

KFIN TECHNOLOGIES

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Outperformer
Price (INR)	1,162
12 month price target (INR)	1,540
52 Week High/Low	1,641/728
Market cap (INR bn/USD bn)	212/2.5
Free float (%)	67.0
Avg. daily value traded (INR mn)	2,490.7

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	22.90%	32.91%	32.96%
FII	27.81%	22.56%	25.40%
DII	23.71%	24.15%	22.22%
Pledge	0%	0%	0%

FINANCIALS

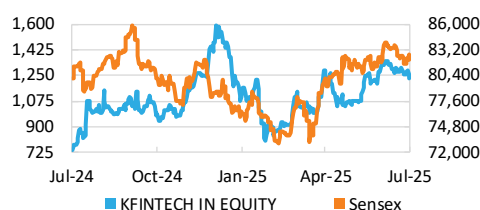
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	10,908	13,043	16,521	19,336
EBITDA	4,790	5,464	7,051	8,731
Adjusted profit	3,326	3,793	4,675	5,878
Diluted EPS (INR)	19.3	22.0	27.1	34.1
EPS growth (%)	34.9	14.0	23.2	25.7
RoAE (%)	26.1	24.9	26.3	28.1
P/E (x)	60.2	52.8	42.8	34.1
EV/EBITDA (x)	63.3	55.6	42.7	33.3
Dividend yield (%)	64.5	76.4	94.1	118.3

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	13,043	16,521	(2.5)	(0.4)
EBITDA	4,746	6,102	(3.3)	0.3
Adjusted profit	3,502	4,498	(3.3)	0.3
Diluted EPS (INR)	3,793	4,675	(3.1)	0.3

PRICE PERFORMANCE



Pressure on yield offsets domestic strength

KFINTECH delivered strong revenue growth of 15.4% YoY in Q1FY26 supported by an impressive performance in the MF segment, which grew 17.3% YoY. MF equity QAAUM under service surged 21.7% YoY with stable QoQ market share at 33.0%, but yields fell 0.12bp YoY/0.16bp QoQ to 3.49bp. International segment reported a flattish quarter with growth of 0.3% YoY while issuer solution posted robust 23.6% YoY growth. Consolidated EBIT/APAT grew 13.4%/13.9% YoY.

We are valuing KFINTECH on an SotP basis by assigning FY27E core segment profits, yielding an unchanged TP of INR1,540. Given Ascent acquisition, strong deal pipeline and scope for EBITDA margin expansion, we maintain 'BUY'.

MF RTA (75% share)—Yields face pressure

Healthy fund flows were complemented by strong MTM action resulting in a total QAAUM under service growth of 23.0% YoY/7.3% QoQ to INR23.5tn. Share of equity in AUM decreased 60bp YoY to 58.0%. Yields declined (-0.12bp YoY/-0.16bp QoQ) to 3.49bp resulting in revenue growth of 17.3% YoY/2.7% QoQ to INR2.04bn (5.2% below our estimate). Management highlighted that it gave one-time discounts to certain fast-growing AMCs and expects yield compression for the whole year to have played out. The company clocked 169.7% YoY growth in VAS services while winning RTA deals from three AMCs—Abakkus, Marcellus and Pantomath. Segmental margins fell 260bp YoY to 55.4%. SIP inflows came in at INR312bn (up 27.4% YoY/1.0% QoQ) during Q1FY26.

Issuer solutions (12%)—Strong client adds; market share improves

Domestic issuer services revenue grew 23.6% YoY/-22.1% QoQ to INR330mn despite Q1FY26 being a low corporate action intensity period. The company added 880 clients in Q1 while the folio count increased 19.3% YoY/-0.8% QoQ. KFINTECH continues to be market leader with a share of 50.8% of NSE500. Segmental margins improved sharply by 436bp YoY/-885bp QoQ to 42.7%.

Investor solutions (13%)—Growth slows despite strong client adds

International segment posted flat revenue growth of 0.3% YoY to INR366mn. International business AUM rose 33.5% YoY/6.3% QoQ while domestic alternatives AUM increased 37.4% YoY/10.1% QoQ. Despite GBS integration, segmental margins fell sharply by 364bp YoY/1580bp QoQ to 14.4%. We reckon strong revenue growth given ~100 contracts, 76 international clients, a strong deal pipeline of USD25mn across South East Asia, Ascent's global reach and major wins such as an FA and TA deal from Malaysia's largest trustee and an AMC in the Philippines.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	2,741	2,376	15.4	2,827	(3.1)
EBITDA	1,139	997	14.2	1,223	(6.9)
Adjusted Profit	775	681	13.9	851	(8.9)
Diluted EPS (INR)	4.5	3.9	12.9	4.9	(9.4)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	10,908	13,043	16,521	19,336
Gross profit	0	0	0	0
Employee costs	4,033	5,077	6,591	7,441
Other expenses	2,085	2,502	2,879	3,165
EBITDA	4,790	5,464	7,051	8,731
Depreciation	645	718	950	1,019
Less: Interest expense	47	64	89	122
Add: Other income	377	402	456	646
Profit before tax	4,476	5,083	6,469	8,236
Prov for tax	1,150	1,281	1,630	2,074
Less: Other adj	0	9	164	283
Reported profit	3,326	3,793	4,675	5,878
Less: Excp.item (net)	0	0	0	0
Adjusted profit	3,326	3,793	4,675	5,878
Diluted shares o/s	172	172	172	172
Adjusted diluted EPS	19.3	22.0	27.1	34.1
DPS (INR)	7.4	8.8	10.9	13.6
Tax rate (%)	25.7	25.2	25.2	25.2

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue as bp of AAUM	5.2	5.2	5.7	5.6
Core Op. Pr. as bp of AAUM	1.9	1.9	0	0
NOPLAT as bp of AAUM	1.4	1.4	0	0
EBITDA margin (%)	43.9	41.9	42.7	45.2
Net profit margin (%)	30.5	29.1	28.3	30.4
Revenue growth (% YoY)	30.2	19.6	26.7	17.0
EBITDA growth (% YoY)	30.7	14.1	29.1	23.8
Adj. profit growth (%)	34.9	14.0	23.2	25.7

