

## KFin Technologies Limited

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, the company is India's largest investor solutions provider to Indian mutual funds, based on several AMC clients serviced. The company is also servicing 301 funds of 192 asset managers in India as on September 30, 2022. The company has classified its products and services in three categories viz. Investor solutions (Account setup, Transaction origin, Redemption, Brokerage calculations, Compliance, / Regulatory reporting), Issuer Solutions (Folio creation and maintenance, Transaction processing for IPO, FPO etc), Global business domestic mutual services (Mortgage services Legal Services Transfer Agency Finance and accounting)

**Positives:** (a) Asset-light model with recurring revenue model. (b) Long standing client relationships with a diversified and expanding client base. (c) Unique "platform-as-a-service" business model providing comprehensive end-to-end solutions enabled by technology solutions developed in-house.

**Investment concerns:** (a) Significant disruptions in information technology systems or breaches of data security could adversely affect the business and reputation. (b) A decline in the growth, value, and composition of AAUM of the mutual funds managed by clients may adversely impact the average revenue earned from mutual funds and may have a significant adverse impact on future revenue and profit.

**Outlook & Valuation:** In terms of valuations, the post-issue P/E works out to 41.3x FY22 EPS (at the upper end of the issue price band) which is more than its peer CAMS. Further, both the companies have similar EBITDA margins, however, CAMS has better Net Profit margins. In addition, KTL has minimal debt while CAMS operates at zero debt. Considering all the factors, we believe this valuation is at expensive levels. Thus, we recommend a **NEUTRAL** rating on the issue.

### Key Financials

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>Net Sales</b>	<b>450</b>	<b>481</b>	<b>640</b>
% chg		7%	33%
<b>Net Profit</b>	<b>5</b>	<b>(65)</b>	<b>149</b>
% chg		-1526%	
EBITDA (%)	35.3	44.1	45.0
<b>EPS (Rs)</b>	<b>0.3</b>	<b>(3.8)</b>	<b>8.9</b>
P/E (x)	1,333.2	-	40.6
P/BV (x)	14.7	17.4	9.4
ROE (%)	1.1	(18.6)	23.1
ROCE (%)	8.1	15.7	31.2
EV/Sales	14.3	13.1	9.5

Source: Company RHP, Angel Research

## NEUTRAL

Issue Open: December 19, 2022  
Issue Close: December 21, 2022

### Issue Details

Face Value: ₹10

Present Eq. Paid up Capital: ₹167.5cr

Offer for Sale: ₹1500cr

Fresh issue: ₹0cr

Post Eq. Paid up Capital: ₹167.5cr

Issue size (amount): ₹ 1500cr

Price Band: ₹347 - ₹366

Lot Size: 40 shares and in multiple thereafter

Post-issue mkt. cap: \* ₹5,815cr - \*\* ₹6,133cr

Promoters holding Pre-Issue: 74.37%

Promoters holding Post-Issue: 25.63%

\*Calculated on lower price band

\*\* Calculated on upper price band

### Book Building

QIBs	75% of issue
Non-Institutional	15% of issue
Retail	10% of issue

### Post Issue Shareholding Pattern

Promoters	49.9%
Public	50.1%

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## Company background

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, the company is India's largest investor solutions provider to Indian mutual funds, based on several AMC clients serviced. The company is also servicing 301 funds of 192 asset managers in India as on September 30, 2022.

## Issue details

The IPO is completely made up of offer for sale of ₹1500cr.

### Pre & Post Shareholding

Particulars	(Pre-Issue)		(Post-Issue)	
	No of shares	%	No of shares	%
Promoter	124,618,209	74.4%	83,634,603	49.9%
Public	42,950,674	25.6%	83,934,280	50.1%
<b>Total</b>	<b>167,568,883</b>	<b>100.0%</b>	<b>167,568,883</b>	<b>100.0%</b>

Source: Company, Angel Research

## Objectives of the Offer

- The Objects of offer are to carry out the offer for sale of up to 40,983,607 equity shares, aggregating to 1500cr by existing shareholders and to achieve the benefits of listing the equity shares on the stock exchanges.

