

# Kfin Technologies Ltd

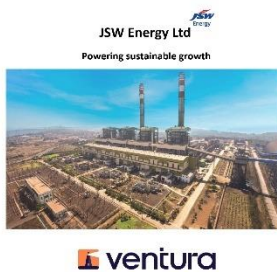
**A one-stop solution for Asset Managers, Issuers & Investors**



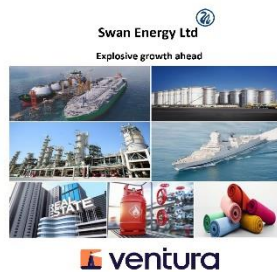
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### Our recent initiating coverage reports



**JSW Energy**



**Swan Energy**



**Religare Ent**



**JSW Infra**



**Marksans Pharma**

**BUY @ CMP INR 506**

**Target: INR 704 in 24 months**

**Upside Potential: 39.1%**

## A one-stop solution for Asset Managers, Issuers & Investors

KFin Technologies Ltd (KFINT) is a technology driven financial services platform providing comprehensive end-to-end services and solutions to companies in India and worldwide. The company is showcasing a compelling investment opportunity, supported by significant growth in its domestic investor solution sector, an expanding presence in international markets, and a dominant role in the issuer solution domain. The integration of technology played a pivotal role in this advancement, enabling the development of products and platforms and reducing operational costs by minimizing opex. This technological leverage not only elevates client interaction but also boosts revenue from current clients and augments KFINT's operational profitability.

We initiate coverage on KFINT at the CMP of INR 506 per share (25.2X FY26 P/E) with a price target of INR 704 per share (35X FY26 P/E), representing an upside potential of 39.1% in the next 24 months.

Primarily, KFINT offers two services to its clients –

- **Investor solutions – End-to-end support from receipt of application form to successful onboarding, unit allotment and trade confirmation to domestic & international asset managers in the following manner:**
  - **Front office support: Scrutiny of the application forms and scanning, uploading & storing the successful applications. The service also includes cheques deposit, dispatch of physical communication and providing an interface with banks for auto debit enrolment and billing.**
  - **Back-office support: Dual entry of all critical fields, value-based audit, NAV upload & support in unit allotment, trade confirmation, fund accounting & administration, dividend payouts, brokerage processing & payout and reconciliation.**

KFINT services 25 out of 46 AMCs and serviced INR 14,825 bn of AAUM (as on Sep 30, 2023) representing 31.5% of industry AAUM. In the AIF space, KFINT serviced 434 funds (as on Sep 30, 2023) representing 37.2% of total registered AIFs.

**Key consolidated financial data (INR Cr, unless specified)**

	Net Revenue	EBITDA	Net Profit	EBITDA (%)	Net (%)	EPS (₹)	BVPS (₹)	RoE (%)	RoC (%)	P/E (X)	P/BV (X)
FY22	639.5	287.2	148.5	44.9	23.2	8.7	37.8	23.1	39.8	58.0	13.4
FY23	720.0	295.0	195.7	41.0	27.2	11.5	51.1	22.5	35.9	44.0	9.9
FY24E	830.3	355.6	234.6	42.8	28.2	13.8	65.0	21.2	43.5	36.7	7.8
FY25E	996.0	437.8	300.7	44.0	30.2	17.7	82.6	21.4	51.4	28.6	6.1
FY26E	1,117.7	490.1	342.5	43.9	30.6	20.1	102.7	19.6	56.0	25.2	4.9

**Industry** Fin Services

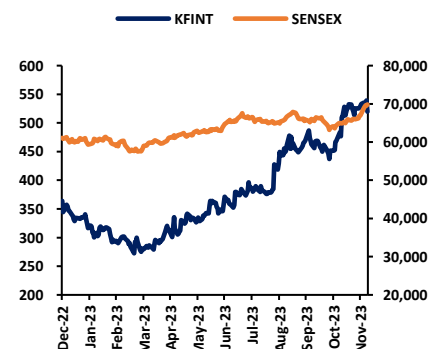
### Scrip Details

Face Value (INR)	10.0
Market Cap (INR Cr)	8,615
Price (INR)	506
No of Sh O/S (Cr)	17.0
3M Avg Vol (000)	1.2
52W H/L (INR)	562/271
Dividend Yield (%)	0.00

### Shareholding (%) Sep 2023

Promoter	49.1
Institution	31.3
Public	19.6
<b>TOTAL</b>	<b>100.0</b>

### Price Chart



- **Issuer solutions – New issue and post-issue services to listed clients and pre-issue services to unlisted clients. KFINT has large in-house processing capabilities and in-house record management services. The company offers value-added services, such as the E-AGM platform, E-voting platform, E-vault, insider trading compliance platform, advisory, IR and analytics.**

**KFINT specializes in offering Data as a Service (DAAS) and Platform as a Service (PAAS), utilizing technology to develop products and platforms designed to minimize manual handling. This approach enhances the precision of transaction processing and cuts costs by reducing the need for human resources in everyday business operations.**

**Over FY23–26E, KFINT’s revenue/ EBITDA/ net earnings are expected to grow at a CAGR of 15.8%/ 18.4%/ 20.5% to INR 1,118 cr/ INR 490 cr/ INR 343 cr respectively, while EBITDA and net margins are expected to improve by 288bps to 43.9% and 346bps to 30.6% respectively. The implementation of technology-based solutions is effectively reducing costs, thereby enhancing profitability. Moreover, the dynamic nature of India's financial markets, combined with the company's growing presence in international markets, offers significant potential for growth. As a result, RoIC is expected to improve by 2007bps to 56.0%, however, RoE is expected to decline by 291bps to 19.6%. The firm is directing its cash flow towards business growth instead of dividend payouts, leading to a rapid increase in its net worth and affecting its RoE.**

**Our optimism stems from the following:**

### **Rising domestic MF AAUM and increasing share of equities in total AAUM generates better yield and provides strong revenue visibility**

**From FY20 to the H1FY24, the AAUM of the MF industry in India grew at a CAGR of 17.1% to INR 47 tn. This surge is mainly due to a substantial increase in SIPs, which rose from a monthly amount of INR 8,641 cr in Mar 2020 to INR 17,073 cr in Nov 2023. In this market, CAMS and KFINT are the only two firms permitted to offer investor solution services to domestic AMCs. During this period, CAMS saw its market share decrease from 73.3% in FY20 to 68.5% in Sept 2023, whereas KFINT's share grew from 26.7% to 31.5% in the same period. KFINT's edge in processing a high volume of retail MF transactions swiftly due to its robust technology platform, has led to an increase in application numbers over CAMS, boosting KFINT's market share.**

**Furthermore, the proportion of equity AAUM within KFINT's total MF AAUM was 55.4% as of 30th Sep 2023, up from 47.5% in FY20. CAMS's equity AAUM share was 47.2% as of 30th Sep 2023, also an increase from 39.7% in FY20. KFINT's higher share of equity AAUM allows it to generate a superior yield (total revenue on AAUM serviced) of ~3.9bps, compared to CAMS's ~2.7bps. The combination of expanding market share and higher yields positions KFINT as a more advantageous option compared to CAMS.**

During FY20–23, KFINT’s domestic investor solution revenue grew at a CAGR of 20.1% to INR 486 cr due to an increase in number of clients from 20 in FY20 to 23 in FY23 and increase in AAUM from INR 7,233 bn in FY20 to INR 12,804 bn (CAGR growth of 21.0%). Over FY23–26E, the company’s domestic investor solutions revenue is expected to grow at a CAGR of 17.0% to INR 779 cr on account of increasing engagement with domestic AMCs and strong growth prospects for the domestic AAUM.

### **Business expansion in the international market provides extra head room for future growth**

To further accelerate revenue growth and to diversify the business model, KFINT is expanding its business in the international market. Over the past 3 years, the company has expanded its business in Malaysia, Philippines, Singapore, Hong Kong, Thailand, and Canada. As a result, the company’s international investor solution revenue grew at a CAGR of 27.7% to INR 65 cr due to increase in number of clients from 25 in FY20 to 41 in FY23 and increase in AAUM (including global MF, AIF and pension fund) from INR 777 bn in FY20 to INR 1,455 bn in FY23 (CAGR growth of 23.2%). In the next phase of growth, the company is targeting to expand its business in the bigger and developed markets of the US and Europe. As a result, the company’s international investor solutions revenue is expected to grow at a CAGR of 20.5% to INR 114 cr.

### **Recovery in capex cycle and strong economic outlook of India ensures strong revenue visibility for issuer solution business**

The Indian government's initiatives like 'Make in India' and 'Atmanirbhar Bharat' are bolstering manufacturing activities across the country, leading to higher capacity utilization in manufacturing firms. With capacity utilization now exceeding 75% and companies having reduced their debt levels, there's an anticipation of a rapid increase in investment activities. To support the rising demand for new production facilities, companies are gathering funds and investing in new capital expenditures. This trend is likely to boost security offerings in the capital markets.

KFINT, through its issuer solution division, aids companies in acquiring capital from both primary and secondary markets. Holding a dominant market share (NSE500 47.3%, mainboard IPO size 57.0% and mainboard IPO clients 26.3% in FY23), KFINT is poised to gain from the escalating security issuance activities. Moreover, KFINT also assists its clients with various corporate actions like dividend distributions, bonus issues, stock splits, etc., further enhancing its client relationships.

### **Strong tech driven operations is improving profitability, while the launch of unique tech based products improves client engagement**

KFINT has adopted a platform driven product design and delivery approach to service the varied needs of its clients. The company has an end-to-end transaction management platform across multiple asset classes such as MF, equities, AIF,



wealth and pension. The company provides a data driven technology solutions that combine an in-house platform technologies / value added services (VAS) products across different asset classes, including white label technology to meet client requirements:

- For its domestic MF solutions, the company's platform provides core registry and transfer agency services to its clients (including transaction processing, channel management and compliance) as well as other products and solutions as part of a composite offering, along with several VAS products such as 'Digix', a data analytics and reporting tool, white label tools such as Distributor Initiated Transaction (DIT) and 'Kbolt Go', a front-end application for AMC sales channels.

The company has jointly developed 'IQBOT', an advanced intelligent character recognition (ICR) program which is used to eliminate the manual data processing of the physical MF applications at the AMCs'.

- In issuer solutions, the company's platform provides core registry and transfer agency services such as folio management and processing of corporate actions, as well as several digital tools such as a virtual online registry 'KaRISMA', an insider trading management platform, 'Fintraks', an online e-voting software, 'e-Voting', a mobile based platform allowing shareholders to view their investments across equity and bonds, 'KPrism', an initial public offering bidding platform, 'Pushpak', a video conferencing and e-voting platform, 'eAGM' and a platform for data security, 'eVault'.
- For alternative investment funds, the company has developed AIFIn-a-Box, a solution for managers looking to launch an AIF.

The company offers these services primarily as turnkey solutions by combining various digital products along with requisite solutions to ensure that its platform provides end-to-end operations support to its clients. KFINT constantly enhance its platform by adding new products and solutions such as digital customer acquisition tools as well as enhanced data analytics services. The company provides offerings such as platform as a service (PAAS) and use technology to create products and platforms that eliminate manual intervention, improve the accuracy of transaction proceeding and reduce cost by eliminating the manpower needs in conducting day to day business.

**KFINT's Valuation: Initiate with a BUY for a 24 months price target of INR 704 per share (35X FY26 P/E)**

The company is showcasing a compelling investment opportunity, supported by significant growth in its domestic investor solution sector, an expanding presence in international markets, and a dominant role in the issuer solution domain. The integration of technology played a pivotal role in this advancement, enabling the development of products and platforms and reducing operational costs by minimizing opex. This technological leverage not only elevates client interaction but also boosts revenue from current clients and augments KFINT's operational profitability.

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### Consensus vs estimates

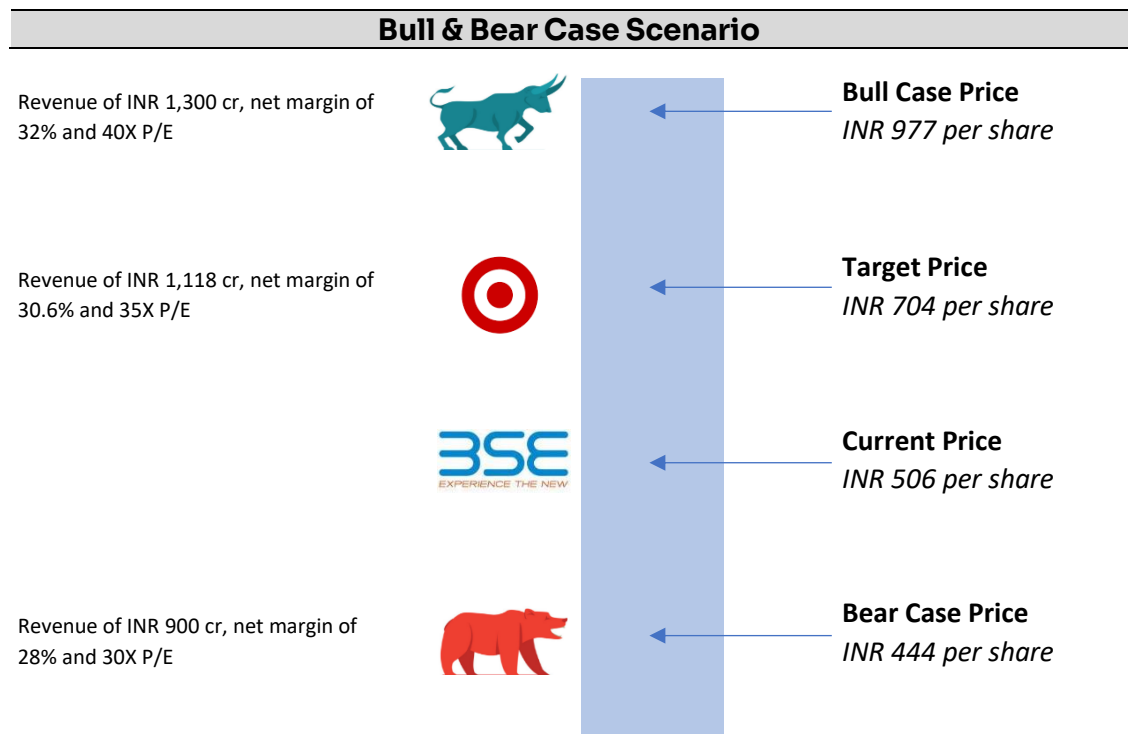
Ventura Estimates vs Bloomberg Consensus					
Consensus vs Ventura Estimates	FY23	FY24E	FY25E	FY26E	FY23-26E CAGR (%)
<b>Revenue (INR cr)</b>					
Consensus	720.0	816.3	934.1	1,057.7	13.7
<i>YoY Growth (%)</i>	12.6	13.4	14.4	13.2	
Ventura Estimates	720.0	830.3	996.0	1,117.7	15.8
<i>YoY Growth (%)</i>	12.6	15.3	20.0	12.2	
<b>EBITDA (INR cr) &amp; EBITDA margin (%)</b>					
Consensus	295.0	346.7	404.5	461.9	16.1
<i>Consensus Margin (%)</i>	41.0	42.5	43.3	43.7	
Ventura Estimates	295.0	355.6	437.8	490.1	18.4
<i>Ventura Margin (%)</i>	41.0	42.8	44.0	43.9	
<b>Net Profit (INR cr) &amp; Net margin (%)</b>					
Consensus	195.7	222.9	257.9	298.8	15.1
<i>Consensus Margin (%)</i>	27.2	27.3	27.6	28.2	
Ventura Estimates	195.7	234.6	300.7	342.5	20.5
<i>Ventura Margin (%)</i>	27.2	28.2	30.2	30.6	
<b>Valuation</b>					
<b>P/E Ratio (X)</b>					
Consensus	44.0	38.6	33.4	28.8	
Ventura Estimates	44.0	36.7	28.6	25.2	

Source: Ventura Research & Bloomberg

## Our Bull and Bear Case Scenarios

We have prepared likely Bull and Bear case scenarios for FY26 price, based on revenue growth, net margins and P/E multiples.

- Bull Case:** We have assumed revenue of INR 1,300 cr and a net margin of 32.0% at a P/E of 35X, which will result in a Bull Case price target of INR 987 per share (an upside of 93.2% from CMP).
- Bear Case:** We have assumed revenue of INR 900 cr and a net margin of 30.0% at a P/E of 25X, which will result in a Bear Case price target of INR 441 per share (a downside of 12.2% from CMP).

