

KFin Technologies

Estimate change	↓
TP change	↓
Rating change	↔

CMP: INR1,165 TP: INR1,300 (+12%) Neutral

Revenue in-line; elevated tech costs impact EBITDA

Bloomberg	KFINTECH IN
Equity Shares (m)	172
M.Cap.(INRb)/(USDb)	200.2 / 2.3
52-Week Range (INR)	1641 / 539
1, 6, 12 Rel. Per (%)	-18/63/106
12M Avg Val (INR M)	1117

Financials & Valuations (INR b)

Y/E March	2025E	2026E	2027E
Revenue	11.0	13.0	15.3
EBITDA	4.9	6.1	7.6
PAT	3.4	4.4	5.5
EPS	20.1	25.6	32.4
EPS Grw. (%)	38.0	27.6	26.2
BVPS	70.9	84.5	102.9
RoE (%)	30.4	33.0	34.5
Div. Payout (%)	45.0	60.0	60.0

Valuations

P/E (x)	59.6	46.7	37.0
P/BV (x)	16.9	14.2	11.6
Div. Yield (%)	0.8	1.3	1.6

Shareholding Pattern (%)

As On	Dec-24	Sep-24	Dec-23
Promoter	33.0	33.0	39.1
DII	19.4	20.6	24.6
FII	25.4	24.6	12.1
Others	22.2	21.7	24.2

FII includes depository receipts

- KFin Technologies (KFINTECH) reported 33% YoY growth in operating revenue to INR2.9b in 3QFY25 (in-line), driven by 37%/17%/52% YoY growth in domestic MF solutions/issuer solutions/international solutions. For 9MFY25, revenue grew 33% YoY to ~INR8.1b.
- Total operating expenses grew 32% YoY to INR1.6b (in-line), resulting in 33% YoY growth in EBITDA to INR1.3b (in-line). While employee costs were in-line, elevated tech costs resulted in a 4% miss on other expenses. EBITDA margin expanded to 45% in 3QFY25 vs. 44.8% in 3QFY24 (our est. of 45.9%).
- KFINTECH reported a net profit of INR902m, up 35% YoY (6% miss) in 3QFY25. Apart from higher-than-expected other expenses, the miss was also due to a 14% miss on other income. For 9MFY25, PAT rose 44% YoY to INR2.5b.
- Recent trends indicate that MF investors have been cautious due to weak market sentiment, which is likely to impact industry flows. This, along with the MTM hit, could reduce KFINTECH's revenues by 4-5%.
- We have cut our earnings estimates by 4%/5% for FY25/FY26 to factor in the slowdown in net flows and MTM correction. We expect revenue/PAT to post a CAGR of 22%/31% over FY24-27 and maintain a Neutral rating on the stock with a one-year TP of INR1,300, premised at a P/E multiple of 45x on Sept'26E earnings.

Strong performance across business segments

- Equity MF AAUM serviced during the quarter grew 50% YoY to INR13.3t, reflecting a market share of 33.4% (33.5% in 3QFY24) and contribution of 59% to overall AAUM.
- Strong net flows and a healthy yield of 3.7bp (in-line) in 3QFY25 resulted in a 37% YoY growth in revenue from the domestic MF business, reaching INR2.1b (in-line). This segment contributed 72% to the overall revenue.
- In the issuer services business, KFINTECH's market share (in terms of issue size) doubled YoY to 66.4% in 3QFY25, as the company managed 14 main board IPOs during the quarter (6 in 3QFY24). This led to a 17% YoY growth in revenue from issuer solutions to INR439b (in-line) in 3QFY25.
- In the international investor solutions business, the number of clients reached 70, bringing the total AUM serviced to INR823b. Revenue from this segment grew 52% YoY to INR329m (in-line). A further rise in deal size, from INR30-35m, is expected to boost revenue from this segment.
- In the alternates and wealth business, market share stood at 36.7% with an AUM of INR1.4t. The NPS market share continued to rise, reaching 9.4% in 3QFY25 (7.8% in 3QFY24), with an AUM of INR500b. Revenue from global business services declined 38% YoY to INR50m (40% miss). Revenue from this segment will remain lumpy but is expected to contribute to the overall topline starting next quarter.
- Employee expenses grew 25% YoY to INR1,040m (in-line) and other expenses grew 47% YoY to INR555m (4% higher than est.). The cost-to-income ratio at 55% (55.2% in 3QFY24) was slightly above our expectations (54.1%).
- Other income grew 41% YoY (down 14% QoQ) to INR91m (14% miss), resulting in a 6% miss in PAT, which was reported at INR902m (+35% YoY).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Key takeaways from the management commentary

