



## **Kfin Technologies Limited**

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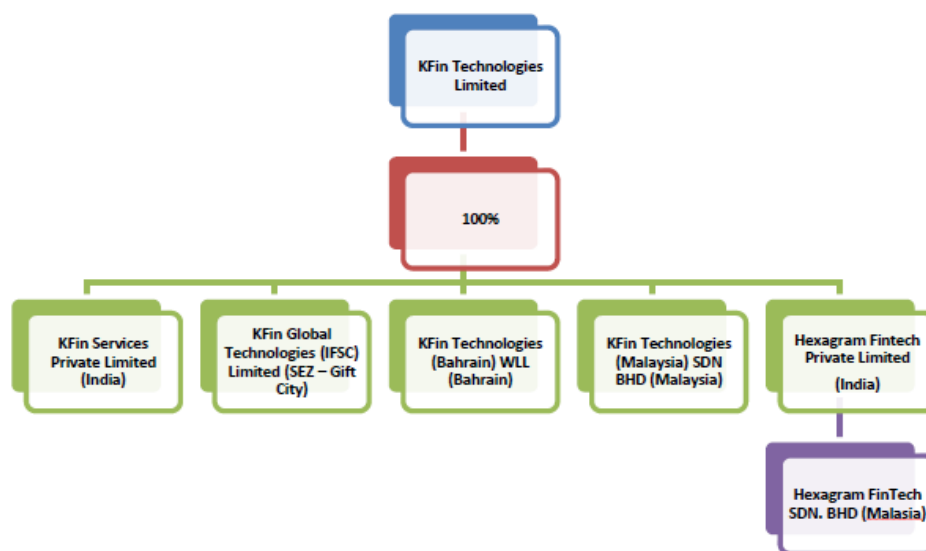
## Offer Details

<b>IPO Size</b>	<b>Rs. 6133.02 Cr.</b>
<b>Shares Face Value</b>	<b>Rs.10 per share</b>
<b>Shares price band</b>	<b>Rs.347 to Rs.366 per share</b>
<b>Lot</b>	<b>40 shares</b>
<b>Opening Date</b>	<b>December 19, 2022</b>
<b>ClosingDate</b>	<b>December 21, 2022</b>

## Company Overview

- The company is **technology driven financial services platform** providing solutions to capital market ecosystem including asset managers, corporate issuers across different asset classes in India.

The following chart sets forth the corporate structure of our Company as on the date of this Red Herring Prospectus:



- It provides several investor's solutions including transaction origination and processing for mutual fund and private retirement scheme in Malaysia, Philippines and Hong Kong.
- The **company is providing services to 24 out of 41 AMCs in India**, as on September 30, 2022, representing 59% of market share based on the number of AMC clients. *(Source: CRISIL Report)* In addition, **it signed on two new AMCs** that are yet to launch operations as on September 30, 2022.
- The company has recently acquired Hexagram to serve six AMCs in India on fund accounting, of which, three are its existing AMC clients in India for investor solutions.
- As on September 30, 2022, **the company is the only investor and solution provider** which offer services to asset manager such as mutual fund, alternate investment funds, wealth managers and pension as well as corporate issuers in India besides servicing overseas client in Hong Kong and South East Asia.

- It is also servicing **301 funds of 192 asset managers in India** as on September 30, 2022, representing **30% market share** based on number of AIFs being serviced.
- The company is **one of the three operating central recording agencies for national pension system in India.**
- As on June 30, 2022, out of the **60 AMCs in Malaysia across wholesale funds, unit trust funds and private retirement schemes as specified in the CRISIL Report, it is servicing 18 AMC clients in Malaysia** in addition to three clients in Philippines and Hong Kong as on September 30, 2022. In addition, it has signed two new AMCs in Malaysia and one AMC in Singapore that are yet to launch operations as on September 30, 2022.
- The **company is the largest issuer services provider in India based on the number of clients served.** It is also one of the only two players of scale in India's issuer solutions space where it is holding 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, each as on September 30, 2022.
- It also has a **40% and 29% market share based on number of mainboard initial public offerings handled in Fiscal 2022 and six months ended September 30, 2022.**
- The company has transformed its business into a financial technology driven platform-as-a-service model. The technology offering enables transaction lifecycle management combined with highly secure data collection, processing and storage.
- It processed **1.60 million average daily transactions**, including 1.00 million systematic transactions like systematic investment plans ("SIPs") per day and USD 3.20 billion (representing Rs 239.03 billion) average daily settlement for domestic mutual funds in six months ended September 30, 2022.
- During Fiscal 2022 and six months ended September 30, 2022, it maintained an accuracy rate of above 99.50% during each period, while ensuring above 99.50% of all transactions are processed while adhering to the timelines as stipulated in its agreements with clients.
- It provide clients with an Omni-channel experience by combining our platform with a physical pan India network of 182 service centres as on September 30, 2022, that aids in offline transaction origination and channel partner servicing.

