

November 04, 2024

CS&G/STX/DQ2024/18

**1) National Stock Exchange of India Limited**

Exchange Plaza, C-1, Block G,  
Bandra Kurla Complex, Bandra (E),  
Mumbai – 400 051

Scrip Symbol: KFINTECH

**2) BSE Limited**

Phiroze Jeejeebhoy Towers,  
Dalal Street,  
Mumbai – 400 001

Scrip Code: 543720

**Sub. : Transcript of Earnings Conference Call**

**Ref. : Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”)**

Dear Sir / Madam,

Further to our previous intimation bearing reference no. CS&G/STX/DQ2024/05 dated October 14, 2024, pursuant to Regulation 30 and other applicable provisions of the LODR Regulations, please find enclosed herewith the transcript of the Earnings Conference Call held on October 29, 2024, in respect of the standalone and consolidated unaudited financial results of the Company for the quarter and half-year ended September 30, 2024.

The transcript can also be accessed on the Company’s website at the following link:

<https://investor.kfintech.com/financials/>

This is for your information and records.

Thanking you,

Yours faithfully,

**For KFin Technologies Limited**

**Alpana Kundu**  
**Company Secretary and Compliance Officer**  
ICSI Membership No.: F10191

*Encl.: a/a*



“KFin Technologies Limited  
Q2 FY '25 Earnings Conference Call”

October 29, 2024



**MANAGEMENT:** **MR. SREEKANTH NADELLA – MD AND CEO**  
**MR. VIVEK MATHUR – CFO**  
**MR. AMIT MURARKA – HEAD IR**

**MODERATOR:** **MR. DEVESH AGARWAL – IIFL SECURITIES**

**Moderator:** Ladies and gentlemen, good day and welcome to KFin Technologies Q2 FY25 Earnings Conference Call hosted by IIFL Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Devesh Agarwal from IIFL Securities Ltd. Over to you, sir.

**Devesh Agarwal:** Thank you, Shlok. Good morning, everyone, and welcome to the Q2 FY25 earnings call of KFin Technologies Limited. From the company, we have with us Mr. Sreekanth Nadella, MD and CEO, Mr. Vivek Mathur, CFO, and Mr. Amit Murarka, Head of Global Business Finance, M&A, and Investor Relations. I would now like to hand over the call to Sreekanth for his opening remarks, which will be followed by a Q&A session. Thank you, and over to you, Sreekanth.

**Sreekanth Nadella:** Thank you so much, Devesh. Very, very good morning to all the participants. Happy Dhanteras and happy festive season. In line with heralding this entire festive season, KFinTech is very happy and proud to announce yet another quarter, which was highly fulfilling, purposeful, and in line with our plans to become the first global fund administrator from India.

The numbers are published without having to dwell too much further into it, but the quarter that had gone by, we have clocked about 34% growth year-on-year, and even the sequential growth had been pretty strong at 18% quarter-on-quarter. Both EBITDA and PAT percentages have risen sharply on the back of sequential growth and productivity that we have orchestrated across every single business line.

This is despite our continual investments both into technological innovation and transformation for the betterment of our clients, investors, regulators, and intermediaries, as well as geographical expansion.

As we have been stating from the very beginning, as the first market intermediary who has global aspirations, our international business services has grown 44% year-on-year, and even more heartening is the number of deal sign-ups that we have done in the past quarter, clearly, of course, the revenue of which will be clocked into the coming months. That said, our pipeline for the coming quarters for new sign-ups is pretty heartening, and it is swelling with each and every progressive day.

We have also been evincing keen interest in driving controllable income, while we respect the fact that our business has innate linkages to how the market functions. It had been the management's endeavour to create and drive revenue lines where there is more control by the management, and revenue which is not directly linked to the equity markets. One such line of item is the value-added solutions and services, which is largely big data, analytics, CRM, and the mobility solutions that we create and orchestrate for our clients, as well as prospects.

Again, happy to inform you that revenue line also has grown by near about 46% year-on-year. Overall, as a percentage of the pie, this has risen to over 6.5%. Again, a number that I continue to believe has no bearing on the vagaries of the market and controllable revenue at our end. Five broad businesses this organization has been operating in.

The first of which has been the bread and butter, as well as the foundation for us, the domestic mutual funds business, in line with the market that we have seen a phenomenal amount of uptick in terms of mutual funds providing the bedrock for the securities market. Financialization meant moving of money from savings into investments as a theme that has played out and we believe that will continue to play out into the coming quarters and years. Also evident is from the intent of several new asset management companies who intend to launch.

And also the new asset classes that the market regulator intends to introduce. Now, all of these we believe will be significant tailwinds to a line of business which already had clocked pretty rapid strides in the past few years. In spite of it, the fact remains that it is significantly underpenetrated with just about INR4 crores odd unique investors investing.

And as a percentage of GDP also, it significantly trades many of developing economies, let alone developed economies. From a registrar's standpoint, our commitment and our contribution had obviously been to be able to drive ease of doing business. With a great sense of pride, I'd like to again commit that both us and the other RTA have been instrumental in creating ease of doing business in the form of customer onboarding, customer servicing, transaction processing, all at a significantly lower price for our clients with each passing day.

Our clients have been experiencing faster growth as against industry. As you can clearly see, KFinTech AAUM had grown close to 45% year-on-year vis-a-vis the industry growth that had been at about 41%.

Our overall AAUM market share also has risen albeit a bit to about 32.4%. But given our market share is close to 40%, as I have stated, the SIP is the sticky retail book. And we firmly believe that our overall AAUM market share will trend towards the SIP market share over a period of time, which effectively mathematically translates to a potential of about 500 should this play out in the direction that we are thinking about. Also happy to announce that we have won the contract for Capitalmind Financial Services, a new-age asset management company, a very prolific PMS player in the market based out of Bangalore.

