

Pratik Prajapati
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Issue Details

Issue Details	
Issue Size (Value in Rs. million, Upper Band)	15,000
Fresh Issue (No. of Shares in Lakhs)	Nil
Offer for Sale (No. of Shares in Lakhs)	409.84
Bid/Issue opens on	19-Dec-22
Bid/Issue closes on	21-Dec-22
Face Value	Rs. 10
Price Band	347-366
Minimum Lot	40

Objects of the Issue

Fresh Issue: NIL

Offer for Sale: ₹ 15,000 Million

- Achieve the benefits of listing the Equity shares on the stock exchanges.
- The company will not receive any proceeds from the Offer for Sale.

Book Running Lead Managers
J.P. Morgan India Private Limited
Jefferies India Private Limited
ICICI Securities Limited
IIFL Securities Limited
Kotak Mahindra Capital Company Limited
Registrar to the Offer
Link Intime India Private Limited

Capital Structure ((₹ Million)	Aggregate Value
Authorized share capital	1,760.00
Subscribed paid up capital (Pre-Offer)	1,675.69
Paid up capital (Post - Offer)	1,675.69

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	74.4	49.9
Public	25.6	50.1
Total	100.0	100.0

Financials

Particulars (Rs. In Million)	6M-FY23	FY22	FY21	FY20
Revenue from operations	3,487.7	6,395.1	4,811.4	4,498.7
Operating expenses	2,152.7	3,516.6	2,687.5	2,912.4
EBITDA	1,335.0	2,878.5	2,124.0	1,586.3
Other Income	50.0	60.6	50.5	53.9
EBIDT	1,385.0	2,939.1	2,174.5	1,640.2
Interest	52.4	528.8	519.5	533.0
Depreciation	226.0	370.3	979.9	922.1
PBT	1,106.6	2,040.0	675.1	185.1
Tax	253.1	554.5	1,320.2	139.8
Consolidated PAT	853.5	1,485.5	(645.1)	45.2
EPS	5.09	8.86	-3.85	0.27
Ratio	6M-FY23	FY22	FY21	FY20
EBITDAM	38.3%	45.0%	44.1%	35.3%
PATM	24.5%	23.2%	-13.4%	1.0%
Sales growth	2.6%	32.9%	7.0%	

Company Description

KFin Technologies are a leading technology driven financial services platform providing comprehensive services and solutions to the capital markets ecosystem including asset managers and corporate issuers across asset classes in India and provide several investor solutions including transaction origination and processing for mutual funds and private retirement schemes in Malaysia, Philippines and Hong Kong, on account of the following:

As on September 30, 2022, KFin Technologies is India's largest investor solutions provider to Indian mutual funds, based on the number of AMC clients serviced. They are providing services to 24 out of 41 AMCs in India, as on September 30, 2022, representing 59% of market share based on the number of AMC clients. In addition, we signed on two new AMCs that are yet to launch operations as on September 30, 2022. Further, through their acquisition of Hexagram, they serve six AMCs in India on fund accounting, of which, three are existing AMC clients in India for investor solutions.

As on September 30, 2022, KFin Technologies is the only investor and issuer solutions provider in India that offers services to asset managers such as mutual funds, alternative investment funds ("AIFs"), wealth managers and pension as well as corporate issuers in India, besides servicing overseas clients in South East Asia and Hong Kong.

KFin Technologies is servicing 301 funds of 192 asset managers in India as on September 30, 2022, representing 30% market share based on number of AIFs being serviced.

KFin Technologies is one of the three operating central record keeping agencies ("CRAs") for the National Pension System ("NPS") in India as on September 30, 2022.

As on June 30, 2022, out of the 60 AMCs in Malaysia across wholesale funds, unit trust funds and private retirement schemes, they are servicing 18 AMC clients in Malaysia in addition to three clients in Philippines and Hong Kong as on September 30, 2022. In addition, they have signed two new AMCs in Malaysia and one AMC in Singapore that are yet to launch operations as on September 30, 2022.

Valuation

KFintech is a leading technology driven financial services platform providing comprehensive services and solutions to the capital markets ecosystem including asset managers and corporate issuers across asset classes in India and provide several investor solutions including transaction origination and processing for mutual funds and private retirement schemes in Malaysia, Philippines and Hong Kong. KFin Technologies has a scaled platform with a strong track record of growth and market leadership.

The company has asset-light business model with recurring revenue model, high operating leverage, profitability and cash generation. The company is available at the upper end of the IPO price band, it is offered at 41.3x its FY22 earnings with a market cap of Rs. 6,443.4 million. The valuation of the IPO appears to be reasonable when we compare with listed peers. The company has significant scope for growth, considering its diverse product profile and addition of new client base and bright prospects ahead, we recommend a "**Subscribe**" rating to this IPO.

KFin Technologies is the largest issuer solutions provider in India based on the number of clients serviced, as on September 30, 2022. They are one of only two players of scale in India's issuer solutions space where they hold a 46% market share based on the market capitalization of NSE 500 companies and a 37% market share based on the number of clients serviced within NSE 500 companies, each as on September 30, 2022. Player of scale corresponds to entities with minimum 25% market share (in terms of serviced clients) within NSE 500 companies in the Indian issuer solutions space. They also had a 40% and 29% market share based on the number of mainboard initial public offerings handled in Fiscal 2022 and six months ended September 30, 2022, respectively.

