



## KEY HIGHLIGHTS

### 1. RESULTS OVERVIEW:

- KFin Technologies Ltd Q1FY25 consolidated revenues came in at ₹237.56 Cr, +30.89% YoY & +4.04% QoQ.
- Op Profit for Q1FY25 stood at ₹99.66 Cr, +41.51% YoY & -4.72% QoQ.
- Op margins for Q1FY25 came at 41.95%, +315 bps YoY & -386 bps QoQ.
- PAT for Q1FY25 stood at ₹68.07 Cr, +56.94% YoY & -8.59% QoQ.

### 2. MANAGEMENT COMMENTARY:

- Margins are expected to stay within the 40%-45% range, with potential for higher margins in the future depending on sustained performance & growth.
- The margin is expected to improve as new, larger deals are finalized. This is due to the higher average basis points on AUM internationally (5.2 bps) compared to domestic rates (3.6 bps).

### 3. SEGMENTAL ANALYSIS:

- Q1FY25 Revenue Break: Domestic MF (73.38%), International solutions (11.48%), Issuer solutions (11.25%), Global business services (3.89%).
- Q1FY25 Segment Result: Domestic MF (85.73%), International solutions (0.55%), Issuer solutions (8.68%), Global business services (5.04%).

### 4. CONCALL SUMMARY

- The primary objective for current and near-term acquisitions is expanding into new geographic markets. This aligns with the company's strategic priority to tap into significant addressable markets in regions where the target company has a strong presence.
- Second priority involves acquiring companies that provide new business lines or capabilities that the company currently does not possess.
- The acquisition is projected to increase the top-line revenue by 10-15% and be beneficial to shareholders by enhancing overall value.
- Minor yield compression is noted but is anticipated within the context of recent contract renegotiations and growing AUM.
- EBITDA margins are currently guided to remain within the 40%-45% range.
- If Hyundai and Bajaj Housing complete their IPOs within the year, it is expected to provide additional revenue growth beyond the mid-teens growth rate previously guided.
- IPOs & other new contracts will provide immediate revenue and contribute to a full-year revenue increase. There are approximately 30+ IPOs expected in the coming quarters, including notable ones like ITC's de-merger.

### 5. OTHER DEVELOPMENTS:

- Company is currently prioritizing international acquisitions over capability-building. The goal is to establish a foothold in new, high-potential markets.
- KFin has secured three significant contracts related to digital assets. Two contracts have started generating revenue. The third contract will begin revenue generation in the Q2FY25.
- Thailand is progressing according to plan, and the new operations are expected to start contributing to the top line soon.

### 6. VALUATION & OUTLOOK:

The company's M&A strategy aims to enter new international markets, enhancing operational efficiencies and revenue growth through targeted acquisitions. Strong international revenue prospects and upcoming boosts from Thailand operations support growth. Margins are projected to stay between 40% and 45%, with potential for higher margins. This strategic approach makes for a promising investment opportunity.

We reiterate a "BUY" rating on the stock & value the stock at 55x FY26E earnings to arrive at the target of ₹1201.

## RECOMMENDATION - BUY

CMP – 1034

TARGET – 1201 (~16%)

Industry	Depository Services
NSE CODE	KFINTECH
BSE CODE	543720
Market Cap (₹ Cr)	17477.96
Shares O/S (in Cr)	17.13
52 wk High/Low (₹)	1189 / 420.5
P/E	64.56
P/BV	14.57
Face Value (₹)	10.00
Book Value (₹)	69.99
EPS (FY23) (₹)	14.39
Dividend Yield (%)	0.94
Debt / Equity	0.00
Interest Coverage	39.45

## SHAREHOLDING PATTERN

	Jun 24	Mar 24	Dec 23
Promoters	33.06	38.97	39.05
MF/ DII	7.74	7.04	7.90
FII/FPI	22.80	16.73	12.13
Retail & Others	22.67	23.32	24.18
Promoter	0.00	0.00	0.00
Pledging			

## FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
<b>Crore</b>			
Sales	837.53	1011.32	1226.23
Sales Gr. (%)	16.32	20.75%	21.25%
EBITDA	361.96	453.07	554.25
EBITDA %	43.22%	44.80%	45.20%
PAT	246.05	306.92	373.45
EPS (₹)	14.39	17.95	21.84
EPS Gr. (%)	24.41%	24.73%	21.68%
<b>Ratios</b>			
RoE (%)	24.77	26.9	32.73
RoCE (%)	31.37	32.36	39.2
<b>Valuation</b>			
P/E (x)	42.55	57.78	47.48

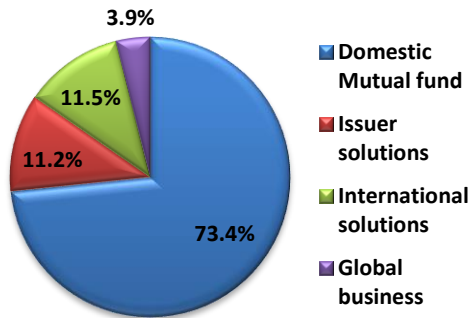
## Historical & Industrial Val Ratios

Historical P/E	63.87
Industry P/E	70.50
Historical P/B	14.42
Industry P/B	20.34

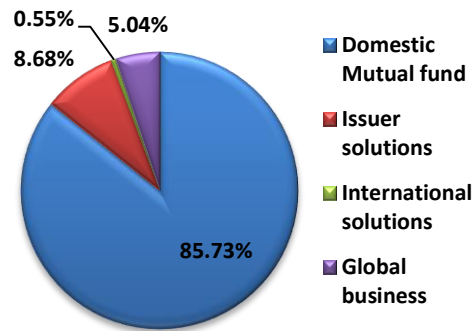


## Segment Analysis (Q1FY25)

**Business Mix (Q1 FY25)**



**Segment Result (Q1 FY25)**



## QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23			FY24				FY25	FY25	FY26
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1		
<b>Net sales</b>	<b>180.16</b>	<b>188.13</b>	<b>183.13</b>	<b>181.50</b>	<b>208.97</b>	<b>218.72</b>	<b>228.34</b>	<b>237.56</b>	<b>1011.32</b>	<b>1226.23</b>
YoY change (%)	-	12.14%	1.26%	7.65%	15.99%	16.26%	24.69%	30.89%	20.75%	21.25%
<b>Total Expenditures</b>	<b>109.09</b>	<b>107.42</b>	<b>99.30</b>	<b>111.08</b>	<b>115.31</b>	<b>120.82</b>	<b>123.74</b>	<b>137.90</b>	<b>558.25</b>	<b>671.97</b>
<b>EBITDA</b>	<b>71.07</b>	<b>80.70</b>	<b>83.83</b>	<b>70.43</b>	<b>93.67</b>	<b>97.90</b>	<b>104.60</b>	<b>99.66</b>	<b>453.07</b>	<b>554.25</b>
Margins (%)	39.45%	42.90%	45.78%	38.80%	44.82%	44.76%	45.81%	41.95%	44.80%	45.20%
Depreciation	11.39	12.83	11.24	12.43	12.57	13.41	14.61	14.78	64.80	76.05
Interest	2.56	2.64	2.77	2.95	3.20	1.17	1.11	1.17	10.25	13.73
Other income	2.39	6.26	6.24	5.32	6.30	6.44	6.60	8.09	31.20	33.46
<b>PBT</b>	<b>59.51</b>	<b>71.50</b>	<b>76.06</b>	<b>60.36</b>	<b>84.19</b>	<b>89.76</b>	<b>95.47</b>	<b>91.81</b>	<b>409.22</b>	<b>497.93</b>
Tax	11.60	18.12	19.05	16.48	22.33	22.62	19.90	23.73	102.31	124.48
Rate (%)	19.48%	25.35%	25.04%	27.30%	26.53%	25.20%	20.85%	25.85%	25.00%	25.00%
<b>Adjusted PAT</b>	<b>47.92</b>	<b>53.38</b>	<b>57.02</b>	<b>43.89</b>	<b>61.86</b>	<b>67.14</b>	<b>75.57</b>	<b>68.07</b>	<b>306.92</b>	<b>373.45</b>