We are working with the entity to secure in principle and then to go on to provide the RTA solutions to our client. We have also won the Development for Digital Assets contract largely on the big data on the client schematics for one of our largest AMCs and several other in progress at this point in time. And in good time hope to announce those successes as well.

Lastly, 6 out of the top 10 fastest growing asset management companies are with KFinTech. And I understand the fact that this is not necessarily in our control, my client's growth. But our solutions and services too, we believe, play a role in the faster digital expansion of our clients and their goal is a testimonial of the work we've been doing in this area.

So broadly, domestic mutual funds are growing slightly ahead of the market. Our yield had slightly risen in the previous quarter, and no compression. And overall, both the net flows and the mark-to-market gains have been healthy.

Clearly, all of these have resulted in a positive attrition to the margins. That said, the volumes have also expanded manifold and that comes with a significant amount of investments, both into technology and manpower processes, as well as securing the funds in the form of fraud and surveillance reduction, so on and so forth. So from that standpoint, there have been investments by the company in the past two quarters.

Some of these are for immediate purposes, some of these will help us in the long term to continue to deliver services as the industry grows. On the issuer solutions, I'm very happy to inform you that we have grown 25% year-on-year-on revenues. We have added 358 corporate clients during the Q2, one of the most successful quarters we've had in the recent past, taking our total client rosters to about 6,700.

The market share in the NSE 500 companies has risen from 46.4% to 48.2%. We have won several large mandates. Prior to Bajaj Housing Finance, LIC was the largest IPO in the country, which was handled by KFintech. Then we handled Bajaj the 2<sup>nd</sup> at that point in time, and now Hyundai, the largest IPO ever in India.

And the next bunch of the largest IPOs that are going to happen in the coming quarter too will be handled by KFintech as well, as we announce the names once we secure the letters from them. But beyond those names, the ones that are going to go live into the coming week alone, actually four out of six IPOs are being handled by KFintech, key ones including NTPC, Leela Hotels, and so on and so forth.

We have also successfully completed the transition of large mandates of SBI and NHPC in the previous quarter, which has resulted in a total folio expansion by over INR1.15 crores. Clearly, our revenue model is entirely based on the number of folios, at least 70% of our revenue. Ergo, that is a significant tailwind for us into the coming quarters.

Moving along on the international investor solutions, we have added six new clients in the previous quarter. That's 10% of additional new clients being added. Now, these are clients, and by number of contracts, it's a little bit more than that, given our contract can be for TA, FA, and for digital solutions also. And these are material contracts.

One of that is a state-owned fund, Amanahraya Investment Managers and Berjaya and several others. And as I said, as we started to initiate the transition into early part of October, the revenue for this will be clocked into the coming six to nine months. And the deals are across transfer agency and fund accounting and administration, which continues to analyse the strategy that a holistic solution of trans-agency and fund accounting effectively leading into purposeful fund administration services for a fund manager is probably the right way to go.

And our acquisition of Hexagram back in the day, which gives us competencies and significant capabilities into fund administration, had played a significant role in our international expansion

in addition to our RTA capabilities. Also, happy to inform you that we have received RBI's in-principle approval to set up a wholly owned subsidiary in Thailand. We see Thailand as a very key market in the context of the number of fund managers and a very burgeoning asset management industry out there.

And given our first contract itself was with the third largest bank-based AMC in Thailand, the interest that it has emanated across the nation for the largest to the smallest asset management had been very overwhelming for us. And clearly, this approval from RBI is a shot in the arm for us to quickly set the subsidiary, demonstrate our commitment to the country of Thailand, and thereby provide the right kind of confidence to the asset managers within the country to take our services and grow their business from there on.

We have spoken about the state-owned fund. In addition to that, six more have been signed. Also, happy to inform you about a large contract signed with Sun Life of Philippines, and that too is going to get kick-started into the October month in terms of initiating the transition. And we won four more new clients in the GIFT City. We continue to expand our operations.

We are the single largest fund administrator in GIFT City by a mile, and given the only administrator in the country who can offer both TA and FA for all the international clients, we have been the preferred partner for many fund managers in the GIFT City. Physical manifestation in the form of the space and the capacity is also being added, and we will expand our overall office space into the coming month, even as we await another approval from RBI to domicile all our international business delivery services into the GIFT City, if I may.

Moving along onto the AIF and wealth investor services, again, another area we are very, very focused upon. We continue to believe that over a period of time, the actively managed mutual fund space will see some amount of compression on one end by the passives and on the other end by high-alpha seeking alternatives, given that we have been since then the only player in the country who had created a fit-for-purpose RTA and an FA-integrated platform for alternatives.

That has seen our growth in the alternative funds from just about 100-odd funds, under 100 funds in 2021 to over 526 funds today, taking over a total market share of nearly 38%. Our AUM has risen 55% to about INR1.3 trillion at this point in time. We have signed 37 new funds in the quarter that had gone by, with another 50-odd to be in the signature stage into this coming quarter. Even as several new schemes are being launched by the existing fund managers, in addition to the fact that the AUM itself has been growing dramatically for the funds where the capital had been already drawn down.

In line with our commitment to high-alpha generating assets of alternatives and PMS, we have mentioned in the previous two quarters about our commitment for expanding into wealth solutions. I am happy to inform you that we have launched our first-of-its-kind wealth platform in the recently held symposium for the wealth managers conducted by Hubbis in Mumbai. It's called mPowerWealth. Again, on the back of our strong fund administration platform, we have custom-created a wealth platform which we believe is going to add significant value to existing wealth managers who intend to transition as well as several new boutique outfits that have set up and will continue to set up.

We see a significant expansion of the wealth management as an industry, with several of the asset managers and investment managers branching out and creating their own fund. Having launched this in mid-September, we have seen significant traction from the industry. On a no-name basis also happy to inform you that we have received an in-principle go-ahead from one of our very prominent potential wealth manager who is going to start their operations very soon, even as we have a pipeline that continues to swell.