- A sequential MTM correction of 4% in 3QFY25 offset the higher inflows in the domestic MF business. In Jan'25, there was an additional 4% correction, and net flows have slowed down as well.
- For the overseas MF business, KFINTECH is focusing on Malaysia, Philippines, and Thailand due to strong MF opportunities in these markets. Meanwhile, Singapore and Hong Kong present greater opportunities for alternates.
- KFINTECH handled the top five IPOs (in terms of issue size) during the quarter, and this trend is expected to continue, with IPOs of IGI India and LG Electronics in the pipeline.

Valuation and view

- Structural tailwinds in the MF industry will drive absolute growth in MF revenue. With its unique 'platform-as-a-service' business model offering comprehensive end-to-end solutions enabled by proprietary technology solutions, KFINTECH is well positioned to benefit from strong growth in large markets both in India and globally. The increasing traction for non-market-linked revenue streams will further boost revenues, particularly during a volatile market environment.
- We have cut our earnings estimates by 4%/5% for FY25/FY26 to factor in the slowdown in net flows and MTM correction. We expect revenue/PAT to post a CAGR of 22%/31% over FY24-27 and maintain a Neutral rating on the stock with a one-year TP of INR1,300, premised at a P/E multiple of 45x on Sept'26E earnings.

Quarterly Performance

(INR m)

