



**“KFin Technologies Limited
Q2 and H1 FY '26 Earnings Conference Call”
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**MANAGEMENT: MR. SREEKANTH NADELLA – MD AND CEO
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**MODERATOR: MR. DEVESH AGARWAL – IIFL CAPITAL SERVICES
LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to KFinTech Q2 and H1 FY '26 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 star, then zero on your touchtone telephone. Please note that this conference is being recorded.

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, Iqra. Good morning, everyone, and welcome to the Q2 FY '26 Earnings Call of KFin Technologies Limited. Today from the company, we have with us Sreekanth Nadella, MD and CEO; Vivek Mathur, CFO; and Amit Murarka, the CFO of International Business and Head of 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 very much, Devesh. A very good morning, and a very warm welcome to one and all. Happy Diwali and a wonderful festive season that has just gone by and then ahead of ourselves.

As the festival season typically augurs good news for most Indians, it has been no different for KFinTech. We have completed Q2 yet another successful quarter, marked by a fairly well-rounded performance across various aspects of our business, client acquisition, revenue generation, cost optimization through margin expansion, new client logos, expansion into newer businesses, launch of new products and acquisitions, so to speak. So it's been a fairly busy quarter for us.

We have seen amidst fairly volatile markets, we have delivered results, which we believe we are reasonably satisfied with. As always, there is always room for improvement, and that's what we continue to learn. We continue to be the country's largest registrar and transfer agent by a mile in terms of number of clients in mutual funds, total market share in issuer solutions, number of clients in alternate investment funds, fastest-growing CRA in national pension system and the only registrar who is globally present.

And to augment and to add wings to our vision, which I continue to believe is for KFinTech to be the first large global fund administrator coming out of India. We have completed the acquisition of Ascent Fund Services, headquartered in Singapore, into this month. And that marks a very important milestone for us.

As you have all seen, these have all been fairly focused and purposefully orchestrated buy versus build strategies that we've been adopting for a fair period of time, whether it is acquisition of Hexagram because we needed fund accounting capabilities, acquisition of Webile, largely for

mobility capabilities, but leveraging in-house capabilities for what we believe is core to us, which is data.

We built our own big data platforms, cloud capabilities, so on and so forth. And internationally, whilst we drive our organic growth in the form of public market funds, we believed that for the private market funds, it was always a better strategy to acquire an entity outside of India, and that marks the closure of that first step towards the direction in terms of acquisition of Fund Services.

Overall, we have expanded our footprint in mutual funds in India as well. We have signed up with Lakshya Mutual Fund. There have been some concerns that some of you have expressed in terms of a little bit of tapering off of new client logos. You'd be happy to hear that we have won 4 out of 4 last mutual fund mandates that have launched in India in addition to transitioning one.

And that, of course, will only be a medium to long-term revenue accreting topic as I continue to believe that a new launch -- a new mutual fund will only add revenue maybe 3 years from the day of signing up, 3 to 4 years, and all depending upon how they perform. So it is critically important that we stay focused in terms of helping our current clients to grow faster through technological innovation, through partner, producting and platforming, so on and so forth.

We have launched IGNITE, as you all know, into the previous quarter. It has found its way into every nook and corner of the country, every distributor, every partner. Just yesterday, we had a wonderful event in Bangalore with Moneycontrol, where we have, again, worked with a whole lot of distributors. We launched IRIS as a product on the platform, entirely creating a new ecosystem for partners for financial intermediaries.

Think of it like an UrbanClap for various skilled workers. So this is going to be a similar search platform for financial intermediaries who would be able to enhance their livelihood by way of selling multiple asset classes, and it will also help every single citizen of India because you now have a single individual who can solve for nearly every financial needs one person may have, whether it is fixed deposits, mutual funds, pensions, loans, credit cards, what have you, right?

So that's mutual funds in terms of -- in addition to new client logo additions. We continue to outpace industry in terms of the AUM. We have marginally been better off than the overall industry. Of course, one area that we are watchful about is on the equity growth. Needless to say, I think some of the larger asset management companies serviced by our friends in Chennai have been growing much faster on the equity, given they have a much larger base, it's understandable.

But that said, what I take heart is in the fact that it's a secular growth at our end in terms of every AMC growing much, much faster. And that's resulted, as you could see, in the overall yield actually getting better in comparison to Q1. So I guess that's the difference between -- and mass, all AMCs growing together versus few large growing at any one point in time.

Our SIP book continues to hold well, closing -- closer to 40%, and I continue to believe any long-term projections should be tethered to where the SIP is today. If we are 40%, there is no doubt in my mind there would come a time into the history of KFinTech where we will reach the overall market share to closer to that number, as SIP will be the determining factor in terms of the overall AUM over a long period of time.

Issuer Solutions, we have added nearly 500-odd clients. Every quarter, we are adding that kind of a number. We're extremely focused now, not just in Main Board IPOs, but also in SME IPOs, unlisted companies, et cetera. We are building this for medium to long term, even though in the near term, this may not be massively revenue generating, although SMEs and unlisted.

But we are looking at a medium to long-term horizon, and I believe that will add a significant amount of more to our organization, something that also is slightly away from the mark-to-market vagaries that our industry deals with.

We have launched country's largest IPO, LG, successfully so. And every week, we have at least 3-odd IPOs happening from now till end of December, which augurs well for this year, of course. But more importantly, into the coming year, as we all know, these are all annuity revenue contracts. Also happy to inform you that we have transitioned a very large mandate in the form of BPCL, which is large in terms of the corporate registry business, and then we have several in the pipeline in terms of transitions.

In the International and Other Solutions, we have added several new logos and several clients here to go live. Overall, business continues to be well. Of course, the AUM growth is probably not as large as one would have expected at least in relation to India. And given our contracts have minimum billing subject to them reaching a particular AUM and as the AMC's grow beyond the threshold is when we'll grow faster. At this point in time, our growth is nearly entirely hinged on new client addition, which is adding more revenue. We have several large international deals in the pipeline. Some of them we were hoping to have concluded in the previous quarter. But there is always a timing difference with large deals, with the festive season, so on and so forth. But into this coming quarter, we are looking at some large deals to be signed.