Again, it must be noted that this is not a new business for us. We have been a wealth management platform provider for Deutsche and Citi and o3 Capital and a bunch of other prominent wealth managers back in the day, but it is our commitment to completely re-envisage, re-imagine and re-launch a stack which we believe will be a globally competing platform.

It must be noted that wealth management is not a regulated space as much as the asset management space is. And given that, this has a strong potential for global expansion, especially in the countries where we are already domiciled, that is Malaysia, Philippines, Hong Kong, Singapore and Thailand.

We have also launched KFINSIGHTS, a platform for REITs, first of its kind. Again, two other platforms also have been launched along with ours with an intent to expand the asset management industry into the REITs and hopefully next into the InVITs as well. The last of the business line, the National Pension System, the last three quarters, we have been growing at a pace which is probably 2x that of the industry. This quarter, we have exceeded that growth against the industry expansion of about 31%. We have grown nearly 32% -- sorry, 13% versus 32%, so nearly 2.5x on the pensions.

And also happy to inform you that we have broken even and turned cash profit in this business line as well. We continue to be very interested in this business. It is probably a little small at this moment in time, but we believe as India becomes more of a pensionable society, which we have seen a strong affinity towards too, in times to come, the National Pension System as a business line also will provide a significant foundation for us to be a marquee fund administrator, cutting across every asset class, every business service, whether it is TA, FA, or digital, cutting across almost every geography that is possible. That has truly been our goal all along. So that's broadly the summary of the performance.

I would now request Vivek to cover a little bit on the financials and then we will throw the floor open for Q&A.

**Vivek Mathur:**

Thank you, Sreekanth. This is Vivek Mathur. Hi. Good morning, everyone, and greetings of the festive season. Quarter-on-quarter, if you see for the same quarter last year versus this year, the overall growth in revenue is 34%. And across businesses, if you see domestic mutual fund business has grown by 39%. One-third of this growth is coming from inflows and two-third is because of the MTM.

So even on a sustainable basis that we have been saying that it will grow in a range of 13% to 15%, core growth continues to grow at that pace. Mark-to-market is just supporting us in terms of better performance across the industry and for us. Issuer solutions has grown by 26% in this

quarter versus last year's same quarter, largely because of higher number of corporate actions and large number of folios that Sreekanth talked about that we have been winning because of more IPOs, large IPOs being handled, likes of Bajaj.

In terms of international and other industry solutions, we have seen a growth of 44% year-on-year for the same quarter. And that's more to do with more international clients coming in, large number of AIF mandates that we are winning, growth in NPS business outgrowing the market by more than two times, NPS becoming profitable even though small, but we have achieved breakeven which talks about our concentrated effort in terms of making sure that whatever business we run, they are all profitable.

Overall, if you see the VAS revenue has also been growing quarter-on-quarter significantly in the range of almost 60% quarter-on-quarter sequentially. So, across businesses, across products, client wins and addition to the revenue is helping us grow overall. If you look at expenses, expenses have also grown, but the volumes have grown tremendously because of the growth in overall business. The number of folios that we have seen in terms of transactions have grown 50% in the first half year as compared to last year, half year in terms of volume of transactions.

So, 50% increase in volume of mutual fund transaction, 25% growth in number of folios in issuer solutions, growth in clients across AIF. So all put together, there is an increase in headcount that we have seen year-on-year for the half year and that has resulted in slightly higher expenses and then there are ESOPs which have been granted to employees which were about INR1.6 crores last year as they hit to P&L which has gone up to about INR6.7 crores this year for the first half.

But despite all this, the EBITDA margins have improved. There's a growth of 35%. The EBITDA margin for quarter 2 as you would have seen has crossed 45%. And we believe that our guidance remains in the range of 40% to 45%. The markets are good. So we are witnessing the benefits coming to the bottom line. The PAT margins at the end of the quarter for the quarter was 42.6% as compared to what we have seen as 40%. Last year for the same quarter, even sequentially Q2 is better than Q1 which was 38%, 38.6% in Q1 and now 42.6%.

So we believe that there is constant effort to optimize expenses as we grow. So we are not losing focus in terms of making sure that whatever expenses or renegotiations or reengineering we have to do, we continue to do that. And the benefit of that flows into the bottom line. So as a result of that the diluted EPS has gone up to 5.16 for the quarter ended September as compared to what we have seen last year it was 3.58 for the same quarter.

So, for the half year, it is 9.11 versus 6.11 last year, half year. So overall, I would say the results financial performance has been robust and we continue to maintain trajectory in terms of growth and expansion. Happy to take questions now.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Pankaj Tibrewal from IKIGAI Asset Managers. Please go ahead.

**Pankaj Tibrewal:** Yes, good morning. Thanks for the opportunity. Am I audible?

**Sreekanth Nadella:** Good morning, Pankaj. Yes, you are.



**Pankaj Tibrewal:**

Yes. So congratulations on a great set of results and a lot of client wins. And clearly, we are users of your platform, so we can really vouch the digital onboarding is just fantastic. What I wanted to understand from you is that can you talk about the execution capabilities? You spoke about all the deal wins, how you are building capacity to execute all these deals and how do you make sure that the overall execution goes as per the track?

What are the headcounts? How are you looking to add past strength on the execution side? And also on the yield side, do you think the pressure is there on the yield side? How do you circumvent that over the period of time? These two are the broad questions, both from domestic and international perspective. Thank you.

**Sreekanth Nadella:**

Thank you so much, Pankaj for the questions. I'll take one by one. The first one on the execution, I had briefly alluded and so had my CFO Mr. Mathur about the expansion of the cost on the back of both payroll and on technology solutions. So let me take both of them. We believe that the business solutions, we largely split it into the more mature businesses of mutual funds and the issuer solutions. Obviously, these were the areas we've been there for the past three decades.

