January 31, 2025 CS&G/STX/MQ2025/17

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/MQ2025/02 dated January 08, 2025, 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 January 24, 2025, in respect of the standalone and consolidated unaudited financial results of the Company for the quarter and nine months ended December 31, 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

Digitally signed by ALPANA
UTTAM KUNDU
Date: 2025.01.31 11:31:31 +05'30'

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

Encl.: a/a

“KFin Technologies Limited

Q3 FY '25 Earnings Conference Call”

January 24, 2025

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

MODERATOR: **MR. DEVESH AGARWAL – IIFL CAPITAL SERVICES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to KFintech Q3 FY '25 Earnings Conference Call hosted by IIFL Capital Services 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 the star then zero on your touchtone phone.

I now hand the conference over to Mr. Devesh Agarwal from IIFL Capital Services Limited. Thank you, and over to you, sir.

Devesh Agarwal: Thank you, Steve. Good morning, everyone, and welcome to the Q3 FY '25 Earnings Call of KFin Technologies Limited. Today 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 Mr. 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 very much. Very good morning, very welcome to one and all. This is the first call of the New Year. So wishing all the participants a very happy new year as well. I couldn't be more thrilled to be able to announce our Q3 results, which continue to express the outcomes that we intend to deliver, which is a broad-based expansion of our businesses, profitable businesses and ones which are sustainable.

Our strategy for the last 5 years had been one that of diversifying risk whilst using that opportunity to expand our addressable market, which is, in some sense, on 3 axes. X-axis is increase in various different business services, not just RTA, but our fund accountant, our data and the technology leadership roles, CRM, mobility solutions, cloud solutions, what have you.

Second is to expand into every asset class in the asset management industry, mutual funds, alternatives, PMS, pensions, private retirement schemes, bond markets, what have you. Third, a geographical expansion and not just a single country. We will always have cyclicalities in a single asset class in a single country, and hence, our intent had been to look beyond borders. And since then, we had been one of the few market -- further market intermediaries who have grown beyond borders.

Financially, the numbers are out there in the market. So you would have seen it. Our revenue grew about 33% year-on-year and same is the case with EBITDA and PAT numbers roughly about 35%. We are satisfied with the results in the context of the mark-to-market gains being substantively low in the previous quarter and continues to be so.

Mutual funds continues to be our dominant business even as the other legs of businesses have been growing far faster, and we continue to track to the trajectory of getting the non-mutual fund businesses to be near about 50-odd percent over the next 3 to 5-year horizon. Our overall AUM also in terms of market share has grown as against a market expansion of 39.4 odd percent. We have grown about 42.8%. That's a good 300 basis points expansion in the overall AUM on a year-on-year basis. Same is the case on a sequential basis with a certain amount of expansion.

But beyond what is more performance of our clients, our definitive performance largely in terms of winning additional contracts, Q3 had been a pretty consistent one for us. We won two large data lake contracts in the asset management space. That takes the total count to about eight. And this is a line of service which we are very, very keen to. It gives us, one, an opportunity to serve clients and generate direct revenue.

And just as importantly, all of that expands their own revenue in the form of formidable analytics that they use to grow their expansion business. And hence, it kind of comes back to us as additional revenue eventually as well.

We have had a terrific quarter in the corporate registry business. We have added close to 366 clients in the last quarter. In the 9 months of this year, that's roughly about 1,000-odd new client contracts we have added. The total folio count has expanded by about 8 million. You would have seen KFintech rendering IPO services to several large ones. In fact, probably every large IPO or the largest 5 IPOs in the country have been handled by us, whether it was Hyundai or Bajaj Housing Finance and NTPC Green, what have you.

We still have several large ones in the pipeline and probably the next largest one that's going to go public would be LG and others. So that expansion as well as the solutions we have created in corporate actions and corporate events meant that revenue continues to chug along at a healthy 24% plus on a year-on-year basis and driving about 20% CAGR over the past 3 to 4 years.

Moving along, international business, something that we're all excited, and I do recognize that so are you to a certain extent. Our client base has increased to 70 even as the contract base has expanded to 90. In the quarter that had gone by, we have signed two full service tier deals from a large asset management company and the trust, and these are based out of Philippines.

We have also signed a large -- another large deal in Malaysia, and we have received two letters of intent, which are being in the process of being converted into letter of awards in the coming weeks from a significant sized custodian in Malaysia and another asset manager in Malaysia again.

Our share -- market share in Malaysia at this moment in time surpasses over 50% in terms of total AMCs there. And as I've said in the previous quarter, the deals that we are -- we have been signing of late are materially larger in size as compared to the erstwhile ones. And that is truly a symptom of maturing and maturing business as well as the confidence that a particular country's ecosystem from a capital market standpoint gains in an administrator who does not necessarily belong to that country. And that level of confidence now is being exhibited in the countries of Philippines and in Thailand as well.

Alternatives, another area of focus for us. As I mentioned, this is one of the three axes. The second one was the asset classes. Today, we manage about 535 funds, getting our market share closer to 37% in terms of the number of funds. The AUM growth has been substantive at about close to 55% year-on-year, bringing our total assets under management to over INR1.4 trillion.

We have been winning more than 60% plus in domestic market and about three fourth of the funds in the GIFT City. And we continue to be probably the only player in the country who have a proprietary fit-for-purpose platform, a fully integrated transfer agency and fund administration together, providing multicurrency, multi-asset and multi-geography solutions, and that probably explains the win rate, not just in India in GIFT City and beyond border as well.

