

## Riding on Financialisation of Savings; Initiate at Buy

K-Fin is a leading player providing services to mutual funds (RTA/FA) and issuer solutions to listed corporates. It enjoys market leadership, and will benefit from financialisation of savings. It is also expanding into global markets, which is a much larger market with negligible outsourcing. These will drive a 16% CAGR in profit and healthy cash flows. Risks are from slower AUM growth / lower fees. We initiate at Buy with a Rs500 PT based on 30x Jun-25 PE.

**Domestic opportunity rides on financialisation of savings & growing share.** K-Fin is a leading player in the duopoly of registrar & transfer agent services (RTA) for mutual funds and issuer solutions for corporate. It has 31-47% (by AUM & mkt. cap in NSE500) share in these segments, and is gaining share. It will benefit from increasing financialisation of savings with rising flows to mutual funds as well as direct-equities. In fact, [our India Strategist, Mahesh Nandurkar, believes that inflows into funds/equities can rise as returns have improved and volatility is lower.](#) In Jul-23, it was also appointed as RTA for Jio Financial Services. K-Fin derives 85% of revenues from domestic operations, and we see them growing at a 12% CAGR over FY23-26e. It has also acquired a stake in a leading Account Aggregator platform, which can drive upside.

**International & Alternatives are new growth avenues.** K-Fin has been actively breaking into the international market for RTA and fund accounting (FA) services. The Asian and select Western markets that it's focusing on are 2.5x of Indian market, and asset managers are looking to outsource. K-Fin has 48 clients outside India, and has recently won new clients for RTA services in Malaysia and Singapore. In Thailand, it has won a mandate for fund administration from one of the top-5 banks. In the AIF/PMS segment, K-Fin has built presence with c.250 clients, and can benefit from higher AUM growth, better fees and increasing compliance-related work. We expect these segments to see ~30% CAGR in revenues and share in total revenues to rise from 9% now to 13% in 3 years.

**Healthy growth in profits and cash flows.** We see a 16% CAGR in profit over FY23-26e along with healthy cashflow generation. Revenues should see a 13% CAGR, led by growth in international and AIF/PMS segments. K-Fin also generates high cash surplus, and has been pragmatic with acquisitions. Key risks to earnings can arise from slower growth / fee compression in domestic AUMs and slower ramp-up of international clients. Ramp-up of account aggregator platform (to increase stake to 75%) could provide additional upside.

**Valuations:** We initiate on K-Fin with a Buy, given healthy growth and cash flows ahead. K-Fin currently trades at FY24e PE of 29x, which is at a discount to peers like CAMS at 37x PE, depository (39x), exchanges' avg (30x) and in line with distributors (29x) but higher than mutual funds' 28x PE (avg) and brokers (14x). We initiate with a Buy rating and a price target of Rs500 based on 30x Jun-25 PE.

(FY Mar)	2023A	2024E	2025E	2026E
Rev. (MM)	7,200.3	8,091.0	9,202.1	10,466.4
EBITDA (MM)	2,980.4	3,364.7	3,899.9	4,491.5
Net Profit	1,957.4	2,221.4	2,631.7	3,070.1
FY P/E	33.3x	29.2x	24.7x	21.1x

### INITIATING COVERAGE

RATING BUY

PRICE INR383.50\*

PRICE TARGET | % TO PT INR500 | +30%

52W HIGH-LOW INR403.75 - INR271.05

FLOAT (%) | ADV MM (USD) 29.0% | 139.78

MARKET CAP INR64.9B | INR64.9B

TICKER KFINTECH IN

\*Prior trading day's closing price unless otherwise noted.

	CHANGE TO JEF <sub>e</sub>		JEF vs CONS		
	2024	2025	2024	2025	
REV	NA	NA	NA	NA	
EPS	NA	NA	NA	NA	
2024 (INR)	Q1	Q2	Q3	Q4	FY
EPS	-	-	-	-	13.13
PREV					

Prakhar Sharma \* | Equity Analyst

91 22 4224 6129 | prakhar.sharma@jefferies.com

Vinayak Agarwal \* | Equity Associate

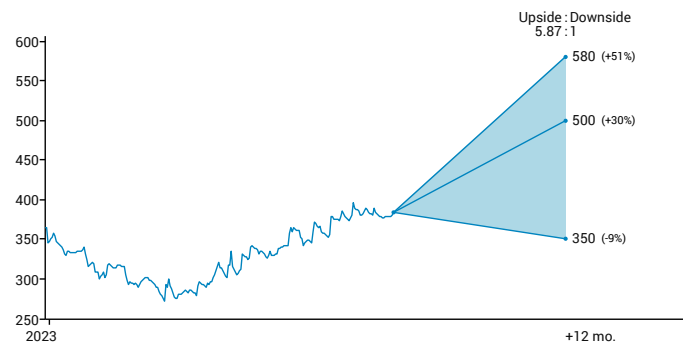
+91 22 4224 6178 | vagarwal2@jefferies.com

## The Long View: KFin Tech

### Investment Thesis / Where We Differ

- KFin is among leaders in RTA services for AMCs & corporate issuers. It is gradually evolving into a data processing and analytics solution provider, with a higher share of value added services to clients to increase dependency.
- Foray into global AMCs & account aggregator segment can expand horizons and lift growth. Strong product proposition and vast experience in offering investor solutions can enable faster ramp up.

### Risk/Reward - 12 Month View



### Base Case, INR500, +30%

- Revenue CAGR of 13% over FY23-26E
- Average EBITDA margin of 42%
- PAT CAGR of 16% during the same period
- PT of Rs500 based on 30x Jun-25E P/E

### Upside Scenario, INR580, +51%

- Revenue CAGR of 15% over FY23-26E
- Average EBITDA margin of 43%
- PAT CAGR of 18% during the same period
- PT of Rs580 based on 35x Jun-25E P/E

### Downside Scenario, INR350, -9%

- Revenue CAGR of 10% over FY23-26E
- Average EBITDA margin of 40%
- PAT CAGR of 9% during the same period
- PT of Rs350 based on 22x Jun-25 P/E

### Sustainability Matters

**Top Material Issue(s):** 1) Responsible Business 2) Customer Privacy & Data Security 3) Usage of Paper

**Company Target(s):** 1) Following ESG principles while making investment decisions 2) Focus on hiring and retaining talent based on merit, with an eye on diversity; the company also aims to continuously up-skill the workforce, aligned with the changing business environment 3) Reduce usage of paper and contribute to the Go-Green Initiative by making necessary changes in existing processes.

**Qs to Mgmt:** 1) What steps are the company taking to ensure strong data security and customer privacy, given increasing share of digital transactions 2) What steps are the company taking to promote gender diversity at different levels? What are the initiatives toward employee training/reskilling? 3) What steps are the company taking to reduce usage of paper?

### Catalysts

- Faster conversion of order wins (into servicing) in international.
- Limited dilution in yields in domestic RTA business
- Risks can arise from tighter cap on MFs, slower ramp-up in new segments & heightened capital market volatility.

## Brief Profile of KFin Tech

**Background:** Originally incorporated in Jun-17 as KCPL Advisory Services Private Limited. In Nov-18, the RTA business of KCL was demerged into KCPL and General Atlantic acquired 83% stake from the erstwhile promoters.

**About the company:** K-Fin is a diversified platform for data-processing & analytics for capital markets & financial sector. It is among leaders in RTA services for AMCs with market share of ~30% (by AUM) and ~60% (by # clients). It is also a leader in providing issuer solutions to listed as well as unlisted corporates with a market share of 47% in NSE500 companies (by market cap). Recently, it has expanded internationally with a focus on South East Asian markets to provide RTA services. It also plans to penetrate the western markets by leveraging on its expertise in fund accounting & reconciliation solutions (Hexagram, acquired in 2022). Further, it also caters to the growing AIF and PMS segment and has 7% share in pension subscriber base.

**Key business drivers & past performance:** Domestic business comprising MF RTA services and issuer solutions forms 85% of total revenues. The residual 15% comes from international, PMS/AIF and global business services. In the past three years, KFin grew revenues at a 17% CAGR to Rs7bn, on the back of strong performance in key segments. During this period, EBITDA margin expanded from 35% to 41%, leading to a faster growth of 23% in EBITDA to Rs3bn. Over the next three years, we see a 13% CAGR in revenues, 150bps expansion in EBITDA margin and 16% CAGR in profit.

**New growth drivers:** International and AIF/PMS are key focus areas, and can grow faster. Most of the international AMCs manage RTA services internally and therefore the outsourcing opportunity is large. Recent order wins (Malaysia, Singapore, Philippines & Thailand) reflect ability to capture this opportunity. Further, it aspires to penetrate the western markets through its fund accounting solution (Hexagram). It also services AIFs and PMS where it has a 36% market share (based on AIFs registered with SEBI). Stronger product proposition supporting multiple currencies, 50+ assets classes as well as global platforms will lead to higher market share.

**Key risks:** Risks can arise from tighter cap on MFs, slower ramp-up in new segments, heightened capital market volatility and a pick-up in IT hiring (and pressure on manpower costs). There is also a minor risk of overpaying for an acquisition, but history suggests acquisitions have been at reasonable valuations. We attach a low probability to a significant impact of these risks playing out. Triggers on the upside include faster conversion of order wins (into servicing) in international markets & limited dilution in yields in domestic RTA business.

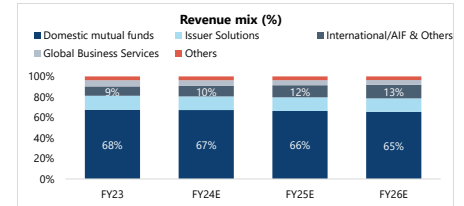
**Management team:** KFin is headed by a strong and well-diversified leadership team. Venkat Nadella is the MD & CEO with 20+ years of experience and was previously the MD at Accenture Services. The CFO, BDO and CTO are leaders in their fields with 20-30 years of experience. Mr. Quah Meng Kee is the Regional Head for South East Asia with over 8 years experience in sales and liaising in Malaysia.

**The Board:** Diverse Board of Directors consisting of 1 Executive Director and 8 Non-Executive Directors, including 3 Independent Directors, 1 of whom is a Woman Director. All the Directors come with strong experience of financial services industry. The Board is chaired by Mr. Vishwanathan Mavila Nair, ex-CMD of Union Bank, ex-Chairman of IBA & Director of TransUnion CIBIL.

**Shareholding:** KFin Tech is promoted by General Atlantic, and it holds 49% stake as of Jun-23. Half of this is under lock-in till Jun24. The remaining large shareholders include Compar Estates (Erstwhile promoters) with 12% and Kotak Bank (10%). Domestic institutions and FPIs own 14% and 8%, respectively. The residual 7% is held by retail individual investors.

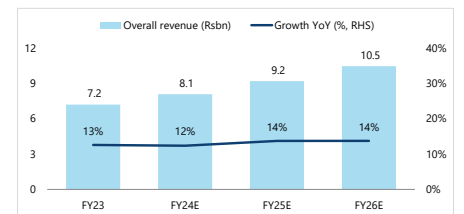
**Local & global peers:** KFin is the only investor and issuer solutions provider in India that offers services to asset managers and corporate issuers in addition to servicing clients overseas. In India, CAMS is their direct competitor, with a market share of ~70% by AUM and ~40% by #clients. In issuer solutions, KFin is the leader by a margin as peers are smaller and more regional in nature. Globally, there are several players who provide PaaS/SaaS to financial institutions and includes names like State Street (SS&C), SimCorp, Clearwater. However, we believe their presence is limited in South East Asian markets where KFin is investing significantly and can create an edge.

Exhibit 1 - Domestic MF RTA dominates mix



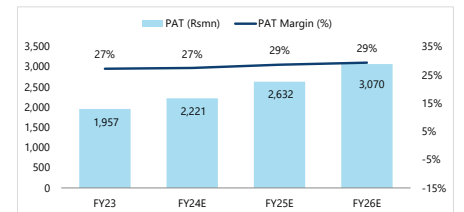
Source: Company Data, Jefferies

Exhibit 2 - We expect 13% revenue CAGR



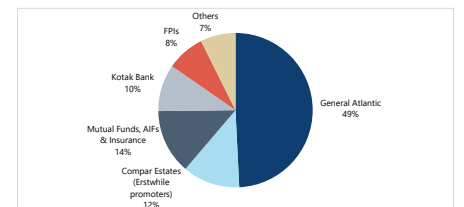
Source: Company Data, Jefferies

Exhibit 3 - We expect 16% profit CAGR



Source: Company Data, Jefferies

Exhibit 4 - Current shareholding structure



Source: Company Data, Jefferies

Exhibit 5 - Summary of different businesses and market standing of KFin Tech

Key segments	Domestic MF Investor Solutions	Domestic Issuer Solutions	International & Other Inv Solutions	Global Business Services
Offerings	Provides RTA services to mutual funds in India. Also offers value added services leveraging on strong technological capabilities	Offers multiple services to listed as well as unlisted clients with large in-house processing capabilities and management services	RTA and fund accounting services to international mutual funds, AIFs/PMSs (inc. domestic) and pension services to Indian corporates	Offers a range of outsourcing services including mortgages, legal services, transfer agency and finance and accounts operations
Market share (%)	31%	47%	NA	NA
Market position	#2	#1	NA	NA
Local peers	CAMS	Link Intime, Bigshare	NA	NA
Global peers	Captive/Custodian	Computershare, Link	SS&C, SimCorp	NA
AAUM (1QFY24) (Rsbn)	13,494	5521*	560	284^
Growth YoY (%)	15%	12%	-11%	-14%
Revenue (FY23) (Rsmn)**	4,972	1,133	657	438
Growth YoY (%)	8%	28%	35%	4%
Share in total (%)	69%	16%	9%	6%
<b>Rev growth prospect</b>	<b>Medium</b>	<b>Medium</b>	<b>High</b>	<b>Medium</b>
EBIT (pre-unallocable exp. & other inc.) (Rsmn)	2,613	486	(8)	277
Growth YoY (%)	2%	40%	-116%	7%
Share in total (%)	78%	14%	0%	8%

Source: Company Data, Jefferies; \* No. of corporate clients; ^ No. of billable FTEs (FY23); \*\* Includes recoverable expenses (OPE revenues)

Exhibit 6 - Summary of key metrics

Rs mn	FY22	FY23	FY24E	FY25E	FY26E
Operational revenue	6,395	7,200	8,091	9,202	10,466
EBITDA	2,879	2,980	3,365	3,900	4,491
EBITDA margin (%)	45%	41%	42%	42%	43%
Net profit	1,486	1,957	2,221	2,632	3,070
Profit growth (% YoY)	NM	32%	13%	18%	17%
ROAE (%)	30%	26%	23%	22%	20%
P/E (x)	41	33	29	24	21
P/BV (x)	9.9	7.4	5.9	4.7	3.9

Source: Company Data, Jefferies

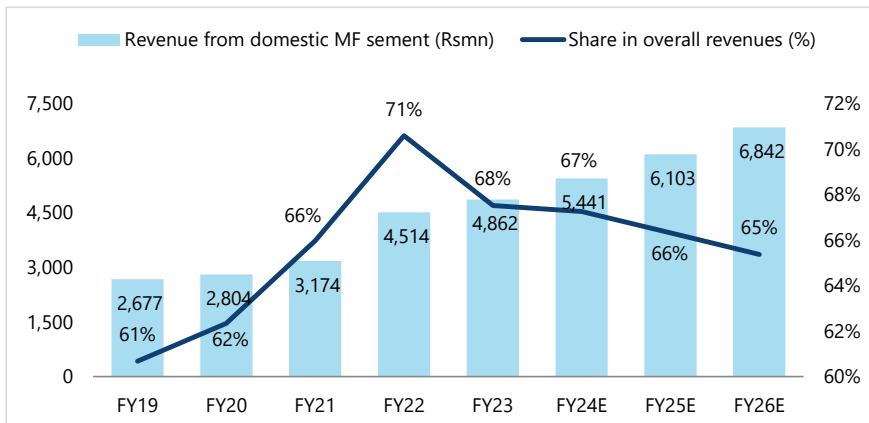
## Domestic opportunity: Leader in capital markets, account aggregator can widen horizons

KFin's domestic business (mutual fund RTA, issuer solutions & other operating revenue) generated revenues of Rs6bn in FY23 that formed 85% of total. Here, it is a leading registrar and transfer agent for mutual funds in India where it has a 32% share (by AUM) in a duopoly market (68% of total revenues). It is also among key players in the corporate issuer solutions market with a 47% share (by market cap in NSE 500) and this forms 14% of revenues. Recently, it acquired 26% stake in Fintech Products and Solutions (FPSIPL) - owner of OneMoney, a market leader in account aggregator segment. It plans to increase stake here to 75%. Finally, it has a 7% share in the NPS market. We expect domestic revenues to grow at a 12% CAGR over FY23-26e, led by growth in mutual fund RTA and issuer solutions segment but its share in overall revenues will decline towards 82% as international/AIF business grows.

### Domestic: Mutual Funds: 68% of revenues with 12% CAGR over FY23-26

KFin is a leading registrar and transfer agent (RTA) that performs transaction processing services for mutual funds. It is the second-largest player with ~30% share by asset values and c.60% share of the mutual funds. MF RTA business in India is a duopoly with CAMS, being the key competitor of KFin with ~70% market share in AUM and c.40% of mutual funds. An RTA acts as an agent between investors and AMCs and provides services like KYC verification of investors, maintaining transaction details, portfolio statements to their asset management clients. Over time, they have also started providing value-added services through proprietary technology platforms, branch network and call center services. This enables AMCs to focus on their core activity of fund management. KFin's platform include fund accounting & administration, transfer agency, digital stack (mobility, analytics, social & cloud for infrastructure), CRM solution, compliance, physical infrastructure (branches), etc.

### Exhibit 7 - KFin is an interesting play on the structural theme of financialisation of savings with c.70% of revenue from domestic MF RTA services



Source: Company Data, Jefferies

### KFin is a play on the financialisation of savings

The financialisation of household savings in India is gaining pace with higher awareness and willingness to participate in capital markets & mutual funds at the expense of physical assets and fixed deposits. Rising share of middle class population, higher financial literacy, digitisation, marketing and formalisation of economy has led this shift in preference. The prospects of a higher return to beat inflation also aided in this shift.

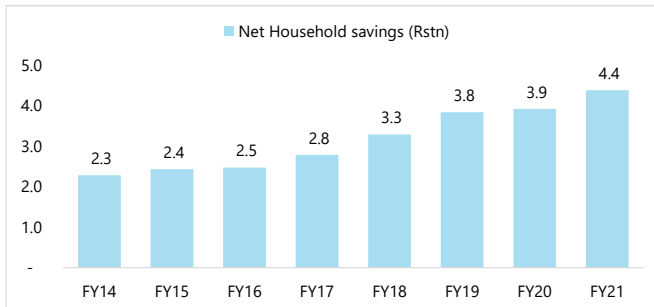
Our India Strategist, Mahesh Nandurkar, highlighted in recent report: [Conditions ripe for retail flows to improve](#) that retail flows over the last few months have slowed due to weaker trailing returns, but that has now reversed, which could improve inflows. Also, low market volatility is a positive. We believe conditions are ripe for domestic flows to pick up. Domestic flows led by strong SIP trends, rising pension & insurance flows into equity are a structural positive. During the previous property bull run over 2004-08, retail flows into equities also rose as flows into other asset classes took a hit. Additionally, history suggests that periods of low market volatility, such as now, usually drive higher flows.

Market leader in capital market & issuer solutions, with 85% of revenues coming from domestic business

Duopoly market, with KFin commanding ~30% market share by AUM and ~60% by # of clients

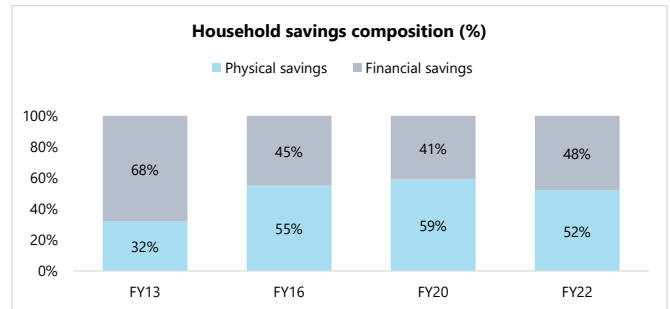
KFin is a play on the structural theme of financialisation of savings in India. Strong performance in international can further benefit.