Central Recordkeeping Agency, National Pension System is a very, very interesting piece of work. Again, on a medium to long-term basis, I believe it's a very important line of business in terms of the margin that it can contribute as well as the revenue it can grow. There have been for a change tailwinds in the form of regulatory changes for pensions, which will augment our revenue, where the regulator has permitted basis points driven charging on AUM, much like that of our mutual funds as against a fixed fee per prime, which was the situation back in the day.

We continue to grow at 3x the pace of the industry, and we have crossed a double-digit number. We are 10.3% in the overall industry, participating nearly entirely only on private markets. So that clearly explains to you in terms of our market share in the private sector is at least 4x that of the overall industry. And this is an area we will continue to invest our time, effort and money as India will continue to become a large functionable society.

AIF, we crossed INR1.8 trillion. I think we will cross INR2 trillion by the next time I speak easily. Again, a fledgling asset class and something that we have found our way from probably nearly nothing at all in terms of our overall book of business to manage close to 40% of the overall industry and one that we are confident we will get close to 50% into the next 12 to 18 months.

And GIFT city, our numbers are much higher, of course, close to 60% combined with Ascent, that gets to about nearly 3/4 of all funds are being managed by the combined entity of KFin and Ascent, and a number that we would like to keep at that number, and then probably even scaling it up as we progress in terms of our ability to serve multiple service -- multiple other clients.

Overall, the revenue numbers, you have seen, nothing for me to elaborate. We believe if not for certain M&A-driven costs and certain onetime costs, our margin performance would have been better than what you could see, which clearly augurs well in terms of how we believe that the core growth and its contributing in terms of the productivity driven, and a very scientifically administered productivity-driven gains in terms of margin expansion is sustainable, notwithstanding the one-off expenditure that we have had into the previous quarter also.

We have continuing to be invested in our tech solution, as I always believe that managing a business like this, which has a very strong dependency on how the markets perform and how our clients perform, both of which may not necessarily be entirely in our hands, we have to do and orchestrate things that are controllable in our own hands. And part of that was value-added solutions in the form of tech-driven revenue. And we have continued to expand our big data solutions to the industry, both for our clients as well as for several other industries.

And we have won another one large data contract into the previous quarter, and then we had several that we are talking about at this moment in time, and hopefully, we will fructify in real quick time. But overall, value-added solutions as a business continues to expand about 40-odd percent year-on-year. And we believe that it can grow faster than that into the coming years as well.

We have signed some very interesting contracts in the international space, some with trustees, some not with asset management companies, which gives us a foray into incidental and ancillary industries, but nearly, entirely depending in terms of fund servicing aspects of it and in the details as to how that is progressing.

We continue to expand on the wealth as well. We have signed expansion of current platforms with some newer clients. And having successfully gone live with many our clients, and the platform has proven its merit and worked. And we have now customized it to fully -- to be globally ready in terms of being a multicurrency, multi-geography and multi-asset. And we are currently in talks with some of the clients in Singapore and in Philippines.

And given it operates in a slightly nonregulated space and scope for expansion being far higher, I'm hoping that into the coming few quarters, we'll have more to talk about, the wealth space. Again, probably one of the newer sector that we've been in, but one of the things that I believe

is probably the most promising in terms of the growth potential in addition to the international market, so to speak.

So the overall AUMs, I think, in a very tepid quarter. The net flows continue to be holding up, and the SIP book continues to be resilient and strong. And with markets turning the corner, which I think is probably happening around now and with good earnings season, I'd like to believe that we have better days ahead in terms of certain mark-to-market gains in addition to net flows continuing to expand. And hopefully, that will go better in terms of the margins and top line as well.

And given we have much of our alternate investment funds are also in Cat III model, our mark-to-market gains in AIF also will be advantageous to us. Clearly, all the Cat III funds are nearly public market invested. And hence, I'm expecting an AUM expansion and hence, the revenue expansion based on that into the coming quarters as well.

We have seen a slight degrowth in the number of folios in Issuer Solutions into the past quarter. Now in spite and despite of that, we have grown quarter-on-quarter sequentially and year-on-year much higher than, I guess, into the previous year. And that's largely a symptom of new client additions and transitions. Now again, with the markets turning the corner, I expect retail investors to come back.

As that happens, it will have the dual advantage of annuity-driven growth because of several new logo additions and more IPOs coming every single week. We are doing -- we're going to be doing about 2 to 3 IPOs every single week from here till pretty much end of December. And with the net new folio addition, that also should add well into the Issuer Solutions.

And again, better earnings by corporate India translates to better corporate actions, which hopefully will mean that into the Q3 and Q4, we'll be better positioned in terms of corporate action-driven revenue that will come in Issuer Solutions business.

So that's broadly my key update. Ascent, I'll just take a minute, and then I'll turn it over to Vivek. It's been in works for a fair period of time. And given their presence in about 18 geographies and moderated and regulated by about 7 different regulators, it was a bit of a task. We were hoping to conclude it in the previous quarter, but that's all right. We've done it into this. And hence, we will be able to consolidate our books into the coming quarter.

We have had a very, very engaging workshop with acquisition in Malaysia. In the previous quarter, several of KFin leaders, and Ascent leaders together chalked out a strategy in terms of top line expansion, looking at areas in terms of cost optimization, whether it is a consolidation of real estate, consolidation of tech assets, consolidation of human assets, so on and so forth.

With a view for margin expansion and a more concerted delivery mechanism that together we orchestrate. And we have a very well-defined plan in terms of how to make this 1 plus 1 acquisition, not 2, but then double-digit acquisition in terms of leveraging the synergies that both the entities have against each other.

So into the coming quarters, obviously, the consolidation will happen, both the financials as well as the rest of the work. Very, very pleased with the quality of talent we have with that organization. There is a lot that my teams will learn on private mandate space. There's a lot that Ascent teams would learn in terms of our technology capabilities and how we can scale up globally now that we are present in about 18-plus countries. We have a few more that we will be starting into the coming year, if not into the coming quarters.