Continuing on the line of the asset classes, National Pension system, a very important asset as well. I recognize the fact that it was not a substantive number in the overall scheme of things in the P&L. But I continue to maintain that over a period of time, this would be one of those businesses which could be providing a significant hedge against market movements, one, because of the stickiness; two, because nonlinear relation to market movements.

Very excited to tell you that we have grown 3x faster than the industry average. Industry has grown at about 12%. We've grown about 35%. And this quarter also marks the breakeven in this line of business, which means into the coming quarters as the number of pensioners expand. And this particular quarter is always going to be the best quarter, the January, Feb, March for pensions.

So we are excited in terms of what we can do in this space beyond what was done. So in a limited period of 4 years, we moved from 0% market share to now close to 10% market share, which was otherwise dominated pretty much in a monopolistic scenario prior to KFintech entering into the market.

I'll quickly move and cover a little bit at individual business line level now. Mutual funds, clearly, the largest of our asset -- largest of our business continue to perform very well in a year which probably is hard to replicate every year. I think overall industry has seen a tangible growth in this year, nearly about 35-odd percent. And we have been growing slightly ahead of the industry with marginal gains in market share.

Overall AUM has moved to now about 32.4%, hopefully, in time to come to get to one third and then expand from there on. And that is largely a combination of clearly our existing clients growing and the new client addition and our contribution directly to help our clients grow in the form of technological solutions and the other value-added solutions we're able to provide at extremely compelling cost propositions.

Our SIP book continues to be robust, close to 40% market share in that particular business transaction type. And I continue to maintain that SIP market share will be a good indicator in terms of where the overall AUM could be given this is the sticky retail book. A lumpy one-off investments will come and go, but a retail sticky book as it has been expanding now close to $3 billion. If our market share there is about close to 40%, I'm hoping in time to come, we will get that far in terms of our overall market share expanding there as logic would suggest.

Our net flows continue to be positive in the quarter ending December 2025. We got about 39% of the total net flows. This should be read in the context of the total market share of KFin being about 33%, 32.5%, but the net flows are at about 38.7% in that context. And obviously, we have orchestrated and supported a material number of NFOs, in fact, close to 57% of all NFOs that were launched in the previous quarter were handled by KFintech.

The transaction volume continues to expand, which calls obviously for significant investments into our own technological infrastructure solutions, people, business process reorchestration as well as the growing regulatory needs, not just in India, but across the globe.

As I've already called out, we continue to work on the value-added solutions as probably the controllable side of income that we can work on, which is to get -- to provide large-scale engineering solutions and some of them are our clients and some of them are not necessarily our current RTA clients. But in spite and despite of that, we're able to add value for all and in the ecosystem. We have also started building a mobility platform for the industry body for mutual funds. And in the coming quarter, we should be able to go live and present that to you as well.

Issuer Solutions beyond mutual funds, as I've already called out, the expansion both in the form of number of clients and in the number of folios augurs very well. The retail democratization of participation into the India's growth story in capital markets continues to be a tailwind for us. We understand there are about 2,000-odd IPOs that are going to happen into the next 24 months. And our market share standing close to -- in terms of market cap at about 50% today.

We believe that we have commendable opportunity to take a much larger market share than what we could in the past few quarters. And the win rate and the growth rate in the corporate registry had nearly doubled in the last 2 quarters as compared to the year before that. And that shows in the form of number of RTA mandates that we have won, which are yet to go live and also the ones that have gone public in the last 1, 2 quarters, one would have noticed a perceptible jump in the number of IPOs being managed by KFintech in that space.

The folio count aside the yield that we derive from at a folio level continues to largely remain stable, though this is not related or linked to the market movements. But the yield can move up and down depending upon which particular company has more retail participation versus participation coming down because of their own strong performance, what have you.

On the international side, the deals that we won largely Sun Life, a very large asset manager, a global asset manager, in fact, and in one of the largest in Philippines, we have won the deals of not just the Sun Life as an AMC, but also Sun Life as a custodian and a trustee, which effectively means the contracts which that entity will get from other asset management companies will also be our clients.

So the way to look at it is it isn't necessarily two contracts. It is two contracts definitely, but then the number of asset management companies would be more than two as the AMCs who are under the Corporation of Sun Life would eventually become our clients as we deliver the services to them.

There are close to about nine asset management companies, which are in transition of delivery. We have announced them in Q2 and some in Q1 and of course, some of them now. As I've said, it takes roughly about 2 to 3 quarters depending upon the size and complexity of the contract for us to be able to transition it. And hence, the revenue for these 9 contracts is yet to be clocked and goes well, hopefully into the -- as we move into subsequent quarters.

One of the biggest accomplishments we've had in the previous quarter was to sign with BlackRock, the world's largest asset manager to be in their list of marquee fund administrator, only eight, and we are the ninth one across the globe for implementation of Aladdin. There was a press release that happened.

We are working with BlackRock as we speak in terms of the go-to-market strategy, in terms of how every geography, every client who is in their partner network, how KFintech would tap into it. Whilst we have the overall process and comprehension, the very specifics and the semantics of engaging with those fund managers is being discussed at this point in time. There will be more announcements to come into the coming quarter.

But we are very, very excited in terms of the potential opportunity. Of course, the opportunity, mathematically speaking, is roughly about 108-odd funds, probably about $10-odd trillion worth of assets and KFintech having an equal opportunity to potentially chase all of them. And it is truly about our value proposition and what is that we can offer is what's going to change it. But clearly, it's something that we're very, very excited about. It's an opportunity we've been working for nearly 18 months. It is a very complex process to be identified as one of the global marquee providers.