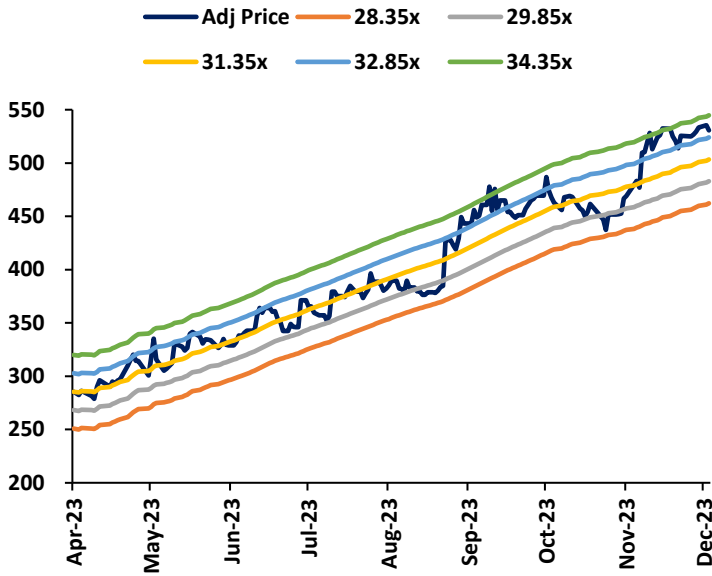


Source: BSE & Ventura Research

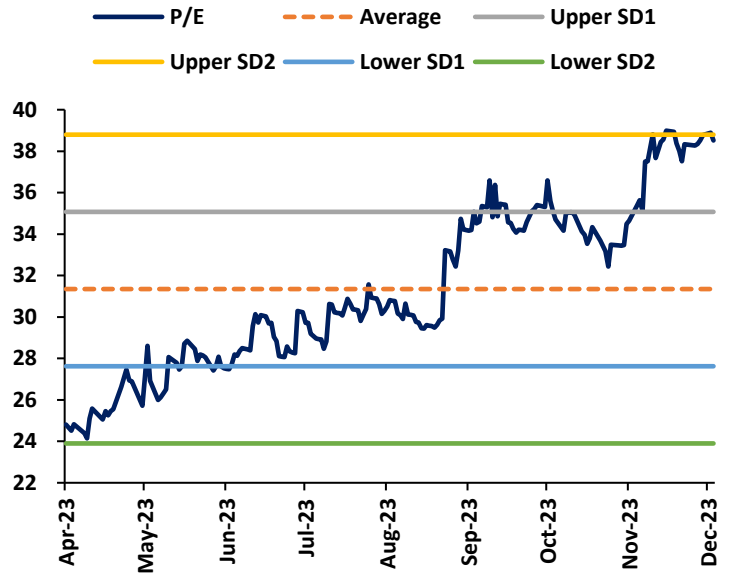


**Strong revenue growth outlook, improving profitability and healthy balance sheet could sustain valuation**

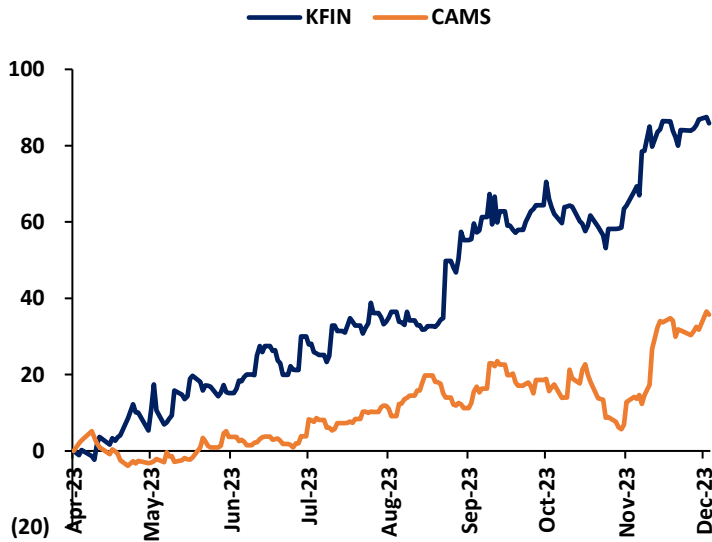
**1 year forward P/E**



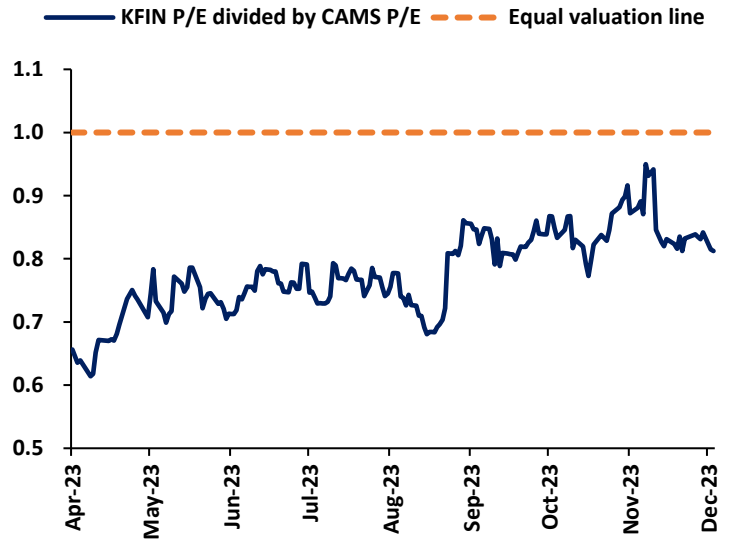
**P/E and its standard deviation**



**Price performance - KFIN stock price outperformed CAMS**



**Despite a stellar run of KFIN's price, its P/E remained at discount due to strong PAT growth**



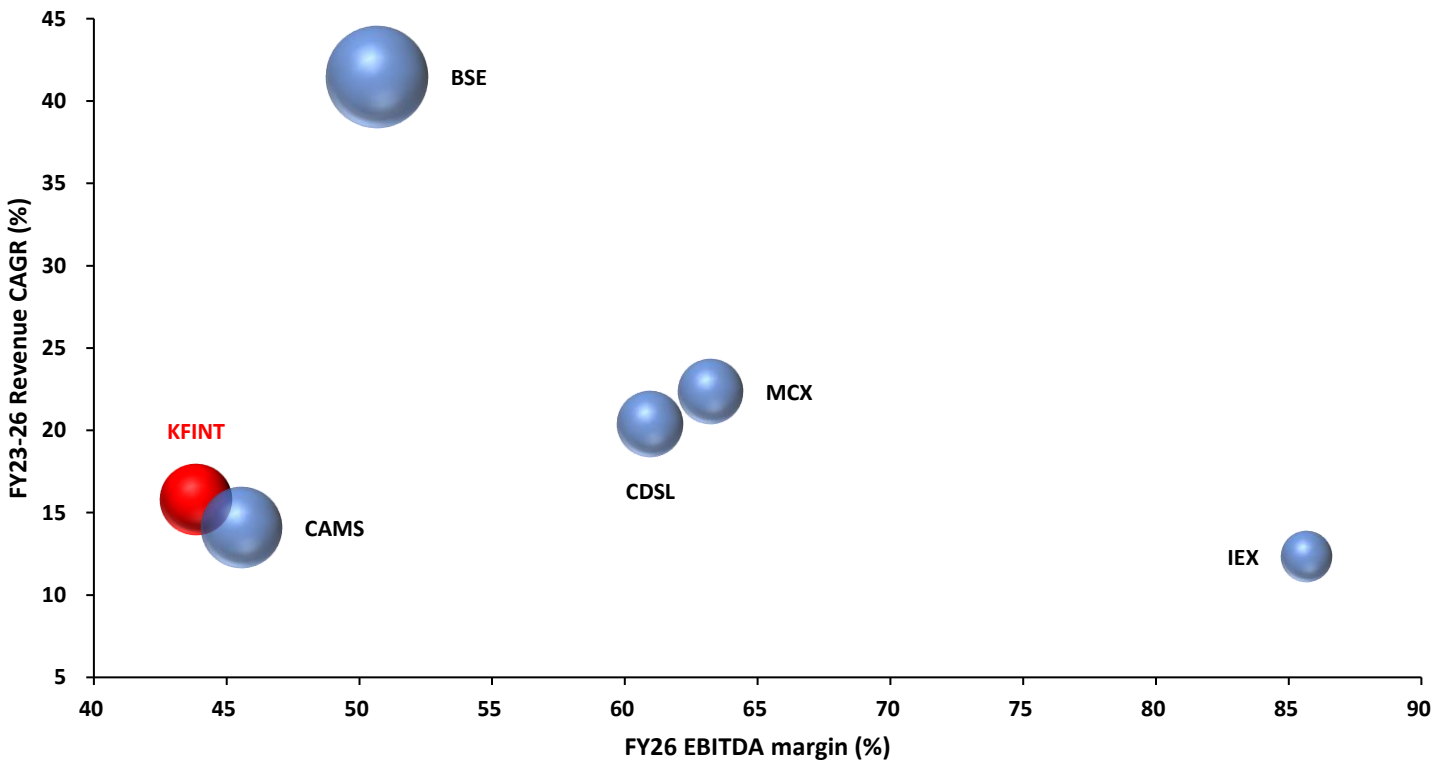
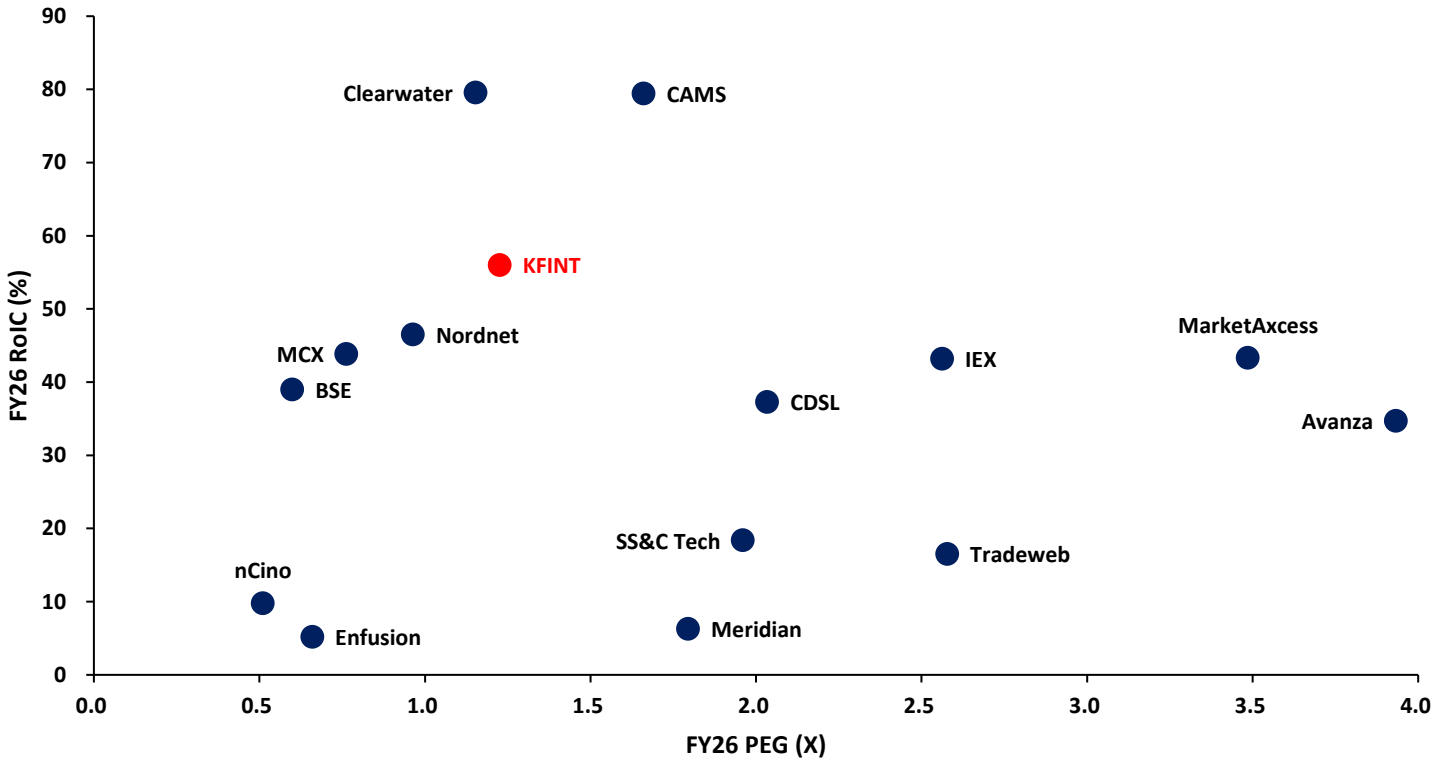
Source: Ventura Research

## Valuation and comparable metrics of domestic and global companies

Company Name	Mkt Cap	Price	PEG (X)	P/E (X)			P/BV (X)			EV/EBIDTA (X)			RoE (%)			RoIC (%)			Sales			EBITDA Margin (%)			Net Margin (%)		
				2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026	2024	2025	2026
Domestic Peers (fig in INR cr, unless specified)																											
Kfin Technologies Ltd	8,615	506.0	1.2	36.7	28.6	25.2	7.8	6.1	4.9	23.1	18.2	15.6	21.2	21.4	19.6	43.5	51.4	56.0	830	996	1,118	42.8	44.0	43.9	28.2	30.2	30.6
Computer Age Mgmt Ser Ltd	13,268	2,701.0	1.7	38.9	33.6	28.8	15.0	13.2	11.6	26.0	22.4	19.5	38.5	39.3	40.3	99.4	91.1	79.4	1,114	1,274	1,443	44.2	44.9	45.6	30.7	31.0	31.9
Central Depository Ser Ltd	20,513	1,963.0	2.0	58.8	50.0	42.2	15.6	14.2	12.9	49.5	41.9	34.6	26.5	28.4	30.6	32.3	34.9	37.3	712	837	968	57.9	58.2	61.0	49.0	49.0	50.2
BSE Ltd	32,207	2,379.1	0.6	54.7	43.3	35.8	11.2	10.4	9.6	57.5	37.7	27.1	20.5	24.0	26.7	23.6	34.0	39.0	1,229	1,729	2,309	44.9	48.6	50.7	47.9	43.0	38.9
MCX of India Ltd	16,620	3,259.0	0.8	189.4	40.5	35.5	11.0	10.2	9.4	243.8	31.4	27.1	5.8	25.2	26.5	4.9	42.1	43.8	676	815	941	9.8	63.1	63.2	13.0	50.4	49.8
Indian Energy Exchange Ltd	13,652	153.1	2.6	39.6	35.8	31.5	15.1	13.4	11.9	35.3	31.8	28.0	38.1	37.4	37.7	41.9	43.7	43.2	460	509	568	84.1	84.4	85.7	74.9	74.9	76.2
Global Peers (fig in USD mn, unless specified)																											
SS&C Tech Holdings (US)	14,136	57.1	2.0	12.1	11.0	10.0	2.2	2.1	2.0	9.8	9.0	8.3	18.6	19.2	19.9	16.0	17.2	18.4	5,486	5,692	5,913	38.4	39.4	40.0	21.3	22.6	24.0
Clearwater Analytics (US)	4,685	19.2	1.2	57.3	46.0	36.2	15.7	14.2	12.7	43.3	33.9	26.9	27.4	30.9	35.2	82.6	78.7	79.5	368	440	527	28.3	30.2	31.8	22.2	23.1	24.6
nCino Inc (US)	3,326	29.4	0.5	69.4	49.1	32.9	3.2	3.1	3.0	50.6	37.1	26.1	4.5	6.3	9.2	5.6	7.1	9.8	477	546	633	13.7	16.3	20.0	10.0	12.4	16.0
Meridian Link (US)	1,727	21.9	1.8	-336.1	143.2	35.3	3.1	3.0	3.0	19.7	17.5	15.2	-0.9	2.1	8.4	3.5	4.8	6.2	304	330	364	35.0	36.4	38.0	-1.7	3.7	13.5
Enfusion Inc (US)	1,255	9.8	0.7	64.9	39.2	28.5	1.4	1.3	1.3	38.6	27.7	20.6	2.1	3.4	4.7	2.5	3.9	5.2	174	203	244	17.9	21.3	23.8	11.1	15.8	18.1
MarketAccess Holdings (US)	9,927	262.0	3.5	39.8	34.9	30.8	8.5	8.0	7.4	24.6	21.5	19.2	21.5	22.8	24.0	42.0	42.6	43.3	748	843	935	51.7	52.4	52.9	33.4	33.7	34.5
Tradeweb Markets (US)	21,243	90.7	2.6	41.7	36.4	32.9	4.2	4.0	3.9	30.3	26.3	23.7	10.0	11.0	11.8	13.5	15.2	16.5	1,310	1,487	1,638	52.3	53.1	53.4	38.9	39.2	39.4
Nordnet AB (Sweeden)	4,385	17.4	1.0	18.0	17.1	16.6	7.9	7.0	6.2	13.3	13.0	13.6	44.2	40.8	37.3	56.0	51.7	46.5	436	459	475	75.8	73.4	67.9	55.9	55.9	55.6
Avanza (Sweeden)	3,458	22.0	3.9	18.4	18.2	18.3	6.5	5.9	5.3	15.1	15.2	15.2	35.2	32.1	29.2	41.4	38.1	34.7	328	343	355	69.8	66.3	64.1	57.3	55.2	53.4

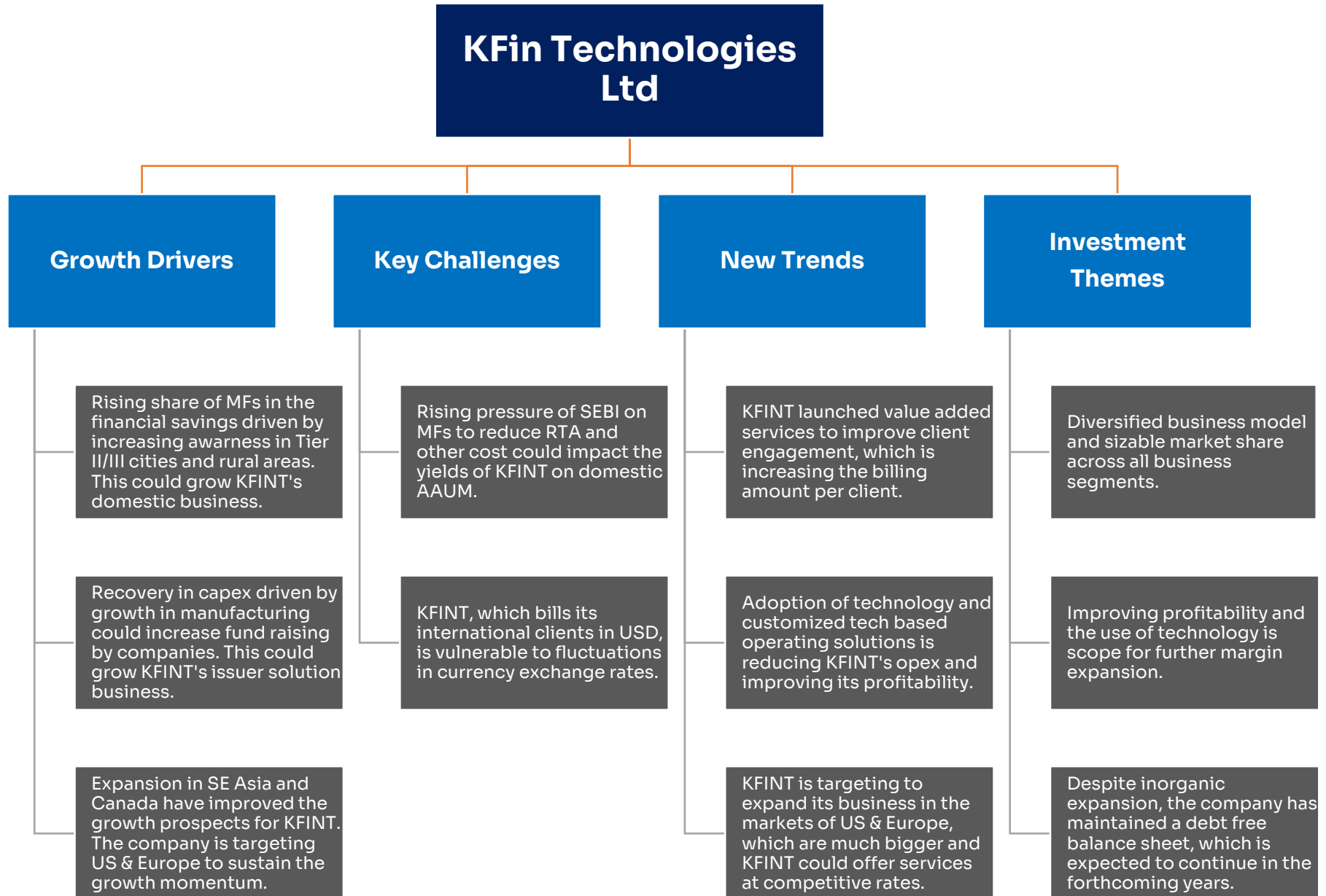
Source: Ventura Research & Bloomberg

**Strong revenue growth and margin expansion deserves re-rating in valuation**



Source: Ventura Research, ACE Equity & Bloomberg  
Bubble size indicates the size of the company's revenue

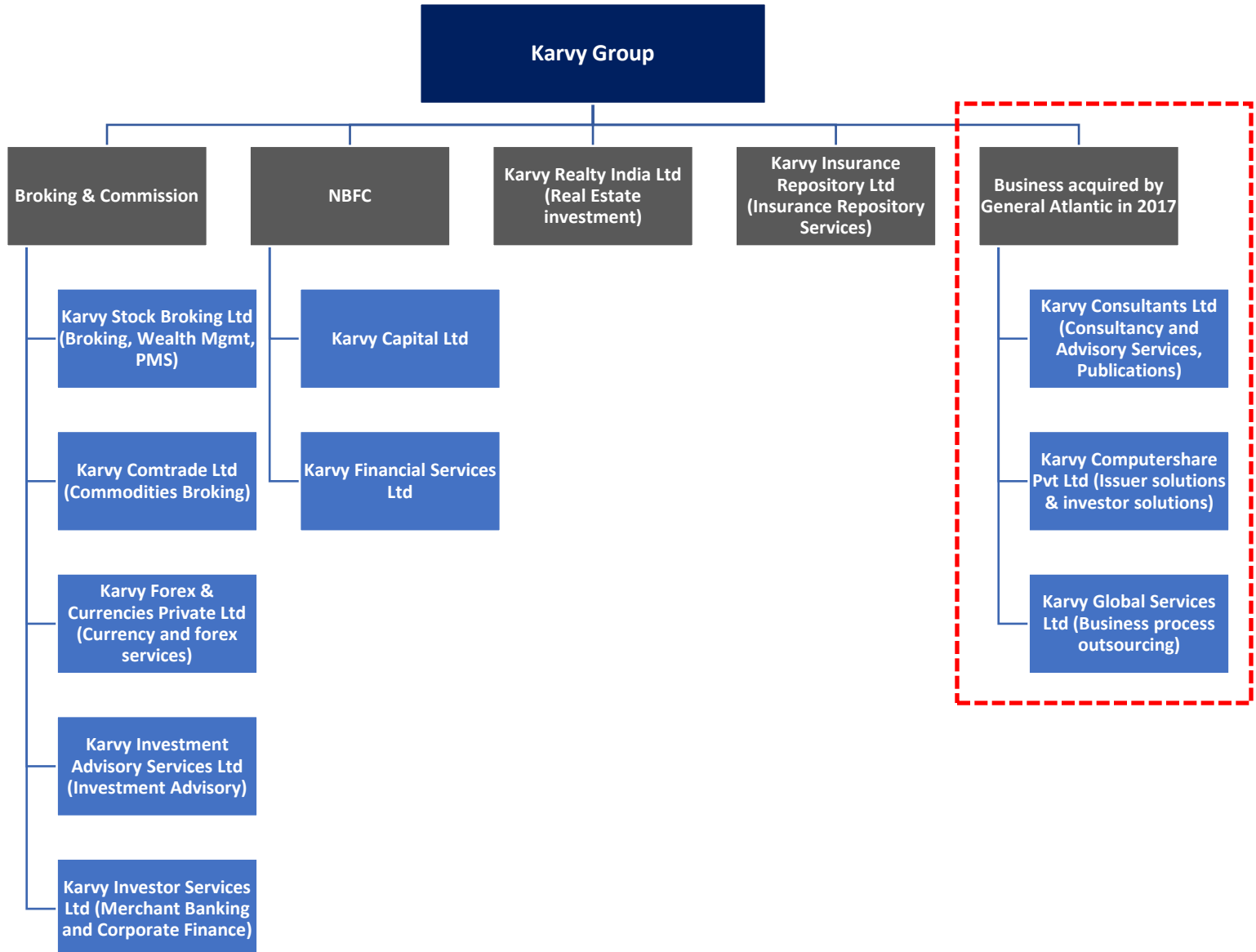
**KFin Technologies Ltd SWOT Analysis in a nutshell**



## What went wrong with Karvy Group

Karvy Group, incorporated in 1983, was a financial services company in India. It was involved in financial services like equity, commodities trading, depository and wealth services and distribution of other financial products. It has its headquarters in Hyderabad, and it also had branch offices outside India in Bahrain, Dubai, Malaysia, Philippines and the US.