And the new asset class and businesses, whether it is alternatives, PMS, wealth, and international pension system, private retirement schemes and the whole nine yards into the second category which are growing, not yet mature, a lot of bespokeness in the market and the industry, unlike in the case of mutual funds. It presents itself both a challenge and an opportunity. So for our core business, the volume expansion had been quite tremendous. It had grown almost 75%. Revenues, obviously, have not grown in that same commensurate manner.

And with the advent of a low-ticket size, investments in the form of INR100, SIP so on and so forth. This presents the opportunity that AUM can further grow as the financialization gets driven into B30 and maybe a C30 if it comes through tomorrow, but it must be noted that for a player like us, it comes with additional costs because the AUM is how we charge, not based on the number of transactions. So clearly, this can be addressed only and only through technology.

And the scale of volumes and the amount of data grows disproportionately higher in relation to the revenue. So our frugal technological engineering and our journey that we have started almost four and a half years back to move everything into cloud, move away from enterprise architecture into open-source architecture, to focus more on straight through automation as against adding more people for quality control mechanisms. All of that have definitely given us an advantage over the past X number of years where we have managed to deliver despite the volume expansion.

But the spike that we have seen in the last 6 months to 9 months meant that the transformation that we've done in the past was no longer sufficient or is not going to be sufficient in the coming years. So the next wave of technological transformation is what is underway at this point in time. And hence, there has been an expansion of both payroll which is basically the engineering talent we were hiring across the country, as well as the associated costs pertaining to licensing, pertaining to the cloud, so on and so forth.

We have also moved away from our sourcing of talent strategy from a centralized, okay, come to Hyderabad and deliver to we will go to any and every location where there is a talent which is fit for purpose. For example, we have moved to Bhubaneswar. We set up our center of excellence for data and analytics.

We have just created a center for mobility solutions in Vijayawada. We have centers created in Chennai, in Gujarat. We're starting hopefully something soon in Madhya Pradesh, so on and so forth. So the talent expansion, both in terms of quality and quantity in partnership with the universities and affiliates.

And our technological partnerships, whether it is with Microsoft, whether it is with AWS, combined with a tech talent pool, which is almost 1,350 today for KFin Tech. I believe we are rightly positioned to take care of both the volume expansion in the mature business, as well as the customization and the bespoke-ness that is required for the new age asset classes, such as alternatives and wealth.

And also happy to inform in terms of the overall commentary from the industry bodies, the market regulators, have been overwhelmingly positive in terms of how we've been able to service in a much better fashion as against in the past, as well as a few quantitative metrics, such as typical wastage that happens in our industries.

Wrong payouts, susceptibility to fraud, etcetera, all of which we have controlled quite significantly over the past 24 months, resulting in leakage to be completely capped. So to assure you, Pankaj, our delivery capabilities we are creating not just for today but keeping in mind the next three to five years, the capacities we are creating will easily take care of the needs for the future.

On the yield compression, well, as the industry expands and as the volumes expand, there had always been an expectation from our clients in terms of discounts, in the form of partaking in certain amount of windfall gains that we may have secured. And we have always been respectful of the asks and our growth had been in spite and despite of such yield compression.

That said, I am quite confident the industry understands that the AUM growth, if it is a factor of X, the quantum of data and the engineering growth that is required by the RTA and market intermediaries is nearly a factor of three times. And that means that our costs continue to expand quite largely in spite of the AUM to be grown.

And hence, there hadn't been an inordinate amount of pressure because at the end of the day, the services should speak. Today, there is no industry in the world which operates with the core operating business being operated at less than about INR3, INR3.5 paise. You compare that to even within India, any KRA or depository participants any other industry which runs into several tens of rupees, the RTA operations run at few paise.

And hence, I think there is a mutual respect which is helping us to kind of keep the cap at the current blended yield.

**Pankaj Tibrewal:** Fantastic. I think quite reassuring and wish you and the team the best of luck for the future. Thank you.

**Sreekanth Nadella:** Thank you so much, Pankaj.

**Moderator:** Thank you. The next question is from the line of Supratim Datta from Ambit Capital. Please go ahead.

**Supratim Datta:** Thanks for the opportunity. My first question is on the international business. I do understand that you are now trying to build a larger base in Thailand. Now, if I see Thailand's AUM size is around one-fifth out of India currently. So, could you tell us what would be the opportunity size for KFin in this market? You currently have one partner, but how do you plan to expand in this market if you could give some color on that?

The other question on the international business is also if you could split the 11% quarter-over-quarter growth into inflows versus mark-to-market gains. That would be very helpful. My second question is on the value-added services. I understand that it's contributing around 7.9% of your revenues in this quarter. But if I look at your annual report, you plan to expand this to 15%.

Now, could you tell us again, you know, what are your plans? How do you plan to expand this from 7.9 to 15? What are products you are looking at or market segments are you looking at -- to expand this? My third question was on the cost front. I understand that you have laid out, which all areas as you are investing. But just wanted to understand that already in FY24, if I see your number of IT employees expanded to around 940 from 750.

So, how much further, how much more manpower do you need to add here? And is this going to be a journey over the next two to three years? Or do you see that manpower addition coming to an end at the end of this year? If you could give some color on that, that would be helpful. Thank you.

**Sreekanth Nadella:** Sure. Thank you. So, on Thailand, it is. So, today, let's just draw a quick analogy to Malaysia. Okay. We started Malaysia in 2019. And I think after one and a half years by which time we took; we built our entire platform meeting the needs of the local regulator and the clients. And we started winning near about three asset managers a quarter. And that level of win rate was unheard of in this industry.

And unfortunately for us, we soon hit COVID. We lost two years in the process, no travel, and they were not keen to have offshoring as a conversation. And post COVID, we started again, we started winning near about two to three mandates a quarter. The previous quarter, we won six. Right. And the journey along the way has taught us one thing, which is that as we move into new geography, it is not going to happen that the biggest of the clients are going to give you the mandate because it is too much of business risk for them.