Lastly, I think in the overall international space, large mandate translation has been a topic of discussion. Whilst we have signed with ARIM last year, which you all know is a reasonably large deal. We have 3 to 4 such deals in the making at this moment in time.

In fact, we are taking pensions on the back of our National Pension System platform, which is called Suprema, to parts of Philippines and into parts of Asia, where we are seeing reasonable impetus in terms of the local governments pushing for very highly pensionable societies in that part of the world. So hopefully, in time, there will be some good news that we will be able to announce it as well.

So that's broadly the key highlights. And just one last thing in terms of the FinEx as a program, which is our replatforming of our core business. It's progressed quite swiftly into the previous quarter, and we have now launched or rather have gone live 2 out of the 16 modules of FinEx, which is what is going to give us the confidence -- which has given us confidence in terms of our capability to completely replatform our 40-year-old tech platform on which nearly 50% of retail investors and about close to INR30-plus trillion of AUM is being managed. It's not an easy task.

And we believe that from here on, it will accelerate. And that should give us the -- hopefully, the next levers in terms of better client servicing, faster go-to-market strategies, significant growth for our clients in the form of our capabilities to deliver faster digital solutions and hopefully some amount of productivity-driven margin expansion as well.

So that's broadly me. I'm going to turn it over to Vivek, and I'll come back for questions later. Thank you. Vivek?

Vivek Mathur:

Thank you, Sreekanth. Good morning, everyone. About the financial results for the half year ended September 2025. For the Q2, our revenue was INR309 crores, which was 10.3% higher year-on-year for the same quarter and sequentially 12.8% higher. For the half year, it was 12.6% year higher as compared to last year half year. If you look at the breakup of the revenue growth on a year-on-year for the same quarter, the domestic mutual fund business grew by 10.2%, International and Other Investor Solutions grew by 7.1%. But if we look at the core business, excluding the GBS business, the growth was 26.1%. Within that, the Global Fund Solutions growth was 14%. The pension business grew by 21%. The AIF, PMS, PWM business grew by 28%. Hexagram grew by almost 54%.

Webile grew by 18%. GBS degrew by 70%. And if you look at half year, the growth in domestic mutual fund business revenue was 13.5%. And if you look at International and Other Investor

Solutions, it was about 3.8%. But if you exclude GBS, the growth was 27.5%, which is the growth in the core businesses. Within that, the Global Fund Solutions business grew by 12.7%. The NPS business grew by 26%. The AIF business grew by 29%. Hexagram grew by 87%, Weble about 8%, and GBS was negative by 77%.

Issuer Solutions business grew for the same quarter this year versus last year by 13.4%. And in terms of half year, it grew by 18%. So overall, the growth has been decent in terms of whether it is sequential growth or same quarter last year versus this year and half year. And from the overall perspective, the sales pipeline is promising, and we hope that we will continue to gain traction in terms of growth in revenue in times to come.

And if you look at the EBITDA, EBITDA grew by 7.2% year-on-year for the same quarter. Sequentially, it grew by 19.2%. And for the half year, it grew by 10.3%. The EBITDA margin at the end of Q2 -- for Q2 was 43.9% and for the half year, was 42.8%. If we look at PAT margins, PAT margin continued to be 30.2%. There was a growth of 4.5% year-on-year for the same quarter.

And sequentially also, it grew by 20.8%. For the half year, it went up by 8.4%. And for the half year, the PAT margin was 29.2%. So there were some one-off expenses, as Sreekanth mentioned, but I think we are range bound in terms of our guidance on EBITDA and PAT, and we are confident that we'll be able to maintain that guidance once even asset integration takes place in the next quarter.

So the diluted EPS went up to INR5.38 and for half year, to INR9.83. Cash and cash equivalents at the end of September was INR690.8 crores. We have paid dividend of INR129 crores post this quarter and also invested in Ascent, INR308 crores. So as on date, we have cash and cash equivalents of INR413 crores, which is still very healthy in terms of our ability to invest for future as well as to continue to maintain a healthy working capital.

Happy to take questions now.

Moderator: Thank you very much. The first question comes from the line of Karthik Chellappa from Indus Capital Advisors. Please go ahead.

Karthik Chellappa: I have two questions. The first one is on Issuer Solutions. If we were to look at this quarter's performance, we have seen a decent amount of margin compression in the Issuer Solutions segment. While I note that the base quarter margins were probably elevated and so not the right base, but nevertheless, we have seen some compression. So could you just give us some color on what led to those margin compression? And what is a sustainable level of margins going forward for the Issuer Solutions segment? That's my first question.

Sreekanth Nadella: Thank you, Karthik. So there are two distinct reasons for that, and which is transitory and something that is not going to be repeated for a sustainable period of time. One is, since there have been so many new IPOs that we have handled in the recent past. Our labor costs are basically semi-linear, which means that up to a particular new client acquisition and addition,

our current manpower is adequate to take on, right? And hence, there is no additional cost associated with that.

But once the number crosses a particular threshold, there is as much that can be leveraged out of existing staff, and then we'll have to add certain numbers. And that certain numbers will then continue to give us a certain amount of semi-linearity for a fair period of time without having to add new clients just because we are handling new clients or new IPOs or new transitions.

So there is a onetime slight reset of costs, which spread across the newer mandates that we are winning will mean that the cost per mandate will come down and hence, the overall cost vis-a-vis the revenue that we're going to accrue will come down and hence, the margins will come back to a better clip.

Two, we have been in the context of significant push by the regulators in terms of unclaimed amounts to be given back to the industry because in the securities market, we have several physical shares dating back to 1970s and '80s and '90s and people who can't be traced to. And that basically has resulted in several new claims that have come stating that, look, these shares belong to me, so on and so forth.

And back in the day, they were probably worth a few hundred, but now they are worth several tens of crores of rupees. And conscious of the risk that is associated with this in terms of frauds and what have you, we have incurred certain professional charges, which is probably a onetime activity and may continue for another quarter or so in terms of vetting the transactions that we're clearing. And once that is done, we'll go back to normalcy.

