

## RESULT UPDATE

## KEY DATA

<b>Rating</b>	<b>BUY</b>
<b>Sector relative</b>	<b>Outperformer</b>
<b>Price (INR)</b>	<b>706</b>
<b>12 month price target (INR)</b>	<b>860</b>
<b>52 Week High/Low</b>	<b>732/299</b>
<b>Market cap (INR bn/USD bn)</b>	<b>121/1.4</b>
<b>Free float (%)</b>	<b>50.9</b>
<b>Avg. daily value traded (INR mn)</b>	<b>477.3</b>

## SHAREHOLDING PATTERN

	Mar-24	Dec-23	Sep-23
Promoter	38.9	39.0	49.1
FII	16.7	12.1	9.2
DII	20.9	24.6	22.0
Pledge	0.0	0.0	0.0

## FINANCIALS

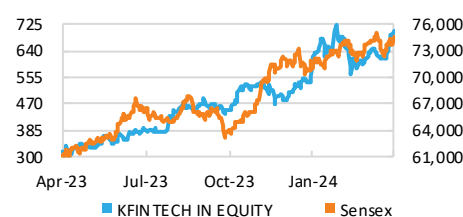
(INR mn)

Year to March	FY23A	FY24A	FY25E	FY26E
Revenue	7,200	8,375	9,752	11,050
EBITDA	2,980	3,666	4,246	4,901
Adjusted profit	1,957	2,485	2,980	3,538
Diluted EPS (INR)	11.4	14.5	17.4	20.7
EPS growth (%)	29.1	26.9	19.9	18.7
RoAE (%)	25.8	24.7	24.2	24.8
P/E (x)	61.7	48.6	40.5	34.1
EV/EBITDA (x)	65.3	51.1	42.1	35.2
Dividend yield (%)	0	0.8	1.0	1.2

## CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY25E	FY26E	FY25E	FY26E
Revenue	9,752	11,050	3.7	4.0
EBIT	3,724	4,355	3.7	6.7
NOPLAT	2,741	3,227	4.6	7.7
APAT	2,956	3,515	1.2	0.0

## PRICE PERFORMANCE



## Betting on international business

MF RTA/international and alternatives segment grew 27.3%/47.0% YoY in Q4FY24 driving KFINTECH's revenue growth to 24.7% YoY. MF RTA equity/international business AUMs under service grew 43.2%/11.6% YoY. Issuer solutions posted tepid growth of 14.2% YoY/(16)% QoQ. EBIT grew 24% YoY as margins declined 23bp YoY to 39.4% as costs increased sharply by 24.6% YoY. Lower tax rate (20.8%) aided APAT growth of 30.6% YoY/11.4% QoQ.

We mildly raise our FY25E/26E NOPLAT by 4.6%/7.7%. Maintain 'BUY' with increased TP of INR860 (earlier INR780), valuing the stock at FY25/26 P/E of 49.7x/41.8x.

### MF RTA (71% share) – AUM drives revenues; margins miss

KFINTECH reported 35.5% YoY/10.9% QoQ growth in QAAUM under service to INR17.6tn driven by continued strong SIP flows in the industry and stable equity markets. Share of equity in AUM increased 308bp YoY to 57.8% driven by equity AUM growth of 43.2% YoY/13.4% QoQ to INR10tn. Moderation in yields by 0.2bp YoY to 3.67bp led to revenue growth of 27.3% YoY/6.5% QoQ to INR 1.61bn. Equity AUM market share fell 117bp YoY/13bp QoQ to 33.4%. Management indicated that i) telescopic pricing; ii) increased scale led renegotiation in yields; and iii) larger share of passives led to slight moderation of yields. They continued to guide for gradual yield dilution. Segmental margin fell 69bp YoY to 56.5%. We believe this segment would continue to deliver strong earnings momentum and would continue to contribute ~70–75% in the revenue mix.

### Issuer solutions (14%) - growth and margins moderate

Domestic issuer services revenue grew 14.2% YoY/(16)% QoQ to INR315mn. While the number of folios increased 13% YoY/4.8% QoQ, number of transactions fell 12.5% QoQ. Decline QoQ in transactions and revenues is mainly due to seasonality. Segmental margins improved 581bp YoY but dipped 832bp QoQ to 47.9%. Business continues to track well on market share parameters.

### Investor solutions (12%) - strong growth with margin expansion

International and other investor solutions segment posted strong revenue performance of 47%/26.2% YoY to INR272mn. International business AUM increased 11.6% YoY with increased allocation from existing clients. The company has 10 clients in go live phase with one large Thailand-based client expected to go live in Q1. Domestic alternatives AUM rose 60% YoY to 987bn. Segmental margins turned positive to 17.8% with scale. Management remains confident of improving margins.