**Exhibit 8 - Household savings grew at 10% CAGR between FY13-21 while financial savings rose faster at 16%**



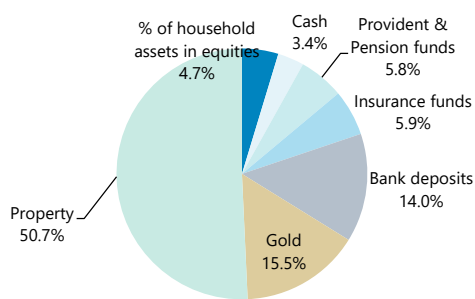
Source: Company Data, Jefferies

**Exhibit 9 - Share of financial assets is increasing with higher financial literacy**



Source: Company Data, Jefferies

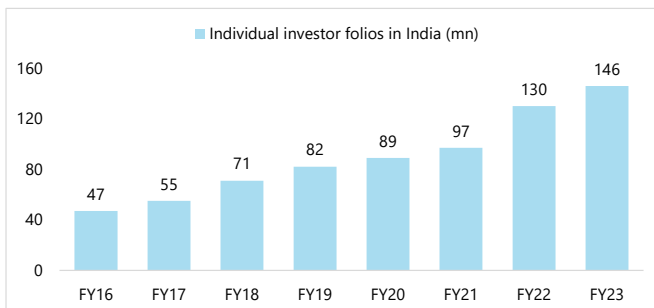
**Exhibit 10 - India household asset ownership**



**Total Indian Household assets Mar'23 : US\$11.1Trn**

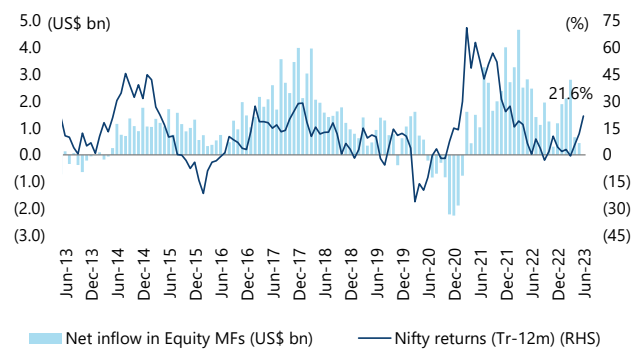
Source: RBI, AMFI, Jefferies

**Exhibit 12 - Individual folio count grew at 18% CAGR led by increased participation in mutual funds by investors**



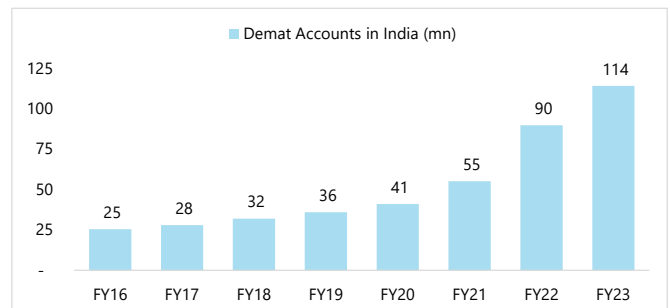
Source: Company Data, Jefferies

**Exhibit 11 - Total Inflows into MFs vs. Tr-12 month market returns**



Source: AMFI, Factset, Jefferies

**Exhibit 13 - Demat account growth of 24% CAGR reflects higher awareness and willingness to participate in capital markets**

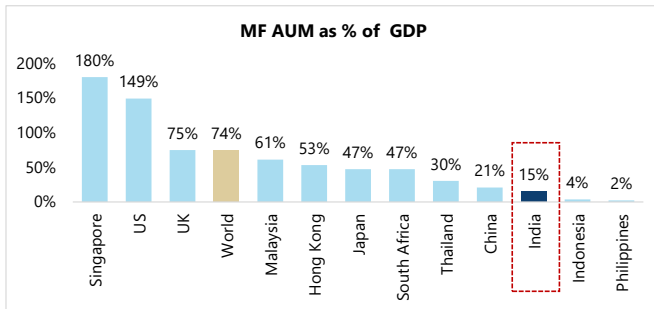


Source: Company Data, Jefferies

The domestic mutual fund sector manages ~US\$500bn in AUMs with c.50% from equities. In terms of global benchmarks, India's AUM/ GDP at 15% and equity AUM/ GDP at 8% are much lower than global average. Healthy economic growth, favorable demographics and increasing allocation to financial savings and equities will support growth for the industry. Our India Strategist, Mahesh Nandurkar, highlighted in his recent report, [Conditions ripe for retail flows to improve](#), that retail flows (lumpsum) over the last few months have slowed due to weaker trailing returns, but that has now reversed which could improve inflows. Moreover, low market volatility is a positive. Hence, over FY23-26, we expect sector AUM's to grow at an 11% Cagr and equities to grow at a 12% Cagr.

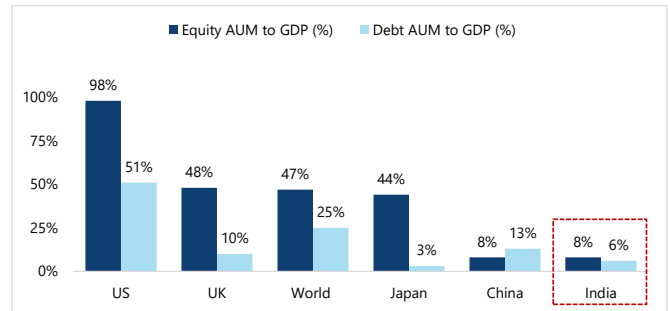
**Mutual fund industry in India is poised to grow well, driven by healthy economic growth, favorable demographics and increasing allocation to financial savings and equities**

**Exhibit 14 - Mutual funds in India are under-penetrated compared with other EM and developed countries**



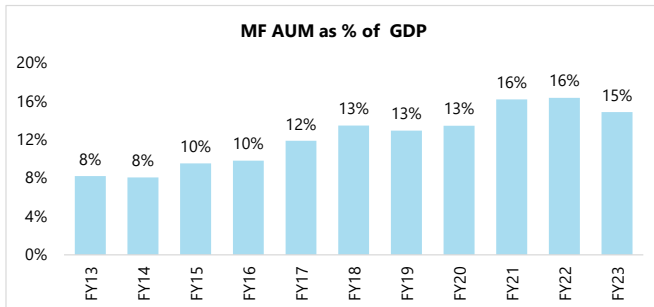
Source: World Bank, Jefferies; Latest available data

**Exhibit 15 - Significant room for upside in equity assets**



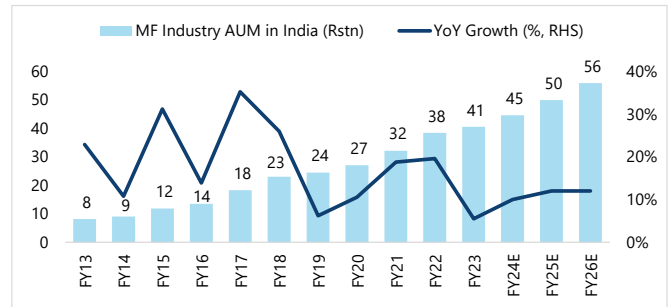
Source: World Bank, Jefferies; Latest available data

**Exhibit 16 - Over the last 10 years, mutual fund penetration has doubled in India but still remains on the lower side**



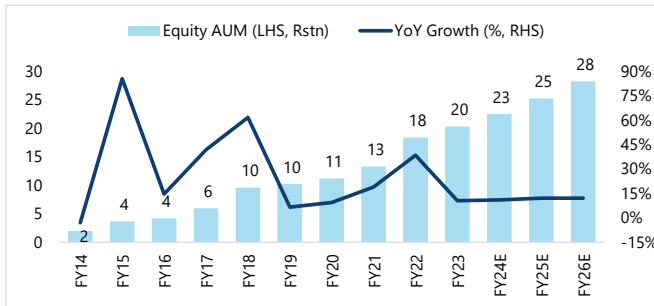
Source: Company Data, Jefferies

**Exhibit 17 - Mutual fund AUM grew at 17% CAGR over the last 10 years; expect growth of 11% CAGR over the next 3 years**



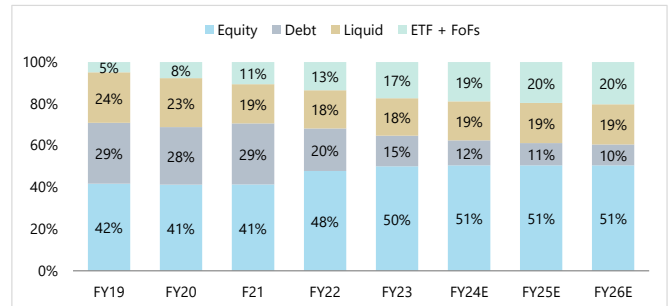
Source: Company Data, AMFI, Jefferies

**Exhibit 18 - Equity AUM grew faster at 26% CAGR due to rising awareness, financialisation and favourable market movement**



Source: AMFI, Jefferies; Equity fund includes equity funds, ELSS and balanced funds

**Exhibit 19 - Financialisation and rising awareness driving higher share of equity in MF assets**

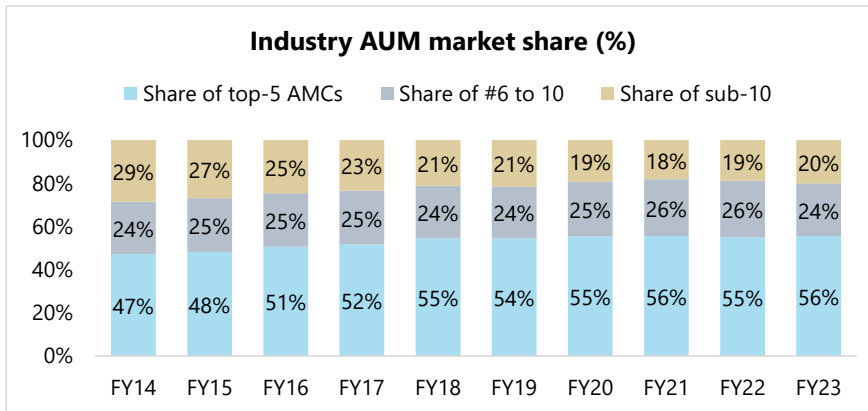


Source: AMFI, Jefferies

Indian mutual fund industry has 42 operating players and manages over Rs40tn in AUM of which equity AUMs form 50% share, debt funds 15%, liquid funds 18% and ETFs at 17%. Top-5 players have 56% share of sector and 6-10 have 24%. K-Fin has c.60% share of MFs by number of players and c.30% by value of AUM - its market share in equity AUMs is at 34% and 28% in debt funds (including liquid). Across player, KFin has 20% share among the top-5 players and 60% among the 6-10 players. KFin has won 15 out of the last 22 new Asset Managers in India. In Jul-23, it was also appointed as RTA for Jio Financial Services. Top-10 clients for KFin form 94% of AUMs of which Top-5 bring 77% of total.

**Indian MF industry is concentrated with top 5/10 players controlling c.55%/80% of AUM in a market with more than 40 players**

**Exhibit 20 - Industry AUM has consolidated in favor of the larger players over the last 10 years; top-5 control 56% of overall AUM while top-10 enjoy 80% market share**



Source: AMFI, Jefferies

**Exhibit 21 - KFin derives ~50% of MF RTA fees from top five domestic mutual fund clients**

Business Segment	Top five clients	Top-5 client - revenue contribution (1HFY23)	Duration of relationship (in Yrs)
Domestic Mutual Fund Solutions	Nippon Life AMC	49.3%	24
	UTI AMC		13
	Axis AMC		12
	Mirae Asset Mutual Fund		14
	Customer A		11

Source: Company Data, Jefferies



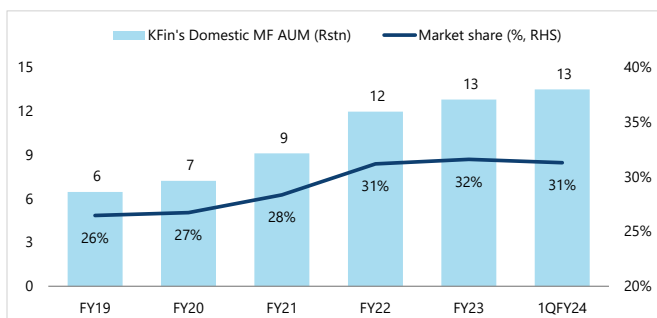
**Exhibit 22 - KFin is increasingly become the RTA partner of choice, winning 15 out of the 22 new AMC mandates; Also appointed as RTA for Jio Financial**

Name of new Mutual Fund since FY17 (recent to oldest, client wise)	RTA
Frontline Capital Services Limited	KFin
Bajaj Finserv	KFin
Old Bridge Capital Management	KFin
Helios Capital	CAMS
Zerodha Asset Management	CAMS
Samco Mutual Fund	KFin
NJ Mutual Fund	KFin
Trust Mutual Fund	KFin
Yes Mutual Fund (now White Oak Capital)	CAMS
ITI Mutual Fund	KFin
Mahindra Mutual Fund	CAMS
Navi MF	CAMS
Quant Mutual Fund	KFin
Emkay Global	Not Decided
Angel One	Not Decided
<b>Applications under consideration by SEBI</b>	
Unifi Capital	NA
Abira Securities	NA
Alpha Alternatives Fund Advisors	NA
Wizemarkets Analytics	NA

Source: SEBI, Company Data, Jefferies

KFin has 31% share in overall AUMs with c.US\$160bn in AUM and of these 55% is in equities as of 1QFY24. We expect its mutual fund clients to see a tad higher growth in AUM at 14% and 16% in equities, as KFin's clients have higher share of equity assets and are smaller, that is aiding growth. KFin has also been able to leverage revenue opportunity through value-added services to MF clients. We have factored some decline in fees/ AUM, and will watch out for impact of any changes in regulations on fees for mutual funds (new framework is awaited). This will drive a 12% CAGR in revenues from domestic mutual funds.

**Exhibit 24 - Overall AUM for KFin grew at 19% CAGR during FY19-23, aided by market share gains and new client mandates**



Source: Company Data, Jefferies

Our AUM growth forecast for sector at 11% and 12% in equities over FY23-26e compares with 14%/22% over FY20-23 and 6%/10% in FY23. Our AUM growth assumptions for K-Fin at 14% and 16% in equities over FY23-26 and compares with 21%/27% over FY20-23 and 7%/9% in FY23. We also expect VAS based revenues to grow at a 21% CAGR, and its share in overall revenues to rise from 5% now to 7% by FY26. We have also factored a 5% decline in fees (as factor of AUM) over the next 3 years, reflecting some impact of rise in AUM size (telescopic model) and impact of lower caps on fees, as proposed by SEBI.

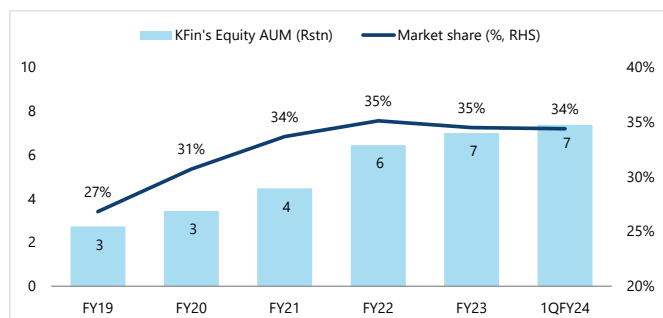
**Exhibit 23 - Out of top 20 mutual funds, KFin caters to 9 clients; however, the larger-bank-backed players have partnered with CAMS**

S.No	Asset Management Company	QAAUM (Rstn)	Mkt. Share (%)	RTA
1	SBI Mutual Fund	7,172	18%	CAMS
2	ICICI Prudential Mutual Fund	4,996	12%	CAMS
3	HDFC Mutual Fund	4,498	11%	CAMS
4	Nippon India Mutual Fund	2,932	7%	KFin
5	Kotak Mahindra Mutual Fund	2,893	7%	CAMS
6	Aditya Birla Sun Life Mutual Fund	2,752	7%	CAMS
7	Axis Mutual Fund	2,414	6%	KFin
8	UTI Mutual Fund	2,388	6%	KFin
9	Bandhan Mutual Fund	1,169	3%	CAMS
10	Mirae Asset Mutual Fund	1,163	3%	KFin
11	DSP Mutual Fund	1,147	3%	CAMS
12	Edelweiss Mutual Fund	1,006	2%	KFin
13	Tata Mutual Fund	984	2%	CAMS
14	HSBC Mutual Fund	833	2%	CAMS
15	Franklin Templeton Mutual Fund	631	2%	CAMS
16	Canara Robeco Mutual Fund	625	2%	KFin
17	Invesco Mutual Fund	464	1%	KFin
18	Sundaram Mutual Fund	446	1%	KFin
19	PPFAS Mutual Fund	337	1%	CAMS
20	Motilal Oswal Mutual Fund	296	1%	KFin

Source: AMFI, Company Data, Jefferies

**KFin's equity AUM to grow faster as clients are smaller with a higher share of equity assets**

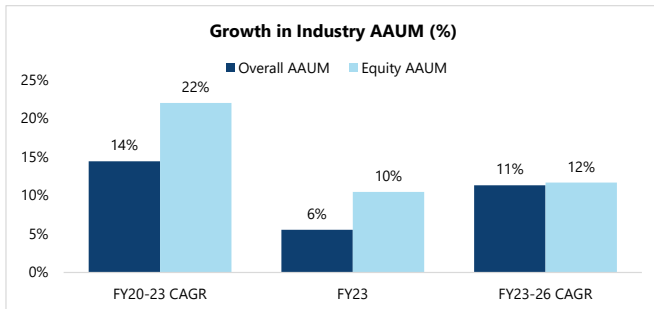
**Exhibit 25 - Higher growth of 27% CAGR (FY19-23) in Equity AUM due to focus on mid-size equity oriented AMCs**



Source: Company Data, Jefferies

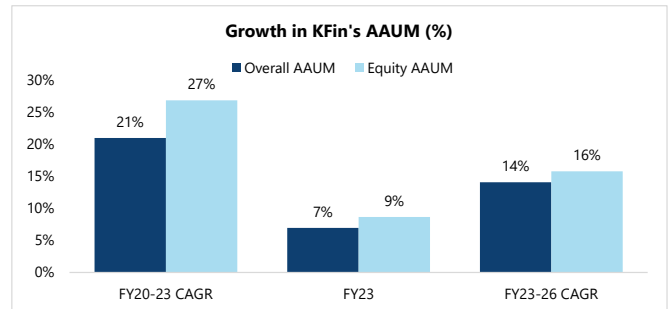
**KFin to grow tad faster than industry; Share of value added services (VAS) rising to increase their dependency**

**Exhibit 26 - We expect industry AAUM to grow at 11% CAGR over the next 3 years; equity to be slightly higher**



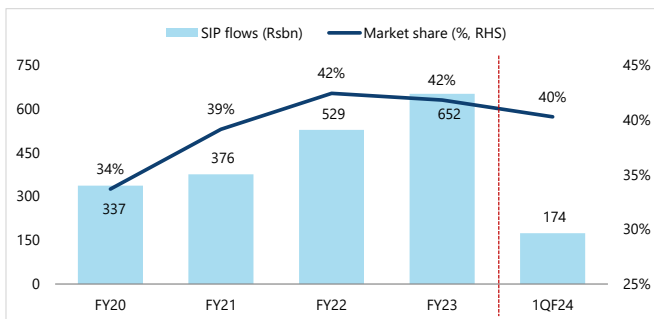
Source: Company Data, Jefferies

**Exhibit 27 - Overall & equity AAUM growth should be faster for KFin, aided by market share gains & profile of clients**



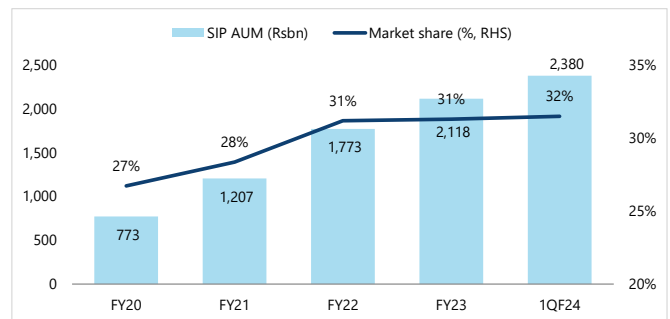
Source: Company Data, Jefferies

**Exhibit 28 - KFin enjoys a stronger market position in SIP flows with a mkt. share of 40% vs. 34% share in equity AUM**