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.4	6.4	6.4	6.4
Repo rate (%)	6.5	6.5	6.5	6.5
USD/INR (average)	81.0	81.0	81.0	81.0
Core Op. Profit (INR mn)	4,098.7	4,681.6	6,013.2	7,590.0
NOPLAT (INR mn)	3,065.8	3,501.9	4,497.9	5,677.3
NOPLAT YoY growth (%)	34.1	14.2	28.4	26.2
AAUM (INR mn)	21,178.5	25,059.6	29,194.1	34,294.0
AAUM growth (%)	38.2	18.3	16.5	17.5
Equity as a % of AAUM	59.0	58.5	59.2	60.4

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	60.2	52.8	42.8	34.1
Price/BV (x)	14.2	12.2	10.5	8.8
EV/EBITDA (x)	63.3	55.6	42.7	33.3
Dividend yield (%)	64.5	76.4	94.1	118.3

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	1,721	1,721	1,721	1,721
Reserves	12,357	14,633	17,439	20,966
Shareholders funds	14,078	16,354	19,159	22,687
Minority interest	0	425	589	873
Borrowings	0	0	0	0
Trade payables	670	715	905	1,060
Other liabs & prov	2,323	2,439	2,737	3,003
Total liabilities	17,509	20,703	24,476	29,009
Net block	1,068	2,231	2,654	3,198
Intangible assets	6,963	9,285	9,233	9,218
Capital WIP	293	293	293	293
Total fixed assets	8,324	11,808	12,180	12,708
Non current inv	11	11	11	11
Cash/cash equivalent	6,309	5,429	7,989	11,263
Sundry debtors	1,927	2,304	2,918	3,415
Loans & advances	0	0	0	0
Other assets	707	869	1,029	1,177
Total assets	17,509	20,703	24,476	29,009

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	3,326	3,793	4,675	5,878
Add: Depreciation	645	718	950	1,019
Interest (net of tax)	47	64	89	122
Others	937	879	1,174	1,428
Less: Changes in WC	(21)	(411)	(323)	(287)
Operating cash flow	4,934	5,044	6,565	8,160
Less: Capex	(857)	(4,202)	(1,322)	(1,547)
Free cash flow	4,077	841	5,243	6,613

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	26.1	24.9	26.3	28.1
RoCE (%)	26.1	24.9	26.3	28.1
Inventory days	0	0	0	0
Receivable days	64	64	64	64
Payable days	22	20	20	20
Working cap (% sales)	8.4	9.9	9.5	9.3
Gross debt/equity (x)	0	0	0	0
Net debt/equity (x)	(0.4)	(0.3)	(0.4)	(0.5)
Interest coverage (x)	88.5	74.2	68.9	63.2

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	34.9	14.0	23.2	25.7
RoE (%)	26.1	24.9	26.3	28.1
EBITDA growth (%)	30.7	14.1	29.1	23.8
Payout ratio (%)	38.6	40.0	40.0	40.0

Exhibit 1: Revenue/EBIT clock 15.4%/13.4% YoY growth

P&L (INR mn)	Q1FY26	Q1FY25	YoY (% / bp)	Q4FY25	QoQ (% / bp)	FY25	FY26E	YoY(%/ bp)	FY27E	FY28E
Revenue	2,741	2,376	15.4	2,827	-3.1	10,908	13,043	19.6	16,521	19,336
Employee expenses	1,117	958	16.6	1,017	9.9	4,033	5,077	25.9	6,591	7,441
Other expenses	485	421	15.2	588	-17.5	2,085	2,502	20.0	2,879	3,165
Total Expenses	1,602	1,379	16.2	1,604	-0.2	6,118	7,579	23.9	9,470	10,606
EBITDA	1,139	997	14.2	1,223	-6.9	4,790	5,464	14.1	7,051	8,731
Depreciation	176	148	19.4	167	5.4	645	718	11.5	950	1,019
EBIT	962	849	13.4	1,055	-8.8	4,146	4,746	14.5	6,102	7,712
Finance costs	11	12	-6.4	13	-15.5	47	64	36.5	89	122
Other income	100	81	24.1	100	0.3	377	402	6.4	456	646
PBT	1,052	918	14.5	1,142	-7.9	4,476	5,083	13.6	6,469	8,236
Tax	276	237	16.5	292	-5.2	1,150	1,281	11.4	1,630	2,074
PAT (pre minority interest)	775	681	13.9	851	-8.9	3,326	3,802	14.3	4,839	6,162
Non-controlling interest	-	-	NM	-	NM	-	9	NM	164	283
Share of (loss)/profit of associate	-	-	NM	-	NM	-		NM		
APAT	775	681	13.9	851	-8.9	3,326	3,793		4,675	5,878
Extraordinary	3	-	NM	-	NM	-	-	NM	-	-
RPAT	773	681	13.5	851	-9.2	3,326	3,793	14.0	4,675	5,878
Reported EPS										
Basic	4.5	4.0	12.8	5.0	-9.3	19.4	22.2	14.4	27.3	34.4
Diluted	4.5	3.9	12.9	4.9	-9.4	19.2	22.0	14.5	27.1	34.1
Tax rate (%)	26.3	25.9	44bp	25.5	75bp	25.7	25.2	(49)bp	25.2	25.2
EBIT margin (%)	35.1	35.7	(62)bp	37.3	(221)bp	-	36.4	(162)bp	36.9	39.9

Source: Company, Nuvama Research

Exhibit 2: Revenue contribution from MF RTA business improves 416bp YoY while that from Issuer solutions falls 295bp YoY

Segmental Data (INR mn)	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (%/bp)	QoQ (%/bp)
<u>Segment revenue (Including OPE)</u>							
Domestic mutual fund investor solutions	1,743	1,983	2,082	1,991	2,044	17.3	2.7
Issuer solutions	267	418	439	424	330	23.6	(22.1)
International and other investors solutions	273	324	329	412	366	0.3	(11.1)
Global business services	92	80	50	0	0	NM	NM
Total revenue	2,376	2,805	2,900	2,827	2,741	15.4	(3.1)
<u>Segment revenue - YoY growth (%)</u>							
Domestic mutual fund investor solutions	33.5	38.7	37.4	23.4	17.3	NM	NM
Issuer solutions	12.2	20.9	17.1	34.6	23.6	NM	NM
International and other investors solutions	56.0	44.0	52.2	51.1	0.3	NM	NM
Global business services	(4.4)	(10.6)	(38.1)	(100.0)	0.0	NM	NM
Total revenue	30.9	34.2	32.6	23.8	15.4	NM	NM
<u>Segment revenue contribution (%)</u>							
Domestic mutual fund investor solutions	73.4	70.7	71.8	70.4	74.6	120bp	416bp
Issuer solutions	11.2	14.9	15.2	15.0	12.1	81bp	(295)bp
International and other investors solutions	11.5	11.5	11.3	14.6	13.4	(201)bp	(121)bp
Global business services	3.9	2.8	1.7	0.0	0.0	NM	NM
Total revenue	100	100	100	100	100		