### Karvy Group's business structure



Source: Company Reports & Ventura Research

Between Apr 2016 and Oct 2019, Karvy Stock Broking Ltd (KSBL), a subsidiary of the Karvy Group, illicitly utilized the power of attorney (POA) for over 95,000 inactive demat accounts. This power was used to pledge shares within these accounts as security for loans totaling approximately INR 2,300 cr from various Indian banks. The funds obtained from these loans were not credited to the dormant accounts;

instead, they were funneled into the real estate ventures of the Karvy Group, a related entity of KSBL.

This malpractice was eventually exposed, leading the SEBI to prohibit KSBL from acquiring new clients and engaging in further trading activities. SEBI also instructed the NSDL to promptly restore the shares to the affected clients. Subsequently, about 90% of the shares were returned to the shareholders, leaving the banks with only 10% of the initially pledged shares as security, and no means to recover the loaned funds from the Karvy Group.

In response, the banks appealed to the Securities Appellate Tribunal (SAT) against SEBI's decision. The SAT then ordered the Enforcement Directorate (ED) to investigate. The ED's inquiry led to the attachment of assets worth INR 2,094 cr belonging to the Karvy Group, including land, buildings, shares, cash, and term deposits, to substantially settle a significant portion of the outstanding loan amount.

### **General Atlantic acquired strategic stake in Karvy Computershare Pvt Ltd, which was not involved in the controversy**

When General Atlantic decided to acquire a stake in Karvy Computershare Pvt Ltd (KCPL, one of the Karvy Group companies), the primary focus was on the potential growth and the strategic value of the company represented in the financial services sector, particularly in asset management and corporate shareholder services in India. This decision was made before the controversies surrounding Karvy Group surfaced publicly and KCPL was not directly involved in the controversy. At the time of the investment:

- **Market Position and Growth Potential:** KCPL was a leading provider in its sector, servicing a vast number of investor accounts and working with numerous asset managers and corporations in India. This strong market presence and the growth trajectory of the Indian asset management industry would have been attractive to General Atlantic.
- **Strategic Fit:** General Atlantic, with a focus on investing in technology and technology-enabled businesses, especially in sectors like financial services, might have seen KCPL as a fitting addition to its portfolio, aligning with its investment strategy and sector focus.
- **Pre-Controversy Investment:** It's important to note that General Atlantic's investment occurred in 2017, well before the major controversies involving Karvy Group came to light. Investment decisions are made based on the information available at the time, and the controversies surrounding Karvy Group surfaced later.
- **Risk Management:** Professional investment firms like General Atlantic typically have robust risk management frameworks to mitigate potential risks, including those that might arise from unforeseen future controversies.
- **Due Diligence:** General Atlantic would have conducted extensive due diligence before the acquisition. However, certain risks or issues might not be apparent at the time of investment and can emerge later.



## KFINT's financial analysis and projections

### FY20-23: A period of high growth phase and improvement in operating profitability

During FY20-23, KFINT's revenue grew at a CAGR of 17.0% to INR 720 cr. This was mainly driven by:

- 20.9% CAGR growth in investor solution revenue to INR 551 cr on account of rise in income from both domestic and international markets:
  - The company's domestic investor solution revenue grew at a CAGR of 20.1% to INR 486 cr due to an increase in number of clients from 20 in FY20 to 23 in FY23 and increase in AAUM from INR 7,233 bn in FY20 to INR 12,804 bn (CAGR growth of 21.0%).
  - The company's international investor solution revenue grew at a CAGR of 27.7% to INR 65 cr due to increase in number of clients from 25 in FY20 to 41 in FY23 and increase in AAUM (including global MF, AIF and pension fund) from INR 777 bn in FY20 to INR 1,455 bn in FY23 (CAGR growth of 23.2%).
- 24.4% CAGR growth in issuer solution revenue to INR 98 cr on account of increase in number of clients from 4,048 in FY20 to 5,363 in FY23 and increase in total number of transactions from 1.9 mn in FY20 to 3.1 mn in FY23.
- 6.6% CAGR growth in global business services revenue to INR 44 cr.

During the period, KFINT's EBITDA and net earnings grew at a CAGR of 23.0% and 251.1% to INR 295 cr and INR 196 cr respectively, while EBITDA and net margins improved by 570bps to 41.0% and 2618bps to 27.2% respectively. Use of technology for business operations improved the employee productivity and enhance the company's profitability. As a result, return ratios – RoE and RoIC – improved by 2139bps to 22.5% and 2711bps to 35.9% respectively.

### H1FY24 performance: Strong revenue growth and margin expansion

In H1FY24, KFINT's revenue grew at a YoY rate of 12.0% to INR 390 cr, and it was primarily driven by:

- 15.8% YoY growth in investor solutions revenue to INR 309 cr on account of:
  - 13.8% YoY growth in domestic investor solutions revenue to INR 269 cr due to the rise in AAUM from INR 12,299 bn to INR 14,825 bn over the 12 months period (30<sup>th</sup> Sep 2022 to 30<sup>th</sup> Sep 2023), registering a YoY growth of 20.5%
  - 31.5% YoY growth in international investor solutions revenue to INR 40 cr due to an addition of 17 clients over the past 12 months and a rise in AAUM from INR 1,397 bn to INR 1,753 bn over the 12 months period, registering a YoY growth of 25.5%.
- 5.0% YoY growth in issuer solutions revenue to INR 49 cr due to an increase in the number of issuers from 5,051 to 5,693 over the past 12 months.

EBITDA and net earnings grew at a YoY rate of 22.9% and 22.8% to INR 164 cr and INR 105 cr respectively, while EBITDA and net margins improved by 375bps to 42.0% and 236bps to 26.8% respectively.

**Ventura estimates for FY23–26: Increasing AAUM, rising securing issuance in the Indian capital markets and expansion in the international markets are expected to accelerate financial performance**

Over the period of FY23–26E, we are expecting KFINT’s revenues to grow at a CAGR of 15.8% to INR 1,118 cr, which is expected to be driven by

- 17.5% CAGR growth in investor solutions revenue to INR 894 cr on account of increasing client engagement, new client additions in the international markets and strong growth prospects in domestic as well as global AAUM.
  - The company’s domestic investor solutions revenue is expected to grow at a CAGR of 17.0% to INR 779 cr on account of increasing client engagement with domestic AMCs and strong growth prospects for the domestic AAUM.
  - The company’s international investor solutions revenue is expected to grow at a CAGR of 20.5% to INR 114 cr on account of the company’s expanding business in the overseas markets.
- 11.0% CAGR growth in issuer solutions revenue to INR 135 cr on account of increasing issuance of equity and debt securities by listed and unlisted companies in the Indian capital markets.
- 5.8% CAGR growth in global business services revenue to INR 52 cr on account of increasing business prospects for KFINT in the overseas markets.

Over FY23–26E, KFINT’s EBITDA and net earnings are expected to grow at a CAGR of 18.4% and 20.5% to INR 490 cr and INR 343 cr respectively, while EBITDA and net margins are expected to improve by 288bps to 43.9% and 346bps to 30.6% respectively. The implementation of technology-based solutions is effectively reducing costs, thereby enhancing profitability. Moreover, the dynamic nature of India's financial markets, combined with the company’s growing presence in international markets, offers significant potential for growth.

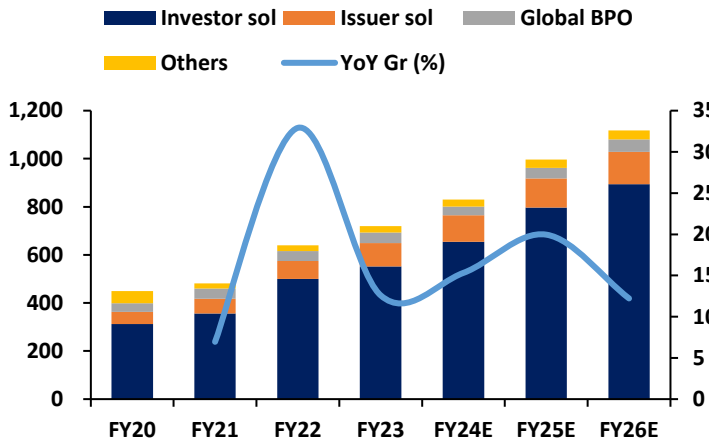
RoIC is expected to improve by 2007bps to 56.0%, however, RoE is expected to decline by 291bps to 19.6%. The firm is directing its cash flow towards business growth instead of dividend payouts, leading to a rapid increase in its net worth and affecting its RoE.

### KFINT's Financial Summary

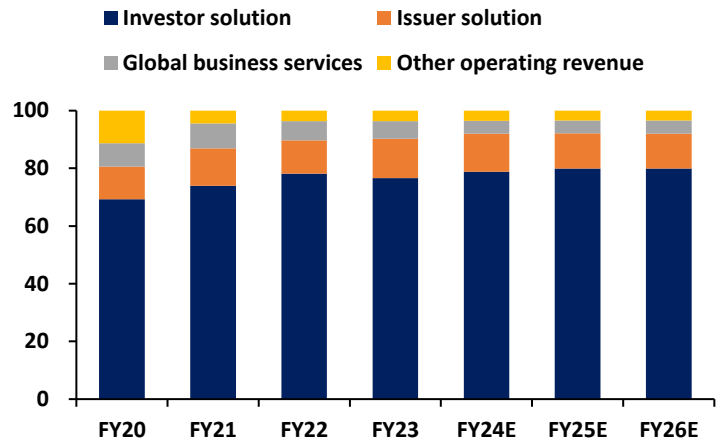
Fig in INR Cr (unless specified)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Investor solution	311.8	355.9	499.8	551.4	654.7	796.3	893.5	1,024.3	1,187.3	1,355.9	1,549.5
<i>YoY Growth (%)</i>	<i>176.4</i>	<i>14.1</i>	<i>40.4</i>	<i>10.3</i>	<i>18.7</i>	<i>21.6</i>	<i>12.2</i>	<i>14.6</i>	<i>15.9</i>	<i>14.2</i>	<i>14.3</i>
<i>Share in total revenue (%)</i>	<i>69.3</i>	<i>74.0</i>	<i>78.1</i>	<i>76.6</i>	<i>78.9</i>	<i>79.9</i>	<i>79.9</i>	<i>80.4</i>	<i>81.0</i>	<i>81.5</i>	<i>82.1</i>
Domestic solution	280.4	317.4	451.4	486.2	568.7	696.8	779.2	895.9	1,044.9	1,200.2	1,381.7
International solution	31.4	38.4	48.4	65.3	86.0	99.5	114.3	128.4	142.4	155.7	167.8
Issuer solution	51.0	62.2	74.2	98.3	109.8	121.9	134.6	147.7	161.2	175.2	189.6
<i>YoY Growth (%)</i>	<i>136.7</i>	<i>21.8</i>	<i>19.3</i>	<i>32.4</i>	<i>11.7</i>	<i>11.1</i>	<i>10.4</i>	<i>9.7</i>	<i>9.2</i>	<i>8.7</i>	<i>8.2</i>
<i>Share in total revenue (%)</i>	<i>11.3</i>	<i>12.9</i>	<i>11.6</i>	<i>13.6</i>	<i>13.2</i>	<i>12.2</i>	<i>12.0</i>	<i>11.6</i>	<i>11.0</i>	<i>10.5</i>	<i>10.0</i>
Global business services	36.2	42.1	42.2	43.8	36.8	44.1	51.9	59.6	67.7	75.8	83.8
<i>YoY Growth (%)</i>	<i>208.0</i>	<i>16.4</i>	<i>0.4</i>	<i>3.6</i>	<i>(16.0)</i>	<i>20.0</i>	<i>17.5</i>	<i>15.0</i>	<i>13.5</i>	<i>12.0</i>	<i>10.5</i>
<i>Share in total revenue (%)</i>	<i>8.0</i>	<i>8.7</i>	<i>6.6</i>	<i>6.1</i>	<i>4.4</i>	<i>4.4</i>	<i>4.6</i>	<i>4.7</i>	<i>4.6</i>	<i>4.6</i>	<i>4.4</i>
Other operating revenue	50.9	21.0	23.3	26.6	29.1	33.7	37.8	43.1	49.6	56.2	63.8
<i>YoY Growth (%)</i>	<i>211.7</i>	<i>(58.7)</i>	<i>10.8</i>	<i>14.1</i>	<i>9.4</i>	<i>15.9</i>	<i>12.2</i>	<i>14.0</i>	<i>15.0</i>	<i>13.5</i>	<i>13.4</i>
<i>Share in total revenue (%)</i>	<i>11.3</i>	<i>4.4</i>	<i>3.6</i>	<i>3.7</i>	<i>3.5</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>
Revenue from operations	449.9	481.1	639.5	720.0	830.3	996.0	1,117.7	1,274.7	1,465.7	1,663.1	1,886.7
<i>YoY Growth (%)</i>	<i>177.0</i>	<i>7.0</i>	<i>32.9</i>	<i>12.6</i>	<i>15.3</i>	<i>20.0</i>	<i>12.2</i>	<i>14.0</i>	<i>15.0</i>	<i>13.5</i>	<i>13.4</i>
Employee Cost	194.0	188.6	232.5	289.4	313.8	366.9	412.0	468.1	534.8	604.4	682.5
<i>Employee Cost to Sales (%)</i>	<i>43.1</i>	<i>39.2</i>	<i>36.4</i>	<i>40.2</i>	<i>37.8</i>	<i>36.8</i>	<i>36.9</i>	<i>36.7</i>	<i>36.5</i>	<i>36.3</i>	<i>36.2</i>
Other Expenses	97.2	80.1	119.8	135.6	160.9	191.4	215.6	246.2	283.0	319.9	360.9
<i>Other Expenses to Sales (%)</i>	<i>21.6</i>	<i>16.6</i>	<i>18.7</i>	<i>18.8</i>	<i>19.4</i>	<i>19.2</i>	<i>19.3</i>	<i>19.3</i>	<i>19.3</i>	<i>19.2</i>	<i>19.1</i>
EBITDA	158.7	212.4	287.2	295.0	355.6	437.8	490.1	560.4	647.9	738.7	843.3
<i>EBITDA Margin (%)</i>	<i>35.3</i>	<i>44.2</i>	<i>44.9</i>	<i>41.0</i>	<i>42.8</i>	<i>44.0</i>	<i>43.9</i>	<i>44.0</i>	<i>44.2</i>	<i>44.4</i>	<i>44.7</i>
PAT	4.5	(64.5)	148.5	195.7	235.6	301.9	343.9	405.3	481.6	555.7	652.7
<i>PAT Margin (%)</i>	<i>1.0</i>	<i>(13.4)</i>	<i>23.2</i>	<i>27.2</i>	<i>28.4</i>	<i>30.3</i>	<i>30.8</i>	<i>31.8</i>	<i>32.9</i>	<i>33.4</i>	<i>34.6</i>
Net Profit	4.5	(64.5)	148.5	195.7	234.6	300.7	342.5	403.8	479.9	553.7	650.5
<i>Net Margin (%)</i>	<i>1.0</i>	<i>(13.4)</i>	<i>23.2</i>	<i>27.2</i>	<i>28.2</i>	<i>30.2</i>	<i>30.6</i>	<i>31.7</i>	<i>32.7</i>	<i>33.3</i>	<i>34.5</i>
Adjusted EPS	0.3	(3.8)	8.7	11.5	13.8	17.7	20.1	23.7	28.2	32.5	38.2
<i>P/E (X)</i>	<i>1,904.7</i>	<i>(133.5)</i>	<i>58.0</i>	<i>44.0</i>	<i>36.7</i>	<i>28.6</i>	<i>25.2</i>	<i>21.3</i>	<i>18.0</i>	<i>15.6</i>	<i>13.2</i>
Adjusted BVPS	24.1	20.3	37.8	51.1	65.0	82.6	102.7	126.5	154.6	187.2	225.4
<i>P/BV (X)</i>	<i>21.0</i>	<i>24.9</i>	<i>13.4</i>	<i>9.9</i>	<i>7.8</i>	<i>6.1</i>	<i>4.9</i>	<i>4.0</i>	<i>3.3</i>	<i>2.7</i>	<i>2.2</i>
Enterprise Value	8,958.8	8,842.4	8,599.1	8,435.8	8,225.1	7,953.1	7,624.0	7,240.7	6,788.7	6,255.4	5,632.2
<i>EV/EBITDA (X)</i>	<i>56.5</i>	<i>41.6</i>	<i>29.9</i>	<i>28.6</i>	<i>23.1</i>	<i>18.2</i>	<i>15.6</i>	<i>12.9</i>	<i>10.5</i>	<i>8.5</i>	<i>6.7</i>
Net Worth	409.6	346.4	644.3	870.2	1,105.8	1,406.5	1,749.1	2,152.9	2,632.8	3,186.5	3,837.0
<i>Return on Equity (%)</i>	<i>1.1</i>	<i>(18.6)</i>	<i>23.1</i>	<i>22.5</i>	<i>21.2</i>	<i>21.4</i>	<i>19.6</i>	<i>18.8</i>	<i>18.2</i>	<i>17.4</i>	<i>17.0</i>
Capital Employed	784.9	692.3	766.9	1,000.3	1,105.8	1,406.5	1,749.1	2,152.9	2,632.8	3,186.5	3,837.0
<i>Return on Capital Employed (%)</i>	<i>2.1</i>	<i>(15.8)</i>	<i>23.8</i>	<i>18.8</i>	<i>20.8</i>	<i>20.4</i>	<i>18.2</i>	<i>17.0</i>	<i>16.2</i>	<i>15.3</i>	<i>14.7</i>
Invested Capital	753.5	573.9	628.6	691.2	716.1	744.8	758.2	778.7	806.6	827.1	854.3
<i>Return on Invested Capital (%)</i>	<i>8.8</i>	<i>19.9</i>	<i>39.8</i>	<i>35.9</i>	<i>43.5</i>	<i>51.4</i>	<i>56.0</i>	<i>62.8</i>	<i>70.7</i>	<i>78.8</i>	<i>88.1</i>
Cash Flow from Operations	101.4	203.8	252.6	223.4	234.9	320.4	381.1	440.0	514.2	597.5	692.3
Cash Flow from Investing	93.0	(102.9)	(115.4)	(204.4)	(92.2)	(106.8)	(93.4)	(111.9)	(131.3)	(130.1)	(146.0)
Cash Flow from Financing	(206.0)	(89.4)	(115.4)	7.3	(144.3)	(5.4)	(5.4)	(5.1)	(4.5)	(10.1)	(9.1)
Net Cash Flow	(11.6)	11.5	21.8	26.3	(1.6)	208.2	282.3	322.9	378.5	457.3	537.2
Free Cash Flow	107.0	124.4	223.1	162.1	205.4	280.5	338.5	393.9	463.9	547.7	638.0
<i>FCF to Revenue (%)</i>	<i>23.8</i>	<i>25.9</i>	<i>34.9</i>	<i>22.5</i>	<i>24.7</i>	<i>28.2</i>	<i>30.3</i>	<i>30.9</i>	<i>31.6</i>	<i>32.9</i>	<i>33.8</i>
<i>FCF to EBITDA (%)</i>	<i>67.4</i>	<i>58.6</i>	<i>77.7</i>	<i>55.0</i>	<i>57.8</i>	<i>64.1</i>	<i>69.1</i>	<i>70.3</i>	<i>71.6</i>	<i>74.1</i>	<i>75.6</i>
<i>FCF to Net Profit (%)</i>	<i>2,365.4</i>	<i>(192.9)</i>	<i>150.2</i>	<i>82.8</i>	<i>87.6</i>	<i>93.3</i>	<i>98.8</i>	<i>97.5</i>	<i>96.7</i>	<i>98.9</i>	<i>98.1</i>
<i>FCF to Net Worth (%)</i>	<i>26.1</i>	<i>35.9</i>	<i>34.6</i>	<i>18.6</i>	<i>18.6</i>	<i>19.9</i>	<i>19.4</i>	<i>18.3</i>	<i>17.6</i>	<i>17.2</i>	<i>16.6</i>
Total Debt	375	346	123	130	0	0	0	0	0	0	0
Net Debt	344	228	(16)	(179)	(390)	(662)	(991)	(1,374)	(1,826)	(2,359)	(2,983)
<i>Net Debt to Equity (X)</i>	<i>0.8</i>	<i>0.7</i>	<i>(0.0)</i>	<i>(0.2)</i>	<i>(0.4)</i>	<i>(0.5)</i>	<i>(0.6)</i>	<i>(0.6)</i>	<i>(0.7)</i>	<i>(0.7)</i>	<i>(0.8)</i>
<i>Net Debt to EBITDA (X)</i>	<i>2.2</i>	<i>1.1</i>	<i>(0.1)</i>	<i>(0.6)</i>	<i>(1.1)</i>	<i>(1.5)</i>	<i>(2.0)</i>	<i>(2.5)</i>	<i>(2.8)</i>	<i>(3.2)</i>	<i>(3.5)</i>
<i>Interest Coverage Ratio (X)</i>	<i>1.2</i>	<i>2.2</i>	<i>4.7</i>	<i>23.2</i>	<i>21.8</i>	<i>70.5</i>	<i>78.0</i>	<i>95.1</i>	<i>127.0</i>	<i>64.5</i>	<i>82.6</i>
<b>Fundamental scores</b>											
Altman Z Score	0.9	0.9	1.7	10.5	19.2	17.6	16.5	15.5	14.5	11.6	10.9
Piotroski F-score	5.0	5.0	7.0	5.0	7.0	6.0	5.0	5.0	5.0	5.0	5.0
Beneish M-score	(1.5)	(2.9)	(2.5)	(2.7)	(2.1)	(2.6)	(2.8)	(2.7)	(2.7)	(2.8)	(2.8)