### Financials

Year to March	Q4FY24	Q4FY23	% Change	Q3FY24	% Change
Net Revenue	2,283	1,831	24.7	2,187	4.4
EBITDA	1,046	838	24.8	979	6.8
Adjusted Profit	745	570	30.6	668	11.4
Diluted EPS (INR)	4.4	3.3	30.6	3.9	11.4

## Financial Statements

### Income Statement (INR mn)

Year to March	FY23A	FY24A	FY25E	FY26E
Total operating income	7,200	8,375	9,752	11,050
Employee costs	2,894	3,197	3,676	4,044
Other expenses	1,326	1,513	1,830	2,105
EBITDA	2,980	3,666	4,246	4,901
Depreciation	467	530	522	546
Less: Interest expense	106	84	59	41
Add: Other income	175	247	318	415
Profit before tax	2,582	3,298	3,982	4,729
Prov for tax	625	813	1,003	1,191
Less: Other adj	0	0	0	0
Reported profit	1,957	2,485	2,980	3,538
Less: Excp.item (net)	0	0	0	0
Adjusted profit	1,957	2,485	2,980	3,538
Diluted shares o/s	171	171	171	171
Adjusted diluted EPS	11.4	14.5	17.4	20.7
DPS (INR)	0	5.7	6.9	8.2
Tax rate (%)	24.2	24.7	25.2	25.2

### Important Ratios (%)

Year to March	FY23A	FY24A	FY25E	FY26E
Revenue as bp of AAUM	5.8	5.5	5.2	5.0
Core Op. Profit as bp of AAUM	1.9	2.0	1.9	2.0
NOPLAT as bp of AAUM	1.5	1.5	1.5	1.5
EBITDA margin (%)	41.4	43.8	43.5	44.4
Net profit margin (%)	27.2	29.7	30.6	32.0
Revenue growth (% YoY)	12.6	16.3	16.4	13.3
EBITDA growth (% YoY)	3.5	23.0	15.8	15.4
Adj. profit growth (%)	31.8	26.9	19.9	18.7

### Assumptions (%)

Year to March	FY23A	FY24A	FY25E	FY26E
GDP (YoY %)	6.4	6.4	6.4	6.4
Repo rate (%)	6.5	6.5	6.5	6.5
USD/INR (average)	81.0	81.0	81.0	81.0
Core Op. Profit (INR mn)	2,407.0	3,051.4	3,664.8	4,313.9
NOPLAT (INR mn)	1,800.5	2,282.4	2,741.3	3,226.8
NOPLAT YoY growth (%)	21.6	26.8	20.1	17.7
AAUM (INR mn)	12,408.1	15,329.6	18,817.0	21,981.6
AAUM growth (%)	12.1	23.5	22.7	16.8
Equity as a % of AAUM	55.1	56.2	59.5	60.6

### Valuation Metrics

Year to March	FY23A	FY24A	FY25E	FY26E
Diluted P/E (x)	61.7	48.6	40.5	34.1
Price/BV (x)	13.9	10.6	9.2	7.9
EV/EBITDA (x)	65.3	51.1	42.1	35.2
Dividend yield (%)	0	0.8	1.0	1.2

Source: Company and Nuvama estimates

### Balance Sheet (INR mn)

Year to March	FY23A	FY24A	FY25E	FY26E
Share capital	1,692	1,710	1,710	1,710
Reserves	7,010	9,700	11,474	13,583
Shareholders funds	8,702	11,410	13,183	15,292
Minority interest	0	0	0	0
Borrowings	0	0	0	0
Trade payables	261	355	413	468
Other liabs & prov	3,292	2,034	2,194	2,320
Total liabilities	12,513	14,187	16,228	18,574
Net block	671	936	1,007	1,294
Intangible assets	6,242	6,706	7,188	7,176
Capital WIP	398	369	369	369
Total fixed assets	7,311	8,010	8,564	8,838
Non current inv	65	41	41	41
Cash/cash equivalent	3,091	3,975	5,180	6,968
Sundry debtors	1,265	1,519	1,769	2,004
Loans & advances	0	0	0	0
Other assets	402	421	422	430
Total assets	12,513	14,187	16,228	18,574

### Free Cash Flow (INR mn)

Year to March	FY23A	FY24A	FY25E	FY26E
Reported profit	1,957	2,485	2,980	3,538
Add: Depreciation	467	530	522	546
Interest (net of tax)	106	84	59	41
Others	522	645	662	753
Less: Changes in WC	(256)	(195)	(62)	(101)
Operating cash flow	2,796	3,550	4,160	4,777
Less: Capex	(694)	(848)	(1,075)	(820)
Free cash flow	2,102	2,702	3,085	3,956

### Key Ratios

Year to March	FY23A	FY24A	FY25E	FY26E
RoE (%)	25.8	24.7	24.2	24.8
RoCE (%)	23.9	24.5	24.0	24.7
Inventory days	nm	nm	nm	nm
Receivable days	61	61	62	62
Payable days	13	13	14	15
Working cap (% sales)	(9.3)	9.4	8.4	8.0
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.4)	(0.4)	(0.4)	(0.5)
Interest coverage (x)	23.6	37.2	63.1	105.4