I'll quickly move on. Beyond just the RTA, our acquisition of Hexagram about 2, 2.5 years back, we got into that, as I said, to expand business services, not just RTA, but also fund administration, and that was going to be our segue into international fund solutions. Very happy to inform you about significant growth in the revenue and the contracts we are winning via Hexagram.

Today, we manage about eight asset management companies or eight AMCs in mutual funds use mPower platform. 60% of all pension fund managers and similar number in insurance companies today use mPower as a platform. Nearly every alternative fund that KFintech managers today uses mPower fund administration, and then we continue to expand the use cases for that.

That brings me to the next very, very important announcement we have already made, but I'm very excited about is our doubling down of commitment and effort into the wealth industry. In the month of October, we have launched mPower Wealth in the Hubbis event in Mumbai. And very happy to inform you that in a matter of 3 months, we signed five large contracts in wealth and marquee names such as Tata Capital, Aditya Birla Wealth, NextEdge, Northern ARC and several others in the pipeline. And this is an industry, we believe will have a very important role to play as the affluence levels of individuals expand.

I continue to believe in the trajectory of Indians being net borrowers to savers, to investors now, which is largely where asset management companies come into play. But the affluent lot will need professional wealth management solutions. And we are bringing in same and better efficiency with much better technology as we are building it up bottom up without any legacy considerations. And that explains possibly the expansion into the wealth industry in a rather quick time of 95 contracts in a matter of a quarter since the launch of this new asset.

And that is a global platform and wealth as a solution, of course, is not as regulated as others are asset classes. And we have built this bottom-up to be relevant in every geography in the world. So as we move our international journey, we would be adding this solution along with our asset management solutions of transfer agency fund accounting and the big data solutions.

I'll quickly move on into the younger and the faster businesses of the Alternatives. I've already called out in terms of the number of AMCs that -- number of funds that we have added in the quarter. Overall, AUM has increased by nearly 55% year-on-year. We manage about roughly INR1.4 trillion worth of assets. And some of it is only TA and some of it is both TA and FA.

And hence, the yield we derive would not be the same and consistent across each funds and that depends on the scope of the services we render. Fund administration, we have renewed a contract from our largest asset management company client on mPower. And we have also recently signed with a very large insurance company, again, who would be leveraging the platform for fund accounting and administration in the insurance industry.

Pensions, I've called out last few quarters, 2 quarters back, I think we were growing at 2x the industry in the pensions. Again, very heartening to see our growth, and I'm happy to inform you that we have expanded that growth profile from 2x the industry to 3x the industry, near about 3x the industry, now 35% over 12% of the industry growth in the pensions. We've touched -- we're going to touch a very important milestone of 10% overall market share by end of this quarter in all likelihood and hopefully expand quite fast after that.

With that, I'm going to hand over to Vivek to cover financial performance. I'll turn it over to you for your questions.

Vivek Mathur: Thank you, Sreekanth. On the overall financial performance, the revenue has gone up sequentially as well across all segments, except the mortgage segment, which is noncore for us. Overall, revenue growth year-on-year is about 33% and same is for 9 months ended December, even sequentially 3.4% growth. Across business lines, we have seen growth and with new client wins and addition of AUM.

So one interesting phenomenon in mutual fund that we witnessed this time in this quarter is that although the mark-to-market was negative, while the net inflows remained positive and it compensated for the mark-to-market loss, resulting in a growth of AUM, which has benefited us in terms of the fee as well. So the industry is doing well in terms of attracting fresh investment as well as SIP -- strong SIP inflows, which is giving us better results.

In terms of the various mix of the revenue, mutual fund revenue, fee-based revenues is 71%. The Issuer Solutions business is 14%. The International and Other Investor Solutions business is about 11%. Within that, GFS is about 5%, AIF is about 5%, Pension and Webile is about 2% and the mortgage business, GBS is about 2.7%. That's the breakup of the revenue mix that we have seen. And in terms of EBITDA margins, we remain strong.

The last quarter that we have seen has again touched back to 45%, while the overall revenue continues to be in the range of 40% to 45% that we have been giving because of better performance on the overall segments, it continues to be in the range of 44% to 45%. The

EBITDA margins, as I talked about, have seen a sequential dip of 10 bps, but that's more to do with some bit of seasonality that we have seen. Otherwise, in terms of the overall results, they are still 44.1%.

PAT margins are -- PAT has also grown by about 35% year-on-year for the same quarter and 44% for the 9 months. PAT margins are in the range of 31% for the quarter and 30.6% for the year. We remain cash positive. We have a dry powder of almost INR570 crores sitting in cash and cash equivalents, which we will utilize as per the Board policy for business expansion, M&A and the Board policy at the year-end in terms of looking at dividend payout if the Board considers that.

The diluted EPS has gone up by 34% year-on-year. And for the 9 months, it has gone up by 43%. We remain guided in terms of maintaining frugality on expenses as some of the expenses have gone up during the quarter in terms of investment into IT and expansion, which we are cognizant of. And as Sreekanth mentioned, that we are looking at innovative ways of optimizing even IT expenses. Currently, we spend about 18% of our total revenue on IT, including people and new developments and new products. So we continue to remain positive about the growth of the company across segments.

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 Abhijeet Sakhare from Kotak Securities.

Abhijeet Sakhare: It's good to see the progress and the broad-based growth across verticals. So congrats on that. See, I have a question on the new businesses or the new deal wins. If it's possible to get a sense of the overall contract value just so that we are better able to forecast growth going forward?