- Company product and services

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

Source: Company DRHP)

- Key clients of the company

Business	Key Clientele	Fiscal year of onboarding*
<b>Investor solutions</b>		
Domestic mutual fund	Nippon Life India Asset Management Limited (“Nippon Life AMC”),	1997
	LIC Mutual Fund Asset Management Limited	2004
	Mirae Asset Mutual Fund	2007
	UTI Asset Management Company Limited (“UTI AMC”)	2008
	Axis Asset Management Company Limited (“Axis AMC”)	2009
	Sundaram Asset Management Company Limited	2019
	NJ Asset Management Private Limited	2021
International investor solutions	Bank Muscat SAOG	2008
	BPI Investment Management Inc. (“BPI Investment Management”)	2015
	BIMB Investment Management Berhad	2018
	ATM Capital Management Sdn Bhd	2021

Business	Key Clientele	Fiscal year of onboarding*
Pension services	ICICI Prudential Pension Funds Management Company Limited	2020
Alternatives and wealth management solutions	Nippon Life AMC	2014
	SBI Funds Management Pvt. Ltd	2015
	ASK Investment Managers Limited	2018
	Edelweiss Asset Management Limited	2019
	Axis Asset Management Company Limited	2019
	Vivriti Asset Management Private Limited	2021
Issuer solutions	Axis Bank Limited	1999
	Bharti Airtel Limited	2002
	Reliance Industries Limited (“RIL”),	2004
	Hindustan Unilever Limited	2004
	Wipro Limited	2004
	Infosys Limited (“Infosys”)	2008
	Bajaj Auto Limited	2011
	Kotak Mahindra Bank Limited	2013
Happiest Minds Technologies Limited	2020	
Global business services	Computershare Inc. (“Computershare”)	2013



### What is working for the company?

- The company has **asset light business model**. It is a platform based company.
- It is the largest investor solutions provider with diverse products and service base and a huge market share as well as international presence.
- The company has **grown the market share of Equity AAUM managed by our clients and serviced by them from 29% for Fiscal 2020 to 35% for September 2022, according to the CRISIL Report.**
- The **company has strong clientele base**. Its market share based on new subscriber addition has increased from 4% in Fiscal 2019 to 12% in Fiscal 2022. (Source: CRISIL Report) In absolute terms, the market share of pension service by incremental client addition was 29% in Fiscal 2022. (Source: CRISIL Report).

Business	New Client Additions				
	Fiscal 2020	Fiscal 2021	Fiscal 2022	Six months ended September 30, 2021	Six months ended September 30, 2022
<b>Investor solutions</b>					
Domestic mutual fund solutions	4	2	2	-	-
International investor solutions	3	1	6	1	1
Pension services	151,825	151,089	386,424	62,134	94,362
Alternatives and wealth management solutions	40	152	28	-	33
Issuer solutions	863	365	357	326	281
Global business services	-	-	-	-	-

- The company is providing unique end to end solutions enabled by technology developed in house. It works with a data centre which houses over **350 servers** and data storage handling capacity of over 250 TB.
- The key differentiator for the company is providing technology led services. Its technology related spend, which includes capital expenditure incurred towards computers and accessories, software and license fees, software expenses and employee costs, for Fiscal 2022 and six months ended September 30, 2022 was **Rs 1,310.80 million and Rs796.98 million.**

## Jainam Broking Limited

- The company has implemented a cyber-security and cyber resilience policy which adheres to NIST (National Institute of Standards & Technology) framework and is compliant with SEBI regulations that addresses the subject of cyber security and resilience framework for intermediaries. The effectiveness of the controls mandated by SEBI are audited on an annual basis by an external auditing firm.
- The **company aims to pursue strategic acquisitions**. Following are some of the past acquisition by the company:
  - A) It acquired registrar and transfer agency business of Sundaram BNP Paribas Fund Services which helped to acquire two AMCs and 20 alternative funds as clients for its existing investor solutions platform in India.
  - B) It took over the investor solutions business that was started in South East Asia by the erstwhile entities consisting of eight clients in Malaysia and Philippines. This business marked its entry into South East Asia.
  - C) It acquired Hexagram which enabled it to add fund accounting and reconciliation products to its platform.