Source: ACE Equity, Company Reports & Ventura Research

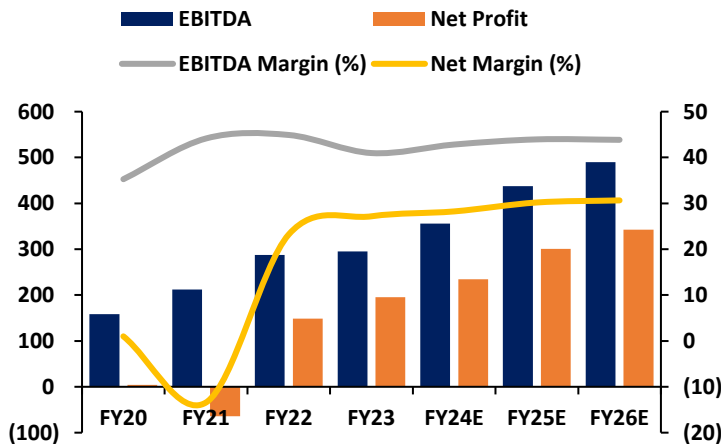
**Business diversification and strong capital markets to drive revenue**



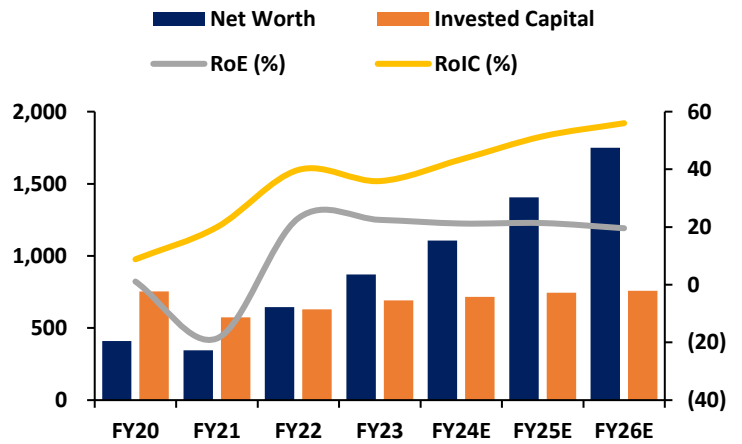
**Revenue share is expected to remain stable in the coming years**



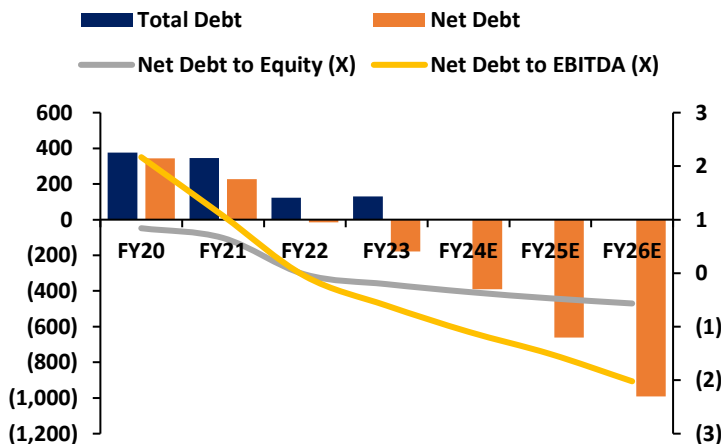
**Profitability is expected to improve gradually due to operating leverage and use of tech**



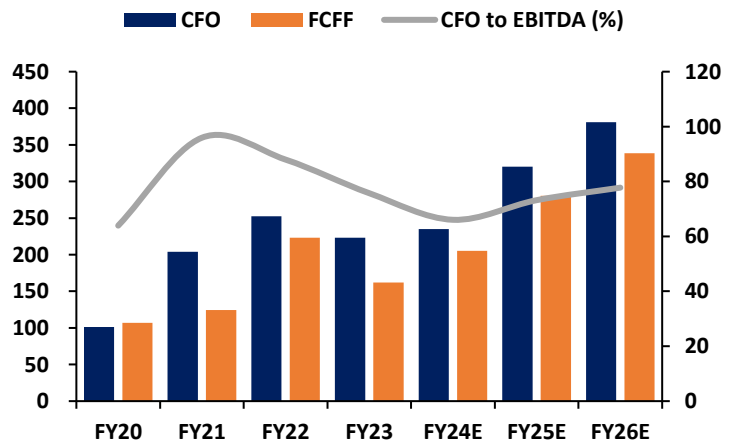
**Return ratios are expected to follow gradual improvement in profitability**



**Payment of RPS in Nov 2023 to make the balance sheet obligation free**



**Strong revenue outlook along with margin expansion to improve cash flows**



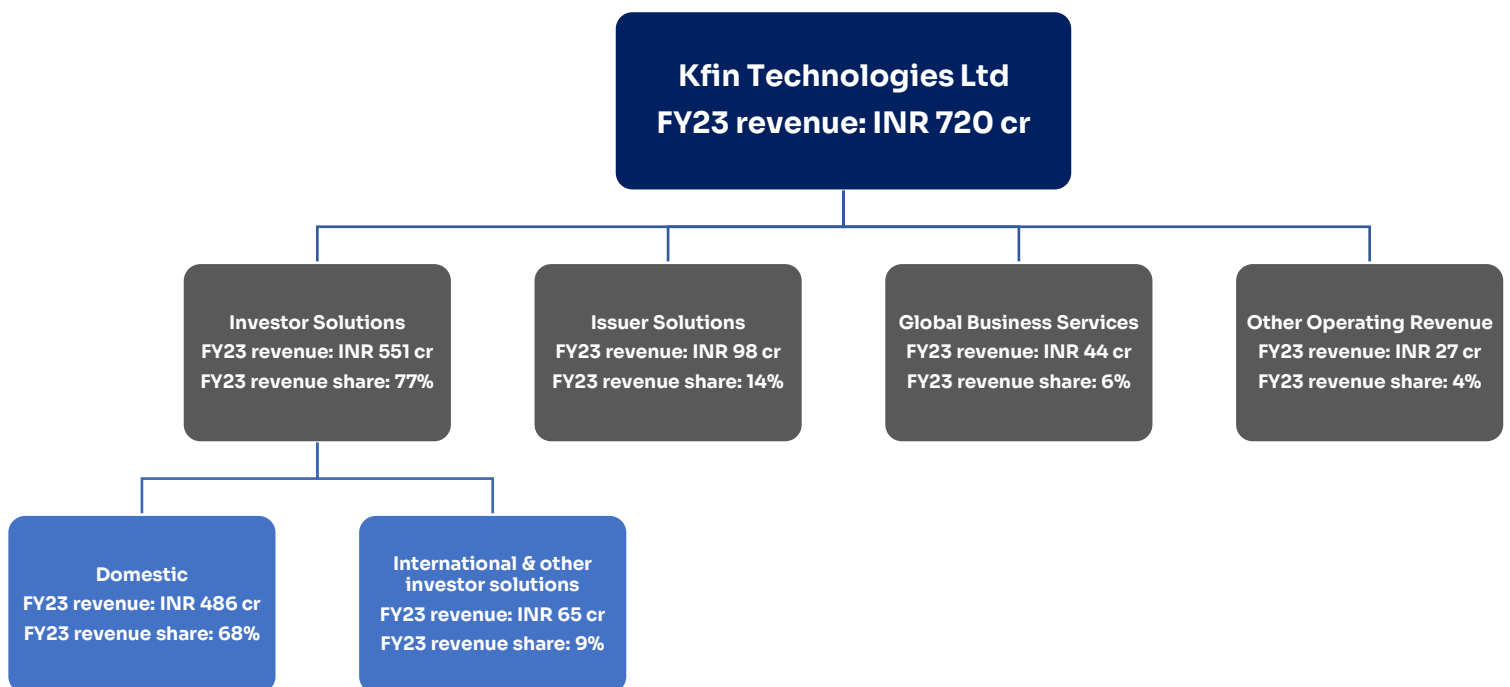
Source: ACE Equity, Company Reports & Ventura Research

## Understanding KFINT’s business and growth opportunities

KFINT is a prominent technology-based financial services platform offering a wide range of services. Its offerings include asset management and solutions for corporate issuers in various asset classes and also delivers investor solutions like transfer agency, fund administration, accounting, data analytics, and digital processes for MFs, trusts, insurance investments, and retirement schemes. These services cater to Indian as well as global asset managers in Malaysia, Philippines, Singapore, Hong Kong, Thailand, and Canada.

In India, KFINT stands as the top solutions provider for mutual funds, judged by the number of AMCs it serves, and leads in issuer solutions based on its client count. Uniquely, KFINT provides both investor and issuer solutions in India, serving asset managers, wealth managers, pension funds, and corporate issuers. Additionally, it is one of the three entities managing the central record-keeping for India's National Pension System (NPS).

### KFINT’s business structure



Source: Company Reports & Ventura Research

Investor solutions business (for both domestic and international clients) comprising MF RTA and other related services forms 77% of total revenues, while 14% comes from the issuer solutions vertical. The residual 8% comes from global business services.

### One stop solution for domestic as well as global fund managers and issuers of securities

KFINT stands as a comprehensive solution for its clients, leveraging data-driven technology that fuses proprietary platform technologies with value-added service

products. This integration allows the company to efficiently manage a substantial volume of client operations swiftly and effectively, minimizing turnaround time while avoiding extra operational expenses.

### KFINT's products and services

Particulars	Investor solutions				Issuer solutions	Global business services
	Domestic MF	International asset managers	Pension services	AIF and wealth mgmt		
Front-End	Account Setup, Transaction, Channel Mgmt, Customer communication mgmt	Account Setup and Transaction	Account Setup and Transaction	Account Setup	Folio Creation and Maintenance	
Middle Office	Transaction Processing Unit, KYC, Redemption, Brokerage Calculations, Payment Processing, Fund Accounting & Administration	Transaction Processing Unit, Allocation, KYC, Redemption, Brokerage Calculations, Payment Processing, Fund Accounting & Administration	Transaction Processing Unit, Allocation, Redemption and Reconciliation	Transaction Processing, Fund Accounting, Unit Allocation, Redemption, Brokerage Calculations, Reconciliation	Transaction Processing for IPO, FPO, etc., Corporate Action Processing, Folio updates, Dividend / Interest Processing	
Back End	Compliance / Regulatory Reporting, Record keeping MIS	Compliance / Regulatory Reporting, Record keeping MIS	Compliance / Regulatory Reporting, Record keeping MIS	Compliance / Regulatory Reporting, Record keeping MIS	Compliance / Regulatory Reporting, Record keeping MIS	Mortgage Services and Legal Services Transfer Agency Finance and Accounting
Market share	32%	NA	NA	NA	47%	NA
Market position	No 2 after CAMS		No 2 after Protean		No 1	

Source: Company Reports

KFINT provides its clients with a data driven technology solutions that combine its in-house platform technologies and several of in-house value-added services (VAS) products across different asset classes, including white label technology to meet client requirements.

### KFINT's data driven and value-added services

Investor solutions	Issuer solutions
<ul style="list-style-type: none"> <li>• <b>Digix:</b> A data analytics &amp; reporting tool with report builder functionality to cater to all needs of sales, marketing &amp; operations team</li> <li>• <b>Distributor Initiated Transaction (DIT):</b> A front end application for AMC sales channel</li> <li>• <b>KBolt Go:</b> A virtual branch platform that eliminates the need for physical branch infrastructure</li> <li>• <b>ICR Tool:</b> A haracter recognition tool that eliminates the manual data entry workflow</li> <li>• <b>INSTABrokerage:</b> An automated tool to compute daily brokerage of distribution channel partner of AMCs empowering them to pay on demand to their channel partners</li> <li>• <b>Others:</b> Online transaction platforms, analytics, website hosting, mobility solutions, reconciliation and digital onboarding</li> </ul>	<ul style="list-style-type: none"> <li>• <b>KARISMA:</b> For virtual online registry</li> <li>• <b>Fintrak:</b> An insider trading management platform</li> <li>• <b>e-Voting:</b> An online e-voting software</li> <li>• <b>KPrism:</b> A mobile-based platform to allow shareholders view their investments</li> <li>• <b>Pushpak:</b> An IPO bidding platform</li> <li>• <b>eAGM:</b> A video conferencing platform</li> <li>• <b>eVault:</b> A platform for data security</li> </ul>

Source: Company Reports



These services cater to Indian as well as global asset managers in Malaysia, Philippines, Singapore, Hong Kong, Thailand, and Canada. The company is also targeting to expand its business in the bigger markets of the US and Europe.

### KFINT's global presence



Source: Company Reports

### KFINT's product details and services

#### Domestic investor solutions – Technology driven solution is an edge over CAMS

KFINT provides end-to-end support from the stage of receipt of the application form with relevant KYC documents to unit allotment and trade confirmation to domestic AMCs in the following manner:

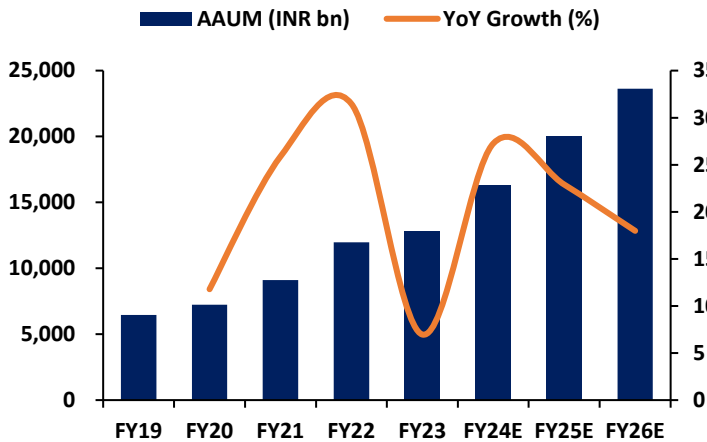
- Front office support: Scrutiny of the application forms and scan, upload & store the successful applications. The service also includes cheques deposit, dispatch of physical communication and providing an interface with banks for auto debit enrolment and billing.
- Back-office support: Dual entry of all critical fields, value-based audit, NAV upload and support in unit allotment, trade confirmation, dividend payouts, brokerage processing & payout and reconciliation.

KFINT services 25 out of 46 AMCs and serviced INR 14,825 bn of AAUM (as on Sep 30, 2023) representing 31.5% of industry AAUM.

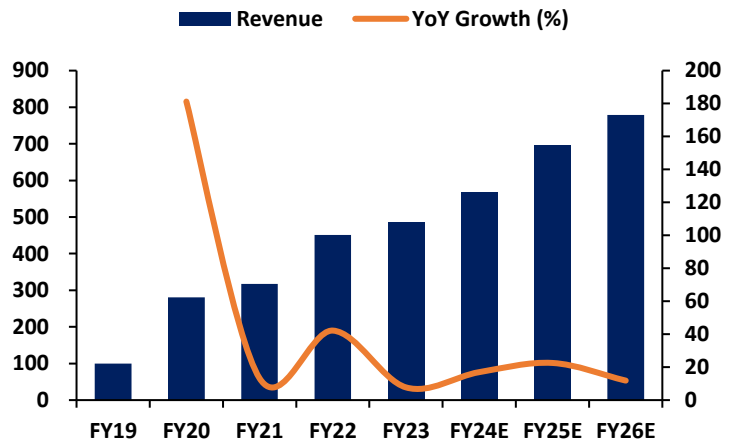
Over FY20-H1FY24, KFINT’s domestic service AAUM has grown at a CAGR of 22.8% to INR 14,825 bn, while the segment revenue has increased at a CAGR of 19.2% to INR 519 cr (TTM revenue till Q2FY24). KFINT is offering value added services to its clients which is improving the client engagement thereby improving the per client revenue generation ability. As a result, over FY23-26E, we are expecting the company’s domestic AAUM to grow at a CAGR of 22.7% to INR 23,623 bn and the revenue from the segment is expected to grow at a CAGR of 17.0% to INR 779 cr by FY26E.