Sreekanth Nadella: So I would probably prefer to have a separate conversation with Amit on that, given these are a number of deals. But broadly, to give you a picture, given some of these are license deals, for example, our fund accounting platform, you'll have a little lumpy revenue on year 1 and then about 25% to 30-odd percent of AMC contract value pretty much in perpetuity after that. Some are deals that are won today, but revenue will kick in after, say, 2 months or 3 months depending upon when it gets transitioned, so on and so forth.

But -- and same is the case with international, too, right? So it would be a little -- how do I put it, it won't be appropriate to give a number or even a range given the numbers would vary between which year you look at, right? But let me give you a context of the international contract wins.

On an average, the deal sizes earlier used to be anywhere about INR1 crores or so per annum recurring right annuity. That deal size now, if I average out the last 6 deals that we have signed, has now expanded to over nearly about INR3 crores to INR3.5 crores, right? And the deals that we are now in the pipeline are closer to $1 million in terms of each deal that we are looking to work with.

Abhijeet Sakhare: Got it. Just a follow-up, again, in terms of -- you mentioned on the alternative space, there's a mix of both TA and FA. So is it possible to give a realization across both these buckets?

Sreekanth Nadella: So the TA opportunity, which -- so basically, alternatives work slightly differently in comparison to mutual fund houses, right? Mutual fund houses are large. They have large vendor management teams, so on and so forth. And there is a preference of multiple different partners being there, one for transfer agency, one for data, one for fund accounting, one for order management system, etcetera.

And that's the natural evolution of the mutual fund industry. In the case of alternatives, many of them are reasonably small fit-outs. They manage large AUMs, but reasonably small fit-outs. And they prefer a single partner who has the ability to deliver all. This is pretty much a global phenomenon as well.

I mean if you look at funds that are in any of the offshore locations such as Luxembourg and so on and so forth, the fund administrator not just does transfer agency, but also does fund accounting, legal, part of legal aspects and even some amount of good related management solutions, so on and so forth. We have expanded our solutions to cover pretty much all of it, including partnerships with custodians and trustees, what have you. But our pure play TA deals are largely the ones that we initially started in 2021, right?

And because in those days, even we didn't have the capability to render everything else. And those opportunities give us spread of anywhere about 1.5 to 2 basis points. And of late, pretty much almost every opportunity we enter into is a combination of transfer agency and fund accounting, a full solution stack, and that gets anywhere between 2.5 to 3 basis points.

Abhijeet Sakhare: That was helpful. Last one is if you could give us some outlook on the expense growth, at least what sort of a commitment expenses that are in the pipeline? Some of it, I'm guessing would be linked to how the overall revenue will also pan out?

Sreekanth Nadella: Sure. We have seen a reasonably sharp expansion in expenses this year, as you might have noticed from the P&L. And that is obviously one for a significant expansion of the volumes that the industry has seen. Yes, there is a certain amount of mark-to-market growth-related revenue as well, but that pretty much tapered off in the last 2 quarters as quickly as it offered as any mark-to-market relief.

So it is a symptom of expansion of headcount and the technological investments. Of course, the headcount does not go in the same proportion as the total volumes. But the tech costs are, in many ways, can grow much faster than even the payroll component in India. And that's what we have seen in terms of our cloud costs expanding rapidly, which I continue to believe we will invest in our solutions to be cloud first.

We have completed our journey of data movement into cloud. We are on course to move pretty much our entire application stack and API stack as well into the cloud. That provides us the scalability that is required and the nimbleness that is needed. So I do believe that the cost expansion was commensurate in case of mutual funds to the total growth of volumes. The other businesses, of course, are not as scaled as we all know. So wins in, say, the international and alternatives and wealth and a few others comes with a little bit more expense to begin with or at least let me put it this way that they're slightly margin dilutive in the initial years.

And some of these have matured over the last 3, 4 years, international, especially and alternatives is in the process of maturing. So I believe that the cost expansion into the coming year into April, which we obviously will keep a very close watch. We will try to limit to about 10-odd percent and the capex is where we continue to invest. We have spent over INR65-odd, INR75-odd crores already in terms of infrastructure. A large portion of this, again, is in hardware and some very tangible assets such as the wealth platform that we've created. So cash flows vis-a-vis capex, we are looking to be bringing in another INR60 crores to INR70 crores in the coming year.

Moderator: The next question is from the line of Supratim Datta from Ambit.

Supratim Datta: I have three questions. The first one on the BlackRock opportunity, and you laid out how there are 108 funds and all would like to tap into that. But just wanted to understand, given BlackRock, 75% of their assets are in the US and Europe that they manage through Aladdin. Would this require you to acquire an asset there to access this opportunity? Or could you do that with your current capabilities? And if you -- if that requires an acquisition, then could you remind us again what kind and what size of acquisition are you looking at? That would be the first question.

Two, when I look at the other eight partners, those are all large financial institutions like BNP Paribas, JP Morgan, Northern Trust. Now they provide both custody, fund administration, TA services, all 3 stacks together. Then as the same providing only TA and FA, how do you -- what is your right to win against these players? Again, if you could give us some color on that, that would be very helpful.

And lastly, keeping to the international business, we have seen that there have been deals in the pipeline for Singapore for the last nearly 5 quarters, but that hasn't really translated into actually the deal win. What is stopping us there? Or when do we see this transitioning from pipeline to actual deal wins, particularly in Singapore? If you could let us know, that would be very helpful.