### Key Performance Indicators

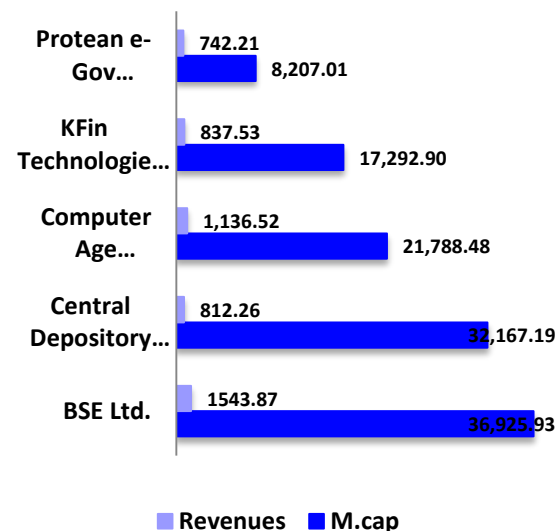
<b>Overall AAUM</b>	12.3	12.7	12.8	13.5	14.8	15.6	17.4	19.1
<b>Equity AAUM</b>	6.8	7.1	7.0	7.4	8.2	8.8	10.0	11.2
<b>Equity Mix in AAUM</b>	55.53%	55.91%	54.69%	54.81%	55.41%	56.41%	57.47%	58.64%
<b>SIP Inflow</b>	159	167	172	174	188	204	225	245
<b>Corporate Clients(no.)</b>	5,053	5,179	5,363	5,521	5,693	5,863	6,071	6,319
<b>Investor folios(no.)</b>	<b>108</b>	<b>109</b>	<b>110</b>	<b>110</b>	<b>114</b>	<b>119</b>	<b>124</b>	<b>137</b>

Source: Company, Hem Securities Research.

## INDUSTRY OVERVIEW

- AIFs reached a record AUM of USD 17.69 trillion by the end of 2023, with expectations to grow to USD 26.00 trillion by 2028, reflecting a CAGR of 8.0%
- Global AIF fund administration market is valued at over USD 10 billion, with significant growth potential due to the increasing complexity of fund operations and regulatory demands.
- India's investment landscape has evolved significantly with a shift towards equities, boosted by digital platforms and financial literacy.
- Equity mutual fund inflows and the number of DEMAT accounts have surged, reflecting growing investor confidence and participation in the equity markets.
- The mutual fund industry in India surpassed ₹50 trillion in AUM in FY 2023-24, driven by strong equity market performance and individual investor participation.
- The sector's growth is expected to continue, with a projected AAUM of ₹100 trillion by 2030 and increasing equity allocations.
- The affluent consumer class in India is expanding rapidly, driving demand for AIFs, PMFs, and wealth management services.
- The NPS sector has experienced substantial growth, with a 30.4% increase in AUM and a rise in the number of subscribers.
- The NPS industry is expected to continue growing at a CAGR of 18%-19%, driven by increasing subscriber numbers and favorable tax benefits.