Source: Company, Nuvama Research

Exhibit 3: Margins decrease 260bp/364bp YoY for domestic mutual fund/International & other investor solutions segment

	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (% / bp)	QoQ (% / bp)
<u>Segment results</u>							
Domestic mutual fund investor solutions	1,011	1,198	1,288	1,189	1,132	12.0	(4.7)
Issuer solutions	102	219	262	218	141	37.7	(35.5)
International and other investors solutions	7	46	47	124	53	(19.9)	(57.6)
Global business services	59	43	19	0	0	NM	NM
Total	1,179	1,506	1,616	1,532	1,326	12.4	(13.4)
Unallocated (expenses)/income	0	0	0	0	0	-	-
a) Unallocable expenses	330	406	475	476	366	10.9	-23.1
b) Finance cost	12	11	11	13	11	(6.4)	(15.5)
c) other income	81	105	91	100	100	24.1	0.3
PBT	918	1,195	1,221	1,142	1,049	14.3	-8.2
Tax expense	237	301	319	292	276	16.5	-5.2
PAT	681	893	902	851	773	13.5	-9.2
<u>Segment operating margin (%) (calculated)</u>							
Domestic mutual fund investor solutions	58.0	60.4	61.9	59.7	55.4	(260)bp	(431)bp
Issuer solutions	38.3	52.5	59.7	51.5	42.7	436bp	(885)bp
International and other investors solutions	2.4	14.2	14.3	30.2	14.4	(364)bp	(1,580)bp
Global business services	64.3	53.6	39.0		0.0	NM	NM
Total	49.6	53.7	55.7	54.2	48.4	(126)bp	(579)bp
<u>Segment result contribution (%)</u>							
Domestic mutual fund investor solutions	85.7	79.6	79.7	77.6	85.4	(34)bp	778bp
Issuer solutions	8.7	14.6	16.2	14.3	10.6	195bp	(364)bp
International and other investors solutions	0.6	3.0	2.9	8.1	4.0	(161)bp	(414)bp
Global business services	5.0	2.8	1.2	-	-	NM	NM
Total revenue	100	100	100	100	100		

Source: Company, Nuvama Research

Exhibit 4: MF RTA business — operational data

Operational data - MF RTA	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (% / bp)	QoQ (% / bp)
No of Operating Clients	24	24	24	24	24	-	-
AAUM Serviced (INR bn)	19,073	21,443	22,345	21,853	23,453	23.0	7.3
AAUM Market share (%)	32.3	32.4	32.6	33.3	32.5	20bp	(80)bp
Equity AAUM Serviced (INR bn)	11,175	12,834	13,255	12,676	13,598	21.7	7.3
Equity AAUM Market share (%)	33.4	33.4	33.4	33.1	33.0	(40)bp	(10)bp
Others AAUM Serviced (INR bn)	7,897	8,609	9,090	9,177	9,855	24.8	7.4
Others AAUM Market share (%)	30.9	31.0	31.5	33.6	31.8	97bp	(175)bp
Equity AAUM Mix (%)	58.6	59.9	59.3	58.0	58.0	(60)bp	-
SIP inflows (INR bn)	245	278	304	309	312	27.4	1.0
SIP book AAUM (INR bn)	3,733	4,299	4,328	4,122	4,691	25.7	13.8
SIP book AAUM market share (%)	31.8	32.0	32.1	31.8	32.1	30bp	30bp
SIP live folios (mn)	39	43	44	43	35	-9.5	-18.4

