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Initial Public Offer of KFIN Technologies Limited

Issue Opens on: December 19, 2022 | Issue Closes on: December 21, 2022

Price Band – ₹ 347 to ₹ 366 per equity share

The Floor Price is 34.7 times the face value of the Equity Shares and the Cap Price is 36.6 times the face value of the Equity Shares

Minimum Bid Lot of 40 shares; Bids in multiples of 40 shares thereafter

Initial Public Offer of up to 4,09,83,606* Equity shares of face value of ₹ 10 each ("Equity Shares") of KFIN Technologies Limited ("Company" or "Issuer") for cash at a price of ₹ [●] per equity share (including a share premium of ₹ [●] per equity share) ("Offer Price") aggregating up to ₹ 15,000 million (The "Offer") comprising an Offer for Sale of up to 4,09,83,606* equity shares (the "Offer for Sale") by General Atlantic Singapore Fund Pte. Ltd. (the "Promoter Selling Shareholder"). The offer shall constitute [●] % of the post-offer paid-up equity share capital of Company.

*Assuming aggregate shares, amounts and/or percentage calculated at upper end of the Price Band of ₹ 366.

Overview of the Company

Business Overview

- KFin 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, as per CRISIL.
- As on September 30, 2022, as per CRISIL, KFin is:
 - India's largest investor solutions provider to Indian mutual funds, based on number of AMC clients serviced;
 - 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;
 - services 301 funds of 192 asset managers in India, representing 30% market share based on number of AIFs being serviced;
 - one of the three operating central record keeping agencies ("CRAs") for the National Pension System ("NPS") in India;
 - 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, the Company is servicing 18 AMC clients in Malaysia in addition to three clients in Philippines and Hong Kong; In addition, it has signed two new AMCs in Malaysia and one AMC in Singapore that are yet to launch operations as on September 30, 2022
 - the largest issuer solutions provider in India based on number of clients serviced; The Company is one of only two players of scale in India's issuer solutions space where it holds 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,
- KFin provides several critically important services to the Indian capital markets ecosystem. It provides 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.
- The Company has adopted a platform driven product design and delivery approach to service the varied needs of its clients. It has 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. KFin provides its clients with a data driven technology solutions that combines its in-house platform technologies and several of its in-house value added services ("VAS") products across different asset classes, including white label technology to meet client requirements
- Within the Company's global business services business, it manages a global 'center of excellence' for a large global mortgage and issuer services provider, wherein it provides global business services such as mortgage services, legal services, transfer agency services and finance and accounting services on a fully outsourced basis by leveraging its technology and execution skills

as well as India's low-cost advantage

- KFin 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 ₹ 239.30 billion) average daily settlement for domestic mutual funds in the six months ended September 30, 2022
- The markets Company serves, and the requirements of its clients are highly complex, requiring real time information collection, authentication, processing, validation and dissemination. Its platform enables KFin's clients to monitor their data, measure performance, comply with regulatory requirements and communicate to various stakeholders internally and externally. Its platform helps its clients reduce cost, time, errors and operational risk and allows them to reallocate resources to other value-creating activities that are core to their business.

The following table sets forth certain key operational and financial metrics as of and for the periods/years indicated