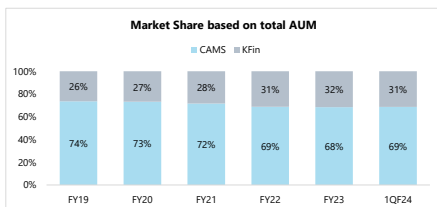
Source: Company Data, Jefferies

**Exhibit 29 - As a result, SIP AUM grew faster at 40% CAGR vs. equity AUM of 27% during FY20-23**



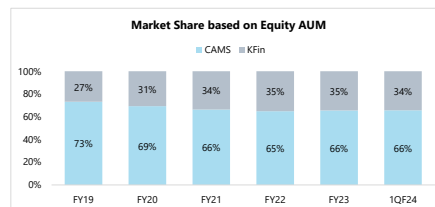
Source: Company Data, Jefferies

**Exhibit 30 - Gradual increase in market share as smaller & medium AMC's grow in size**



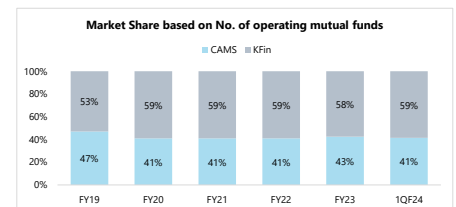
Source: Company Data, Jefferies

**Exhibit 31 - Focus on equity led AMC's paying off with a faster rise in equity AUM market share**



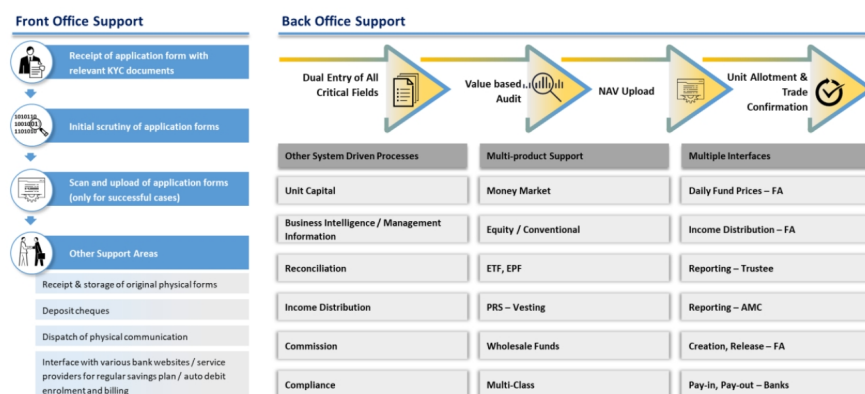
Source: Company Data, Jefferies

**Exhibit 32 - KFin is the market leader with c.60% share in terms of number of AMC's**



Source: Company Data, Jefferies

**Exhibit 33 - RTAs provide several critical front office and back office services and enables AMC's to focus on core activity**

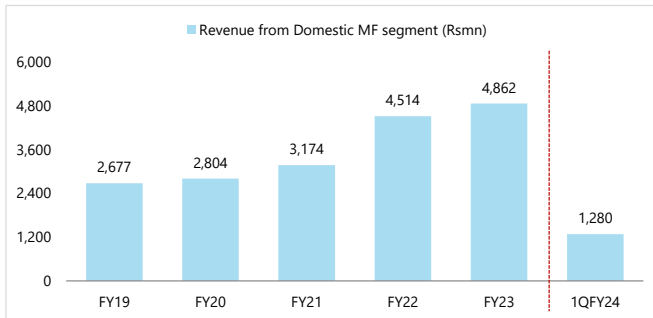


Source: Company Data, Jefferies

Over the next three years, we see a 12% CAGR in revenues from domestic mutual fund business arising from 14% CAGR in AUM (new flows and MTM changes). We assume that K-Fin's clients would be able to hold market share. On the one hand, K-Fin's AMC clients may lose market share if larger AMCs aggressively advertise their lower fees, as proposed under the new norms, but on the other hand, K-Fin's clients may be able to pay higher distributor commissions and expand network as they leverage higher caps on fees.

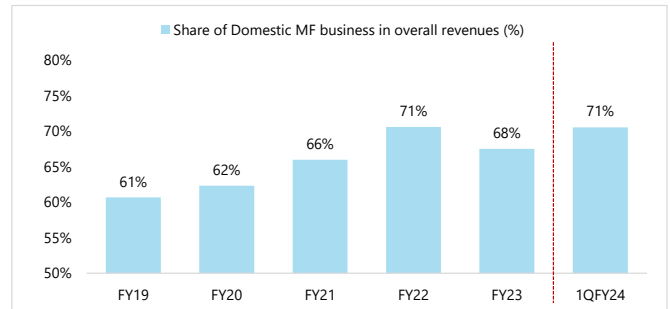
**MF RTA business should grow at 12% CAGR, aided by healthy growth in AUM partially offset by decline in yield**

**Exhibit 34 - Revenues from domestic MF RTA business grew at 16% CAGR during FY19-23**



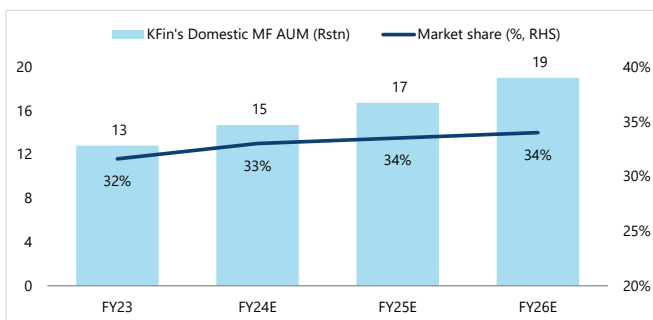
Source: Company Data, Jefferies

**Exhibit 35 - Domestic MF RTA business contributes 65-70% of overall revenues; Further diversification efforts under progress**



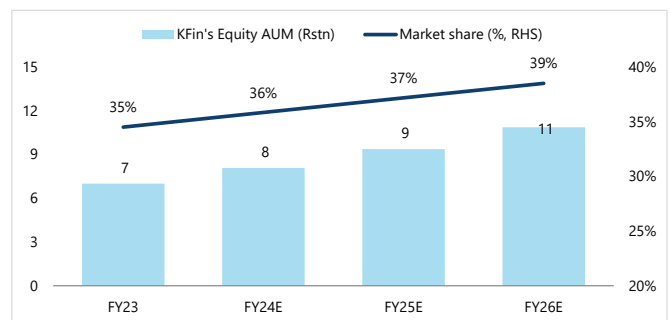
Source: Company Data, Jefferies

**Exhibit 36 - We expect overall AUM for KFin to grow at 14% CAGR, aided by market share gains**



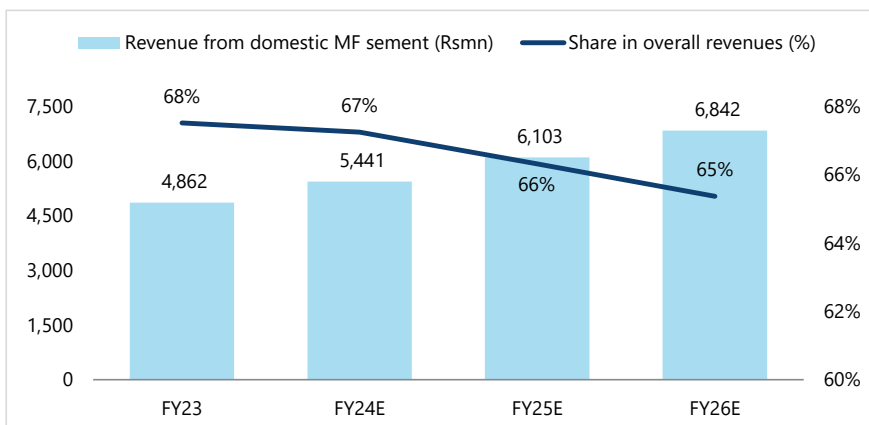
Source: Company Data, Jefferies

**Exhibit 37 - Focus on mid-size equity-oriented AMCs will lead to faster growth of 16% CAGR in equity AUM**



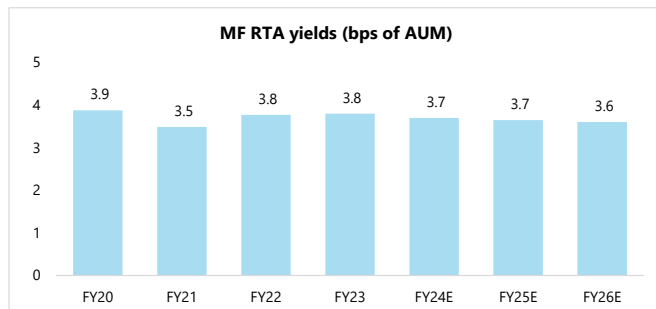
Source: Company Data, Jefferies

**Exhibit 38 - We expect revenue from this segment to grow at 12% CAGR over FY23-26 aided by AUM growth but offset by decline in yields**



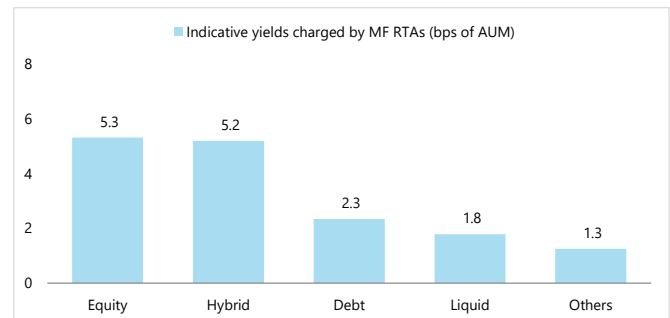
Source: Company Data, Jefferies

**Exhibit 39 - We expect MF RTA yields to compress to 3.6bps over next 3 years led by MF fee cap norms**



Source: Company Data, Jefferies

**Exhibit 40 - Equity & hybrid funds command significantly higher yields for RTAs compared with debt & liquid funds**



Source: Company Data, Jefferies

### Value added services (VAS) lift revenues and client engagement

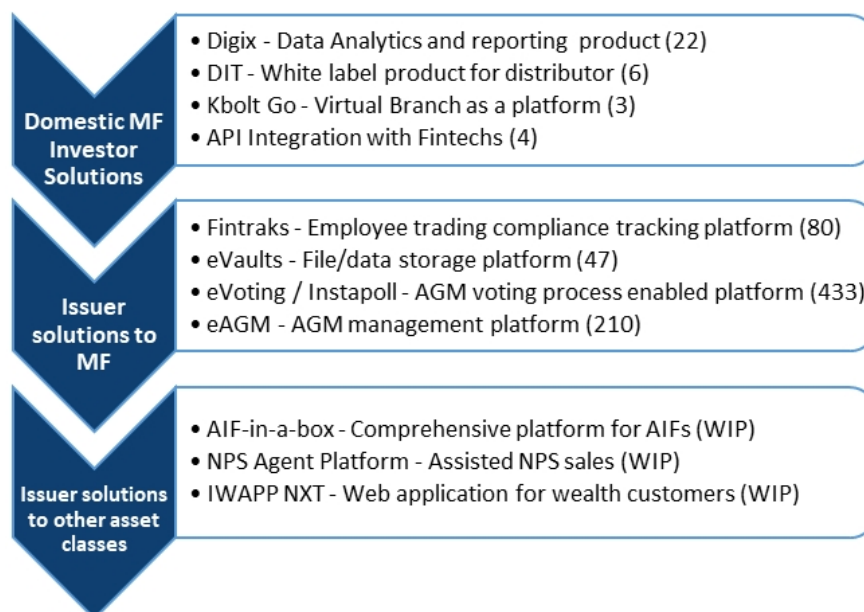
KFin has diversified its platform to offer value-added services (VAS) such as analytics, customer relationship management, branch support and technology support services etc, that now drive 5% of overall revenues. KFin endeavors to increase share of value-added services in other divisions also like issuer solutions, international RTA business and AIF/wealth management. Over the past few years, the segment has seen c.30% CAGR in revenues aided by 21% CAGR in AUMs and rise in share of VAS revenues. While the share of VAS is small, it is important in the sense that it makes RTA partners an integral part of the AMC business. Further, this segment is expected to grow faster as technology adoption improves and AMCs aspire to deliver a superior customer experience. We expect VAS revenues for KFin to grow at 21% CAGR over the next 3 years and form 7% of overall revenues by FY26.

Recently its data lake platform, Digix - a data analytics and reporting solution won its first wealth management client. It was also implemented for some large clients and has use cases in other BFSI verticals. Some other products include DIT - a white label product, Kbolt Go - a virtual branch platform and API integration with fintechs. In issuer solutions, KFin product offering comprises Fintraks, eVaults, eVoting and eAGM. It also aspires to cross-sell iMatch, reconciliation product of Hexagram. Overall, the idea remains to increase share of 'platform as a service' offering across all businesses.

**VAS share to improve with increased use of tech and aspiration of RTAs to increase dependence of AMCs on them**

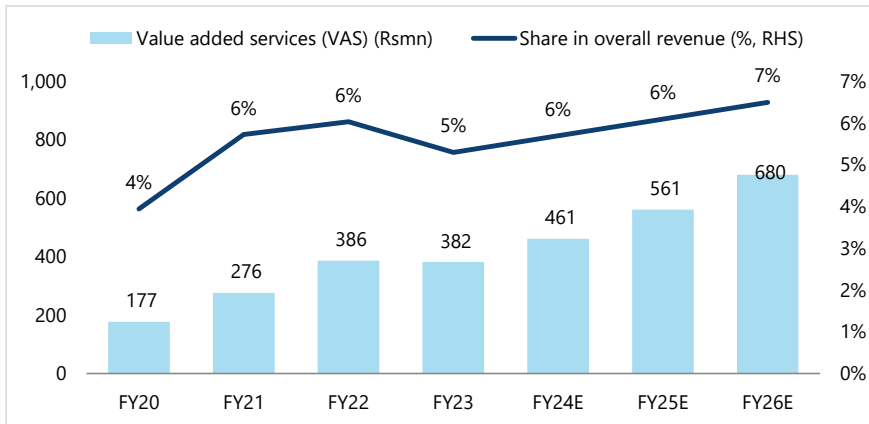
**Several industry first products such as Digix, e-voting, e-AGM and iMatch to aid higher growth of VAS**

**Exhibit 41 - Kfin aspires to increase share of Value added services (VAS) to further deepen relationship with clients**



Source: Company Data, Jefferies; ( ) indicates number of clients using the product as of end-1HFY23. For eVoting and eAGM, it is as of FY22

**Exhibit 42 - We expect VAS to grow at 21% CAGR between FY23-26 due to increasing use of technology by RTAs**



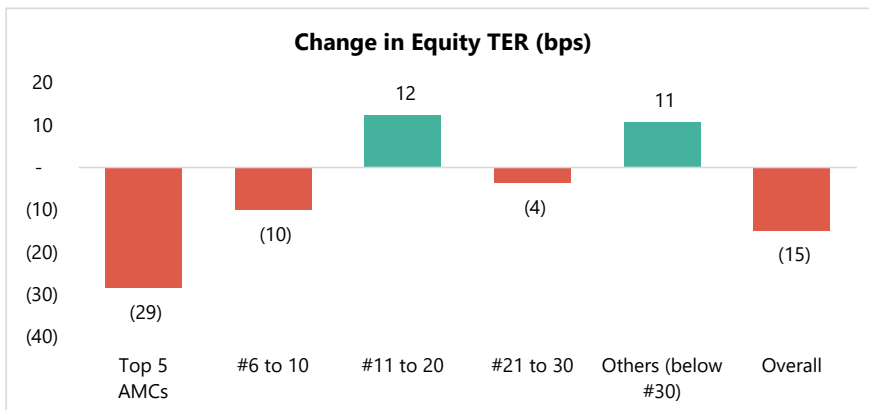
Source: Company Data, Jefferies

### Clarity on new fee caps for MFs awaited

Our deep-dive analysis shows proposed caps on fees for \$260bn of equity-linked AUMs of MFs will have a large and divergent impact. While top-5 players will be most impacted adversely, players ranked between #11 and 20 and sub-30 will gain. However, SEBI has deferred its decision to overhaul TER of mutual funds, and will issue a revised consultation paper, incorporating the feedback from industry participants. While details are unknown, it is believed that the new consultation paper will be far less disruptive for mutual funds, and thus, the entire ecosystem including distributors, stockbrokers and RTA partners, among others will face lower pressure vs. earlier expectations.

**Any dilution (as expected) in proposed fee caps norms will benefit AMCs and lower pressure to reduce RTA yields**

**Exhibit 43 - Original proposal for fee cut for MFs could have been disruptive, but now is likely to be diluted; final paper awaited**



Source: AMFI, Company Data, Jefferies

## Domestic: Issuer Solutions: 14% of revenues, 12% Cagr over FY23-26

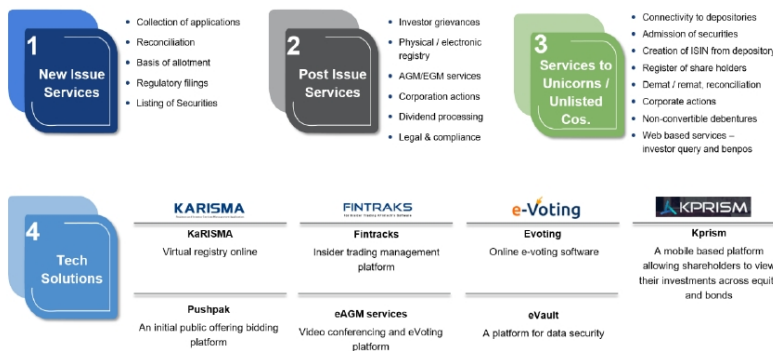
KFin is also a market leader in the issuer solution segment where it services corporate clients, that are listed as well as unlisted. The range of services includes virtual registry, MIS, e-voting, insider trading among others. It offers these as a service and on build & operate models. KFin services over 5,300 corporate clients and has 38%/47% share in the NSE500 space (based on number and market cap of companies) and managed >50% of IPOs in FY23. Other large player is Link Intime with 24% share (as of Sep-22) while the residual is either catered to by smaller players or done in-house. K-Fin has been gaining market share in this segment as it leveraged some large wins like LIC, and has also successfully won back corporate clients.

We understand that its offerings around Fintraks and eAGM have helped it differentiate against peers to gain market share. It successfully built and executed an industry-first IPO solution that allowed investors instant access to IPO allotment results. Its market share in IPOs (mainboard; based on issue size) has improved from 18% in FY20 to 57% in FY23.

The revenue model of issuer solutions providers typically revolves around the number of folios managed and for conducting various corporate actions. Revenue of this segment can see an uplift with increase in retail participation in direct equity as well as higher share of value-added products and services.

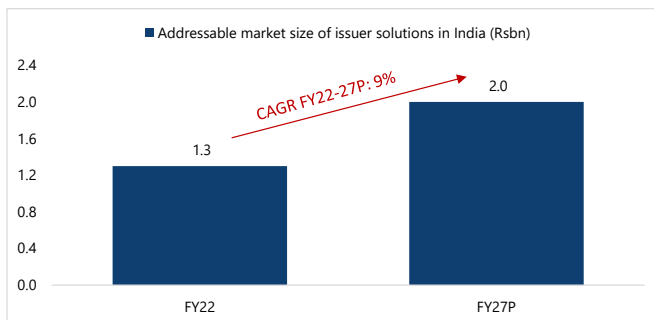
We believe that after a strong FY23 when market share rose from 38% to 57% (in mainboard IPO by issue size) aiding revenue growth of 32% YoY, growth should normalise to 12% CAGR between FY23-26. We have factored 10% CAGR in number of folios and 2% rise in yields (Rs./folio) over next three years. K-Fin is adding services like virtual online registry ('KaRISMA'), insider trading management platform ('Fintraks'), e-voting software, aAGM and platform for data security that should help gain market share.