So those 2 have had a transitory margin impact on Issuer Solutions. Our ongoing margins, I'd like to believe would be similar to what we've had in the past with the exception of maybe 2 to 3 quarters.

Karthik Chellappa:

Excellent. My second question is on the mutual fund RTA business. You did allude to in your opening remarks that the yields have kind of stabilized or so. So can we take it that going forward, at least for the rest of the year, the yields should settle down at current levels, which means on a sequential basis, the AUM growth and the revenue growth in the segment should more or less start to mimic each other. Is that a fair inference that we can draw from your comments?

Sreekanth Nadella:

I would say, yes, with the exception of minor movements, and that can be plus or minus, Karthik, okay, because of telescopic pricing, right? I mean, for example, any one of the client has moved into the next year and the additional AUM coming from that is going to be slightly lower, that may have a slightly negative bias.

And as I've always explained, yield is not just discount driven. Yield is driven by which AMC is growing. Yield is driven by the asset mix. Yield is also driven by the pricing. So it is not only pricing, and it is strongly possible that there can even be a positive uptick.

For example, if all my mid-tier AMCs grow much faster than my larger AMCs, technically, we may even see a positive surprise. So it's going to be hard to predict, but I would believe that it would be stabilized around the current number, plus or minus a very small standard deviation.

Moderator: The next question is from the line of Abhijeet from Kotak Mahindra Asset Management.

Abhijeet: My first question was on the KRA business. Sometime back, you mentioned about getting into this line of business as well. So I was just trying to understand what would be the broad strategy? How would you want to scale this up? How would you differentiate yourself? Any broad thoughts and some specific pointers in terms of strategy would be helpful.

Sreekanth Nadella: Thank you, Abhijeet. So we have -- whilst we have launched our product into the previous quarter, the go-live actually happened this quarter. I did not anticipate, but there were delays in terms of integration that is required with all other KRAs, which basically pushed the live operations into this quarter -- into this month, in fact. And so basically, it's an interoperable solution, as we all know in the KRA.

We -- our strategy -- one of the reasons why we've gotten into KRA business is that we anticipate at some point in time, a unified KYC for all financial services, right, that cutting across insurance, banking, mutual funds, all kind of asset classes. And in the wake of it, it is possible that there could be a very large addressable market, and that is something that we were not willing or wanted to move away. And more importantly, there is a significant amount of value-added solutions we can add to our current clientele, notwithstanding the fact that we also have relevance for such solutions in all my international business broadly. So that was the reason why we got into the KRA business.

We are differentiated by our technology. We are the only KRA who has complete API-driven architecture. Tech solutions are differentiated in terms of how strong, resilient and quick in terms of turning around a KYC. We can complete a KYC, and close it within 3 minutes to 4 minutes, much, much faster than the rest of the industry. And we have integrated fully with the industry platforms such as MFU and with -- most of our clients have started leveraging our KRA who were otherwise using the third-party KRA, so to speak.

So we believe that -- and this is Phase 1, by the way, Abhijeet, which is basically provide like-to-like solutions, backed with superior technology and far better pricing strategy given our frugal engineering capabilities. But our Phase 2, is in works and something that should go live soon, is going to bring in concepts of tokenization to the industry.

I'm very, very personally invested to, I guess, transform this business. Today, if you see, you get our insurance policy, you need a KYC. You need to open a bank account, you go for a loan, you get a mutual funds, you get something else.

Now the same person gets KYC done 4, 5, 6, 7 different times. And with minor modifications, everybody ends up spending money. So there is a significant amount of industry cost on a topic, which is technically not value adding to anybody. Now it is a very important element in terms

of regulation, no doubt about it. But it doesn't add any value. It doesn't make anybody rich, when simply put, right? Probably it only makes a reach to the intermediaries to that extent.

So the tokenization concept basically summarily disintermediates some of that. I would speak more about it when we are closer to launch, but that's something that's probably a global-first impact. As we will be leveraging probably the most often used words but rarely deployed items that is the blockchain technology on a complete tokenized solution for the KRA business.

So simply put, our go-to-market strategy has started. We have onboarded some of our clients. We have started onboarding several fintech distributors because in today's world, much of the net new investor addition to the industry comes from these large tech platforms and distributors and brokers. We've integrated with them. We integrated with the industry body.

And we are, in fact, working now with the rest of the world, for example, with the regulators in Malaysia and so on and so forth because they do not have such concepts of interoperability, what have you. And we want to take what we have done, that's here to the rest of the world. One, it will benefit the local ecosystem. It obviously is also a good opportunity for us to drive our financial growth there.

Abhijeet:

And then just one more, again, a slightly broader question. It's been a phenomenal turnaround when we look back at the journey over the last 5 years. And in that context, it would be useful to get some perspectives on your own thought process or thoughts on continuing to lead the organization over the next many more years. Any thoughts there would be super helpful.

Sreekanth Nadella:

Interesting question. I mean this is -- as I said, my vision was obviously duly blessed by our promoters and our shareholders, and the Board had been to create a large global fund administrator from India. We have just started that journey. We are nowhere near where we can get to. It's a \$50 billion industry. And our contribution to that, as you know, is basically marginal or negligible at this point in time. So we are traversing that journey. And I hope to continue to have that opportunity to be able to position KFin into that orbit.

Moderator:

The next question is from the line of Shrenik Mehta from IndoAlps Wealth.

Shrenik Mehta:

My question is about the international operations. So with the now Ascent coming into the picture, how do you see this business over the next few years? Do you see really that international business could overtake the domestic operations in the next few years?

Sreekanth Nadella:

So let's do the math. I mean, international business today, I mean, should be equated, I guess, with mutual fund business plus AIF, right? And that is what my international business is also going to be. If you add up India mutual funds and AIF business and equate that with KFin's own organic international business with that of Ascent's numbers, right? I mean I don't see a scenario where the international business will overtake domestic in the next 2 to 3 years. I think that gap is too large and too wide.

India's mutual fund business itself is growing at a very fast rate. We continue to expand at 15% to 20%, which is not a small number at all on a base. And given we have a very large amount of financial inclusion to be driven. So I expect there is a fair amount of growth still left behind here.