KFin Technologies provides several critically important services to the Indian capital markets ecosystem. The clients utilize their platform for its different service offerings for a substantial part of their operational requirements. They provide a wide array of investor and issuer solutions including omni-channel transaction origination and processing, channel management, which is mapping of mutual fund schemes of AMCs to distributors selected by the AMCs and related distributor management, including brokerage computation and channel servicing which includes brokerage pay-out, query solution and GST compliance assistance, customer on boarding with integrated KYC, unit allocation and redemption, reporting and compliance checks on a real time basis. They also offer asset servicing products including a distributor platform, an investor platform, and an online transaction platform together with data analytics. Their technology products, solutions and platforms help its clients to focus on their core business functions such as investment management and sales and marketing functions whilst entrusting bulk of operational front office, middle office and back office activities to their platform.

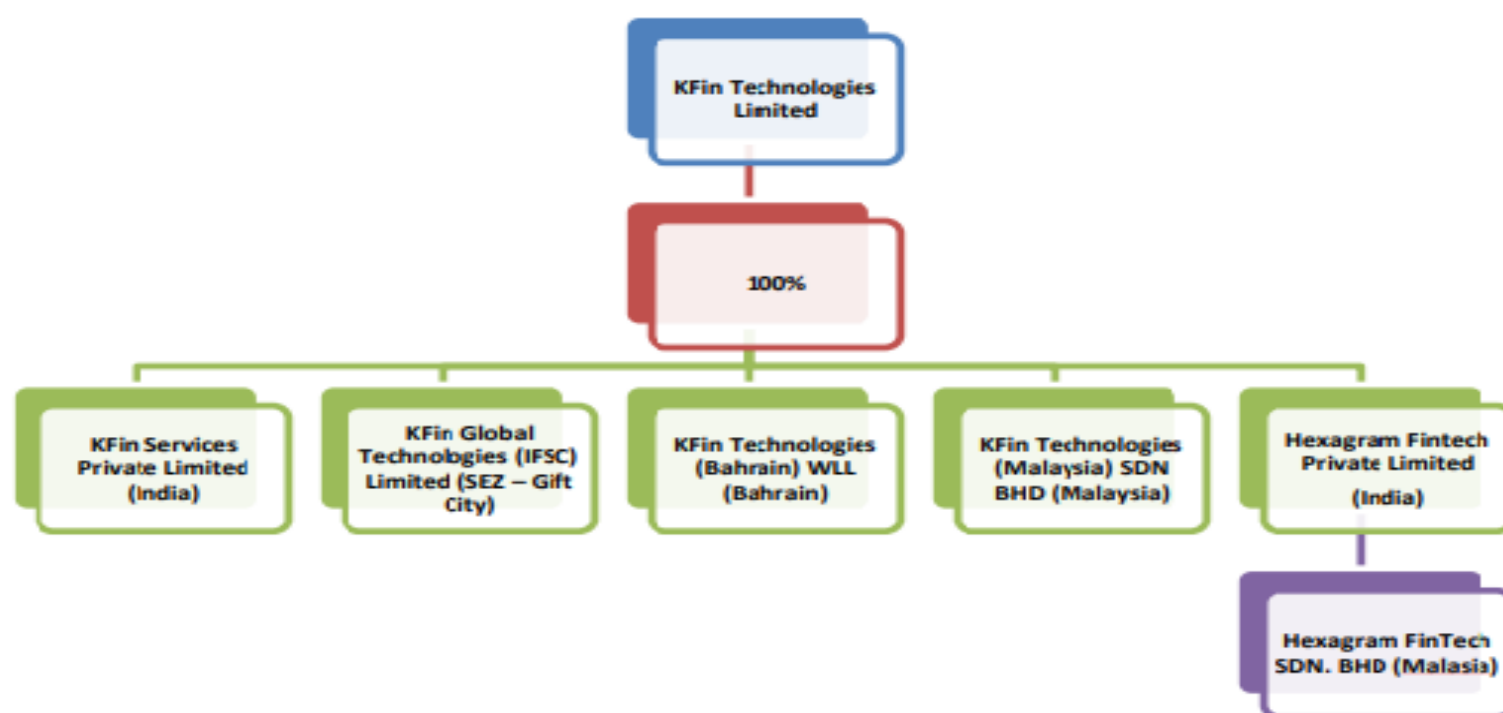
Classification Of products and services in the following manner:

	Investor solutions				Issuer solution	Global business
	Domestic mutual Fund	International	Pension services	Alternatives and wealth management		
Front End	Account Setup, Transaction Origination, Channel Management, Customer communication management	Account Setup, Transaction Origination	Account Setup Transaction Origination	Account Setup	Folio Creation and Maintenance	
Middle office	Transaction Processing Unit, Allocation KYC, Redemption Brokerage, Calculations Payment Processing, Fund Accounting Reconciliation	Transaction Processing Unit, Allocation KYC Redemption Brokerage Calculations Payment Processing	Transaction Processing Unit, Allocation Redemption Reconciliation	Transaction Processing Fund Accounting Unit Allocation Redemption Brokerage Calculations Reconciliation	Transaction Processing for IPO, FPO, etc. Corporate Action Processing Folio updates Dividend / Interest Processing	
Back End	Compliance / Regulatory Reporting Recordkeeping MIS / Decision Support	Compliance / Regulatory Reporting Recordkeeping MIS / Decision Suppor	Compliance / Regulatory Reporting Recordkeeping	Compliance / Regulatory Reporting Recordkeeping	Compliance / Regulatory Reporting Recordkeeping MIS / Decision Support	Mortgage Services Legal Services Transfer Agency Finance and Accounting
VAS	Distributor Platform Investor Platform IT Infra and Web Hosting Data Analytics	Online Tx Platforms Website and Apps Other Platform Solutions		Wealth Management platform "IWaap" for wealth manager	Virtual Voting e-AGM, e-Vault, Fintrack, Other Platform Solutions	