And commensurately, the wins we've had were many of the small to medium tiered AMC's back in the day. And hence, despite having a number of clients, revenue is obviously not commensurate to, for example, the amount of revenue we derive from the equivalent number of

AMCs in India. Right. But that has started to change. The last few wins are all large mandates, as I was talking about.

And the trajectory, we believe, is something that will continue to play out in many a country with the notable difference that in Asia, majority of the asset management companies operate in a hub and spoke model, meaning if any of the AMCs probably are headquartered in Singapore, but they have presence in Malaysia and Philippines and Thailand and so on and so forth.

Ergo, winning a client in any of these locations and delivering good quality outcomes helps us to move faster into the other geographies. And it is also noteworthy that just because one asset management company is small in a particular country doesn't mean that they're small in every other country. They could be materially large in another country.

It happens even here in India as well. So that particular analogy, if you see, in the case of Thailand, we are not starting with the smallest client, but we won one of the largest asset management companies out there. And we already went live on phase one to the client satisfaction phase, which is expected to go live in the coming two months in December.

And this has already yielded a significant positive brand and reputational value for us in that entire country. Even at one fifth of the assets under management, there are two notable differences I will call out. Right. So one is in India, we do only transfer agency. We don't necessarily do fund accounting for mutual fund clients. That is something that we do in alternatives.

But in Thailand, our first contract with Krungsri is actually for fund accounting. Ergo, our ability to do, should we do both TA and FA together, is something where our yield can be materially high, because both of these are two different sets of solutions. And hence, if I'm deriving about four to five basis points from TA, I will generate another three to four basis points on FA.

So that means for the same AUM, your yield can be at least 70% to 80% higher. Point number one. Number two, in the form of at one fifth of India's AUM, for KFin Tech, it is still 100% of the target addressable market, because I do not have a competitor there. Our competition is largely in-house, which means that effectively we have to orchestrate the exact same mechanism what we've done in Malaysia which is to add value to our clients.

And as they see, they will start moving it out. So hence, at even one-fifth of the AUM, that pretty much could be similar amount of AUM that are managing in India today, given our market share is about 32%, 33% here in India. So those are the reasons why we are very excited about Thailand.

And, of course, that is the AUM today. But as we expand into the coming 2 years, 3 years to 4 years we expect to see the overall AUM in Thailand also to expand. What we have seen in India over the last 2.5 years post-COVID is a very sharp mark-to-market gains as well as mutual fund financialization. Neither of these two trends have played out in any Asian country and we started to see green shoots of that happening in the last two quarters.

And hence, we hope that in the coming few years many of these Southeast Asian economies will also see a mark-to-market gains a bit like India and along with that, a financialization moving more AUM expansion into each of the asset classes. So that's broadly about Thailand. And this is still only the story about mutual funds, not talking about alternatives. We are launching our XAlt platform in Thailand and in Singapore into the coming quarters, as I have already called out back in the day.

Currently, XAlt is live in India for Indian funds and Gift City, but we're taking it to Asia. So that means our addressable market will go beyond just mutual funds and into the alternatives as well. I'll quickly move to the second question in terms of the value-added solutions. At 7.9% of the total revenue pool, which was zero about 5 years back, hopefully gives you the confidence about what our commitment had been to take certain components of our business into our own hands which is not dependent on how the market functions and hence a controllable income.

So that zero to near about 8% in five years is heartening enough, but yes, our target is 15%. Our target, in fact is to de-risk our overall business by reducing the dependency on Indian mutual funds to well below 50% in time to come. And that is not by limiting the growth of our largest business line, but by expanding our other business lines much faster as we have been seeing over a period of time.

The fact that we have been signing several data lake contracts, both with our clients and with asset management companies who are not our clients, should tell us about the efficiency and effectiveness of the engineering platforms we have created, and the mobility solutions and the analytical solutions that we are creating for our clients as well as for our competitors' clients.

And this is something that we are able to reduce the TCO the total cost of operation for our clients whilst adding and increasing the share of wallet for us. The buyout of Webile Technologies, which we have done about 18 months back was wholly and solely intended for this very purpose which is to drive pure technological solutions. And that business that we have acquired, I am happy to inform you that it has grown nearly two and a half times in a very short period of time and has earned cash profit as well.

So, we believe that slowly we will expand our solutioning beyond the capital markets into the broader BFSI sector, because many of our technological solutions transcend beyond capital markets and have a larger relevance in the form of the BFSI, for example, an AML, PML, unified KYC solutions beyond. I may have already called out; we are also venturing into a KRA business, and which was approved by our board for investment the previous evening. So, that's broadly on the value-added solutions and services. Our target continues to be to get to a 15% profile.

Now, you would obviously imagine that this is going to happen over a period of time, by which time our overall revenue itself will continue to grow, which means that in absolute number, the value-added solutions will have to grow materially faster to get to that 15% on the expanded overall revenue base, if I may. I'll quickly move to the third one, that's on the IT manpower and the costs related. You have seen expansion from 750 to 950 people, that is on the core KFinTech.

Webile technologies, which is our subsidiaries, purely a tech shop again. You add that headcount, we are close to 1200 plus people. Do we see a further expansion of IT headcount? The answer is yes. If you see KFinTech's total tech spend as a percentage of revenue in just 3 years back, it used to be 9%. Today, it has tripled to over 27%, 28%. We believe it is the right direction as we create tech-first solutions for the industry. And I always believed that our business which is RTA we are basically the extended operations arm for any asset manager.

