

18 July 2023

India | Equity Research | Initiating Coverage

KFin Technologies

Financial Services

More diversified among capital market players; leading to higher earnings growth potential

KFin Technologies Limited (KFin) is a leading technology-driven financial services company providing comprehensive services and solutions to the capital market ecosystem. Its clients include asset managers and corporate issuers across multiple asset classes in India and South-East Asia, and is now expanding to other parts of the world. KFin provides critically important services to capital market ecosystems while adopting platform-driven product design and delivery approach to service the clients' needs. We particularly note the growth potential in the emerging international segment, bolstered by the strategic acquisition of Hexagram's fund accounting platform, while Indian MF RTA and issuer solutions provide a direct play on the surging Indian domestic capital markets and prospective AUM growth.

Initiate with BUY and target price of Rs450 based on 30x FY25E EPS of Rs15

We expect KFin operating revenues to register a CAGR of 11% between FY23-25 driven by 1) 9% CAGR growth in domestic MF solutions business. For the domestic MF business, we expect AAUM growth of 12% from FY23-25 and expect yields to decline by 1bp each year from 0.039% in FY23 to 0.037% in FY25E, 2) Issuer solution business is expected see a CAGR of 12% driven by the positive outlook for capital market activity, 3) Other investors solution business is expected to deliver strong 25% CAGR and 4) Other operating revenues is expected to see a CAGR of 10%. We expect an operating expenses CAGR of 8% resulting in EBITDA margin improvement from 41% in FY23 to 44% in FY25E. We expect overall PAT to grow by 14% CAGR to Rs2.5bn through FY23-FY25E. We have assigned 30x multiple on basis of sustainable earnings growth outlook and average ROE of 24% between FY23-25.

More diversified than other capital market players.

Key segments of KFin's business include: investor solutions, issuer solutions and global business services. Investor solutions cater to domestic mutual funds, international investors, alternatives and wealth managers, and pension funds. Investor solutions business accounted for ~77% of the total operating revenues as of FY23 split between domestic mutual funds (68%) and other investor solutions (9%). Other investor solutions consist of three businesses which include 1) international business 2) AIF/WM/PMS and 3) NPS CRA. Their mix in other investor solutions as of FY23 stood at 62/28/10%. Issuer solutions/global business services/others contributed 14%/6%/4% in FY23.

Financial summary

Y/E March (INR mn)	FY22A	FY23A	FY24E	FY25E
Net Revenue	6,165	6,935	7,591	8,535
EBITDA	2,878	2,980	3,461	3,869
EBITDA Margin (%)	45.0	41.4	43.9	43.7
Net Profit	1,485	1,957	2,267	2,538
EPS (Rs)	8.8	11.6	13.4	15.0
EPS % Chg YoY	-	31.8	15.8	12.0
P/E (x)	42.8	32.5	28.0	25.0
Price to BV (x)	9.9	7.3	6.0	5.1
ROIC	25.0	23.3	22.9	20.8
RoE (%)	30.0	25.8	23.6	22.0

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Market Data

Market Cap (INR)	64bn
Market Cap (USD)	778mn
Bloomberg Code	KFINTECH
Reuters Code	KFIN.BO
52-week Range (INR)	390 / 271
Free Float (%)	25.0
ADTV-3M (mn) (USD)	1,370

Price Performance (%)

	3m	6m	12m
Absolute	29.5	12.7	0.0
Relative to Sensex	11.9	10.7	25.4

ESG Disclosure

	2021	2022	Change
ESG score	-	-	-
Environment	-	-	-
Social	-	-	-
Governance	-	-	-

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

One important point is that, apart from the numeric diversification, the potential in smaller segments must be appreciated from the perspective that KFin is market leader in issuer solutions and addressable TAM for international business is huge.

For the issuer solutions business which contributes 14% of the overall revenues, KFin's market share stood at 38/42/47% in terms of number of clients/number of folios/market capitalisation of NSE500 companies as of 31st Mar'23. For the International segment, addressable TAM stands at US\$1.3trn which is 2.5x of Indian MF business and has been expanding.

KFin's Indian MF RTA business enjoys higher share of smaller AMCs leading to higher yields and lower propensity for yield reduction.

In terms of total number of domestic MF houses, 26 AMCs are associated with KFin representing 32% of Indian MF AAUM share and 34.5% in terms Equity AAUM share as of Mar'23. These smaller AMCs typically have higher equity AUM mix in their overall AUM, which results in higher yields for them. KFin's equity AUM mix stood ~55% as of Mar'23 vs 46.5% for CAMS. Company earned domestic MF revenue yield of 0.039% in FY23 vs 0.027% earned by CAMS when calculated upon domestic AAUM serviced.

KFin has a penchant for strategic acquisitions, which can result in strong growth in new segments.

This can be illustrated by: (1) Hexagram acquisition, which has allowed the company to successfully establish itself in the fund accounting business which in turn is resulting big client wins in SE Asia and now other parts of the world as well; (2) OneMoney acquisition will help KFin foray into the account aggregator / technology service provider (TSP) services; (3) WebileApps acquisition will help build the company's UI/UX capability.

Strong financial track record

KFin's operating revenues registered a CAGR of 13% between FY19 (on proforma basis) and FY23, while EBITDA has grown 20% during the same period. EBITDA margins have expanded from 33% in FY19 (proforma basis) to 41% in FY23. FY23 RoE stood at 26%. The margin mix improvement was driven by: (1) revenue mix, (2) operating leverage, (3) adoption of KFin's platform as a service model, (4) higher subscriptions to value-added services (VAS) (5.3% in FY23), (5) optimising employee headcount, (6) improved employee productivity, and (7) ongoing operational optimisation process.

Key strengths

(1) Scaled platform with a strong track-record of growth and market leadership; (2) diverse multi asset-class platform, which is well-positioned to benefit from strong growth across large markets in India and South-East Asia; (3) unique 'platform-as-a-service' business model providing comprehensive end-to-end solutions enabled by proprietary technology solutions; (4) deeply entrenched, longstanding client relationships with a diverse and expanding client base; (5) asset-light business model with recurring revenues, high operating leverage, profitability and cash generation; and (6) experienced management team, backed by a strong Board and marquee shareholders, along with a strong culture of compliance.

Strategy entails

(1) Maintaining leadership in current businesses and further deepening relationship with existing clients; (2) expanding the client base and market share through enhanced sales and marketing; (3) investing in technology solutions and product innovation; (4) focused and selective international expansion; (5) attracting and retaining talent, especially in technology and business development functions; and (6) pursuing strategic acquisitions.

Contents

KFin business synopsis	4
Investment thesis.....	7
We have a positive stance on domestic mutual fund AUM industry in India	7
Duopoly MF RTA business faces minimal competitive pressures as MF RTAs enjoys sticky relationship with AMCs.....	9
KFin earned more than 68% of its revenues from domestic MF AUM in FY23.	11
International business story has strong growth potential.....	13
Expect KFin AIF/wealth management solutions business to grow at a strong pace. ...	16
KFin has a dominant market share in issuer solutions business.....	18
Pension CRA, account aggregator and third-party APP developer businesses are in a nascent stage, but potentially have a long growth runway ahead.....	19
Business strategy going forward.....	26
Case studies	27
KFin and CAMS.....	27
KFin and CDSL	28
Management structure.....	29
Risks	30

KFin business synopsis

KFin is a leading technology-driven financial services platform providing comprehensive services and solutions to the capital market ecosystem including asset managers and corporate issuers across asset classes in India and South-East Asia.

Business diversification across segments and geographies are stand out features of KFin among capital market plays in India

- KFin is India's largest investor solutions provider to Indian mutual funds, based on the number of AMC clients serviced. It provided services to 26* out of 45 AMCs in India as of Mar'23, representing 58%* market share in terms of the number of AMC clients.
- KFin offers services to asset managers such as mutual funds, AIF, wealth managers and pension funds as well as corporate issuers in India, besides servicing clients in South-East Asia, Hong Kong and Canada. Further, through its acquisition of Hexagram, KFin serves 2 fund administration clients across AMCs, insurance, pension funds, and AIFs.
- KFin is servicing 411 funds (63 funds added in Q4FY23) in the AIF segment, representing 37%* market share as of Mar'23.
- KFin is the second-largest and one of the three operating central record-keeping agencies (CRAs) for the National Pension System (NPS) in India as of Mar'23. Its market share in overall subscriber base stood at 7.3%* as of Mar'23 vs 6.5% in Mar'22.
- As of Apr'23, KFin serviced 24 clients in Malaysia, 3 in Philippines and Hong Kong, 1 in Middle east and Canada each, and 3 in GIFT City. Additionally, 2 clients in Malaysia, 2 in Singapore and 5 in GIFT City are yet to go live.
- KFin is the largest issuer solutions provider in India based on the number of clients serviced as of Mar'23. It is one of only two players of scale in India's issuer solutions space where it holds a 47%* market share based on the market capitalisation of NSE 500 companies and 38%* market share based on the number of clients serviced within NSE 500 companies as of Mar'23. KFin also had a 57%* market share as per the issue size in the mainboard initial public offerings handled in FY23.

*market share numbers stated above have been taken from company documents.

Exhibit 1: KFin – key roles and responsibilities in key business segments

	Investor solutions				Issuer solutions	Global business services
	Domestic mutual fund	International	Pension fund solutions	Alternatives & wealth management		
Front-End	Account Setup,	Account Setup,	Account Setup	Account Setup Digital Onboarding	Folio Creation and Maintenance	
	Transaction Origination,	Transaction Origination Digital Onboarding	Transaction Origination			
	Channel Management,					
	Customer communication management					
Middle Office	Transaction Processing	Transaction Processing	Transaction Processing	Transaction Processing	Transaction Processing for IPO, FPO, etc.	
	Unit, Allocation	Unit, Allocation	Unit, Allocation	Fund Administration	Corporate Action Processing	-
	KYC, Redemption	KYC	Redemption	Unit Allocation	Folio updates	
	Brokerage, Calculations	Redemption Fund Administration Reconciliation	Reconciliation	Redemption Brokerage Calculations	Dividend / Interest Processing	
	Payment Processing Fund Administration Reconciliation	Brokerage Calculations		Reconciliation		
		Payment Processing				
Back End	Compliance / Regulatory Reporting	Compliance / Regulatory Reporting	Compliance / Regulatory Reporting	Compliance / Regulatory Reporting	Compliance / Regulatory Reporting	Mortgage Services
	Recordkeeping	Recordkeeping	Recordkeeping	Recordkeeping	Recordkeeping	Legal Services
	MIS / Decision Support	MIS / Decision Support			MIS / Decision Support	Transfer Agency
						Finance & Accounting
VAS	Distributor Platform	Online Tx Platforms	-	Audit Trail	Virtual Voting	
	Investor Platform	Website and Apps		Secretarial Support	e-AGM, e-Vault,	
	IT Infra and Web Hosting Fund Accounting	Other Platform Solutions Data Analytics Data Lake		Fund Accounting	Treasury Reconciliation, AML/PML,	-
	Reconciliation			Other Platform Solutions	Other Platform Solutions	
	Data Analytics Data Lake			Data Analytics Data Lake		

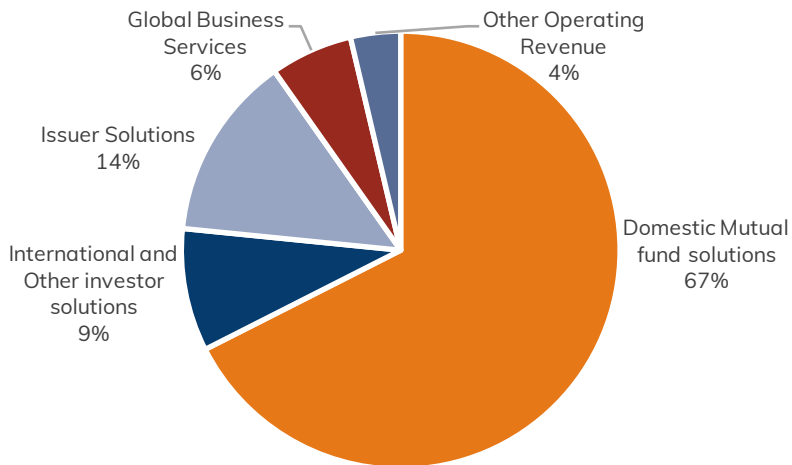
Source: I-Sec research, Company data

Exhibit 2: KFin's revenue model is different for each of its businesses

Business	Revenue Model
Mutual fund solutions (domestic mutual fund solutions and international investor solutions)	% of AUM
	Transaction based
	Fixed fee for number of AMC branches serviced
	Fee for information technology products and services such as website, CRM tools
	Fee for white-labelled customer communication
Pension fund solutions	Fixed account opening charges Annual maintenance fees
	Fee per transaction
Alternatives and wealth management	% of AUM Fixed fee
Issuer solutions	number of folios number of corporate actions Hybrid model for value-add products and services
Global business services	Per full-time employee ("FTE")