### KFINT’s domestic AAUM serviced and revenue performance

Higher equity penetration and adoption of SIPs to accelerate KFINT’s domestic AAUM



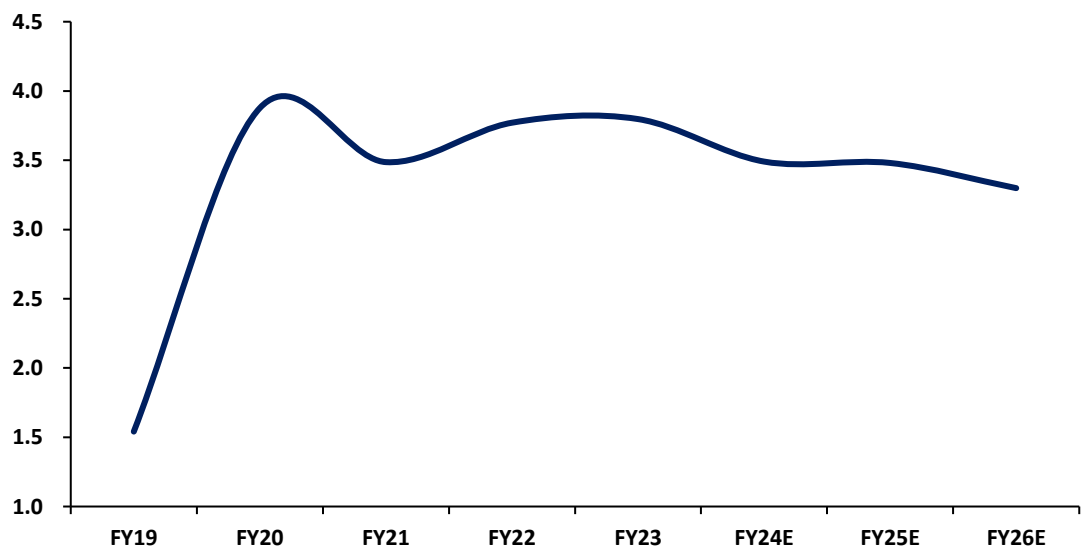
Business diversification and VAS to accelerate revenue performance



Source: Company Reports & Ventura Research

KFINT’s domestic business generates yields of ~3.5 bps. We are not expecting this to expand due to SEBI’s pressure on AMC’s to reduce expenses and charges.

### Domestic business generates stable yields for KFINT



Source: Company Reports & Ventura Research

### Why is KFINTECH better than CAMS?

Approx. 70% of KFINTECH's operating revenue comes from domestic MF services, a sector largely dominated by two players: KFINTECH and Computer Age Management Services Ltd (CAMS). While CAMS holds the leading position in this market, KFINTECH has made notable improvement since FY20. Not only is KFINTECH expanding its market share, but it's also achieving higher profit margins than CAMS. This success is attributed to its strategic use of technology and the effective cross-selling of value-added services to clients. The adoption of technology helps in reducing employee costs, and the focus on value-added services enhances client engagement.

### KFINTECH vs CAMS in the domestic MF industry

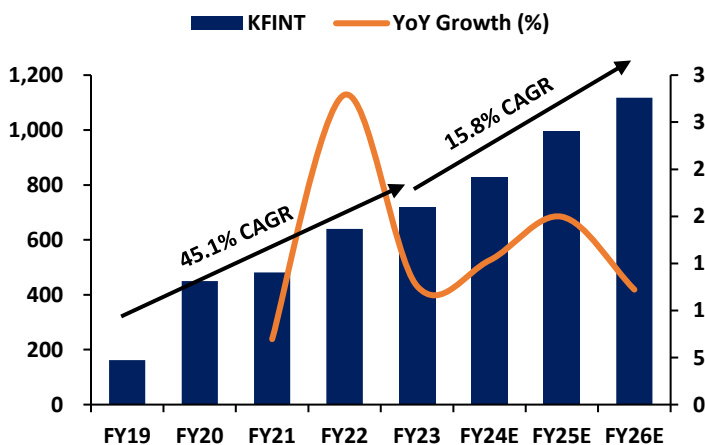
Particulars	KFin Technologies Ltd					Computer Age Management Services Ltd				
	FY20	FY21	FY22	FY23	H1FY24	FY20	FY21	FY22	FY23	H1FY24
Domestic AAUM serviced (INR bn)	7,233	9,105	11,970	12,804	14,825	19,811	22,999	26,412	27,300	32,200
<i>Domestic AAUM market share (%)</i>	<i>26.7</i>	<i>28.4</i>	<i>31.2</i>	<i>31.9</i>	<i>31.5</i>	<i>73.3</i>	<i>71.6</i>	<i>68.8</i>	<i>68.1</i>	<i>68.5</i>
Domestic Equity AAUM serviced (INR bn)	3,433	4,471	6,447	7,005	8,216	7,858	7,668	10,972	12,400	15,200
<i>Domestic Equity AAUM market share (%)</i>	<i>30.4</i>	<i>36.8</i>	<i>37.0</i>	<i>36.1</i>	<i>35.1</i>	<i>69.6</i>	<i>63.2</i>	<i>63.0</i>	<i>63.9</i>	<i>64.9</i>
<i>Share of domestic equity AAUM (%)</i>	<i>47.5</i>	<i>49.1</i>	<i>53.9</i>	<i>54.7</i>	<i>55.4</i>	<i>39.7</i>	<i>33.3</i>	<i>41.5</i>	<i>45.4</i>	<i>47.2</i>
Revenue (INR cr)	280	317	451	486	269	661	674	864	929	499
<i>Domestic revenue to domestic AAUM serviced (%)</i>	<i>0.039</i>	<i>0.035</i>	<i>0.038</i>	<i>0.038</i>	<i>0.036</i>	<i>0.033</i>	<i>0.029</i>	<i>0.033</i>	<i>0.034</i>	<i>0.031</i>
EBITDA from domestic MF services			255	261	158	260	269	390	405	223
<i>EBITDA margins (%)</i>			<i>56.6</i>	<i>53.7</i>	<i>58.6</i>	<i>39.3</i>	<i>39.9</i>	<i>45.1</i>	<i>43.6</i>	<i>44.7</i>

Source: Company Reports

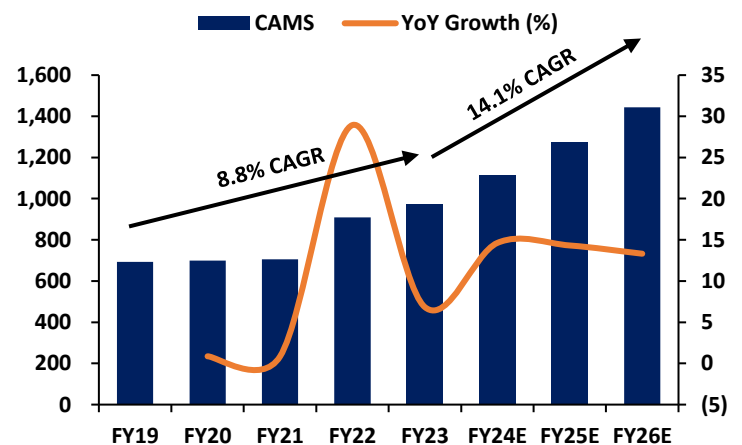
CAMS is concentrated on the domestic MF industry and lacks involvement in international markets and security issuance. In contrast, KFINTECH is actively broadening its reach in these areas. It's evident that while KFINTECH is enhancing its position in a sector where CAMS is predominant, it is also diversifying into other areas like issuer solutions and global investor solutions. As a result, KFINTECH's consolidated operating metrics and financial performances are better than CAMS.

### KFINTECH's comparison with CAMS

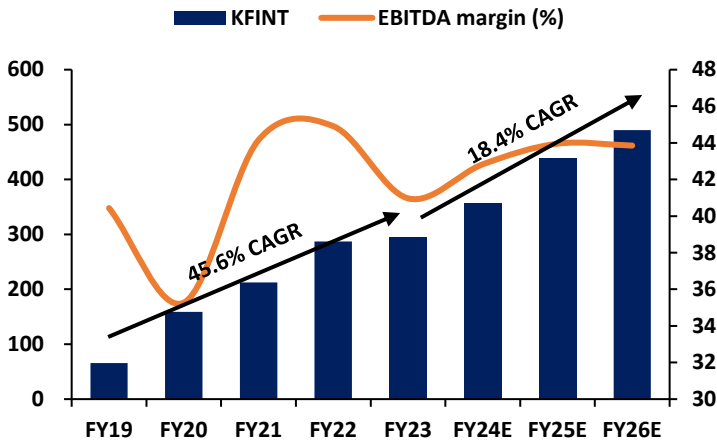
Business diversification and VAS has accelerated KFINTECH's revenue growth



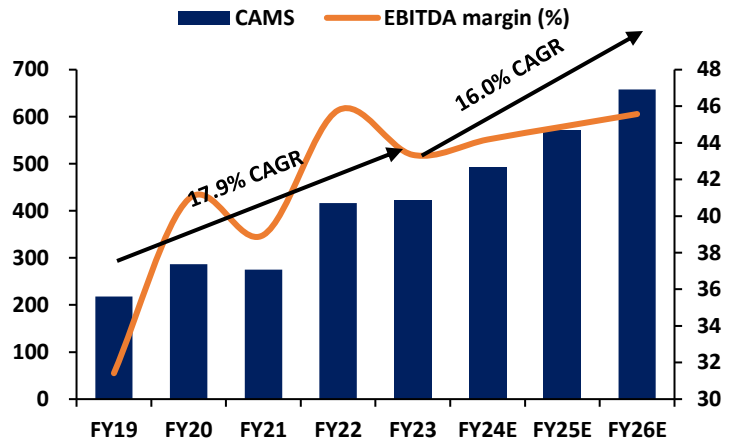
Concentration over one product segment has reduced the growth prospects for CAMS



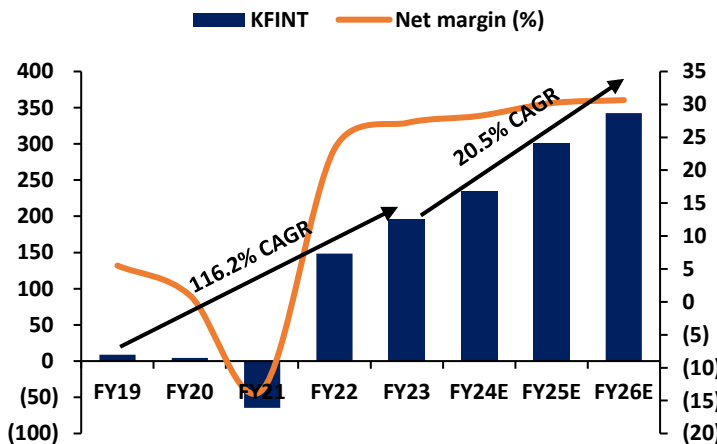
**KFINT's EBITDA growth has been in line with the business performance**



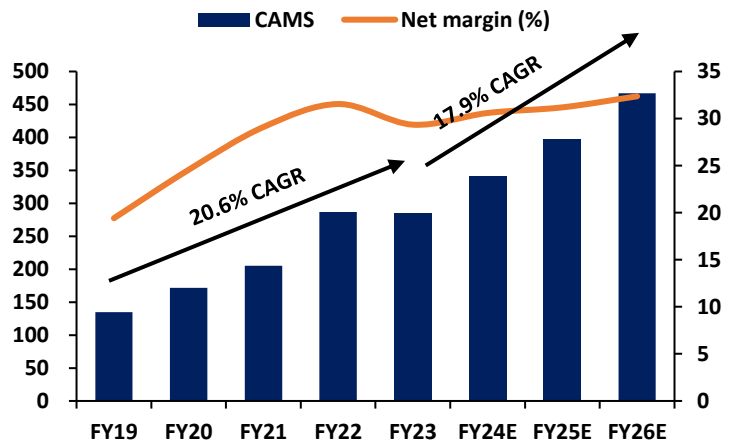
**CAMS's EBITDA is growing faster than revenue, but, the growth will remain lower than KFINT**



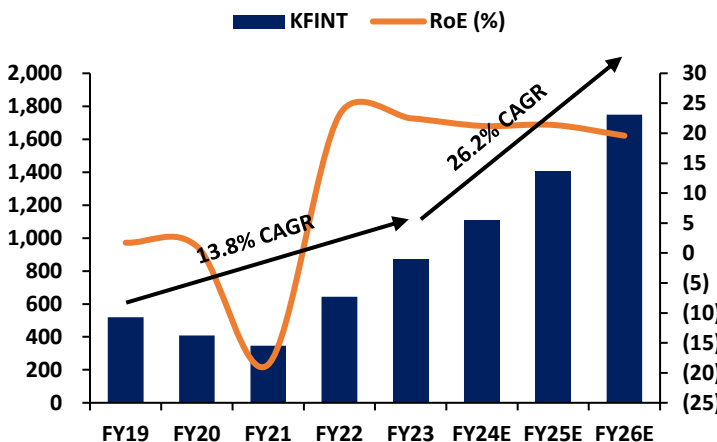
**Strong operating profitability is accelerating net earnings growth for KFINT**



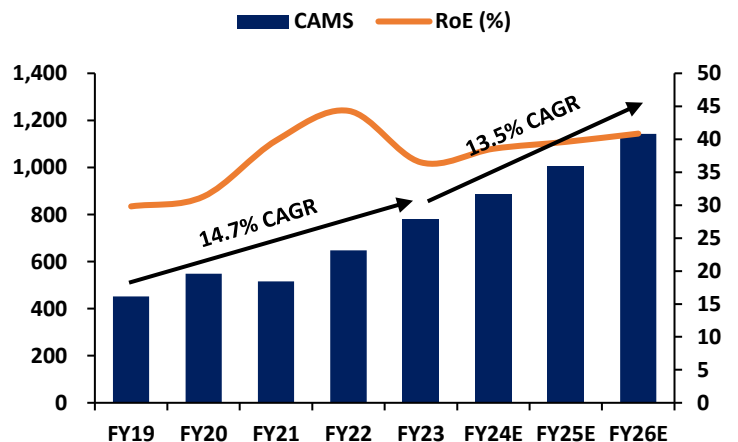
**CAMS's net earnings growth has been in line with its operating profit performance**



**KFINT is not paying dividend, but re-investing its profit in business, which is restricting its RoE**



**CAMS is focused on one service and not focusing on expansion and thus generates better RoE**



Source: Company Reports, Bloomberg & Ventura Research

## International investor solutions – Strong head room for business expansion

KFINT provides the following comprehensive suite of solutions to global mutual funds, employee provident funds, private retirement schemes and fund distributors in Malaysia, Philippines, Singapore, Hong Kong, Thailand, and Canada:

- **Investors:** KYC onboarding, applications processing, online transactions using the mobile application & portals, viewing of statements online and supporting all transactions such as purchase and redemption.
  - **Fund accounting & administration:** *Fund accounting and administration services provided to international asset managers have been a pivotal factor in KFINT's expansion across global markets. This service segment distinguishes itself from other investor solutions, offering a quicker operational transition – typically within a month, compared to the 12-18 months needed for full asset management operations.*

*This efficiency positions KFINT advantageously to penetrate developed international markets and forge new client relationships. The acquisition of Hexagram in February 2022 further solidified KFINT's standing in the worldwide fund accounting and administration sector.*

- **Distributors:** Agent boarding, commission allocation, agents' portal & mobile application, statistical summary of investor and tax statement.
- **Value added service:** White labelled digital platforms such as AMC websites, mobile applications, distributor platforms, platforms for AMC employees for assisted sales, platforms for institutional investments, business insight reports to C-suite level officers of AMCs, electronic AGM, compliance platform and e-voting platform.

### Business process of KFINT's international investor solution

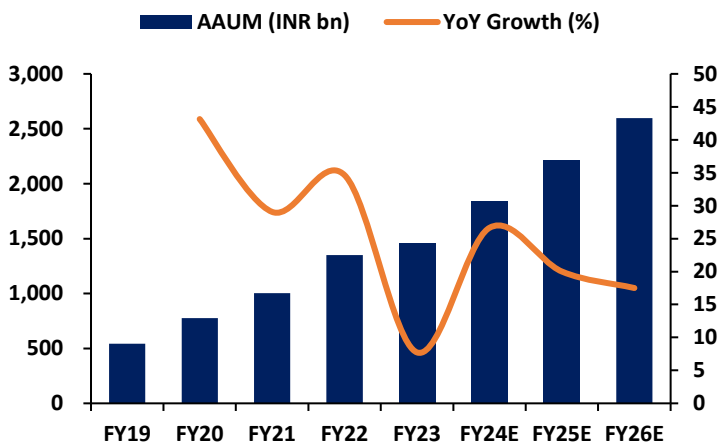


Source: Company Reports

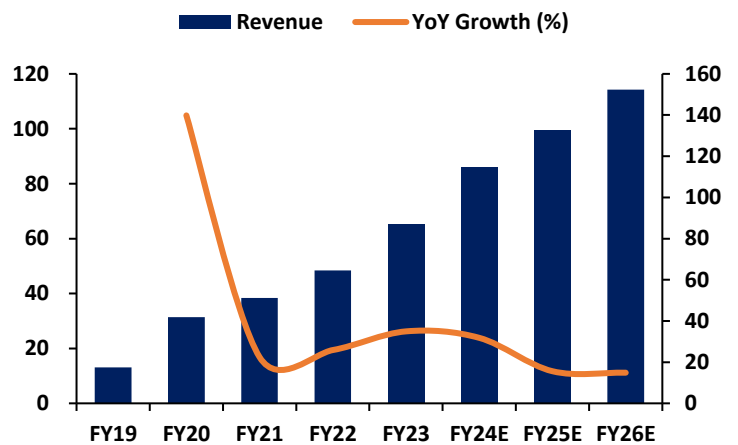
Over FY20-H1FY24, KFINT’s international AAUM has grown at a CAGR of 26.2% to INR 1,753 bn, while its overall AAUM (domestic + international) has grown at a CAGR of 23.1% to INR 16,578 bn. The company’s international AAUM has grown faster due to the business expansion in the new geographies. The business expansion is likely to sustain in the coming years as KFINT is targeting developed markets of North America and Europe. As a result, over FY23-26E, we are expecting the company’s international AAUM to grow at a CAGR of 21.3% to INR 2,597 bn and the revenue from the segment is expected to grow at a CAGR of 20.5% to INR 114 cr by FY26.