### Exhibit 44 - KFin has a wide scope of work under issuer solutions to listed as well as unlisted entities



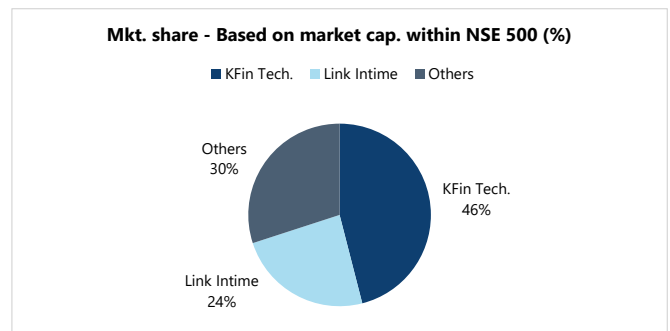
Source: Company Data, Jefferies

### Exhibit 45 - Addressable market size of issuer solutions is expected to grow at a 9% CAGR for the next 4-5 years



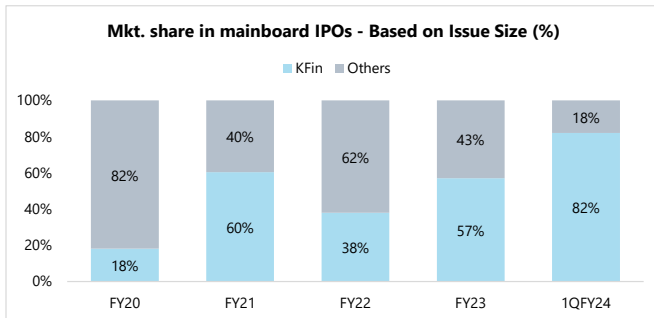
Source: CRISIL, Jefferies

### Exhibit 46 - KFin is a leader in issuer solutions on the back of strong product proposition and vast experience



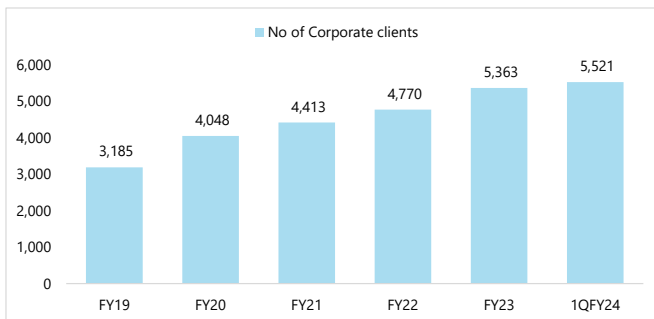
Source: Company Data, Jefferies; Data is as of 1HFY23; Current market share of KFin is 47% (Jun-23)

**Exhibit 47 - KFin has strong market share in handling larger size IPOs...**



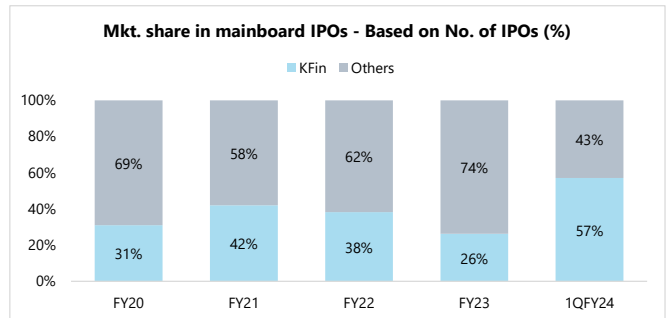
Source: Company Data, Jefferies

**Exhibit 49 - Impressive ramp up of corporate client base due to strong product proposition**



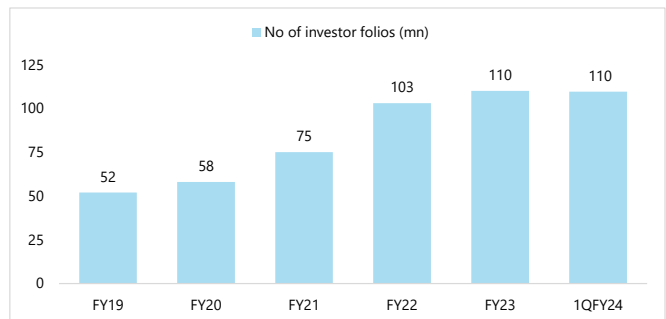
Source: Company Data, Jefferies

**Exhibit 48 - .. and is also a player of scale in smaller size IPOs**



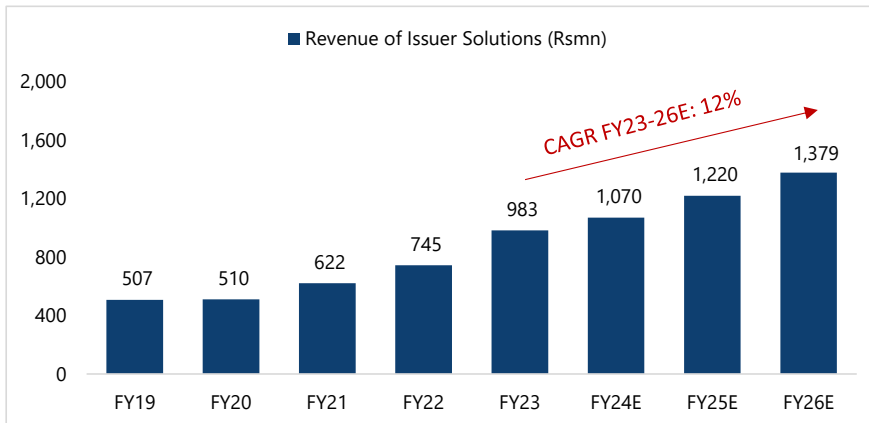
Source: Company Data, Jefferies

**Exhibit 50 - Investor folio grew at a solid pace of 21% CAGR; Spike in FY21/ FY22 was due to launch of popular IPOs**



Source: Company Data, Jefferies

**Exhibit 51 - Expect healthy growth of 12% CAGR in revenue of issuer solutions on the back of 10% increase in folio count and 2% rise in yields**



Source: Company Data, Jefferies

## Domestic: Account Aggregator: A new foray, watching ramp-up

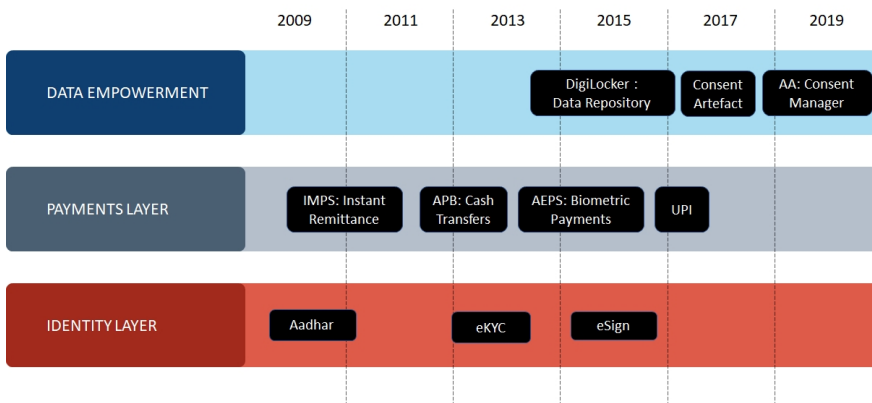
Account aggregator, in our view, is an important platform that has the potential to transform lending and investing in financial sector. This platform will drive digital transfer of information about the customer from their existing bank accounts, income tax details, GST details, electricity bill payment and mobile recharges/bill payment data among others to prospective lender and investment managers (like insurers, mutual funds). This can replace the current model of paper / electronic document based sharing of information of personal records and can make the system more efficient on costs as well as underwriting. This also comes at a fraction of cost vs. paper-based information and data security/privacy standards are strong.

With the evolution of the account aggregator platform, MSMEs will find integration easier as lending shifts from asset-backed lending to cash-flow based lending. The platform was launched in Sep-21 and currently has 86 financial companies as Financial Information Providers (FIPs) and c.250 as Financial Information Users (FIUs). ~17 million accounts have linked to the AAs so far since Sep-21 while ~18 million consent requests have also been raised through AA applications. There are a total of 12 account aggregators as of now. Over the next few years, this could evolve into a UPI-like platform for lending with a monetisation method.

**Account aggregator has potential to transform lending and investing and could evolve like a UPI-like platform for lending with monetisation method**

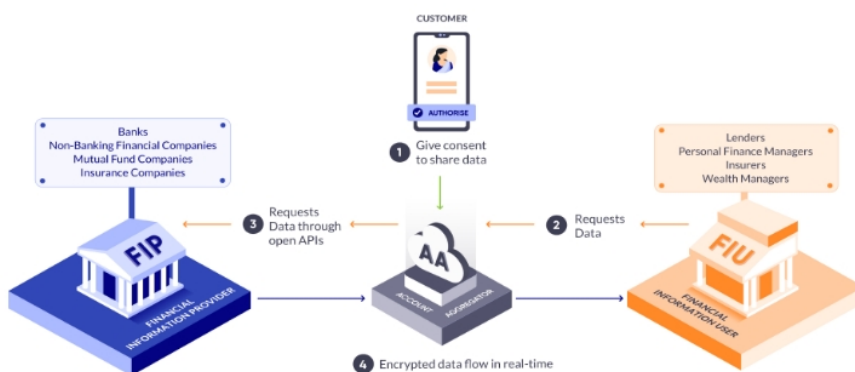
**At present, 86 companies are registered as FIPs while ~250 as FIUs. Since Sep-21, 17mn accounts have been linked with ~18mn consent requests raised**

### Exhibit 52 - Account Aggregator is an important step in the advancement of India Stack



Source: Jefferies

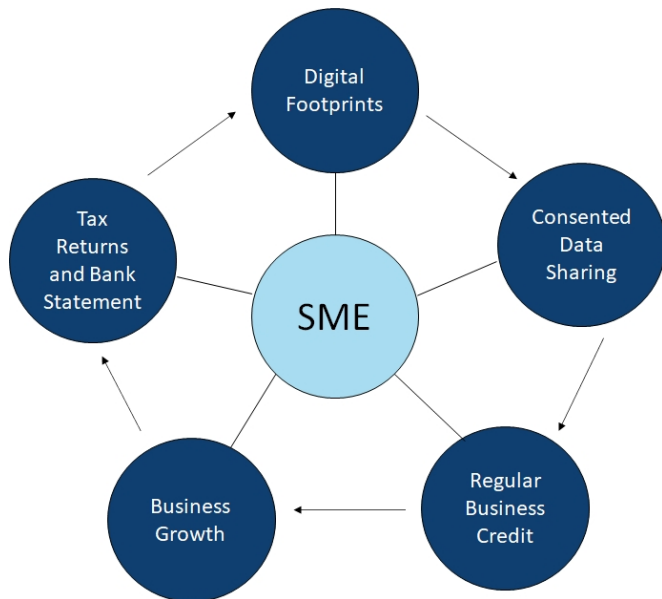
### Exhibit 53 - Snapshot of how the Account Aggregator ecosystem works



Source: Sahamati, Jefferies



**Exhibit 54 - AA will be beneficial for SMEs and financiers focused on that segment**



Source: Jefferies

**Exhibit 55 - At present, there are 12 account aggregators in India**

List of Account Aggregators in India
CAMSFInServ
Cookiejar Technologies (Finvu)
CRIF Connect
Dashboard Account (Saafe)
FinSec AA Solutions (OneMoney)
NSEL Asset Data
Protean (SurakshAA)
Perfios (Anumati)
PhonePe Technology
Tally Account (TallyEdge)
Unacores AA Solutions (INK)
Yodlee Finsoft
Applicants who have received In-Principle approval from RBI
Agya Technologies
Cygnnet
Digio Internet
OMS Fintech
PB Financial

Source: Company Data, Jefferies

K-Fin has recently acquired 25.6% stake in account aggregator business, OneMoney, which has over 40% market share in the overall account aggregator segment for Rs65mn. It also has the option to raise its stake to ~75% with necessary approvals. We believe that the penetration of account aggregator is at nascent stage. Its share can rise significantly as more data providers come on board (especially GST) and activity in the digital lending space picks-up again.

The revenue from account aggregator segment will arise from processing of information requested by FIUs and larger share may come from the vertical that analyses information for the client. In FY23 (first full year), the platform had reported Rs45mn in revenues, and we factor that the platform should stay profitable with ramp-up of data analytics platform.

**KFin acquired ~26% stake in OneMoney, a leading AA with >40% market share for Rs65mn; option exists to increase this further to 75%**

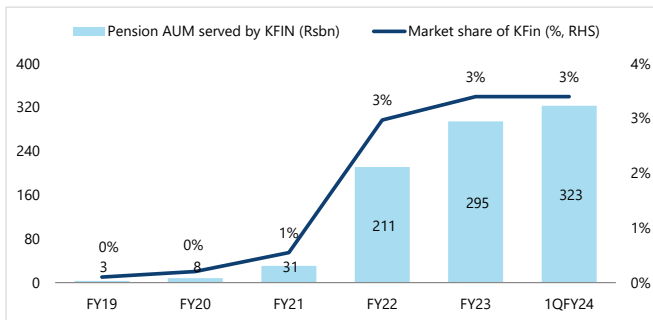
**Expect platform to be profitable**

## Domestic: Other Segments

K-Fin is also present in some other segments like National Pension Scheme. It has ~1mn subscribers, translating into 7% share in the NPS segment (based on subscriber base) and 3-4% in pension AUM. While the opportunity is large here as NPS assets are at Rs9tn and customer base can grow, but unit economics are weaker, and we don't factor these to improve. However, market share in new subscriber base is higher at 15%, and will thus act as a natural feeder for growth. We estimate revenue growth to be strong in this segment at a 24% CAGR over FY23-26e, but it forms only 1% of total revenues.

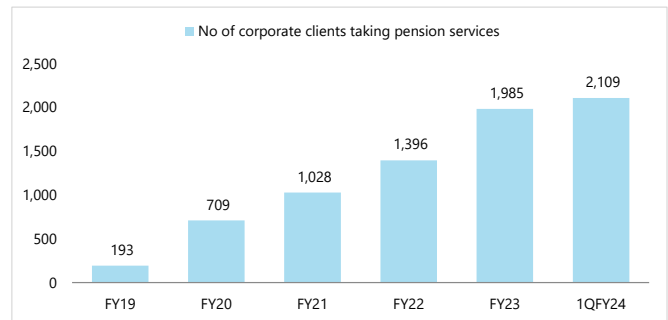
**7% share in NPS (by subscriber) and 3-4% (by AUM); however, contribution in overall revenues is just 1%**

**Exhibit 56 - Ramping up presence in pension segment, but unit economic remains weak**



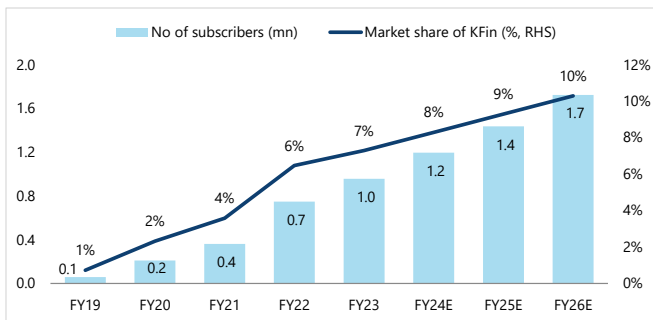
Source: Company Data, NPS Trust, Jefferies

**Exhibit 57 - Strong pace of addition in corporate clients availing pension services**



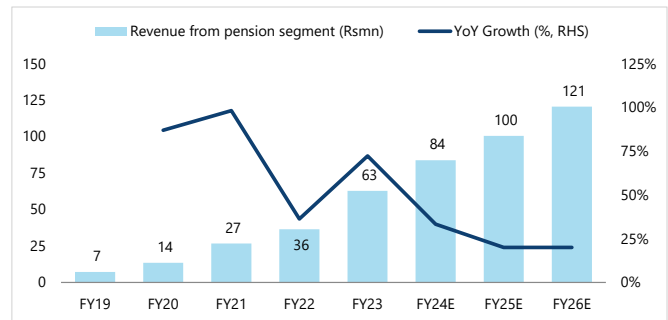
Source: Company Data, Jefferies

**Exhibit 58 - As a result, subscriber base & market share is increasing**



Source: Company Data, NPS Trust, Jefferies

**Exhibit 59 - Expect growth of 24% CAGR between FY23-26e; however, contribution is limited to 1% of overall revenue**



Source: Company Data, Jefferies

## International, AIF/PMS, pension segments will lead growth

The international and AIF/ PMS segments are key focus areas for KFin, and it is investing through addition to its teams, bidding for business in south-east Asian market (2.5x of India), expanding in western markets leveraging on fund accounting platform (Hexagram) and adding clients in AIF/PMS segment where it has an early-mover advantage in India and competition is still limited. K-Fin has been taking its product suite of RTA as well as fund-accounting to global clients and currently has 48 clients across South East Asia as well as western clients. Over FY23-26e, we see ~30% Cagr in revenues from these segments and their contribution to revenues will rise from just 9% in FY23 to 13% by FY26.

### **International: Revenue CAGR of ~30% over FY23-26e; share to rise from 9% to 13%**

K-Fin has been taking its product suite of RTA as well as fund-accounting to global clients, and currently has 48 clients across South East Asia as well as western clients. The South-East-Asian market is primarily towards transfer agency platform, where KFin has been present for a long time. Western markets are primarily towards fund accounting, where KFin plans to leverage its acquisition of Hexagram.

In the south-east Asian market, K-Fin has leveraged its RTA platform as well as acquisition of Hexagram to offer services to global clients. It has clients in Malaysia, Philippines, Hong Kong, plans to start operations in Singapore and has also received in-principle regulatory approval in Thailand. It also marked its entry in Canada by signing up with an AIF to provide fund accounting services. Recently, it won one new client in Malaysia and Singapore and added 28 funds from an existing client for RTA services. Also won maiden contract for fund administration in Thailand, from a large bank backed asset management company.

KFin's approach to international markets is also customised as per the regulatory and client positioning in the markets. In markets where data is required to be held-back, they can set up their legal entities there and/or offer their platform as a service. One may put UAE and Thailand in that bucket. Also, some markets have higher business from alternatives, which offers larger scope for fund-accounting services. Whereas markets in south-east Asia offer higher opportunity for RTA services as mutual funds (with larger client base and streamlined fund valuation norms) are more dominant.

The overall market size in South East Asian markets is 2.5x of India, and mostly internally managed, even as growth in AUMs has been low in the range of 4% to 13% CAGR for these markets over CY16-CY21. We expect KFin to see stronger growth through market share gains. The outsourcing of RTA & fund accounting functions to a third-party enables AMCs/AIFs to focus on core activity, and helps to save costs, and benefit from domain expertise and better technology. KFin sees this segment as a strong growth area, and has been adding employees in these markets to strengthen the team, including country sales head for various South East Asian markets. Over the next three years, we expect the segment to see growth in revenues of 28% led by 28% CAGR in AUMs while fees remains flat.