## KEY PLAYERS in Small Cap IT Space



## PEER PERFORMANCE

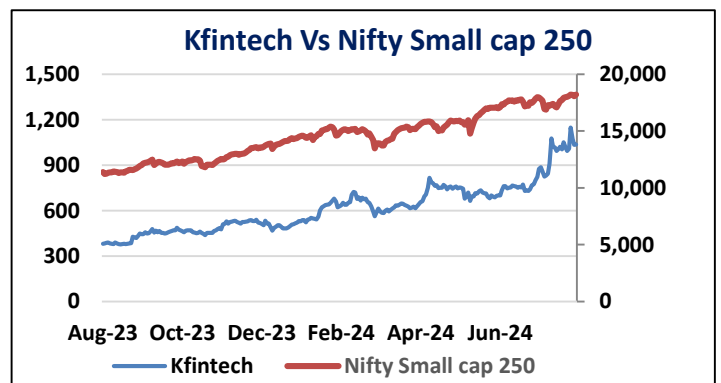
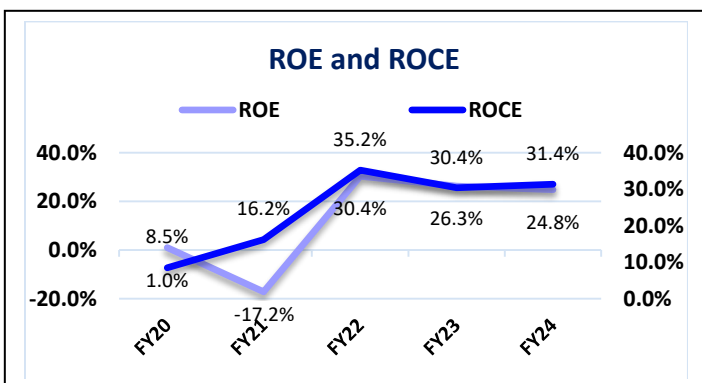
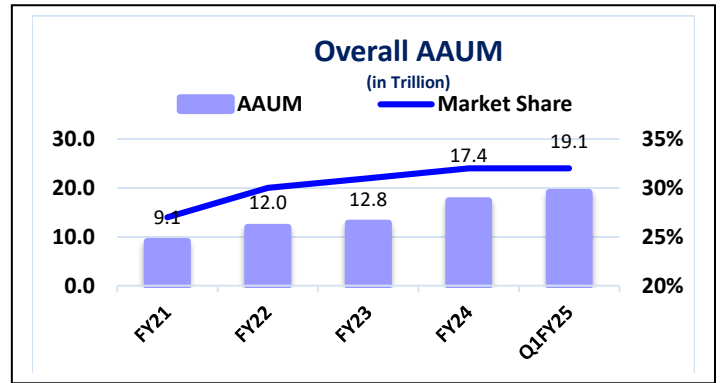
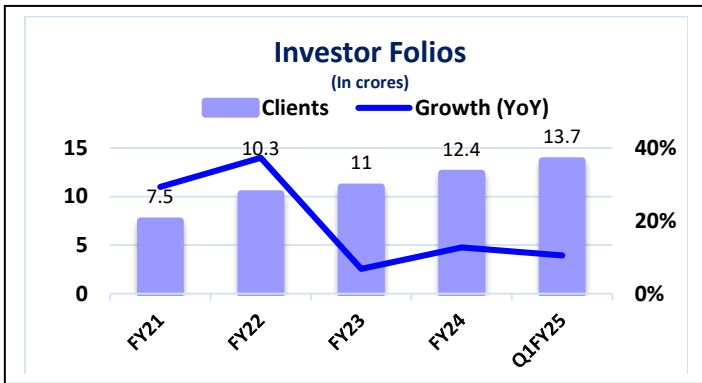
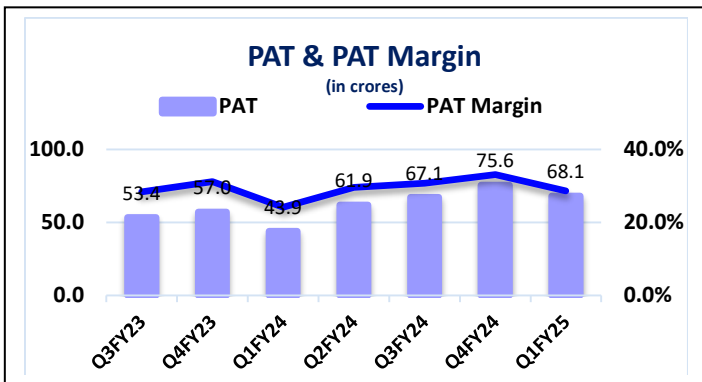
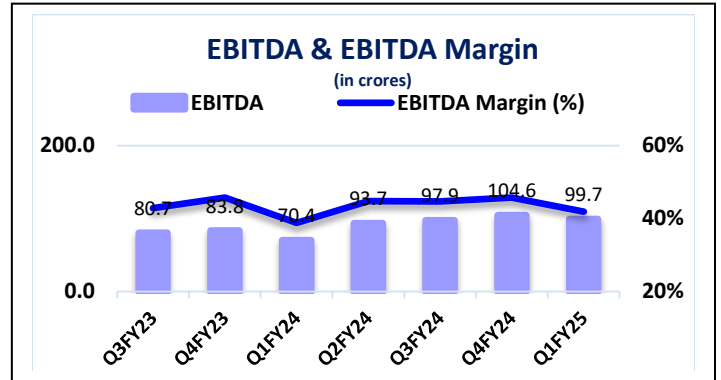
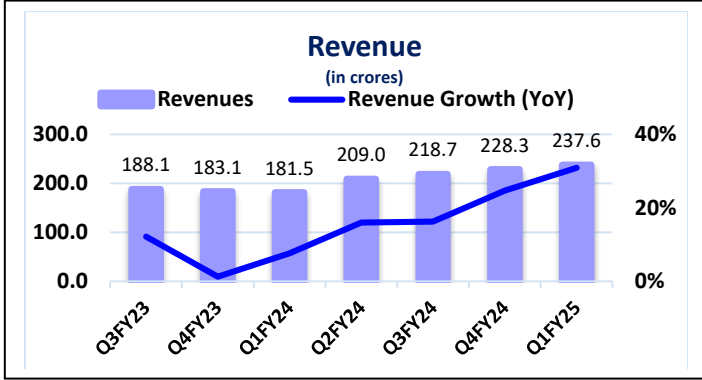
(₹ Cr)