The company have a track record of delivering consistent financial results. The revenue from operations for Fiscal 2022 and six months ended September 30, 2022 was ₹ 6,395.07 million and ₹ 3,487.68 million, respectively. For Fiscal 2022 and six months ended September 30, 2022, profit / (loss) for the year was ₹ 1,485.49 million and ₹ 853.45 million, respectively. The revenue profile for 223 the last three Fiscals and six months ended September 30, 2021 and September 30, 2022, is as follows:

❖ Corporate structure chart

The following chart sets forth the corporate structure of the company



❖ Products, Services and Operations

Business	As at and for the									
	Fiscal 2020		Fiscal 2021		Fiscal 2022		6M-2021		6M-2022	
	(in ₹ million)	(as % of revenue from operations)	(in ₹ million)	(as % of revenue from operations)	(in ₹ million)	(as % of revenue from operations)	(in ₹ million)	(as % of revenue from operations)	(in ₹ million)	(as % of revenue from operations)
Investor solutions										
Domestic mutual fund	2804	62.34	3174	65.98	4514	70.59	2062	70.89	2363	67.75
International and there investor solutions	313.8	6.98	384.2	7.99	483.7	7.56	206.3	7.09	301.8	8.65
Issuer solutions	510.4	11.35	621.9	12.92	742.1	11.6	336.1	11.55	466.5	13.38
Global business services	361.6	8.04	420.2	8.73	422.4	6.61	205.5	7.06	227.3	6.52
Revenue from operations	4499	100	4811	100	6395	100	2909	100	3488	100

KFin Technologies platform provides their clients end-to-end transaction management including omni-channel transaction origination, channel management including brokerage computation and channel servicing, customer on boarding with integrated KYC and compliance checks on a real time basis among other products and services. The markets they serve, and the requirements of their clients are highly complex, requiring real time information collection, authentication, processing, validation and dissemination. The platform enables their clients to monitor their data, measure performance, comply with regulatory requirements and communicate to various stakeholders internally and externally. The clients rely on their platform to service their customers and distributors and the performance of their platform has a direct bearing on the reputation of their clients with respect to their customers and channel partners.

The platform helps their clients reduce cost, time, errors and operational risk and allows them to reallocate resources to other value-creating activities that are core to their business. The business and operations are subject to regulation by SEBI as they hold an RTA license, and by PFRDA, as they are registered as a licensed CRA, which allow them to provide core registrar and transfer agency services to their clients across investor and issuer services.

Strengths:➤ **Scaled platform with strong track record of growth and market leadership**

KFIN technology is a leading technology driven financial services platform providing comprehensive services and solutions to the capital markets ecosystem including asset managers and corporate issuers across asset classes in India. In addition, they provide several investor solutions including transaction origination and processing for mutual funds and private retirement schemes in Malaysia, Philippines and Hong Kong. They enjoy market leadership positions across a number of different parameters in their business. They are one of the two leading investor solutions providers in India as on September 30, 2022. KFIN provides services to 24 out of 41 AMCs in India, as on September 30, 2022, representing 59% of market share based on the number of AMC clients. In addition, they signed on two new AMCs that are yet to launch operations as on September 30, 2022. They have on-boarded seven (including two AMCs that are yet to launch operations) of the last 11 new AMCs in India (including one AMC that has not yet appointed a registrar and transfer agent for their operations) for domestic mutual fund solutions. As on September 30, 2022, KFIN has also on-boarded 15 of the last 21 mutual funds launched in India. Further, within investor solutions for Indian mutual funds, they had a market share of 32% based on overall AAUM managed by their clients and serviced by them during September, 2022.

➤ **Strong R&D capabilities with focus on innovation and sustainability**

The company has a research and development ("R&D") centre at their manufacturing facility. They also have a quality control laboratory at their manufacturing facility, which primarily monitors the quality of its raw materials and finished goods. Further, their quality control laboratory has received a certificate of accreditation from National Accreditation Board for Testing and Calibration Laboratories ("NABL") which has been assessed and accredited in accordance with the standard. The company has been able to diversify its product range mainly due to its technological capabilities. They rely on its R&D team, which helps them to manufacture products more efficiently and to cater the demand of the overseas customers across the agro industry. The R&D efforts also focus on determining the optimal production process for the products that they manufacture and the reduction of energy consumption. The strong R&D capabilities allow them to discover new mixtures and register new formulations for their agrochemical business. New research areas are guided by the advancement of new technologies based on customer needs, technology and regulatory requirements.

➤ **Diverse multi-asset servicing platform is well-positioned to benefit from strong growth across large markets in India and South East Asia**

KFIN operates in multiple large markets in India, Hong Kong, Malaysia and Philippines, along with presence in Oman and Maldives, across several of these asset classes. This has allowed them to grow as a regional business and not just as an India focused business. India's GDP is forecasted to grow at a faster pace than other economies, with real GDP expected to grow at 6.5-7.0% per annum between Fiscals 2023 and 2025 and is poised to benefit from focus on investments, product linked incentive scheme, which aims to incentivize local manufacturing by giving volume-linked incentives to manufacturers in specified section, and policies aimed towards greater formalization of the Indian economy, which are expected to accelerate the per capita income growth. The market leadership in India and their client relationships provide them with the platform to benefit from this anticipated growth in the Indian economy.

