



**SMC Ranking**  
 ★★☆☆☆ (2/5)

**Issue Highlights**

Industry	Depositories, Clearing Houses and Other Intermediaries
Offer for sale (Shares)	40,983,607
<b>Net Offer to the Public</b>	<b>40,983,607</b>
Issue Size (Rs. Cr.)	1422-1500
Price Band (Rs.)	347-366
Offer Date	19-Dec-22
Close Date	21-Dec-22
Face Value	10
Lot Size	40

**Issue Composition**

	In shares
Total Issue for Sale	40,983,607
QIB	30,737,705
NIB	6,147,541
Retail	4,098,361

**Shareholding Pattern (%)**

Particulars	Pre-issue	Post-issue
Promoters & promoters group	74.37%	49.91%
QIB	20.97%	39.31%
NIB	4.66%	8.33%
Retail	0.00%	2.45%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

\*calculated on the upper price band

**Objects of the Issue**

The company will not receive any proceeds from the Offer and all such proceeds will go to the Promoter Selling Shareholder.

**Book Running Lead Manager**

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

**Name of the registrar**

- Bigshare Services Pvt Limited

**About the company**

Incorporated in 2017, KFin Technologies Limited is one of the largest registrars and a market leader, servicing over 90 million investor accounts spread over 1300 issuers including banks, PSUs, and mutual funds. The company serves the mission-critical needs of asset managers with clients spanning mutual funds, AIFs (alternative investments), pension, wealth managers, and corporates in India and abroad. KFinTech provides SaaS-based end-to-end transaction management, channel management, compliance solutions, data analytics, and various other digital services to asset managers across segments, as well as outsourcing services for global players.

**Strength**

**Scaled platform with strong track record of growth and market leadership:** The company is a leading technology driven financial services platform providing comprehensive services and solutions to capital markets ecosystem including asset managers and corporate issuers across asset classes in India. 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. As on September 30, 2022, KFin holds a 46% market share based on the market capitalization of NSE 500 companies in India's issuer solutions space, as per CRISIL. As on September 30, 2022, it serves more than 5,051 listed and unlisted corporates with 107.7 million issuer solutions folios out of a total of 172.9 million folios. The Company believes it achieved this market leadership position across its businesses by leveraging its platform comprising in-house technology and services developed in-house, combined with deep domain expertise resulting from its experience of working with multiple regulators, its low-cost operations for international clients where it leverages India's low cost advantage, dedication to client success, and continued enhancement of its platform through in-house product development as well as synergistic acquisitions.

**Diverse multi-asset servicing platform:** The company operates in multiple large markets in India, Hong Kong, Malaysia and Philippines, along with presence in Oman and Maldives, across several of these asset classes. This has allowed it to grow as a regional business and not just as an India focused business. KFin believes that the combination of macro factors in the markets in which it operates such as relevant government push, increased investor pool and client engagement, broadening distribution channel, digital disruption, sustainable finance and shift in attitude of investors (as per CRISIL) provides it with a significant growth opportunity across these markets.

**Unique "platform-as-a-service" business model providing comprehensive end-to-end solutions enabled by technology solutions developed in-house:** KFin's technology offering enables transaction lifecycle management combined with highly secure data collection, processing and storage; It works with a data center which houses over 350 servers and data storage handling capacity of over 250 TB. The Company has launched over 20 new products over the last three Fiscals and six months ended September 30, 2022, with two products in the pipeline. This client centric approach and development of solutions that are easily extendable to other clients provides it with economies of scale without incurring incremental development costs.

**Deeply entrenched, long-standing client relationships with a diversified and expanding client base:** Due to the comprehensive nature of its platform and the reliance

of its clients to source end-to-end services from it, the Company is integral to the business and operations of its clients which results in long-term engagement with limited client churn. KFin provides complex solutions and services with significant expertise that has been honed over the years of presence in the industry and experience of working with clients, several of which are some of the largest companies operating in their respective segments. In India, the investor solutions business that the Company operates in typically has two to three players, as it requires high technology intensity and a track record of delivery at scale, and are subject to stringent compliance and regulations, resulting in high barriers to entry for any new entrant, as per CRISIL. As a result, it has been able to retain a large proportion of all its clients across its businesses including the business acquired pursuant to the Scheme of Amalgamation; KFin has never lost an AMC or MF client over the last three Fiscals and six months ended September 30, 2022 to competition except where its client had been acquired by another AMC that was not its client or where its client had ceased operations.