	As of and for the period / year ended			
	September 30, 2022	March 31, 2022	March 31, 2021	March 31, 2020
<u>Investor Solutions—Domestic mutual fund solutions</u>				
AAUM serviced (in ₹ bn) for the quarter ended September, 2022	12,294.70	11,970.29	9,105.12	7,233.34
Equity AAUM share / Mix	56%	54%	49%	47%
SIP Book (in ₹ bn) for the quarter ended September 30, 2022	1,976.24	1,772.58	1,207.35	772.78
AAUM Market share (%) for the quarter ended September 2022	31.00%	31.00%	28.00%	27.00%
Equity AAUM Market share (%) for the quarter ended September 2022	35.00%	35.00%	33.70%	30.70%
Monthly Equity AAUM (in ₹ billion) for the last month of reporting period	7065.8	6,356.16	4,596.23	3,055.56
Monthly SIP inflows (in ₹ million) for the last month of reporting period	54,465	53,401	37,617	33,710
No. of transactions handled (in mn) for half year ended September 2022	152.09	275.14	179.68	160.46
No. of systematic transactions (in mn) for half year ended September 2022	116.9	194.79	126.94	107.76
Number of live folios (in million) as on September 2022	65.18	60.71	41.64	36.17
Number of total investor folios (in million) as on September 2022	112.93	107.84	89.18	78.43
Number of PAN accounts handled (in million) as on September 2022	23.93	22.03	13.78	11.86
<u>International investor solutions</u>				
AAUM serviced (in ₹ bn) as on September, 2022	523.91	634.34	614.31	457.78
Transactions handled (in million) for the half year ended September 2022	2.24	3.23	3.1	0.94
<u>Pension services</u>				
AAUM managed (in ₹ bn) as on September' 2022	252.95	211.16	30.51	8.23
No. of subscribers as on September' 2022	8,41,938	7,47,576	3,61,152	2,10,063
Number of corporate clients	1,756	1,396	1,028	709
Number of transactions handled (in million)	2.72	3.53	1.78	0.61
<u>Alternative & wealth management solutions</u>				
AAUM managed (in ₹ bn) as on September' 2022	620.25	504.68	358.1	311.34
Number of managers as on September, 2022	201	178	135	49
No. of funds as on September, 2022	301	268	240	88
<u>Issuer solutions</u>				
Number of clients as on September, 2022	5,051	4,770	4,413	4,048
Number of folios (in million) as on September, 2022	107.69	102.6	75.21	58.27
Number of transactions (in million) for the half year ended September, 2022	1.74	2.95	2.04	1.88
Number of IPOs handled for the half year ended September, 2022	4	22	15	5
IPO market share by issue size handled during half year ending September, 2022	64%	39%	60%	18%
Market share in NSE 500 companies by market capitalization	45.93%	45.24%	44.35%	47.77%
<u>Global business services</u>				
Number of billable FTEs	319	331	339	323
Number of transactions handled (in million)	35.21	46.87	39.01	21.71
<u>Gross margin and other KPIs</u>				
Profit / (loss) for the period (in million)	853.45	1,485.49	-645.07	45.23
Profit Margin (in %)	24.47%	23.23%	-13.41%	1.01%

Gross Margin (in %)	60.19%	61.46%	59.20%	51.44%
Operating EBITDA	36.03%	42.74%	41.09%	32.82%
Asset turnover ratio (x)	2.57	3.2	3.01	3.47
Free cash flows (in ₹ million)	335.79	1,758.73	1,653.44	891.67
Free cash flow conversion from Operating EBITDA (in %)	26.72%	64.34%	83.64%	60.40%
Period-on-period revenue growth (in %)	19.89%	32.91%	6.95%	_*
Capital expenditure as a % of revenue from operations	8.94%	10.65%	6.17%	1.66%
Operating EBITDA to EBIT excluding goodwill and right of use asset amortization	87.05%	90.64%	89.89%	88.70%

Select list of shareholders:

S. No.	Name of the Shareholder	Number of Equity Shares	Percentage of the pre-Offer Equity Share capital on a fully diluted basis (%)*
1.	General Atlantic Singapore Fund Pte. Ltd.	123,009,706	72.51
2.	Compar Estates and Agencies Private Limited	18,414,296	10.86
3.	Kotak Mahindra Bank Limited	16,725,100	9.86
4.	C. Parthasarathy – HUF	1,986,974	1.17