### Valuation Drivers

Year to March	FY23A	FY24A	FY25E	FY26E
EPS growth (%)	29.1	26.9	19.9	18.7
RoE (%)	25.8	24.7	24.2	24.8
EBITDA growth (%)	3.5	23.0	15.8	15.4
Payout ratio (%)	0	39.2	39.7	39.7

**Exhibit 1: FY24 APAT clocks growth of 25.7% YoY driven by 16.5% YoY growth in revenues and margin expansion**

P&L (INR mn)	Q4FY24	Q4FY23	YoY(%/bp)	Q3FY24	QoQ(%/bp)	FY24	FY23	YoY(%/bp)	FY25E	FY26E
Revenue	2,283	1,831	24.7	2,187	4.4	8,375	7,191	16.5	9,752	11,050
Employee expenses	850	676	25.7	831	2.3	3,197	2,894	10.4	3,676	4,044
Other expenses	387	317	22.3	377	2.6	1,513	1,316	14.9	1,830	2,105
Total Expenses	1,237	993	24.6	1,208	2.4	4,709	4,211	11.8	5,507	6,149
EBITDA	1,046	838	24.8	979	6.8	3,666	2,980	23.0	4,246	4,901
Depreciation	146	112	30.0	134	9.0	530	467	13.5	522	546
EBIT	900	726	24.0	845	6.5	3,136	2,513	24.8	3,724	4,355
Finance costs	11	28	-59.8	12	-4.8	84	106	-20.8	59	41
Other income	66	62	5.8	64	2.4	247	175	40.9	318	415
PBT	955	761	25.5	898	6.4	3,298	2,582	27.7	3,982	4,729
Tax	199	190	4.5	226	-12.0	813	625	30.2	1,003	1,191
PAT (pre minority interest)	756	570	32.5	671	12.5	2,485	1,957	27.0	2,980	3,538
Non-controlling interest	-	-	NM	-	NM	-	-	NM	-	-
Share of (loss)/profit of associate	-11	-	NM	-3	NM	-24	-	NM	2,980	3,538
APAT	745	570	30.6	668	11.4	2,460	1,957	25.7	20	19
Extraordinary	-	-	NM	-	NM	-	-	NM	-	-
RPAT	745	570	30.6	668	11.4	2,460	1,957	25.7	2,980	3,538
Reported EPS										
Basic	4.4	3.4	29.0	3.9	11.2	14.5	11.7	24.0	17.5	20.8
Diluted	4.3	3.3	30.1	3.9	11.3	14.3	11.5	24.0	17.3	20.6
Tax rate (%)	20.8	25.0	(419)bp	25.2	(435)bp	24.7	24.2	46bp	25.2	25.2
EBIT margin (%)	39.4	39.6	(23)bp	38.6	78bp	37.4	35.0	249bp	38.2	39.4

Source: Company, Nuvama Research

## Exhibit 2: Revenue contribution from MF RTA business increases 144bp YoY on the back of strong SIP inflows

Segmental Data (INR mn)	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (% / bp)	QoQ (% / bp)
<u>Segment revenue (Including OPE)</u>							
Domestic mutual fund investor solutions	1,268	1,305	1,430	1,515	1,614	27.3	6.5
Issuer solutions	276	238	346	375	315	14.2	(16.0)
International and other investors solutions	185	175	225	216	272	47.0	26.2
Global business services	102	97	89	81	82	(19.6)	1.5
<b>Total revenue</b>	<b>1,831</b>	<b>1,815</b>	<b>2,090</b>	<b>2,187</b>	<b>2,283</b>	<b>24.7</b>	<b>4.4</b>
<u>Segment revenue - YoY growth (%)</u>							
Domestic mutual fund investor solutions	(0.4)	11.1	16.0	16.9	27.3	NA	NA
Issuer solutions	4.9	(3.0)	14.0	21.7	14.2	NA	NA
International and other investors solutions	14.6	14.6	48.7	28.3	47.0	NA	NA
<b>Global business services</b>	<b>(7.9)</b>	<b>(14.3)</b>	<b>(22.1)</b>	<b>(25.8)</b>	<b>(19.6)</b>	<b>NA</b>	<b>NA</b>
<b>Total revenue</b>	<b>1.3</b>	<b>7.6</b>	<b>16.0</b>	<b>16.3</b>	<b>24.7</b>	<b>NA</b>	<b>NA</b>
<u>Segment revenue contribution (%)</u>							
Domestic mutual fund investor solutions	69.2	71.9	68.4	69.3	70.7	144bp	140bp
Issuer solutions	15.1	13.1	16.5	17.2	13.8	(127)bp	(336)bp
International and other investors solutions	10.1	9.6	10.8	9.9	11.9	181bp	206bp
Global business services	5.6	5.3	4.3	3.7	3.5824	(198)bp	(10)bp
<b>Total revenue</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		