Sreekanth Nadella: Thanks, Supratim. Great question. So I'll start with the first one in terms of the operating model and the necessity to have a local structure for us to be able to service a client. The answer is it is not necessary. It's not mandatory. Just I'll bring your attention to the funds we're currently managing, which are domiciled in Canada. We do not have any presence in Canada or anywhere in Europe at this moment in time, and we're able to render the solutions 100% from offshore.

So whilst it is not a regulatory need, but it could be a client expectation, and that's understandable. But again, if you see our 70-odd clients that we have in these countries, we currently do not have feet on street in Singapore or in Hong Kong. We didn't have feet on street even in Thailand actually until we won the first contract. And same is the case with Philippines, we just added 1 person about 9 months back, whereas we've been servicing that country for almost 3.5 years now.

So it's not a regulatory need, but it's always good to have some feet on street. And that's what definitely we will be doing, right? As we scope out the opportunities and which is the right place, is it better to be in the location of the client? Or is it better to be in the location where the other fund administrators are there because that is where largely the funds get transited from, which is largely the offshore location, so to speak. So those are the conversations we are having.

And should there be a necessity to actually have a structure to be there, we will do it as we have recently done in Thailand and in Philippines. You must have noticed the approvals we received both from RBI as well as the local regulators for our expansion in Thailand and recently into the GIFT City as well. So to that extent, absolutely, these are all in the realm of possibility. And for now, this is not a constraint for us to at least chase these contracts, so to speak.

Second question in terms of -- you're right, all the 8 that you speak of are both banks and custodians and also FA and TA and what's our right to win. And this is a question that obviously, we've asked ourselves not now 5 years back when we started our international journey as to how exactly are we going to compete with any of these global fund administrators where many of them happen to also render bank and custody solutions as well. And again, I'll just draw your attention. In India, too, it was no different many years back, right?

When many of these global funds came to India, about 7, 8 years back in India, we had Goldman Sachs, you got Morgan Stanley, you got Deutsche, you got Citi, got several other global fund managers in India who also were banks, custodians and an FA, TA providers, and they had captive setups, right?

And it has happened over a period of time that the fund managers would realize the importance of having a specialized fund administrator solution provider because that comes naturally to us. That is our forte, and that may or may not necessarily be the case with banks whose bigger revenue pie will always be the banking relationship and the custodial relationship.

So our market study and the client study points to a significant dissonance in the fund managers when it comes to the services being rendered by the incumbents on the transfer agency and on fund accounting side. So what we have done in the past, and I'd like to believe we'll repeat the same success is we are not a bank and a custodian, we won't be, but we can definitely stitch alliances, which is what we've done in many parts of Asia and which is something that we will replicate, I'm sure as we move along is having a partnership with custodians, right?

So we have Deutsche Bank and StanChart, who are our custodian and banking partners in Asia, and we are working with HSBC to make it happen soon. Likewise, we have done the same thing in GIFT City as well, and we will replicate the same model elsewhere. So that's pretty much how we look at this world. It's not a constraint. There are entities who may prefer to have one neck to choke bank plus custody plus FA plus TA.

But our market study points to that leading to a significant end investor dissatisfaction and regulatory noncompliances. But those are the ones that we take care of in a significantly better fashion, given that is pretty much the only thing that we do as a fund administrator here today, right? So that's the second.

Third, I think your question on Singapore and the pipeline in general. So again, great question, right? So we have focused in Asia to begin with. And within Asia, Malaysia and then Philippines and Thailand. Singapore and Hong Kong happened largely because of our current delivery in

Malaysia was liked very much by my current clients, and it is the same client who wanted us to deliver the services in Hong Kong and Singapore, which is what we've expanded to those countries.

There is, however, one small hitch, which is that both the markets are not large mutual fund markets. They are predominantly alternatives market with significant amount of FII, FPI, private equity, venture capital funds being the dominant asset class as against mutual funds there. And for that is why we had focused on developing our XAlt platform, which is basically a platform that is needed for multi-asset, multi-currency, multi-geography, which I already spoke about. Without that platform, I do not have a stake in the ground to win alternatives clients beyond India, correct?

And that also explains to you, if you analyze all my 70 clients and 90 contracts international, barring the ones in Canada, they are all mutual fund mandates. And hence, to move into Singapore and Hong Kong, it was the platform that was needed, and it is built, it is ready. We are about to go live.

But along the way, of course, we were contemplating a buy versus build strategy, whether to do an acquisition and/or directly launch our solutions in the form of alternatives. And both of those are in motion as we speak. So hopefully, you will see both organic wins as well as maybe some progress on the M&A as well.

Moderator: The next question is from the line of Madhukar Ladha from Nuvama Wealth Management.

Madhukar Ladha: Congratulations on a good set of numbers. Just on this international business opportunity, I remember a couple of quarters back, you had said that this could be a $25 million or so in 2 years' time. Now we've also added additional BlackRock Aladdin capabilities. Would you want to revise that guidance with this new addition? What sort of incremental revenues could we see? That would be my main question. Yes.

Sreekanth Nadella: Thanks again, a great question. I would love to answer in affirmation and probably give a number. What I can definitely do is the first one, which is to say, yes, I'd like to believe that it will be a much higher opportunity at scale. And that is the reason why we worked on this opportunity for such a long period of time. It's not very easy to be in that marquee list, and there was 18 months of due diligence that happened, significant engagement in that regard.