The following table sets forth the GDP and mutual fund AUM of South East Asian countries and Hong Kong:

Country	GDP (2021) (in USD bn)	Mutual Fund AUM (CY 2021) (in USD bn)
Singapore	373	612
Hong Kong	368	192
Malaysia	346	228
Thailand	312	195
Indonesia	778	41
Philippines	370	8.7
Total	2,547	1,277

At the end of calendar year 2021, total AIF assets under management in Singapore grew 229 at 30% to reach USD 921 billion, up from USD 710 billion in calendar year 2020. AIF AUM in Singapore has witnessed growth at a CAGR of 20.8% between calendar years 2016 to 2021. Given our alternatives and wealth management services business, we expect to benefit from this trend towards alternatives.

➤ **Deeply entrenched, long-standing client relationships with a diversified and expanding client base**

KFIN serves their clients to support their customers' needs across the lifecycle of a relationship in an increasingly complex compliance landscape. Due to the comprehensive nature of their platform and the reliance of their clients to source end-to-end services from them, they are integral to the business and operations of their clients which results in long-term engagement with limited client churn. They provide complex solutions and services with significant expertise that has been honed over the years of presence in the industry and experience of working with clients, several of which are some of the largest companies operating in their respective segments. In India, the investor solutions business that they operate in typically has two to three players, as it requires high technology intensity and a track record of delivery at scale, and are subject to stringent compliance and regulations, resulting in high barriers to entry for any new entrant. KFIN has 95.31% and 98.62% logo retention in their issuer solutions business over Fiscal 2022 and six months ended September 30, 2022, respectively. They have 100% and 100% logo retention in their domestic mutual funds solutions business over Fiscal 2022 and six months ended September 30, 2022, respectively. Including the business acquired pursuant to the Scheme of Amalgamation, the average client relationship within domestic mutual fund solutions and issuer solutions is for a period of more than 10 years. They typically enter into long term arrangements with their clients.

➤ **Asset-light business model with recurring revenue model, high operating leverage, profitability and cash generation**

KFIN operates an attractive business model with a demonstrated track record of consistent profitability and returns, while operating an asset light model which has previously generated a strong free cash flow. The management believe their business operations are highly resilient and predictable to a large extent due to deep client entrenchment and largely recurring nature of revenues. The history of profitable growth is reflected in the profit for the year, gross profit and EBITDA evolution over recent years. KFIN operates an attractive asset light model with strong free cash flow generation and internal accruals that enable us to continue 232 investing in various growth initiatives as well as undertake share buybacks so as to reward their shareholders. The company asset turnover ratio was 3.20x and 2.57x in Fiscal 2022 and six months ended September 30, 2022 (on an annualized basis), respectively. They have adopted a dividend policy. They undertook a buyback of 14,987,846 Equity Shares in Fiscal 2020. In addition, they repair their outstanding borrowings aggregating to ₹ 4,000 million, along with interest payments by December 31, 2021. KFIN return on capital deployed ("ROCE") and return on equity ("ROE") during six months ended September 30, 2022 is 20.71% and 24.72%, respectively (on an annualized basis).

➤ **Unique "platform-as-a-service" business model providing comprehensive end-to-end solutions enabled by technology solutions developed in-house**

KFIN's "platform-as-a-service" business model provides their clients with comprehensive end-to-end solutions. The company technology offering enables transaction lifecycle management combined with highly secure data collection, processing and storage. They work with a data center which houses over 350 servers and data storage handling capacity of over 250 TB. They provide the flexibility of addressing all major asset classes for asset managers and corporate clients through its platform. KFIN has implemented a platform based cross sell approach on a deep product stack. The core service offerings provide end-to-end support across front office, middle office and back end combined with a suite of VAS. The company's approach to developing their platform, products and services is to address their client requirements, treating them as a partner, thereby enabling them to understand their requirements, develop suitable solutions, and cross sell products and VAS to the client. The VAS such as 'white labelled' digital platforms such as AMCs websites, mobile apps, distributor platforms, platforms for AMC employees for assisted sales, platforms for institutional investments, business insights reports to CXO's of AMCs, electronic AGM, electronic voting, and compliance platform, have helped them to increase wallet share with their existing clients. KFIN has launched over 20 new products over the last three Fiscals and six months ended September 30, 2022, with two products in the pipeline. This client centric approach and development of solutions that are easily extendable to other clients provide us with economies of scale without incurring incremental development costs.

Key Strategies:

➤ **Maintain leadership in current businesses by enhancing their value proposition and further deepening their relationship with existing clients**

KFIN clients operate in a complex and fast-changing environment with evolving end-customer needs, regulatory updates, competition and technology innovation. This requires their clients to adapt to such a dynamic environment through continuous technology – 233 driven innovation across their operations, without neglecting their core businesses around investments and marketing. This need leads them to select service providers who can offer comprehensive solutions that cater to an exhaustive set of operational requirements and are enabled by advanced technologies that offer higher degree of accuracy while ensuring fully digital experience. They have strong multi-year relationships with clients across their platform primarily based on core services around registry and transfer agency. The clients utilize a range of services from their platform but not all of its services and VAS. They have been increasing their efforts to up-sell and cross-sell other products and services including value added software-as-a-service and data analytics products to their clients. The net revenue retention in Fiscal 2022 and six months ended September 30, 2022 for (i) domestic mutual funds solutions is 141.50% and 112.62%, respectively, and (ii) issuer solutions business is 115.81% and 123.81%, respectively. They intend to continue to grow the overall share of revenues from the sale of these services to existing and new clients. Targeting new customers, expanding existing customer business and increase their market share in domestic and international markets