### KFINT’s global AAUM growth and expansion

KFINT's international AAUM has been growing consistently due to business expansion



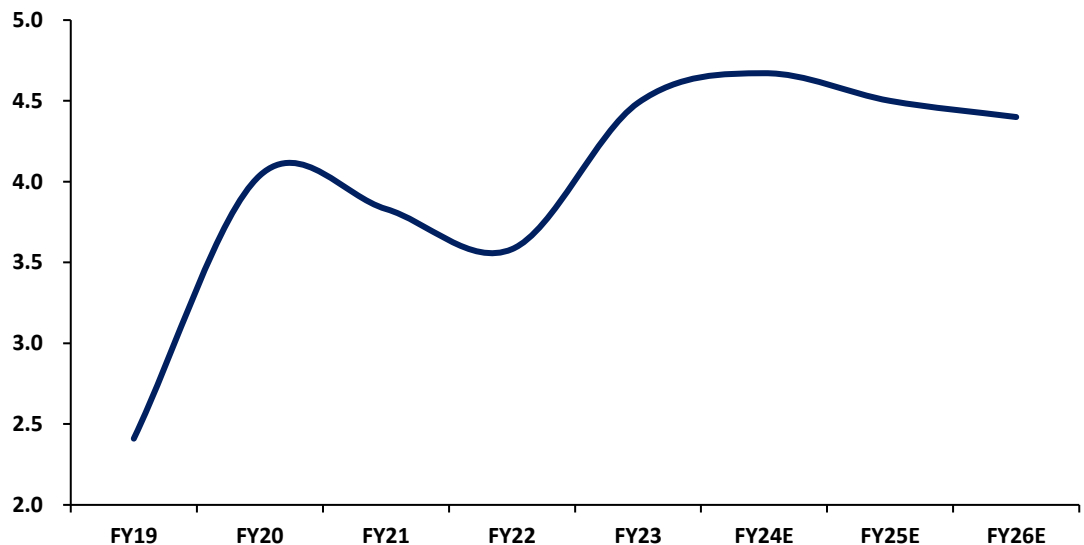
KFINT's global investor solution revenue performance has been in line with AAUM



Source: Company Reports & Ventura Research

KFINT’s international business generates better yields of 4.5-5.0 bps compared to the 3.5-4.0 bps in the domestic investor solutions business.

### International business generates better yields for KFINT



Source: Company Reports & Ventura Research

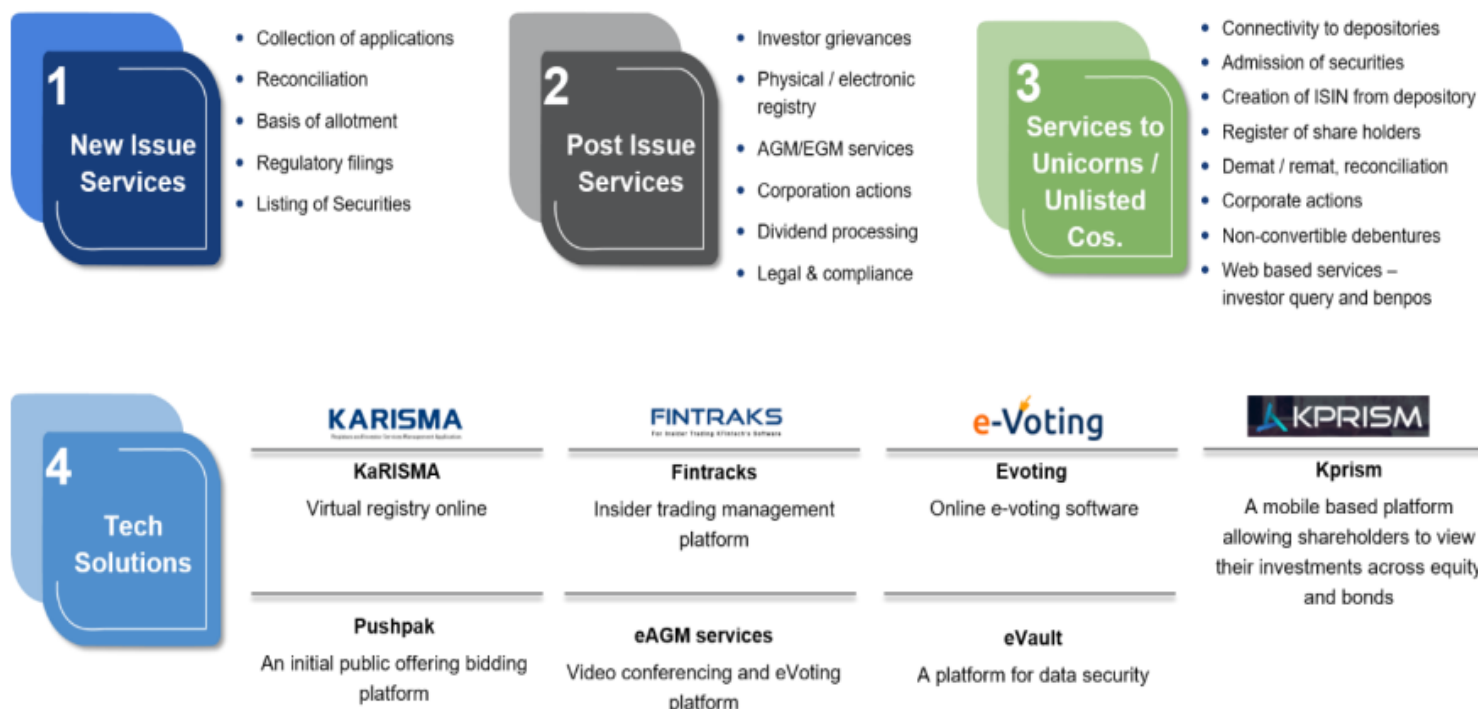


## Issuer solutions – Leading the race in a growing market

In the issuer solutions segment, KFINT offers a diverse range of services:

- For companies already listed, it provides new issue services, including IPO support, coordination with various financial institutions and regulators, and handling regulatory filings and securities listing. Its post-issue services encompass investor relations, record-keeping in both physical and electronic forms, handling corporate events like AGMs and EGMs, dividend processing, and legal compliance.
- For unlisted companies, KFINT offers services that facilitate their clients in depository services, assist in the creation of ISINs, and manage shareholder registries and dematerialization of shares. Additionally, they handle corporate actions and provide web-based services for these companies.
- A significant aspect of KFINT's offerings is their technology solutions. They provide real-time online data access to investors and clients, along with several value-added services. These include 'KaRISMA', a virtual online registry, 'Fintraks', an insider trading management platform, 'e-Voting', an online e-voting software, 'KPrism', a mobile platform for shareholders to view their investments, 'Pushpak', an IPO bidding platform, 'eAGM', a video conferencing and e-voting platform, and 'eVault', a data security platform.
- KFINT's tab-based poll management system, which is over eight years old, has received MCA approval and STQC certification. Their video conferencing facility is adaptable to different networks and browsers, enhancing accessibility for shareholders.

### Business process of KFINT's issuer solution



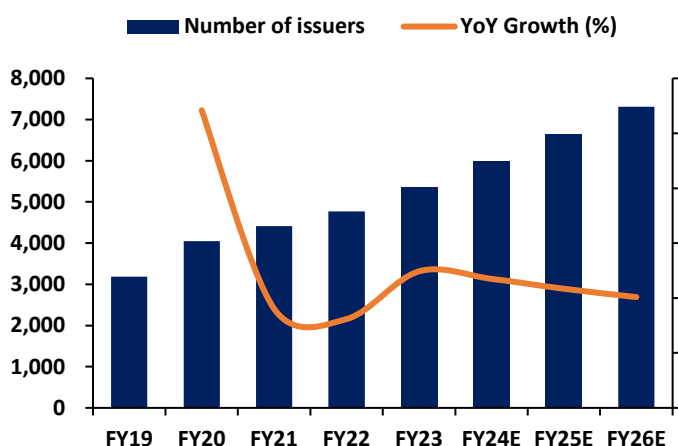
Source: Company Reports

KFINT holds a 46% market share based on the market capitalization of NSE 500 companies and a 37% market share based on number of clients serviced within NSE 500 companies.

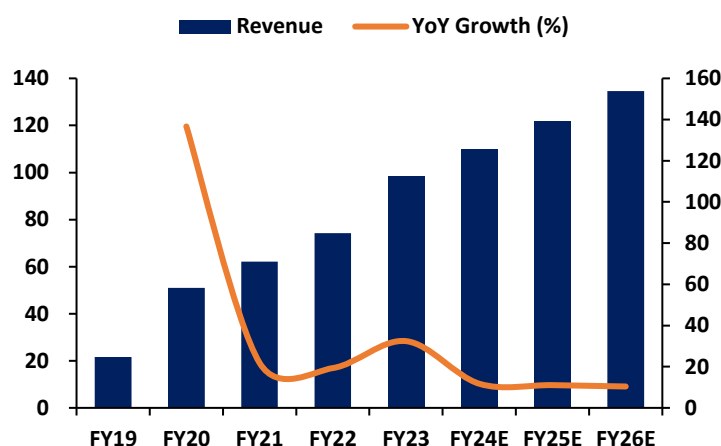
Over FY20-H1FY24, the client count in this segment improved from 4,048 to 5,693, while the revenue grew at a CAGR of 21.4% to INR 101 cr (TTM revenue till Q2FY24). Indian economy is in the growth phase, and we are expecting strong pick in fund raising activities by companies. Being a market leader in the issuer solution space, KFINT is well positioned to gain from this upcoming opportunity. Over FY23-26, we are expecting the segment's revenue to grow at a CAGR of 11.0% to INR 135 cr.

### KFINT's issuer solutions – Number of clients and revenue performance

Growth in number of issuers is likely to sustain due to the recovery in capex cycle



Increase in fund raising activity to accelerate KFINT's revenues from issuer solution segment



Source: Company Reports & Ventura Research

### Strategic acquisitions to provide an edge over peers

KFINT has made three strategic acquisitions to expand its global business and gain capabilities on new tech-based platforms:

- Hexagram Fintech:** In Feb 2022, KFINT completed the acquisition of Hexagram, a company specializing in the development of fund accounting and reconciliation software for MFs, AIFs, the insurance and banking sectors, and corporate treasuries, at a cost of INR 25.2 cr. This strategic move enhanced KFINT's offerings, adding fund accounting services and reconciliation products to its existing RTA services for MFs and AIFs. These innovative products have already been adopted by 29 clients across various segments of the global financial services sector. Additionally, KFINT is looking to expand its presence into Western markets, capitalizing on the fund accounting and reconciliation expertise gained from this acquisition.
- OneMoney:** In Feb 2023, KFINT made a strategic investment by acquiring a 25.7% stake in Fintech Products & Solutions India Pvt. Ltd. (FPSIPL) for INR 6.5 cr. This collaboration enables KFINT to align with a technology service provider (TSP) and account aggregators, aiming to diversify its revenue

sources and expand its footprint in the wider financial services arena. FPSIPL, under its brand OneMoney, operates a leading account aggregator platform, commanding over 40% of the market share. Furthermore, KFINT holds an option to increase its stake in FPSIPL up to 75%, contingent on fulfilling standard closing conditions and securing the necessary regulatory approvals.

- WebileApps:** In Apr 2023, KFINT expanded its portfolio by purchasing a 100% equity stake in WebileApps for INR 11 cr, aligning with its objective to enhance its product team and accelerate the development of new product solutions. WebileApps is renowned for its expertise in artificial intelligence, machine learning, mobility solutions, and UI/UX design, among other areas. The acquisition builds on a six-year collaborative history between KFINT and WebileApps, paving the way for exploring new revenue opportunities and market expansions. Notably, WebileApps has a strong track record, having developed over 150 applications and platforms, particularly in the sectors of BFSI, fintech, and retail.

### KFINT made strategic acquisitions to expand business and gain technical capabilities



#### Hexagram FinTech

- Acquired 100% stake in Feb 2022 for INR 25.2 cr
- Developer of fund accounting and reconciliation software products



#### Fintech Products & Solutions

- Acquired 25.7% stake in Feb 2023 for INR 6.5 cr
- Account aggregator platform. Its product 'OneMoney' has more than 40% market share in India.



#### WebileApps

- Acquired 100% stake in Apr 2023 for INR 11 cr
- Specialized in artificial intelligence (AI), machine learning, mobility solutions, UI/UX among others

Source: Company Reports

## Key growth drivers for KFINT

### Rising awareness about financial savings and increased participation from households in MF investments

Indian capital markets are expected to remain an attractive part of financial savings. Gross domestic savings in financial assets increased from 10.6% in FY14 to 10.9% in FY23. This improvement has occurred on account of

- Strong outlook for Indian capital markets, which is supported by strong economic visibility and favorable government policies,
- Digital revolution in the investment world, penetration of smartphones and rising internet usage has reduced the operational burden for making an investment and providing an easy access to investors,
- Increasing awareness for mutual fund (MF) and improving financial literacy, especially in Tier II & III cities, towns, and rural areas, and
- Job creation and rise in income levels has improved the penetration of monthly SIPs in household savings.

### Financialization of household savings in India has significantly improved

Particulars	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Nominal GDP	112,335	124,680	137,719	153,917	170,900	188,870	203,510	198,299	234,710	272,407
<i>YoY Growth (%)</i>		11.0	10.5	11.8	11.0	10.5	7.8	(2.6)	18.4	16.1
Gross Domestic Savings (GDS)	36,082	40,200	42,823	48,251	54,807	60,003	59,959	55,924	70,767	NA
<i>YoY Growth (%)</i>		11.4	6.5	12.7	13.6	9.5	(0.1)	(6.7)	26.5	NA
<i>GDS as % of nominal GDP (%)</i>	32.1	32.2	31.1	31.3	32.1	31.8	29.5	28.2	30.2	NA
GDS in physical assets (like real estate)	14,164	15,131	13,176	15,946	19,442	23,094	22,735	20,484	27,690	NA
<i>GDS in physical assets (like real estate) as % of GDP</i>	12.6	12.1	9.6	10.4	11.4	12.2	11.2	10.3	11.8	NA
GDS in Gold and Silver	368	456	465	465	467	427	431	384	597	NA
<i>GDS in Gold and Silver as % of GDP</i>	0.33	0.37	0.34	0.30	0.27	0.23	0.21	0.19	0.25	NA
GDS in financial assets	11,908	12,572	14,962	16,147	20,564	22,636	23,991	31,089	25,975	29,591
<i>GDS in financial assets as % of GDP</i>	10.6	10.1	10.9	10.5	12.0	12.0	11.8	15.7	11.1	10.9
Financial liabilities	3,587	3,768	3,854	4,686	7,507	7,712	7,866	8,052	9,014	15,822
Net financial savings	8,321	8,804	11,108	11,461	13,057	14,924	16,125	23,037	16,962	13,769
<i>Net financial savings as % of GDP</i>	7.4	7.1	8.1	7.4	7.6	7.9	7.9	11.6	7.2	5.1

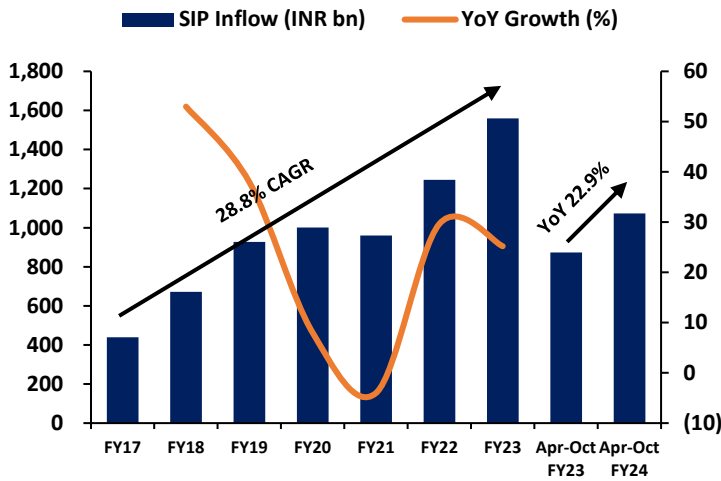
Source: Industry Reports, Company Reports & RBI

MF AUM to nominal GDP ratio has risen steadily since FY14 (8.0%) and stood at 17% in FY23. This growth is largely contributed by the rally in the Indian stock market and improvement in SIP flow. MF SIP accounts stood at 73 mn and the total amount collected through SIP during Oct 2023 was INR 16,928 cr (up from INR 13,041 cr in Oct 2023). SIPs helped in increasing retail investor participation in the MF. Popularity of equity funds, rising participation of investors and apparent long benefits of SIPs to households that traditionally did not invest in MFs indicate that growth in inflows from SIPs will accelerate.

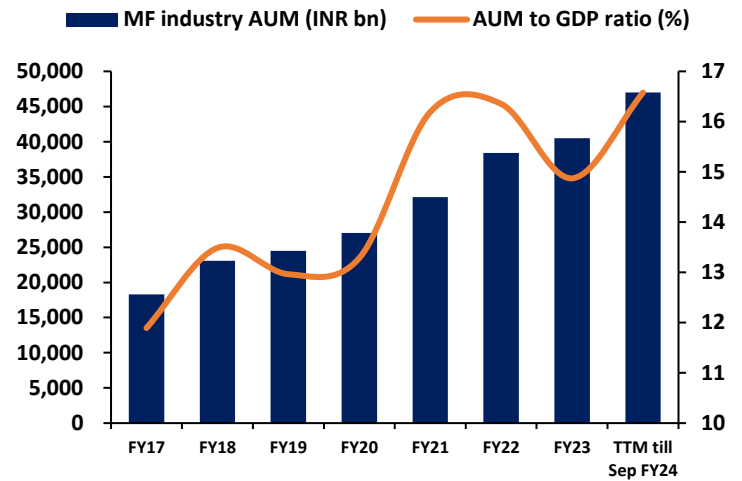
Regular flow from the SIP and strong rally in the Indian capital markets has significantly increased the AUM to GDP ratio of India from 11.9% in FY17 to 16.6% in Sep 2023.

**Shift in savings pool towards MF is gaining traction**

**SIP inflow remained strong over the past 7 years**



**India's AUM to GDP ratio is improving**

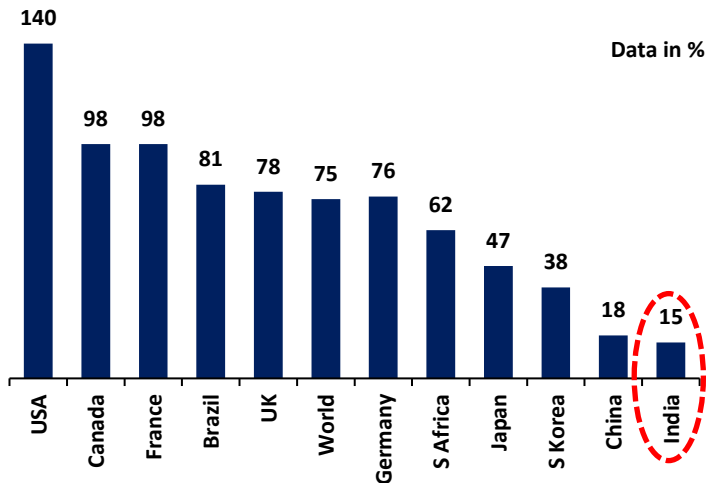


Source: AMFI & Industry Reports

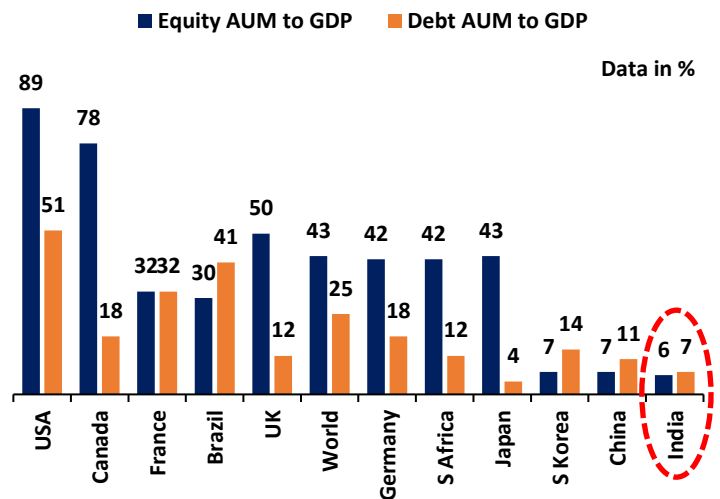
Despite such a strong AUM growth, India's AUM to GDP ratio is low, compared to the world average of 75%.