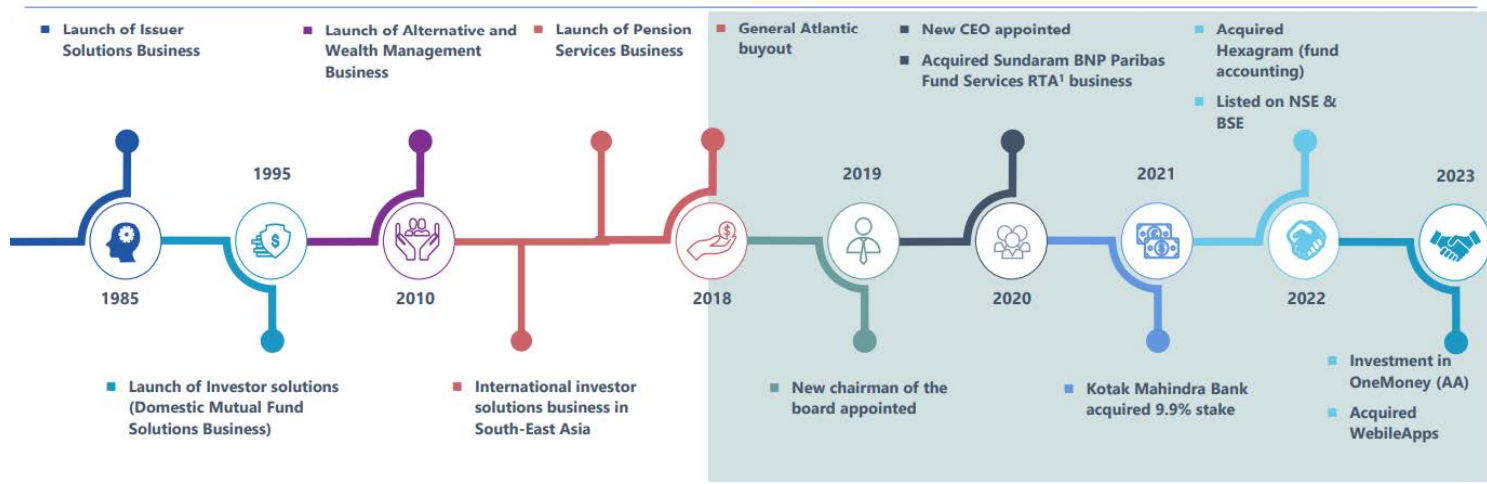
Source: I-Sec research, Company data

Exhibit 3: KFin – Revenue mix (FY23) (%)



Source: I-Sec research, Company data

Exhibit 4: KFin – Key milestones



Source: I-Sec research, Company data

Investment thesis

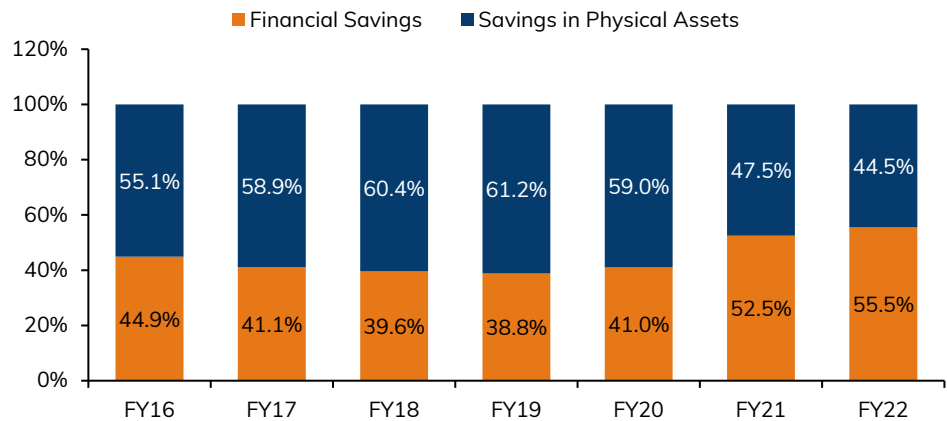
We have a positive stance on domestic mutual fund AUM industry in India

Macro tailwinds for Indian MF Industry

India has one of the world’s highest savings rate with savings as a percentage of GDP being above the global average of 26.9%. India’s savings rate had seen a dip in FY2020/21 because of Covid, but FY22 saw a recovery to 30%. Even though India has a high savings rate, it is predominantly in physical assets like gold and real estate. This trend has started changing with more than 50% of savings in financial assets in FY21.

Exhibit 5: Breakup of financial savings and physical savings

Financialisation trend is visible through the increasing mix of financial savings in FY21 and FY22.

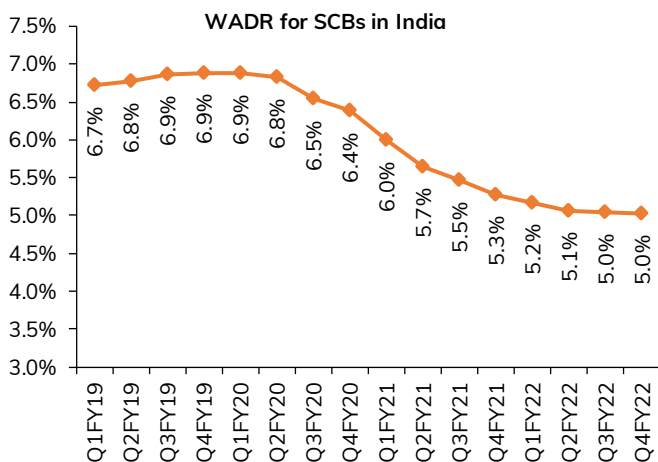


Source: I-Sec research, RBI

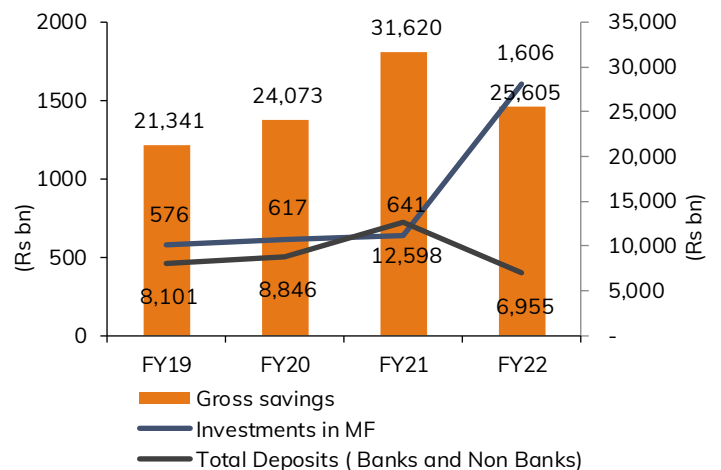
Bank and term deposits are the predominant form of financial investments in India. In FY19, almost 38% of financial savings in the country were through deposits whereas mutual funds accounted for only 2.7%. However, with falling deposit rates in banks after FY19, investments in MFs saw an increase while deposits declined. In FY22, investments in MFs increased to 6.3% of total financial savings from 2% in FY21.

Exhibit 6: WADR for SCBs in India

Exhibit 7: Overall gross savings dipped in FY22 due to lower flows in banking deposits, while MF flows turned healthy



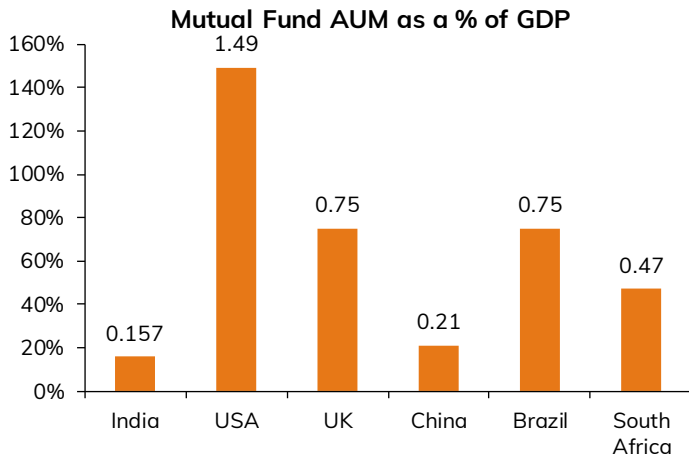
Source: I-Sec research, Company data



Source: I-Sec research, Company data

- Even though investment in MFs is increasing in India, mutual fund AUM as a percentage of GDP is well below other developed and BRICS countries.

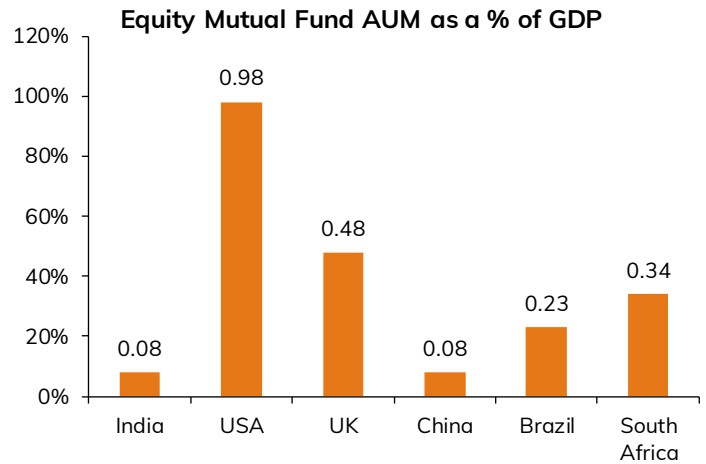
Exhibit 8: Mutual fund AUM as a percentage of GDP



Note: Above charts represent AUM-to-GDP ratio; Nominal GDP and AUM data of the US, Brazil, UK, South Africa and China has been taken as of 31st Dec'21. Nominal GDP and AUM of India has been taken for Jun'22. Open-ended funds, excluding fund of funds, have been considered in the first chart, GDP of all the countries is based on current prices estimation by IMF in World Economic Outlook of Jul'22.

Source: I-Sec research, Company data

Exhibit 9: Equity mutual fund AUM as a percentage of GDP

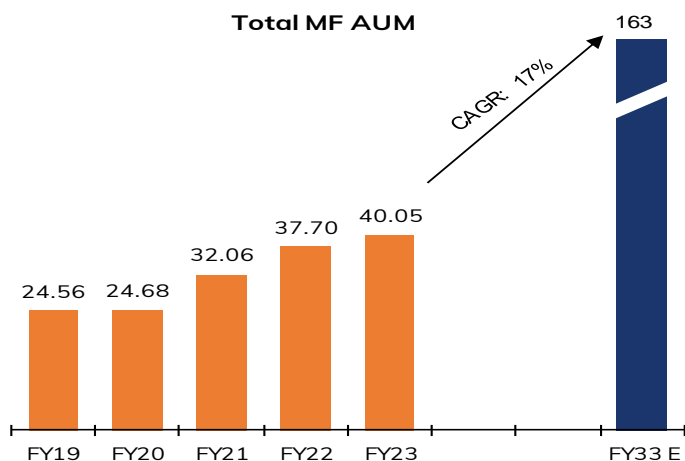


Source: I-Sec research, Company data

We expect India's total MF AUM to reach Rs163trn by FY33E

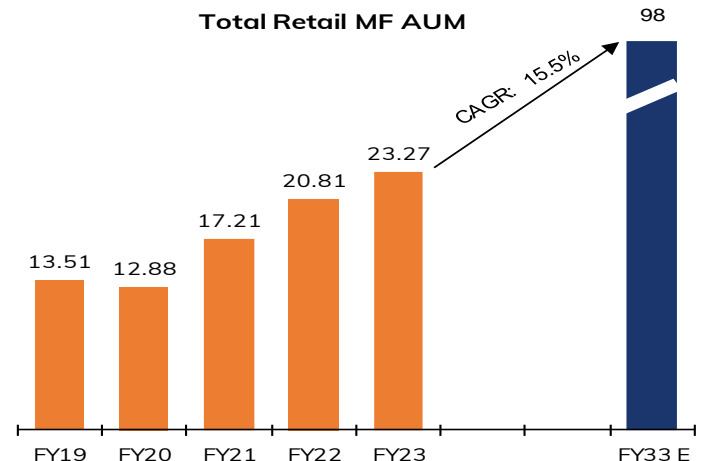
- India, as of FY23, has Rs40trn of total MF AUM. With increasing savings rate and increase in investments in financial assets, we expect total MF AUM CAGR of 15% over the next 10 years.
- Our rationale behind the above estimate is that we expect net flows as a percentage of opening AUM to average ~7% and MoM gains to average ~8%, resulting in 15% CAGR over the next 10 years. Between FY15-FY23, MF AUM has registered a CAGR of 16% driven by an average of 10% flow p.a., calculated on the basis of opening AUM and balance with MoM gains.
- Retail investments in MFs have also seen an uptrend. As of FY23, retail investors accounted for 58% of total MF AUM. We have factored-in an increase of 0.2% in the total mix of retail AUM to reach 60%, and expect total retail AUM CAGR of 15.4%, between FY23-FY33E.