Y/E March	FY24				FY25				FY24	FY25E	3QFY25E	Act v/s Est. (%)	YoY	QoQ
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE						
Revenue from Operations	1,815	2,090	2,187	2,283	2,376	2,805	2,900	2,965	8,375	11,045	2,945	-1.5	33%	3%
Change YoY (%)	7.6	16.0	16.3	24.7	30.9	34.2	32.6	29.8	16.3	31.9	34.7			
Employee expenses	756	760	831	850	958	1,018	1,040	1,076	3,197	4,092	1,060	-1.9	25%	2%
Operating expenses														
Other Expenses	355	393	377	387	421	522	555	560	1,513	2,057	533	4.0	47%	6%
Total Operating Expenses	1,111	1,153	1,208	1,237	1,379	1,539	1,595	1,636	4,709	6,149	1,593	0.1	32%	4%
Change YoY (%)	4.6	5.7	4.8	2.4	11.4	11.6	3.6	2.6			3.5			
EBITDA	704	937	979	1,046	997	1,265	1,306	1,329	3,666	4,896	1,352	-3.4	33%	3%
Other Income	53	63	64	66	81	105	91	105	247	382	105	-13.8	41%	-14%
Depreciation	124	126	134	146	148	165	164	170	530	647	169	-3.2	22%	-1%
Finance Cost	29	32	12	11	12	11	11	12	84	46	11	6.4	-2%	6%
PBT	604	842	898	955	918	1,195	1,221	1,252	3,298	4,585	1,277	-4.4	36%	2%
Change YoY (%)	18.0	41.5	6.6	6.4	-3.8	30.1	2.2	2.5	27.7	39.0	6.9			
Tax Provisions	165	223	226	199	237	301	319	298	813	1,155	319	0.0	41%	6%
Net Profit	434	614	668	745	681	893	902	954	2,461	3,430	958	-5.8	35%	1%
Change YoY (%)	15.9	28.1	25.2	30.6	56.9	45.5	34.9	28.1	25.7	39.4	43.3			
Key Operating Parameters (%)														
Revenue / AUM (bps)	5.4	5.6	5.6	5.3	5.0	5.2	5.2	5.3	5.5	5.2	5.2	1bp	-40bp	-4bp
Opex / AUM (bps)	3.3	3.1	3.1	2.9	2.9	2.9	2.9	2.9	3.1	2.9	2.8	5bp	-23bp	-2bp
PBT / AUM (bps)	1.8	2.3	2.3	2.2	1.9	2.2	2.2	2.2	2.2	2.2	2.2	-6bp	-11bp	-4bp
PAT / AUM (bps)	1.3	1.7	1.7	1.7	1.4	1.7	1.6	1.7	1.6	1.6	1.7	-7bp	-9bp	-5bp
Cost to Operating Income Ratio	61.2	55.2	55.2	54.2	58.0	54.9	55.0	55.2	56.2	55.7	54.1	89bp	-25bp	10bp
EBITDA Margin	38.8	44.8	44.8	45.8	42.0	45.1	45.0	44.8	43.8	44.3	45.9	-89bp	25bp	-10bp
PBT Margin	33.3	40.3	41.0	41.8	38.6	42.6	42.1	42.2	39.4	41.5	43.4	-126bp	106bp	-50bp
Tax Rate	27.3	26.5	25.2	20.8	25.9	25.2	26.1	23.8	24.7	25.2	25.0	114bp	94bp	91bp
PAT Margin	23.9	29.4	30.6	32.6	28.7	31.8	31.1	32.2	29.4	31.1	32.5	-143bp	54bp	-75bp
Opex Mix (%)														
Employee expenses	68.0	65.9	68.8	68.7	69.5	66.1	65.2	65.8	67.9	66.5	66.5	-132bp	-355bp	-87bp
Other Expenses	32.0	34.1	31.2	31.3	30.5	33.9	34.8	34.2	32.1	33.5	33.5	132bp	355bp	87bp



Key takeaways from the management commentary

Guidance:

- Non-MF revenue is expected to contribute ~50% to the overall revenue, with an increased focus on diversifying beyond the domestic MF business and expanding in multiple geographies.
- Investment in cloud remains a focus area in terms of tech costs. KFINTECH has spent INR700m on hardware and other tangible assets.
- Investors have become cautious due to the volatile market environment, resulting in a slowdown in inflows, alongside the MTM correction. Management expects an impact of 4-5% on revenue if a similar trend continues.

3QFY25 Performance

- Revenue growth was observed across almost all business segments, driven by: 1) fresh investments in the industry, 2) strong SIP inflows, and 3) new client wins.
- MTM was negative during the quarter, but strong net flows resulted in MF AUM growth.
- EBITDA margin at 45% was at the upper end of the guided range. The increase in costs was due to: 1) volume expansion, 2) headcount growth, and 3) continued investments in tech. During the quarter, 18% of total expenses was spent on IT.

Domestic MF Business

- The SIP book remains robust with a 40% market share. SIP market share is expected to be a strong indicator of the overall AUM growth.
- New contracts were secured from two AMCs, including a bank-based AMC (where KFINTECH is not an RTA), and additional contracts were won from two AMCs to develop digital assets.
- A sequential MTM correction of 4% in 3QFY25 offset the higher inflows. In Jan'25, there was an additional 4% correction, and net flows have slowed down as well.

Issuer Solution

- KFINTECH added 366 clients to the corporate registry business, bringing the total folio count to 8m.
- KFINTECH handled the top five IPOs during the quarter (in terms of issue size), and this trend is expected to continue with IPOs of IGI India and LG Electronics in the pipeline.

International Investor Solutions

- KFINTECH won two full-service TA deals, one from a large AMC and a trust corporation in the Philippines, and another full-service TA and FA deal from an AMC in Malaysia. Additionally, a letter of interest from a custodian in Malaysia was received during the quarter.
- Deal sizes have expanded to INR30-35m yearly from INR10m. Deals in the pipeline are near USD1m.