Source: Company, Nuvama Research

**Exhibit 3: Lower margins in MF RTA business at 56.5% (-69bp YoY) drag overall margins lower in Q4**

	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (% / bp)	QoQ (% / bp)
<u>Segment results</u>							
Domestic mutual fund investor solutions	725	734	843	882	912	25.7	3.4
Issuer solutions	116	87	159	211	151	29.9	(28.5)
International and other investors solutions	20	(12)	12	(6)	48	137.1	NM
<b>Global business services</b>	<b>68</b>	<b>64</b>	<b>53</b>	<b>45</b>	<b>48</b>	<b>(29.3)</b>	<b>6.1</b>
<b>Total</b>	<b>929</b>	<b>874</b>	<b>1,067</b>	<b>1,132</b>	<b>1,159</b>	<b>24.7</b>	<b>2.4</b>
Unallocated (expenses)/income	0	0	0	0	0	0.0	0.0
a) Unallocable expenses	203	299	261	290	270	32.7	(6.8)
b) Finance cost	28	29	32	12	11	(59.8)	(4.8)
<b>c) other income</b>	<b>62</b>	<b>53</b>	<b>63</b>	<b>64</b>	<b>66</b>	<b>5.8</b>	<b>2.4</b>
<b>PBT</b>	<b>761</b>	<b>599</b>	<b>837</b>	<b>894</b>	<b>944</b>	<b>24.1</b>	<b>5.5</b>
<b>Tax expense</b>	<b>190</b>	<b>165</b>	<b>223</b>	<b>226</b>	<b>199</b>	<b>4.5</b>	<b>(12.0)</b>
<b>PAT</b>	<b>570</b>	<b>434</b>	<b>614</b>	<b>668</b>	<b>745</b>	<b>30.6</b>	<b>11.4</b>
<u>Segment operating margin (%) (calculated)</u>							
Domestic mutual fund investor solutions	57.2	56.2	58.9	58.2	56.5	(69)bp	(171)bp
Issuer solutions	42.1	36.7	46.1	56.2	47.9	581bp	(832)bp
International and other investors solutions	11.0	(6.6)	5.4	(3.0)	17.8	675bp	NM
<b>Global business services</b>	<b>66.8</b>	<b>65.9</b>	<b>59.4</b>	<b>56.1</b>	<b>58.7</b>	<b>(805)bp</b>	<b>257bp</b>
<b>Total</b>	<b>50.7</b>	<b>48.1</b>	<b>51.1</b>	<b>51.7</b>	<b>50.7</b>	<b>0bp</b>	<b>(98)bp</b>
<u>Segment result contribution (%)</u>							
Domestic mutual fund investor solutions	78.0	84.0	79.0	77.9	78.7	66bp	73bp
Issuer solutions	12.5	10.0	14.9	18.6	13.0	52bp	(562)bp
International and other investors solutions	2.2	-1.3	1.1	-0.6	4.2	198bp	NM
Global business services	7.3	7.3	5.0	4.0	4.1	(317)bp	14bp
<b>Total revenue</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>		

Source: Company, Nuvama Research

## Exhibit 4: MF RTA business - operational data

Operational data - MF RTA	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (% / bp)	QoQ (% / bp)
No of Operating Clients	23	24	23	23	24	4.3	4.3
AAUM Serviced (INR bn)	12,804	13,494	14,825	15,646	17,354	35.5	10.9
AAUM Market share (%)	31.6	31.3	31.5	31.8	32.1	45bp	25bp
Equity AAUM Serviced (INR bn)	7,005	7,379	8,215	8,847	10,030	43.2	13.4
Equity AAUM Market share (%)	34.5	34.4	34.0	33.5	33.4	(117)bp	(13)bp
Others AAUM Serviced (INR bn)	5,799	6,115	6,609	6,799	7,324	26.3	7.7
Others AAUM Market share (%)	28.7	28.3	29.0	29.8	30.4	175bp	58bp
Equity AAUM Mix (%)	54.7	54.7	55.4	56.5	57.8	308bp	130bp
SIP inflows (INR bn)	172	174	188	204	225	31.0	10.7
SIP book AAUM (INR bn)	2,118	2,380	2,676	2,928	3,306	56.1	12.9
SIP book AAUM market share (%)	31.3	31.5	31.5	31.5	31.5	20bp	(3)bp
SIP live folios (mn)	28	29	31	33	36	25.8	9.3