Exhibit 10: Total MF AUM (Rs trn) trajectory



Source: I-Sec research, AMFI

Exhibit 11: Total retail MF AUM (Rs trn) trajectory



Source: I-Sec research, AMFI

Duopoly MF RTA business faces minimal competitive pressures as MF RTAs enjoys sticky relationship with AMCs

Mutual Fund RTAs are an integral part of the MF ecosystem. They provide seamless interfaces to asset management companies, investors, exchanges, depositories and other stakeholders. Technology plays an important role for supporting growth in the industry as many regulatory guidelines and changes in processes/products are introduced by AMCs, which have to be incorporated over shortest periods of time.

The duopoly of MF RTA industry has come through consolidation and not by any regulation.

The regulator, through a circular dated 10th Aug'18, reviewed the regulations pertaining to RTAs. They classified certain RTAs as Qualified RTAs (QRTA) if they were servicing more than 20mn folios. QRTAs are required to comply with enhanced monitoring requirements since they hold sensitive financial data of a large number of investors.

MF RTA industry in India has been in a consolidation phase and has gradually been reduced to a duopoly as of now. As of Mar'23, CAMS and KFin serviced 68% and 32% of the total MF AUM respectively.

Exhibit 12: AMCs handled by CAMS

MFs handled by CAMS	Avg AAUM
SBI Mutual Fund	7,172
ICICI Prudential Mutual Fund	4,996
HDFC Mutual Fund	4,498
Kotak Mahindra Mutual Fund	2,893
Aditya Birla Sun Life Mutual Fund	2,752
Bandhan Mutual Fund	1,169
DSP Mutual Fund	1,147
Tata Mutual Fund	984
HSBC Mutual Fund	833
Franklin Templeton Mutual Fund	631
PPFAS Mutual Fund	337
Union Mutual Fund	100
Mahindra Manulife Mutual Fund	98
360 ONE Mutual Fund (Formerly Known as IIFL Mutual Fund)	46
WhiteOak Capital Mutual Fund	24
Navi Mutual Fund	22
Shriram Mutual Fund	3
Total	27,706
Market share	68%

Source: I-Sec research, Company data

Exhibit 13: AMCs handled by KFin

MFs handled by KFin	Avg AAUM
Nippon India Mutual Fund	2,932
Axis Mutual Fund	2,414
UTI Mutual Fund	2,388
Mirae Asset Mutual Fund	1,163
Edelweiss Mutual Fund	1,006
Canara Robeco Mutual Fund	625
Invesco Mutual Fund	464
Sundaram Mutual Fund	446
Motilal Oswal Mutual Fund	296
Baroda BNP Paribas Mutual Fund	245
PGIM India Mutual Fund	214
quant Mutual Fund	188
LIC Mutual Fund	176
NJ Mutual Fund	43
IDBI Mutual Fund	37
ITI Mutual Fund	36
Bank of India Mutual Fund	34
JM Financial Mutual Fund	30
Quantum Mutual Fund	19
IL&FS Mutual Fund (IDF)	13
Trust Mutual Fund	12
Samco Mutual Fund	8
IIFCL Mutual Fund (IDF)	6
Taurus Mutual Fund	5
Groww Mutual Fund	5
Total	12,805
Market share	32%

Source: I-Sec research, Company data

Exhibit 14: RTA details for the new MFs

Names of new MFs since Fiscal 2017	RTA Name
Frontline Capital Services Limited	KFin
Bajaj Finserv	KFin
NJ Mutual Fund	KFin
Samco Mutual Fund	KFin
ITI Mutual Fund	KFin
Trust Mutual Fund	KFin
Quant Mutual Fund	KFin
Yes Mutual Fund (now White Oak Capital)	CAMS
Mahindra Mutual Fund	CAMS
Navi Mutual Fund	CAMS
Zerodha Broking Limited	CAMS
Helios Capital Management PTE Limited	CAMS
Old Bridge Capital Management Private Limited	KFin

Source: I-Sec research, Company data

Note: Players are arranged in order of launch date (recent to old); Source: Company Reports, AMFI, CRISIL Research

Further, there are three mutual fund license applications under consideration

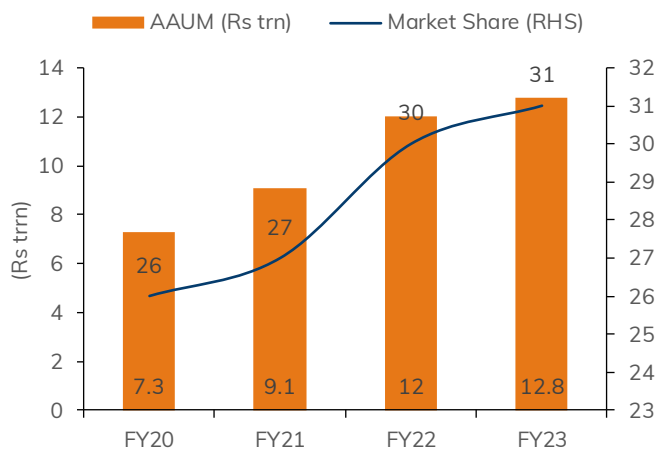
- Unifi Capital Private Limited
- Alpha Alternatives Fund Advisors LLP
- Wizemarkets Analytics Private Limited

KFin earned more than 68% of its revenues from domestic MF AUM in FY23

Key highlights of the segment.

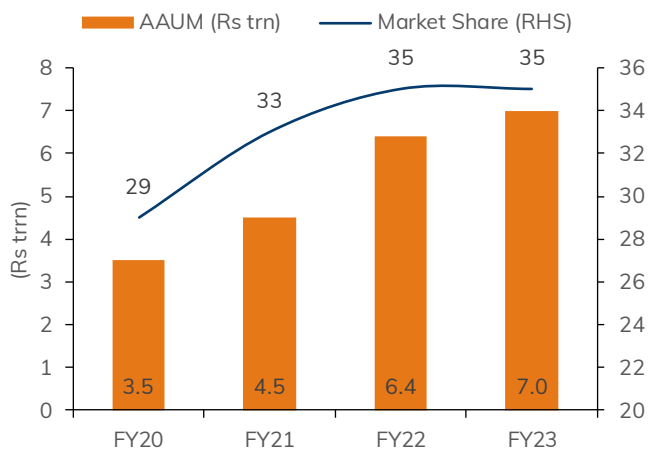
- KFin provides end-to-end support from the stage of receipt of application form with relevant KYC documents to unit allotment and trade.
- KFin is India's largest investor solutions provider to Indian mutual funds, based on number of AMC clients serviced. Market share as of Mar'23 stood at 58% in terms of number of AMCs serviced and ~32% in terms of MF AUM serviced.
- AUM structure managed by KFin is likely to ensure lower decline in yields on account of telescopic pricing.
- KFin garnered 36.8% of industry net flows in FY23 and had 41% market share in Mar'23.

Exhibit 15: Overall AAUM and market share trend has been growing at a consistent pace...



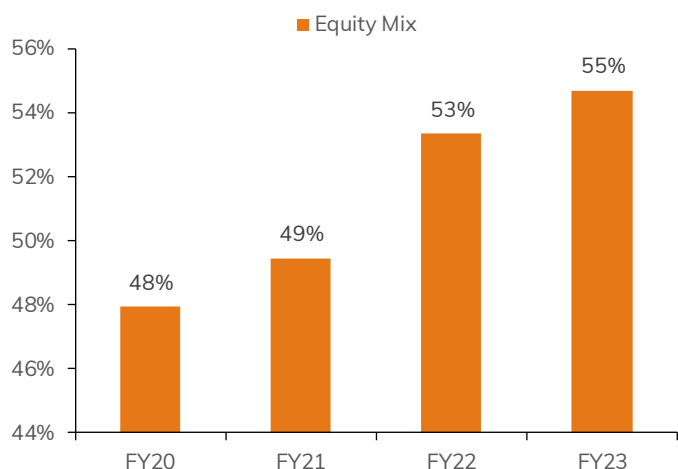
Source: I-Sec research, Company data

Exhibit 16: ...so has the equity AUM market share



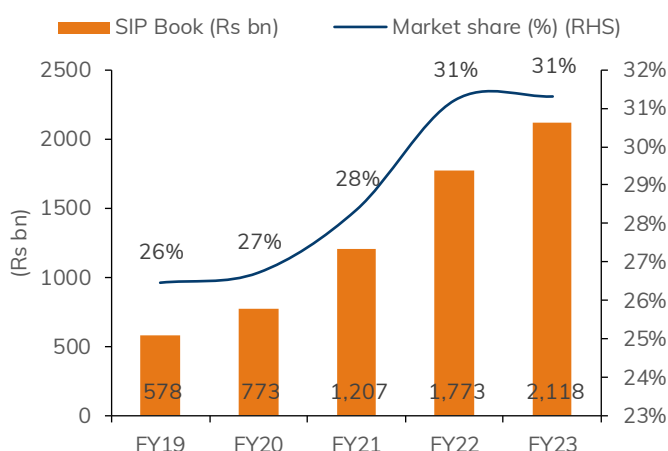
Source: I-Sec research, Company data

Exhibit 17: Equity mix has been increasing ...



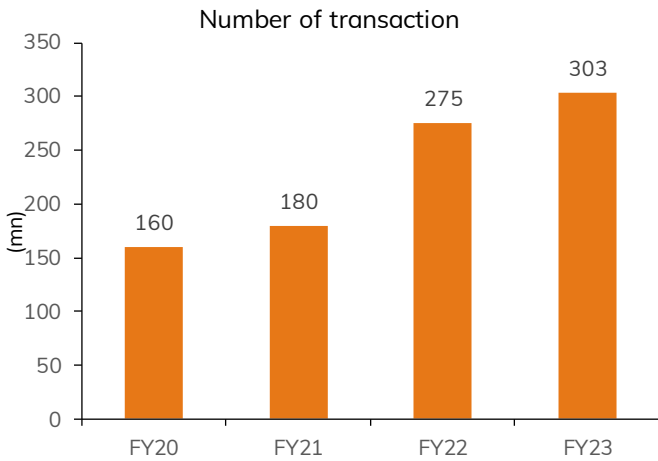
Source: I-Sec research, Company data

Exhibit 18: ..as the SIP book continues to grow and SIP flows market share stood at 40.9% in Mar'23