**Asset-light business model with recurring revenue model, high operating leverage, profitability and cash generation:** KFin operates an attractive business model with a demonstrated track record of consistent profitability and returns, while operating an asset light model which has previously generated a strong free cash flow. The Company believes its business operations are highly resilient and predictable to a large extent due to deep client entrenchment and largely recurring nature of revenues.

## Strategy

**Maintain the leadership in current businesses by enhancing the value proposition and further deepening the relationship with existing clients:** The company's strategy to enhance its value proposition to its clients and deepen client relationships includes initiatives such as Domestic mutual fund solutions, Issuer solutions, investor solutions and Global business services. As on September 30, 2022, the company had 24 operating clients in its domestic mutual fund solutions business. Whereas as on September 30, 2022 the company had 5,051 clients in its issuer solutions business and the company intends to increase revenues from these clients through an increase in folios managed for these issuers. In investor solutions for other asset classes, the company has a strong pipeline of products under development such as 'AIF-in-a box', a comprehensive platform for AIFs, 'NPS Agent Platform', for assisted NPS sales and 'IWAPP NXT', an online web application-based solution for wealth customers. Global business services: The primary client for this business is Computershare and its various business lines across multiple regions.

**Investing in technology solutions and product innovation:** KFinTech has comprehensive product platform solutions built on technology. It has a dedicated team of 520 employees focused on developing technology and innovative solutions as on September 30, 2022. It intends to develop a co-innovation laboratory with key industry players in ETF and index funds to drive research and development in this area. Its focus is to develop products and platforms with sector agnostic capability that will further allow it to diversify its client base.

**Focused and selective international expansion:** The company plans to expand internationally beyond the geographies it is already present by further enhancing its global delivery model wherein the company will look to become delivery partners to global investor and issuer services providers, so as to enter other markets.

**Pursue strategic acquisitions:** The company aims to continue to execute acquisitions to expand its platform and service offerings and acquire new clients to drive accelerated growth by leveraging its market access. The company aims to focus its efforts on established businesses in the key markets and businesses so as to add more clients across its business, existing businesses in new geographies as a tool for market entry and broadening product portfolio to deepen its client relationships.

### Risk factor

- Significant disruptions in information technology systems or breaches of data security could adversely affect its business and reputation.
- A decline in the growth, value and composition of AAUM of the mutual funds managed by clients may adversely impact the average revenue earned by it from mutual funds.
- The company is dependent on the strength and recognition of its brand and reputation.
- Competition could negatively affect its ability to maintain or increase its market share and profitability.

### Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Computer Age Management Services Ltd	959.91	287.85	58.80	37.09	14.91	146.30	10.00	2180.60	10683.54
KFIN Technologies Ltd**	697.54	170.69	10.19	35.93	7.52	48.64	10.00	366.00	6133.02

\* Peer companies financials are TTM based.

\*\* FY23 Estimated Annualised Financials

### Valuation

Considering the P/E valuation on the upper price band of Rs.366, EPS and P/E of Estimated annualised FY2023 are Rs.10.19 and 35.93 multiple respectively and at a lower price band of Rs. 347, P/E multiple is 34.07. Looking at the P/B ratio on the upper price band of Rs.366, post issue book value and P/B of Estimated Annualised FY23 are Rs. 48.64 and 7.52 multiple respectively and at a lower price band of Rs. 347 P/B multiple is 7.13 . No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital.

### Industry Outlook

Between Fiscal 2014 and Fiscal 2021, the net financial savings increased at a CAGR of approximately 15.7% as compared to approximately 5.4% for saving in physical assets between the same period. This led to a decline in household savings in physical assets from 62% in Fiscal 2014 to 47% in Fiscal 2021. During the same period, financial savings grew from 36% to 52%. Along with an increase in financial literacy, the relative outperformance of financial assets over recent years, and the Indian government's efforts to fight the shadow economy, CRISIL MI&A expects the share of financial assets as a proportion of net household savings to increase over the next five years. The rise in financial assets is expected to further boost the financial investments under mutual funds ("MFs"), equity, pension schemes, insurance and alternate assets.

### Outlook

The company is a leading technology-driven financial services platform. It has diversified streams of income sources. It posted a roller-coaster ride in the bottom lines for the last three fiscals. The company has an Asset-light business model with a recurring revenue model, high operating leverage, profitability, and cash generation. However, significant disruptions in its information technology systems or breaches of data security could adversely affect its business and reputation. A long term investor may opt the issue.