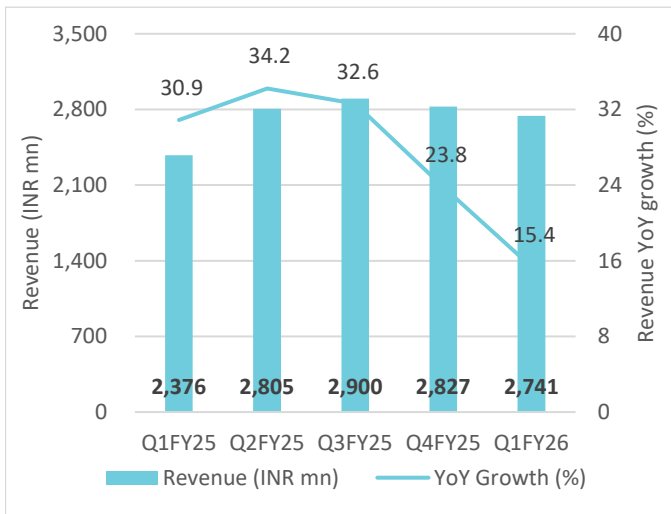
Source: Company, Nuvama Research

Exhibit 5: Other business – operational data

Operational data - Other business	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26	YoY (% / bp)	QoQ (% / bp)
<u>Issuer Services</u>							
No of Clients	6,319	6,677	7,043	7,987	8,867	40.3	11.0
Clients added	248	358	366	944	880	NA	NA
No of folios (mn) (closing)	137	148	156	164	163	19.3	-0.8
No of Transactions (mn)	0.7	0.8	0.7	0.6	0.7	0.0	16.7
No of IPOs Handled (Main board)	5.0	5.0	14.0	4.0	6.0	20.0	50.0
Main Board IPOs – market share (basis no of clients) (%)	33.3	19.2	46.7	40.0	40.0	670bp	-
Main Board IPOs – market share (basis the issue size) (%)	26.3	34.4	66.4	72.9	18.0	(830)bp	(5,490)bp
NSE 500 companies – market share (basis the market capitalisation) (%)	46.4	48.2	48.1	49.6	50.8	440bp	120bp
<u>International Investor Solutions</u>							
No of clients	60	66	70	76	82	36.7	7.9
AAUM Serviced (INR bn)	647	718	823	813	865	33.8	6.5
AAUM Serviced QoQ growth (%)	6.2	11.0	14.7	-1.2	7.0	77bp	NM
<u>Alternates and Wealth</u>							
No of funds being handled (cumulative)	489	526	535	569	592	21.1	4.0
Closing market share – based on no of funds (%)	36.2	37.5	36.7	36.8	37.0	80bp	20bp
AAUM (INR bn)	1,165	1,310	1,407	1,453	1,600	37.4	10.1
<u>National Pension Scheme- CRA</u>							
No of Subscribers ('000)	1,264	1,374	1,486	1,618	1,670	32.2	3.2
Closing market share - on subscribers' base (%)	8.4	8.9	9.4	9.8	9.9	150.0	10.0
Closing number of Corporates clients	2,481	2,695	2,939	3,337	3,820	54.0	14.5
AAUM (INR bn)	441	481	501	542	582	32.0	7.3

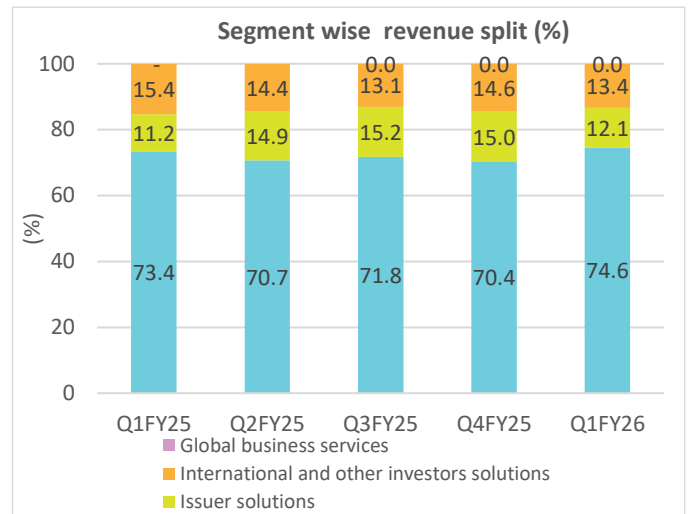
Source: Company, Nuvama Research

Exhibit 6: Overall revenue grows 15.4% YoY



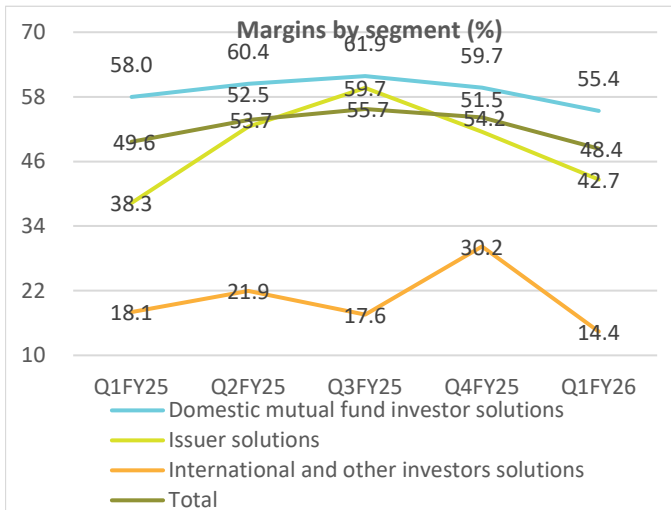
Source: Company, Nuvama Research

Exhibit 7: Share of MF RTA surges to 74.6% (+120bp YoY)



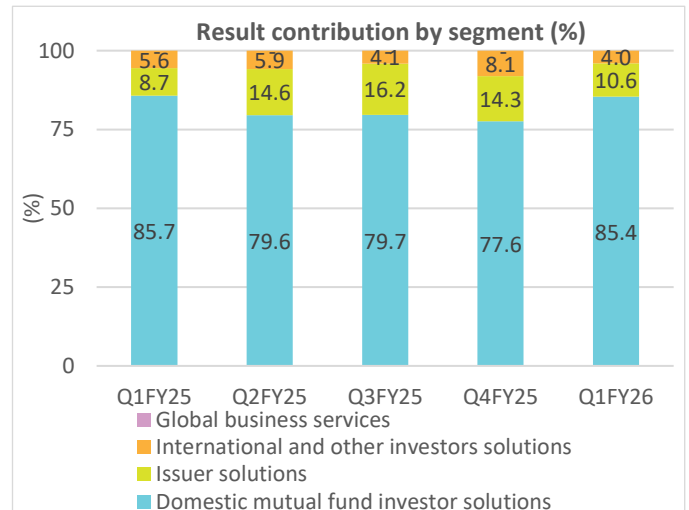
Source: Company, Nuvama Research

Exhibit 8: Domestic MF business margin falls 260bp YoY



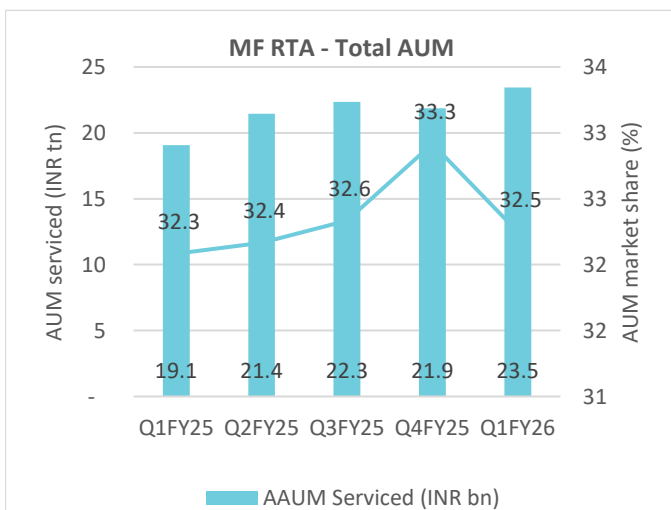
Source: Company, Nuvama Research

Exhibit 9: MF RTA profit contribution at 85.4% (-33.9bp YoY)