That said, I would be in a better position to answer this question mathematically, probably into the coming quarter. As I've just mentioned that we've signed the contract late December. And of course, much of the US and Europe, as you would know, goes on vacation. They just came back. We had preliminary conversations with them into the coming 4 to 6 weeks, we'll have far more engagement to understand the process of go-to-market, the market opportunity and the ways to get there and hopefully then put a number on it and then come back to you.

Madhukar Ladha: Just one more follow-up. Recently, Jio BlackRock announced that your competitor has been selected as the RTA in India. What's happening there? I would have really thought that you having the Aladdin capability now would be a partner of choice given BlackRock, it is Jio

BlackRock. So what's happening? Maybe some color around why we didn't get that deal that will also be helpful?

Sreekanth Nadella: Yes, most definitely. So both of these were happening in tandem. In fact, our engagement on international on Aladdin started, as I said, 18 months back, whereas the India-specific Jio asset management opportunity started much, much later, nearly almost 8 to 9 months of our engagement with the global partner, so to speak. And like every organization would have its mechanisms of risk diversification in terms of where they would want to engage with a partner versus somewhere else.

And both BlackRock and us felt we had a much larger opportunity to work on the international side of it. And Aladdin, of course, whilst it is a global platform, that is not the platform that today, any of the asset managers are using in India. So that wasn't a strength or a different in any form and shape. This was a decision made largely in the context of where the opportunity size and the capabilities exist, and they wanted to diversify the risk in terms of working with the partners.

Moderator: The next question is from the line of Shrija Pathak from JK Capital Management.

Shrija Pathak: The pretext of my question has really got to do with the market performance. Over the past couple of months, you know that it's been muted. So just looking at your year-on-year AUM growth, is there a possibility where you can maybe give the contribution from the market performance versus the SIP inflow or the other inflow that has come into all these fund houses?

So I'm trying to get this to maybe next year when if the market or FY '25 when the market doesn't perform well and maybe we won't see the AUM growth coming from the market, but maybe from the SIP inflows that are coming in. So yes, just given on that, if you could just give the contribution.

Sreekanth Nadella: Sure. Thanks for that. Very, very important question in the context of what is probably looking like a cyclical slowdown of India's economy. I'll just draw attention to Q3 in terms of how it panned out and a little bit of insights into what's happened over the last 3 weeks in this very month itself and how possibly we can extrapolate that into the coming quarters, if I may, right? I mean Q3, as Vivek had already called out, there was a mark-to-market correction by over 4%, 4.5% over Q2.

And however, that got compensated by higher net flows. The net flows in Q3 were 20% higher as compared to Q2 of this fiscal year. So -- but of course, more volume -- I mean, more net flows means more volumes and more transactions. And obviously, there will be commensurate costs associated with that. So in Q3, despite a mark-to-market slowdown, the MF industry and ergo, us, who are basically the administrators in that area, still continue to grow, albeit at a smaller pace.

And I guess the momentum dropped to just about 3.5% quarter-on-quarter, though our businesses, we believe it is more a year-on-year story as against quarter-on-quarter story always. If I look at the first 3 weeks of this year, we continue to -- so there's another close to 4% drop in mark-to-market.

And we continue to see a reasonably commensurate decline in AUM in this quarter, which effectively points to this very simple fact that the net flows -- net inflows haven't been strong enough to offset the mark-to-market correction that has happened. Now this can be attributed to a little bit of slowness in market mobilization and/or a little bit of caution being exhibited by the retail investors. But 3 weeks is not a definitive amount of time for anyone to take to make into any kind of conclusion.

It's definitely into the next 4 to 6 weeks, we will get to know. But by and large, the investor behavior has been -- has about a paradigm shift in India with markets when they're down, there has been more mobilization of money coming into the industry and hence, offsetting the impact of mark-to-market. I hope it will continue. And obviously, many key drivers, including the upcoming budget so on and so forth will probably -- will have some role to play in terms of how we see this to evolve. But we are, at the moment, a little cautious in terms of how to project the overall AUM growth into the next year.

Shrija Pathak: I have a follow-up question to that. So say, just taking a worst case possible, the market doesn't do well, the inflow really slows down. What is your sensitivity? What is your revenue sensitivity to such conditions?

Sreekanth Nadella: Yes, great question. And this is the genesis of our entire journey over the last 5 years, which is risk diversification, if not move away, but at least reduce the reliance on one asset class mutual funds and one geography India and hence, the dependency in the mark-to-market, right? Diversification meant that we moved close to about 35% of our revenue profile to come from other avenues, and we want to get it to about 50% in some time to come. But in the near term, then, of course, we continue to have near about 65% of our revenue bearing to equity.

Within that, equity, mutual funds is roughly about 55-odd percent, close to 60%, if I may, as the asset class generating the commensurate amount of revenue. Clearly, if there is a significant drop with no offset happening in the form of net flows, we will have probably adverse impact anywhere between 4% to 5% decline in revenue sequentially, so to speak. But on a year-on-year basis, we should still be doing all right in the context of a significant expansion of AUMs starting from Q2 of this fiscal year.

Moderator: The next question is from the line of Pranuj Shah from JP Morgan.

Pranuj Shah: So Sreekanth, one question on your wealth management proposition. Could you -- because I think a lot of these clients, at least who are larger wealth managers in India also work with you on the AIF piece or the domestic RTA piece. So exactly how will this particular proposition differ from the TA and FA services that you're already providing?