But counter-intuitively, I always felt that this should be a tech company more than an operations company. And we work with a goal that we used to have about 5000 operations people and 300 tech people 5 years, 6 years back in this company. Today, our IT team has gone up by five times, whilst my operations team continue to remain similar inside and that's largely the amount of straight-through automation we brought into it and helping us to manage a manifold increase in volumes with the same operations staff.

In an ideal scenario, I would like to see a day when my tech team probably nearly even doubles from where it is today, and the operation team comes down by two-thirds of the current strength. That is the true tech version of a business like this which can scale up to any amount of volume, which can do straight-through automation, which basically deploys and employs large-scale machine learning and cloud technologies to be able to serve our clients' growing needs.

**Supratim Datta:**

That's very helpful. Just one follow-up question. So, you talked about the value-added services and the products that you're looking at. I just wanted to understand the pricing here is project-based, right, rather than AUM based. And hence, would it be fair to say that the profitability here could be better than overall the AUM linked business?

**Sreekanth Nadella:**

So, the commercial model for the VaaS varies based on the actual service itself. So, for example, we have services rendered in the form of API infrastructure which is more ping-based unit pricing. We build certain data engineering solutions more as a project, as you rightly said and that would be a one-time project followed by an AMC sort of a mechanism.

Third could be a SaaS model. Many of our mobility solutions when we create our websites and mobile platforms what have you for many of the Fintechs and the clients, not many companies in today's world want to have an upfront capex. They prefer pay-as-you-go subscription model, and hence, a SaaS model comes to play.

So, each of these three and many more models that may come into play will have a different profile of both revenue, the way it hits the P&L, as well as the margin. But it's fair to say that, yes, these are as profitable as our core mutual fund business itself, given there are practically – I wouldn't put anyone at all who can do the kind of work we do, because there are pure tech companies who understand tech very well, but probably not the nuances of the asset management industry.

And you may have fund managers and asset managers who understand the domain very well, but probably not necessarily technologists. So, we bring to bear both of them together, and hence, we are able to deliver solutions better for our clients. While it is reducing their TCO, it continues to be a highly profitable business for us.

**Supratim Datta:** Thank you.

**Moderator:** Thank you. The next question comes from the line of Abhijeet Sakhare from Kotak Securities. Please go ahead.

**Abhijeet Sakhare:** Hi. Good morning. Congrats on the numbers, and it's good to see the progress and delivery since the IPO days. Sreekanth, I have a question on the international side again. How competitive are these markets, the deals that you're picking up, especially when you're seeing that these deals are starting to get bigger in size as well? So, some flavor on that. And then, secondly, on the same point, how do we see the growth outlook given the current pipeline and what you're able to see in terms of new acquisitions?

**Sreekanth Nadella:** Hi, Abhijeet. Very good morning, and good to be talking to you again. So, the competition, as I've maintained, largely continues to be with captive and in-house solutions, which the majority of the fund managers in Asia tend to leverage, with the notable exception of a player like HSBC, who is largely a bank and a custodian, but also render some amount of transfer agency services.

But by and large, it is a market which is heavily skewed towards captive and in-house. Our competitive advantage had been on three facets. One was a fit-for-purpose platform for each of the countries, a standardized one, which the regulator also has been appreciating us a lot for, which they do not have today.

Second, commercially, there is always a plus and minus when you deal with in-house. For me to be able to demonstrate that I am 30%, 40%, 50% cheaper than in-house calculations, it is tough at times for me to explain to them as to all the costs that they need to bake into their current cost structure and compare with my pricing, and then hence realize what is actual savings. For example, it's not very easy to add the overhead layers of management, the infrastructure, and the data centers and all of that.

So typically, people tend to just add up the people who are working in RTA in their company and then they say, okay, this is my cost and what is your price, and that is truly not the cost. So we have created templates and estimator models and have been explaining to them quite successfully. So in the past 1 year or so, and hence the number of new wins we've seen, almost 10 new clients in the last 6 months alone, 6 being in the previous quarter, is our ability to explain to them as to the genuine benefit they are getting and not necessarily the perceived benefit, which is significantly undervalued by them.

So we are hence not seeing any pressure for me to reduce my price. It's just that we are able to better navigate and maneuver and explain to them the true benefit they are able to get to us. We continue to drive a much higher yield profile in international as compared to India, as is evident from the published yields, a little about 35% more than Indian fund structure at this point in time.

And that is only for RTA. And as I said, unlike in India, we have the ability to do both TA and FA in the international space. And you add to that 4.5, 5 basis points, another 3 basis points for

FA, you're really talking about two times the yield that we derive in India, a little over 2 times. That's the potential I'm talking about.

There are a few clients where we are doing, for example, one of the large clients we signed up, Berjaya, Interpac, in its earlier avatar, we are doing transfer agency, fund accounting administration, digital, everything for all the private mandates and for the mutual funds. So obviously your yield and your revenue correspondingly grows, though it is just one client, so to speak.

So no yield pressure in international. And as I've already explained back in the day, we do not have telescopic pricing. In fact, we have price escalation. We learned our mistakes from Indian market, and we have only price escalation clauses in most of our international markets. In terms of the deal sizes, yes, I think there's a bunch of deals that I spoke about that we signed are worth over \$2.5 million.

And today, if you see and compare it to the international, the GFS revenue that marks 70% to 80% increase just based on these deals, not talking about the organic growth of AUM for the existing asset management companies. Our pipeline continues to expand and swell. Again, I think each successful delivery opens up doors into multiple clients. We are now talking to several of the top five AMCs in Malaysia and in Philippines.

And now with the in-principle approval that we received from Thailand; we hope to accelerate our process. It is important to note that in spite and despite of our reputation in the Asian markets, the local asset managers would always want to see at least a physical setup of an office and see and touch and feel a few human beings that are actually working there. Some of this becomes geo-politics as well.

And these approvals help us to provide that level of confidence, though we won the first contract without it all. But I think some of the others, I'm sure, will come to roost very soon as we start setting up our physical offices and have people domiciled in Thailand and other countries. Hopefully, I answered your question, Abhijeet.