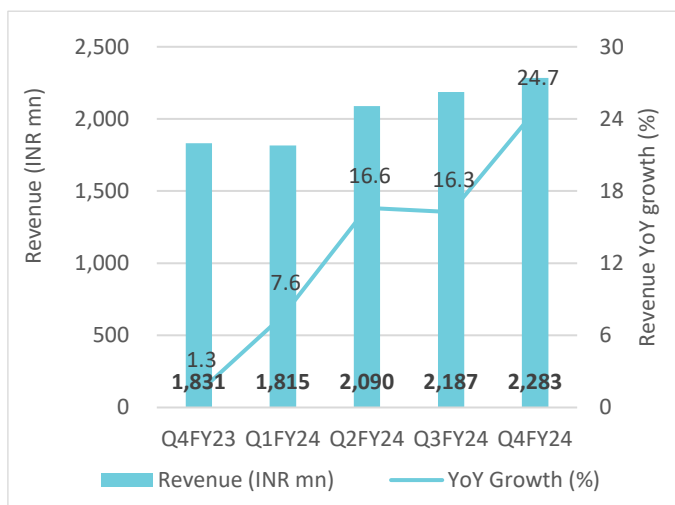
Source: Company, Nuvama Research

## Exhibit 5: Other business – operational data

Operational data - Other business	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24	YoY (% / bp)	QoQ (% / bp)
<u>Issuer Services</u>							
No of Clients	5,363	5,521	5,693	5,863	6,071	13.2	3.5
Clients added	184	158	172	170	208	NA	NA
No of folios (mn) (closing)	110	110	114	119	124	13.0	4.8
No of Transactions (mn)	0.6	0.7	0.9	0.8	0.7	9.2	-12.5
No of IPOs Handled (Main board)	1.0	4.0	10.0	6.0	8.0	700.0	33.3
Main Board IPOs – market share (basis no of clients) (%)	25.0	57.1	40.0	26.1	34.8	980bp	870bp
Main Board IPOs – market share (basis the issue size) (%)	81.6	82.0	44.6	29.5	42.0	(3,956)bp	1,250bp
NSE 500 companies – market share (basis the market capitalisation) (%)	47.3	46.5	47.3	46.5	46.1	(121)bp	(40)bp
<u>International Investor Solutions</u>							
No of clients	41	48	50	54	57	39.0	5.6
AAUM Serviced (INR bn)	545	560	563	582	609	11.6	4.6
AAUM Serviced QoQ growth (%)	-0.9	2.8	0.4	3.4	4.6	NA	NA
<u>Alternates and Wealth</u>							
No of funds being handled (cumulative)	411	416	434	455	472	14.8	3.7
Closing market share – based on no of funds (%)	37.4	36.4	37.2	36.4	36.3	(106)bp	(10)bp
AAUM (INR bn)	615	740	844	910	987	60.6	8.5
<u>National Pension Scheme- CRA</u>							
No of Subscribers ('000)	957	995	1,044	1,100	1,222	27.7	11.1
Closing market share - on subscribers' base (%)	7.3	7.4	7.7	7.8	8.3	101bp	50bp
Closing number of Corporates clients	1,985	2,109	2,177	2,244	2,327	17.2	3.7
AAUM (INR bn)	295	323	346	371	409	39.0	10.5

