

One Stop Investment Avenue



**GEPL**  
CAPITAL

IPO Note

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# **KFIN TECHNOLOGIES LIMITED**

December 19, 2022





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### Details of the Issue

Price Band	₹ 347 - ₹ 366
Issue Size	₹ 1,500 Cr
Face Value	₹ 10
Bid Lot	40
Listing on	BSE, NSE
Post Issue Mcap	₹ 5,815 Cr - ₹ 6,133 Cr
Investment Range	₹ 13,880 - ₹ 14,640

### Important Indicative Dates (2022)

Opening	19 - Dec
Closing	21 - Dec
Basis of Allotment	26 - Dec
Refund Initiation	27 - Dec
Credit to Demat	28 - Dec
Listing Date	29 - Dec

### Lead Manager

ICICI Securities Ltd
Kotak Mahindra Capital Company Ltd
J.P Morgan India Pvt Ltd
IIFL Securities Ltd
Jefferies India Pvt Ltd
Bigshare Services Pvt Ltd

### No of shares

Fresh Issue of Shares	-
Offer for Sales	167.56
Total No of Shares	167.56

### Offer Details

Offer Size	₹ 1,500 Cr
Fresh Issue	-
OFS	₹ 1,500 Cr

Type	In Rs Cr	No of Shares (Mn)		% of Issue
		Upper	Lower	
QIB	1,125	3.07	3.24	75
NIB	225	0.61	0.64	15
Retail	150	0.44	0.43	10
Empl.	-	-	-	-
Total	1,500	4.12	4.31	100

Type (In MN)	Pre-Issue		Post-Issue	
	No. Shares	% of Total	No. of Shares	% of Total
Promoter	123	73.41	82.02	48.95
Promoter Group	1.60	0.96	1.60	0.96
Public	42.94	25.63	83.93	50.09
Total	167.56	100	167.56	100

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### Company Profile

Company was incorporated in 2017, KFin Technologies Limited is a leading technology-driven financial services platform. The company provides services and solutions to asset managers and corporate issuers across asset classes in India and provides several investor solutions including transaction origination and processing for mutual funds and private retirement schemes in Malaysia, the Philippines and Hong Kong. As on September 30, 2022, KFin Technologies Limited is 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. Fin Technologies Limited is one of the two operating central record-keeping agencies ("CRAs") for the National Pension System ("NPS") in India as on September 30, 2022.

### Business Highlights & Services

Kfin Technologies Ltd 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 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, on account of the following:

- As on September 30, 2022, Kfintech is the India's largest investor solutions provider to Indian mutual funds, based on number of AMC clients serviced. company 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. In addition, they signed on two new AMCs that are yet to launch operations as on September 30, 2022. Further, through their acquisition of Hexagram, they serve six 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 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.
- 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.
- 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, they are servicing 18 AMC clients in Malaysia in addition to three clients in Philippines and Hong Kong as on September 30, 2022. In addition, they have signed two new AMCs in Malaysia and one AMC in Singapore that are yet to launch operations as on September 30, 2022.
- Kfintech is the largest issuer solutions provider in India based on number of clients serviced, as on September 30, 2022. They are one of only two players of scale in India's issuer solutions space where they hold 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, each as on September 30, 2022. Player of scale corresponds to entities with minimum 25% market share (in terms of serviced clients) within NSE 500 companies in the Indian issuer solutions space.



They 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.

They provide several critically important services to the Indian capital markets ecosystem. Their clients utilize their platform for their different service offerings for a substantial part of their operational requirements. They provide a wide array of investor and issuer solutions including omni-channel transaction origination and processing, channel management, which is mapping of mutual fund schemes of AMCs to distributors selected by the AMCs and related distributor management, including brokerage computation and channel servicing which includes brokerage pay-out, query solution and GST compliance assistance, customer onboarding with integrated KYC, unit allocation and redemption, reporting and compliance checks on a real time basis. They also offer asset servicing products including a distributor platform, an investor platform, and an online transaction platform together with data analytics. Their technology products, solutions and platforms help their clients to focus on their core business functions such as investment management and sales and marketing functions whilst entrusting bulk of operational front office, middle office and back office activities to their platform.

They have an end-to-end transaction management platform across multiple asset classes such as mutual fund, direct stock investments, alternate investment funds, wealth and pension across India, Malaysia, Philippines and Hong Kong. They provide their clients with a data driven technology solutions that combine their in-house platform technologies and several of their in-house value added services (“VAS”) products across different asset classes, including white label technology to meet client requirements. In issuer solutions, their platform provides core registry and transfer agency services to their clients 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, they have developed AIFIn-a-Box, a solution for managers looking to launch an AIF which they expect to launch in 2023.