Now our international, however, definitely no doubt is growing faster than domestic, right? I think we're growing at about 30% plus, so is Ascent. Domestic mutual funds growing between mid-teens to late teens will mean -- and if these continue to grow exactly around the same pace, there will be a point of convergence.

Now we have done Ascent acquisition, again, I know, to repeat, not just to add simple 1 plus 1 equals to 2, but then see if we can get to a double digit in terms of the value that we can drive through cross-sell, upsell and leveraging each other's capabilities. There is no doubt in my mind that international will be bigger than the domestic.

It's just logical, isn't it? I mean the rest of the world has to be bigger than India, which it truly is. We have close to \$200 trillion worth of funds elsewhere in the world. And how much of that can you win is just a matter of our execution capabilities.

And over time, as you've seen, we continue to -- what used to be a vision and discussion probably 2, 2.5 years back when we started having these calls, today, much of that has been fructified. And I believe that it won't happen in the next 2 to 3 years, but I would be surprised if it won't happen in 5-year horizon around that.

Because keep in mind that the domestic funds will continue to expand at 15- odd percent year-on-year. That means that we -- on a very high base, mutual funds in India itself will be a much larger revenue. To beat that number, international has to grow much, much faster, and that is what we are hoping to get to.

Today, for example, total share of mutual funding -- total share of mutual funds versus the rest of KFin businesses has dropped to 62% this quarter. Now next quarter, we will be consolidating Ascent's numbers. Once you consolidate that number, mutual funds will come down below 55% right? And with the businesses growing faster, we are obviously already looking at less than 50% contribution of mutual funds versus everything else. So that will continue to play out in the coming years.

Moderator: The next question is from the line of Swarnabh Mukherjee from B&K Securities.

Swarnabh Mukherjee: Congrats on a good set of numbers. Three questions from my side. First, on the mutual fund segment. So I just wanted to understand that of the revenues you have reported in this segment, what is the proportion of value-added services in that? Because you have given a number of 9.3% of total revenue, which is around INR28 crores, INR30 crores.

So out of that, how much pertains to mutual fund, if you can give so that we have like a better clarity in terms of how the AUM-based yields developed over the quarter? Because last quarter, there was a squeeze. So some color on that would be helpful, whether it is stabilizing at that level and how much is the value-added services component? That is the first question.

Second is in terms of the folios in the Issuer Solution. So that number has been stagnating over the last, I think, a couple of quarters despite -- I think you have done like around 24-odd IPOs in 1H. So I just wanted to understand, I mean, are like -- a part of the IPOs this quarter, which you have done, those folios are going to get added next quarter?

Or is there slippages happening from our existing pool? Because I can understand that the number of folios going down maybe in 1Q or the prior periods because markets were not doing well. But now that there is market has started to recover to an extent, I'm not able to triangulate why this number is remaining stagnant. So some color on that would be useful.

Thirdly, on Ascent, the AUM growth from what you have reported at the end of last quarter and what you have reported this quarter, I mean, the growth looks maybe slightly lower than what it used to be over 2, 3 quarters prior. And also the cost structure seems to be continuing to look heavy. So some color on these two would also be helpful.

Sreekanth Nadella:

I will request Vivek or Amit to answer first and the third. I will just quickly answer the folio bit, which I have briefly done. Obviously, we are looking at Q2 numbers when the markets were definitely volatile. There has been a reasonable amount of exodus of the retail investors away from the industry. And there is precious little as an organization or a management we can do in terms of portfolio expansion.

What we can do, however, is keep winning a lot of new clients, right, keep transitioning clients. That's the only thing that is in our hands. How the retail investors would invest in the markets or not, multiple factors play into it. Now markets have turned around largely in the last 3 to 4 weeks, I think.

And I'd like to believe that you will see an expanded number in the full year count for this quarter as we come back into the next quarter to discuss this topic. I do believe that it's a onetime activity and more number of IPOs also will bring in additional retail investors.

So basically, what happens is initially when the market starts to turn around, much of the consolidation still happens with institutional investors buying and not retail investors buying. So though it may appear that the markets have turned around, but that's largely because large FIIs, DIIs, et cetera, buying out at bargain prices because of the markets were down in the past 2 quarters.

Now if I have, let's say, INR10 crores worth of investments. And if that all INR10 crores is bought in by one particular mutual fund or a DII, it's just one folio for me. But if that were to be bought by crore retail investors, that is crore folios for me, right? So as you can see, the market cap would exactly be the same. However, depending upon who's buying and who's transacting has the material impact on our revenue lines there.

So yes, I think the initial spurt and growth of our market will not necessarily drive retail participation. Retail participation usually comes when there is a momentum. That is when the retail investor starts feeling that there is a FOMO, so on and so forth and start coming in there,

which I'd like to believe is going to happen sometime around now, and hence, the retail folios should expand into this quarter for the next 2.

I'll request Vivek and Amit to cover the aspects on the VAS revenue and on the Ascent numbers.

Vivek Mathur:

Sure, Sreekanth. On the MF VAS revenue, it's currently 5% of the MF revenue. And we expect that it will continue to grow. It has been growing steadily. It was about 4.8% in the first quarter. It has grown to 5.2% in this quarter.

And on the question on Ascent numbers, there is a one-off onetime INR2.8 million hit they have taken. One out of INR2.8 million, INR2.1 million relates to staff retention because of the transaction. We wanted them to make sure that the core staff continues and there is a retention plan around it. And another INR0.7 million is transaction-related cost. If we ignore this onetime, they are same as in terms of achieving breakeven and a little bit of profit that they have made.

Amit Murarka:

I'll also add some points here, Swarnabh. Look, I mean, the pipeline with Ascent, the book also being very, very strong. We don't see any slippages out over there as well. And in this kind of a business, what happens that while you have been acquiring the private mandates and all, I mean, it also kind of needs to tie up with the time when the fund gets launched into the market and which allows you to start the operation and start booking the revenue as well.

So it's more about the timing difference rather than getting a perception that there is a softness in the quarter and all, which kind of picks up as we move into the subsequent months and the periods and all.