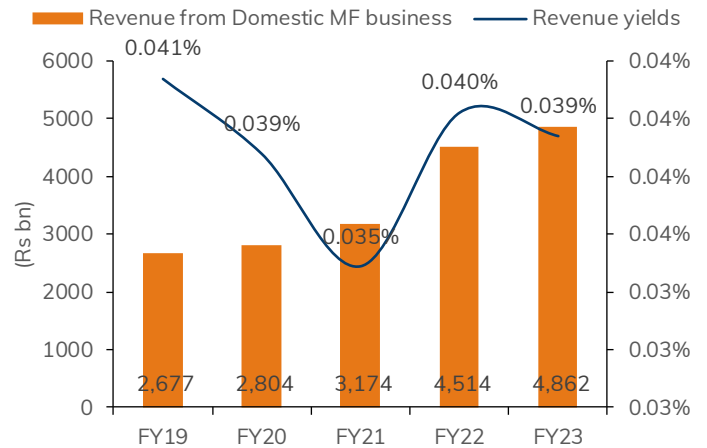
Source: I-Sec research, Company data

Exhibit 19: Number of transactions are also increasing



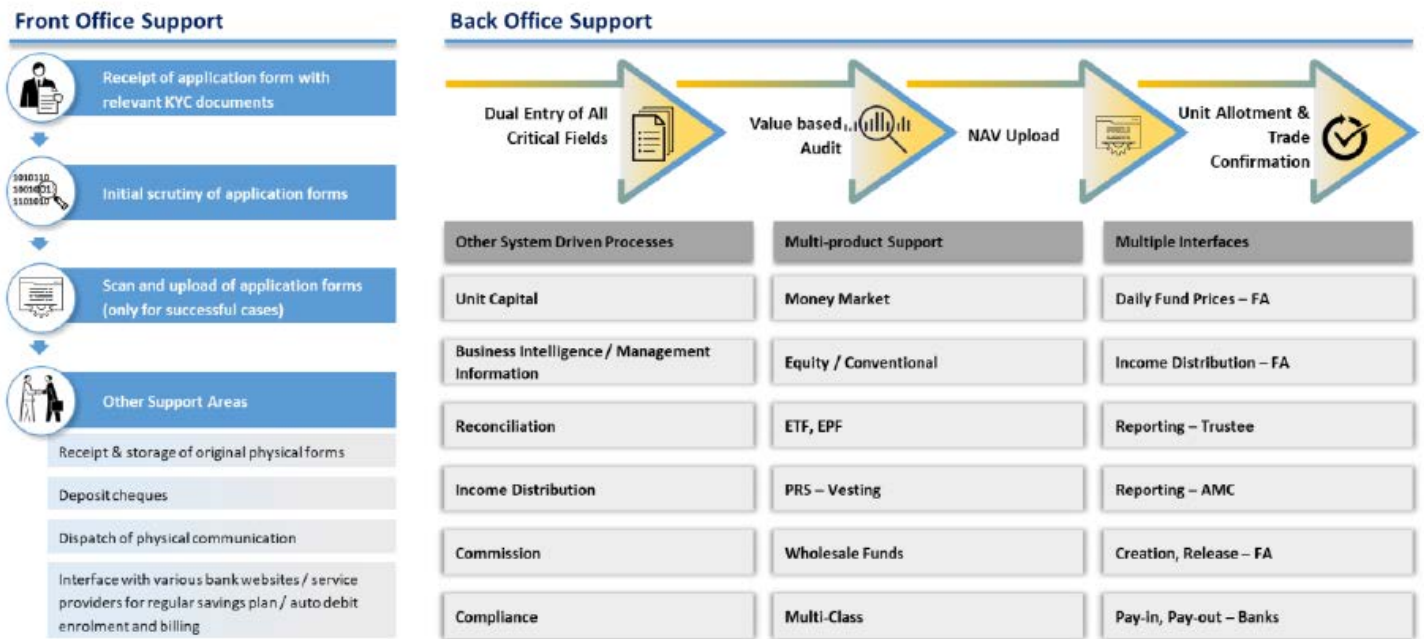
Source: I-Sec research, Company data

Exhibit 20: Revenue yields are higher compared to CAMS given a higher equity AUM mix in overall AUM



Source: I-Sec research, Company data

Exhibit 21: MF operations carried by KFin



Source: I-Sec research, Company data

KFin has a VAS portfolio spanning technology-driven offerings such as 'platform as a service' (PAAS) and 'data as a service' (DAAS). For example, KFin implemented the Digix data-lake platform for one of the largest AMC clients.

International business story has strong growth potential

KFin offers a wide range of services to global asset managers across Malaysia, Philippines and Hong Kong, Singapore, Canada and Bahrain. Company also offers full-fledged localised solutions encompassing core services and digital platforms. It caters to international mutual funds, employee provident funds, private retirement schemes and fund distributors.

Key highlights

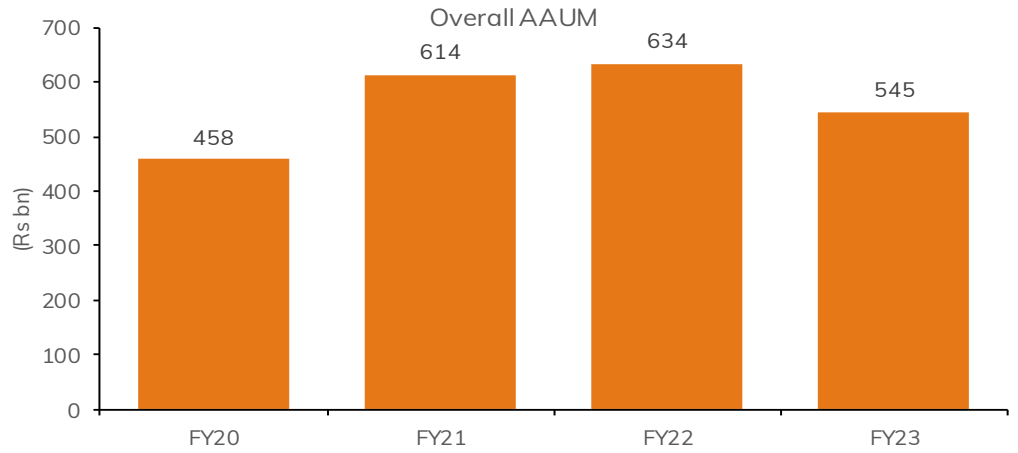
- KFin services Rs545bn worth of AUM in the international segment. This AUM witnessed a decline in FY23 on account of MTM loss and saw reversal of loss in Apr'23. KFin had 24 clients in Malaysia, 3 in the Philippines and Hong Kong, 1 in Middle East and Canada each, and 3 in GIFT City. Additionally, 2 clients in Malaysia, 2 clients in Singapore and 5 clients in GIFT City are yet to go live.
- International segment had 41 clients as of Mar'23 vs 32 last year. KFin provided RTA services to 32 clients and fund administration services to 16 clients as of Mar'23.
- Service for the first client in Canada went live in Feb'23.
- On boarded 10 funds in GIFT City during Q4FY23.
- KFin won its first fund administration deal in Singapore in Apr'23.
- Received in-principle clearance from Thailand's Securities & Exchange Commission for setting-up operations.

Exhibit 22: Solutions offered in the international business.

For Investors	<ul style="list-style-type: none"> • KYC onboarding • Application Processing • Online Transactions via mobile apps and portals • Statement of Account (SOA) online view • Supporting all transaction types (sales/redemption etc.)
For Distributors	<ul style="list-style-type: none"> • Agent onboarding • Commission management • Agents portal/mobile app • Statistical Summary of investors • Tax Statement
IT & VAS	<ul style="list-style-type: none"> • IT and IT enabled services solutions • Catalogue/static website, online transaction platform design, developing and hosting • Mobile Apps • DIT (Distributor initiated transaction) • KorpConnect Online platform for corporates • Contact Center • KBOLT GO
Fund Administration	<ul style="list-style-type: none"> • Digital On boarding • Capital Processing • Transaction Processing • Accounting Process • Expense Management • NAV Processing • Reconciliation • MIS reporting & online reports • Compliance Monitoring • Shadow Accounting

Source: I-Sec research, Company data

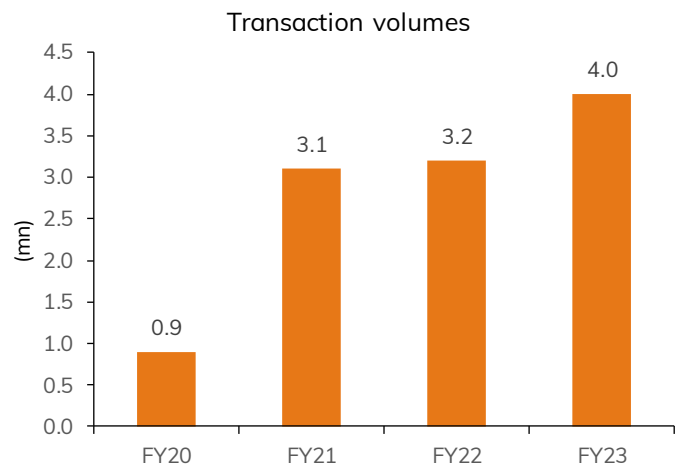
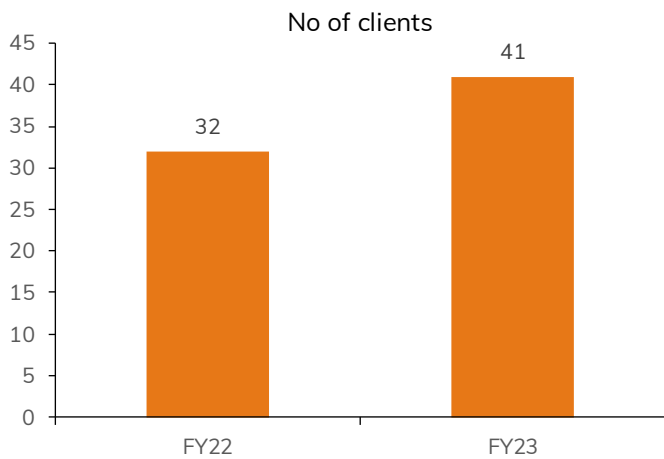
Exhibit 23: Overall AUM growth was strong between FY20-FY22; FY23 AUM was impacted due to mark-to-market erosion in the stock market in most South-East Asian economies.



Source: I-Sec research, Company data

Exhibit 24: Number of clients (RTA & FA) – of which RTA are 32 and FA are 16 in FY23*.

Exhibit 25: Transaction volumes



Source: I-Sec research, Company data

Note: Above data is as on 30th Apr'23; 24 clients in Malaysia, 3 clients in the Philippines and Hong Kong, 1 client in Middle East and Canada each and 3 clients in Gift City. Additionally, 2 clients in Malaysia, 2 client in Singapore and 5 clients in GIFT City are yet to go live. *Note: FY23 total may not add to 41 as there are overlaps as few clients avail both RTA and Fund administration (FA) services

Source: I-Sec research, Company data

Exhibit 26: KFin has been expanding its global foot print



Source: Company data, I-Sec research

Exhibit 27: South-East Asia – Opportunity size

Total addressable market is US\$1.3trn or 2.5x of India's mutual fund industry

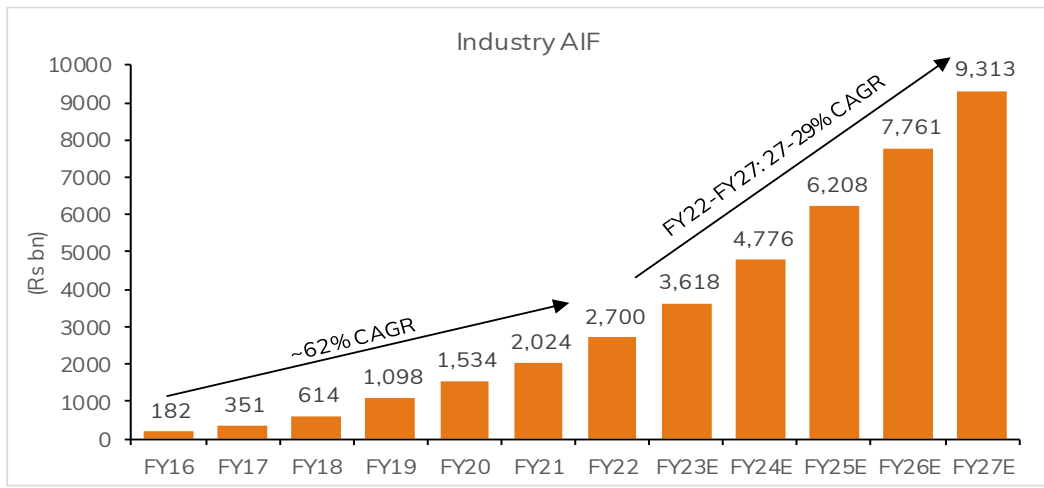
	Singapore*	Hong Kong	Malaysia	Philippines	Indonesia	Thailand
No of Asset Management Companies	1,108 <i>(Registered & licensed fund managers)</i>	56	92	9	80	22 <i>(51 incl. AIFs)</i>
Mutual Fund Industry AUM Dec-22 (\$bn)	691 ▲ 13% y-o-y	165 ▼ 14% y-o-y	218 ▼ 5% y-o-y	5 ▼ 43% y-o-y	32 ▼ 21% y-o-y	172 ▼ 12% y-o-y
AUM CAGR (since 2016)	13.1%	5.2%	4.5%	0.3%	5.2%	3.6%
	<i>Soon to start rendering services</i>	<i>Entered new markets over last few years</i>			<i>Continuous expansion of TAM¹</i>	<i>In the process of setting up operations</i>

Source: I-Sec research, Company data *CY21

Expect KFin AIF/wealth management solutions business to grow at a strong pace.

