

Responses to the questions raised during the sixth Annual General Meeting of KFin Technologies Limited

Question: What actions have the company undertaken to prevent future occurrences of fraud?

Response: We maintain audit and surveillance as part of internal controls commensurate to the size and complexity of our business. Our internal surveillance and audit team regularly assesses these controls to ensure compliance with policies and regulations. We have established a robust financial reporting system aligned with internal controls and regulations. We also have a reputed external audit firm to conduct internal audit across business functions and operations of the Company. Both internal and statutory auditors periodically review internal controls to minimize the risk of fraud and discrepancies. The Audit Committee and Risk Management Committee of the Board oversees the effectiveness of internal controls and risk management functions. The Board oversees the Committee's actions to give further guidance.

It's important to mention that we've implemented a cybersecurity and cyber resilience policy, and our processes have been certified to ISO 27001:2013 standards. The company has also renewed its ISO 9001:2015 certification for its advanced Quality Management System and its SOC 1 Type 2 certification for FY 2022-23, demonstrating our commitment to maintaining the highest standards in data security and operational excellence. The details can be found on our website: <https://investor.kfintech.com/certifications/>

Question: What measures has the company implemented to enhance female representation within its workforce?

Response: We are an equal opportunity employer, promoting diversity, equality, and inclusion as key focus areas. Women employees are entitled to benefits like maternity leave, adoption leave, tie-up with creche / day-care facility, return-to-work policy.

Currently, 30% of our global workforce consists of female employees, and we are dedicated to increase further participation on a sustained basis. We anticipate that in the upcoming quarters, we will achieve a more substantial representation of female staff across organizational levels, including senior management and leadership roles.

Question: Could you please provide an overview of the green initiatives taken by the company?

Response: As per the last ESG evaluation, we were rated Level A, surpassing majority of the entities within our industry and corporate sector. The comprehensive details regarding this assessment are accessible on our official website (<https://www.kfintech.com/esg/>).

It's important to note that this assessment is conducted by an independent third-party entity.

Question: If you can please send me a memento with Mr. Chairman's photograph and autograph

Response: We will look into this request.

Question: Resolution of grievances is taking longer time than before. Where should one complain to get quick resolution?

Response: Thank you for bringing your concern to our attention. We greatly value your feedback, and we are committed to strengthening our processes and expediting timelines. It's essential to recognize that certain factors have contributed to the extension of these timelines, including:

1. Regulatory changes necessitating a more comprehensive set of checks and balances.

2. Growing number of incidents related to impersonation and fraud within the industry.

We are driven by the responsibility to address customer complaints in a timely manner by producing results and safeguarding the interests of investors. With technology readily available to all, we have witnessed a significant impact on the process, compelling us to establish stringent checks and balances to protect investors' rights.

While it may not necessarily apply directly to your case, I assure you that we are forming a dedicated committee to address the grievances of senior citizens. Our primary focus will be on addressing these specific concerns, with the aim of delivering tangible and visible improvements in near future.

In addition, we will reach out to you to address your specific queries. You may also write to us for specific matters on contact details mentioned on our website <https://www.kfintech.com/contact-us/>

Question: There was no prior communication from the team to the speaker. Nobody called me to check if I have any queries.

Response: Our representative Ms Rajitha must have reached out to you on your registered contact number. Your request for registration as a speaker was taken on record. However, our representative will further reach out to you to resolve any specific queries that you may have.

Question: There was no response on the contact details mentioned in the AGM notice.

Response: Your concern has been noted and we will ensure that you have a smooth experience in future.

Question: E-AGM platform should ask for PAN details instead of passwords for login purpose. Remembering password is a cumbersome process.

Response: We have two options for logging into our E-AGM platform. Either an individual can login using the user id and password, or he / she can also login using the mobile number and one-time password. Mobile number of the shareholder to be used for login must be registered with their respective depositaries under the contact details.

Question: Could you please provide clarification regarding the process for lodging complaints and the specific details of how and where such complaints should be submitted or documented?

Response: You can reach out to us by visiting our website - <https://www.kfintech.com/contact-us/> and register your complaints by sending email to the specific email ids mentioned therein. It is important to note that all complaints are monitored for responses within specified timeframes. Our commitment extends beyond mere responses; we ensure the resolution of complaints in a timely and effective manner.

Question: Could you please outline the company's prospective growth strategies and its readiness to address competition in the future?