**An Indicative timetable in respect of the Issue is set out below:**

<b>EVENT</b>	<b>INDICATIVE DATE (On or about)</b>
BID/ISSUE OPENS ON	19-December-22
BID/ISSUE CLOSSES ON	21-December-22
Finalisation of Basis of Allotment with the Designated Stock Exchange	26-December-22
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	27-December-22
Credit of Equity Shares to demat accounts of Allottees	28-December-22
Commencement of trading of the Equity Shares on the Stock Exchanges	29-December-22

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

<b>Particulars</b>	<b>Period ended 30-Sep-22 (6 Months)</b>	<b>Period ended 31-Mar-22 (12 Months)</b>	<b>Period ended 31-Mar-21 (12 Months)</b>
Revenue from operations	348.77	639.51	481.14
Total expenditure	215.27	351.66	268.75
<b>Operating Profit</b>	<b>133.50</b>	<b>287.85</b>	<b>212.40</b>
OPM%	38.28	45.01	44.14
Other Income	5.00	6.06	5.05
<b>PBDIT</b>	<b>138.50</b>	<b>293.91</b>	<b>217.45</b>
Depreciation	22.60	37.03	97.99
<b>PBIT</b>	<b>115.90</b>	<b>256.88</b>	<b>119.46</b>
Interest	5.24	52.88	51.95
Restated Profit before tax	110.66	204.00	67.51
Exceptional item	0.00	0.00	0.00
<b>Profit &amp; Loss before Share of Post-acquisition Profit of Associate</b>	<b>110.66</b>	<b>204.00</b>	<b>67.51</b>
Tax	25.31	55.45	132.02
<b>PAT</b>	<b>85.34</b>	<b>148.55</b>	<b>-64.51</b>

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-22	As on 31-Mar-22	As on 31-Mar-21
<b>Non-current assets</b>			
Property, plant and equipment	37.64	33.76	28.52
Right of use assets	31.94	33.73	33.69
capital work - in progress	0.01	0.63	0.00
Goodwill	543.43	543.43	524.55
Other intangible assets	75.69	57.61	42.81
Intangible asset under development	26.38	33.94	2.51
Investment financial assets	0.00	0.00	0.00
Loans Financial assets	0.00	0.00	0.00
Other financial assets	2.93	6.15	5.21
Current tax assets ( Net)	0.01	0.00	0.00
Non-current tax assets (net)	37.53	36.95	33.96
Other non current assets	1.30	1.20	2.19
<b>Total non-current assets</b>	<b>756.83</b>	<b>747.41</b>	<b>673.43</b>
<b>Current assets</b>			
Inventories			
Investments	129.74	93.08	94.91
Trade receivables	141.96	112.60	110.59
Cash and cash equivalents	42.27	45.03	22.93
other balances with banks	0.16	0.15	0.54
Derivative instruments	0.00	0.00	0.00
Loans	0.00	0.14	0.27
Other Financial assets	30.72	19.05	11.81
Other current assets	13.12	8.95	8.13
Current tax assets ( Net)			
<b>Total current assets</b>	<b>357.98</b>	<b>279.00</b>	<b>249.18</b>
<b>Total Assets</b>	<b>1114.81</b>	<b>1026.41</b>	<b>922.61</b>
<b>Non-current liabilities</b>			
<b>Financial liabilities</b>			
Borrowings	126.24	122.51	293.89
Lease liabilities	25.78	25.06	26.27
Provisions	5.62	9.10	7.49
Deferred tax liabilities	120.45	123.78	124.96
<b>Total financial liabilities</b>	<b>278.09</b>	<b>280.45</b>	<b>452.61</b>
<b>Current liabilities</b>			
Borrowings	0.00	0.00	52.24
Lease liabilities	8.94	12.09	10.12
Vehicle floor plan payable	0.00	0.00	0.00
Trade Payable - MSME	0.51	0.18	0.31
Other than micro and small enterprises	23.26	25.35	24.96
Other Financial Liabilities	31.08	31.07	19.76
Other liabilities	16.27	17.02	11.86
Provisions	6.30	3.50	3.06
Current tax liabilities	13.65	12.41	1.30
<b>Total current liabilities</b>	<b>100.01</b>	<b>101.62</b>	<b>123.60</b>
<b>Total</b>	<b>378.09</b>	<b>382.07</b>	<b>576.21</b>
<b>NET Worth</b>	<b>736.72</b>	<b>644.34</b>	<b>346.40</b>
Net worth represented by:			
Share capital	167.57	167.57	150.84
Other Equity	569.15	476.77	195.56
<b>Net Worth</b>	<b>736.72</b>	<b>644.34</b>	<b>346.40</b>

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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