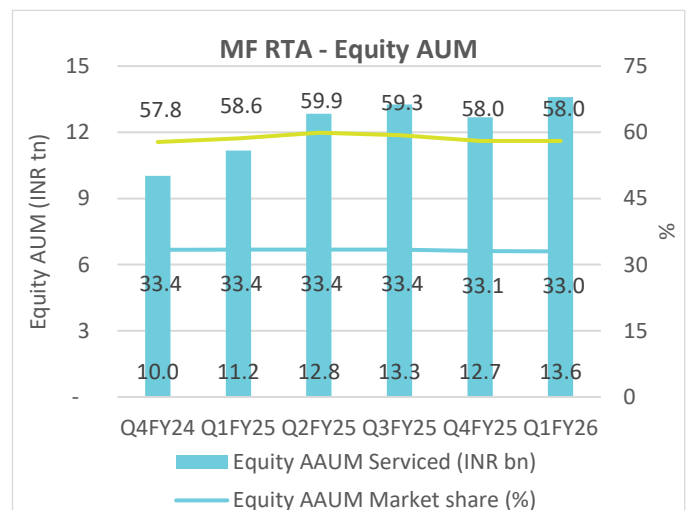
Source: Company, Nuvama Research

Exhibit 10: AUM market share at 32.5% (+20bp YoY)



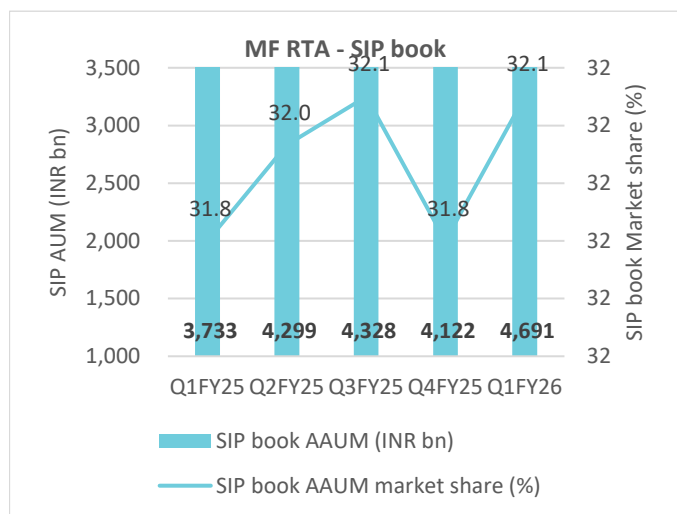
Source: Company, Nuvama Research

Exhibit 11: Equity share in AUM at 58.0% (-60bp YoY)



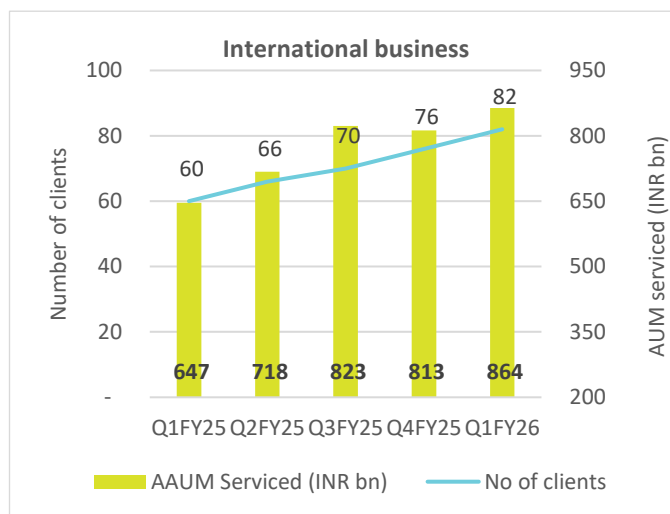
Source: Company, Nuvama Research

Exhibit 12: SIP book MS increases to 32.1% (+30bp YoY)