Response: Our commitment is to maintain our position as the largest registrar and transfer agents in the country, delivering value to all our stakeholders, which encompass shareholders, corporate entities, asset management firms, distributors, investors, regulators, and others. We are confident that our proficiency in securing mandates and our technological capabilities will enable us to win new clients in the future. The evidence of our prowess lies in the fact that we have successfully secured a greater number of new mandates when compared to our competitors, underpinning the quality of our services.

I deeply appreciate the diversity of our clients' investor base, which comprises of approximately 23 crore investors. It is essential to acknowledge that not every stakeholder may always find complete satisfaction in our services, but we are committed to ensure that we do not stagnate but rather continue to evolve. Every stakeholder holds significant value for us, and we remain dedicated to expanding our presence in India as well as in the overseas market, in alignment with our articulated objectives.

Furthermore, we are enthusiastic about our prospects of the international expansion plans. We firmly believe in the value proposition we can offer, characterized by competitive pricing and cutting-edge technological solutions. Currently, we have presence mainly in the South-East Asian countries with plan to expand to the western economies like the United States and Europe, and this presents an opportunity to take our products and solutions to global markets.

India being a large digital consumer market, we have developed innovative solutions that are far ahead of the curve. Our intention is to leverage these solutions and introduce them to other markets, providing a compelling value proposition for stakeholders.

In summary, our strategy revolves around maintaining our position as a leader in our sector, with a relentless focus on the quality of our services and continuous improvement to meet evolving needs on a timely basis.

Question: Does the company maintain a physical office within Gift City, and if so, could you please provide information regarding the total number of employees located there, including the specific counts of female employees and those with physical disabilities?

Response: Yes, we have an office within Gift City, where we currently employ 13 individuals of which eight are male employees and five are female employees.

It is noteworthy that, from an investor solution standpoint, we service approximately 60% of all the funds domiciled in Gift City, demonstrating our significant presence and role in managing these funds.

Question: What percentage of your total expenditures is allocated to IT spending?

Response: In FY23, our aggregate IT expenditure amounted to Rs 151 crores, representing 36% of our total operating expenses or 21% of our total revenue. Within this allocation, Rs 121 crores were attributed to IT Opex, with a breakdown of Rs 89 crores for manpower-related expenses and Rs 32 crores for non-manpower expenditures. Additionally, Rs 30 crores were allocated to IT Capex, divided into Rs 18 crores for tangible assets and Rs 12 crores for intangible assets.

Question: I have been continuously facing poor service and there has been no resolution to my grievances.

Response: We will reach out to you to address your concern.

Question: What is the company's dividend policy.

Response: As you all know, our company recently went public. We, from a management perspective, are highly optimistic about the substantial growth prospects that lie ahead for our organization. Achieving this growth necessitates a substantial allocation of capital, which we firmly believe will yield significantly higher returns in the future for our shareholders, particularly in terms of the appreciating value of our shares, as opposed to a tactical distribution of funds.

We have a board approved dividend policy in place. Rest assured, we are committed to providing you with a comprehensive and definitive plan in the forthcoming quarters regarding our approach to dividends.

Question: Why is the buyback premium of RPS so high.

Response: The specifics of the arrangement in question can be found on page 241 and 242 of the annual report. It is important to note that this commercial arrangement was established well in advance of the IPO and received due approval from both the board of directors and the shareholders at that time. The decision to proceed with a buyback instead of redemption is a matter of technical interpretation, aligned with a Supreme Court judgment indicating that the redemption of redeemable preference shares is equivalent to a buyback. Furthermore, this decision is consistent with the terms outlined in the shareholder agreement, which explicitly grants the Company the authority to buyback the preference shares from the beneficiaries. Formal approval will be sought from both the board and the shareholders in due course.

Question: What is the reason behind the absence of any intimation regarding the settlement notice payment made to SEBI?

Response: Please refer the annual report wherein it was disclosed on page 65 under Board's Report, further on the page 103 under Business and Sustainability Report under Section C, Principle 1 Clause 2, and further on page 249 under note 35 G. The amount was Rs 91.2 lakhs and was charged under the head "Claims" shown under note 32, page 169 of the annual report.

Question: What are the reasons behind the lower margins in Q1FY24 compared to the margins of FY22-23, and what is the projected EBITDA for the current fiscal year?

Response: In our historical investor presentations available on our website, it can be observed that Q1 margins typically exhibit a lower performance in comparison to the margins recorded for the subsequent quarters and for the full year end. This phenomenon is predominantly attributed to underlying business seasonality, characterized by a reduced level of corporate actions initiated by our issuer solution clients during Q1. Additionally, Q1 is marked by salary increments provided to employees without any corresponding increase in the asset under management, further impacting our margins during this period. However, it is important to note that this variation is typically temporary in nature. As the assets under management grows and corporate actions within the issuer solutions segment starts materialising during the subsequent quarters, our business margins gradually rebound over rest of the fiscal year, ultimately compensating for the initial lower Q1.