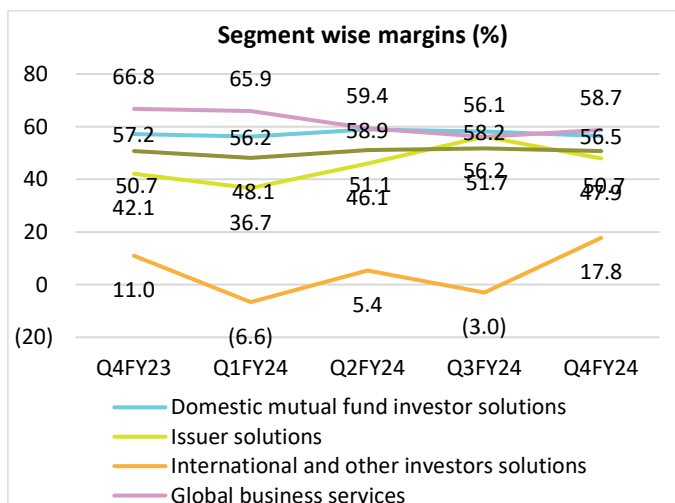
Source: Company, Nuvama Research

**Exhibit 6: Overall revenue grows 24.7% YoY**



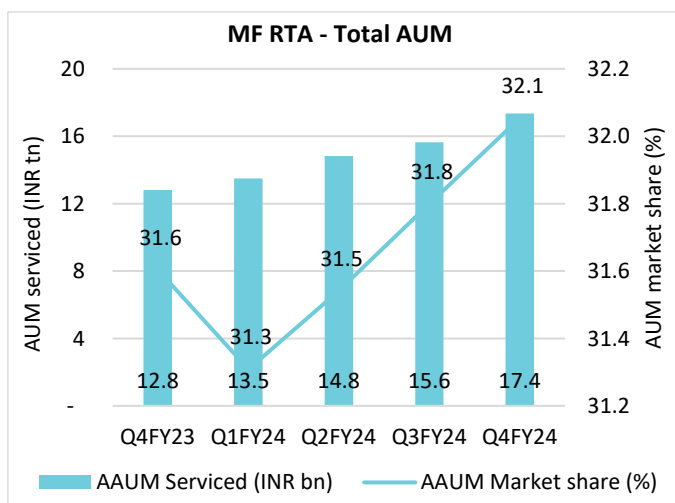
Source: Company, Nuvama Research

**Exhibit 8: International business margin turns positive to 17.8%**



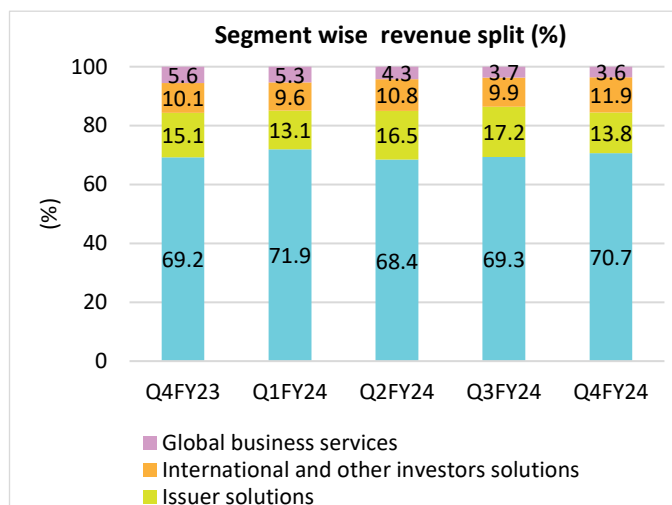
Source: Company, Nuvama Research

**Exhibit 10: AUM market share at 32.1% (+45bp YoY)**



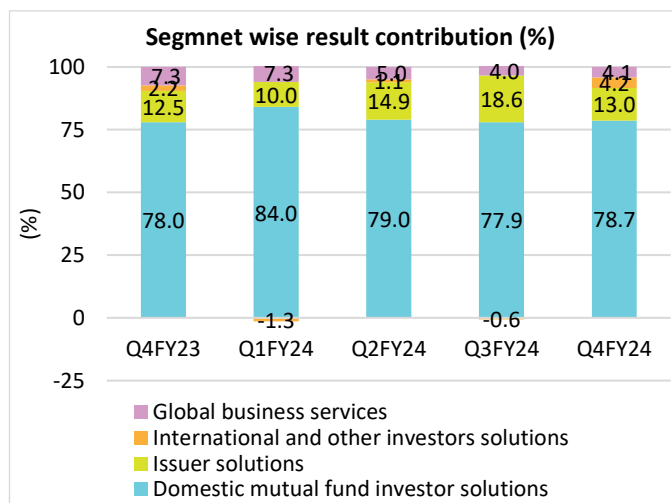
Source: Nuvama Research, Company

**Exhibit 7: Share of MF RTA increases to 70.7% (+144bp YoY)**



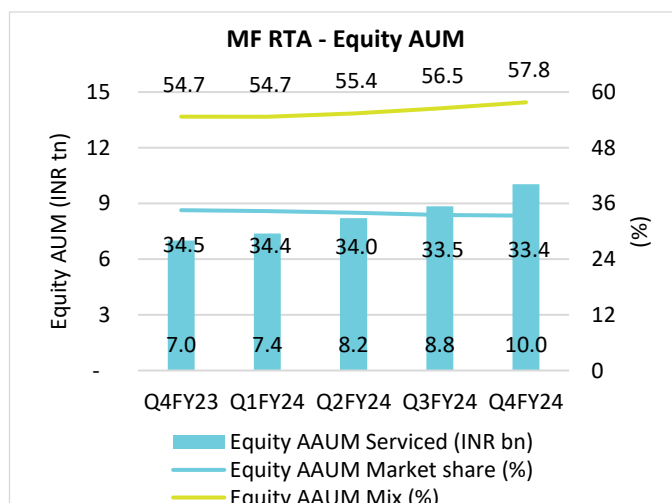
Source: Company, Nuvama Research

**Exhibit 9: MF RTA business profit contribution at 78.7% (+66bp YoY)**



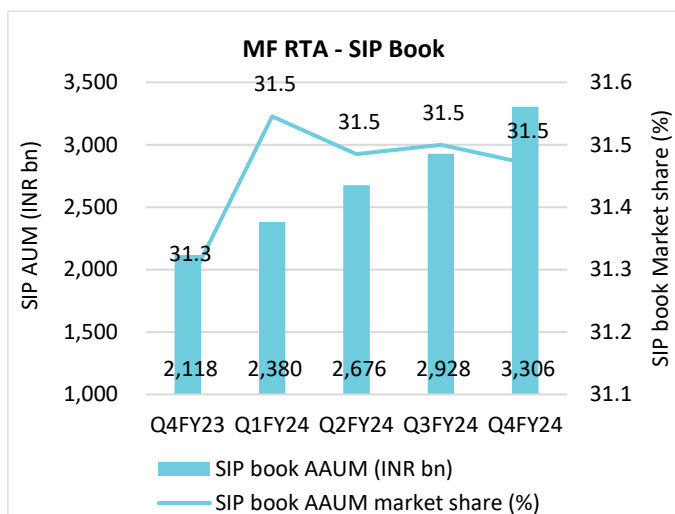
Source: Company, Nuvama Research

**Exhibit 11: Share of equity in AUM rises 308bp YoY to 57.8%**



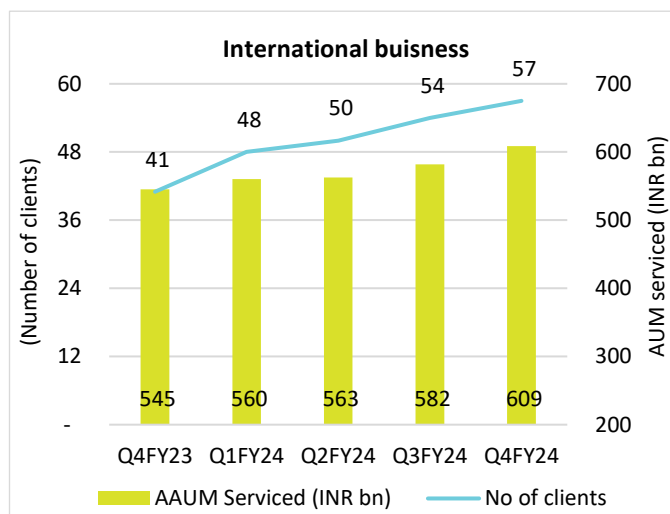
Source: Nuvama Research, Company

**Exhibit 12: SIP book AAUM market share rises 20bp to 31.5%**



Source: Nuvama Research, Company

**Exhibit 13: International business AUM grows 11.6% YoY**



Source: Nuvama Research, Company

**Exhibit 14: Estimate change**

(INR mn)	Earlier		Revised		Change(%/bps)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	9,406	10,630	9,752	11,050	3.7	4.0
EBIT	3,590	4,082	3,724	4,355	3.7	6.7
EBIT margin (%)	38.2	38.4	38.2	39.4	2bp	101bp
NOPLAT	2,622	2,995	2,741	3,227	4.6	7.7
NOPLAT Margin (%)	27.9	28.2	28.1	29.2	24bp	102bp
APAT	2,920	3,513	2,956	3,515	1.2	0.0
ROE (%)	23.1	21.5	24.0	24.7	91bp	323bp
<b>Target price (INR)</b>		<b>780</b>		<b>860</b>		<b>10.3</b>
<b>Rating</b>		<b>Buy</b>		<b>Buy</b>		

Source: Company, Nuvama Research



## Q4FY24 conference call highlights

**Guidance:** Management has maintained its EBITDA margins guidance of 43–45% for FY25.

### Domestic mutual fund business

- Management attributed the decline in equity market share to better relative performance of AMCs serviced by the competitor, which is a cyclical phenomenon.
- The company has re-negotiated RTA contracts with most of its clients in FY24 due to the surge in AUM and management highlighted there are no scheduled re-negotiations in FY25, which might lead to yield dilution.

### Issuer services business

- Market share decline in NSE 500 companies in terms of number of clients is due to change in composition of NSE 500. The company has not lost any clients during the quarter.