**Abhijeet Sakhare:** Yes, very good. Thank you so much.

**Moderator:** Thank you. The next question is from the line of Pranuj from JP Morgan. Please go ahead.

**Pranuj:** Yes, thanks a lot for the opportunity. Just on the yields part, I think domestic yields have expanded 6 basis points, quarter-on-quarter, at least in my calculation. So what has driven this? I remember you saying that the volumes are pretty high. So is it transaction-based, mixed-led, or what led to this?

**Sreekanth Nadella:** So it's a combination of two factors. One, the asset mix. As we all know, equity derives a higher quantum of basis points. And the asset mix plays into, has played, right? I mean, the market-to-market expansion of both the equity as well as the NFOs, largely brought equity by us. And hence the basis points was higher.



Second, the demographics of our clients, if you see, we have barring a few large asset management companies, majority of the clients we service are medium-to-large asset management companies. And hence, they are not at a very high tiered AUM, which means the yield compression typically happens.

So I guess the point I'm trying to make is, it matters not just your AUM growing, but as to which AMC is growing to contribute to that, right? That has a material impact on the overall yield. So combination of these two factors, right, has helped us to have a yield expansion in the previous quarter.

**Pranuj:** And second one, just, issuer solutions are starting to do really well. So could you just quantify what is the proportion of folio-based revenues and that particular annuity-based revenue? Like how often do you have contract renegotiations and what could be the growth on a per folio basis revenue we could see over there?

**Sreekanth Nadella:** A total folio-based revenue for issuer solutions for us is near about 75% of the total revenue pool coming from issuers.

**Pranuj:** That's in this quarter?

**Sreekanth Nadella:** No, that's typically the range. I'm just giving the share of the pie of the issuer services. 75% comes from the annuity services in the form of folio, 15% in the form of corporate actions, which are basically the dividend declarations and buybacks and mergers and demergers, rights issues, so on and so forth.

And another 10% through corporate events, basically conducting Annual General Meetings, e-voting, resolution processes, so on and so forth. That's the profile of this. 10.5, roughly about 11 point sorry about 1.15 crores investors or rather folios have been added in the previous quarter. Now, all of that is pure annuity revenue model, right? And those are all folio-based conversations. And obviously, they are all on the back of a series of clients.

And those series of clients, should they go on to have more corporate actions, obviously, it will impact the other 15% and 10% of the revenue pie as well. Our contracts in issuer solutions are a bit like our international contracts. These are not telescopic pricing, so on and so forth. They usually have a COLA clause, three-year contracts, and we usually tend to have a price escalation. You know, we are successful in about 20% to 25% of the cases we pursue. Not every case, you know, we do.

And hence, there is no compression at a folio price as against an expansion at a per unit folio price and the number of folios expanding and the number of companies expanding that A into B into C math is one of the reasons why that corporate solutions, co-issuer solutions has been growing.

I've also mentioned that it was a bit of a neglected business, maybe about seven, eight years back and too much focus on mutual funds. And as we've started creating compelling value propositions, it helped us to drive significant value-added solutions.

Our VAS revenue also as part of the coming from issuer solutions. We launched country's first insider trading platform directly latching onto the depository ecosystem. And we created ESOP administration service.

So there's a lot of work we are doing beyond just the folio-based servicing in this space. So yes, so broadly, expansion of number of folios, number of companies and the unit price, all possible in this business and has been happening for a fair bit of time.

**Moderator:** Thank you. The next question is from the line of Dipanjan Ghosh from Citi Bank. Please go ahead.

**Dipanjan Ghosh:** Hi, good morning, sir. So just a few questions. First, the data keeping question, if you can break your investor, international and other investor solutions business between core international and domestic AIF and alternates.

And second is on the data keeping question would be on the GBS side, you had earlier mentioned that your revenues would probably stabilize at the current level, but we see a dip. So if you can explain that? So those are the two data keeping questions.

One or two small questions, which is in the alternate business, whenever you add any new client, is there a sort of a one-off income that you book? I mean, the yields have been kind of the realizations have been going up. So just wanted to get some sense on what is really driving that. And finally, on the international if you can break it up between flows and mark to market, even for 1H or FY'2024.

**Sreekanth Nadella:** Could you repeat your questions? The questions were not very clear. I'll answer the ones that were clear to me, and I'll probably request you to ask the others. Right. I mean, so I think there was a question on alternatives. And if there is a one-time episodic revenue that comes that helps us in terms of a rise in the yield or revenue that you see in alternatives. The answer is no. It's in fact the opposite.

We know when a new alternative investment fund is set up, we have set up costs, both in terms of instance creation for which we'll have to pay monies to AWS and other licenses. And till such time, the fund is not live, and the capital has been drawn. Our revenue actually does not even kick in.

So on the contrary, we actually have more cost than revenue with every new fund for some period of time, as is the case even with mutual funds. So it's not different. And however, if you're seeing the rise in revenue and the yields, that's largely because of a very purposeful orchestration we've been doing, which is to move away from a fixed cost per scheme per month, which is what used to be the operating model, which is quite a regressive model, actually.

And we have changed many of our contracts from that model into a basis points model. So what you're seeing actually is an expansion because of actually the nature of existing contract conversion, even as all new contracts are entirely based on the basis points, right, So that's for the alternatives.

**Dipanjan Ghosh:** Okay.

**Sreekanth Nadella:** A question on the global business solutions. Mortgage, as we all know, that business stands as an outlier to what otherwise is an asset management business. And that is more a liability of mortgage management business in the form of business process outsourcing.

U.S. mortgages have been under significant stress and will continue to be so for a certain period of time. So we see this fluctuation because this is a manpower-based business, right, as the number of bodies required tend to fluctuate based on the businesses they secure. It goes up and down.