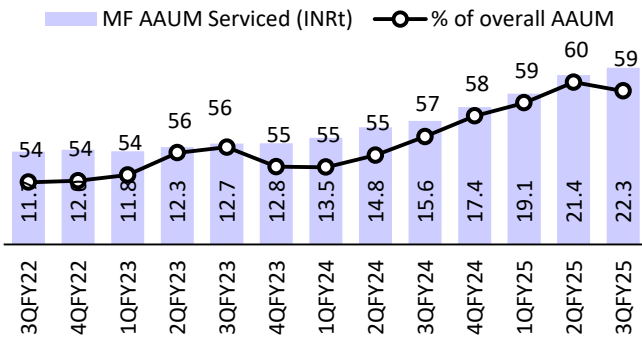
- The focus is on Malaysia, Philippines, and Thailand due to strong MF opportunities in these markets. Meanwhile, Singapore and Hong Kong are being targeted for alternates.
- KFINTECH was onboarded by Blackrock as one of the nine service providers for the Aladdin platform development. It charges 2-2.5bp less compared to others and aims to gain an edge through this competitive pricing.
- In 9MFY25, Hexagram reported revenue of INR95m (INR60m in 9MFY24).

AIF and Wealth

- KFINTECH won nine new AIF mandates, including 360 One AIF, Bandhan AIF, and Angel One AIF. Four deals were won for the newly launched wealth platform 'mPower Wealth', including Tata Capital, Aditya Birla Wealth, and NextEdge.
- Revenue from this segment will start coming in from the next quarter.
- Revenue is earned in the form of: 1) a full-service model, and 2) implementation and license fees for clients (mainly banks) requiring just the platform.