With the phenomenal rise of many AIFs and rising inflow of funds into this category, KFin’s RHP suggest that they expect a CAGR of 27-29% for the AIF industry between FY22 and FY27. This is expected to help expand the allied investor services industry by serving the rising demand.

Exhibit 28: Industry AIF AUM is expected to grow at a strong pace



Source: I-Sec research, Company data

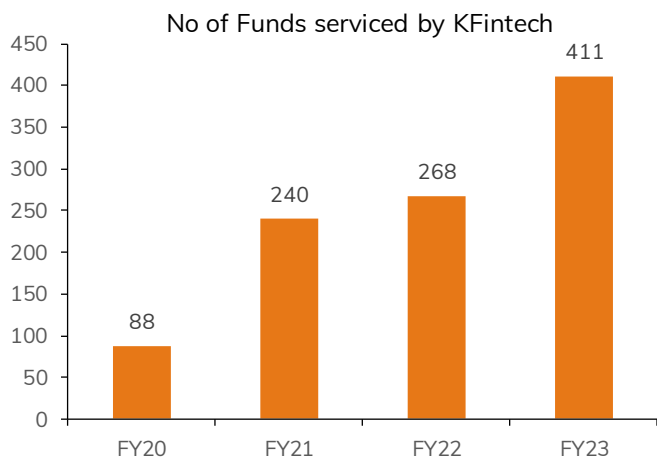
Alternative and wealth management solutions

KFin’s AIF and wealth management solutions businesses were launched in FY10 by the erstwhile entities, as part of the alternative & wealth management solutions, KFin serves alternate investment managers across private equity, venture capital and other investors as well as wealth managers. KFin’s offerings cover fund administration including fund accounting, digital onboarding, transfer agency services, stamp duty services, legal and tax regulatory and compliance support, and technology solutions.

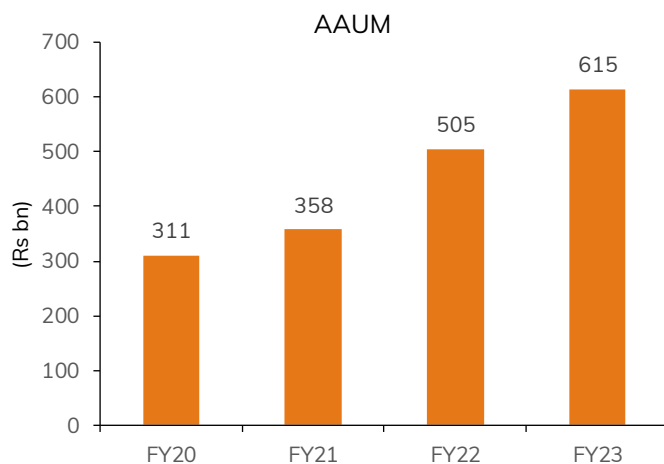
63 funds were added in Q4FY23 and 143 in FY23.

Exhibit 29: No. of funds serviced by KFin has increased sharply. Market share stood at 37% based on number of AIFs registered with SEBI

Exhibit 30: AUM (Rs bn) serviced by KFin saw a strong 26% CAGR from FY20-23



Source: I-Sec research, Company data



Source: I-Sec research, Company data

Exhibit 31: Services provided by KFin to AIF/PMS clients

Transfer Agency Services	<ul style="list-style-type: none"> • KYC management – FATCA/UBO • Unit capital reconciliation • Commission processing • Payment/settlement • Grievance Management
Stamp Duty Services	<ul style="list-style-type: none"> • Transfer and issue of units of AIF • Deposit of stamp duty in respective State Treasury • Prepare and submit periodical returns
Legal and Tax regulatory and compliance support	<ul style="list-style-type: none"> • Application form drafting • Contribution agreement draft • Support for appointment of Auditors and Bankers • Filing regulator reports as per requirements of SEBI and ensure operational, statutory and tax compliances
Fund Administration	<ul style="list-style-type: none"> • Digital On boarding • Capital Processing • Transaction Processing • Accounting Process • Expense Management • NAV Processing • Reconciliation • MIS reporting & online reports • Compliance Monitoring
Tech Solutions	<ul style="list-style-type: none"> • KBOLT • Fundtrack • Web portal for clients & investors • WAPP for wealth clients • Mobile app for end users • Customized portfolio statements

Source: Company data, I-Sec research

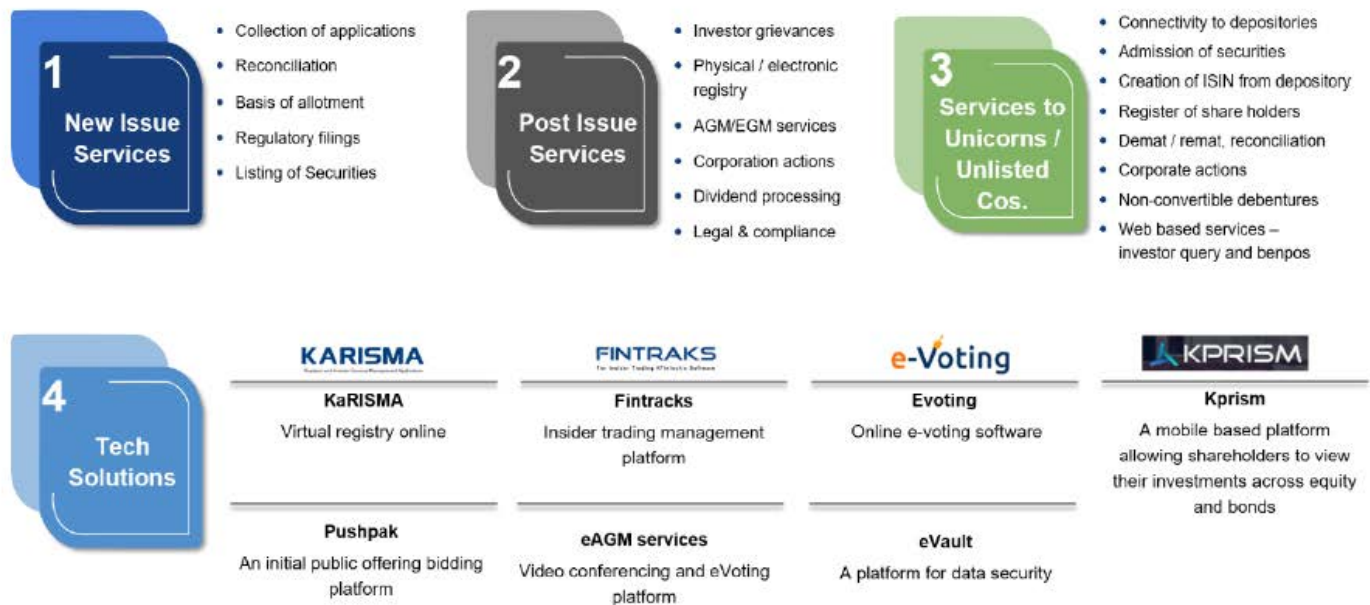
KFin has a dominant market share in issuer solutions business

KFin holds a strong market share position in the issuer solutions business in India. It is one of only two players of scale in India’s issuer solutions space, where it holds a 47% market share based on the market capitalisation of NSE 500 companies and 38% market share based on the number of clients serviced within NSE 500 companies as of Mar’23. KFin also held 57.0% market share, as per issue size, in mainboard IPOs during FY23 (there were 10 mainboard IPOs during FY23).

Company offers new issue and post-issue services to listed clients. It also offers pre-issue services to unlisted clients. Company has large in-house processing capabilities and in-house record management services. It provides value added services such as E-AGM platform, E-voting platform, E-vault, insider trading compliance platform, advisory and analytics. It has adopted a first-to-market approach with respect to web-based allotment and refund status.

KFin primarily has a folio-based fee model along with transaction basis, or fixed fee for corporate actions, and subscription or usage basis for value-added services. It has recently started servicing real estate investment trusts and infrastructure investment trusts as well providing IBC-related services.

Exhibit 32: Issuer services business process

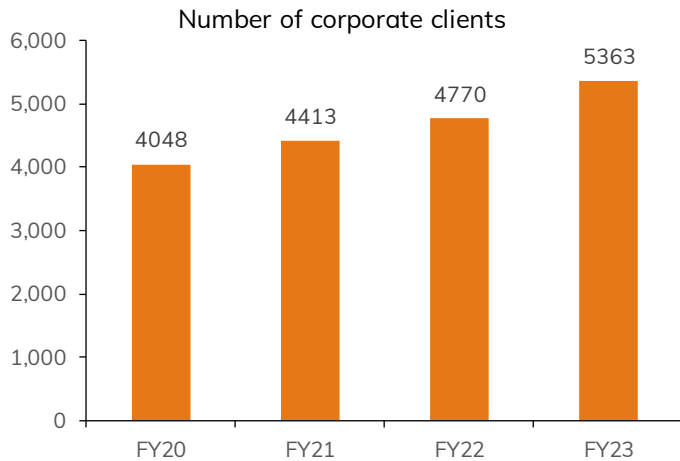


Source: Company data, I-Sec research

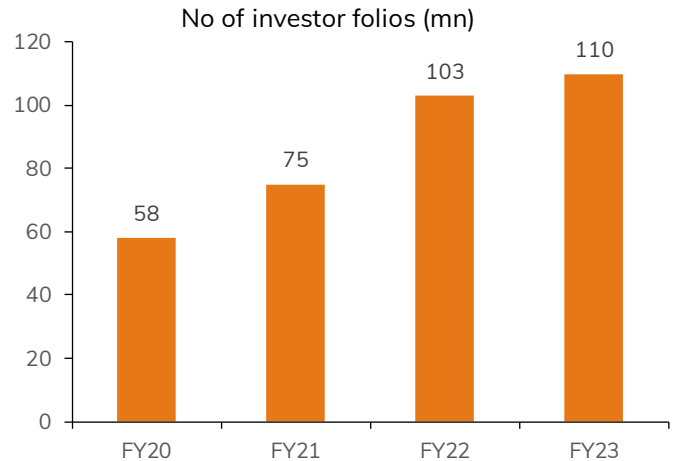
Exhibit 33: KFin’s market share in NSE 500 companies

	Mar-22	Dec-22	Mar-23
Number of clients	36.6	39.9	38
Number of Folios	39.8	42.8	42.1
Market capitalisation	45.2	49	47.3

Source: Company data, I-Sec research

Exhibit 34: Number of corporate clients in KFin's clientele has increased consistently


Source: Company data, I-Sec research

Exhibit 35: Folio count has also increased in past four years


Source: Company data, I-Sec research

Pension CRA, account aggregator and third-party APP developer businesses are in a nascent stage, but potentially have a long growth runway ahead

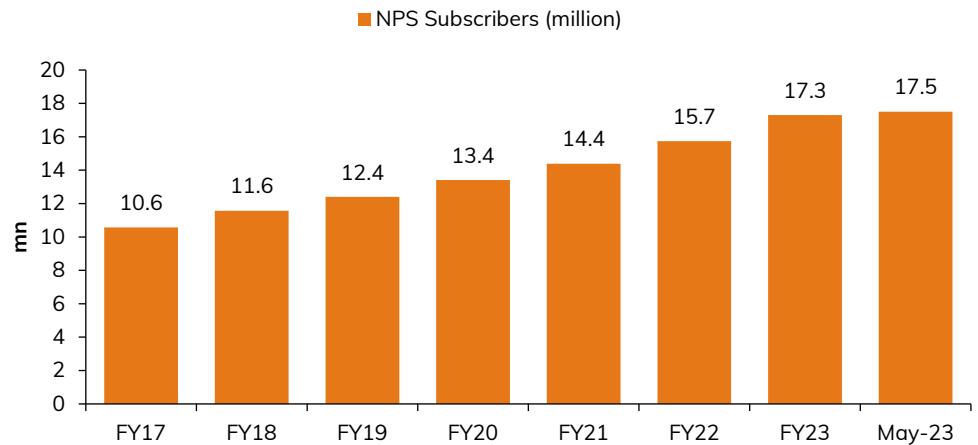
Pension CRA

Central Recordkeeping Agency (CRA) is required to establish an internal system that delivers compliance with standards for internal organisation and operational conduct, with the aim of protecting the interests of NPS subscribers and their assets. CRA acts as an operational interface between PFRDA and other NPS intermediaries such as pension fund managers, annuity service providers, trustee banks, etc.