Particulars	KFin Technologies Ltd.	Computer Age Management Services Ltd.	Protean e-Gov Technologies Ltd.	Central Depository Services (India) Ltd.	BSE Ltd.
Market Cap	17,292.90	21,788.48	8,207.01	32,167.19	36,925.93
Net Sales	837.53	1,136.52	742.21	812.26	1,543.87
EBITDA	361.96	504.89	117.96	489.39	576.76
PAT	246.05	353.64	107.05	419.11	778.39
EPS(Rs)	14.39	71.96	26.48	20.05	57.51
EBITDA MARGIN %	46.72	48.00	21.51	71.95	42.18
PAT MARGIN %	29.38	30.88	14.42	51.65	49.98
ROCE %	31.37	56.01	17.18	41.55	26.81
ROE %	24.77	44.15	13.05	31.34	20.00
P/E TTM	63.87	56.52	92.85	67.05	61.46
P/B TTM	14.42	22.52	8.66	18.91	8.21
Dividend Yield %	0.57	1.05	0.49	1.43	0.55
MCap/ Sales TTM	19.35	18.06	9.56	34.97	20.72

Source: Company, Hem Securities Research.



**STORY IN CHARTS**





## INVESTMENT RATIONALE:

- **Substantial AUM Growth:** The company's AUM has grown from ₹9.1 trillion to ₹19.1 trillion, with market share rising from 27% to 32% from FY21 to Q1FY25, indicating strong expansion and increased market dominance.
- **Strategic International Expansion:** Company's M&A strategy focuses on entering new international markets through strategic acquisitions, which are expected to enhance operational efficiencies and drive revenue growth, positively impacting shareholder value.
- **High Sales Growth:** Achieving a 5-year sales CAGR of around 40%, the company is poised to maintain this growth rate in FY25 and beyond, reflecting strong and consistent revenue performance.
- **Growing Wealth Management Sector:** The Indian wealth management industry is projected to grow at a CAGR of 12-14%, driven by rising demand for personalized financial solutions, presenting further growth opportunities for the company.
- **Strong Margin Guidance:** EBITDA margins are projected to remain robust, within the 40% to 45% range for FY25, indicating strong profitability and operational efficiency.
- **Scaling International Operations:** As the business scales and international operations grow, margins are expected to exceed domestic levels, reflecting the financial benefits of global market expansion and higher revenue potential.