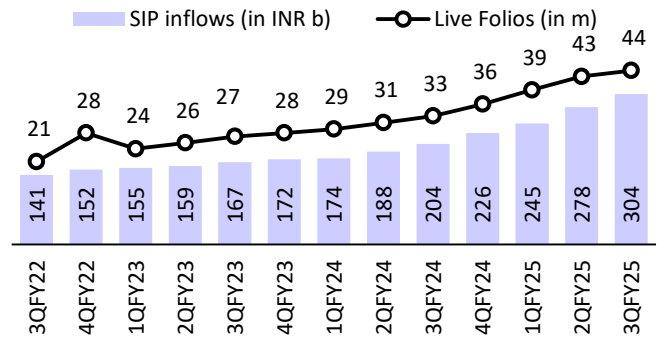
Story in charts

Exhibit 1: MF AAUM maintains a strong growth trajectory



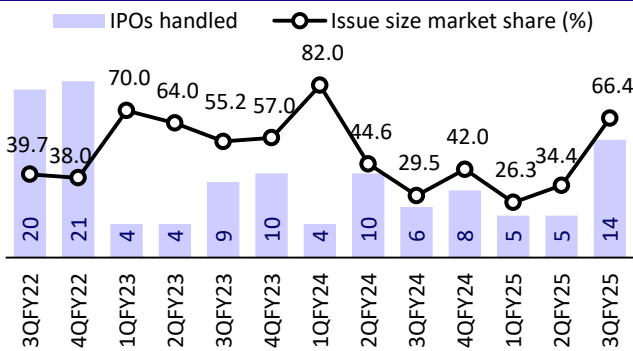
Source: Company, MOFSL

Exhibit 2: SIP inflows on the rise



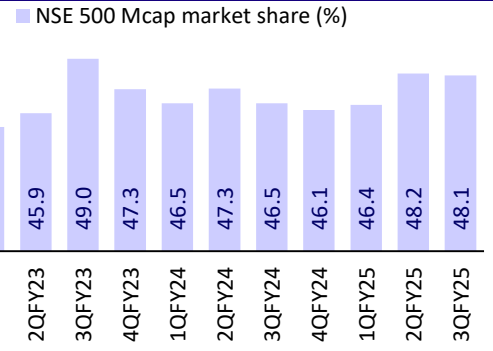
Source: Company, MOFSL

Exhibit 3: Stellar growth in IPO market share in 3QFY25



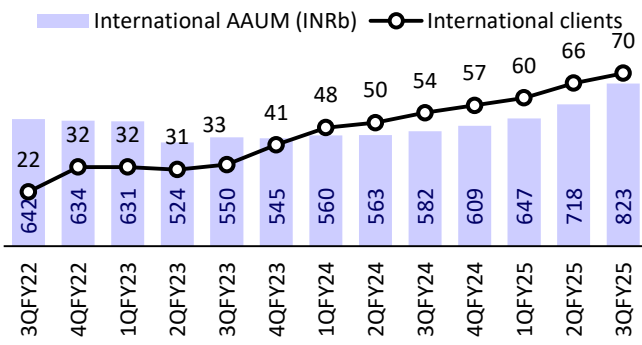
Source: Company, MOFSL

Exhibit 4: NSE 500 market share has been stable



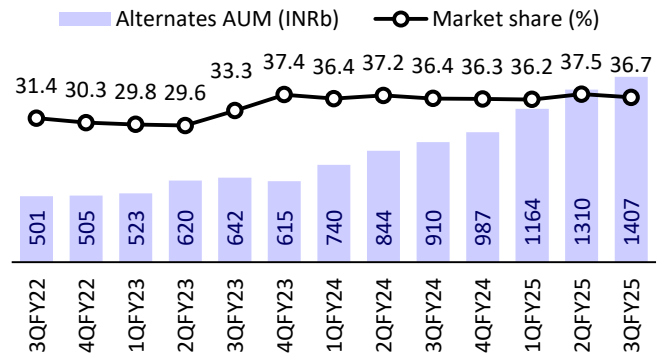
Source: Company, MOFSL

Exhibit 5: International business growing gradually



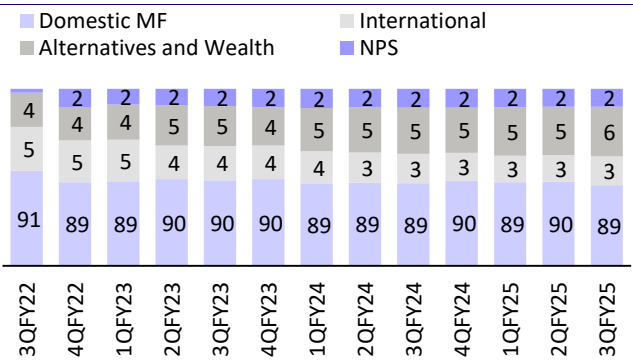
Source: Company, MOFSL

Exhibit 6: Alternate and PWM AUM gaining traction



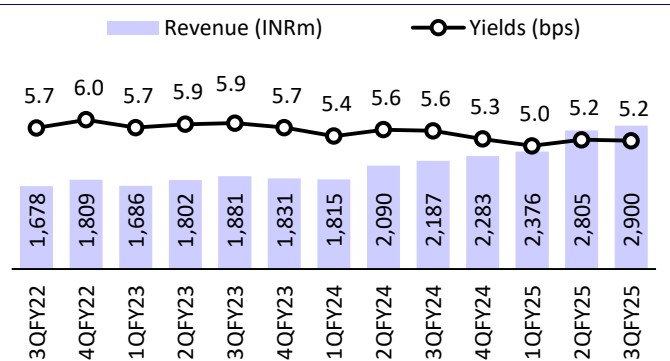
Source: Company, MOFSL

Exhibit 7: AUM mix dominated by MF (%)