As an investor solutions provider, Kfintech serve asset managers across a broad spectrum of asset classes spanning mutual funds, alternative investment funds, pension funds, wealth management, portfolio management service providers and corporate treasuries. Further, pursuant to the Scheme of Amalgamation, 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, wealth managers and pension as well as corporate issuers in India, besides servicing overseas clients in South East Asia and Hong Kong. They are an integral cog in the Indian capital markets ecosystem.

Within investor solutions for Indian mutual funds, they have grown their market share of overall AAUM managed by their clients and serviced by Kfintech from 25% for Fiscal 2020 to 32% for September 2022. Similarly, their market share of Equity AAUM managed by their clients and serviced by Kfintech increased from 29% for Fiscal 2020 to 35% for September 2022. They have been the ‘partner of choice’ for new AMCs in India for the last 6 Fiscals and 6 months ended September 30, 2022, as they on-boarded 7 (including 2 AMCs that are yet to launch operations) of the last 11 new AMCs in India (including 1 AMC that has not yet appointed a registrar and transfer agent for their operations), each of which chose to be their client for domestic mutual funds solutions.

As an issuer solutions provider, they provide a comprehensive set of corporate registry services including investor folio creation and maintenance, transaction processing for various corporate events and issues including initial public offerings, follow on public offerings, dividends, buybacks, rights issue and bonus issues, along with various compliance related reporting requirements and recordkeeping. They also provide various VAS and products to these issuers.

Kfintech with their global business services business, they manage a global ‘center of excellence’ for a large global mortgage and issuer services provider, wherein they provide global business services such as mortgage services, legal services, transfer agency services and finance and accounting services on a fully outsourced basis by leveraging their technology and execution skills as well as India’s low-cost advantage.



They have transformed their business into a financial technology driven platform-as-a-service model. Their technology offering enables transaction lifecycle management combined with highly secure data collection, processing and storage. They 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 ₹ 239.03 billion) average daily settlement for domestic mutual funds in six months ended 222 September 30, 2022. They operate at such scale while maintaining requisite thresholds around turnaround time and accuracy, in line with their agreements with clients.

During Fiscal 2022 and six months ended September 30, 2022, they 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 their agreements with clients. They outsource their data center to third parties and accordingly, their platform is scalable as they can expand based on their need for additional capacity to handle transactions. Their client centric technology combined with their strategy to develop technology ecosystems to address client requirements has enabled them to achieve economies of scale without incurring significant incremental costs.

For instance, within investor solutions for domestic mutual funds, They have reduced cost of processing a mutual fund transaction from ₹ 9.14 per transaction in Fiscal 2020 to ₹ 7.03 in six months ended September 30, 2022. Their technology driven solution development helps support growth in their clients’ businesses as well as ensures client entrenchment without significant investment in their operational team. For instance, the average number of transactions processed per average headcount per month increased from 3,524 in Fiscal 2020 to 6,302 in six months ended September 30, 2022 for domestic mutual fund solutions. They provide clients with an omni-channel experience by combining their platform with a physical pan India network of 182 service centers as on September 30, 2022, that aids in offline transaction origination and channel partner servicing.

Company’s Product and Services

	Investor Solution				Issure Solution	Global Business Services
	Domestic Mutual fund	International	Pension Services	Alternatives and Wealth management		
<b>Front End</b>	Account Setup, Transaction Origination, Channel Management, Customer communication management	Account Setup, Transaction Origination	Account Setup Transaction Origination.	Account Setup	Folio Creation and Maintenance.	-
<b>Middle Office</b>	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 Pro-	-
<b>Back End</b>	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.
<b>VAS</b>	Distributor Platform Investor Platform IT Infra and Web Hosting Data Analytics.	Online Tx Platforms Website and Apps Other Platform Solutions.	-	Wealth Management platform “IWaap” for wealth managers.	Virtual Voting e-AGM, e-Vault, Fintrack, Other Platform Solutions.	-

KfinTech have a track record of delivering consistent financial results. Their revenue from operations for Fiscal 2022 and six months ended September 30, 2022 was ₹ 6,395.07 million and ₹ 3,487.68 million, respectively. For Fiscal 2022 and six months ended September 30, 2022, profit / (loss) for the year was ₹ 1,485.49 million and ₹ 853.45 million.



### Competition

The market for their services are highly competitive. They compete with a number of entities that provide similar services in each of the business lines in which they operate. They compete on the basis of a number of factors, including depth of service offerings, innovation, reputation, service quality, customization, price and convenience. For instance, in their domestic mutual funds solutions business, They compete on the basis of technological capability, operating leverage, and knowledge of the market. For their alternatives and wealth management solutions business, they compete on the basis of payment structures, setup cost and customized options and for their issuer solutions business, they compete on the basis of technological infrastructure, their ability to offer curated solutions and provide on-demand support.