## RISK / NEGATIVE FACTORS:

- **Regulatory Changes:** Frequent changes in financial regulations and compliance requirements could lead to increased costs and operational challenges.
- **Managing operations across multiple geographies and asset classes adds complexity.** This complexity increases the risk of errors, inefficiencies, and higher operational costs.
- **Global economic uncertainties, such as recessions or economic slowdowns, can adversely affect the financial markets and asset management industry, leading to reduced investment flows and lower revenue.**
- **The asset management and fund administration industry is highly competitive.** KFin Technologies faces competition from both domestic and international firms, which could pressure margins and market share.

## COMPANY RECAP

- KFin Technologies Limited is a leading technology-driven financial services provider with a strong presence in investor and issuer solutions both domestically and internationally. Company offers a comprehensive range of services including digital onboarding, transfer agency, fund administration, and compliance solutions, with a focus on innovation and efficiency.
- KFin Technologies has an established international footprint with operations in key markets including India, Malaysia, the Philippines, Thailand, and Singapore, reflecting its strategic expansion and global reach in the financial technology sector.
- KFin Technologies is a prominent player in the financial services industry, specializing in technology-driven solutions for asset and wealth management. As on 31/03/2024, the company manages a substantial Assets under Management (AUM) of ₹17.4 trillion, commanding a significant market share of 32%. Notably, its equity AUM stands at ₹10 trillion, which represents an impressive 34% market share.

## ANNUAL PERFORMANCE

### Financials & Valuations

#### Income Statement

	(₹ Cr)						
Y/E March	2020	2021	2022	2023	2024	2025E	2026E
<b>Revenue from operations</b>	<b>449.87</b>	<b>481.14</b>	<b>639.51</b>	<b>720.03</b>	<b>837.53</b>	<b>1011.32</b>	<b>1226.23</b>
Growth YoY (%)	176.97%	6.95%	32.91%	12.59%	16.32%	20.75%	21.25%
<b>Total Expenditure</b>	<b>291.20</b>	<b>268.70</b>	<b>352.30</b>	<b>425.04</b>	<b>475.57</b>	<b>558.25</b>	<b>671.97</b>
(%) of sales	64.73%	55.85%	55.09%	59.03%	56.78%	55.20%	54.80%
<b>EBITDA</b>	<b>158.67</b>	<b>212.45</b>	<b>287.21</b>	<b>294.98</b>	<b>361.96</b>	<b>453.07</b>	<b>554.25</b>
EBITDA Growth (%)	141.22%	33.89%	35.19%	2.71%	22.71%	25.17%	22.33%
EBITDA Margin (%)	35.27%	44.15%	44.91%	40.97%	43.22%	44.80%	45.20%
Depreciation	92.21	97.99	37.03	46.67	53.02	64.80	76.05
Net Interest Expenses	53.34	52.01	52.97	10.72	8.51	10.25	13.73
Other Income	5.39	5.05	6.78	20.62	29.36	31.20	33.46
<b>Earnings before Taxes</b>	<b>18.51</b>	<b>67.51</b>	<b>204.00</b>	<b>258.22</b>	<b>327.38</b>	<b>409.22</b>	<b>497.93</b>
EBT Margin (%)	4.11%	14.03%	31.90%	35.86%	39.09%	40.46%	40.61%
Tax-Total	13.98	132.01	55.45	62.48	81.33	102.31	124.48
Rate of tax (%)	75.56%	195.56%	27.18%	24.20%	24.84%	25.00%	25.00%
<b>Net Profit</b>	<b>4.52</b>	<b>-64.51</b>	<b>148.55</b>	<b>195.74</b>	<b>246.05</b>	<b>306.92</b>	<b>373.45</b>
PAT Growth (%)	-49.49%	-1526.23%	-330.28%	31.77%	25.70%	24.74%	21.68%
PAT Margin (%)	1.01%	-13.41%	23.23%	27.18%	29.38%	30.35%	30.46%
Minority Interest	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Adjusted PAT</b>	<b>4.52</b>	<b>-64.51</b>	<b>148.55</b>	<b>195.74</b>	<b>246.05</b>	<b>306.92</b>	<b>373.45</b>
<b>EPS</b>	<b>0.30</b>	<b>-4.28</b>	<b>8.86</b>	<b>11.57</b>	<b>14.39</b>	<b>17.95</b>	<b>21.84</b>
EPS Growth (%)	-0.44	-1526.45%	-307.29%	30.47%	24.41%	24.73%	21.68%