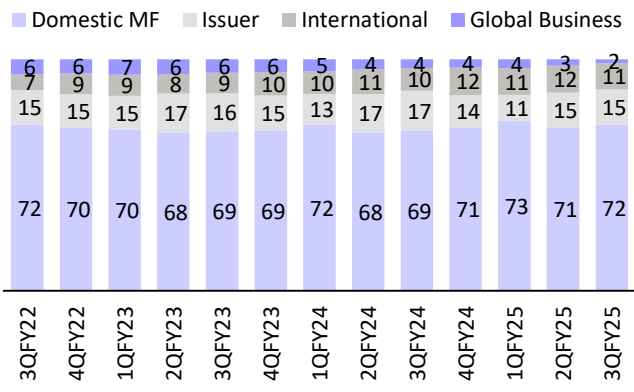
Source: MOFSL, Company

Exhibit 8: Yields remain stable sequentially



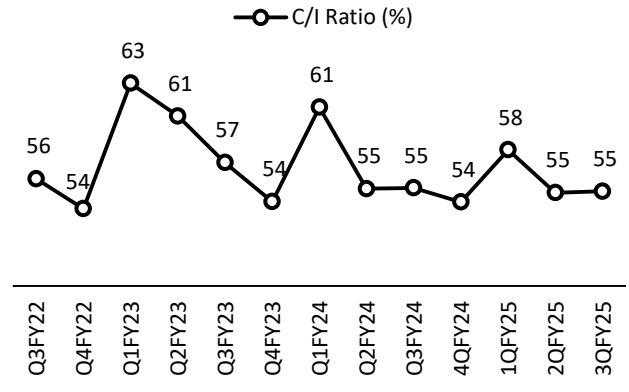
Source: MOFSL, Company

Exhibit 9: MF business dominates the revenue mix (%)