Source: Company, Nuvama Research

Exhibit 13: International business AUM grows 33.8% YoY

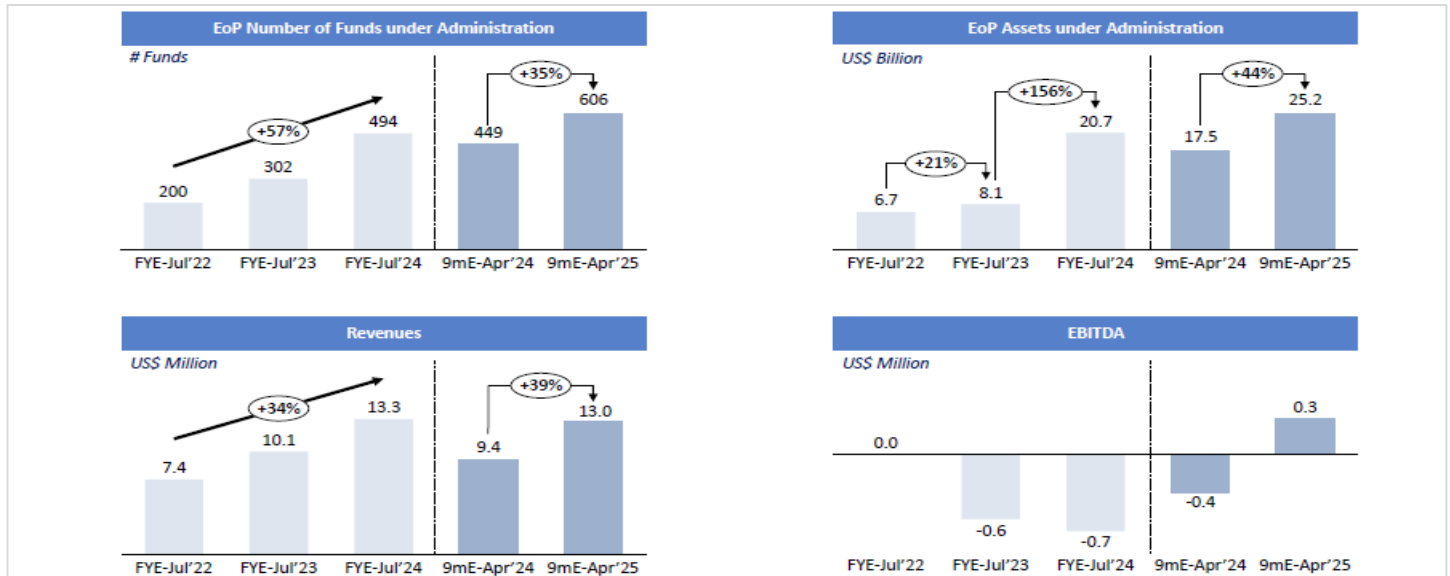


Source: Company, Nuvama Research

Ascent Fund Services

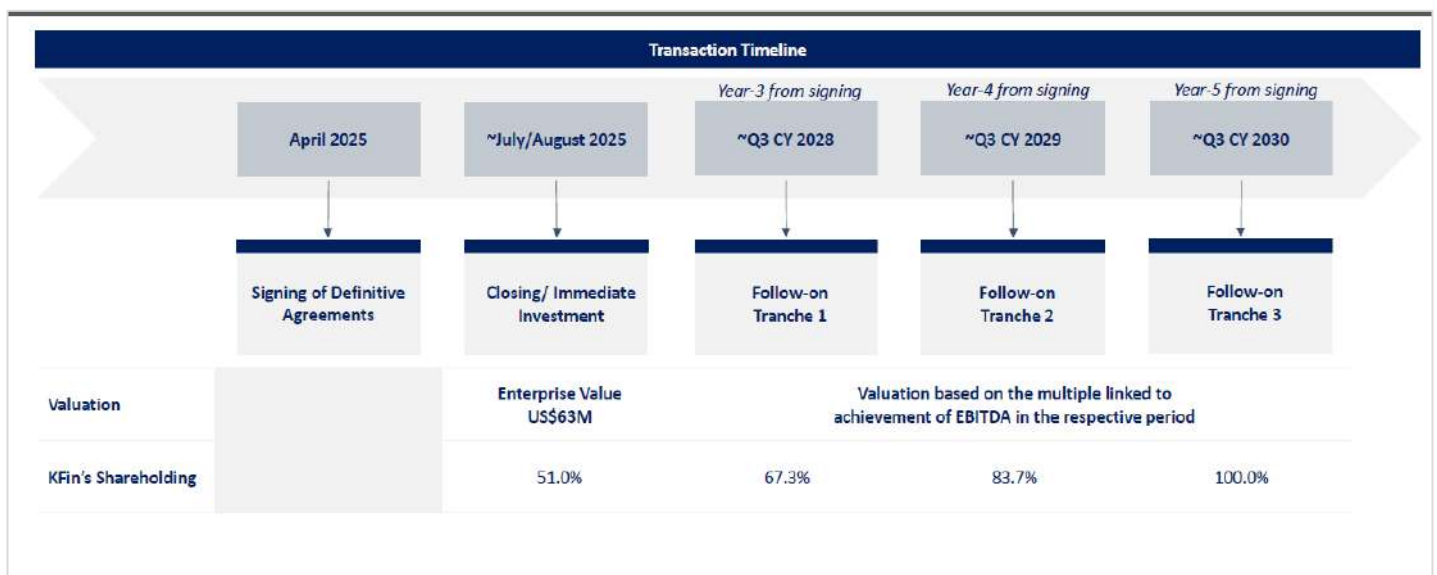
Founded in 2019 and headquartered in Singapore, Ascent Fund Services is a fast-growing independent fund administrator specialising in services for alternative investment funds. The company manages over USD25.2bn in assets under administration across 576 live funds in 18 countries. It has put up a strong financial performance with FY24 revenue of USD13.3mn (32% YoY growth) and USD13.0mn in 9MFY25 (39% YoY growth), with 92% of revenue being recurring in nature.

Exhibit 14: Ascent: Key performance indicators



Source: Company, Nuvama Research

Exhibit 15: KFINTECH-ASCENT: Deal construct and timeline



Source: Company, Nuvama Research

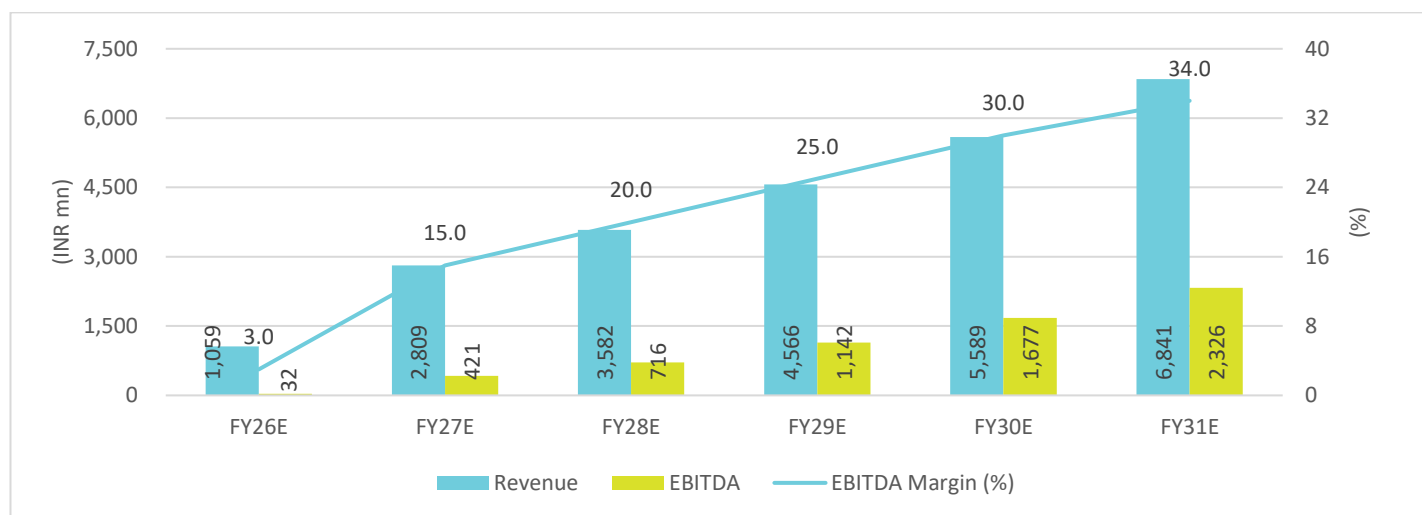
Exhibit 16: We build in below estimates into KFIN's earnings