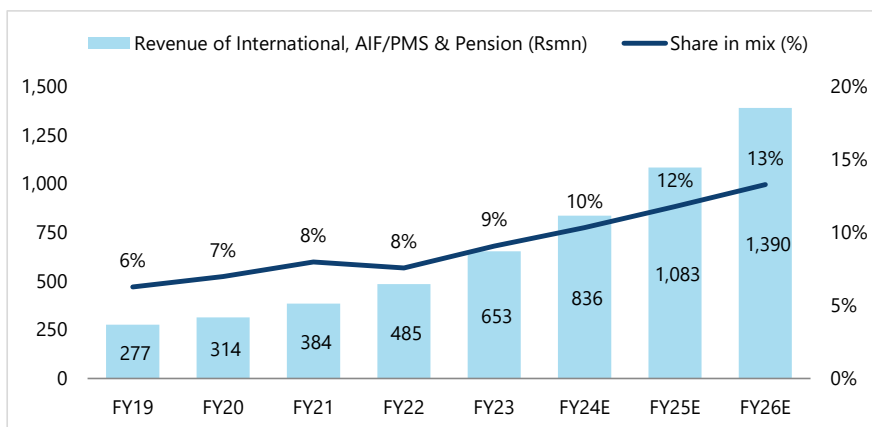
**International and AIF/PMS are focus areas for KFin. We expect this segment to lead growth with c.30% CAGR between FY23-26**

**Penetrated into South East Asian markets by offering RTA services. Plans to enter western markets through fund accounting solution**

**Recent order wins in RTA as well as fund accounting lends incremental comfort on capability to breakthrough**

**TAM is huge and with most of the investor solutions managed in-house, strong possibility exists for outsourcing**

Exhibit 60 - International & AIF/PMS to lead growth with ~30% CAGR over the next three years



Source: Company Data, Jefferies

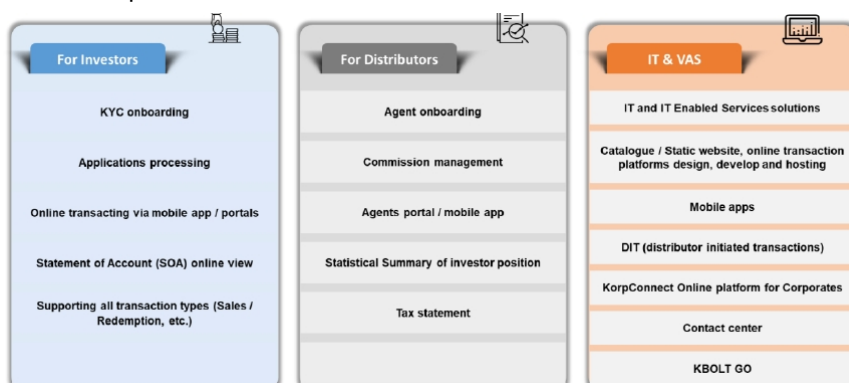
Exhibit 61 - Addressable market in South East Asia is 2.5x of India's mutual fund industry

	Singapore*	Hong Kong	Malaysia	Philippines	Indonesia	Thailand
No of Asset Management Companies	1,108 <i>(Registered &amp; 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%
	Soon to start rendering services	Entered new markets over last few years			Continuous expansion of TAM <sup>1</sup>	In the process of setting up operations

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

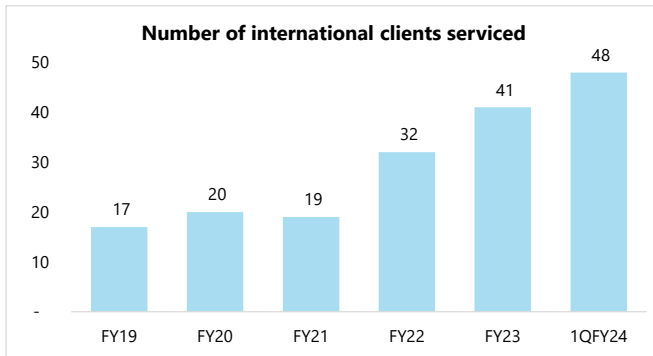
Source: Company Data, Jefferies

Exhibit 62 - Scope of work in international investor solutions business



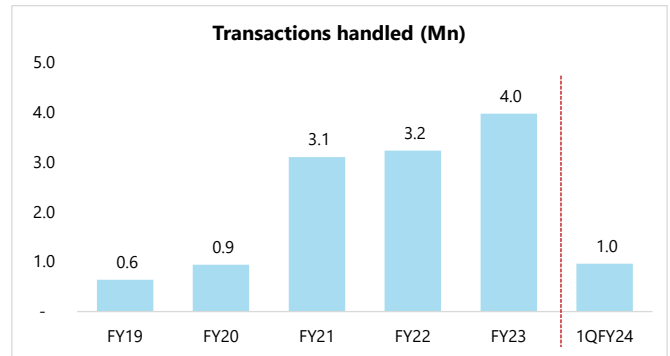
Source: Company Data, Jefferies

**Exhibit 63 - KFin is taking product suite of RTA & fund-accounting to global clients and currently has 48 clients**



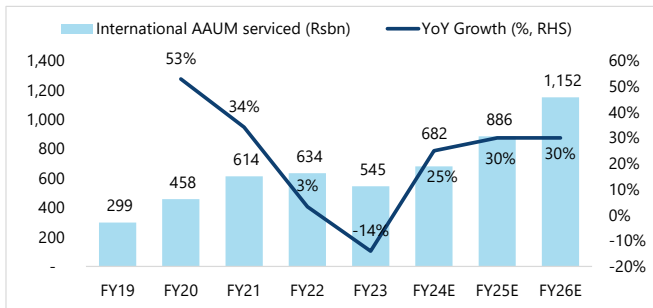
Source: Company Data, Jefferies

**Exhibit 64 - Increasingly serving the needs of global clients, reflected in rise in no. of transactions handled**



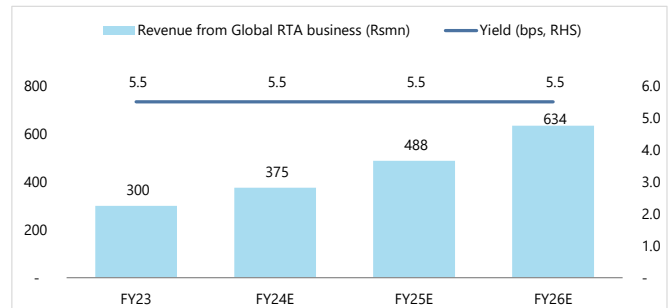
Source: Company Data, Jefferies

**Exhibit 65 - Soft AUM growth in last 2 years; however, confident of higher growth due to large market size & own strengths**



Source: Company Data, Jefferies

**Exhibit 66 - Revenue growth in int. RTA business to be led by AUM growth while fee remains flattish**



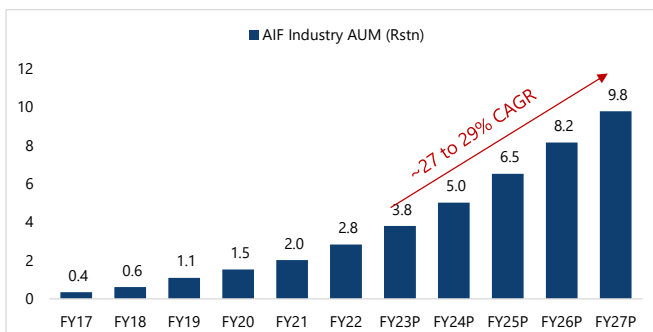
Source: Company Data, Jefferies

**Alternatives and PMS : Revenue CAGR of 33% over FY23-26; share to rise from 2% to 4%**

KFin also services alternative investment funds (AIFs) and portfolio management services (PMS) where it has a 36% market share, based on total AIFs registered with SEBI, and earns 2% of its overall revenues. Its platform supports multiple currencies, 50+ assets classes as well as global platforms (customised for regulations, agency arrangements, reporting requirements etc.). Its services include client relation management, order and trade management, digital client on-boarding, distributor brokerage reports, portfolio benchmarking, audit and compliance reporting among others. Over the next three years, we expect the segment to see growth of 33% led by 32% Cagr in AUMs while fee remains flattish.

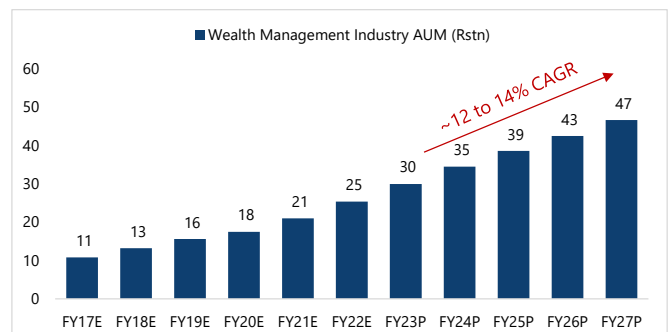
**Scaling up AIF and PMS segment due to strong structural growth opportunity; With growth of 30%+ CAGR, share to rise from 2% to 4% over next 3 years**

**Exhibit 67 - AIFs have gained traction due to ability to generate higher returns for HNIs and UHNIs; expect strong growth ahead**



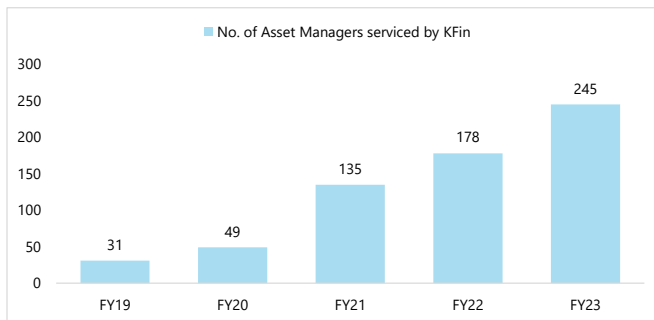
Source: CRISIL Data, Company Data, Jefferies

**Exhibit 68 - Huge opportunity for growth with improving wealth levels and increasing share of organized players**



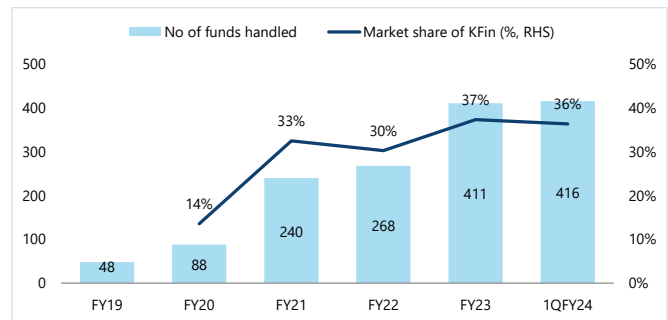
Source: CRISIL Data, Company Data, Jefferies

**Exhibit 69 - KFin is constantly adding asset managers under its fold and gaining market share**



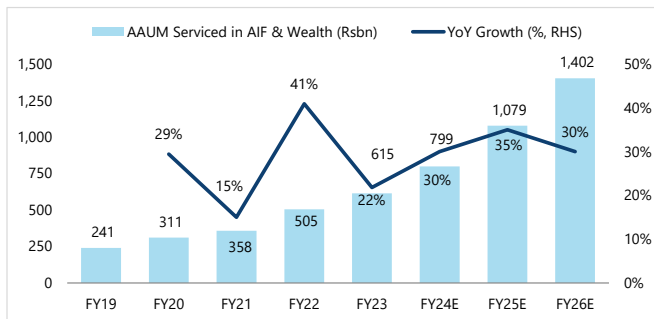
Source: Company Data, Jefferies

**Exhibit 70 - Successfully scaled up presence in the AIF space with a market share of 36%, based on no. of AIFs**



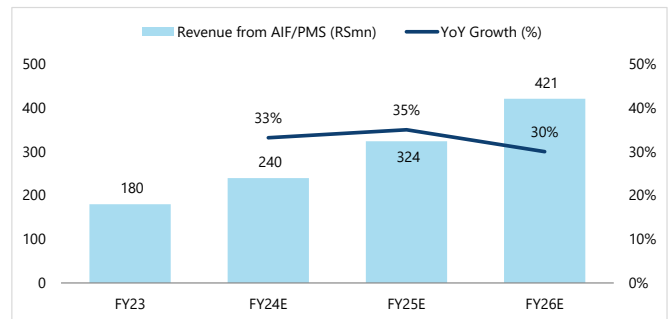
Source: Company Data, Jefferies

**Exhibit 71 - We forecast 32% CAGR in AUM over the next 3 years and ..**



Source: Company Data, Jefferies

**Exhibit 72 - ... will aid in revenue growth of 33% CAGR over the same period**

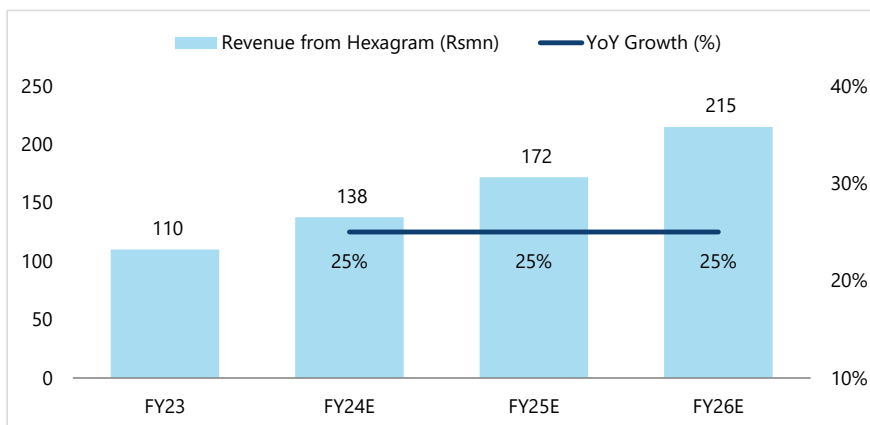


Source: Company Data, Jefferies

In Feb-22, KFin acquired 100% stake in Hexagram, developer of fund accounting and reconciliation software products for mutual funds, AIFs (alternatives), insurance & banking sector as well as corporate treasuries for Rs252mn. KFin intends to break through western markets, leveraging on the fund accounting and reconciliation capabilities acquired through this deal. Core products such as 'mPower' and 'iMatch' will be clubbed with existing platform and solutions expertise to provide an end-to-end fund accounting and reconciliation solution. It aspires to be the first entity from India to become a global fund administrator. In 1QFY24, it won maiden contract for fund administration in Thailand, from a large-bank-backed asset management company. In FY23, it generated a revenue of Rs110mn from its platform business, and is a profitable division for KFin. Over the next three years, we expect the segment to see revenue growth of 25% CAGR.

**Acquisition of Hexagram enabled addition of fund accounting solutions to its product suite & mgmt. aspires to penetrate western markets through this and also offer to clients in India and South East Asia**

**Exhibit 73 - Confident of scaling up fund accounting services leveraging on its acquisition of Hexagram**



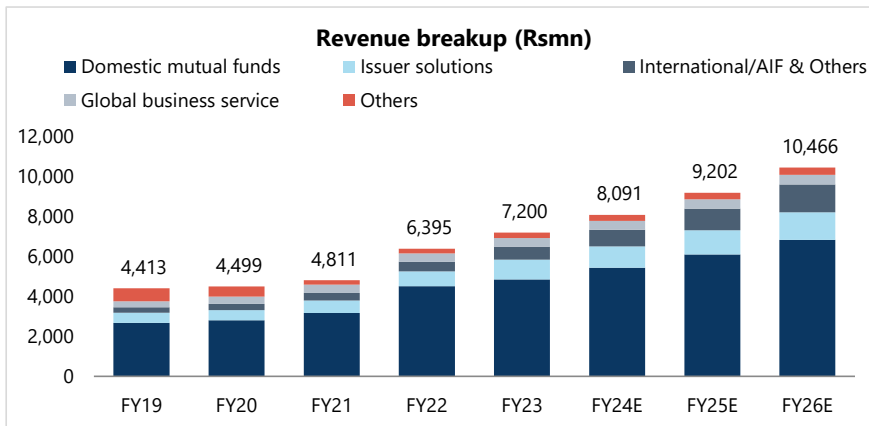
Source: Company Data, Jefferies

## Steady growth and strong cashflows; factor moderate risk from tighter regulations.

Over FY23-26e, we expect KFin to see 13% Cagr in revenues driven by higher growth in international revenues, AIF segment and ramp-up of account aggregator platform. Mature segments like issuer solutions and mutual fund RTA should see 12% Cagr. Growth in mutual fund revenues will be led by growth in AUMs, partially offset by fall in fees. Over this period, we expect the share of international and AIF segments in revenues to rise whereas share of domestic mutual fund will moderate.

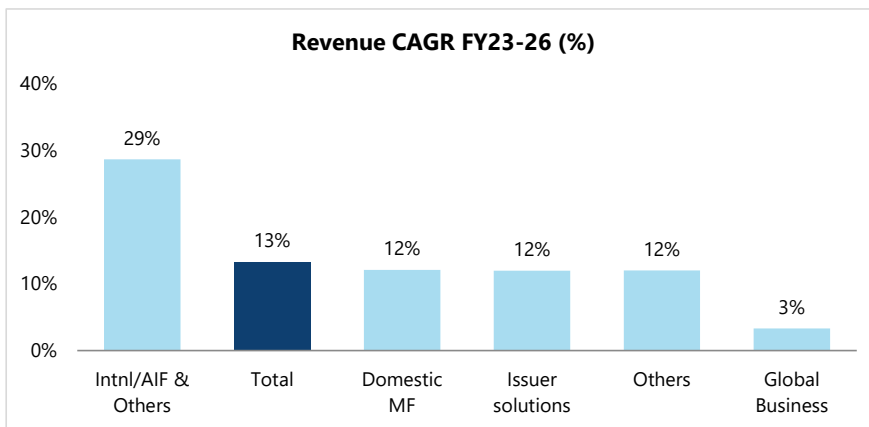
We see 13% CAGR in revenues between FY23-26E driven by international & AIF & stable growth in domestic RTA & issuer solutions

**Exhibit 74 - Revenue growth to be led by international & AIF while domestic MF and issuer segment will deliver moderate growth**



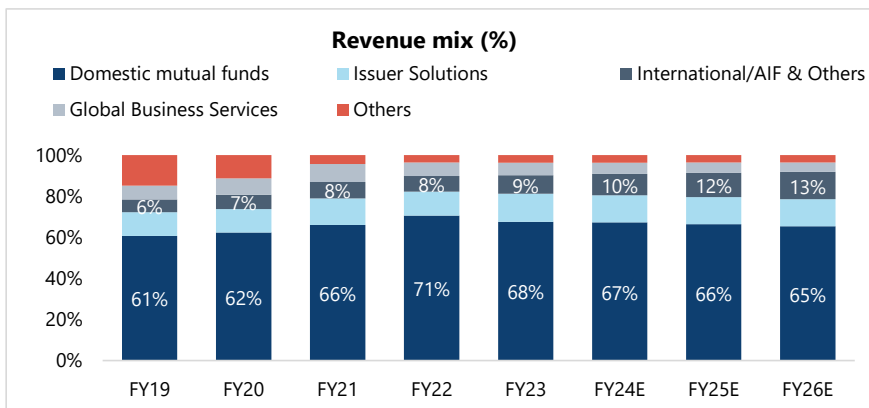
Source: Company Data, Jefferies

**Exhibit 75 - International & AIF to be the biggest growth driver over the next few years**



Source: Company Data, Jefferies

**Exhibit 76 - Domestic MF RTA business contributes bulk of overall revenues; however, diversification efforts underway**

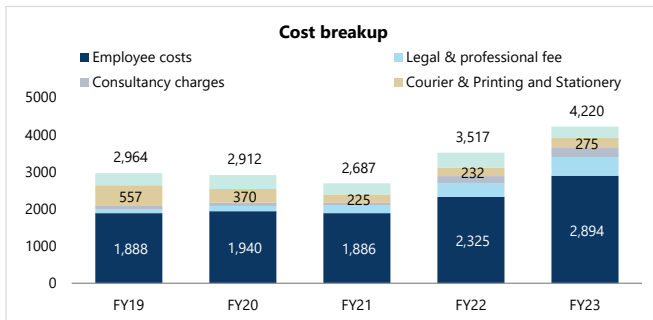


Source: Company Data, Jefferies

On the cost side, the major cost heads for KFin are employee expenses, legal fees, consultancy and printing & courier charges, forming 93% of total. Over the past year, salary costs have grown faster at 24% YoY, reflecting combination of new hiring and salary inflation, in line with peer trends in IT sector. We believe that some pressure from salary inflation might ease with slowdown in hiring/ hikes across most IT platforms. We factor a 12% growth in operating costs over FY23-26, reflecting investment in overseas offices, rampup of account aggregator platforms and investment in tech-platforms. KFin's cost structures are relatively fixed, which makes earnings more cyclical across capital market cycles or regulatory changes.

