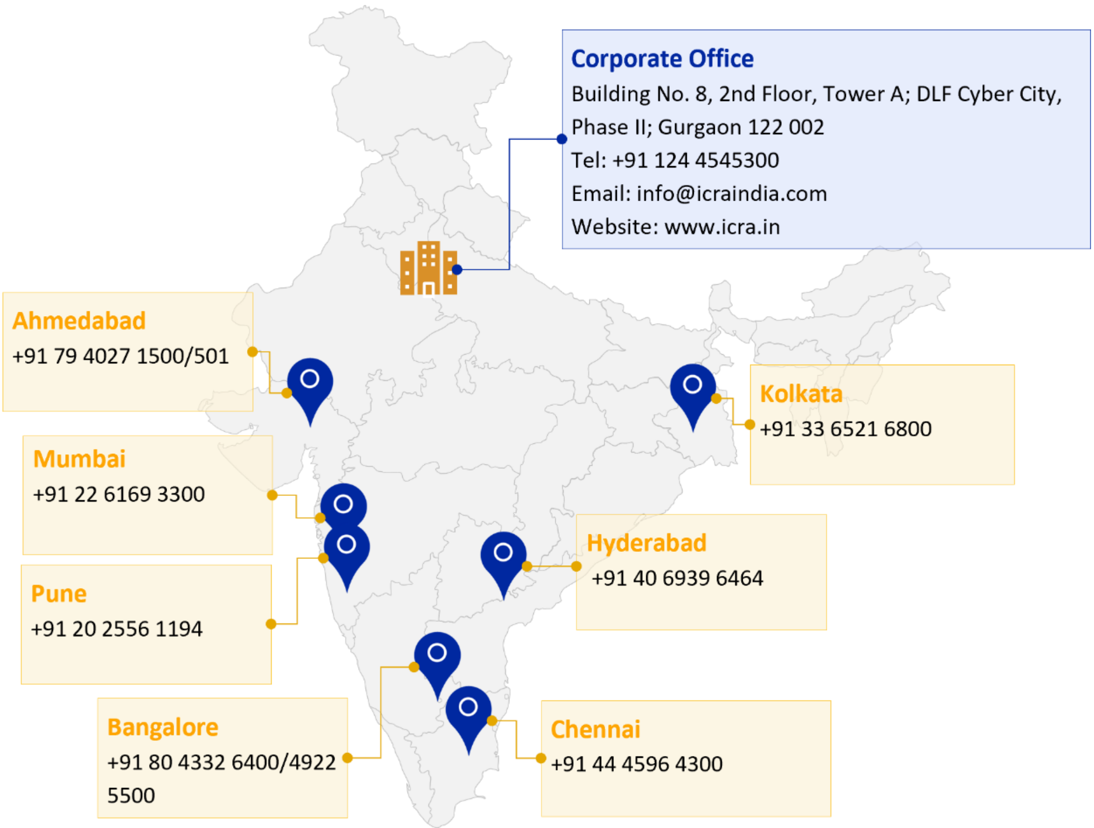
For more information, visit www.icra.in

ICRA Limited

Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45

Branches



ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.