- Revenue of issuer services business is driven by – number of folios (70% of revenue), corporate actions (20% of revenue) while 10% would be value-added services.
- Revenues are cyclical in nature with Q2 and Q3 accounting for most of the revenues in any year.

### International and other investor services

- International business accounts for ~40% of revenues of international and other investor services (i.e. INR355mn for FY24).
- Domestic alternatives business accounts for ~35% of revenues of international and other investor services (i.e. INR311mn for FY24).
- Domestic alternatives funds have drawn only 50% of the fund commitments, providing strong revenue growth visibility from existing clients as the AUM increases with commitments being drawn.
- About 5% of segment revenue are one-time in nature. This is mainly due to the Hexagram deal taking place.
- Segmental margin improvement can be attributed to increased scale and operating efficiency. Management believes high scope of margin expansion in international business due to – (i) unit dynamics are favorable as yields are significantly higher than domestic business, (ii) high-ticket low-volume leads to relatively lower effort; and (ii) price escalation clauses in agreements.
- Management reiterated plans to expand in the developed markets of the US and Europe but believes the process could take some time as the company is process to building tech solutions to cater to the market. The company is also looking at inorganic opportunities to enter these geographies.
- Top-five clients in international business account for 60% of revenues.
- Total pipeline for the international business for FY25 is USD24mn on a recurring annualised basis.

**Capital allocation:** The company has declared its maiden dividend of INR5.75 per share (40% payout ratio). Management expects to pay regular dividend in-line with business performance. The company is also actively scouting for M&A opportunities to enter new geographies or expand TAM size.

**Expenses:** Management attributed higher employee and admin expenses to (i) increased expenses to strengthen audit and surveillance processes; (ii) investment in tech; and (iii) investment in building leadership team to fuel growth. The company has guided for 10% expense growth plus any additional expenses incurred to grow international and alternatives business.

**Subsidiaries:** Management highlighted that both recent acquisitions – Hexagram and Weble Apps have achieved cash profitability with Hexagram clocking 45% EBITDA margins.

