

December 16, 2022

IPO Note

IPO NOTE

Issue Details

Price Band: ₹ 347 to ₹ 366

Issue Opens on: December 19, 2022

Issue Closes on: December 21, 2022

Lot Size: 40 Shares & in Multiples thereafter

Issue Highlights

Issue Size : ₹ 1,500 Cr.

No of Shares : 40,983,606

Face Value : ₹ 10

Offer Structure

Issuance	₹ in Cr.
Fresh Issue	-
Offer for Sale	1,500
Total	1,500

Issue Breakup

Reservation for	% of Issue	₹ in Cr. (at upper band)
QIB	75	1,125
HNI	15	225
Retail	10	150
Total	100	1,500

* 60% Shares of the QIB Portion to Anchor Investors

Listing

BSE & NSE

Lead Managers

- ICICI Securities Limited
- J.P. Morgan India Private Limited
- Kotak Mahindra Capital Co. Ltd.
- IIFL Securities Ltd.
- Jefferies India Pvt. Ltd.

Registrar

Bigshare Services Private Limited

ANALYST

Krishna Rana

krishna.rana@sushilfinance.com

+91 22 4093 6081

SALES

Manan Divan

manan.divan@sushilfinance.com

+91 22 4093 6091 / +919819819979

COMPANY OVERVIEW

KFin Technologies Limited (KFintech) 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 in India and provide several investor solutions including transaction origination and processing for mutual funds and private retirement schemes in Malaysia, Philippines and Hong Kong. As on September 30, 2022, they are India's largest investor solutions provider to Indian mutual funds, based on number of AMC clients serviced. They are 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. Through acquisition of Hexagram, it serves 6 AMCs in India on fund accounting, of which, three are their existing AMC clients in India for investor solutions.

As on September 30, 2022, they are the only investor and issuer solutions provider in India that offers services to asset managers such as mutual funds, alternative investment funds ("AIFs"), wealth managers and pension as well as corporate issuers in India, besides servicing overseas clients in South East Asia and Hong Kong. They are one of the three operating central record keeping agencies ("CRAs") for the National Pension System ("NPS") in India as on September 30, 2022.

HIGHLIGHTS

1. Scaled platform with strong track record of growth and market leadership
2. Diverse multi-asset servicing platform
3. Unique "platform-as-a-service" business model providing comprehensive end-to-end solutions
4. Deeply entrenched, long-standing client relationships
5. Asset-light business model

Objects of the issue

To carry out the Offer for Sale up to Rs.1,500 Cr. Company will not receive any proceeds from the Offer.

OUR VIEW

KFintech is a leading technology-driven financial services platform in India. It has diversified streams of income sources. They transformed business into a financial technology driven platform-as-a-service model. It is a unique "platform-as-a-service" business model, providing comprehensive end-to-end solutions enabled by technology solutions developed in-house.

KFintech generated strong revenue growth from FY20 to FY22 at CAGR 19%. EBITDA margin has improved from 36% in FY20 to 45% in FY22. PAT increased from Rs.4 Cr. in FY2020 to Rs. 148 Cr. in at FY22 and stood at Rs. 85.35 Cr. at HYFY23.

The total AUM of mutual funds clients serviced by KFintech witnessed a CAGR of 19.7% between March 2019 and September 2022. As on September 30, 2022, it holds 46% market share based on the market capitalization of NSE 500 companies in India's issuer solutions space. It also had 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, respectively.

The issue is priced at a P/BV of 8.33 based on its NAV of Rs.43.96 as of September 30, 2022. At the higher price band of Rs.366, the IPO is priced at 39x at FY22 earnings. If we annualize HYFY23 earnings, then the asking price is at a P/E of around 36x. There is only listed peer Cams trading at P/E 39x and industry average P/E is 39x. Hence, KFintech IPO share price is fully priced.

Based on current financials, the issue seems fully priced. Cash surplus investors can invest with long-term horizon.

Brief Financials

PARTICULARS	₹ in Million			
	As at September 30, 2022	FY '22	FY '21	FY '20
Total Income	3,537.63	6,455.64	4,861.98	4,552.65
Total Expenditure	2,431.04	4,415.64	4,186.90	4,367.58
EBITDA	1,384.95	2,939.08	2,174.51	1,640.21
Profit before Tax	1,106.59	2,040.00	675.08	185.07
Profit after Tax	853.45	1,485.49	(645.07)	45.23
E.P.S. [diluted (Rs.)]	5.05*	9.36	(4.28)	0.28
P/E (x) (Diluted)	-	39	-	-
RONW (%)	12.36*	29.99	(17.07)	0.97

* Not annualised.

PRICE CHART (@ ₹ 366)

LOT SIZE	Amount
40	14,640
80	29,280
120	43,920
160	58,560
200	73,200
240	87,840
280	102,480
320	117,120
360	131,760
400	146,400
440	161,040
480	175,680
520	190,320

HNI Payment Chart

Category	Minimum Bid Lot Share	Minimum Bid Lot Amount(Rs.)
Between ₹ 2 to ₹ 10 Lakhs	560	204,960
Above ₹ 10 Lakhs	2,760	1,010,160

Please go through the RHP for salient features.

https://www.sebi.gov.in/filings/public-issues/dec-2022/kfin-technologies-limited-rhp_66170.html

Indicative Time Table

Tentative Events	Indicative Dates
Finalisation of Basis of Allotment with the Designated Stock Exchange	26/12/2022
Initiation of refunds/unblocking ASBA Fund	27/12/2022
Credit of Equity Shares to demat accounts of Allottees	28/12/2022
Commencement of trading of the Equity Shares on the Stock Exchanges	29/12/2022

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