Swarnabh Mukherjee:

Okay. Understood. That's very helpful. Just quickly, I mean, this one-off costs are done, right? So next quarter would be a cleaner quarter?

Amit Murarka:

Yes, yes. I mean the reason being because, I mean, these are all part of the transaction-related, the structure that we kind of agreed with the team over there. So all of those things have already been factored in. And this quarter onwards, when we start consolidating, we don't expect any kind of -- these kind of write-offs, basically, the one-offs into the books and all.

Moderator:

The next question is from the line of Dipanjan Ghosh from Citigroup.

Dipanjan Ghosh:

Hope I'm audible. So just a few questions from my side. First, going back to the previous participant's question on Ascent. If I were to look at the gross realizations, which is a basis points of average AUM, that seems to have been on a downward trajectory for some quarters. I understand that there was a large deal that happened last year. So I just wanted to get some color on what is really driving this realization downward trajectory and how to really think of it going ahead.

Second, I see there has been some restatement of Ascent's 2024 EBITDA numbers. So if you can give some color on the purpose of the restatement and what really happened out there?

Third question is on your domestic mutual fund business. I understand that there are occasional discounts or renegotiations that happen every now and then. But at least for the next, let's say, 12 to 18 months, is there a visibility on relative stability of this number X of any telescopic pricing impact?

And the last question is on the cost part. I mean, given that you have been kind of upgrading or kind of scaling up your capabilities across various business lines, how should one think of incremental employee growth?

I see that number of IT engineers in your ecosystem continues to increase. So is there a case where there can be some sort of higher employee cost that kind of gets built in over a period of time?

Vivek Mathur: Sreekanth, I'm requesting Amit to talk about Ascent and then maybe you can pick up about domestic mutual fund, and then I'll pick up the cost. Amit?

Amit Murarka: Thanks, Vivek. So, Dipanjan, as far as the realizations are concerned, they are in the range of around 6 to 8 basis points on average. And we expect that kind of range will continue. So even on the base of the July '25 numbers also, if you see, I think that translates close to around 6.5 kind of basis points and all. And this is considerably higher than what we have around 5, 5.2 basis points in our -- the GFS business and all.

Secondly, with respect to your questions on the restatement for the FY '24 numbers, those numbers it takes time for the audit to get completed given that you need to stitch up the numbers for these 18-odd jurisdictions and all.

So by the time the numbers were available when we announced the results for the previous -- the period and all, I mean, these numbers were still unaudited. And these adjustments basically are nothing but just with respect to the audit related, the extra provisions for the cost that they have carried into the books and all. So these are pertaining to those numbers.

Vivek Mathur: Sreekanth, do you want to pick up the telescopic pricing stability? Can you hear us?

Sreekanth Nadella: Yes, yes. Sorry, I thought you were going to pick up the cost conversation. On the mutual funds, Dipanjan, it's -- I think it's -- see, we had a material number of contracts that got renegotiated into the past 6 to 9 months, right? And that is obviously a cyclicity in terms of when the contracts are being signed and the duration of each of the contracts.

We have two contracts that are to be negotiated, one next year and another 1 year after that, which may have a marginal impact on the yields per se. But I guess it's fair to say that we will be in a reasonable range bound, and there will be stability of yield. You will not see probably a big drop like what you saw, into earlier this year or into the coming 2 years for sure. That's on that.

And as far as the cost is concerned, see, we have -- the employee cost, like how I explained in the case of Issuer Solutions, is also semi-linear in the case of mutual funds, right? We will -- as

the new clients -- so for example, in the last 12 months alone, we have added close to 10 new clients. We have signed 4 new clients in the last 3 months to 4 months alone.

Now each of these for a certain period of time, we will incur the cost, and there won't be any AUM and driven revenue. So clearly, there will be -- you will see a certain cost expansion, if I look at it in isolation in terms of headcount, what have you. But that will continue to get optimized or negated in the form of our fully purposefully driven tech capabilities driven productivity.

I've explained about FinEx as a program, which is basically our very strong intent in terms of replatforming it. And it's a very complex job, quite honestly. It's like changing the tires while your car is moving at 200 kilometers an hour. And I think having gone live with a couple of modules and with more visibility into more to happen into the coming quarters, that should give us the right kind of support to ensure that we don't continue to expand headcount, right, in the cost.

But again, just to also add a point, I think what you will see is into the coming years, it won't truly be the cost of people that will be material. It will start to become -- your tech cost will become more and more expensive right? And we need to have an eye on that and hence, this entire tech transformation program.

So think of it this way. We -- if it is people, we have other solutions, right? I mean you can basically look at bottom of the pyramid, you move into Tier 2, Tier 3 cities, right, extended working hours or rather shift B, shift C, so on and so forth. There are other solutions that you can optimize the human beings' cost.

But when it comes to tech, it won't be that simple and straightforward, right? I mean much like my clients may come to me for discounts. My service providers, that is whether it is Microsoft or Oracle and AWS and so on and so forth, it is a non-linear relationship. I mean we only get -- let us say that price is going up, right? And given the dominant geopolitical situation they are in, they're able to do that.

So we are actually even more invested in basically solving for the future and not just for a limited amount of headcount expansion, but how do I basically ensure that the tech costs do not spiral out of control as the data component keeps expanding. For every INR1 of AUM, there is a significant amount of data that gets piled up, right? And that's a cost that we pay downstream.

So there's a large program on that. We have our eyes very firmly set in terms of optimizing costs, both on people and non-people costs. I think people costs, we've been doing reasonably all right. You will expect a certain amount of small semi-linearity kicking in or rather has already kicked in, in the context of several new mandates that we have added.

Cost of regulation, we now have cost of surveillance, cost of fraud detection. Now mindful of the fact that none of these are revenue generating, but nevertheless will add to my cost. In spite

and despite of investments into all of those areas, we continue to maintain a reasonably healthy profile on the margins in mutual funds. But that said, we'll refocus on tech.

Vivek Mathur:

Thank you, Dipanjan. I just wanted to add to what Sreekanth mentioned, that you talked about the telescopic pricing stability. You will continue to see telescopic-based pricing reduction in yield of about 3.5% to 4% every year as the AUM goes up. And on the cost of IT employees, we still spend about 18% of revenue on IT.