NPS AUM CAGR of 19% likely over the next 5 years

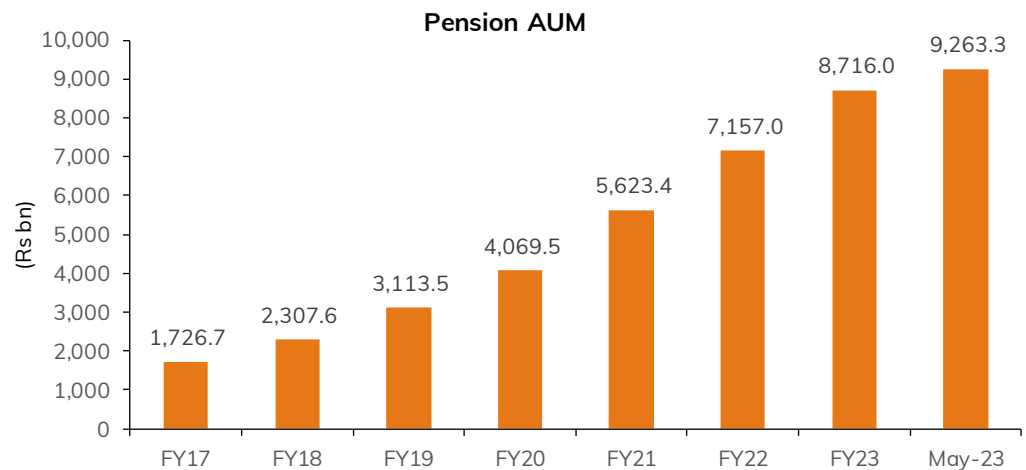
CRISIL Research expects AUM for NPS to register a CAGR of 18-19% between FY22 and FY27, owing to a rise in subscriber base due to the tax benefits provided by NPS. Additionally, NPS provides the investor with an option to choose equity schemes such as inflation-beating investments for their retirement planning, which is expected to provide higher returns than deploying money in FDs and other such fixed-income investments.

Exhibit 36: Number of pension subscribers (industrywide) registered 9% CAGR between FY17-FY23



Source: NPS trust, I-Sec research, Company data

Exhibit 37: Industry pension AUM has grown at a very strong pace of 31% CAGR between FY17-FY23

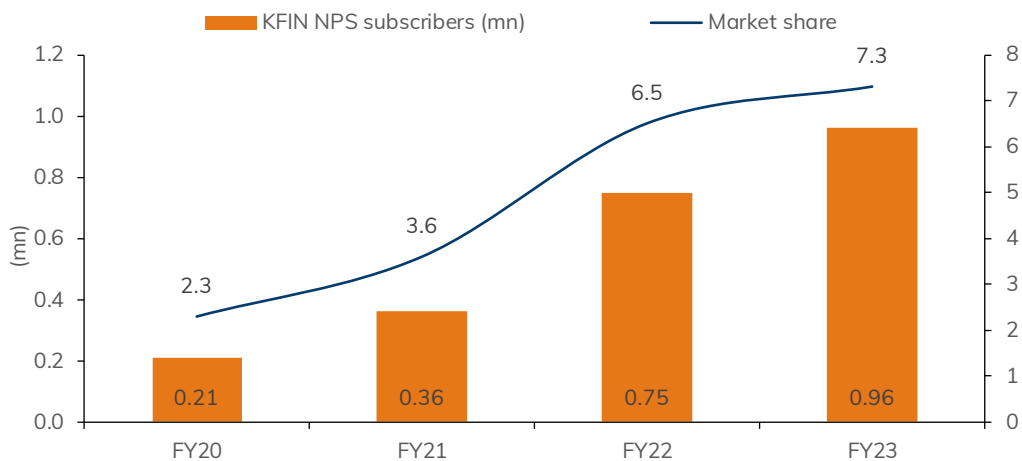


Source: NPS trust, I-Sec research, Company data

KFin is the second-largest and one of the three operational CRAs for NPS in India as of Mar'23. The pension fund services business was launched in FY17 by the businesses acquired by KFin pursuant to the scheme of amalgamation. KFin provides end-to-end services for permanent retirement account number issuance, recordkeeping, administration and investor support.

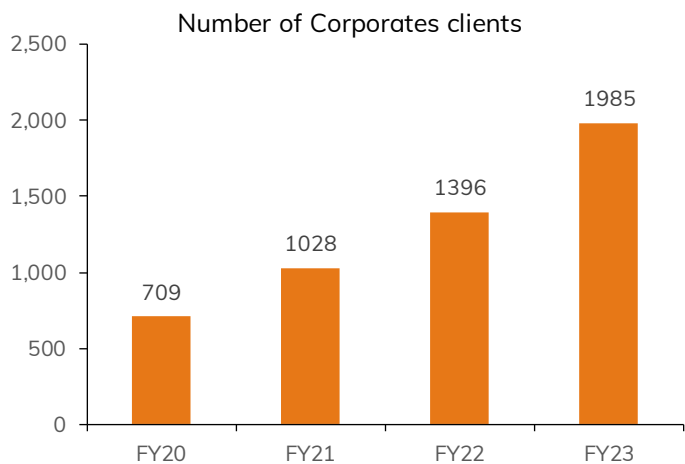
KFin offers differentiated and technology integrated offering to points of presence (PoP) to drive investor acquisitions. It integrates the pension ecosystem participants on a single operational interface. Company caters to corporates, Central and state governments, and the general public.

Exhibit 38: KFin’s NPS market share (in terms of NPS subscribers) has inched up strongly...



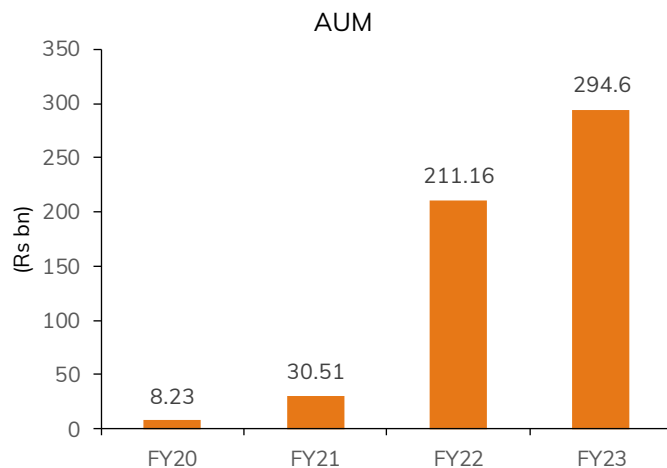
Source: I-Sec research, Company data

Exhibit 39: ...with increasing corporate clients....



Source: I-Sec research, Company data

Exhibit 40: ...while AUM has risen sharply..



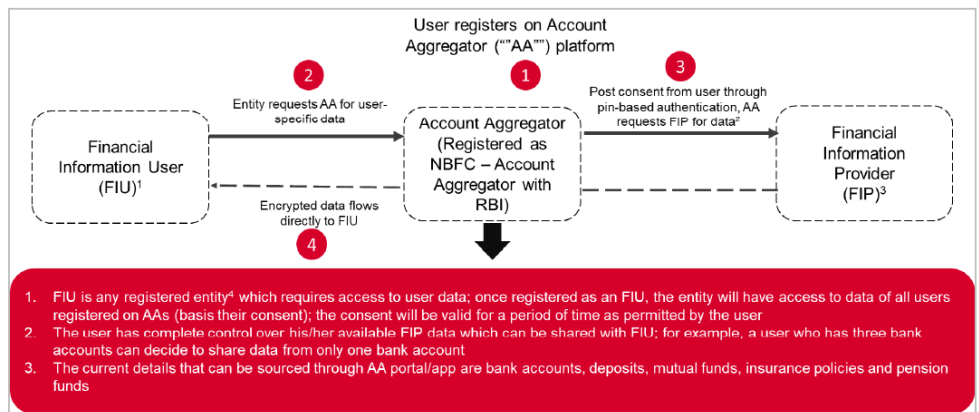
Source: I-Sec research, Company data

Account aggregator

The RBI launched the account aggregator (AA) system on 2nd Sep’21. This has the potential to transform the financial landscape once there is widespread adoption amongst the stakeholders. AAs are essentially non-banking financial companies, licensed by RBI, that act as an intermediary to collect and consolidate data from all financial information providers (FIPs) – such as banks, that hold users’ personal financial data and share that with financial information users (FIUs) like lending agencies or wealth management companies that provide financial services.

These AAs would provide granular insights to lenders into customers’ financial assets and their borrowing history centrally, based on customer consent. Inclusion of additional data such as electricity bill payments and mobile recharges/bill payment data under the purview of AAs could further enhance its utility. Availability of this data is expected to support faster onboarding of customers and could allow wealth advisors to utilise asset side data and advise on switching between asset classes to yield better overall returns as per the risk appetite of the individual.

Exhibit 41: Account aggregator ecosystem



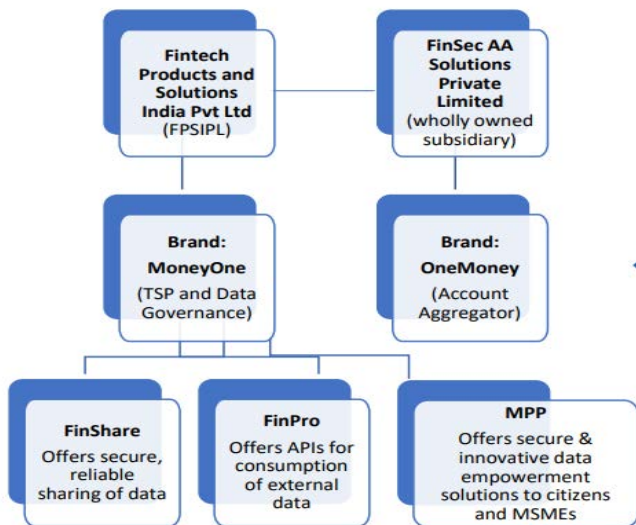
Source: I-Sec research, Company data

KFin has acquired 25.63% stake in Fintech Products and Solutions India Private Limited (FPSIPL). FPSIPL is a technology service provider (TSP) having a wholly-owned subsidiary, FinSec AA Solutions Private Limited, India's first account aggregator licensed by RBI.

KFin has an option to acquire additional equity, taking its aggregate shareholding in FPSIPL to 75.01%, subject to the satisfaction of customary closing conditions and receipt of regulatory approvals.

Exhibit 42: Company structure – OneMoney

Exhibit 43: Key highlights of OneMoney



Source: I-Sec research, Company data

Source: I-Sec research, Company data

Exhibit 44: Market share in terms of total consent requests fulfilled and accounts linked

	Industry	OneMoney	Mkt Share
Consent Request Fulfilled	5.68mn	2.46 mn	43%
Accounts Linked	4.86 mn	2.34 mn	48%

Source: Company data, I-Sec research

Exhibit 45: FIPs / FIUs associated with OneMoney

FIPs / FIUs	Banks	Insurance Cos	Others
FIPs	27	5	2
FIUs	27	5	165 (total)

Source: Company data, I-Sec research

Opportunities for financial third-party software and platform providers to grow

In recent years, FIs have witnessed challenges with margins shrinking due to competition, customers having heightened expectations from service providers, and uncertainty in the macro-economic environment. This has propelled them to shift from their legacy systems to cater to new client needs, stricter regulations and the evolving economic climate. It involves patching platforms, adding custom-built user systems and bringing digital transformation to the organisation.

With increasing focus of financial institutions on outsourcing non-core business operations and using pay-per use model, product and service providers over the years have also evolved their offerings in terms of SaaS / PaaS and custom software. SaaS/ PaaS software generally handles standard processes for specific types of institutions as compared to custom software, which are specially designed to meet distinct needs of a company.

While SaaS / PaaS software is cost-effective given the operational leverage, ease of deployment (via connectivity through application programming interface (APIs) and scalability, custom software offers more control to the company over their process and data. Globally, platform providers such as nCino and Blackline have witnessed huge traction among financial institutions owing to their cloud-based offerings that has led to increased efficiency, transparency, profitability and regulatory compliance for the financial institutions. The usage of PaaS /SaaS based players have also led to better data management and reduction in data duplication.

This has caused FIs to outsource various functions. Functions which they have outsourced include front office and client onboarding (involving account setup and compliance checks), middle-office services (involving cloud services, robotic process automation and data management) and channel management (brokerage computation and payouts), regulatory and compliance services such as process improvement, framework and procedure development, risk monitoring) and reconciliation services to various third-party PaaS and SaaS to make use of the new technologies for staying ahead of the competition and surfing on current market trends.