**India's AUM to GDP ratio has increased significantly, but still lower than the global average**

**India has one of the lowest AUM to GDP ratio**



**MF Equity & Debt AUM to GDP**



Source: Industry Reports

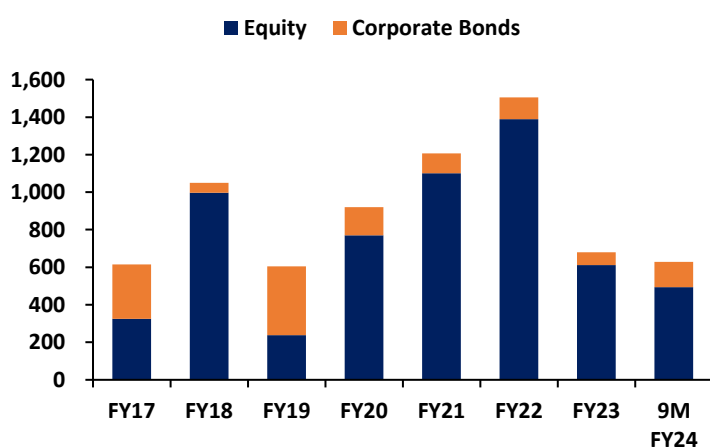
With yield across all conventional financial products on the decline, households are increasingly in the search for better returns. This has led to better flows towards MFs. Increasing digitization and adoption would mean better availability of AMC offerings to the masses at scale. The trends of the past couple of years are encouraging and gaining traction.

## Capital raising is expected to sustain momentum in India

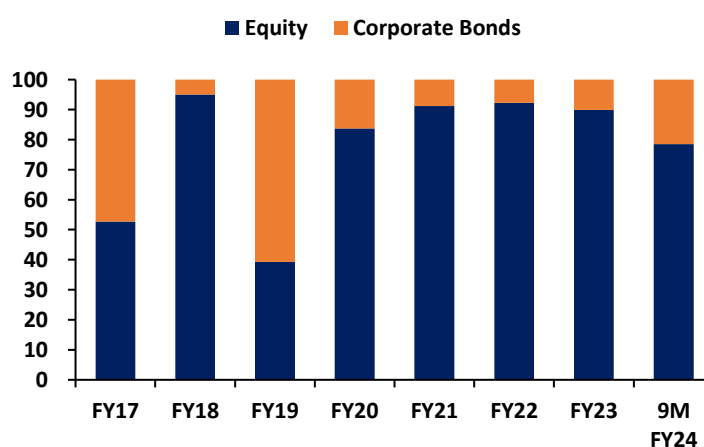
Over time, there has been a consistent increase in funds acquired via both equity and debt. However, the debt market has recently gained more attention due to the recovery in interest rates since FY22. There has been an upswing in the amount and frequency of funds raised through debt in the past couple of years. FPIs have mirrored this trend, as they have been divesting from equities but investing more in debt.

## Strong economic outlook is expected to improve security issuance in India

Security issuance activities are expected to recover in the coming years



Share of equities are expected to dominate in the issuance



Source: Company Reports & RBI

Nonetheless, as interest rates peak and inflation is reined in, it's anticipated that equities will start to draw in more investments than debt, potentially boosting the scope for IPOs, FPOs, QIPs and rights issues and thereby improving the business outlook for KFINTECH.

## Strong head room for revenue and scope for margin expansion

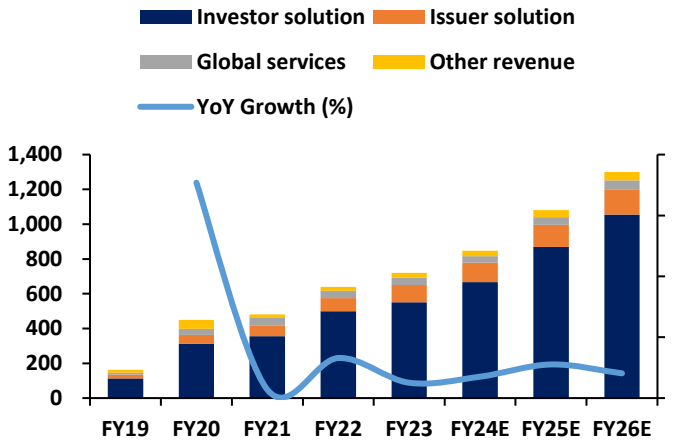
KFINTECH has improved its product basket and added value added products/services which are new to the Indian markets and helping its clients in the faster processing of data and information. This has accelerated its revenue performance and profitability over FY20-23.

Over FY23-26E, KFINTECH's revenue/ EBITDA/ net earnings are expected to grow at a CAGR of 21.8%/ 25.9%/ 28.5% to INR 1,300 cr/ INR 589 cr/ INR 415 cr respectively, while EBITDA and net margins are expected to improve by 430bps to 45.3% and 475bps to 31.9% respectively. The implementation of technology-based solutions is effectively reducing costs, thereby enhancing profitability. Moreover, the dynamic nature of India's financial markets, combined with the company's growing presence in international markets, offers significant potential for growth. As a result, return ratios – RoCE and RoIC – are expected to improve by 204bps to 20.9% and 2943bps to 65.4% respectively by FY26E.

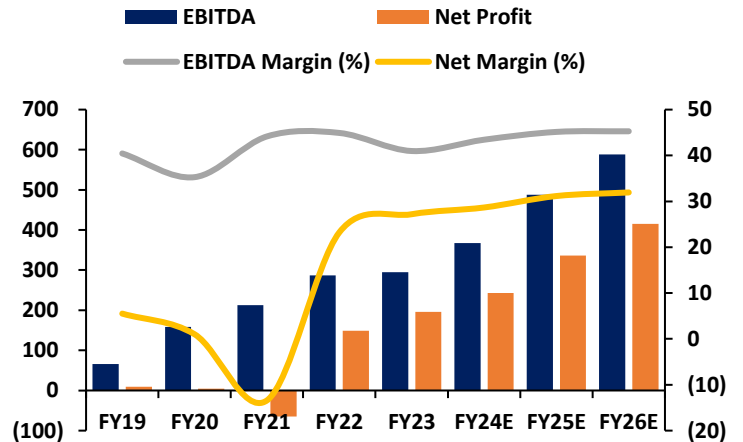


**KFINT has diversified its product offerings and improved its margins. This trend is expected to sustain in the coming years due to market share gain and value-added services**

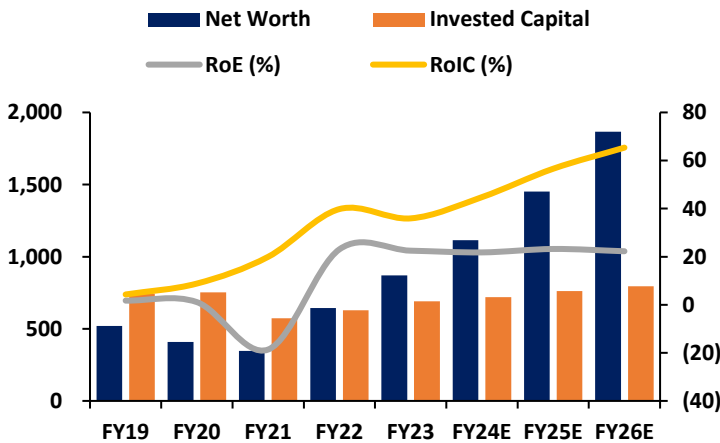
**Business diversification and strong capital markets to drive revenue**



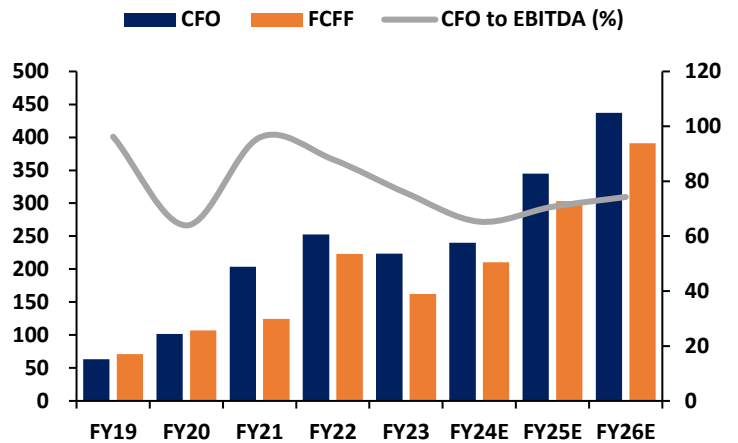
**Profitability is expected to improve gradually due to operating leverage and use of tech**



**Return ratios are expected to follow gradual improvement in profitability**



**Strong revenue outlook along with margin expansion to improve cash flows**



Source: Company Reports & Ventura Research

KFINT operates an asset-light business model, minimizing the need for regular capital expenditure, which results in a debt-free balance sheet and robust FCF. Although the company experiences substantial cash flows, it does not distribute dividends, opting instead to reinvest its earnings into expansion and the development of new products.

## FY23 annual report analysis

We analyzed the FY23 annual report of KFINT and our key observations are as follows:

### Key Takeaways for KFINT

#### Global expansion

KFINT started its international business with only eight clients in 2016. As on March 31, 2023, the client base grown to 40 clients, and emerged as a preferred technology partner for RTA solutions and provide fund administration solutions. Revenue grew 10x during this period.

The company currently operate in Malaysia, Hongkong, Philippines, Canada, Middle East, GIFT City (India), Singapore and Thailand. The company aspires to expand its services in future to service large asset managers and newer geographies including the USA and Europe, leveraging its fund administration capabilities.

#### Strategic acquisitions

KFINT made two new strategic acquisitions:

- In March 2023, the company invested for a minority stake of 25.63% in Fintech Products & Solutions India Pvt Ltd that runs the TSP, MoneyOne, and is the licensed owner of OneMoney, India's first Account Aggregator (AA) with over 40% market share.
- In April 2023, the company acquired 100% stake in WebileApps (India) Pvt Ltd to accelerate product development in SaaS and PaaS models, deepen the company's technology finesse in cloud, artificial intelligence, machine learning, UI/UX and mobility solutions.

### Board Members

Board Members			
Name	FY21	FY22	FY23
Vishwanathan M Nair	Chairman	Chairman	Chairman
Alok Chandra Misra			Nominee Director
Jaideep Hansraj	Nominee Director	Nominee Director	Nominee Director
Sandeep Achyut Naik	Nominee Director		
Shantanu Rastogi	Nominee Director	Nominee Director	Nominee Director
Srinivas Peddada	Non Exec Director	Non Exec Director	Nominee Director
Kaushik B Mazumdar	Non Exec Director	Non Exec Director	Non Exec Director
Prashant Saran	Non Exec Director	Non Exec Director	Non Exec Director
Sonu Halan Bhasin	Non Exec Director	Non Exec Director	Non Exec Director
Venkata SNS Nadella	Whole Time Director	Whole Time Director	Managing Director

Source: Company Reports

## Contingent Liabilities

Till FY22, KFINT's contingent liabilities were on the higher side. However, the company reduced it significantly in FY23 to 2.5%.

Contingent liabilities				
Particulars	FY20	FY21	FY22	FY23
Capital commitments	0.0	30.6	6.9	12.2
Customer claims not acknowledged as debts	6.8	9.9	106.0	6.1
Income-tax matters	92.9	92.9	241.9	1.8
Goods and service tax matters	0.0	0.0	12.6	1.7
<b>Total contingent liabilities</b>	<b>99.7</b>	<b>133.4</b>	<b>367.4</b>	<b>21.8</b>
<b>Total liabilities to net worth (%)</b>	<b>24.3</b>	<b>38.5</b>	<b>57.0</b>	<b>2.5</b>

Source: Company Reports

## Auditor comments and opinions

B S R & Associates LLP was the auditor and there was no significant or impactful qualifications/emphasis of matters highlighted by them in the FY23 Annual Report.

## Ventura Business Quality Score

Key Criteria	Score	Risk	Comments
<b>Management &amp; Leadership</b>			
Management Quality	8	Low	The management is of high quality. It has been able to deliver on its guidance; investor-friendly with timely updates on developments
Promoters Holding Pledge	5	Medium	The promoter holding in the company is 49.12% (less than the controlling stake of 50%).
Board of Directors Profile	8	Low	The average experience of directors is >30 years with significant experience in their respective sectors and expert areas
<b>Industry Consideration</b>			
Industry Growth	8	Low	Capital markets and MF industry is evolving in India and there is strong head room for growth. Tier II/III cities are still underpenetrated which provides significant scope for growth.
Regulatory Environment or Risk	8	Low	Capital markets and MF industry is highly regulated and thus KFINTECH's businesses are indirectly exposed to regulatory risks.
Entry Barriers / Competition	8	Low	KFINTECH has developed strong B2B relations with its domestic and international clients. These clients are also using customized tech-based solutions developed by KFINTECH. Strong relations and client engagement are the key entry barriers.
<b>Business Prospects</b>			
New Business / Client Potential	10	Low	KFINTECH is launching tech-based products to enhance its customer engagement. The company has also made 3 strategic acquisition to improve its expertise.
Business Diversification	10	Low	KFINTECH has a presence in the 4 business verticals – Investor solution (domestic & international), issuer solutions, global business solution and value-added products (tech-based). The company expanding its business in the developed markets of North America and Europe.
Market Share Potential	8	Low	KFINTECH has 32% market share in the domestic MF investor solution business (no 2 position after CAMS) and 47% market share in issuer solution business (no 1 position).
Margin Expansion Potential	8	Low	Benefits of operating leverage and use of technology in its daily operations has significantly reduced the cost to income ratio. There is enough scope for margin expansion.
Earnings Growth	8	Low	Strong revenue outlook and scope for margin expansion ensures a double barrel growth for earnings in the coming years.
<b>Valuation and Risk</b>			
Balance Sheet Strength	8	Low	Strong operating performance and scope for margin expansion to enhance balance sheet health and ROIs.
Debt Profile	8	Low	KFINTECH is a debt free company and expected to remain debt free due to lower capital requirements and strong FCF.
FCF Generation	8	Low	Strong earnings growth and lower capex requirements is expected to generate strong FCF in the coming years.
Dividend Policy	3	High	KFINTECH is not paying dividends, rather it is utilizing the cash flow for business expansion.
<b>Total Score</b>	<b>116</b>	<b>Low</b>	<b>The overall risk profile of the company is good and we consider it a</b>
<b>Ventura Score (%)</b>	<b>77.3%</b>		<b>LOW-risk company for investments</b>

Source: Company Reports & Ventura Research

## Management Team

Key person	Designation	Details
Mr Vishwanathan Mavila Nair	Chairman	He holds a bachelor's degree in science from University of Mysore. He has 48 years of experience in financial services and advising fintech start-ups
Mr Venkata Satya Naga Sreekanth Nadella	MD & CEO	He holds a BCom from Osmania University and is an associate member of the ICAI. He has over 20 years of experience.
Mr Vivek Narayan Mathur	CFO	He holds a BCom (honours) from University of Delhi and is a qualified chartered accountant from ICAI. He has over 26 years of experience.
Mr Gopala Krishnan Giridhar	Chief Business Officer	He holds a bachelor's degree in arts from Osmania University. He has over 25 years of experience in the financial services.
Mrs Hanisha Vadlamani	Chief Branding Officer	She has attended a bachelor's course in technology (IT) from Osmania University. She has over 8 years of experience in digital marketing, strategy, branding and communications.
Mr Venkata Giri Vonkayala	CTO	He holds a BCom from Faculty of Commerce, Andhra University and MBA (part time) from Regional College of Management, Utkal University, Bhubaneswar. He also holds PG diploma in computer and management information system from Regional College of Management, Utkal University, Bhubaneswar. He has over 31 years of experience in software development, implementation and railway finance and accounts.

Source: Company Reports

### Key Risks & Concerns

- KFINT is a leading technology driven financial services platform providing comprehensive services and solutions to the capital markets ecosystem including asset managers and corporate issuers across asset classes. Any disruption or glitch in the technology platform or breach of data security could adversely affect the business and reputation of the company.
- KFINT is subject to periodic inspections by SEBI and PFRDA, pursuant to its registration as an RTA and CRA, respectively. Non-compliance with observations made by SEBI and PFRDA during these inspections could impact the company's business operations.
- KFINT is expanding its business globally and thus exposed to the currency market volatility.