### What is not working for the company?

- The **entire offer is an offer for sale** by the promoter and the company is not going to receive any proceeds from the IPO.
- The business of the company is entirely based on technology and any significant **disruption in the technology systems** or breaches of data security could adversely affect its business and reputation.
- The KFin Subject Shares, aggregating to 14.12% of our Company's equity share capital, are subjected to **encumbrances in the nature of non-disposal undertakings and blocked positions**. These encumbrances are in favor of certain lenders of the CP Group, including HDFC Bank Limited and ICICI Bank Limited, based on the beneficiary position dated December 9, 2022 and the public information available on the website of the Bombay High Court and the Debt Recovery Tribunal, Hyderabad.
- The business of the company is dependent on the growth of mutual fund industry and capital markets.
- The company has many **legal cases pending against them**.

Name	Criminal proceedings	Tax proceedings	Statutory or regulatory actions	Disciplinary actions by the SEBI or Stock Exchanges against the Promoter	Material civil litigation**	Aggregate amount involved * (in ₹ million)
<b>Promoter</b>						
By the Promoter	Nil	Nil	Nil	Nil	Nil	Nil
Against the Promoter	Nil	Nil	Nil	Nil	Nil	Nil
<b>Group Companies<sup>‡</sup></b>						
By the Group Companies	Nil	Nil	Nil	NA	Nil	Nil
Against the Group Companies	Nil	Nil	Nil	NA	2	3,295.75

- The growth of its business is also dependent on changing global macroeconomic conditions, savings rate and the regulatory framework in the jurisdictions in which it currently operates, which has resulted in increased wealth creation, savings and investments and consequently the client base of the financial institutions that it serves.

## Financial Statements

### Profit And Loss A/c

<b>Profit &amp; Loss</b>		<b>PRODUCT SEGMENTS</b>			
Consolidated Figures in Rs. Crores / <a href="#">View Standalone</a>					
	Mar 2019	Mar 2020	Mar 2021	Mar 2022	
Sales +	162	450	481	640	
Expenses +	97	291	269	352	
<b>Operating Profit</b>	<b>66</b>	<b>159</b>	<b>212</b>	<b>288</b>	
OPM %	40%	35%	44%	45%	
Other Income +	2	5	5	6	
Interest	20	53	52	53	
Depreciation	34	92	98	37	
<b>Profit before tax</b>	<b>14</b>	<b>19</b>	<b>68</b>	<b>204</b>	
Tax %	35%	76%	196%	27%	
<b>Net Profit</b>	<b>9</b>	<b>5</b>	<b>-65</b>	<b>149</b>	

## Balance Sheet

<b>Balance Sheet</b>		<b>CORPORATE ACTIONS</b>			
Standalone Figures in Rs. Crores / <a href="#">View Consolidated</a>					
	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Share Capital +	0	166	151	151	168
Reserves	-0	353	258	193	478
Borrowings +	0	389	375	346	123
Other Liabilities +	0	85	83	230	251
<b>Total Liabilities</b>	<b>0</b>	<b>993</b>	<b>868</b>	<b>919</b>	<b>1,019</b>
Fixed Assets +	0	696	682	621	629
CWIP	0	0	0	3	35
Investments	0	126	29	110	147
Other Assets +	0	171	156	186	209
<b>Total Assets</b>	<b>0</b>	<b>993</b>	<b>868</b>	<b>919</b>	<b>1,019</b>

## Cash flow Statement

<b>Cash Flows</b>					
Standalone Figures in Rs. Crores / <a href="#">View Consolidated</a>					
	Mar 2018	Mar 2019	Mar 2020	Mar 2021	Mar 2022
Cash from Operating Activity +	0	98	102	202	256
Cash from Investing Activity +	0	-864	98	-107	-125
Cash from Financing Activity +	0	779	-206	-89	-115
<b>Net Cash Flow</b>	<b>0</b>	<b>14</b>	<b>-5</b>	<b>6</b>	<b>16</b>

Our recommendation:

- Kfin technologies is a leading platform provider for capital markets.
- The company is promoted by General Atlantic Singapore fund Limited. The entire offer is an offer for sale by the promoter.
- The company gained financial strength last year only due to strong capital market activities.
- There are various cases pending against the company and it is always subject to SEBI compliances which is to be monitored for its future performance.
- Our recommendation is “Subscribe for short term”.

Subscribe for the IPO:

<https://ipo.jainam.in/#/home>