### Industries Peers Comparison

Name of the company	Face Value (₹)	Total Income (₹ Cr)	EPS	NAV (₹)	P/E	RoNW(%)
KFIN Technologies Ltd	10	639.51	9.44	38.45	NA	29.99%
<b>Peer Group</b>						
Computer Age Management services Ltd	10	910	58.73	132.43	39.37	49.32%

### Key Client

- Issuer solutions:** Reliance Industries Limited, Infosys Limited, Bajaj Auto Limited, Hindustan Unilever Limited, Kotak Mahindra Bank Limited, Happiest Minds Technologies Limited, Fino Payments Bank Limited, L&T Technology Services Ltd, Wipro Limited, HDFC Life Insurance Company Limited, Bharti Airtel Limited, Maruti Suzuki India Limited, Axis Bank Limited and BSE Limited.
- Alternative and wealth management services business:** Edelweiss Asset Management Limited, Nippon Life India Asset Management Limited, Axis Asset Management Co Ltd, SBI Funds Management Pvt. Ltd, ASK Investment Managers Limited and Vivriti Asset Management Private Limited.
- International investor solutions:** BIMB Investment Management Berhad ATM Capital Management Sdn Bhd, BPI Investment Management Inc. and Bank Muscat SAOG. Additionally, through their acquisition of Hexagram, they acquired 23 clients on fund accounting and reconciliation.
- Domestic mutual fund services solutions:** Nippon Life India Asset Management Limited, UTI Asset Management Company Limited, Axis Asset Management Company Limited, MIRAE Asset Mutual Fund, Sundaram Asset Management Company Limited and LIC Mutual Fund Asset Management Limited and Edelweiss Asset Management Limited.

### Utilization of IPO Proceeds

The company propose to utilize the Net proceeds of fresh issue towards funding of the objective:

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

### Company's Promoter

General Atlantic Singapore Fund Pte. Ltd. is the company promoter.

### Board of Directors

It boards of directors Vishwanathan Mavila Nair who is the Non-Executive Director and Chairman of the company Mr. Venkata Satya Naga Sreekanth Nadella is the MD and CEO of the company. Sandeep Achyut Naik, Shantanu Rastogi and Jaideep Hansraj are the Non-Executive Nominee Director of the company. Prashant Saran, Sonu Halan Bhasin, Kaushik Bishnu Mazumdar, are the Independent director of the company. Srinivas Peddada is the Non-Executive Director of the company.



### Companies Competitive Strength :

- Scaled platform with strong track record of growth and market leadership.
- Their diverse multi-asset servicing platform is well-positioned to benefit from strong growth across large markets in India and South East Asia Strong relationships with clients and market participants.
- Unique “platform-as-a-service” business model providing comprehensive end-to-end solutions enabled by technology solutions developed in-house.
- Deeply entrenched, long-standing client relationships with a diversified and expanding client base.
- Asset-light business model with recurring revenue model, high operating leverage, profitability and cash generation.
- Experienced management team, backed by a strong board and marquee shareholders, along with strong culture of compliance.

### Key Strategies Implemented by Company

- Maintain their leadership in current businesses by enhancing their value proposition and further deepening their relationship with existing clients Continue to expand their lines of business into complementary businesses.
- Further expand their client base and market share through enhanced sales and marketing.
- Investing in technology solutions and product innovation.
- Focused and selective international expansion.
- Pursue strategic acquisitions.
- Attract and retain talent especially in technology and business development functions.

Particulars (Rs Cr)	2022	2021	2020
Equity Share Capital	167.57	150.84	150.84
Reserves	476.77	195.56	258.73
Net worth as stated	644.34	346.40	409.58
Revenue from Operation	639.51	481.14	449.87
Revenue Growth (%)	32.92%	6.95%	-
EBITDA as Stated	293.91	217.45	164.02
EBITDA margin (%)	45.53%	44.72%	36.03%
Profit Before Tax	204	67.51	18.51
Net Profit for the period	148.55	(64.51)	4.52
Net Profit (%) as Stated	23.23%	(13.41)%	1.01%
EPS (₹ )	9.44	(4.28)	0.28
RoNW (%)	30%	(17.07)%	0.97%
Net Asset Value (₹ )	38.45	22.96	27.15

### Valuations and Recommendation:

- KFIN Technologies Ltd’s annualized earnings arrives at Rs 170.70 Cr based on (6MFY23). Company is expected to have post issue Market cap of Rs 6,133 Cr, Which implies a earnings multiple (P/E) of 35.92(x).
- The valuations are in line to listed peers and company’s has asset light business model and diverse multi-asset servicing platform with strong track record of growth, We recommend “Subscribed” rating to the issue for Listing Gains.



## Notes

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