## KFINT's quarterly and annual performance

Fig in INR Cr (unless specified)	FY20	FY21	FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	FY23	Q1FY24	Q2FY24	FY24E	FY25E	FY26E
Investor solution	311.8	355.9	499.8	130.3	136.1	143.1	141.9	551.4	145.4	163.2	654.7	796.3	893.5
<i>YoY Growth (%)</i>	<i>176.4</i>	<i>14.1</i>	<i>40.4</i>			<i>8.6</i>	<i>0.5</i>	<i>10.3</i>	<i>11.6</i>	<i>19.9</i>	<i>18.7</i>	<i>21.6</i>	<i>12.2</i>
<i>Share in total revenue (%)</i>	<i>69.3</i>	<i>74.0</i>	<i>78.1</i>	<i>77.3</i>	<i>75.5</i>	<i>76.1</i>	<i>77.5</i>	<i>76.6</i>	<i>80.1</i>	<i>78.1</i>	<i>78.9</i>	<i>79.9</i>	<i>79.9</i>
Domestic solution	280.4	317.4	451.4	115.2	121.1	126.3	123.6	486.2	128.0	140.9	568.7	696.8	779.2
International solution	31.4	38.4	48.4	15.1	15.1	16.8	18.3	65.3	17.4	22.3	86.0	99.5	114.3
Issuer solution	51.0	62.2	74.2	20.9	25.9	27.4	24.1	98.3	20.0	29.1	109.8	121.9	134.6
<i>YoY Growth (%)</i>	<i>136.7</i>	<i>21.8</i>	<i>19.3</i>			<i>39.5</i>	<i>14.3</i>	<i>32.4</i>	<i>(4.4)</i>	<i>12.6</i>	<i>11.7</i>	<i>11.1</i>	<i>10.4</i>
<i>Share in total revenue (%)</i>	<i>11.3</i>	<i>12.9</i>	<i>11.6</i>	<i>12.4</i>	<i>14.3</i>	<i>14.6</i>	<i>13.2</i>	<i>13.6</i>	<i>11.0</i>	<i>13.9</i>	<i>13.2</i>	<i>12.2</i>	<i>12.0</i>
Global business services	36.2	42.1	42.2	11.3	11.5	10.9	10.2	43.8	9.7	8.9	36.8	44.1	51.9
<i>YoY Growth (%)</i>	<i>208.0</i>	<i>16.4</i>	<i>0.4</i>			<i>2.0</i>	<i>(7.9)</i>	<i>3.6</i>	<i>(14.3)</i>	<i>(22.1)</i>	<i>(16.0)</i>	<i>20.0</i>	<i>17.5</i>
<i>Share in total revenue (%)</i>	<i>8.0</i>	<i>8.7</i>	<i>6.6</i>	<i>6.7</i>	<i>6.4</i>	<i>5.8</i>	<i>5.6</i>	<i>6.1</i>	<i>5.3</i>	<i>4.3</i>	<i>4.4</i>	<i>4.4</i>	<i>4.6</i>
Other operating revenue	50.9	21.0	23.3	6.1	6.8	6.7	7.0	26.6	6.4	7.7	29.1	33.7	37.8
<i>YoY Growth (%)</i>	<i>211.7</i>	<i>(58.7)</i>	<i>10.8</i>			<i>19.0</i>	<i>(7.7)</i>	<i>14.1</i>	<i>5.9</i>	<i>14.7</i>	<i>9.4</i>	<i>15.9</i>	<i>12.2</i>
<i>Share in total revenue (%)</i>	<i>11.3</i>	<i>4.4</i>	<i>3.6</i>	<i>3.6</i>	<i>3.7</i>	<i>3.6</i>	<i>3.8</i>	<i>3.7</i>	<i>3.5</i>	<i>3.7</i>	<i>3.5</i>	<i>3.4</i>	<i>3.4</i>
Revenue from operations	449.9	481.1	639.5	168.6	180.2	188.1	183.1	720.0	181.5	209.0	830.3	996.0	1,117.7
<i>YoY Growth (%)</i>	<i>177.0</i>	<i>7.0</i>	<i>32.9</i>			<i>12.1</i>	<i>1.3</i>	<i>12.6</i>	<i>7.6</i>	<i>16.0</i>	<i>15.3</i>	<i>20.0</i>	<i>12.2</i>
Employee Cost	194.0	188.6	232.5	73.3	76.0	72.6	67.6	289.4	75.6	76.0	313.8	366.9	412.0
<i>Employee Cost to Sales (%)</i>	<i>43.1</i>	<i>39.2</i>	<i>36.4</i>	<i>43.5</i>	<i>42.2</i>	<i>38.6</i>	<i>36.9</i>	<i>40.2</i>	<i>41.6</i>	<i>36.4</i>	<i>37.8</i>	<i>36.8</i>	<i>36.9</i>
Other Expenses	97.2	80.1	119.8	32.9	33.1	34.9	31.7	135.6	35.5	39.3	160.9	191.4	215.6
<i>Other Expenses to Sales (%)</i>	<i>21.6</i>	<i>16.6</i>	<i>18.7</i>	<i>19.5</i>	<i>18.4</i>	<i>18.5</i>	<i>17.3</i>	<i>18.8</i>	<i>19.6</i>	<i>18.8</i>	<i>19.4</i>	<i>19.2</i>	<i>19.3</i>
EBITDA	158.7	212.4	287.2	62.4	71.1	80.7	83.8	295.0	70.4	93.7	355.6	437.8	490.1
<i>EBITDA Margin (%)</i>	<i>35.3</i>	<i>44.2</i>	<i>44.9</i>	<i>37.0</i>	<i>39.4</i>	<i>42.9</i>	<i>45.8</i>	<i>41.0</i>	<i>38.8</i>	<i>44.8</i>	<i>42.8</i>	<i>44.0</i>	<i>43.9</i>
PAT	4.5	(64.5)	148.5	37.4	47.9	53.4	57.0	195.7	43.9	61.9	235.6	301.9	343.9
<i>PAT Margin (%)</i>	<i>1.0</i>	<i>(13.4)</i>	<i>23.2</i>	<i>22.2</i>	<i>26.6</i>	<i>28.4</i>	<i>31.1</i>	<i>27.2</i>	<i>24.2</i>	<i>29.6</i>	<i>28.4</i>	<i>30.3</i>	<i>30.8</i>
Net Profit	4.5	(64.5)	148.5	37.4	47.9	53.4	57.0	195.7	43.4	61.4	234.6	300.7	342.5
<i>Net Margin (%)</i>	<i>1.0</i>	<i>(13.4)</i>	<i>23.2</i>	<i>22.2</i>	<i>26.6</i>	<i>28.4</i>	<i>31.1</i>	<i>27.2</i>	<i>23.9</i>	<i>29.4</i>	<i>28.2</i>	<i>30.2</i>	<i>30.6</i>
Adjusted EPS	0.3	(3.8)	8.7					11.5			13.8	17.7	20.1
<i>P/E (X)</i>	<i>1,904.7</i>	<i>(133.5)</i>	<i>58.0</i>					<i>44.0</i>			<i>36.7</i>	<i>28.6</i>	<i>25.2</i>
Adjusted BVPS	24.1	20.3	37.8					51.1			65.0	82.6	102.7
<i>P/BV (X)</i>	<i>21.0</i>	<i>24.9</i>	<i>13.4</i>					<i>9.9</i>			<i>7.8</i>	<i>6.1</i>	<i>4.9</i>
Enterprise Value	8,958.8	8,842.4	8,599.1					8,435.8			8,225.1	7,953.1	7,624.0
<i>EV/EBITDA (X)</i>	<i>56.5</i>	<i>41.6</i>	<i>29.9</i>					<i>28.6</i>			<i>23.1</i>	<i>18.2</i>	<i>15.6</i>
Net Worth	409.6	346.4	644.3					870.2			1,105.8	1,406.5	1,749.1
<i>Return on Equity (%)</i>	<i>1.1</i>	<i>(18.6)</i>	<i>23.1</i>					<i>22.5</i>			<i>21.2</i>	<i>21.4</i>	<i>19.6</i>
Capital Employed	784.9	692.3	766.9					1,000.3			1,105.8	1,406.5	1,749.1
<i>Return on Capital Employed (%)</i>	<i>2.1</i>	<i>(15.8)</i>	<i>23.8</i>					<i>18.8</i>			<i>20.8</i>	<i>20.4</i>	<i>18.2</i>
Invested Capital	753.5	573.9	628.6					691.2			716.1	744.8	758.2
<i>Return on Invested Capital (%)</i>	<i>8.8</i>	<i>19.9</i>	<i>39.8</i>					<i>35.9</i>			<i>43.5</i>	<i>51.4</i>	<i>56.0</i>
Cash Flow from Operations	101.4	203.8	252.6					223.4			234.9	320.4	381.1
Cash Flow from Investing	93.0	(102.9)	(115.4)					(204.4)			(92.2)	(106.8)	(93.4)
Cash Flow from Financing	(206.0)	(89.4)	(115.4)					7.3			(144.3)	(5.4)	(5.4)
Net Cash Flow	(11.6)	11.5	21.8					26.3			(1.6)	208.2	282.3
Free Cash Flow	107.0	124.4	223.1					162.1			205.4	280.5	338.5
<i>FCF to Revenue (%)</i>	<i>23.8</i>	<i>25.9</i>	<i>34.9</i>					<i>22.5</i>			<i>24.7</i>	<i>28.2</i>	<i>30.3</i>
<i>FCF to EBITDA (%)</i>	<i>67.4</i>	<i>58.6</i>	<i>77.7</i>					<i>55.0</i>			<i>57.8</i>	<i>64.1</i>	<i>69.1</i>
<i>FCF to Net Profit (%)</i>	<i>2,365.4</i>	<i>(192.9)</i>	<i>150.2</i>					<i>82.8</i>			<i>87.6</i>	<i>93.3</i>	<i>98.8</i>
<i>FCF to Net Worth (%)</i>	<i>26.1</i>	<i>35.9</i>	<i>34.6</i>					<i>18.6</i>			<i>18.6</i>	<i>19.9</i>	<i>19.4</i>
Total Debt	375	346	123					130			0	0	0
Net Debt	344	228	(16)					(179)			(390)	(662)	(991)
<i>Net Debt to Equity (X)</i>	<i>0.8</i>	<i>0.7</i>	<i>(0.0)</i>					<i>(0.2)</i>			<i>(0.4)</i>	<i>(0.5)</i>	<i>(0.6)</i>
<i>Net Debt to EBITDA (X)</i>	<i>2.2</i>	<i>1.1</i>	<i>(0.1)</i>					<i>(0.6)</i>			<i>(1.1)</i>	<i>(1.5)</i>	<i>(2.0)</i>
<i>Interest Coverage Ratio (X)</i>	<i>1.2</i>	<i>2.2</i>	<i>4.7</i>					<i>23.2</i>			<i>21.8</i>	<i>70.5</i>	<i>78.0</i>
<b>Fundamental scores</b>													
Altman Z Score	0.9	0.9	1.7					10.5			19.2	17.6	16.5
Piotroski F-score	5.0	5.0	7.0					5.0			7.0	6.0	5.0
Beneish M-score	(1.5)	(2.9)	(2.5)					(2.7)			(2.1)	(2.6)	(2.8)

Source: ACE Equity, Company Reports & Ventura Research

## Summary of management commentary and quarterly performance over the last few quarters

Key Criteria	Risk	Comments
<b>Q3FY23</b>		
<b>Business Performance</b>	<b>Positive</b>	<p>Revenue grew at a YoY rate of 12.1% to INR 188 cr on account of 5.1% YoY growth in domestic investor solution segment to INR 126 cr, 45.2% YoY growth in international investor solution segment to INR 17 cr, 39.5% YoY growth in issuer solution segment to INR 27 cr, 2.0% YoY growth in global business services to INR 11 cr and 19.0% YoY growth in other revenue to INR 7 cr.</p> <p>EBITDA and net earnings grew at a YoY rate of 9.1% to INR 81 cr and 78.6% to INR 53 cr respectively. EBITDA margins declined at a YoY rate of 119bps to 42.9% due to a minor loss INR 48 lakhs reported in the international investor solutions segment. Despite a pressure on operating margins, net margins reported an improvement of 1056bps to 28.4% due to increase in 'Other Income' (YoY growth of 168.7% to INR 6 cr), decline in finance cost and marginal reduction in the tax rate.</p>
<b>Outlook &amp; Strategy</b>	<b>Positive</b>	<p>The company aims to continue its growth trajectory, leveraging its technological capabilities, expanding into new markets.</p> <p>The company prefers to create value through acquisitions rather than paying out dividends. Their focus remains on the MF servicing space, exploring opportunities for expansion and adding value added services.</p> <p>The company has made key acquisitions like Hexagram for fund accounting and administration. They have expanded their international presence, including operations in Canada and Southeast Asia.</p>
<b>Q4FY23</b>		
<b>Business Performance</b>	<b>Positive</b>	<p>Revenue grew at a YoY rate of 1.3% to INR 188 cr on account of 1.1% YoY decline in domestic investor solution segment to INR 124 cr, 13.0% YoY growth in international investor solution segment to INR 18 cr, 14.3% YoY growth in issuer solution segment to INR 24 cr, 7.9% YoY decline in global business services to INR 10 cr and 7.7% YoY decline in other revenue to INR 7 cr.</p> <p>EBITDA and net earnings grew at a YoY rate of 1.1% to INR 84 cr and 12.1% to INR 57 cr respectively. EBITDA margins declined at a YoY rate of 53bps to 45.8% due to higher opex in the new business verticals. Despite a pressure on operating margins, net margins reported an improvement of 301bps to 31.1% due to increase in 'Other Income' (YoY growth of 424.4% to INR 6 cr) and marginal reduction in the tax rate.</p>
<b>Outlook &amp; Strategy</b>	<b>Positive</b>	<p>The company is making strides in international markets, with a presence in Malaysia, Philippines, Hong Kong, Singapore, and plans to set up operations in Thailand.</p> <p>The company plans to continue its growth trajectory by expanding into new geographies and asset classes, leveraging technological advancements, and focusing on client acquisition and retention.</p>



## Q1FY24

<b>Business Performance</b>	<b>Positive</b>	<p>Revenue grew at a YoY rate of 7.6% to INR 182 cr on account of 11.1% YoY growth in domestic investor solution segment to INR 128 cr, 14.8% YoY growth in international investor solution segment to INR 17 cr, 4.4% YoY decline in issuer solution segment to INR 20 cr, 14.3% YoY decline in global business services to INR 10 cr and 5.9% YoY growth in other revenue to INR 6 cr.</p> <p>EBITDA and net earnings grew at a YoY rate of 12.8% to INR 70 cr and 15.9% to INR 43 cr respectively. EBITDA margins improved at a YoY rate of 178bps to 38.8%, while net margins improved by 170bps to 23.9%.</p>
<b>Outlook &amp; Strategy</b>	<b>Positive</b>	<p>The company expanded its business in Canada and targeting to enhance its presence in the developed markets of North America and Europe.</p>

## Q2FY24

<b>Business Performance</b>	<b>Positive</b>	<p>Revenue grew at a YoY rate of 16.0% to INR 209 cr on account of 16.4% YoY growth in domestic investor solution segment to INR 141 cr, 48.4% YoY growth in international investor solution segment to INR 22 cr, 12.6% YoY growth in issuer solution segment to INR 29 cr, 22.1% YoY decline in global business services to INR 9 cr and 14.7% YoY growth in other revenue to INR 8 cr.</p> <p>EBITDA and net earnings grew at a YoY rate of 31.8% to INR 94 cr and 28.1% to INR 61 cr respectively. EBITDA margins improved at a YoY rate of 538bps to 44.8%, while net margins improved by 278bps to 29.4%.</p>
<b>Outlook &amp; Strategy</b>	<b>Positive</b>	<p>Strong growth outlook and margin expansion. The trend is expected to sustain in the coming years.</p>

Source: Company Reports & Ventura Research

## KFINT's financial analysis & projections

Fig in INR Cr (unless specified)	FY22	FY23	FY24E	FY25E	FY26E	Fig in INR Cr (unless specified)	FY22	FY23	FY24E	FY25E	FY26E
<b>Income Statement</b>						<b>Per share data &amp; Yields</b>					
Investor solutions	499.8	551.4	654.7	796.3	893.5	Adjusted EPS (INR)	8.7	11.5	13.8	17.7	20.1
Issuer solution	74.2	98.3	109.8	121.9	134.6	Adjusted Cash EPS (INR)	10.9	14.2	16.4	20.9	24.0
Global business services	42.2	43.8	36.8	44.1	51.9	Adjusted BVPS (INR)	37.8	51.1	65.0	82.6	102.7
Other operating income	23.3	26.6	29.1	33.7	37.8	Adjusted CFO per share (INR)	14.8	13.1	13.8	18.8	22.4
Revenue	639.5	720.0	830.3	996.0	1,117.7	CFO Yield (%)	2.9	2.6	2.7	3.7	4.4
YoY Growth (%)	32.9	12.6	15.3	20.0	12.2	Adjusted FCF per share (INR)	13.1	9.5	12.1	16.5	19.9
Employee Cost	232.5	289.4	313.8	366.9	412.0	FCF Yield (%)	2.6	1.9	2.4	3.3	3.9
Employee Cost to Sales (%)	36.4	40.2	37.8	36.8	36.9	<b>Solvency Ratio (X)</b>					
Other Expenses	119.8	135.6	160.9	191.4	215.6	Total Debt to Equity	0.2	0.1	0.0	0.0	0.0
Other Exp to Sales (%)	18.7	18.8	19.4	19.2	19.3	Net Debt to Equity	(0.0)	(0.2)	(0.4)	(0.5)	(0.6)
EBITDA	287.2	295.0	355.6	437.8	490.1	Net Debt to EBITDA	(0.1)	(0.6)	(1.1)	(1.5)	(2.0)
Margin (%)	44.9	41.0	42.8	44.0	43.9	<b>Return Ratios (%)</b>					
YoY Growth (%)	35.2	2.7	20.6	23.1	12.0	Return on Equity	23.1	22.5	21.2	21.4	19.6
Depreciation & Amortization	37.0	46.7	44.4	54.7	65.5	Return on Capital Employed	23.8	18.8	20.8	20.4	18.2
EBIT	250.2	248.3	311.2	383.1	424.6	Return on Invested Capital	39.8	35.9	43.5	51.4	56.0
Margin (%)	39.1	34.5	37.5	38.5	38.0	<b>Working Capital Ratios</b>					
YoY Growth (%)	118.6	(0.7)	25.3	23.1	10.8	Payable Days (Nos)	15	13	18	18	18
Other Income	6.8	20.6	21.1	25.8	40.4	Inventory Days (Nos)	0	0	0	0	0
Finance Cost	53.0	10.7	14.2	5.4	5.4	Receivable Days (Nos)	64	64	81	81	81
Interest Coverage (X)	4.7	23.2	21.8	70.5	78.0	Net Working Capital Days (Nos)	50	51	62	62	62
Exceptional Item	0.0	0.0	0.0	0.0	0.0	Net Working Capital to Sales (%)	13.6	13.9	17.1	17.1	17.1
PBT	204.0	258.2	318.1	403.5	459.5	<b>Valuation (X)</b>					
Margin (%)	31.9	35.9	38.3	40.5	41.1	P/E	58.0	44.0	36.7	28.6	25.2
YoY Growth (%)	202.2	26.6	23.2	26.8	13.9	P/BV	13.4	9.9	7.8	6.1	4.9
Tax Expense	55.5	62.5	82.5	101.6	115.7	EV/EBITDA	29.9	28.6	23.1	18.2	15.6
Tax Rate (%)	27.2	24.2	25.9	25.2	25.2	EV/Sales	13.4	11.7	9.9	8.0	6.8
PAT	148.5	195.7	235.6	301.9	343.9	<b>Cash Flow Statement</b>					
Margin (%)	23.2	27.2	28.4	30.3	30.8	PBT	204.0	258.2	318.1	403.5	459.5
YoY Growth (%)	(330.3)	31.8	20.3	28.2	13.9	Adjustments	105.8	41.0	40.7	46.8	58.0
Min Int/Sh of Assoc	0.0	0.0	(1.0)	(1.2)	(1.3)	Change in Working Capital	(1.7)	(13.3)	(41.4)	(28.3)	(20.8)
Net Profit	148.5	195.7	234.6	300.7	342.5	Less: Tax Paid	(55.5)	(62.5)	(82.5)	(101.6)	(115.7)
Margin (%)	23.2	27.2	28.2	30.2	30.6	Cash Flow from Operations	252.6	223.4	234.9	320.4	381.1
YoY Growth (%)	(330.3)	31.8	19.8	28.2	13.9	Net Capital Expenditure	(68.1)	(69.4)	(40.0)	(44.0)	(46.7)
<b>Balance Sheet</b>						Change in Investments	(47.3)	(135.0)	(52.2)	(62.8)	(46.7)
Share Capital	167.6	169.2	170.3	170.3	170.3	Cash Flow from Investing	(115.4)	(204.4)	(92.2)	(106.8)	(93.4)
Total Reserves	476.8	701.0	935.6	1,236.3	1,578.8	Change in Borrowings	(372.5)	18.0	(130.1)	0.0	0.0
Shareholders Fund	644.3	870.2	1,105.8	1,406.5	1,749.1	Less: Finance Cost	(53.0)	(10.7)	(14.2)	(5.4)	(5.4)
Long Term Borrowings	122.5	0.0	0.0	0.0	0.0	Proceeds from Equity	310.0	0.0	0.0	0.0	0.0
Deferred Tax Assets / Liabilities	123.8	121.9	127.5	134.7	143.5	Buyback of Shares	0.0	0.0	0.0	0.0	0.0
Long Term Provisions	9.1	0.6	0.6	0.7	0.8	Dividend Paid	0.0	0.0	0.0	0.0	0.0
Total Liabilities	899.7	992.7	1,234.0	1,542.0	1,893.4	Cash flow from Financing	(115.4)	7.3	(144.3)	(5.4)	(5.4)
Net Block	33.8	40.3	48.7	53.5	52.7	Net Cash Flow	21.8	26.3	(1.6)	208.2	282.3
Capital Work in Progress	0.6	0.0	0.0	0.0	0.0	Forex Effect	0.3	0.5	0.0	0.0	0.0
Intangible assets under development	33.9	39.8	0.0	0.0	0.0	Opening Balance of Cash	22.9	45.0	71.8	70.2	278.4
Non Current Investments	0.0	6.5	7.5	9.0	10.1	Closing Balance of Cash	45.0	71.8	70.2	278.4	560.7
Long Term Loans & Advances	0.0	0.0	0.0	0.0	0.0						
Other Non Current Assets	44.3	37.9	43.7	52.4	58.9						
Net Current Assets	787.1	868.2	1,134.0	1,427.1	1,771.7						
Total Assets	899.7	992.7	1,234.0	1,542.0	1,893.4						

Source: Company Reports & Ventura Research

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