➤ **Further expand their client base and market share through enhanced sales and marketing**

In addition to the growth from existing clients, KFIN actively pursues new client acquisition across its service offerings and different 234 businesses. They undertake marketing and sales initiatives across their platform to target new clients and expand their client base. KFIN have undertaken investments in the sales capabilities in the past including building separate sales capabilities within key businesses as well as internationally. The management follows a client-centric approach by providing customized solutions to cater to specific customer requirements. As a result, they have witnessed significant success in new client acquisition across their businesses. KFIN plans to continue on-boarding new clients across their various businesses and investing in their sales efforts so as to enhance their market share across businesses. They intend to deepen its presence in South East Asia and have expanded its international sales team by adding additional country sales heads in South East Asia. Within domestic mutual fund solutions, they intend to leverage their differentiated technology combined with a platform approach and depth of value added products which are key elements of their new client acquisition strategy.

➤ **Investing in technology solutions and product innovation**

The management believes that they have developed a future ready scalable platform with tech-enabled infrastructure to meet the requirements of their clients. They have comprehensive product platform solutions built on technology. They have a dedicated team of 520 employees focused on developing technology and innovative solutions as on September 30, 2022. Their team is constantly evaluating their technology solutions and its client requirements to increase the levels of digitization, create new products, improve operational efficiency for their clients and them and enhance the levels or automation of processes. In Fiscals 2020, 2021 and 2022 and

six months ended September 30, 2021 and September 30, 2022, total technology expenses, which includes capital expenditure incurred towards computers and accessories, software and license fees, software expenses and employee costs constituted 10.88%, 15.90%, 20.50%, 19.24% and 22.85% of the revenue from operations, respectively. KFIN intends to develop a co-innovation laboratory with key industry players in ETF and index funds to drive research and development in this area. They intend to continue to invest in technology innovations in line with the growth of the business and to meet client requirements.

➤ Pursue strategic acquisitions:

KFIN management believes that their market access, brand recognition, track record of business acquisition and integration along with management depth positions them well to target inorganic growth opportunities. They aim to continue to execute acquisitions to expand their platform and service offerings and acquire new clients to drive accelerated growth by leveraging their market access. They aim to focus its efforts on the following types of businesses:

- ❖ Established businesses in key markets and businesses so as to add more clients across business. For example, KFIN acquired registrar and transfer agency business of Sundaram BNP Paribas Fund Services which helped them acquire two AMCs and 20 alternative funds as clients for their existing investor solutions platform in India;
- ❖ Existing businesses in new geographies as a tool for market entry. For example, KFIN took over the investor solutions business that was started in SouthEast Asia by the erstwhile entities consisting of eight clients in Malaysia and Philippines. This business marked their entry into South East Asia; and
- ❖ Broadening product portfolio to deepen their client relationships. For example, KFIN acquired Hexagram which enabled them to add fund accounting and reconciliation products to their platform.

The company intends to evaluate acquisition and investment opportunities and have an active pipeline of opportunities that they track on an ongoing basis. For instance, they are evaluating an acquisition of an account aggregator company.

Industry Snapshot:

❖ MUTUAL FUNDS

The Indian mutual fund industry started with the passing of an act for the formation of the Unit Trust of India ("UTI"), a joint initiative of the Government of India and the RBI in calendar year 1963. In calendar year 1987, other public sector banks entered the mutual fund space and in calendar year 1993, the industry was opened to the private sector. The year also saw the introduction of the first formal mutual fund regulations, namely, the Securities and Exchange Board of India (Mutual Fund) Regulations, 1993. In February 2003, following the repeal of the UTI Act, 1963, UTI was bifurcated into two separate entities, namely, Specified Undertaking of the UTI ("SUUTI") and UTI Mutual Fund. With this bifurcation, and several mergers among private sector funds, the mutual fund industry entered its current phase of consolidation and growth.

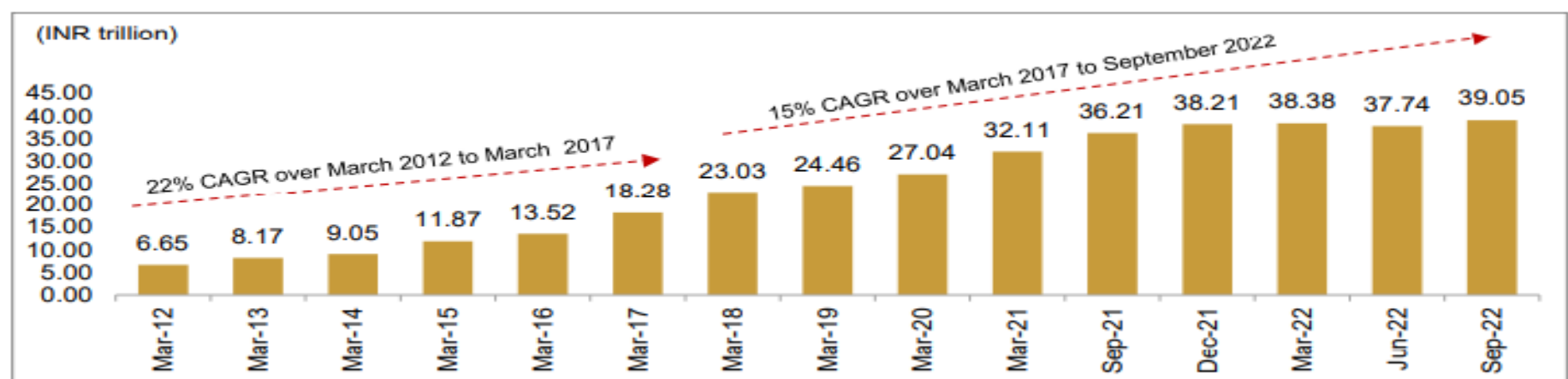
Classification of mutual funds

- ✓ By structure
- ✓ By fund management style
- ✓ By distribution channel
- ✓ By asset class