Exhibit 46: KFin also acquired WebileApps to accelerate digital transformation

KFintech acquired 100.0% stake in WebileApps (India) Private Limited, a Hyderabad-based enterprise product development and design company. Founded in 2011, the company specialises in artificial intelligence, machine learning, mobility solutions, UI / UX, and other products development.



Source: Company data, I-Sec research

Exhibit 47: Business overview of various third-party and platform providers to financial institutions

Company Name	Company Overview
nCino	<p>nCino provides SaaS based solutions for client onboarding, analytics, loan origination and deposit account opening applications that span lines of business and across channels, streamlining employee, client and third-party interactions to drive efficiency, transparency, and compliance across a financial institution.</p> <p>Target segment: Banks and credit unions.</p>
Clearwater Analytics	<p>Clearwater Analytics is a software-as-a-service fintech company that provides automated investment accounting, performance, compliance, and risk reporting.</p> <p>Target segments: Insurance companies, asset managers, corporations, banks, governments.</p>
MeridianLink	<p>MeridianLink provides SaaS cloud-based products and services that span the entire digital lending journey. Its offerings and solutions also revolve around deposit account opening, collections and analytics, which together performs and support digital transformation of financial institutions.</p> <p>Target segment: Credit unions, banks and mortgage lenders</p>
Blend Labs Inc.	<p>The company provides software platform for banking products and provides digital-first consumer journeys from application to closure for mortgages and lending products. The customer journey includes modular components that includes data collection, verification checks, product selection, pricing, pre-approvals, disclosures, addressing stipulations, and signing closing documents.</p> <p>Target segment: Banks, credit unions, fintechs, and non-bank lenders.</p>
SS&C Technologies Holdings Inc.	<p>The company provides software products and rapidly deployable software-enabled services to various clients to automate and integrate front-office functions such as trading and modeling, middle-office functions such as portfolio management and reporting, and back-office functions such as accounting, transfer agency, compliance, regulatory services, performance measurement, reconciliation, reporting, processing and clearing.</p> <p>Target segment: Institutional asset and wealth management, alternative investment management, healthcare, brokerage, retirement, financial advisory firms.</p>
SimCorp	<p>The company provides fully integrated front to back, multi asset, investment management solutions to Institutional investment management companies to support investment decision making. In addition, it also provides other solutions in the value chain such as data management, trading, risk management, operations accounting, communication and reporting.</p> <p>Target Segment: Asset management, wealth management, banks, sovereign wealth funds, pension funds and insurance.</p>
Duck Creek Technologies Inc.	<p>Duck Creek Technologies is a low code SaaS provider of core systems for the property and casualty insurance industry. The Duck Creek platform is aimed to improve the operational efficiency of the insurers core process such as policy administration, claims management and billing, while reducing their cost of technology ownership.</p> <p>Target segment: Insurance</p>
Enfusion Inc	<p>Enfusion is SaaS provider, which aims to simplify investment and operational workflow by unifying systems and coalescing data into a single dataset allowing its customers to interact more effectively across the investment management lifecycle.</p> <p>Target segment: Investment management, AIFS.</p>

Source: RHP, I-Sec Research

Exhibit 48: Financial performance of global third-party software and platform providers

Company Name	Year of Incorporation and Country	Financial (year ending Jan)	Revenue (USD mn)	Revenue growth (YoY)	EBITDA (USD mn)	PAT (USD mn)	Gross margin	EBITDA Margin	PAT Margin	R&D Exp.	S&M Exp.
nCino	2011, USA	2021	204	48%	-43	-41	56.90%	-21%	-20%	29%	29%
		2020	138	51%	-28	-28	53.60%	-20%	-20%	26%	32%
		2019	92	57%	-23	-22	49.30%	-25%	-24%	24%	34%
Clearwater Analytics	2004, USA	2021	252	24%	28	-8	73.10%	11%	-3%	29%	15%
		2020	203	21%	-20	-44	73.80%	-10%	-22%	27%	11%
		2019	168	NA	26	8	71.90%	15%	5%	23%	11%
Meridian Link*	2000, USA	2020	199	31%	46	-44	70.70%	23%	-22%	9%	5%
		2019	153	NA	20	-13	69.00%	13%	-8%	10%	6%
Blend Labs Inc.*	2012, USA	2020	96	90%	-75	-75	64.30%	-78%	-78%	58%	54%
		2019	51	NA	-81	-81	61.40%	-161%	-161%	96%	74%
SS&C Technologies Holdings Inc.	1986, USA	2021	5,051	8%	1,242	801	47.70%	25%	16%	8%	8%
		2020	4,668	1%	986	625	44.90%	21%	13%	9%	8%
		2019	4,633	2%	914	439	43.60%	20%	9%	8%	8%
SimCorp	1971, Denmark	2021	596	8.80%	158	132	60.30%	27%	22%	18%	10%
		2020	547	0.30%	148	106	63.30%	27%	19%	20%	11%
		2019	545	19%	153	116	63.20%	28%	21%	18%	11%
Duck Creek Technologies Inc	2000, USA	2021	260	23.00%	-15	-17	57.70%	-6%	-7%	19%	21%
		2020	212	24%	-29	-30	54.10%	-14%	-14%	21%	24%
		2019	171	8%	-14	-17	57.90%	-8%	-10%	21%	23%
Enfusion Inc	2006, USA	2020	80	34.80%	6	4	73.20%	8%	5%	8%	12%
		2019	59	n.a.	14	13	71.30%	24%	21%	7%	13%

Source: I-Sec research, Company data

Business strategy going forward

A. Maintain leadership in current businesses

KFin's clients operate in complex and fast-changing environment with evolving end-customer needs, regulatory updates, competition and technology innovation. This requires the clients to adapt to such dynamic environment through continuous technology-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.

B. Further expand client base and market share

In addition to the growth from existing clients, KFin actively pursues new client acquisition across its service offerings and different businesses. Company will undertake marketing and sales initiatives across its platform to target new clients and expand its client base. It has undertaken investments in its sales capabilities in the past including building separate sales capabilities within key businesses, as well as internationally.

C. Investing in technology solutions and product innovation.

KFin believes it has developed a future-ready scalable platform with tech-enabled infrastructure to meet the requirements of its clients. It has comprehensive product platform solutions built on technology. It has a dedicated team of 480 employees focused on developing technology and innovative solutions. KFin's team is constantly evaluating its technology solutions and its client requirements to increase the levels of digitisation, create new products, improve operational efficiency for its clients and enhance the levels or automation of processes.

Exhibit 49: Headcount mix

	Headcount				Headcount mix			
	FY20	FY21	FY22	FY23	FY20	FY21	FY22	FY23
Operations	4,253	4,082	4,384	4167	84.4%	83.3%	80.6%	79.6%
Information technology	500	540	746	769	9.9%	11.0%	13.7%	14.7%
Support functions	289	276	310	296	5.7%	5.6%	5.7%	5.7%
Total	5,042	4,898	5,440	5232	100.0%	100.0%	100.0%	100.0%

Source: I-Sec research, RHP

D. Focused and selective international expansion

KFin also plans to expand internationally beyond the geographies it is already present in, by further enhancing its global delivery model wherein it looks to become delivery partners to global investors and issuer services providers, so as to enter other markets. KFin intends to do so with a focused product approach, which will be led by alternative investment products as well as such other products that leverage the low-cost advantage in India.

E. Pursue strategic acquisition

KFin has partnered with India's first and leading account aggregator, OneMoney, and data governance solutions provider MoneyOne. KFintech acquired 25.63% stake in Fintech Products and Solutions India Private Limited (FPSIPL). FPSIPL is a technology service provider (TSP) having a wholly-owned subsidiary, FinSec AA Solutions Private Limited, India's first account aggregator licensed by RBI.

KFin has an option to acquire additional equity, taking its aggregate shareholding in FPSIPL to 75.01%, subject to the satisfaction of customary closing conditions and receipt of regulatory approvals.

Case studies

KFin and CAMS

Exhibit 50: KFin and CAMS P/L – comparison

Rs mn	KFin					CAMS				
	FY19	FY20	FY21	FY22	FY23	FY19	FY20	FY21	FY22	FY23
Op Revenues	4,413	4,499	4,811	6,395	7,200	6,936	6,996	7,055	9,097	9,718
Growth (YoY)		1.9%	7.0%	32.9%	12.6%		0.9%	0.8%	28.9%	6.8%
Employee cost	1,888	1,940	1,886	2,325	2,894	2,746	2,580	2,624	3,218	3,581
Other expenses	1,077	973	801	1,192	1,326	2,012	1,550	1,471	1,638	1,925
Total Opex	2,964	2,912	2,687	3,517	4,220	4,758	4,131	4,095	4,855	5,506
Opex % of sales	67%	65%	56%	55%	59%	69%	59%	58%	53%	57%
EBITDA	1,449	1,586	2,124	2,878	2,980	2,178	2,866	2,960	4,241	4,212
EBITDA Margin	32.8%	35.3%	44.1%	45.0%	41.4%	31.4%	41.0%	42.0%	46.6%	43.3%
Other Income	95	54	51	61	175	181	212	298	173	268
Finance costs	219	533	520	529	106	3	97	79	71	76
Depreciation and amortisation expenses	475	922	980	370	467	284	513	434	516	603
PBT	850	185	675	2,040	2,582	2,071	2,468	2,745	3,826	3,802
Tax	284	140	1,320	555	625	721	749	692	957	956
PAT	566	45	-645	1,485	1,957	1,350	1,719	2,053	2,869	2,846
Goodwill Amortisation		671	669							
One-time expense			1,143							
Adjusted PAT	566	716	1,167	1,485	1,957	1,350	1,719	2,053	2,869	2,846
ROE (%)	11	14	31	30	26	35	34	39	49	40

Source: Company data, I-Sec research

Exhibit 51: KFin and CAMS – CAGR comparison

CAGR comparison (FY19-FY23)	KFintech	CAMS
Revenue CAGR	13%	9%
Opex CAGR	9%	4%
EBITDA CAGR	20%	18%
Adj PAT CAGR	36%	20%

Source: Company data, I-Sec research

Exhibit 52: KFin and CAMS – comparison of key operating parameters

Comparison of operating parameters as of FY23	CAMS	KFin
AUM (Rs trn)	27.7	12.8
Market share	68.40%	31.60%
Equity AAUM (Rs trn)	13.3	7.0
Market share	65.5%	34.5%
Equity Mix	47.9	54.7%
MF related revenues (Rs mn)	8,748	4,862
Yield (bps)	3.21	3.86
Non MF (Rs mn) incl OPE percentage	970 10%	2,338 32%
Total Revenues (Rs mn)	9,718	7,200
EBITDA margin	43.3%	41.4%
PAT (Rs mn)	2,846	1,957

Source: Company data, I-Sec research

Exhibit 53: Technology solutions and platforms provided by CAMS and KFin

CAMS	KFin
<ul style="list-style-type: none"> myCAMS: B2C mobile application to facilitate retail mutual fund transactions 	<ul style="list-style-type: none"> KFinkart (distributor app): One-stop app for distributors / financial advisors to deliver client services and allow them to invest, track and manage across a host of mutual funds
<ul style="list-style-type: none"> CAMServ: Self-service chatbot for investors 	<ul style="list-style-type: none"> KFinkart (investor app): Allows investors to track and manage investments
<ul style="list-style-type: none"> CAMSsmart: Business intelligence service for MFs to measure business performance and benchmarking. 	<ul style="list-style-type: none"> K-Bolt Go: Front-end application for AMC sales team enabling asset managers for efficient investor management servicing
<ul style="list-style-type: none"> GoCORP: Corporate investment portal 	<ul style="list-style-type: none"> Korp Connect: Platform for corporate investors to manage portfolio, track investments and generate reports
<ul style="list-style-type: none"> mf360: Proprietary investor service application for MFs to track transactions, investor enquiries and requests. 	<ul style="list-style-type: none"> Digix: Platform allowing generation, viewing, downloading and sharing of reports
<ul style="list-style-type: none"> mfCompass: Allows MFs to sight funds real time by linking transfer agent's back offices to MFs 	<ul style="list-style-type: none"> Karisma: Virtual registry to facilitate India Inc. and investors to access information
<ul style="list-style-type: none"> mfCRM: Mobile application for MF RMs/SMs to facilitate retail mutual fund transactions 	<ul style="list-style-type: none"> Fintrak: Product developed for managing and to comply with the SEBI-Insider Trading Regulations
<ul style="list-style-type: none"> MFDEX: Sales and business intelligence tool for MFs to review own relative performance. 	<ul style="list-style-type: none"> E-Voting: Online e-voting software
<ul style="list-style-type: none"> edge360: Application and portal for MF distributors and advisors to track their brokerages 	<ul style="list-style-type: none"> RWAP: Digital platform for investors to subscribe for rights issue
<ul style="list-style-type: none"> digiSIP: Application to set up multiple SIPs at one time 	<ul style="list-style-type: none"> KPRISM: Mobile-based platform that allows shareholders to view their investments across equity and bonds
<ul style="list-style-type: none"> CAMS eNPS: End to end solution to start and manage Pension accounts 	<ul style="list-style-type: none"> eAGM: Platform for virtual annual general meeting and video conferencing