	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
AuA (USD bn)	35	46	57	71	86	103
Growth (%)	30.0	30.0	25.0	25.0	20.0	20.0
Revenue (USD mn)	24.6	31.9	39.9	49.9	59.9	71.9
Growth (%)	30.0	30.0	25.0	25.0	20.0	20.0
Revenue (INR mn)	1,059	2,809	3,582	4,566	5,589	6,841
EBITDA (INR mn)	32	421	716	1,142	1,677	2,326
EBITDA Margin (%)	3.0	15.0	20.0	25.0	30.0	34.0
EBIT (INR mn)	21	393	680	1,096	1,621	2,258
EBIT margin (%)	2.0	14.0	19.0	24.0	29.0	33.0
PAT (INR mn)	18	334	578	932	1,378	1,919
Growth (%)		1,756.4	73.0	61.1	47.9	39.3
PAT margin (%)	1.7	11.9	16.2	20.4	24.7	28.1

Source: Company, Nuvama Research

Note: For FY26E only 6 months revenue will be recognised as consolidation to happen from H2FY26E.

Exhibit 17: Ascent to clock substantial EBITDA margin improvement to 34.0% by FY31E



Source: Company, Nuvama Research

Note: For FY26E only 6 months revenue will be recognised as consolidation to happen from H2FY26E.

Valuation

We are valuing KFINTECH on an SoTP basis. We assign a multiple to each of its business segments. The international segment includes earnings from Ascent and has been assigned a higher multiple (50x), reflecting its stronger growth potential and anticipated improvement in EBITDA margins compared with the relatively mature domestic business (42x). The global business segment, which is reporting a structural decline, has been included in the international segment. We have also incorporated the present value of cost of acquisition for the remaining 49% stake in Ascent (10x EBITDA over FY29–31E).

We are valuing KFINTECH on an SotP basis by assigning multiples to FY27E NOPLAT for each business segment, yielding an unchanged TP of INR1,540; maintain 'BUY'.

Exhibit 18: KFINTECH valuation by SotP

Particulars	Parameters	EBITDA	Tax rate (%)	FY27E	Multiple (X)	Valuation (INR mn)
Domestic mutual fund investor solutions	Post tax EBITDA	6,432	25	4,824	42.0	202,594
Issuer solutions	Post tax EBITDA	1,128	25	846	42.0	35,520
International and other investor solutions including Ascent	Post tax EBITDA	1,300	25	975	50.0	48,740
Total (A)						286,854
Less:						
Unallocated expense (B)	Tax adjusted expense	1,808	25	1,356	18	24,402
PV of balance 49% acquisition cost in Ascent (C)						5,450
Net debt (FY27E) (D)						(7,845)
M.Cap (A-B-C-D)						264,992
TP (INR/share)						1,540
CMP (INR)						1,162
Upside (%)						32.5

Source: Company, Nuvama Research

Exhibit 19: Changes in estimate

	Earlier			Revised			Change (%/bps)		
(INR mn)	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Equity AUM	15,582	18,641	22,187	15,683	18,866	22,562	0.7	1.2	1.7
Revenue	13,374	16,588	19,370	13,043	16,521	19,336	(2.5)	(0.4)	(0.2)
EBIT	4,905	6,085	7,656	4,746	6,102	7,712	(3.3)	0.3	0.7
EBIT margin (%)	36.7	36.7	39.5	36.4	36.9	39.9	(30)bp	25bp	36bp
NOPLAT	3,621	4,484	5,635	3,502	4,498	5,677	(3.3)	0.3	0.8
NOPLAT Margin (%)	27.1	27.0	29.1	26.8	27.2	29.4	(23)bp	19bp	27bp
APAT	3,913	4,663	5,837	3,793	4,675	5,878	(3.1)	0.3	0.7
EPS	22.7	27.1	33.9	22.0	27.1	34.1	(3.1)	0.3	0.7
ROE (%)	25.7	26.2	27.8	24.9	26.3	28.1	(72)bp	17bp	27bp
Target price (INR)	1,540			1,540			-		
Rating	BUY			BUY					

Source: Company, Nuvama Research

Q1FY26 conference call: Key highlights

Yields: Management reiterated that yield compression has largely played out for the year. Many client contracts are structured with telescopic pricing. As AUM grew significantly, a portion of that growth fell into lower-rate slabs, thereby reducing the overall blended yield. The company offered selective discounts to a few fast-growing AMCs. These clients experienced rapid AUM growth, and KFINTECH shared some of the benefits via lower rates. These discounts are contractual and one-time in nature during renewals, not recurring every quarter. SIP book AUM rose to INR4.7tn, surging 25.7% YoY (market share at 32.1%, 30bp YoY/30bp QoQ).

Order win: The company won three of the four AMC mandates during the quarter, including Abakkus, Marcellus, and Pantomath.

Issuer Solutions: It added 880 new corporate clients in Q1. This included both listed and unlisted companies, which the management expects to contribute meaningfully to revenues in upcoming quarters.

AIF: The AIF business continues to grow strongly, with market share increasing from 34% to 37%. KFINTECH has become the most preferred player in this segment due to its proprietary tech platforms that integrate fund admin, transfer agency, analytics, and digital services across India and GIFT City.

National pension system breaks even: KFINTECH's NPS platform, despite being focused only on the private sector, now holds over 10% market share in overall plan count. The segment has broken even and delivered 32% YoY subscriber growth. Management sees strong potential here given recent regulatory changes and the government's push toward a pensionable society.

International business: 13 new client (yet to go live) wins across Malaysia, Singapore, the Philippines, and GIFT City. The management attributed the slowdown in international business revenue growth in Q1 primarily to their planned wind-down of the Global Business Solutions as it does not align with their long-term strategy of becoming a pure-play global fund administrator. There was also a INR5mn sequential dip in NPS revenues, which was attributed to seasonality. NPS typically sees a spike in Q4 due to tax-related contributions. Excluding GBS and seasonal NPS impact, the core international business grew 36% YoY, which remains healthy and aligned with their guidance. Management reaffirmed confidence that international and investor solutions (ex-GBS) will continue to grow 30–35% YoY going forward.