That is one. Second is I think on your sequentially, if I look at the international and Other Investor Solutions business, the revenue growth has been relatively weaker as compared to the AUM growth. So was that largely because there were some lumpy transition revenues last quarter, which weren't there at this time?

And last question, I think someone asked earlier, but I'm not sure if you addressed that. Like any update on a potential international acquisition? Those are my questions.

Sreekanth Nadella: So the first one, in terms of the mPower Wealth, the wealth platform we've launched. See, the asset management solution, largely transfer agency, which is managing your investor side, the liabilities of your book, right, investor onboarding and then the creation of units and destruction of the units as the redemption happens, so on and so forth.

That is a full-fledged operations activity. It is our platform, it is our service, so on and so forth. In the case of wealth, it is different because when you come to a wealth manager, you would be selling both your own captive funds, but also third-party funds right? And that can be any asset classes. In the case of mutual funds, it is only mutual funds we deal with.

But if you are a wealth manager for a particular investor who could be the client, your portfolio can be spread across direct equity, PMS, alternatives, insurance, international exposure, maybe even cryptos, what have you, right? So it is -- every single asset class gets rolled into it.

And from our solution standpoint, it is a platform that we need to provide to the wealth team, which means that the relationship managers rolled up to the overall wealth organization and how they acquire and service their clients, sell various different products and create a portfolio and provide the engagement solutions in terms of how they work with the investors in terms of portfolio reconstruction, providing the right kind of MIS analytics, so on and so forth and also provide a platform for the investor to see their own wealth movement, if I may.

So this is a very, very different solution, right, as compared to the TA, which is very, very specific to that one asset class of that one specific asset management company and the deep down operations of it, whereas here, this particular platform and the processes operate at one level above, which means that it is possible your portfolio may have all the 45 mutual funds, 50 portfolio management services, 10 alternate investment funds, crypto, what have you. So it's a different construct altogether. I hope that clarifies that.

Pranuj Shah: Just one follow-up. How do the revenues in this particular segment? Is it on the basis of the AUM that the fund manager manages -- or is there a fixed fee for using a platform?

Sreekanth Nadella: So we got both models. We obviously work with -- in most cases, it is a full service model, which means that it's our platform, our service and we underwrite all the risk associated with that, much like in the case of mutual funds. And hence, to be a true partner to underwrite the risk and not just give the platform, we charge basis points. So -- in wealth, too, there are various places where we -- it is fully our people, our processes, our risk management, our platform and hence, there is basis points.

But in situations where a client may want -- and this happens largely with banks, if I may. And they may want -- they already have a wealth practice, but what they want is far better platform, either to replace the current one or to create a new one, in which event it is largely going to be implementation costs followed by a license fee either classified model or on an AMC model subsequently.

Pranuj Shah: Understood.

Sreekanth Nadella: Your other questions in terms of...

Pranuj Shah: So were there any lumpy revenues on the international and other investor solutions last quarter, which weren't there this time?

Sreekanth Nadella: Short answer is absolutely yes. We -- in the last quarter, if you recollect, I've announced a deal called Amanahraya Investment Managers, I mean, one of the larger deals we have signed a very large sovereign fund in Malaysia. And that gave us a little bit of lumpy revenue in that one quarter. And the revenue recognition of that deal staggers across multiple quarters and the component of the Q1 was higher. But as we move into the Q4, some of such revenue would come. So there was an interim slight dip in that lumpy revenue, if I may.

Vivek Mathur: This is Vivek Mathur. I just want to add to what Sreekanth mentioned. See, in international business, especially in Southeast Asia, it takes 18 to 24 months to win a client. And then there is a license revenue and there is a recurring revenue. So looking at it on a quarter-on-quarter basis will not give you an immediate answer. While the overall non-MF revenue grew by 2%, the GFS international business grew by 8%, which was a combination of increase in AUM and new client win revenues.

So you'll have to watch it quarter after quarter and then look at the growth in this business. And the wealth business client wins that Sreekanth talked about, we haven't yet clocked the revenue into the P&L. These are client wins which will go live. So that's another reason that 1 quarter may not be a correct reflection of the revenue, which is in the client win pipeline, which will clock in, in the coming quarters.

Pranuj Shah: So when would these revenues start getting built into the -- from the wealth piece?

Vivek Mathur: Wealth revenue will start coming in from next quarter, I mean, in JFM.

Moderator: The next question is from the line of Uday Pai from Investec.

Uday Pai: I just wanted some more color on the custodian partnership that you mentioned with Sun Life. Could you please share more details on that? And do you think you have opportunities to make such other partnership in other geographies as well? That's the only question I had.

Sreekanth Nadella: Sure. I'll just clarify one point. With Sun Life, it's not a custodial partnership. It's a contract we have won from Sun Life custody, right? So Sun Life is an AMC in Philippines, and they also are a custody. We have won the contracts to render one directly to Sun Life as an AMC. Second, the other AMCs that today, Sun Life custody provides the custodial services, and that is about 4 or 5 more asset management companies that scope is getting discovered.

And so to that extent, it is working with them and their clients. And it is a similar situation with the other LOI we received in Malaysia, which is again with another custodial services who have multiple other AMCs whom they currently support and service.

The custodial partnerships we have are largely with StanChart and Deutsche Bank. And as I said, we are working with other large bank-based custodians as well in that part of the world and outside of Asia as well. And those partnerships help us with 1 or 2 ways. One, should there be an RFP that states that the AMC is looking at a single partner to provide bank custody, fund accounting and transfer agency book together, then we have a joint go-to-market strategy, which is it will be both of us together and then hence, you meet the criteria of the RFP.