Scaled platform with strong track record of growth and market leadership

- KFin is one of the two leading investor solutions providers in India as on September 30, 2022. It is 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, as per CRISIL
- In addition, it has signed on two new AMCs that are yet to launch operations as on September 30, 2022
- As on September 30, 2022, KFin holds a 46% market share based on the market capitalization of NSE 500 companies in India's issuer solutions space, as per CRISIL. As on September 30, 2022, it serves more than 5,051 listed and unlisted corporates with 107.7 million issuer solutions folios out of a total of 172.9 million folios, as per CRISIL
- The Company believes it achieved this market leadership position across its businesses by leveraging its platform comprising in-house technology and services developed in-house, combined with deep domain expertise resulting from its experience of working with multiple regulators, its low-cost operations for international clients where it leverages India's low cost advantage, dedication to client success, and continued enhancement of its platform through in-house product development as well as synergistic acquisitions.
- Due to reasons specified, revenue from KFin's investor solutions, issuer solutions and global business services grew at a CAGR of 26.60%, 20.58% and 8.08%, respectively, between Fiscals 2020 and 2022
- In addition to the Company's growth from its organic efforts, it has a proven track record of undertaking strategic acquisitions and effectively integrating and growing acquired businesses. For instance, pursuant to the Scheme of Amalgamation, it took over the international investor solutions business that was started in South East Asia by the erstwhile entities, consisting of eight clients in Malaysia and Philippines. KFin took over the growing business and it has expanded significantly since then and have grown it to 21 AMC clients across Malaysia, Philippines and Hong Kong as on September 30, 2022 by entering into direct agreements with clients

The Company's diverse multi-asset servicing platform is well-positioned to benefit from strong growth across large markets in India and South East Asia

- As per CRISIL, between Fiscals 2022 and 2027:
 - the Indian mutual fund industry's AUM is projected to sustain a high growth trajectory of 14% CAGR;
 - AIF industry to grow at a CAGR of 27-29%;
 - the wealth management market is projected to grow at a CAGR of 12-14% and cross ₹ 47 trillion by Fiscal 2027;
 - AUM for NPS is expected to grow at a CAGR of 18-19%
 - the value of individual investors' direct equity ownership in all NSE companies is expected to grow at a CAGR of approximately 18% due to a rise in index, listing of new companies and increased participation of retail investors in equity markets.
- KFin's multi-asset servicing platform allows it to serve asset managers and issuers across each of these businesses. Accordingly, it believes that it is positioned to benefit from macro tailwinds around growth in net household financial savings and subsequent growth across each of these asset classes.
- The Company operates in multiple large markets in India, Hong Kong, Malaysia and Philippines, along with presence in Oman and Maldives, across several of these asset classes. This has allowed it to grow as a regional business and not just as an India focused business
- KFin believes that the combination of macro factors in the markets in which it operates such as relevant government push, increased investor pool and client engagement, broadening distribution channel, digital disruption, sustainable finance and shift in attitude of investors (as per CRISIL) provides it with a significant growth opportunity across these markets.

Unique "platform-as-a-service" business model providing comprehensive end-to-end solutions enabled by technology solutions developed in-house

- KFin's technology offering enables transaction lifecycle management combined with highly secure data collection, processing and storage; It works with a data center which houses over 350 servers and data storage handling capacity of over 250 TB.

- The Company has implemented a platform based cross sell approach on a deep product stack. Its core service offerings provide end-to-end support across front office, middle office and back end combined with a suite of VAS
- KFin's VAS such as 'white labelled' digital platforms such as AMCs websites, mobile apps, distributor platforms, platforms for AMC employees for assisted sales, platforms for institutional investments, business insights reports to CXOs of AMCs, electronic AGM, electronic voting, and compliance platform, have helped it to increase wallet share with its existing clients
- The Company has launched over 20 new products over the last three Fiscals and six months ended September 30, 2022, with two products in the pipeline. This client centric approach and development of solutions that are easily extendable to other clients provides it with economies of scale without incurring incremental development costs.
- KFin's platform is therefore modular and adaptable for clients across geographies. Further, it can onboard a client and customize its platform for their requirements and enable them to launch their business with quick turnaround times
- KFin continues to automate processes and enhance its systems and risk management to ensure that all its obligations and regulatory requirements are completed on a timely basis and its systems and infra-availability stands at 99.99% accuracy. Its 10 gigabyte enhanced intranet ensures data transactions to be processed with no latency

Deeply entrenched, long-standing client relationships with a diversified and expanding client base