#### Balance Sheet

Y/E March	2020	2021	2022	2023	2024
Equity Capital	151	151	168	169	171
Reserves	259	196	477	701	970
Borrowings	413	383	160	160	49
Other Liabilities	46	194	222	220	229
<b>Total Liabilities &amp; Equity</b>	<b>868</b>	<b>923</b>	<b>1026</b>	<b>1,250</b>	<b>1,418</b>
Fixed Assets	691	630	669	691	764
CWIP	0	3	35	40	37
Investments	14	95	93	229	150
Other Assets	163	196	230	291	467
<b>Total Assets</b>	<b>868</b>	<b>923</b>	<b>1026</b>	<b>1,250</b>	<b>1,418</b>

Source: Company, Hem Securities Research.





<b>Ratios</b>					
<b>Y/E March</b> (Basic (INR))	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>Profitability and return ratios</b>					
Net profit margin (%)	1.01	-13.41	23.23	27.18	29.38
EBITDA margin (%)	35.27	44.15	44.91	40.97	43.22
EBIT margin (%)	15.97	24.84	40.18	37.35	40.11
ROE (%)	0.98	-17.17	30.45	26.31	24.77
ROCE (%)	8.49	16.18	35.22	30.44	31.37
<b>Working Capital &amp; liquidity ratios</b>					
Payables (Days)	0.00	0.00	0.00	0.00	0.00
Inventory (Days)	0.00	0.00	0.00	0.00	0.00
Receivables (Days)	71.53	75.45	63.69	60.61	60.67
Current Ratio (x)	1.36	1.58	1.74	1.56	3.11
<b>Valuations Ratios</b>					
EV/sales (x)	1.13	0.98	0.38	6.64	12.20
EV/EBITDA (x)	3.10	2.18	0.83	15.14	26.11
P/E (x)	0.00	0.00	0.00	24.20	42.55
P/BV (x)	0.00	0.00	0.00	5.54	9.26
Dividend Yield (%)	0.00	0.00	0.00	0.00	0.94
Return on Assets (%)	0.45	-6.47	13.06	14.46	15.70
<b>Leverage Ratio</b>					
Debt/Equity (x)	0.92	1.01	0.19	0.15	0.00

<b>Cash Flow Statement</b>					
<b>Y/E March</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>CF from Operating activities (A)</b>	<b>101.44</b>	<b>203.81</b>	<b>252.64</b>	<b>223.37</b>	<b>289.25</b>
<b>CF from Investing Activities (B)</b>	<b>93.02</b>	<b>-102.91</b>	<b>-115.38</b>	<b>-204.37</b>	<b>-177.57</b>
<b>CF from Financing Activities (C)</b>	<b>-206.04</b>	<b>-89.40</b>	<b>-115.41</b>	<b>7.25</b>	<b>-126.74</b>
Net Cash Flow	-11.59	11.50	21.85	26.25	-15.05
Add: Opening Bal.	22.68	11.66	22.93	45.03	71.78
<b>Closing Balance</b>	<b>11.66</b>	<b>22.93</b>	<b>45.03</b>	<b>71.78</b>	<b>56.40</b>

Source: Company, Hem Securities Research.



## RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

## RECOMMENDATION SUMMARY

DATE	RATING	TARGET
29 Aug 2024	Buy	1201

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