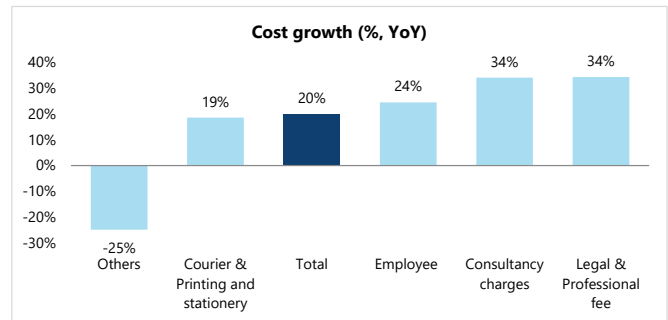
**Costs are usually upfronted with increase in headcount & branches and tech investments. Employee costs form 70% of total expenses and can ease with slowdown in IT hiring/hikes.**

**Exhibit 77 - Employee costs, printing & courier and legal and consultancy charges form bulk of the expenses**



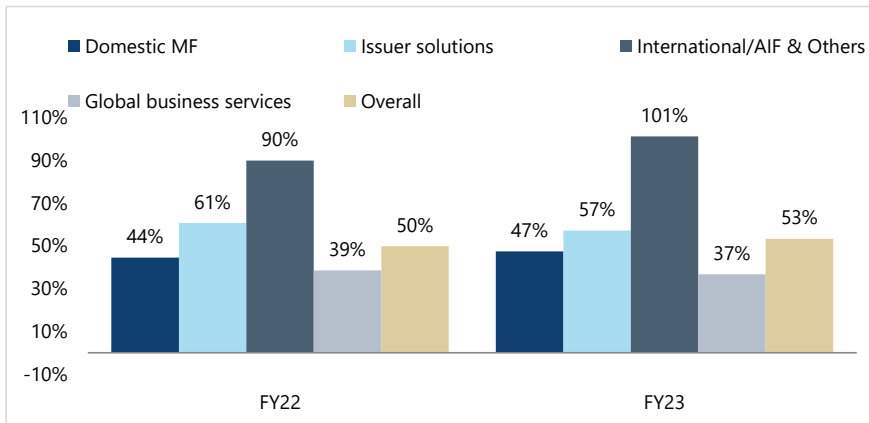
Source: Company Data, Jefferies

**Exhibit 78 - Salary cost rose faster at 24% YoY led by new hiring and salary inflation in line with trends in IT sector**



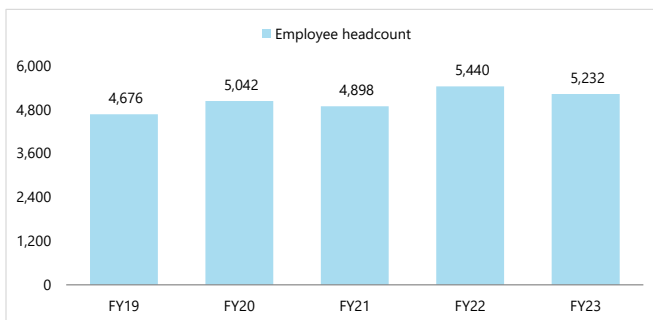
Source: Company Data, Jefferies

**Exhibit 79 - International segment operates at the highest cost ratio as KFin is continuously expanding and investing in building the segment**



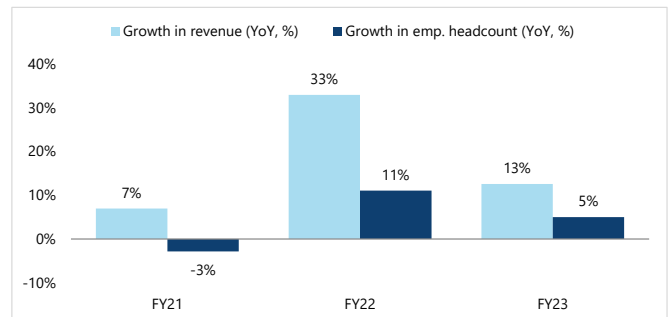
Source: Company Data, Jefferies; excluding unallocated expenses & finance cost

**Exhibit 80 - Employee count grew only 12% in the last four years while revenues grew ~4 times over the same period**



Source: Company Data, Jefferies

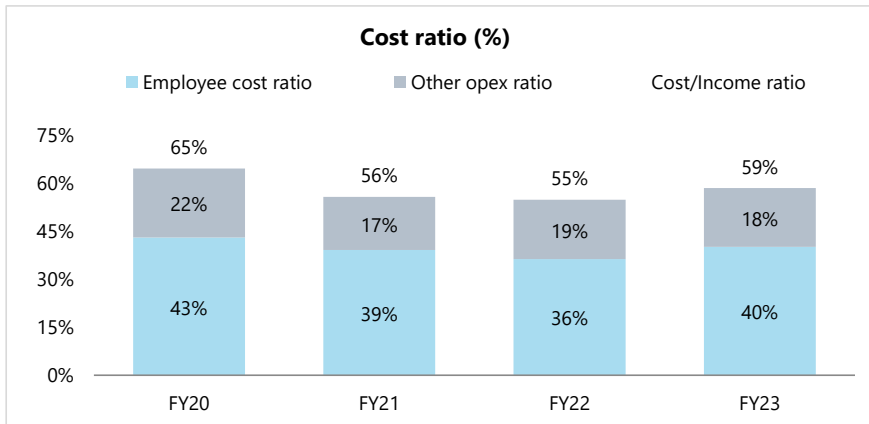
**Exhibit 81 - Operating leverage benefits to kick in**



Source: Company Data, Jefferies



**Exhibit 82 - Cost ratio increased in FY23 due to investment in building the international segment**

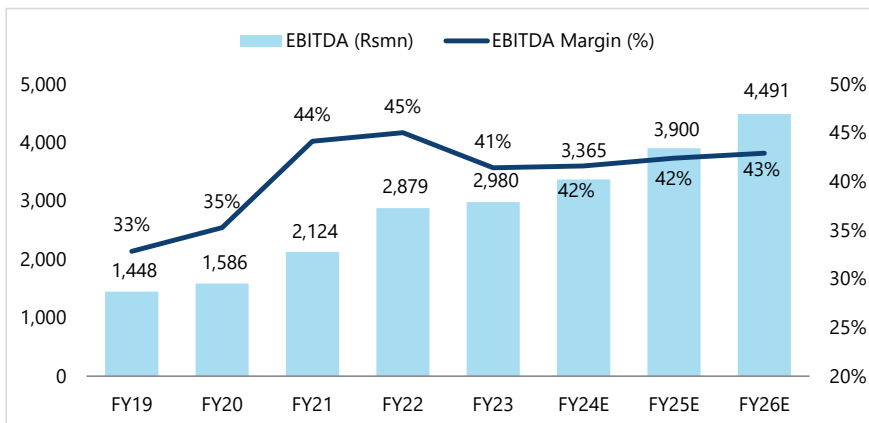


Source: Company Data, Jefferies

We estimate that over FY23-26, KFin's Ebitda will grow from Rs3bn to Rs4.5bn, a Cagr of 15% and indicating marginal rise in Ebitda margin from 41% in FY23 to 43% in FY26. This reflects benefits of operating leverage kicking in despite compression in yields in the domestic mutual fund business and ramp-up in overseas markets where KFin has been investing over past few years.

**Operating leverage benefits to lead to EBITDA margin expansion of 150bps to 43% and EBITDA CAGR of 15% between FY23-26**

**Exhibit 83 - EBITDA growth of 15% CAGR between FY23-26 as benefits of operating leverage kick in**

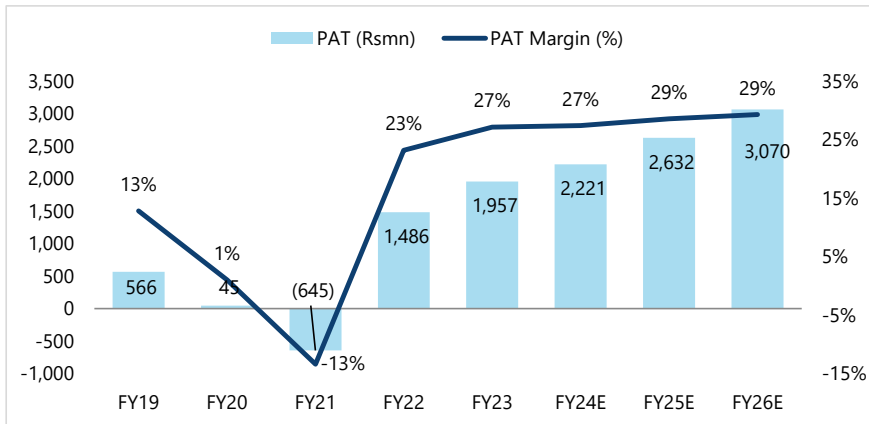


Source: Company Data, Jefferies

Reflecting the growth in Ebitda, we expect net profit to rise at 16% CAGR over FY23-26 to Rs3bn. Net margin should rise from 27% now to 29% by FY26. Earnings are most sensitive to movement in mutual fund revenues (given its high contribution to revenues). KFin's cost structures are relatively fixed, which makes earnings more cyclical across capital market cycles or regulatory changes. Every 5% change in revenues may lead to a 6% impact on profit before taxes, ceteris paribus.

**We expect profits to compound at 16% CAGR between FY23-26E**

**Exhibit 84 - We expect PAT growth of 16% CAGR between FY23-26 on the back of healthy growth in revenue and higher margins as leverage benefits kick in**



Source: Company Data, Jefferies

**Exhibit 85 - Sensitivity analysis to changes in growth & margin**

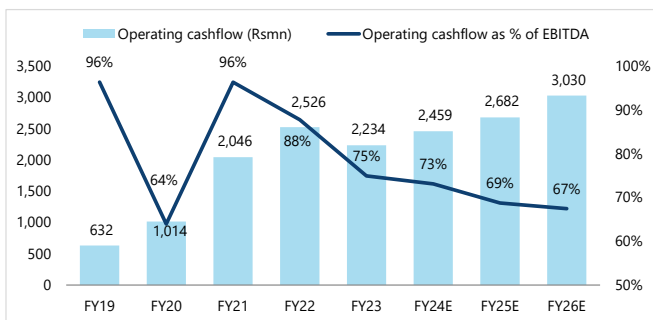
Impact on FY25E	Impact on EBITDA	Impact on Profit
5% lower revenues with same margin	-5%	-6%
5% lower revenues & fall in margin*	-12%	-13%
100bps lower margin	-2%	-3%

Source: Company Data, Jefferies; Assumed 100% fixed costs

In terms of cashflow generation, KFin is fairly well positioned with operating cashflow/ Ebitda in the range of c.75-95% over the past three years. Free cashflow, pre-acquisition has been in the range of 50-75% of Ebitda. Over the past two years, KFin has completed three acquisitions of platforms, that have added adjacent business lines to the platform. These include 100% stake in Hexagram (fund accounting platform) in Feb-22, 26% stake in OneMoney (account aggregator platform) in Feb-23 and 100% stake in WebileApps (mobile app development platform, chatbots, UI/UX) in Apr-23.

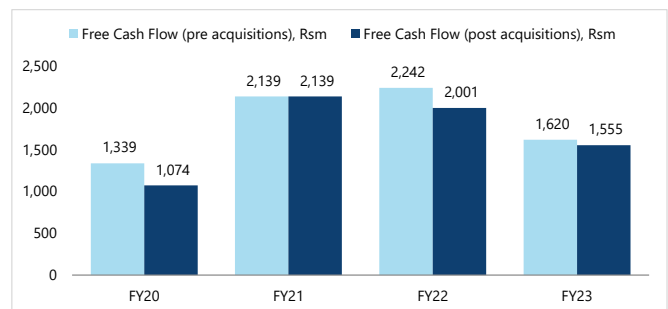
**Healthy levels of cash generation in the range of 50-75% of EBITDA, pre-acquisition**

**Exhibit 86 - Healthy conversion of profit into cashflows**



Source: Company Data, Jefferies

**Exhibit 87 - FCF pre-acquisitions in the range of 50-75% of EBITDA**



Source: Company Data, Jefferies

## Approach to M&A

Under the new management, KFin has made a series of small acquisitions to acquire new capabilities and build on diversification efforts. The intent behind M&A is to add established businesses in key markets and businesses that help in client acquisition, existing businesses in new geography as a way of entry and new related product capabilities to deepen client relationships.

In Apr-23, KFin acquired 100% equity stake in WebileApps for Rs110mn, as part of its strategy to broaden product team and develop more product solutions in a time bound manner. WebileApps is a design company specializing in artificial intelligence, machine learning, mobility solutions, UI/UX among others. KFin and WebileApps have a working relationship of over 6 years and this partnership can unlock new revenue streams and markets. In FY23, it had a revenue of Rs77mn with a 3-year growth of 24% CAGR. It has developed more than 150 applications and platforms in the areas of BFSI, fintech and retail, including MF Central.

**New management is acquisitive but pragmatic as it steps up diversification efforts and builds adjacent business lines**

**Acquired 100% stake in WebileApps for Rs110mn as it looks to ramp up product suite and offer better solutions**

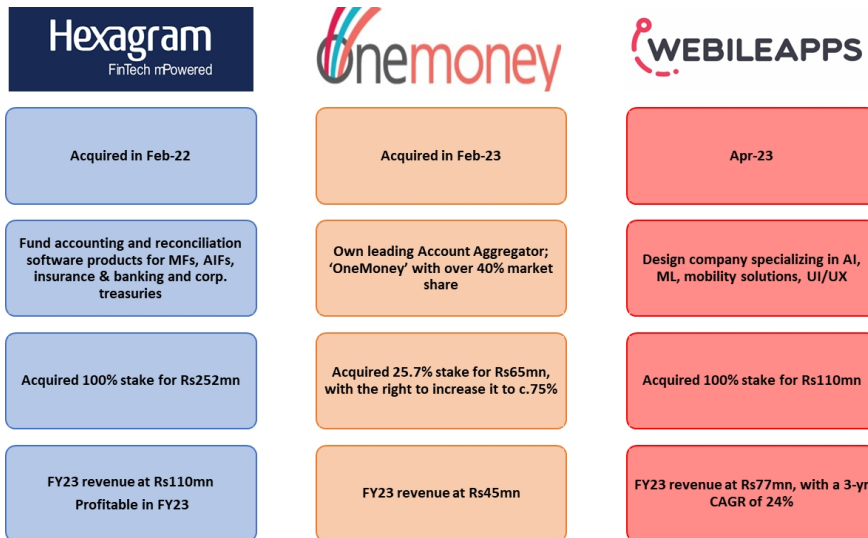
In Feb-23, KFin acquired 25.7% stake in Fintech Products and Solutions India Pvt. Ltd. (FPSIPL), parent of India's first account aggregator for Rs65mn. This partnership will allow KFin to partner with a technology service provider (TSP) and account aggregator as it seeks to diversify current revenue stream and build more businesses in the broader financial services ecosystem. OneMoney, the brand of FPSIPL is an account aggregator platform with over 40% market share. KFin also has the right to increase its stake to c.75%, subject to satisfaction of customary closing conditions and receipt of regulatory approvals. In FY23 (first full year), the platform had reported Rs45mn in revenues, and we factor that the platform should stay profitable with ramp-up of data analytics platform.

**Acquired ~26% stake in OneMoney, leading AA platform for Rs65mn, with an option to increase this to 75%. We are fairly bullish on the prospects of AA platform in India**

In Feb-22, KFin acquired 100% stake in Hexagram, developer of fund accounting and reconciliation software products for mutual funds, AIF (alternatives), insurance & banking sector as well as corporate treasuries for Rs252mn. This acquisition led to new capability of providing fund accounting services and reconciliation products in addition to existing RTA business to mutual funds and AIFs. The acquisition also added 23 clients to its fold. These products are being used by 29 clients across different segments within financial services sector in India and Malaysia. Further, KFin aspires to break through western markets, leveraging on the fund accounting and reconciliation capabilities acquired through this deal. In FY23, it generated a revenue of Rs110mn from its platform business and is a profitable division for KFin.

**Acquired 100% stake in Hexagram for Rs252mn and this enabled addition of fund accounting solutions to its product suite.**

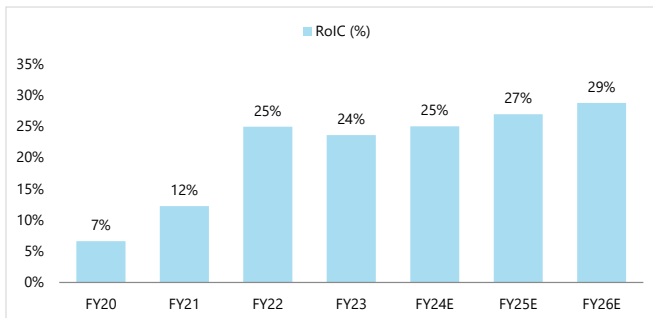
**Exhibit 88 - KFin has made a series of small acquisitions to acquire new capabilities and build on diversification efforts.**



Source: Company Data, Jefferies

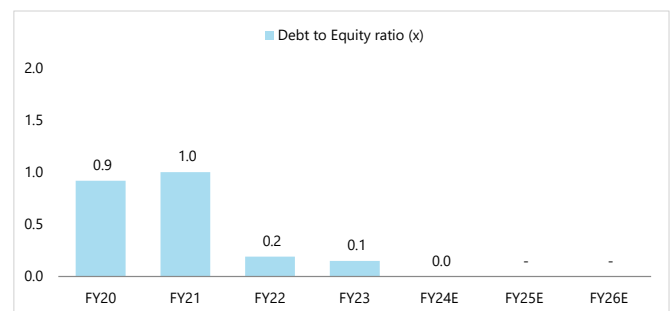
In terms of return on invested capital and ROE, KFin delivered 24% ROIC in FY23 and ROE of 26%. Over past three years, ROIC has 20%. It's net debt/ equity ratio is at 0.1x and cash/ equity is at c.10%.

**Exhibit 89 - Expect strong return ratios to sustain, given the nature of business**



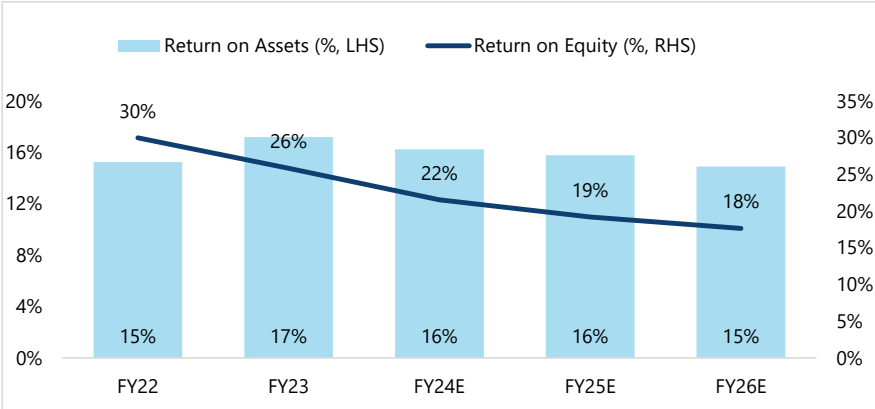
Source: Company Data, Jefferies

**Exhibit 90 - Limited reliance on debt, as all NCDs were paid in FY22; redeemable preference shares to be repaid in FY24**



Source: Company Data, Jefferies

Exhibit 91 - Healthy return ratios to sustain



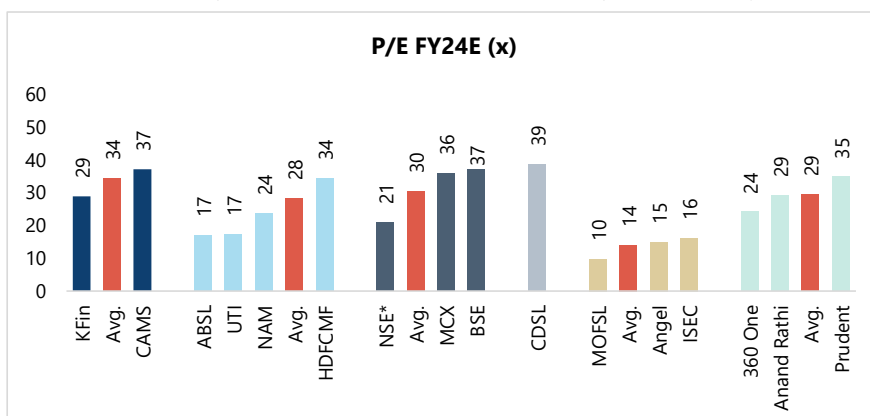
Source: Company Data, Jefferies

## Initiate at BUY

We see a 16% CAGR in profit over FY23-26e along with healthy cash flow generation. While profit is sensitive to movement in revenues, especially as costs are rigid, KFin has been able to add new revenue segments that have helped to (1) diversify income streams (2) diversify geography and (3) reduce dependence on capital markets. Therefore, it deserves to trade at a premium valuation. Risks can arise from adverse changes in regulations (especially for mutual fund fees), slower ramp-up of new investments in areas like international expansion and new acquisition and competitive pressures.

On FY24e, KFin trades at 29x, which stacks up against Cams' 37x PE, mutual funds' 28x PE (avg), exchange (30x) depository (39x) brokers (14x) and distributors (29x). We believe that valuations are reasonable for growth prospects, and can re-rate as new verticals ramp-up and help diversify earnings further. We initiate coverage with a Buy rating and price target of Rs500 based on 30x Jun-25E PE.