At this moment in time, there has been a sharp decline in U.S. numbers, even as we have seen a sharp increase in Australia side of the same business, right? So we expect to see these numbers to fluctuate. And at some point, in time as an organization, we will be taking again a cautious and a purposeful decision in terms of our intent to stay put in a non-core business such as this.

For now, it generates, some amount of cash as well as gives us some protection in the form of, you know, U.S. dollar, in the form of currency hedge, so on and so forth. So that's broadly on the GBS business, a business which we continue to sustain, but is not a focus area for the management to grow. So these two questions I've got, I have to, I'm afraid...

**Dipanjan Ghosh:** Okay, I'll just go forward with just two data-giving questions. One is on the international area and if you can break it up between flows and mark to market, that's a for 1H. And second was on the international and other investor solutions, if you can break it up between international/other investor solutions for 2Q and 1H.

**Sreekanth Nadella:** Okay, on the flows versus the mark-to-market gains in Asia, it's nearly 100% thanks to flows. Okay, mark-to-market gains had been tepid to negative. And in fact, the flows too were not very large. The revenue growth was on the back of new clients going live, right

So I guess what I'm trying to say is that the tailwinds that we had in India, we've been having, which is both an increase in the net flows and a mark-to-market. We didn't have that luxury in both of those metrics in Asia. Right, for a bunch of quarters in the recent past simply because the markets haven't grown and neither had the AUMs.

But we started seeing that trend turn, late August, early September onwards, and we are clocking both net flow increases, which we are witnessing both in the form of AUM growth and the transaction volume growth, as well as mark-to-market gains.

For example, we've seen how Hong Kong, Hang Seng has increased. Same is the case with the exchanges of Thailand and Malaysia, which do have been clocking an impressive mark-to-market gains in the recent months. So much of that advantage we hope to gain into the coming quarters. The breakup for...

Just give me a moment, please. Yes Amit, could you take that?

- Amit Murarka:** Yes. So, I mean, the international business, is close to INR23 odd crores for the first half. My AIF business would also be close to around INR23 odd crores. And then NPS is close to around INR5 odd crores, and the balance is another INR6 odd crores, which is, you know, the Webile.
- Dipanjan Ghosh:** Got it. Okay, sure. Thank you and all the best.
- Moderator:** Thank you. The last question is from the line of Uday Pai from Investor Capital Services. Please go ahead.
- Uday Pai:** Yes. Thank you for the opportunity. Just wanted your thought process on starting the KRA business and what are the rights to win in that business, given that two large depository and our competitor is already in that business. So, some color on that.
- Sreekanth Nadella:** Yes, great question. Thank you. So, it stems from the fact that today the capital markets has about roughly 9 crores odd, investors in the secondary market and about 3.8 in mutual funds. And we believe that this number will easily quadruple in the next 8 to 10 years. So, getting to about 40 to 50 crores, which, means that there is a lot of addressable market that still needs to be served every single year, near about a crores Indian youngsters turn minor to major.
- And as all of that happens, they become investment ready and they need KYC solutions or rather identity solutions, so to speak. So, there is a lot of market that needs to begin. And of course, given that we have 62% plus of asset management companies as our clients and near about 50% of primary and secondary market investors because we are the only RTA who operates both in the equity bond and in the mutual funds and the alternatives market.
- Our target investor base is substantively higher than all others. And we also believe that from a solutioning standpoint, I think KYC end of the day is broadly taking care of your proof of address and identity. But as with every business that we have moved in, whether it is alternatives or wealth or international, we put tech and transformation first and we have firm reasons to believe that the current solutions are continuing to be suboptimal in terms of addressing the needs of both the distributor asset manager and the investor.
- So, our bent of mind as we, hope to secure the approvals from the regulator and we are all building the platform as we speak is that we will be launching a materially different KYC solution in the industry.
- And hence, so we are looking at both addressable market, which is still very, very large and that can be tapped into, two, a significant amount of client base who are already KFinTech's client, both in the form of alternatives, mutual funds and in the primary markets and the security markets will be a definitive advantage to us.
- Remember that the other KRAs are not in both of them simultaneously. And three, as I said, our solution, I can't speak more about it at this point in time but will be materially different and a significant cornerstone in the identity management of the industry.
- Uday Pai:** Sure, sir. Thank you for that elaborate answer.

**Moderator:** Thank you. In the interest of time, this was the last question for today's conference call. I would now like to hand the conference over to Mr. Devesh Agarwal from IFL Securities.

**Devesh Agarwal:** I thank the KFin management for giving us an opportunity to host today's call. Before we conclude, may I ask Vivek to add any closing remarks?

**Vivek Mathur:** Thank you, Devesh. I think we have covered it all. We continue to maintain focus in terms of our growth trajectory, both in India and overseas market and trying to de-risk the domestic business by expansion in the international market.

Again the in-principle approval given by RBI for setting up subsidiary in Thailand is a step in that direction. And we will look forward to expanding beyond Thailand as we look upon the international business more closely. We'll continue to maintain traction in terms of growth in the domestic mutual fund business in parallel.

And we are cognizant of the mark-to-market gains that we are having while the core inflows remain intact. There are always five or six AMCs who underperform in terms of net inflows in the large set of AMCs that we service. So, as a cycle, it makes up over a period of time.

And we therefore remain buoyant that the core businesses of issuer solutions, domestic mutual fund business will continue to grow in the mid-teens on a sustainable basis, while international operations, AIF, fund accounting will continue to outgrow this growth. And overall, you know, we'll be able to manage our cost in terms of nimbleness to the need of the market.

Thank you so much for joining today. And we look forward to engagement in future.

**Devesh Agarwal:** Thank you Vivek. Thank you, everyone, for joining the call today and wish everyone a very Happy Diwali. Shlok, you may now conclude the call.

**Moderator:** Thank you, everyone. On behalf of IIFL Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.