The number of transactions in domestic mutual fund alone, what we used to do in 2023, now we are doing almost similar transactions for the first half of 2026. While the overall headcount has gone up only by 15%, volumes have almost doubled in half year as compared to what it used to be. So investment in IT is playing out in terms of reducing the investment in manpower, and investment in technology will continue in the future as well.

Amit Murarka:

So just to add to Vivek point, I mean, Dipanjan, just to clarify here, I mean, the yield compression is year-on-year we are talking about, on an annual basis. So this is not -- so just taking the queue out of your question and the previous participant's questions and also, there is no -- so we are not talking about any sequential pressure on the yields in the Q3 and the Q4 and all. This is only on the fiscal year to fiscal year, what we are talking about here.

Moderator:

The next question is from the line of Mohit Mangal from Centrum.

Mohit Mangal:

I've got two questions. So actually, I was looking at your international operations where a meaningful portion now comes from the GIFT City. So I wanted to understand how the underlying economics compare, say, a fund administration pricing for a Malaysian client versus a similar work done for a client in GIFT City. So how does the pricing and margin profile differ? That's question number one.

Question number two, continuing the question on Ascent. Basically, the top line numbers look very impressive. And I think you told that there have been one-off this quarter as well. My question is that how confident are we about sustaining or achieving a certain EBITDA margin? And what is the time frame we should look into that? Yes, that's it.

Sreekanth Nadella:

Yes. So GIFT City funds -- so first of all, KFin does not do private mandate administration, accepting a few in Canada or so. Our international business is mostly around mutual funds, pensions, private retirement schemes, as you're aware. So we then have to compare, I suppose, our GIFT City yield versus what Ascent generates in Singapore, et cetera. As Amit has already clarified, our yield is roughly about 6- to 7-odd basis points in international. That is what Ascent is driving. GIFT City would be no more than 2 to 2.5.

So clearly, you're seeing a huge gap in terms of, I guess, how Indian clients pay versus probably outside. And that's -- so about 2.5-odd basis points compared to 7 basis points international. Clearly, that will have a huge impact on the margin, right? And as in like GIFT City funds and Indian funds generally will give you lower margin compared to international. So that is -- however, that statement holds true when you have scale internationally.

Otherwise, the cost of servicing a few funds also is much higher compared to the revenue, the basis points that you get. So I think that's what is basically what's playing out with Ascent at this point in time, which is that they have crossed a certain set of funds that are needed in each of the geographies to have gotten breaking even at this point in time, and we'll continue to add margins from here now that the core base requirement has been met.

But for now, obviously, our margins in GIFT City will be higher than that of Ascent's margins elsewhere. But that is -- that's just a scale conversation into the coming year or so. It will all change then differently.

I'm sorry, I think there was another question about the Ascent...

Vivek Mathur: Ascent EBITDA margin?

Mohit Mangal: EBITDA margin, yes.

Sreekanth Nadella: It's very early days, right? I mean it's a young organization, 5 to 6 years, have managed to scale up rather quickly. If you look at KFin also and start the continuum from 5 years back and see where Ascent, rather than KFin looking from last 40 years, both of us have done similar -- have a similar trajectory, which is very strong vision, strategic intent, conviction and support from the Board and the promoters to invest in younger, faster-growing businesses to add more, to diversify risk, so on and so forth.

So to that extent, our journey has been similar. And I think both of us are just getting started. So I see no worry in terms of sustainability. We are looking to accelerate from here rather than thinking about slowing down or maturing at this moment.

Mohit Mangal: Right. No, no. So my question was that in terms of a breakeven, right, EBITDA breakeven, when it would be like kind of possible? In -- any timeline, if you could give?

Sreekanth Nadella: It's already positive. It's EBITDA positive already. And with more scale in each of the geographies, operating geographies, it will turn -- the profits will be in single digits, I'd like to believe for this fiscal. And we have a very strong plan -- operating plan to get into double-digit margins into the next year.

Mohit Mangal: Understood. No, sir. Actually, I was looking at your PPT, Slide #28. So EBITDA is \$2.7 million negative for financial year in July '25.

Amit Murarka: So Sreekanth, I'll just take that thing. So Mohit, that \$2.7 million is basically, I mean, after the adjustments of that onetime \$2.8 million, which is what Vivek explained that there is transaction related, the cost of \$2.8 million that they have kind of accounted for in the fiscal 2025. But net of adjusted for that, I mean, it is already breaking even at and all.

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

Uday Pai: I have a couple of questions. Firstly, on Ascent again. So your 9 months number of EBITDA was INR0.3 million. And now full year adjusted for that M&A also, we are down roughly INR0.1 million. So we have actually declined in the last 3 months. So can you give any color on that? That's the first question.

And the second question is on the NPA side. I think so Sreekanth in his opening commentary mentioned that it would be moving to an AUM-based fee rather than a fixed fee structure. So can you give some more color on that as well? So those are the two questions.

Amit Murarka: So yes, so I mean, that's INR0.3 million to INR0.1 million, those are largely with respect to, again, we will subsume -- we'll assign more to the transaction-related costs itself. So there are - I mean, with respect to the councils and the other -- the diligence that they have taken on part of their side in terms of the vendor DDs and all. So on account of that, I mean, the number of another INR20,00,000 or rather INR3,00,000 that has kind of been added to that cost and all.

But we expect that going forward, these numbers will only improve, and more -- it will more be a play on the operating leverage because as you add more scale, I mean, you won't need that many number of the people with respect to the sales or the client relationship, the team and all. And even on the operational side, now along with KFinTech, I think the tech is something that will also provide them the leverage in terms of taking the benefit out of it and then going and servicing rather than deploying more people at the job.

So as we move into the subsequent period and all, I mean, as we have been saying that FY '26, it will be neutral in terms of the impact. And from the next year onwards and all, it will be the EPS accretive as well. And as we move into the subsequent period and over the next 3- to 5-odd years, we believe, I mean, the company would come and fall in line with the KFinTech, the margin structures as well.