- Due to the comprehensive nature of its platform and the reliance of its clients to source end-to-end services from it, the Company is integral to the business and operations of its clients which results in long-term engagement with limited client churn.
- KFin provides complex solutions and services with significant expertise that has been honed over the years of presence in the industry and experience of working with clients, several of which are some of the largest companies operating in their respective segments
- In India, the investor solutions business that the Company operates in typically has two to three players, as it requires high technology intensity and a track record of delivery at scale, and are subject to stringent compliance and regulations, resulting in high barriers to entry for any new entrant, as per CRISIL. As a result, it has been able to retain a large proportion of all its clients across its businesses including the business acquired pursuant to the Scheme of Amalgamation; KFin has never lost an AMC or MF client over the last three Fiscals and six months ended September 30, 2022 to competition except where its client had been acquired by another AMC that was not its client or where its client had ceased operations
- Similarly, for the Company's issuer solutions business, client loss is minimal and primarily restricted to merger and acquisitions and other corporate changes. It has 95.31% and 98.62% logo retention in its issuer solutions business over Fiscal 2022 and six months ended September 30, 2022, respectively
- Sale of services from entities that have been clients for more than five years constituted 79.80% of KFin's total income over six months ended September 30, 2022

Asset-light business model with recurring revenue model, high operating leverage, profitability and cash generation

- KFin operates an attractive business model with a demonstrated track record of consistent profitability and returns, while operating an asset light model which has previously generated a strong free cash flow
- The Company believes its business operations are highly resilient and predictable to a large extent due to deep client entrenchment and largely recurring nature of revenues
- KFin's revenue model is different for each of its businesses
- Its asset turnover ratio was 3.20x and 2.57x in Fiscal 2022 and six months ended September 30, 2022 (on an annualized basis), respectively

Experienced management team, backed by a strong board and marquee shareholders, along with strong culture of compliance

- The Company has a seasoned professional leadership team, consisting of its Chief Executive Officer, Chief Finance Officer and Key Managerial Personnel. They are supported by experienced senior managers who have extensive industry knowledge and have been associated with KFin as well as with leading multinational companies in India and outside India for a long period of time.
- KFin's CEO took over as the position in June, 2020 and has been instrumental in driving business growth through new client wins specifically in alternatives and wealth management and new clients in Malaysia, Philippines and Hong Kong, attracting talent at senior management positions and driving technology transformation for a product platform-based go-to-market strategy. Its CEO won the top 25 CEOs in Asia by the Financial Technology Report, 2020
- The Company's Promoter is ultimately owned by funds advised by General Atlantic ("General Atlantic"). General Atlantic is a leading global growth equity firm with more than four decades of experience providing capital and strategic support for over 479 growth companies throughout its history. General Atlantic currently has over USD 73 billion in assets under management inclusive of all products as of November 25, 2022
- KFin's culture of compliance, focus on systems, processes and technology has allowed it to become a trusted provider of services to its clients and other stakeholders. It actively tracks its compliance status on a quarterly basis by deploying compliance measurement tool, which tracks over 1,000 compliances across 34 operating units, 33 task owners and reviewers with 550 unique compliance IDs with a coverage across its nine departments.
- The Company has implemented a cyber-security and cyber resilience policy, and its processes are ISO 27001:2013 certified

Strategies

- Maintain the Company's leadership in current businesses by enhancing its value proposition and further deepening its relationship with existing clients
- Further expand its client base and market share through enhanced sales and marketing
- Investing in technology solutions and product innovation

	<ul style="list-style-type: none">• Focused and selective international expansion• Pursue strategic acquisitions• Attract and retain talent especially in technology and business development functions
Objects of the Offer	<ul style="list-style-type: none">• The objects of the Offer are to<ul style="list-style-type: none">(i) to carry out the Offer for Sale; and(ii) achieve the benefits of listing the Equity Shares on the Stock Exchanges. <p>Company will not receive any proceeds from the Offer and all the Offer Proceeds after deducting the Offer expenses and relevant taxes thereon, will be received by the Promoter Selling Shareholder, in proportion to the Offered Shares sold by the Promoter Selling Shareholder as part of the Offer</p>

Investors are requested to refer to the Red Herring Prospectus (available at <https://www.icicisecurities.com/OfferDocument.aspx>) dated December 10, 2022 for details regarding the Offer, the Company and the risk factors before taking any investment decision.