Second, as these custodians add layers of AMCs largely from FA standpoint, we become the natural partner for them to add transfer agency services whilst they continue to be the principal, okay? I hope that clarifies that.

Uday Pai: That was very useful.

Moderator: The next question is from the line of Dipanjan Ghosh from Citi.

Dipanjan Ghosh: Just a few questions. First, going back to the BlackRock Aladdin partnership. While you mentioned the opportunity size in terms of the number of clients and AUMs managed on the Aladdin platform. Just wanted to understand in terms of the eight partners who are already existing, would you have done some due diligence on the revenue clock by this partnership still now, be it BNP, StanC and the eight put together, what would be the revenue pool sitting out there?

Second, if you can quantify the Hexagram revenues for the quarter or maybe 9 months? And lastly, on the Issuer Solutions business, you mentioned that there can be some volatility in yields depending on the underlying holdings pattern. So if you can give some clarification on that, that will be great?

Sreekanth Nadella: The first one, in terms of the alignment we have, we don't know at an individual administrator level as each of those administrators not just leverage Aladdin to provide solutions, but they also have their own potential captive in-house platforms. They could also be working with many other platforms, industry platforms such as Charles River and Advent -- sorry, Geneva by Advent and there are a few more platforms out there in the world, right? So their revenue obviously will be a combination of several other items.

And hence, we can't simply add up their revenues and see how much of that is coming from them. But what I can -- what our understanding is we look at largely from the standpoint of the yield that they drive, and that is still largely in the form of conversations we have with potential fund managers. And largely, we figure that out either doing NDRs that we do and/or through market intelligence. And that was the right to win that we've had, which is that many of these administrators charge nearly 2x to 2.5x the basis points that we charge here in India.

And these are much larger asset sizes, too, right? I mean, like, for example, a typical alternate investment fund in India could be about INR3,000 crores or INR4,000 crores of AUM, but most of the funds out there run into billions of dollars. And even at that asset value, the basis points is nearly 2x to 3x larger than what we charge today. So our right to win is to be able to provide far compelling value at much lower cost structures.

So I guess, in some way, if you were to just do a macro words -- macro calculation of it, probably 6 or 7 basis points and multiply with that $11-odd trillion is largely probably going to be the addressable market if I may, right? But as I said, we will need to have far more engagement with the entities into the coming months. We will understand as to what is the definitive revenue possible, but that could be the addressable market from a top-down approach. I think there was another question about...

Dipanjan Ghosh: The Hexagram revenue and the Issuer Solution yields.

Sreekanth Nadella: The issuer Solution, the point I was trying to make is we manage close to about 7,000-odd clients, right, and about 650-odd listed and the rest of listed companies. The folio yield levels, just like in the case of mutual funds yield, even the portfolio also has a certain yield and the pricing of folios varies by different clients, right? And that becomes a market negotiated rate, could be various factors, including the number of retail folios to the quantum of business we get versus multiple other things.

So I guess what I'm trying to say is that as the quarters and months go, you will have certain stocks performing very well, certain stocks not performing very well. And as that happens, the folio, that is the retail participation in each of these companies also varies, right? For example, you may have a very large conglomerate whose value may come down by 20%, 25% on account of poor results or anything.

And then you may see a market sort of retail investors from that to some other company. Now if that happens, obviously, the number of folios comes down and so does my revenue associated with that. And it is possible that one particular company's yield that I derive could be -- when I say yield, I mean, per folio cost could be higher or lower compared to the average that I have. And hence, there is a fluctuation even at the folio level in terms of the yield we derive. That's what I was referring to.

Dipanjan Ghosh: Got it. On the Hexagram revenue, if you can quantify that?

Sreekanth Nadella: Sure. Vivek, would you want to take that?

Vivek Mathur: Yes, yes. So Hexagram had a revenue of about INR9.5 crores for 9 months ended December versus about INR6 crores for the same period last year. So it's a 60% plus growth year-on-year.

Dipanjan Ghosh: Got it. And just one question, sir. In your opening commentary, you mentioned that you want to take up the international solutions business revenue to around 15%. Did I hear it correctly?

Sreekanth Nadella: No. I mentioned that non-mutual fund revenue, which includes all others, our aim is to bring that to 50% of the total book.

Moderator: Ladies and gentlemen, due to time constraint, that was the last question for today's conference call. I now hand the conference over to Mr. Devesh Agarwal for their closing comments.

Devesh Agarwal: On behalf of IIFL Capital, I thank the KFin management for giving us an opportunity to host the call today. Before we conclude, Vivek, would you like to add any closing remarks?

Vivek Mathur: Thanks, Devesh. I think there is nothing more. We have already covered the details. We continue to remain buoyant about the various businesses in terms of the growth potential, and we do expect that the market will remain supportive, especially the net inflows as we see and the new SIP hits that are coming through. The behavior of the retail investors and the tokenization of the mutual fund ticket size that the regulator is attempting to garner more AUM will certainly help in terms of the AUM industry.

Our efforts in terms of international expansion with the approval of Thailand and GIFT City are opening up more doors for us to expand into geographies as we look at even Singapore and Dubai in times to come to set up our offices. And we actively remain engaged in evaluating M&A targets so that the growth can be fast tracked. And overall, the EBITDA margins will remain in the range of 40% to 45% that we have been maintaining.

That's all from our side. Thank you so much for joining today.

Devesh Agarwal: Thank you, sir. Thank you, everyone, for joining in today. Steve, you may now conclude the call.

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