Uday Pai: Sure, sir. That helps. On the NPA side, if you can help?

Sreekanth Nadella: Yes, I'll take that. So see, the current pricing for pensions is something that each of the three operating CRAs quote at the beginning of their license. And there is a requirement to renew your license once every 5 years or so. And the CRAs get an opportunity to revise upwards or downwards depending upon their operating scale and margins, etcetera.

Now we basically -- to simplify the numbers, basically, KFin charges roughly about INR100 per prime today, right? And I think total is around INR114, INR115, what have you. There is a regulatory requirement stating that in the current construct of a fixed fee that everything needs to be capped at INR100, which means that it is net neutral for us. It doesn't matter to us because we're already at INR100. And if anything, we'll be able to add another 3%, 4% more to our current pricing. We are currently at INR97.

And hence, there can be a slight upward revision in terms of the pricing that we can get. And I think there is also a proposal to increase the -- right now, it is fixed and flat at INR100. But now

there is a corpus-based fee that is coming into play, which means that up to INR2 lakh, let's say, if a subscriber -- NPA subscriber has up to INR2 lakh-odd, we'll charge about INR100.

But if it becomes INR2 lakh plus, then it will get to about INR150. INR10 lakh plus, it will get into INR300, so on and so forth. So as pension corpus increases for individuals and rightfully so, our fees for each of those particular plans will expand.

And there is a near-term upside. We are also going to see a small bump up in our revenue based on this particular structure. And that aside, there is also intent -- not just an intent, actually a requirement to move into a basis point-based pricing, which is something that we are still finalizing. I don't have the numbers that I can offer to you at this point in time. I think we are expected to publish into the next 3 to 4 weeks.

But all I can tell you at this moment in time is that it is going to be accretive margin-wise because it does not come with additional costs, but then higher revenue on the pensions because of the AUM-based basis. And again, it is not just a near-term view. We'll have to look at this as an industry-wide view how it is in terms of other businesses like mutual funds.

As the AUM expands because of mark-to-market or the net inflows growing, there would be a part taking that we will be taking in the pensions as against the fixed fee construct. So that's my limited inputs at this point in time, but I'll be in a better position to give you more specifics on the numbers as we finalize and work with the regulator and provide the slabs to the rest of the industry.

Moderator: The next question is from the line of Sayyam Ranka from IIFL Capital Limited.

Sayyam Ranka: First of all, congratulations for the good set of numbers. I would have two questions. Firstly, on the part of that in the new SIF segment, I can see that you have won 3 new mandates. So could you share the potential as well as what could be the RTI economics over the same?

Sreekanth Nadella: No, not 3. We have won several mandates. We have won 50 plus in total. So taking our count to close to 650-odd mandates. The economics are same depending upon which mandate it is. We have moved away from fixed fee per scheme, so on and so forth. Everything is on basis points, much like mutual funds and now pensions as well. Depending upon the scope, if it is only transfer agency work, it will be about 1.5 basis points thereabouts. If it is transfer agency plus fund accounting, it will be around 2.5 to 3 basis points. And of course, market dynamics exist for each of the funds, so there can be plus or minus in each of -- depending upon which fund that you're looking at.

But suffice us to say that as more and more funds get added, it gives us the opportunity to drive scale-driven efficiencies, which will be reflected in the margin expansion. We have completed our entire XAlt build, close to 80% of the funds are migrated on to that, another 20% are going to get completed by end of this calendar year. And that is going to provide the near-term impetus in terms of the margin expansion in the alternatives.

So yes, more clients equals more margin and same is the case with moving into our new edge platform called XAlt, which should happen in the next 2 months.

Sayyam Ranka:

Got it, sir. But by the way, I was asking on the SIF.

Sreekanth Nadella:

My apologies, it's all right. So the SIF mandate is basically bigger mutual fund mandate. So our commissions are same as what's there in the equity. I mean, if it is equity, it is equity. So the pricing is same. Costing initially would be -- probably could be slightly higher, given it's just a brand-new asset and there's a lot of different regulation that needs to be complied with, and we need to train manpower, so on and so forth.

So in the near term, it could be slightly lower. But in the medium- to long-term basis, I expect SIF to be similar or marginally better than pure-play equity mutual funds simply because the quantum of transactions won't be as high even as the nature of the -- or the exotism of the transactions could be slightly different, can be mirrored in more AIF than mutual funds.

Sayyam Ranka:

Got it, sir. Secondly, I would like to ask on the KRA business. So is there a development that would avoid AMCs to pay for a record, which has been already faced by an AMC? Do the current regulations allow this? And following to that, what will this do to your plans for KRA?

Sreekanth Nadella:

So this is an evolving discussion in the industry, but very critically put -- the short answer is yes. There were discussions that have happened with the industry body and the regulator on the AMC, so on and so forth. It will come to play, I'd like to believe at some point in time this calendar year itself -- sorry, this fiscal year, if not calendar year.

What it will do to the KRA industry, it is not a net positive for a KRA industry without a doubt because much of the revenue comes today from fetching the KYC record as individuals invest in other mutual funds. That's interoperability cost, so to speak, and not just interoperability the fetching costs, etcetera.

So whilst it is not as binary black and white that you fetch once, and you use it hundreds of times because many change can happen in between -- in individuals, address can change, mobile numbers can change or you -- so all those changes mean that what you fetch may not usually work and hence, you need -- any which you'll need to fetch again. So it's a net negative for the KRA industry, but something we'll have to wait and watch as to how it evolves into the coming quarter.

Moderator:

Ladies and gentlemen, due to time constraints, this was the last question for today. I now hand the conference over to Mr. Vivek Mathur for closing comments. Thank you, and over to you, sir.

Vivek Mathur:

Thank you very much to all the attendees for attending the earnings call today. We continue to put in our best efforts to grow the company both from the top line and bottom line perspective, and our guidance holds good in terms of EBITDA margin of 40% to 45%. In the next quarter, you will see the integration of Ascent and its impact on the top line and bottom line. Thank you so much for joining today.

Moderator: Thank you, sir. On behalf of KFinTech, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.