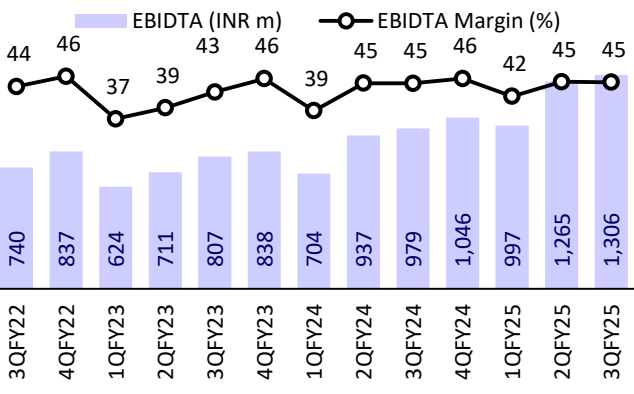
Source: MOFSL, Company

Exhibit 10: C/I ratio remains stable sequentially



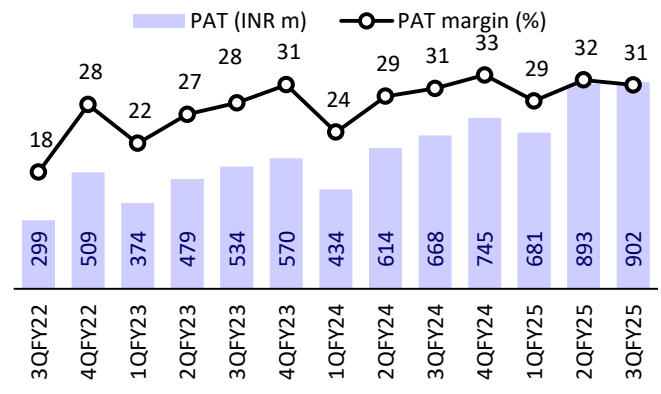
Source: MOFSL, Company

Exhibit 11: EBIDTA margin within the guided range



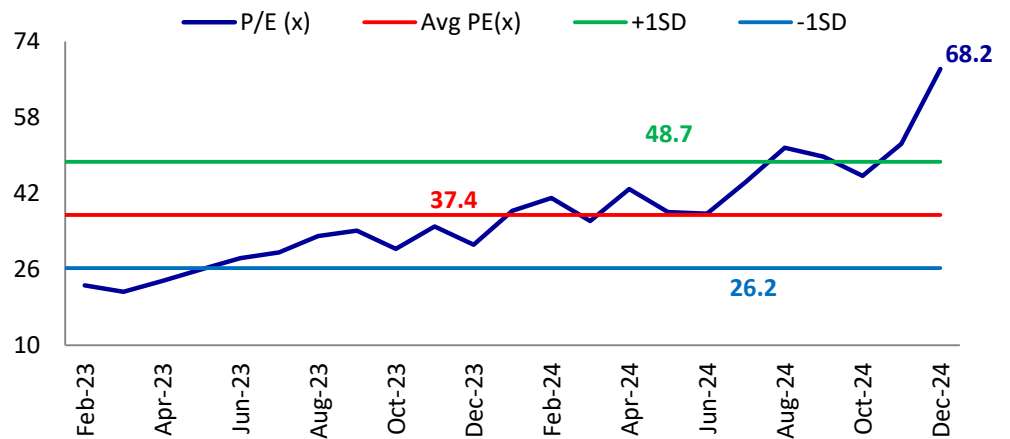
Source: MOFSL, Company

Exhibit 12: PAT Trend



Source: MOFSL, Company

Exhibit 13: One-year forward P/E



Source: MOFSL, Company

Financials and valuations

Income Statement

	INR m							
Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Revenue	4,499	4,811	6,395	7,200	8,375	11,045	13,015	15,333
Change (%)	177	7	33	13	16	32	18	18
Employee expense	1,940	1,886	2,325	2,894	3,197	4,092	4,583	5,133
Other expenses	973	801	1,192	1,326	1,513	2,057	2,304	2,581
Operating Expenses	2,912	2,687	3,517	4,220	4,709	6,149	6,887	7,713
EBITDA	1,586	2,124	2,879	2,980	3,666	4,896	6,128	7,619
Change (%)	142	34	36	4	23	34	25	24
Depreciation/Interest	1,455	1,499	899	573	615	693	788	897
Other Income	54	51	61	175	247	382	497	646
PBT	185	675	2,040	2,582	3,298	4,585	5,837	7,368
Change (%)	33	265	202	27	28	39	27	26
Tax	140	1,320	555	625	813	1,155	1,459	1,842
Tax Rate (%)	185	844	-58	13	30	42	26	26
PAT	45	-645	1,486	1,957	2,485	3,430	4,378	5,526
Change (%)	-49	-1,526	-330	32	27	38	28	26
Dividend					983	1,368	1,710	2,052

Balance Sheet

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Equity	1,508	1,508	1,676	1,692	1,710	1,710	1,710	1,710
Reserves	2,587	1,956	4,768	7,010	8,717	10,394	12,719	15,851
Net Worth	4,096	3,464	6,443	8,702	10,427	12,104	14,429	17,561
Borrowings	4,132	3,825	1,597	1,599	487	511	536	563
Other Liabilities	456	1,937	2,224	2,212	3,274	3,773	4,236	4,704
Total Liabilities	8,683	9,226	10,264	12,514	14,187	16,388	19,201	22,828
Cash and Bank balance	178	235	452	870	2,517	2,875	3,546	4,685
Investments	135	949	931	2,286	1,498	1,723	1,982	2,279
Net Fixed Assets	6,915	6,321	7,031	7,311	8,010	9,212	10,594	12,183
Current Assets	1,063	1,305	1,406	1,667	1,940	2,324	2,788	3,346
Other non current assets	392	416	444	379	221	254	292	336
Total Assets	8,684	9,226	10,264	12,513	14,187	16,388	19,201	22,828