## Financial Summary

### Income Statement (Consolidated)

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>Net Sales</b>	<b>450</b>	<b>481</b>	<b>640</b>
% chg		7%	33%
<b>Total Expenditure</b>	<b>291</b>	<b>269</b>	<b>352</b>
Raw Material	-	-	-
Personnel	194	189	232
Others Expenses	97	80	119
<b>EBITDA</b>	<b>159</b>	<b>212</b>	<b>288</b>
% chg		34%	36%
(% of Net Sales)	35.3	44.1	45.0
Depreciation & Amortization	92	98	37
<b>EBIT</b>	<b>66</b>	<b>114</b>	<b>251</b>
% chg		72%	119%
(% of Net Sales)	14.8	23.8	39.2
Interest & other Charges	53	52	53
Other Income	5	5	6
(% of PBT)	29.1	7.5	3.0
<b>PBT</b>	<b>19</b>	<b>68</b>	<b>204</b>
% chg		265%	202%
Tax	14	132	55
(% of PBT)	75.6	195.6	27.2
<b>PAT</b>	<b>5</b>	<b>(65)</b>	<b>149</b>
% chg		-1526%	-
Share in profit of Joint venture	-	-	-
<b>PAT</b>	<b>5</b>	<b>(65)</b>	<b>149</b>
% chg		-1526%	-
(% of Net Sales)	1	-13.4	23.2
<b>Basic EPS (Rs)</b>	<b>0.3</b>	<b>(3.8)</b>	<b>8.9</b>
<b>Fully Diluted EPS (Rs)</b>	<b>0.3</b>	<b>(3.8)</b>	<b>8.8</b>

Source: Company, Angel Research

**Balance Sheet (Consolidated)**

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>SOURCES OF FUNDS</b>			
Equity Share Capital	151	151	168
Reserves & Surplus	259	196	477
<b>Shareholders' Funds</b>	<b>410</b>	<b>346</b>	<b>644</b>
Minority Interest	-	-	-
Total Loans	413	383	160
Other Liabilities	5	7	9
<b>Total Liabilities</b>	<b>828</b>	<b>736</b>	<b>813</b>
<b>APPLICATION OF FUNDS</b>			
<b>Net Block</b>	<b>100</b>	<b>105</b>	<b>125</b>
Goodwill	591	525	543
Capital Work-in-Progress	0	3	35
Investments	13.54	95	93
Current Assets	153	188	223
Inventories	-	-	-
Sundry Debtors	88	111	113
Cash	18	23	45
Loans & Advances	0	0	0
Other Assets	46	54	65
Current liabilities	40	61	90
<b>Net Current Assets</b>	<b>112</b>	<b>127</b>	<b>133</b>
Deferred Tax Assets (net)	5	-	-
Deferred Tax Liabilities (net)	-	125	124
Other Assets	6	7	7
<b>Total Assets</b>	<b>828</b>	<b>736</b>	<b>813</b>

Source: Company, Angel Research

**Cash flow Statement (Consolidated)**

Y/E March (₹ cr)	FY'20	FY'21	FY'22
Profit before tax	19	68	204
Depreciation	92	98	37
Change in Working Capital	(34)	-10	-3
Interest / Dividend (Net)	52	52	53
Direct taxes paid	(30)	-3	-50
Others	2	0	12
<b>Cash Flow from Operations</b>	<b>101</b>	<b>205</b>	<b>253</b>
(Inc.)/ Dec. in Fixed Assets	(7)	-30	-68
Movement in Bank Balances (Net)	25	6	0
Interest Received	4	2	5
Proceeds for sale of PPE	0	0	0
Acquisition of Subsidiary	(27)	0	(24)
Other non-current investments	98	(82)	(28)
<b>Cash Flow from Investing</b>	<b>93</b>	<b>(104)</b>	<b>(115)</b>
Proceeds from Issue of Share capital	0	0	289
Proceed / (Repayment) of long term borrowings	(16)	(32)	-352
Interest Paid on lease liabilities	0	0	0
Payment of lease liabilities	(9)	(12)	-13
Interest / Dividend (Net)	(65)	(46)	-39
Buy back of equity shares	(116)	0	0
Proceed / (Repayment) of short term borrowings	0	0	0
Dividend paid	0	0	0
<b>Cash Flow from Financing</b>	<b>(206)</b>	<b>(89)</b>	<b>(115)</b>
Inc./(Dec.) in Cash	(12)	12	22
<b>Opening Cash balances</b>	<b>23</b>	<b>12</b>	<b>23</b>
<b>Forex impact on cash and cash equivalent</b>	<b>1</b>	<b>(0)</b>	<b>0</b>
<b>Closing Cash balances</b>	<b>12</b>	<b>23</b>	<b>45</b>

Source: Company, Angel Research

**Key Ratios**

Y/E March (₹ cr)	FY'20	FY'21	FY'22
<b>Valuation Ratio (x)</b>			
P/E (on FDEPS)	1,333.2	-	40.6
P/CEPS	62.3	180.1	32.5
P/BV	14.7	17.4	9.4
EV/Sales	14.3	13.1	9.5
<b>Per Share Data (Rs)</b>			
EPS (Basic)	0.3	(3.8)	8.9
Cash EPS	5.7	2.0	11.0
Book Value	24.2	20.5	38.1
<b>Returns (%)</b>			
ROE	1.1	(18.6)	23.1
ROCE	8.1	15.7	31.2

Source: Company, Angel Research;

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