Historical Assets under Management ("AUM") growth

The aggregate AUM of the Indian mutual fund industry has grown at a healthy pace over the past 10 years, against the backdrop of an expanding domestic economy, robust inflows, and rising investor participation, particularly from individual investors. Average AUM grew at CAGR of 18% to ₹ 39.05 trillion as of September 30, 2022, from ₹ 6.65 trillion as of March 31, 2012. However, between March 2017 and September 2022, the growth has been slower comparatively at a CAGR of 15% as compared to CAGR of 22% between March 2012 and March 2017.

AUM logged CAGR of 15% over March 2017 to September 2022

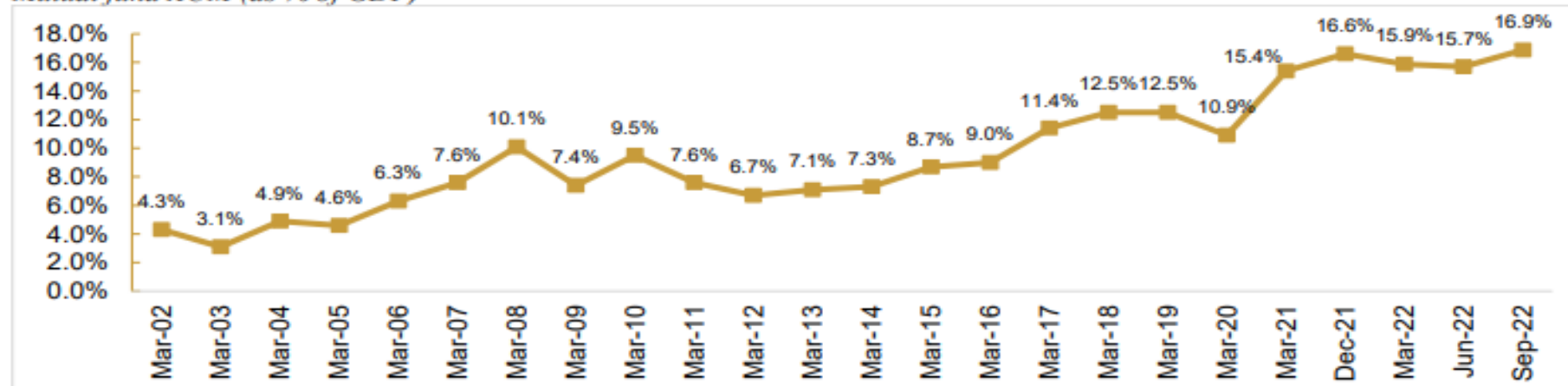


Note: Quarterly average AUM excluding infrastructure debt funds ("IDFs") from March 2012 to September 2022; Source: AMFI, CRISIL MI&A

Mutual fund penetration

Mutual fund assets in India have seen robust growth, especially in recent years, driven by a growing investor base. This is due to increasing penetration across geographies, strong growth in capital markets, technological progress, and regulatory efforts aimed at making mutual fund products more transparent and investor friendly. Although mutual fund AUM as a percentage of GDP grew from 4.3% in Fiscal 2002 to approximately 16.9% at end of September 2022, penetration levels remained well below those in other developed and fast-growing peers.

Mutual fund AUM (as % of GDP)



Note: Based on end of Fiscal AUM and GDP at current prices; Source: AMFI, IMF, RBI, CRISIL MI&A

❖ ALTERNATIVE INVESTMENT FUNDS (“AIFS”)

SEBI defines AIFs as privately pooled investment vehicles, which collect funds from investors for investing as per a defined policy for the benefit of its investors and are not covered by any other regulations of the SEBI that govern fund-management activities. Equity AIFs cater to the Ultra HNI (“UHNI”) / HNI clients and compete with equity portfolio management services (“PMSs”) for the wallet share of such clients. While the private equity industry saw strong growth over the past decade, with investors rushing to invest in start-ups in India, newer products such as social ventures, arts, small and medium enterprise (“SME”) funds, and real estate 13.3 23.2 - 5.0 10.0 15.0 20.0 25.0 2021 2026P (in USD trillion) 182 funds are also gaining prominence. On the debt side, institutional investors such as insurance companies and pension funds are investing in alternative assets in search of higher yields.

According to SEBI, AIFs are classified in three broad categories:

Category of AIF	Fund includes
Category I	Venture capital funds, SME funds, social venture funds, infrastructure funds
Category II	Private equity funds, real estate funds, funds for distressed assets, FoFs
Category III	Hedge funds, Private investment in Public Equity Funds (“PIPE”)

❖ WEALTH MANAGEMENT

Depending on goals and constraints of clients, the wealth management industry provides professional investment advice, financial planning and management services that best suits their requirement. It also provides value-added services, such as investing in art and antiques, and helps clients in philanthropic activities. The wealth management industry has seen robust growth over a low base, because of fresh investments from household savings going into organized financial assets, and increasing need for customization, with clients typically asking advice for asset management, financial planning, tax planning, estate planning, and succession planning.