### Exhibit 92 - RTAs trade higher than mutual funds but lower than exchanges and depository



Source: Bloomberg, Jefferies; Data for NSE is for FY23

### Exhibit 93 - Snapshot of KFin Tech vs. peers in India

Segment	Company	Data pertains to	Revenue (Rsmn)	Growth (% YoY)	EBITDA (Rsmn)	EBITDA Margin (%)	PAT (Rsmn)	PAT margin (%)
Diversified	KFin Tech	FY23	7,200	13%	2,980	41%	1,957	27%
Investor solutions	CAMS	FY23	9,718	7%	4,218	43%	2,853	29%
Issuer Solutions	Link Intime India	FY20	970	100%	279	29%	41	4%
	Bigshare Services	FY21	102	0%	45	44%	30	30%
Wealth Management	Miles Software	FY20	897	23%	521	58%	335	37%
	Applied Software (Wealth Spectrum)	FY20	196	23%	105	54%	78	40%

Source: Company Data, Jefferies

### Exhibit 94 - Snapshot of KFin Tech vs. global peers

Company	Country	Mkt. cap (US\$m)	Revenue (US\$m)	Growth (% YoY)	EBITDA (US\$m)	EBITDA Margin (%)	PAT (US\$m)
SS&C Technologies Holdings Inc	USA	14,985	5,283	5%	1,887	36%	650
SimCorp	Denmark	4,295	591	1%	148	25%	105
Clearwater Analytics	USA	3,816	303	20%	17	6%	(8)
nCino	USA	3,355	274	34%	(53)	-19%	(49)
Duck Creek Technologies Inc	USA	2,524	303	16%	33	11%	(8)
Meridian Link	USA	1,594	288	8%	83	29%	1
CAMS	India	1,316	121	7%	53	43%	36
Enfusion Inc	USA	1,301	150	35%	(6)	-4%	(8)
Kfin Technologies Ltd	India	777	90	13%	37	41%	24
Blend Labs Inc	USA	212	235	0.3%	(728)	-310%	(769)

Source: Company Data, Jefferies

Initiate with a Buy rating and a PT of Rs500, valuing it at 30X Jun-25E P/E

KFin trades cheaper vs. CAMS, exchanges, depository but expensive in comparison to AMC's & brokers and inline with distributors

Exhibit 95 - Valuation comps of Market Infrastructure players

Company	Rating	Price	Mkt cap.	Mkt cap.	P/E			EV/EBITDA			DY	EPS CAGR	
		local	local	USD	2023E	2024E	2025E	2023E	2024E	2025E	23E	20-23E	23-25E
<b>US Exchanges</b>													
Cboe Global Markets Inc	HOLD	148.4	15,655	15,655	20.4	19.3	18.1	14.7	14.0	13.3	1.4%	11.3%	6.2%
CME Group Inc.	BUY	204.8	73,677	73,677	22.6	22.0	21.0	20.2	19.3	18.1	3.9%	10.4%	3.8%
Intercontinental Exchange, Inc.	BUY	114.8	64,323	64,323	20.3	18.6	17.0	16.0	14.5	13.6	1.5%	7.8%	9.4%
<b>Mean</b>					<b>21.1</b>	<b>20.0</b>	<b>18.7</b>	<b>16.9</b>	<b>15.9</b>	<b>15.0</b>	<b>2.3%</b>	<b>9.8%</b>	<b>6.5%</b>
<b>Mkt cap weighted average</b>					<b>21.4</b>	<b>20.3</b>	<b>19.0</b>	<b>17.9</b>	<b>16.7</b>	<b>15.8</b>	<b>2.6%</b>	<b>9.4%</b>	<b>6.4%</b>
<b>Europe Exchanges</b>													
Deutsche Boerse AG	HOLD	171.4	31,493	34,700	17.4	16.8	16.4	12.2	11.3	10.8	2.3%	14.4%	3.2%
Euronext NV	BUY	68.0	7,249	7,988	12.6	11.4	10.7	10.4	9.4	8.9	3.4%	6.3%	8.3%
London Stock Exchange Group	BUY	83.5	42,140	53,663	25.6	22.7	20.0	14.2	13.1	11.9	1.4%	18.4%	13.1%
<b>Mean</b>					<b>18.5</b>	<b>17.0</b>	<b>15.7</b>	<b>12.3</b>	<b>11.3</b>	<b>10.5</b>	<b>2.4%</b>	<b>13.0%</b>	<b>8.2%</b>
<b>Mkt cap weighted average</b>					<b>21.6</b>	<b>19.7</b>	<b>17.9</b>	<b>13.2</b>	<b>12.2</b>	<b>11.3</b>	<b>1.9%</b>	<b>16.0%</b>	<b>9.2%</b>
<b>ROW Exchanges</b>													
TMX Group Ltd.	N/C	30.3	8,446	6,302	20.9	19.3	17.6	14.1	13.2	12.5	2.3%	-37.3%	8.9%
Tel Aviv Stock Exchange Ltd.**	BUY	19.2	1,784	481	19.7	19.7	-	9.7	8.5	-	0.0%	31.4%	-
Saudi Tadawul Group Holding Company	N/C	178.2	21,384	5,700	49.9	39.4	32.0	50.8	35.3	27.8	1.3%	-5.1%	25.0%
ASX Limited	HOLD	62.5	12,102	7,936	38.8	25.4	23.9	8.6	8.7	8.5	3.7%	-14.4%	27.3%
B3 SA - Brasil, Bolsa, Balcao	N/C	14.3	78,090	16,112	19.2	16.5	14.6	12.2	11.0	9.9	4.3%	-15.4%	14.5%
Hong Kong Exchanges & Clearing Ltd.	HOLD	312.4	395,322	50,564	31.0	29.1	27.8	8.0	7.5	7.1	2.9%	3.5%	5.6%
Japan Exchange Group, Inc.*	N/C	2,634	1,370,190	9,489	23.9	24.6	23.0	12.2	11.4	N/A	2.7%	7.4%	1.9%
Singapore Exchange Ltd.	N/C	9.6	10,302	7,646	20.8	20.7	20.1	15.2	14.1	13.7	3.4%	1.8%	1.8%
<b>Mean</b>					<b>28.0</b>	<b>24.3</b>	<b>22.7</b>	<b>16.4</b>	<b>13.7</b>	<b>13.3</b>	<b>2.6%</b>	<b>-3.5%</b>	<b>12.1%</b>
<b>Mkt cap weighted average</b>					<b>28.7</b>	<b>25.8</b>	<b>23.9</b>	<b>12.3</b>	<b>10.8</b>	<b>8.9</b>	<b>3.1%</b>	<b>-3.4%</b>	<b>9.2%</b>
<b>Global Information Services</b>													
Equifax Inc.	HOLD	198.3	24,337	24,337	28.6	22.6	18.8	17.1	14.3	12.5	0.8%	-0.2%	23.5%
TransUnion	BUY	78.6	15,195	15,195	21.9	18.3	15.4	14.5	12.9	11.4	0.5%	10.4%	19.1%
Experian PLC	HOLD	29.3	26,706	34,009	21.8	20.4	18.4	16.8	15.4	14.2	1.9%	9.5%	8.8%
FactSet Research Systems Inc.	HOLD	422.4	16,113	16,113	28.0	25.5	23.0	22.7	21.2	19.5	0.9%	11.5%	10.4%
Gartner, Inc.	HOLD	337.9	26,633	26,633	32.8	29.4	25.8	20.5	18.9	17.1	0.0%	28.2%	12.8%
Moody's Corporation	N/C	339.3	62,260	62,260	33.9	30.0	26.0	25.1	21.8	19.3	0.9%	-0.4%	14.1%
MSCI Inc.	N/C	546.9	43,250	43,250	41.6	36.4	31.8	31.5	28.2	25.3	1.0%	18.8%	14.4%
S&P Global, Inc.	BUY	387.8	123,401	123,401	31.2	27.2	24.0	19.9	18.3	16.9	0.9%	8.2%	14.0%
Verisk Analytics Inc	BUY	233.1	33,804	33,804	40.8	35.4	31.5	25.6	23.3	21.5	0.6%	4.2%	13.8%
Envestnet	UNPF	54.8	2,986	2,986	25.6	19.8	15.0	15.3	12.2	9.7	0.0%	-5.9%	30.5%
Morningstar, Inc.	N/C	219.0	9,340	9,340	44.7	35.4	28.4	24.7	20.3	17.4	0.7%	-3.2%	25.4%
<b>Mean</b>					<b>31.9</b>	<b>27.3</b>	<b>23.5</b>	<b>21.2</b>	<b>18.8</b>	<b>16.8</b>	<b>0.7%</b>	<b>7.4%</b>	<b>17.0%</b>
<b>Mkt cap weighted average</b>					<b>32.5</b>	<b>28.4</b>	<b>24.8</b>	<b>22.1</b>	<b>19.8</b>	<b>18.0</b>	<b>0.9%</b>	<b>8.4%</b>	<b>14.5%</b>

Source: Company Data, FactSet, Jefferies Estimates

Exhibit 96 - Valuation comps of Market Infrastructure players.. cont'd

Company	Rating	Price	Mkt cap.	Mkt cap.	P/E			EV/EBITDA			DY	EPS CAGR	
		local	local	USD	2023E	2024E	2025E	2023E	2024E	2025E	23E	20-23E	23-25E
<b>US Other Execution Services</b>													
MarketAxess Holdings Inc.	HOLD	236.6	8,916	8,916	33.4	28.7	25.8	20.2	17.4	15.8	1.2%	-3.4%	13.9%
Tradeweb Markets, Inc.	HOLD	81.5	17,244	17,244	43.7	37.5	34.3	27.4	23.7	21.1	0.4%	19.8%	12.9%
Virtu Financial, Inc.	BUY	18.9	1,774	1,774	8.8	7.6	6.7	17.8	16.3	15.2	5.1%	-28.0%	14.0%
StoneX Group Inc.**	BUY	94.5	1,964	1,964	8.5	9.4	-	16.7	18.0	-	0.0%	8.8%	-
Robinhood Markets, Inc.	N/C	10.7	9,780	9,780	21.5	16.7	17.1	20.3	15.2	13.7	0.0%	51.6%	12.0%
<b>Mean</b>					<b>23.2</b>	<b>20.0</b>	<b>21.0</b>	<b>20.5</b>	<b>18.1</b>	<b>16.4</b>	<b>1.4%</b>	<b>9.8%</b>	<b>13.2%</b>
<b>Mkt cap weighted average</b>					<b>32.6</b>	<b>27.6</b>	<b>25.2</b>	<b>23.1</b>	<b>19.6</b>	<b>16.8</b>	<b>0.7%</b>	<b>19.7%</b>	<b>12.3%</b>
<b>Europe Other Execution Services</b>													
Flow Traders Ltd	N/C	20.7	895	986	23.3	11.1	9.5	105.0	58.0	50.3	2.2%	-56.0%	56.9%
TP ICAP Group plc	N/C	1.7	1,302	1,658	6.6	5.6	4.9	3.1	2.9	2.6	8.3%	-	16.5%
Nordnet AB	N/C	158.9	39,665	3,738	15.6	14.4	14.1	10.8	10.1	9.9	4.3%	26.2%	5.0%
Avanza Bank Holding AB	N/C	239.5	37,510	3,535	19.1	18.9	18.9	11.5	11.0	10.8	3.8%	13.2%	0.4%
CMC Markets Plc	HOLD	1.3	366	466	9.0	7.8	6.5	3.6	3.2	2.8	5.6%	-35.2%	17.5%
IG Group Holdings plc	BUY	7.0	2,822	3,594	7.5	7.2	7.1	3.3	3.2	3.1	7.7%	1.3%	2.7%
Plus500 Ltd.	BUY	14.4	1,180	1,503	5.3	4.7	4.4	1.6	2.2	2.0	3.9%	10.7%	10.1%
flatexDEGIRO AG	BUY	9.1	1,001	1,103	11.6	9.2	8.1	-	-	-	0.0%	4.9%	19.6%
<b>Mean</b>					<b>12.2</b>	<b>9.9</b>	<b>9.2</b>	<b>19.8</b>	<b>12.9</b>	<b>11.7</b>	<b>4.5%</b>	<b>-5.0%</b>	<b>16.1%</b>
<b>Mkt cap weighted average</b>					<b>12.8</b>	<b>11.3</b>	<b>10.9</b>	<b>12.4</b>	<b>9.3</b>	<b>8.7</b>	<b>4.9%</b>	<b>6.0%</b>	<b>9.6%</b>

Source: Company Data, FactSet, Jefferies Estimates

## Financials

### Exhibit 97 - KFin Tech: Income statement

Rs mn	FY22	FY23	FY24E	FY25E	FY26E
<b>Operational revenue</b>	<b>6,395</b>	<b>7,200</b>	<b>8,091</b>	<b>9,202</b>	<b>10,466</b>
Domestic mutual funds	4,514	4,862	5,441	6,103	6,842
International/AIF & Others	485	653	836	1,083	1,390
Issuer solutions	745	983	1,070	1,220	1,379
Global business service	422	438	446	463	483
Other operating revenues	229	266	297	333	373
<b>Operating expenses</b>	<b>3,517</b>	<b>4,220</b>	<b>4,726</b>	<b>5,302</b>	<b>5,975</b>
Employee costs	2,325	2,894	3,242	3,647	4,121
Other costs	1,192	1,326	1,485	1,655	1,854
<b>EBITDA</b>	<b>2,879</b>	<b>2,980</b>	<b>3,365</b>	<b>3,900</b>	<b>4,491</b>
Depreciation & amortization	370	467	545	631	717
Finance costs	529	106	42	0	0
Other income	61	175	188	245	324
<b>Pre-tax profit</b>	<b>2,040</b>	<b>2,582</b>	<b>2,966</b>	<b>3,514</b>	<b>4,099</b>
Tax expense	555	625	744	882	1,029
<b>Net profit</b>	<b>1,486</b>	<b>1,957</b>	<b>2,221</b>	<b>2,632</b>	<b>3,070</b>

Source: Company Data, Jefferies Estimates

### Exhibit 98 - KFin Tech: Balance sheet

Rs mn	FY22	FY23	FY24E	FY25E	FY26E
Equity Capital	1,676	1,692	1,692	1,692	1,692
Reserves & Surplus	4,768	7,010	9,231	11,863	14,933
<b>Shareholders' funds</b>	<b>6,443</b>	<b>8,702</b>	<b>10,924</b>	<b>13,555</b>	<b>16,625</b>
Borrowings	1,225	1,301	0	0	0
Trade payables	255	261	275	288	303
Tax liabilities	1,362	1,382	1,382	1,382	1,382
Other liabilities	978	867	903	941	983
<b>Total equity &amp; liabilities</b>	<b>10,264</b>	<b>12,513</b>	<b>13,482</b>	<b>16,166</b>	<b>19,292</b>
<b>Cash &amp; bank balance</b>	<b>452</b>	<b>870</b>	<b>986</b>	<b>1,677</b>	<b>2,065</b>
<b>Investments</b>	<b>931</b>	<b>2,221</b>	<b>2,531</b>	<b>3,796</b>	<b>5,695</b>
Trade receivables	1,126	1,265	1,455	1,819	2,274
Fixed assets	681	672	807	935	1,061
Intangibles	916	1,205	1,330	1,463	1,606
Goodwill	5,434	5,434	5,434	5,434	5,434
Tax assets	369	328	360	395	434
Other assets	355	518	578	646	723
<b>Total Assets</b>	<b>10,264</b>	<b>12,513</b>	<b>13,482</b>	<b>16,166</b>	<b>19,292</b>

Source: Company Data, Jefferies Estimates

### Exhibit 99 - KFin Tech: Cash flow statement

Rs mn	FY22	FY23	FY24E	FY25E	FY26E
Cash flow from operating activities	2,526	2,234	2,459	2,682	3,030
Cash flow from investing activities	(1,154)	(2,044)	(1,016)	(2,006)	(2,658)
Cash flow from financing activities	(1,154)	73	(1,328)	16	16
Net increase/decrease in cash & cash equivalents	218	263	116	691	389
<b>Free cash flow</b>	<b>450</b>	<b>718</b>	<b>834</b>	<b>1,524</b>	<b>1,913</b>

Source: Company Data, Jefferies Estimates

### Exhibit 100 - KFin Tech: Key ratios

	FY22	FY23	FY24E	FY25E	FY26E
EPS (Rs)	9	12	13	16	18
EPS growth (% YoY)	NM	23%	14%	18%	17%
Profit growth (% YoY)	NM	32%	13%	18%	17%
BV/share (Rs)	38	51	65	80	98
ROAA (%)	15%	17%	17%	18%	17%
ROAE (%)	30%	26%	23%	22%	20%
Share of equity AAUM in domestic MF business (%)	54%	55%	55%	56%	57%
Operational revenue mix from domestic MF (%)	71%	68%	67%	66%	65%
Yields in domestic MF business (bps of AAUM)	3.8	3.8	3.7	3.7	3.6
Employee expenses/operating revenue (%)	36%	40%	40%	40%	39%
Cost-to-income (%)	55%	59%	58%	58%	57%
EBITDA margin (%)	45%	41%	42%	42%	43%
EBIT margin (%)	39%	35%	35%	36%	36%
Dividend per share (Rs)	0	0	0	0	0
Dividend payout (% of PAT)	0%	0%	0%	0%	0%
Dividend yield (%)	0%	0%	0%	0%	0%
P/E (x)	41	33	29	24	21
P/BV (x)	9.9	7.4	5.9	4.7	3.9

Source: Company Data, Jefferies Estimates



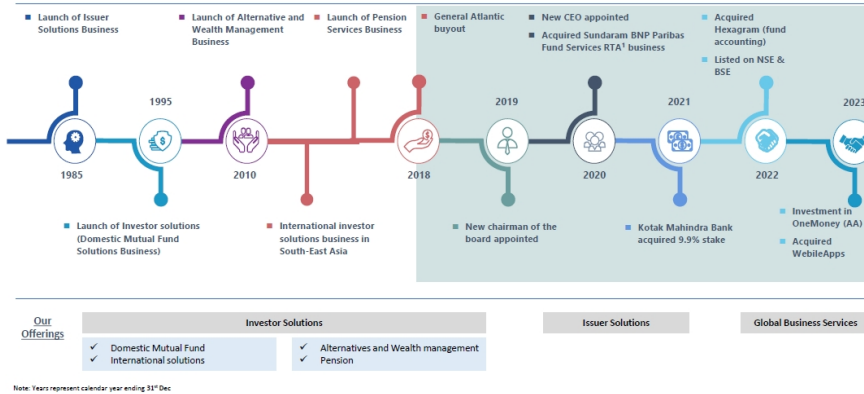
## Exhibit 101 - KFin Tech: Key revenue drivers

	FY22	FY23	FY24E	FY25E	FY26E
Domestic MF AAUM Serviced (Rsbn)	11,970	12,804	14,706	16,720	19,006
Share of equity AAUM in domestic MF business (%)	54%	55%	55%	56%	57%
Yields in domestic MF business (bps of AAUM)	3.8	3.8	3.7	3.7	3.6
AAUM Serviced in international business (Rsbn)	634	545	682	886	1,152
Yield in international business (bps of AAUM)	NA	5.5	5.5	5.5	5.5
AAUM serviced in AIF & wealth management (Rsbn)	505	615	799	1,079	1,402
Yield in AIF & wealth management (bps of AAUM)	2.4	2.9	3.0	3.0	3.0
No. of subscribers in pension fund services (mn)	0.7	1.0	1.2	1.4	1.7
Average income per subscriber (Rs)	49	66	70	70	70
No of folios in issuer solutions (mn)	103	110	119	128	145
Average income per folio (Rs)	7	9	9	10	10
Number of billable FTEs in global business service	331	284	290	298	307
Average income per FTE (Rs'000)	1,276	1,541	1,541	1,551	1,571

Source: Company Data, Jefferies Estimates

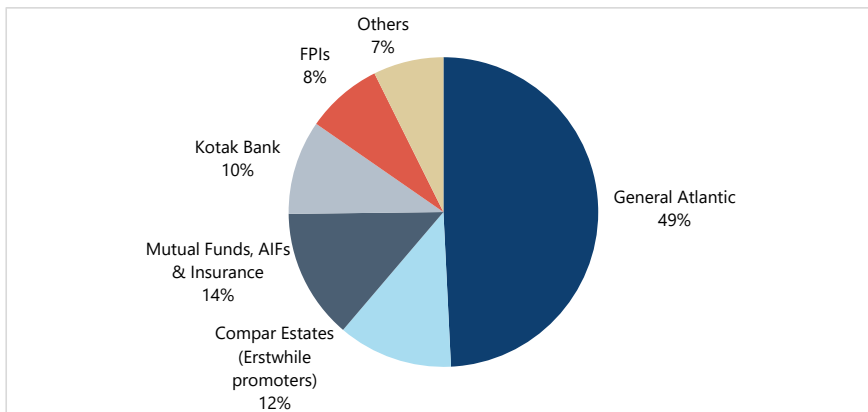
## APPENDIX

### Exhibit 102 - Evolution of KFin Tech from a traditional RTA partner to a more diversified player with focus on tech



Source: Company Data, Jefferies

### Exhibit 103 - Current shareholding structure (as of Jun-23); 50% of stake held by General Atlantic is locked-in till Jun-24 while the residual 50% is free



Source: Company Data, Jefferies

### Exhibit 104 - Revenue model across diverse businesses

Business	Revenue Model
Mutual fund solutions (domestic mutual fund solutions and international investor solutions)	<ul style="list-style-type: none"> <li>•% of AUM</li> <li>•Transaction based</li> <li>•Fixed fee for number of AMC branches serviced</li> <li>•Fee for information technology products and services such as website, CRM tools</li> <li>•Fee for white-labelled customer communication</li> </ul>
Pension services	<ul style="list-style-type: none"> <li>•Fixed account opening charges</li> <li>•Annual maintenance fees</li> <li>•Fee per transaction</li> </ul>
Alternatives and wealth management	<ul style="list-style-type: none"> <li>•% of AUM</li> <li>•Fixed fee</li> </ul>
Issuer solutions	<ul style="list-style-type: none"> <li>•Number of folios</li> <li>•Number of corporate actions</li> <li>•Hybrid model for value-add products and services</li> </ul>
Global business services	<ul style="list-style-type: none"> <li>•Per full-time employee ("FTE")</li> </ul>