Source: Company data, I-Sec research

KFin and CDSL

Exhibit 54: KFin and CDSL financial comparison

	KFin					CDSL				
	FY19	FY20	FY21	FY22	FY23	FY19	FY20	FY21	FY22	FY23
Revenue	4,413	4,499	4,811	6,395	7,200	1,963	2,251	3,437	5,513	5,551
Growth		2%	7%	33%	13%		15%	53%	60%	1%
EBITDA	1,448	1,586	2,123	2,878	2,980	1,089	1,024	2,119	3,669	3,234
EBITDA margin	33%	35%	44%	45%	41%	56%	46%	62%	67%	58%
PAT	566	641	1,167	1,485	1,957	1,135	1,029	2,004	3,112	2,760
PAT margin	13%	14%	24%	23%	27%	58%	46%	58%	56%	50%
ROE	10.9	13.8	30.9	30	25.8	17.9	14.8	25	31.6	23.9

Source: I-Sec research, Company data

Management structure

Exhibit 55: KFin – Key Management

Name of the person	Designation	Key highlights
Venkata Satya Naga Sreekanth Nadella	Managing Director and Chief Executive Officer	<ul style="list-style-type: none"> 20+ years of experience Previously served as Managing Director at Accenture Services and Transformation manager at IBM Global Services
Vivek Narayan Mathur	Chief Financial Officer	<ul style="list-style-type: none"> 26+ years of experience Previously worked at Bharti BT Internet, American Express, Bajaj Capital, Cigna TTK Health Insurance
Gopala Krishnan Giridhar	Chief Business Development Officer	<ul style="list-style-type: none"> 25+ years of experience in financial services Previously worked at GIC AMC.
Senthil Gunasekaran	Chief Business Development Officer – New Growth	<ul style="list-style-type: none"> 18+ years of experience in leading sales, business development, marketing, and CRM. Previously worked at HDFC AMC, Religare Invesco AMC, Sundaram BNP Paribas AMC
Kiran Aidhi	Chief People Officer	<ul style="list-style-type: none"> 19+ years of experience in human resources Previously worked at Accenture, Hutchison 3 Global Services, Bharti Cellular
Venkata Giri Vonkayala	Chief Technology Officer	<ul style="list-style-type: none"> 31+ years of experience in software development, implementation and railway finance and accounts Previously worked at Michelin India, GE India Industrial, LinkedIn Technology Information
Quah Meng Kee	Country Head, Malaysia & Philippines	<ul style="list-style-type: none"> 8+ years of experience in system integration, sales & business development, relationship management, business operations and liaising in Malaysia Previously worked at AIA Pension and Asset Management

Source: Company data, I-Sec research

Exhibit 56: KFin Board of directors

Name of the person	Designation	Remarks
Vishwanathan Mavila Nair	Chairman and Non-executive Director	<ul style="list-style-type: none"> Ex-CMD of Union Bank of India & Ex-Chairman IBA; Director of TransUnion CIBIL Ex-non-executive chairman of SWIFT India Domestic Services 48 years of experience in financial services and advising fintech start-ups
Prashant Saran	Independent Director. Chair: Stakeholders' Relationship Committee & Risk Management Committee	<ul style="list-style-type: none"> Ex-SEBI whole time member; ex-chief general manager in charge of Reserve Bank of India 34 years of experience in regulatory and other functions
Kaushik Mazumdar	(Independent Director) Chair: Audit Committee	<ul style="list-style-type: none"> Ex-general manager (operation and technology group head) at Samba Financial Group 30 years of experience in banking, finance, operations and technology, mergers and acquisitions, investment advisory and transformation projects
Sonu Halan Bhasin	(Independent Director) Chair: Nomination & Remuneration Committee & CSR1 Committee	<ul style="list-style-type: none"> 20 years of experience in financial and non-financial sector organisations Served in various leadership roles within the Tata Group; ex-president at Axis Bank
Jaideep Hansraj	(Non-Executive Nominee Director)	<ul style="list-style-type: none"> Chief Executive Officer and Managing Director with Kotak Securities Over 28 years of experience in retail operations in the banking and securities sectors Over 15 years of experience in information and technology
Srinivas Peddada	(Non-Executive Nominee Director) Chair: IT Strategy Committee	<ul style="list-style-type: none"> Principal at General Atlantic — ex-Chief Technology Officer at Dun & Bradstreet and ex-CIO at Dun & Bradstreet South Asia Middle east Ltd., ex-Chief information officer with Bharat Financial Inclusion Over 16 years of experience in India and Asia Pacific
Sandeep Achyut Naik	(Non-Executive Nominee Director)	<ul style="list-style-type: none"> Managing Director and Head of General Atlantic's business in India & Asia Pacific Member of Management Committee of General Atlantic
Shantanu Rastogi	(Non-Executive Nominee Director) Chair: BD&SC2	<ul style="list-style-type: none"> Managing Director in General Atlantic Pvt. Ltd. Over 17 years of experience in financial services, technology, healthcare and consumer sectors in India and Asia-Pacific region

Source: Company data, I-Sec research

Risks

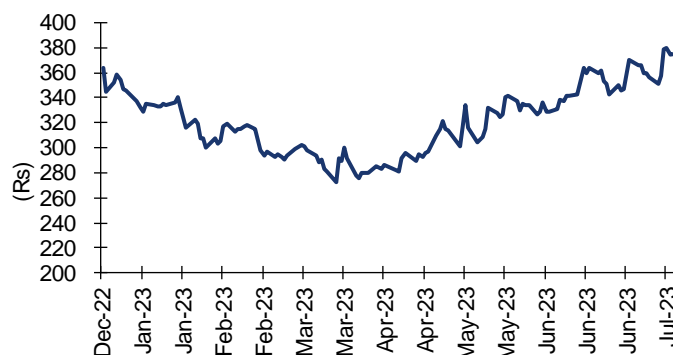
- Significant disruptions in information technology systems or breaches of data security could adversely affect business and reputation.
- Future revenue and profit are significantly dependent on the growth, value and composition of AAUM of the mutual funds managed by clients, which may decline.
- KFin derives a significant portion of its revenues from a few customers and the loss of one or more such clients could adversely affect business and prospects.
- KFin may be exposed to certain liabilities pursuant to the terms of its contractual agreements with its clients, and the occurrence of such events could adversely affect its business and results of operations.
- If KFin is unable to establish and maintain an effective system of internal controls and compliances, its business and reputation may be adversely affected.
- If KFin investor solutions, issuer solutions and global business services fail to perform properly due to undetected errors or similar problems, its business, financial condition, reputation or results of operations may be adversely affected.
- KFin depends on its key managerial personnel as well as its experienced employees, and any failure to attract, motivate and retain such persons could adversely affect its business, results of operations and financial condition.

Exhibit 57: Shareholding pattern

	Dec'22	Mar'23
Promoters	49.9	49.4
Institutional investors	32.0	31.6
MFs and other	7.5	7.0
FIs/Banks/Ins	10.0	9.9
Insurance	1.5	1.3
FIIIs	13.0	13.4
Others	18.1	19.0

Source: Bloomberg, I-Sec research

Exhibit 58: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 59: Profit & Loss

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Net Sales	6,165	6,935	7,591	8,535
Operating Expenses	3,517	4,220	4,427	4,994
EBITDA	2,878	2,980	3,461	3,869
EBITDA Margin (%)	0.5	0.4	0.4	0.4
Depreciation & Amortization	370	467	525	656
EBIT	2,508	2,514	2,936	3,213
Interest expenditure	529	106	111	130
Recurring PBT	2,040	2,582	3,031	3,393
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	555	625	764	855
PAT	1,485	1,957	2,267	2,538
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	1,485	1,957	2,267	2,538
Net Income (Adjusted)	1,485	1,957	2,267	2,538

Source Company data, I-Sec research

Exhibit 60: Balance sheet

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Total Current Assets	1,859	2,528	3,360	4,096
of which cash & cash eqv.	452	718	1,415	1,668
Total Current Liabilities & Provisions	1,579	2,326	2,161	2,185
Net Current Assets	280	202	1,199	1,911
Investments	931	2,220	3,020	4,220
Net Fixed Assets	1,257	1,877	2,051	2,195
ROU Assets	-	-	-	-
Capital Work-in-Progress	-	-	-	-
Total Intangible Assets	5,434	5,434	5,434	5,434
Other assets	782	453	540	728
Deferred Tax assets	-	-	-	-
Total Assets	8,685	10,186	12,245	14,489
Liabilities				
Borrowings	1,225	-	-	-
Deferred Tax Liability	-	-	-	-
provisions	-	-	-	-
other Liabilities	1,016	1,484	1,729	1,942
Equity Share Capital	1,676	1,692	1,692	1,692
Reserves & Surplus	4,768	7,010	8,823	10,854
Total Net Worth	6,443	8,702	10,516	12,546
Minority Interest	-	-	-	-
Total Liabilities	8,685	10,186	12,245	14,489

Source Company data, I-Sec research

Exhibit 61: Cashflow statement

(INR mn, year ending March)

	FY22A	FY23A	FY24E	FY25E
Operating Cashflow	2,520	2,232	2,762	2,891
Working Capital Changes	78	(256)	(142)	(434)
Capital Commitments	(681)	(231)	(700)	(800)
Free Cashflow	3,201	2,463	3,462	3,691
Other investing cashflow	(465)	(1,812)	(800)	(1,200)
Cashflow from Investing Activities	(1,146)	(2,043)	(1,500)	(2,000)
Issue of Share Capital	2,891	212	-	-
Interest Cost	(392)	-	-	-
Inc (Dec) in Borrowings	(3,520)	-	-	-
Dividend paid	-	-	(453)	(508)
Others	(133)	(139)	(111)	(130)
Cash flow from Financing Activities	(1,154)	73	(564)	(638)
Chg. in Cash & Bank balance	220	263	697	253
Closing cash & balance	451	718	1,415	1,668

Source Company data, I-Sec research

Exhibit 62: Key ratios

(Year ending March)

	FY22A	FY23A	FY24E	FY25E
Per Share Data (INR)				
Reported EPS	8.8	11.6	13.4	15.0
Adjusted EPS (Diluted)	8.8	11.6	13.4	15.0
Cash EPS	11.0	14.3	16.5	18.9
Dividend per share (DPS)	-	-	2.7	3.0
Book Value per share (BV)	38.1	51.4	62.1	74.1
Dividend Payout (%)	-	-	20.0	20.0
Growth (%)				
Net Sales	34.0	12.5	9.5	12.4
EBITDA	35.6	3.5	16.1	11.8
EPS (INR)	-	31.8	15.8	12.0
Valuation Ratios (x)				
P/E	42.8	32.5	28.0	25.0
P/CEPS	34.2	26.2	22.8	19.9
P/BV	9.9	7.3	6.0	5.1
EV / EBITDA	22.0	20.4	17.1	14.9
P / Sales	10.3	9.2	8.4	7.5
Dividend Yield (%)	-	-	0.7	0.8
Operating Ratios				
EBITDA Margins (%)	45.0	41.4	43.9	43.7
EBIT Margins (%)	40.7	36.2	38.7	37.6
Effective Tax Rate (%)	27.2	24.2	25.2	25.2
Net Profit Margins (%)	24.1	28.2	29.9	29.7
NWC / Total Assets (%)	0.5	0.7	0.7	0.7
Net Debt / Equity (x)	6.3	-	-	-
Net Debt / EBITDA (x)	-	-	-	-
Profitability Ratios				
RoE (%)	30.0	25.8	23.6	22.0
RoIC (%)	25.0	23.3	22.9	20.8

Source Company data, I-Sec research

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