Type of wealth management services

- **Advisory:** In this type of service, investment decisions can be at the wealth management company's discretion or solely taken by the client. This is typically for HNIs and UHNIs. As Indian investors are not accustomed to paying a fee for wealth management advice, the fee-based advisory model has not yet matured in India. Many wealth managers refrain from offering fee-based advisory services, instead focusing on commission from transactions. 359 420 485 541 710 921 0 100 200 300 400 500 600 700 800 900 1000 2016 2017 2018 2019 2020 2021 (USD billion) 281 148 104 166 12 398 193 107 206 18 0 50 100 150 200 250 300 350 400 450 Private Equity Hedge Fund REIT Real Estate Venture Capital (USD billion) 2020 2021 185
- **Distribution:** This type of service is primarily transaction-oriented, where the client assigns the wealth manager to execute specific transactions related to his/her wealth management. However, investment planning, decision and further management remain vested with the client. This service is offered for products, such as mutual funds, ETFs, portfolio management services, alternative investment funds, tax-free bonds, and fixed deposits. These services are also offered by brokerage firms, apart from the wealth management firms.
- **Custody, servicing and safekeeping of assets:** A wealth manager is only entrusted with management, administration and oversight of the process of investment. All investment planning, investment decisions, and execution is done by the client.
- **Family office:** Family office services provide large businesses and families with customized solutions to manage their wealth better, and aid in succession planning. It offers services, such as tax planning and wealth management, philanthropy, will execution, and estate planning. Family offices charge fees based on percentage of assets managed above the fixed amount of fees. Approximately 25-30 bps is the typical yield charged. Family offices is ideal if the portfolio is over ₹ 1 billion.

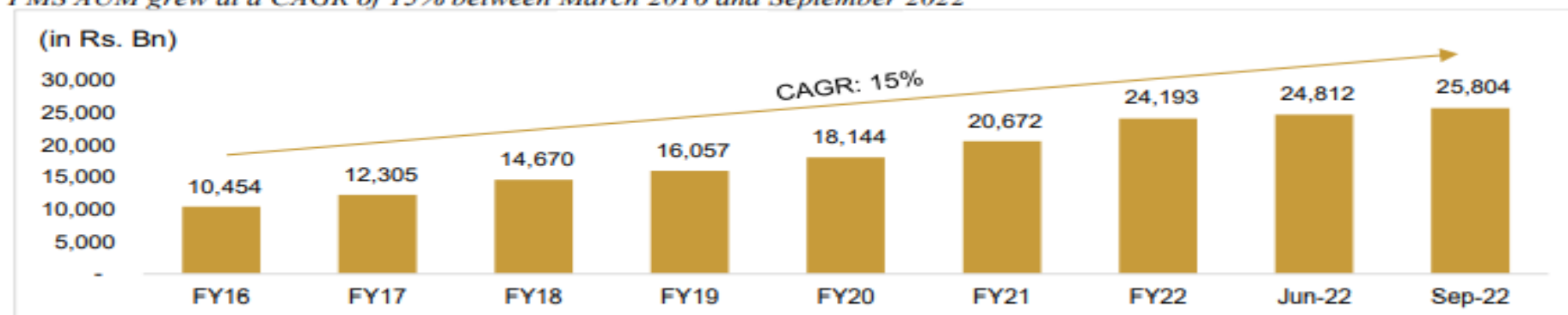
❖ **PORTFOLIO MANAGEMENT SERVICES IN INDIA**

In India, PMS is offered by AMCs, banks, brokerages and independent investment managers. PMS is usually focused on customized discretionary, non-discretionary or advisory service offerings tailored to meet specific investment objectives through basic portfolio management services for stocks, cash, fixed income, debt, structured products and other individual securities. Apart from managing mutual fund schemes, AMCs in India have started offering tailor-made strategies with higher flexibility to investors through PMS. As of October 31, 2022, there were 384 portfolio managers (including AMCs) registered under SEBI. As of September 2022, discretionary PMS dominated the space with 84% share, followed by non-discretionary (8%) and advisory (8%) services.

Over the last six years, the PMS industry has seen significant growth, with the market becoming more mature, increasing number of HNIs, greater need for customized asset allocation based on risk-return profiling, and growing awareness of PMS as a product. As of September 2022, the AUM of PMS asset managers stood at approximately ₹ 25.8 trillion, reflecting a CAGR of 15% between March 2016 and September 2022.

There are broadly three types of PMS:

PMS AUM grew at a CAGR of 15% between March 2016 and September 2022



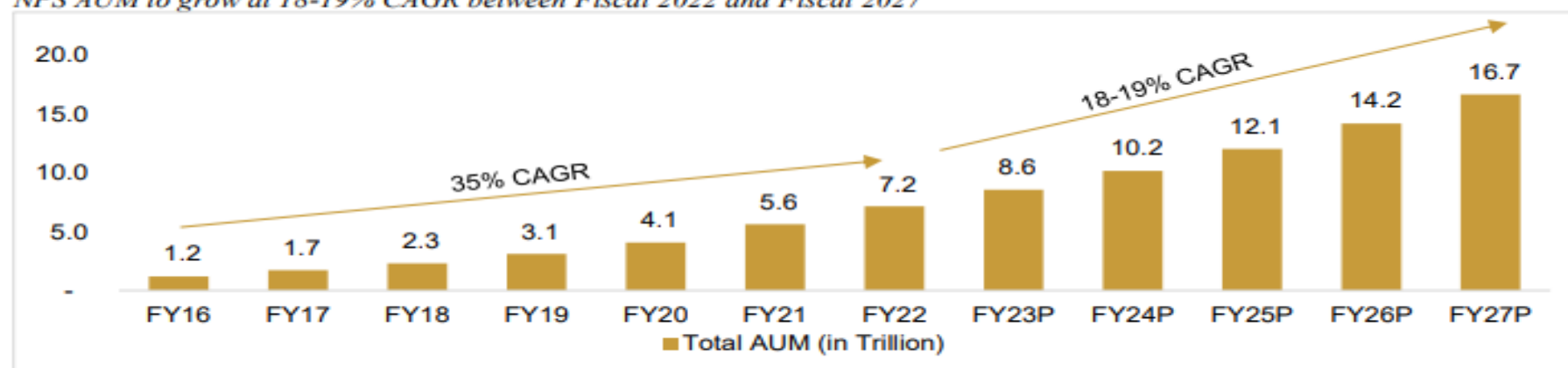
Source: SEBI, CRISIL MI&A

❖ **NATIONAL PENSION SYSTEM ("NPS")**

NPS is a retirement benefit scheme introduced by the Government of India to facilitate income post retirement to all the subscribers and is governed by the PFRDA. The scheme was initially launched only for government employees but was later opened for all sections. This scheme also provides tax benefits, wherein the subscribers get an additional deduction of up to ₹50,000 over and above the section 80C limit of ₹ 150,000.

Over the past three years, NPS has seen the number of subscribers under the "All Citizen" model, meant for citizens other than Central and State government employees, doubled from 0.92 million at end of March 2019 to 2.50 million at end of September 2022. During the same period, AUM under "All Citizen" model also increased from ₹ 96 billion to ₹ 359 billion. At end of September 2022, the number of subscribers and AUM under "All Citizen" model stood at 2.50 million and ₹ 359 billion. The total number of subscribers across various models of NPS also reached 16.40 million with AUM of more than ₹ 7.76 trillion.

NPS AUM to grow at 18-19% CAGR between Fiscal 2022 and Fiscal 2027



Note: P: Projected; Source: NPS Trust, CRISIL MI&A

❖ **DIRECT EQUITY INVESTMENTS**

The ownership of individual investors, namely investors excluding promoters and institutions, in NSE companies has increased steadily from 8.1% to 9.7% between March 2017 and March 2022. A steady increase over the last couple of years is a reflection of strengthened participation of retail investors in Indian equity markets. In term of market capitalization, the value of individual investors' direct equity ownership in NSE companies have grown at a CAGR of approximately 21% between March 2017 and March 2022, with approximately 16% owing to rise in index and the remaining due to increased retail participation

Key Risk:

- ❖ The company erstwhile promoters are subject to ongoing investigations by enforcement agencies, including Enforcement Directorate, Ministry of Finance, Government of India ("ED") and the outcome of such investigations may adversely impact the company and the market price of their Equity Shares.
- ❖ The company is subject to periodic inspections by SEBI and PFRDA, pursuant to their registration as an RTA and CRA, respectively. Non-compliance with observations made by SEBI and PFRDA during these inspections could expose them to penalties and restrictions.
- ❖ A decline in the growth, value and composition of AAUM of the mutual funds managed by its clients may adversely impact the average revenue earned by them from mutual funds and may have a significant adverse impact on future revenue and profit.
- ❖ The company may be exposed to certain liabilities pursuant to the terms of its contractual agreements with their clients and the occurrence of such events could adversely affect their business and results of operations.
- ❖ Significant disruptions in their information technology systems or breaches of data security could adversely affect thier business and reputation.
- ❖ They are subject to extensive government regulation and if the company fail to obtain, maintain or renew its statutory and regulatory licenses, permits and approvals required to operate its business and results of operations may be adversely affected.
- ❖ Competition could negatively affect the company ability to maintain or increase its market share and profitability

Valuation:

KFintech is a leading technology driven financial services platform providing comprehensive services and solutions to the capital markets ecosystem including asset managers and corporate issuers across asset classes in India and provide several investor solutions including transaction origination and processing for mutual funds and private retirement schemes in Malaysia, Philippines and Hong Kong. KFin Technologies has a scaled platform with a strong track record of growth and market leadership.

Comparison with listed industry peers

Name of the company	Total Revenue (₹ in Mn)	FV	EPS	RoNW (%)	NAV
KFin Technologies Ltd	6,395.07	10	9.44	29.99	38.45
Computer Age Management Services Ltd	9,096.68	10	58.73	49.32	132.43

The company has asset-light business model with recurring revenue model, high operating leverage, profitability and cash generation. The company is available at the upper end of the IPO price band, it is offered at 41.3x its FY22 earnings with a market cap of Rs. 6,443.4 million. The valuation of the IPO appears to be reasonable when we compare with listed peers. The company has significant scope for growth, considering its diverse product profile and addition of new client base and bright prospects ahead, we recommend a "**Subscribe**" rating to this IPO.

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Ratings Guide (12 months)	Buy	Hold	Sell
Large Caps (>₹300Bn.)	15%	5%-10%	Below 5%
Mid/Small Caps (<₹300 Bn.)	20%	10%-15%	Below 10%

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