Question: Could you provide an update on the operational status of our activities in Singapore and Thailand?

Response: In the case of Thailand, we are in the process of establishing an office. We have formally applied to the SEC Thailand, and have received in principle approval from them, subject to the completion of necessary formalities with Indian regulatory authorities. We are currently in the process of obtaining the requisite regulatory approvals from Indian regulators, after which we will proceed with the establishment of our offices in Thailand. We have few clients in Singapore and are in the process of working on our go-to-market plan.

Question: What prompted the practice of amortizing goodwill until March 31, 2021, and what were the reasons for its cessation thereafter?

Response: Until March 31, 2021, the practice of goodwill amortization was aligned with provisions of the 2018 amalgamation scheme, which had received approval from the NCLT. This arrangement was duly documented in the auditor's opinion and elaborated upon in the accompanying notes to the financial statements.

The decision to discontinue goodwill amortization took effect on April 1, 2021, and was in compliance with the Ind AS guidelines. As an entity that adheres to Ind AS, goodwill amortization was rendered impermissible under the prevailing accounting framework. Consequently, starting from April 1, 2021, the amortization of goodwill ceased, and instead, an annual assessment for impairment is now conducted by the statutory auditors in accordance with regulatory requirements.

Question: What were the underlying reasons for the company's decision to sell Artivatic Datalab at the purchase price?

Response: Artivatic was engaged in insurance back-office operations. A strategic decision was made by the board and management to abstain from further involvement in this sector, leading to the successful divestment. It's worth noting that in the context of minority investments, recovering the initial investment without incurring a loss is favourable. While there may not have been a financial loss, the experience gained in navigating mergers and acquisitions remains a valuable outcome of this endeavour.

Question: What were the company's objectives behind investing in One Money & Webile, and what strategies does the company have for future M&A?

Response: One Money is the first account aggregator, licensed by the RBI. Our company holds a minority stake of 25.63%. This strategic investment provides us with a formalized platform that enables us to gain insights into user requirements. These insights, in turn, serve as a foundation for the development of innovative technological solutions. It is important to clarify that our primary focus lies on the creation of a TSP layer, which will be built on top of the account aggregator infrastructure. While the revenue from account aggregator data exchange is not our primary focus, we are dedicated to utilizing the knowledge and information derived from the account aggregator ecosystem to construct cutting-edge platforms using the TSP layer. In the coming quarters, we anticipate unveiling state-of-the-art solutions that will result from this strategic approach, and we look forward to sharing further details at that time.

Regarding Webile, we hold 100% equity stake in the Company. Webile specializes in UI/UX development for platforms, enhancing the user experience not only for our clients but also for the various platforms that KFinTech has been actively developing. The rationale behind this acquisition was our recognition of the need for UI/UX expertise, which was not part of our core capabilities. Therefore, we made the strategic decision to acquire Webile to leverage their expertise and tap into the talent they bring. We believe that this acquisition will play a pivotal role in enhancing the user experience across our offerings, thus differentiating us in the future.

Regarding future M&A, we maintain an ongoing commitment to exploration. Our M&A strategy is rooted in three key pillars: geographical expansion, product diversification, and client acquisition. As we discuss future M&A endeavours, these will be aligned to one of the stated strategic categories. Our pursuit of opportunities extends to both the domestic Indian market and international prospects. As previously mentioned by Sreekanth, we are actively considering inorganic entry into the European and U.S. markets. Currently, we are engaged in the assessment of potential targets in these regions.

Question: I submitted a request for the dematerialization of shares of four companies. While three of them were successfully dematerialized, one was rejected due to signature mismatch. What is the reason for this rejection?

Response: One of our representatives will reach out to you to understand the matter and provide quick resolution.

Question: How were the proceeds from the Initial Public Offering (IPO) allocated and utilized by the company?

Response: The Initial Public Offering (IPO) was predominantly an offer for sale, during which the promoter divested a portion of its ownership stake. It is important to note that the Company, considering its existing surplus, did not have a requirement for additional capital to pursue its expansion plan. Consequently, the funds were not intended to be utilized for the Company's operational purposes.

Question: I did not receive the hard copy of the annual report and did not get the opportunity to register as a speaker.

Response: We had noted your request and had also sent you a hard copy of the annual report. Shareholders can send their request for registration as a speaker in the AGM on investorrelations@kfintech.com