E: MOFSL Estimates

Financials and valuations

Cashflow Statement

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
PAT	45	-645	1,486	1,957	2,460	3,430	4,378	5,526
Adjustments								
Change in Accumulated Depreciation	922	980	370	467	530	647	744	855
Finance cost	533	520	529	106	84	46	44	42
Other Income	-54	-51	-61	-175	-247	-382	-497	-646
Change in Working Capital	-436	1,214	157	-209	-36	-302	-382	-475
Cashflow from Operation	1,011	2,018	2,481	2,147	2,792	3,439	4,286	5,302
Other Income	54	51	61	175	247	382	497	646
Change in Investments	980	-814	18	-1,355	787	-225	-258	-297
Change in Loans	-218	-306	-2,227	3	-1,112	24	26	27
Change in Fixed Asset	-510	-386	-1,081	-747	-1,230	-1,848	-2,126	-2,445
Cashflow from Investing	306	-1,455	-3,228	-1,923	-1,308	-1,667	-1,862	-2,069
Change in Reserves	-1,142	13	1,494	301	1,230	0	0	0
Interest Expense	-533	-520	-529	-106	-84	-46	-44	-42
Dividend Expense	0	0	0	0	-983	-1,368	-1,710	-2,052
Cashflow from Financing	-1,675	-506	965	195	163	-1,414	-1,754	-2,094
Net Cashflow	-359	57	218	419	1,647	358	670	1,139
Opening Cash	536	178	235	452	870	2,517	2,875	3,546
Closing Cash	178	235	452	870	2,517	2,875	3,546	4,685

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
AAAUM (INR b)	7,233	9,105	11,067	12,408	15,330	21,308	25,144	29,669
Change (%)	12%	26%	22%	12%	24%	39%	18%	18%
Equity	3,433	4,471	5,842	6,838	8,618	12,668	15,835	19,002
Non-Equity	3,800	4,634	5,226	5,570	6,712	8,640	9,309	10,667
Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Margins Analysis (%)								
Cost to Income Ratio	64.7	55.9	55.0	58.6	56.2	55.7	52.9	50.3
EBITDA Margins	35.3	44.1	45.0	41.4	43.8	44.3	47.1	49.7
PBT Margin	4.1	14.0	31.9	35.9	39.4	41.5	44.8	48.1
PAT Margin	1.0	-13.4	23.2	27.2	29.7	31.1	33.6	36.0
Profitability Ratios (%)								
RoE	1.0	-17.1	30.0	25.8	26.0	30.4	33.0	34.5
Dividend Payout Ratio	0.0	0.0	0.0	0.0	40.0	39.9	39.1	37.1

Dupont Analysis (Bps of AAAUM)

Y/E March	2020	2021	2022	2023	2024	2025E	2026E	2027E
Operating Income	6.2	5.3	5.8	5.8	5.5	5.2	5.2	5.2
Operating Expenses	4.0	3.0	3.2	3.4	3.1	2.9	2.7	2.6
EBITDA	2.2	2.3	2.6	2.4	2.4	2.3	2.4	2.6
Depreciation and Others	2.0	1.6	0.8	0.5	0.4	0.3	0.3	0.3
Other Income	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2
PBT	0.3	0.7	1.8	2.1	2.2	2.2	2.3	2.5
Tax	0.2	1.4	0.5	0.5	0.5	0.5	0.6	0.6
ROAAAUM	0.1	-0.7	1.3	1.6	1.6	1.6	1.7	1.9

Valuations	2020	2021	2022	2023	2024	2025E	2026E	2027E
BVPS (INR)	24	20	38	51	61	71	85	103
Change (%)	-21.1	-15.4	86.0	35.1	19.8	16.1	19.2	21.7
Price-BV (x)	49.9	59.0	31.7	23.5	19.6	16.9	14.2	11.6
EPS (INR)	0.3	-3.8	8.7	11.5	14.6	20.1	25.6	32.4
Change (%)				31.8	26.9	38.0	27.6	26.2
Price-Earnings (x)			137.7	104.5	82.3	59.6	46.7	37.0
DPS (INR)					5.8	9.0	15.4	19.4
Dividend Yield (%)					0.5	0.8	1.3	1.6

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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