Source: Company Data, Jefferies

## Exhibit 105 - Key products and services offered by Kfin Tech

	Investor solutions				Issuer solutions	Global business services
	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	NA
Middle-End	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 KYC, Redemption Reconciliation	Transaction processing, Fund Accounting, Unit Allocation, Redemption Brokerage, Calculations, Reconciliations	Transaction Processing for IPO, FPO, etc. Corporate Action Processing, Folio updates, Dividend / Interest Processing	NA
Back-End	Compliance / Regulatory Reporting, Recordkeeping MIS / Decision Support	Compliance / Regulatory Reporting, Recordkeeping MIS / Decision Support	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 Tax Platforms Website and Apps, Other Platform Solutions	NA	Wealth management platform 'IWaap' for wealth managers	Virtual Voting e-AGM, e-Vault, Fintrack, Other Platform Solutions	NA

Source: Company Data, Jefferies

## Exhibit 106 - Diversified and independent Board of Directors

Board of Directors	Designation	Profile
Vishwanathan Mavila Nair	Chairman & Non-Executive Director	He has over 48 years of experience in financial services and also advises fintech startups. Previously, he served as CMD of Union Bank of India, Chairman of IBA and Director of TransUnion CIBIL. He was also Non-Executive Chairman of SWIFT India Domestic Services.
Venkata Satya Naga Sreekanth Nadella	MD & CEO	Joined KFin in 2018, and has over 20 years of experience. He previously served as MD at Accenture Services and Transformation Manager at IBM Global Services. He is a Chartered Accountant by education.
Prashant Saran	Independent Director (Chair: Stakeholders' Relationship Committee & Risk Management Committee)	He has over 34 years of experience in regulatory and other functions. He previously was a whole-time member of SEBI and Chief General Manager in RBI.
Kaushik Mazumdar	Independent Director (Chair: Audit Committee)	He has over 30 years of experience in banking, finance, operations, technology, M&As, investment advisory and transformation projects. He previously served as general manager (Operation & Technology Group Head) at Samba Financial Group.
Sonu Halan Bhasin	Independent Director (Chair: Nomination & Remuneration Committee & CSR Committee)	He has over 20 years of experience in financial and non-financial sector organizations and has served in various leadership roles within the Tata Group and as President of Axis Bank in the past.
Jaideep Hansraj	Non-Executive Nominee Director	He has over 28 years of experience in retail operations in the banking and securities sectors. He is currently the MD & CEO of Kotak Securities.
Srinivas Peddada	Non-Executive Nominee Director (Chair: IT Strategy Committee)	He has over 15 years of experience in IT. He is Principal at General Atlantic and previously worked as CTO at Dun & Bradstreet and CIO at Dun & Bradstreet South Asia Middle East and Bharat Financial Inclusion.
Sandeep Achyut Naik	Non-Executive Nominee Director	He has over 16 years of experience in India and Asia Pacific. He currently serves as the MD & Head of General Atlantic's India & APAC business and is also a member of the Management Committee of General Atlantic.
Shantanu Rastogi	Non-Executive Nominee Director (Chair: BD&SC)	He has over 17 years of experience in financial services, technology, healthcare and consumer sectors in India and APAC. He currently serves as MD of General Atlantic.

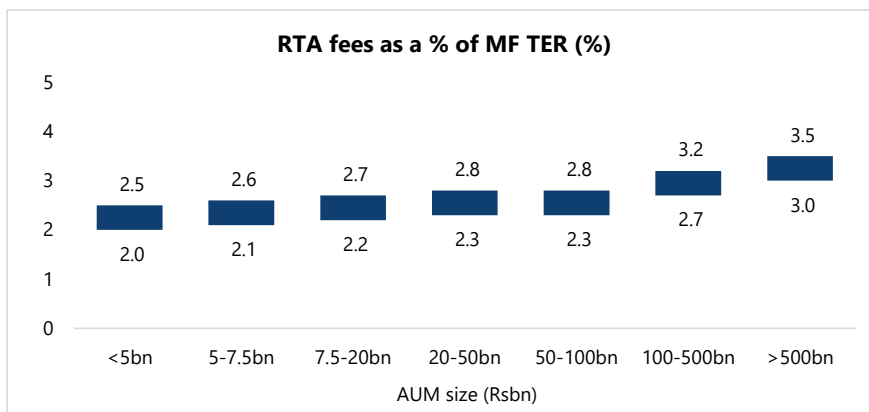
Source: Company Data, Jefferies

### Exhibit 107 - Strong and experienced leadership team

Leadership Team	Designation	Profile
Venkata Satya Naga Sreekanth Nadella	MD & CEO	Joined KFin in 2018, and has over 20 years of experience. He previously served as MD at Accenture Services and Transformation Manager at IBM Global Services. He is a Chartered Accountant by education.
Vivek Narayan Mathur	CFO	Joined KFin in 2020, and has over 26 years of experience. He previously worked at Bharti BT Internet, American Express, Bajaj Capital and Cigna TTK Health Insurance. He is a Chartered Accountant by education.
Gopala Krishnan Giridhar	Chief BDO - MFs and Corporate Registry	Joined KFin in 2004, and has over 25 years of experience in Financial Services. He previously worked at GIC AMC. He holds a PGDM in Marketing.
Senthil Gunasekaran	Chief BDO - New Growth	Joined KFin in 2021, and has over 19 years of experience in sales, business development, marketing, and CRM. He previously worked at HDFC AMC, Religare Invesco AMC and Sundaram BNP Paribas AMC.
Kiran Aidhi	Chief People's Officer	Joined KFin in 2021, and has over 19 years of experience in Human Resources. She previously worked at Accenture, Hutchison 3 Global Services and Bharti Cellular. She holds an MBA in HR.
Venkata Giri Vonkayala	CTO	Joined KFin in 2020, and has over 31 years of experience in software development and implementation. He previously worked at Michelin India, GE India and LinkedIn Technology. He holds an MBA in MIS and PGDC in Computer Software Engineering.
Quah Meng Kee	Country Head, Malaysia & Philippines	Joined KFin in 2015, and has over 8 years of experience in system integration, sales & business development, relationship management, business operations and liaising in Malaysia. He previously worked at AIA Pension and Asset Management.
Mario Sylvester Roche	COO - Domestic Fund Services	Joined KFin in 2017, and has over 14 years of experience in operations. He previously worked at FINO PayTech, HDFC Bank and Citifinancial India.
Rajeev Mane	COO - GFS, GBS, NPS, Wealth Management	Joined KFin in 2021, and has over 29 years of experience in capital markets with corp. banking & asset servicing organisations like JPM Chase, Northern Trust, Merrill Lynch and State Street.
Meena Pednekar	COO - Issuer Services	Joined KFin in 2020, and has over 30 years of experience working at Stock Holding Corporation of India in different functions.
Hanisha Vadlamani	Chief Brand Officer	Joined KFin in 2021, and has over 7 years of experience in corporate communications. She has previously worked with CallHealth, RCom and Facebook.
Alpana Kundu	CS & Compliance Officer	Joined KFin in 2020, and has over 10 years of experience as a CS. She previously worked with Solar Industries India.

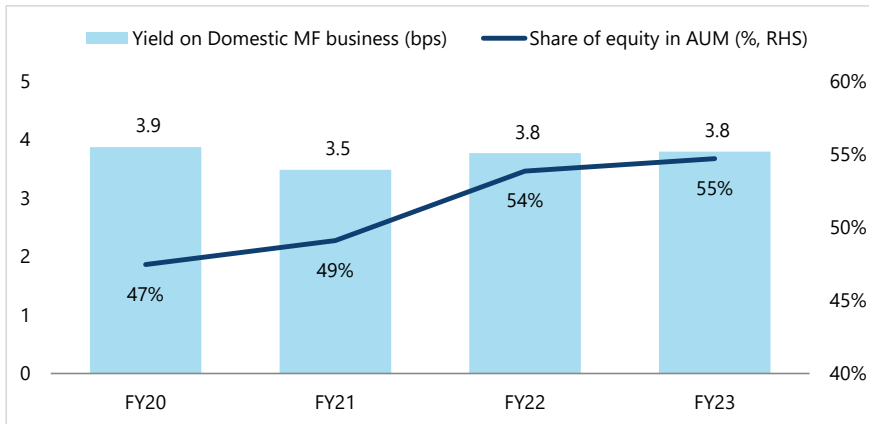
Source: Company Data, Jefferies

### Exhibit 108 - RTA fees are just 2-3% of mutual fund revenues; hence pressure from new norms should be limited



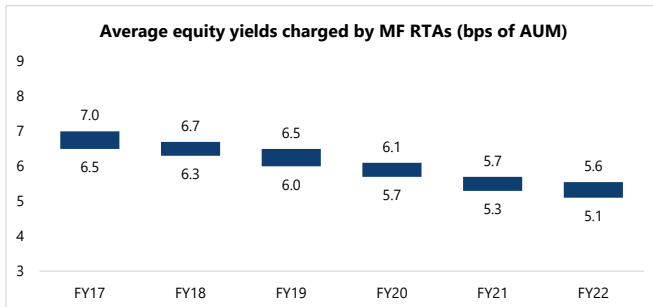
Source: Company Data, CRISIL MI&A estimates, Jefferies

**Exhibit 109 - Consistently rising share of equity in overall AUM supporting yield on domestic mutual fund business for KFin**



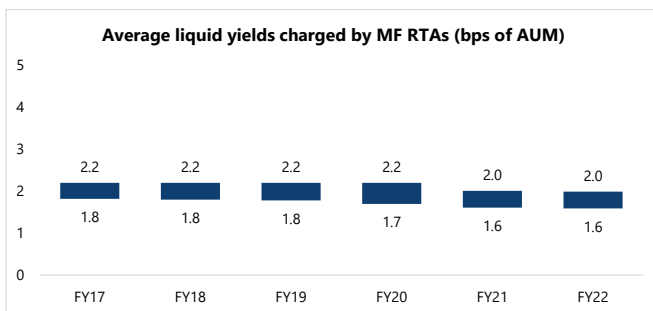
Source: Company Data, Jefferies

**Exhibit 110 - Average fees for equity funds have seen the highest pressure and declined by 1-1.5bps over the last 5 years**



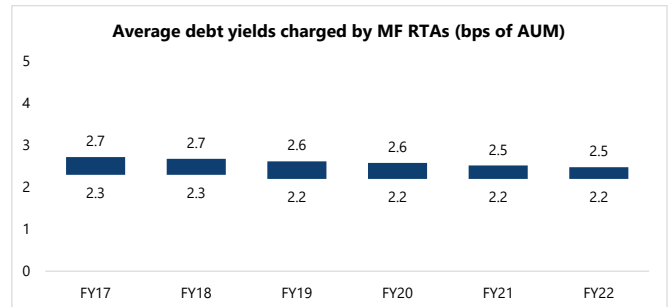
Source: Company Data, CRISIL MI&A estimates, Jefferies

**Exhibit 112 - Average fees for liquid funds marginally lower by 0.2bps over FY17-22**



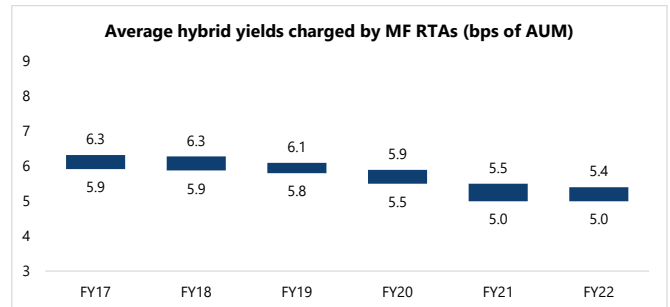
Source: Company Data, CRISIL MI&A estimates, Jefferies

**Exhibit 111 - Average fees for debt funds saw the lowest decline of 0.2bps during the same period**



Source: Company Data, CRISIL MI&A estimates, Jefferies

**Exhibit 113 - Average fees for hybrid fund down c.1bps over FY17-22**



Source: Company Data, CRISIL MI&A estimates, Jefferies

## Exhibit 114 - Head to Head: CAMS vs. KFin Tech

(Rsmn)	KFINTECH				CAMS			
	FY22	FY23	1QFY24	YoY (%)	FY22	FY23	1QFY24	YoY (%)
Revenue	6,395	7,200	1,815	8%	9,097	9,718	2,613	10%
EBITDA	2,879	2,980	704	13%	4,242	4,212	1,101	12%
EBITDA margin (%)	45%	41%	39%		47%	43%	42%	
PAT	1,486	1,957	434	16%	2,870	2,846	757	17%
PAT margin (%)	23%	27%	24%		32%	29%	29%	
AAuM serviced (Rstn)	12.0	12.8	13.5	15%	26.7	28.0	30.0	14%
Market share (%)	31%	32%	31%		69%	68%	69%	
No. of operating clients (Mutual funds)	24	23	24		19	19	19	
Market share (%)	56%	55%	56%		44%	45%	44%	
Equity AAuM serviced (Rstn)	6.4	7.0	7.4	16%	11.0	13.0	13.9	23%
Market share	35%	35%	34%		65%	66%	66%	
SIP book AAuM (Rstn)	1.8	2.1	2.4	36%	3.9	4.6	5.2	33%
Market share	31%	31%	32%		69%	69%	69%	
No. of transactions processed (mn)	275	303	70	-8%	416	466	128	15%
Average live folio count (mn)	61	68	69	7%	52	57	60	13%
Share of revenue from domestic MFs	72%	69%	72%		90%	90%	87%	
Share of revenue from non-domestic MFs	28%	31%	28%		10%	10%	13%	
No. of MFs served in top 5 AMCs			1				4	
No. of MFs served in top 10 AMCs			4				6	

Source: Company Data, Jefferies

### CAMS: Key financials

#### Exhibit 115 - CAMS: Income statement

CAMS: Income statement (Rsmn)	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Revenue</b>	<b>6,996</b>	<b>7,055</b>	<b>9,097</b>	<b>9,718</b>	<b>10,820</b>	<b>12,125</b>
Employee expenses	2,580	2,624	3,218	3,581		
Operating expenses	867	786	930	1,123		
Other expenses	683	685	708	803		
<b>Total expenses</b>	<b>4,131</b>	<b>4,095</b>	<b>4,855</b>	<b>5,506</b>	<b>6,015</b>	<b>6,620</b>
<b>EBITDA</b>	<b>2,866</b>	<b>2,960</b>	<b>4,242</b>	<b>4,212</b>	<b>4,805</b>	<b>5,504</b>
EBITDA margin	41%	42%	47%	43%	44%	45%
Depreciation and amortisation	513	434	516	603	625	664
<b>EBIT</b>	<b>2,353</b>	<b>2,526</b>	<b>3,725</b>	<b>3,610</b>	<b>4,361</b>	<b>5,014</b>
EBIT margin	34%	36%	41%	37%	40%	41%
Finance cost	97	79	71	76		
Other income	212	298	173	268		
<b>PBT</b>	<b>2,468</b>	<b>2,745</b>	<b>3,827</b>	<b>3,802</b>		
Tax	749	692	957	956		
<b>PAT</b>	<b>1,719</b>	<b>2,053</b>	<b>2,870</b>	<b>2,846</b>	<b>3,318</b>	<b>3,727</b>
PAT margin	25%	29%	32%	29%	31%	31%

Source: Bloomberg, Company Data, Jefferies; FY24 and FY25 estimates are consensus numbers taken from Bloomberg

Exhibit 116 - CAMS: Balance sheet

CAMS: Balance Sheet (Rsmn)	FY20	FY21	FY22	FY23
<b>Liabilities</b>				
<b>Equity</b>				
Share capital	488	488	489	490
Other equity	5,001	4,671	5,987	7,327
Non-controlling interests	-	-	-	7
<b>Total equity</b>	<b>5,489</b>	<b>5,159</b>	<b>6,476</b>	<b>7,825</b>
<b>Non-current liabilities</b>				
Lease liabilities	-	645	624	735
Provisions	732	748	728	720
Deferred tax liabilities	23	0	4	13
Other financial liabilities	760	-	-	-
<b>Total non-current liabilities</b>	<b>1,515</b>	<b>1,394</b>	<b>1,355</b>	<b>1,469</b>
<b>Current liabilities</b>				
Lease liabilities	-	146	196	197
Trade payables	361	529	490	469
Other financial liabilities	259	672	673	674
Other current liabilities	297	371	246	246
Provisions	110	146	135	95
Current tax liabilities (net)	-	3	1	1
<b>Total current liabilities</b>	<b>1,027</b>	<b>1,866</b>	<b>1,740</b>	<b>1,682</b>
<b>Total equity &amp; liabilities</b>	<b>8,031</b>	<b>8,419</b>	<b>9,572</b>	<b>10,976</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Fixed assets	3,090	2,840	3,143	3,413
Other financial assets	135	115	117	131
Deferred tax assets (net)	75	102	105	102
Other non-current assets	3	30	23	26
<b>Total non-current assets</b>	<b>3,304</b>	<b>3,087</b>	<b>3,388</b>	<b>3,672</b>
<b>Current assets</b>				
Investments	3,056	2,355	3,169	3,298
Trade receivables	320	290	255	330
Cash and cash equivalents	232	174	45	164
Bank balances other than C&CE	272	1,628	1,463	2,039
Loans	6	6	7	9
Other financial assets	57	51	53	34
Current tax assets (net)	150	75	201	237
Other current assets	632	753	989	1,192
<b>Total current assets</b>	<b>4,727</b>	<b>5,333</b>	<b>6,184</b>	<b>7,304</b>
<b>Total assets</b>	<b>8,031</b>	<b>8,419</b>	<b>9,572</b>	<b>10,976</b>

Source: Company Data, Jefferies

## Company Description

### KFin Tech

KFin Technologies is a leading technology-driven financial services platform providing comprehensive services to the capital markets ecosystem in India and Southeast Asia. It has well diversified offerings including investor solutions to mutual funds (70% of revenue), alternate assets, pension funds, wealth managers, services to corporate issuers and third-party services to global partners. It provides SaaS based end-to-end transaction management, channel management, compliance solutions, data analytics and various other digital services to asset managers across segments, as well as outsourcing services for global players.

## Company Valuation/Risks

### KFin Tech

We rate KFin Tech as Buy with a price target of Rs500 based on 30x Jun-25 PE. Faster conversion of order wins (into servicing) in international markets & limited dilution in yields in domestic RTA business can drive re-rating. Key risks can arise from a tighter cap on MFs, slower ramp-up in new segments, heightened capital market volatility and a pick-up in IT hiring (and pressure on manpower costs). There is also a minor risk of overpaying for an acquisition, but history suggests acquisitions have been at reasonable valuations.

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### (Article 3(1)e and Article 7 of MAR)

Recommendation Published	August 24, 2023 , 00:32 ET.
Recommendation Distributed	August 24, 2023 , 06:00 ET.

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Hold - Describes securities that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

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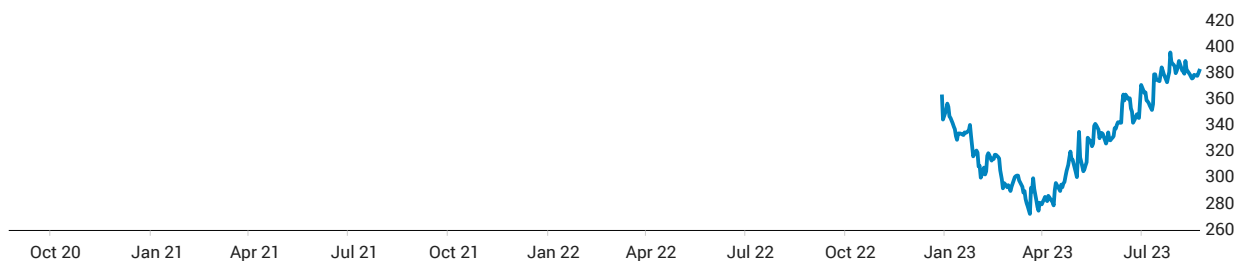
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Rating and Price Target History for: KFin Technologies Limited (KFINTECH IN) as of 08-23-2023



**Notes:** Each box in the Rating and Price Target History chart above represents actions over the past three years in which an analyst initiated on a company, made a change to a rating or price target of a company or discontinued coverage of a company.

Legend:

I: Initiating Coverage

D: Dropped Coverage

B: Buy

H: Hold

UP: Underperform

## Distribution of Ratings

			IB Serv./Past12 Mos.		JIL Mkt Serv./Past12 Mos.	
	Count	Percent	Count	Percent	Count	Percent
BUY	1818	57.90%	307	16.89%	106	5.83%
HOLD	1168	37.20%	110	9.42%	12	1.03%
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