## Company Description

KFin Technologies Limited (KFINTECH) stands out as a prominent technology-driven financial services platform in India. Specialising in serving the capital markets ecosystem, it extends its comprehensive solutions to asset managers and corporate issuers across various asset classes.

With a global footprint, KFINTECH goes beyond India's borders to provide extensive investor solutions to asset managers in Malaysia, Philippines, Singapore, Hong Kong, Thailand, and Canada. As of March 31, 2024, it is the second largest investor solutions provider for Indian mutual funds in terms of AUM serviced, and the leading issuer solutions provider based on the number of clients serviced.

KFINTECH is the sole investor and issuer solutions provider catering to diverse entities, including mutual funds, alternative investment funds, wealth managers, and pension funds.

## Investment theme

KFin Technologies (KFINTECH) has a robust domestic MF RTA business (32% share in total MF assets) and stable issuer charges business (45% share in market capitalisation of NSE 500 companies), and gives optionality in international and alternatives fund administration business. We reckon the business has strong moats and shall deliver improved margins. It is set to benefit from higher retail participation in equity markets via both MF and direct investing route.

## Key risks

- Regulator risks as further TER cuts may reduce pay-outs to RTAs.
- Persistent equity market weakness may dampen inflows/revenue.
- A further shift towards ETFs/index funds as this category generates much lower fees.
- Any rise in AUMs driven largely by alternatives may result in cannibalisation of revenue and growth prospects.
- Cybersecurity incident/malfunction may call for steep tech spends.
- Concentration risk if diversification into alternatives and international segment does not pan out as planned.

## Additional Data

### Management

CEO	Venkata Satya Naga Sreekanth Nadella
CFO	Vivek Mathur
Head - IR	Amit Murarka
Auditor	M/s. B S R and Co

### Holdings – Top 10\*

% Holding		% Holding	
Compar Estates	10.77	ICICI Prudentia	1.83
Kotak Mahindra	7.78	IIFL India Pvt	1.72
ABRDN Plc	4.19	Sixteenth Stree	1.68
Nippon Life Ind	3.04	Morgan Stanley	1.43
Pari Washington	2.16	Goldman Sachs G	1.30

\*Latest public data

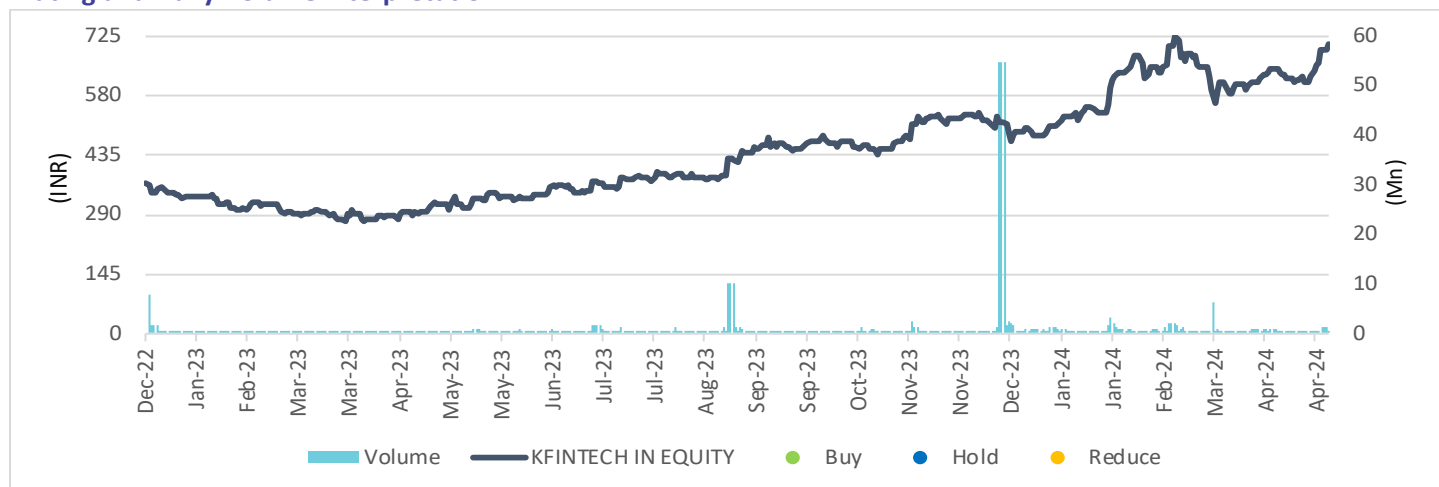
### Recent Company Research

Date	Title	Price	Reco
21-Mar-24	MF play with direct equity kicker; <i>Initiating Coverage</i>	613	Buy

### Recent Sector Research

Date	Name of Co./Sector	Title
27-Apr-24	ABSLAMC	Green shoots; <i>Result Update</i>
26-Apr-24	Bajaj Finserv	Strong showing ; <i>Result Update</i>
25-Apr-24	UTIAM	Weakness persists; <i>Result Update</i>

### Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

### Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	210
Hold	<15% and >-5%	61
Reduce	<-5%	23

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