Wealth platform: KFINTECH's Empower Wealth platform is live with two large contracts in India and won its first international deal in the Philippines. Designed to be multi-currency and multi-asset, the platform is targeted toward family offices, insurers, and wealth managers. It offers significant non-regulatory revenue potential and fast scalability.

KRA business: KFINTECH launched its KRA business and signed up five clients within weeks. Notably, it is the first KRA in India to introduce tokenization, aiming to make investor onboarding more seamless and secure. The company is targeting all its mutual fund clients and large broker platforms as potential KRA clients.

Ascent fund services: Ascent delivered 35% YoY growth but showed flat EBITDA due to continued investments in talent and tech expansion. Once integration and scaling mature, management expects Ascent to match or exceed KFINTECH's margin profile, leveraging its low-cost Indian delivery model.

Outlook: Despite Q1 being seasonally weak due to higher payroll costs and low corporate actions, management expects margins to expand Q2 onwards as AUM grows and no further yield decline is expected. Current yield compression is mostly a one-time reset due to contract renewals and AUM-linked pricing.

Company Description

KFin Technologies Limited (KFINTECH) stands out as a prominent technology-driven financial services platform in India. Specialising in serving the capital markets ecosystem, it extends its comprehensive solutions to asset managers and corporate issuers across various asset classes.

With a global footprint, KFINTECH goes beyond India's borders to provide extensive investor solutions to asset managers in Malaysia, Philippines, Singapore, Hong Kong, Thailand, and Canada. As of March 31, 2025, it is the second largest investor solutions provider for Indian mutual funds in terms of AUM serviced, and the leading issuer solutions provider based on the number of clients serviced.

KFINTECH is the sole investor and issuer solutions provider catering to diverse entities, including mutual funds, alternative investment funds, wealth managers, and pension funds.

Investment Theme

KFin Technologies (KFINTECH) has a robust domestic MF RTA business (32.7% share in total MF assets) and stable issuer charges business (49.6% share in market capitalisation of NSE 500 companies), and gives optionality in international and alternatives fund administration business. We reckon the business has strong moats and shall deliver improved margins. It is set to benefit from higher retail participation in equity markets via both MF and direct investing route.

Key Risks

- Regulator risks as further TER cuts may reduce pay-outs to RTAs.
- Persistent equity market weakness may dampen inflows/revenue.
- A further shift towards ETFs/index funds as this category generates much lower fees.
- Any rise in AUMs driven largely by alternatives may result in cannibalisation of revenue and growth prospects.
- Cybersecurity incident/malfunction may call for steep tech spends.
- Concentration risk if diversification into alternatives and international segment does not pan out as planned.

Additional Data

Management

CEO	Venkata Satya Naga Sreekanth Nadella
CFO	Vivek Mathur
Head - IR	Amit Murarka
Auditor	M/s. B S R and Co

Holdings – Top 10*

	% Holding		% Holding
Compar Estates	10.69	Vanguard group	2.22
Kotak Mahindra	7.70	Indus India Fun	2.15
Aberdeen group	3.25	Axis Asset Mana	1.64
Nippon Life Ind	3.03	IIFL India Priv	1.62
Sixteenth Stree	2.59	L&T Mutual Fund	1.41

*Latest public data

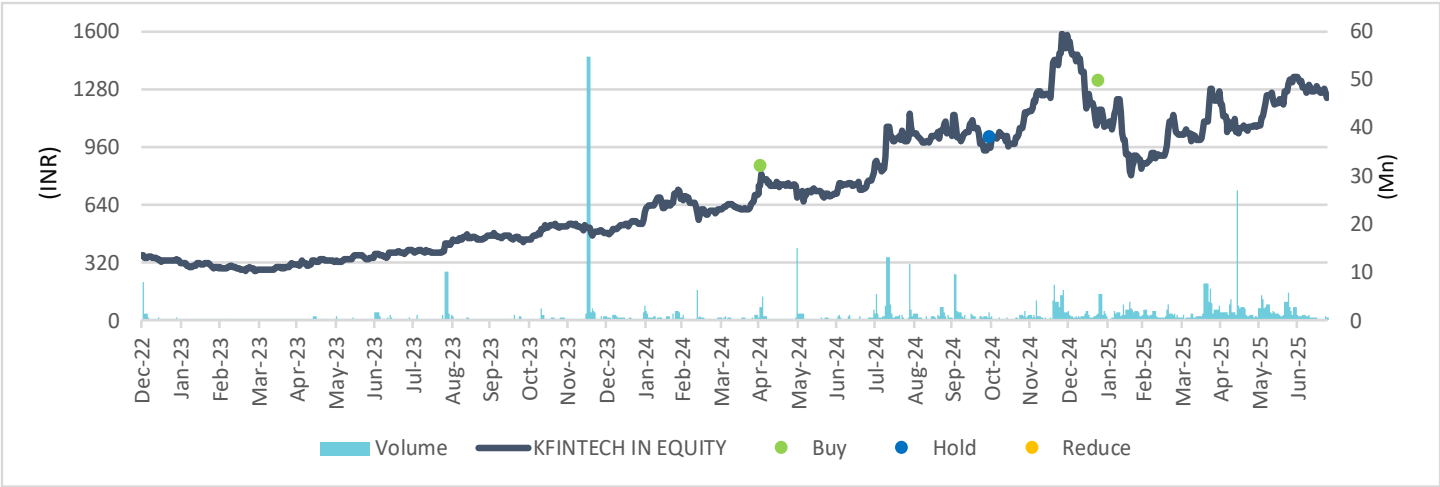
Recent Company Research

Date	Title	Price	Reco
29-Apr-25	Ascent to accelerate top line; <i>Result Update</i>	1,270	Buy
16-Apr-25	Global leap: Ascent to diversification; <i>Company Update</i>	1,052	Buy
23-Jan-25	In-line performance ; <i>Result Update</i>	1,244	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
24-Jul-25	UTI AMC	Market share loss continues ; <i>Result Update</i>
24-Jul-25	Aditya Birla Sun Life AMC	Net flow trend improving; <i>Result Update</i>
17-Jul-25	HDFC AMC	Buoyant equities spur AUM growth; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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Abneesh Roy

Head of Research Committee

Abneesh.Roy@nuvama.com
