



“KFin Technologies Limited  
Q3 FY‘26 Earnings Conference Call”  
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**MODERATOR:** **MR. DEVESH AGARWAL – IIFL SECURITIES LIMITED**

**Moderator:** Ladies and gentlemen, good day, and welcome to KFin Technology 3Q FY '26 Earnings 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 continues. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touch-tone phone. 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, sir. Good morning, everyone, and welcome to the 3Q 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, CFO, International Business and Head of Investor Relations and M&A.

I would now hand over the call to Vivek for his opening remarks. Thereafter, Sreekanth will share the key developments in the quarter. And after that, we'll open the floor for Q&A session. Thank you, and over to you, Vivek.

**Vivek Mathur:** Thank you, Devesh. Good morning, everyone. This is Vivek Mathur, CFO for KFin Technologies Limited. This time, I'm starting with the good news of successful integration of Ascent with KFinTech, and you would have seen the results, and I'll give you some color on the financials. And then after that, I'll hand over to Sreekanth for the business commentary. The overall performance for the quarter has the revenue from operations, which have grown to INR323 crores, which is 11.4% growth for the same quarter versus last year same quarter and a sequential growth of 4.5% quarter-on-quarter.

For the 9 months, this is without Ascent. If you look at including Ascent, our top line growth has been very robust for the quarter. It's 27.9% year-on-year for the same quarter and 19.9% sequentially quarter-on-quarter. So you can see the impact of Ascent's top line coming in where the growth has been sequentially without Ascent 4.5% and with Ascent 19.9%.

For the 9 months ended December 31, 2025, the revenue was INR906 crores, which is a 12.2% growth year-on-year without Ascent and INR954 crores including Ascent, which is an 18% growth year-on-year. The EBITDA has also gone up 14.6% year-on-year and stands at INR149.5 crores without Ascent and INR151.6 crores with Ascent.

And the growth year-on-year, including Ascent was 16.1% and sequentially 11.7% for the quarter. If you look at 9 months, including Ascent, we are at 12.5% growth for the 9 months in terms of the EBITDA at INR401 crores. So EBITDA margins have also been well within our guidance in terms of including Ascent, it is 40.9% for the quarter, which is a dip from the last quarter for the 9 months at 300 bps because of the integration that we have done.

There are charges related to purchase price allocation in terms of client contracts amortization and brand amortization of about INR2.8 crores for this quarter, which is the impact. And quarter-

on-quarter, you will see an impact of INR3.3 crores in terms of amortization in KFin Singapore because of the Ascent acquisition.

So -- but we'll continue to remain range bound. The EBITDA margin for the quarter without Ascent was 46.3%, and for the 9 months ended FY '26 at 44% without Ascent and 42% with Ascent. It is overall resulting in Core PAT going up sequentially by 8% and year-on-year by 11.8% without Ascent. And with Ascent, the growth in Core PAT means without the impact of the onetime hit of Labour Code, which is about INR8.6 crores.

And therefore, the Core PAT means without the onetime impact of Labour Code. So for the 9 months ended December '25, the year-on-year growth, including Ascent for the Core PAT for the quarter was 9.1% sequentially 5.4% growth. And for the year, INR268.9 crores, it's an 8.6% growth year-on-year.

Our PAT margins at the end of Q3, including Ascent's are at 28.2% for the quarter, including Ascent's at 26.5%. Without Ascent for the quarter is 31.2% and for the 9 months, it's 29.9%, which is well within the range that we have been giving the guidance for. We are having cash and cash equivalents of INR487 crores without Ascent and with Ascent INR507 crores. And the diluted EPS is at INR5.30 with Ascent and INR5.44 without Ascent for the quarter and annualized 9 months is INR15.13, which is a growth of 5.5%, including Ascent.

It will be interesting to note the mix of the revenue change that has happened. The domestic mutual fund revenue for the quarter now contributes 59.8% of total revenue. International Investor Solutions is now 16.7%. So domestic mutual fund used to be in Q3 FY '25, about 71%, which has come down to about 60% now because of the acquisition of Ascent.

And the International Investor Solutions, which used to be around 4% is now in the range of about 16.7% in Q3 FY '26. Issuer solutions continues to be in the range of 13%, alternates about 5.5%, NPS and other services around 1% each. And GBS, which is a business which we are winding up is becoming negligible over a period of time. So our objective has been to move towards diversification, and it's a true reflection of how the future quarters are going to look like.

This time, we integrated Ascent effective 13th October 2025. So you will see the impact of Ascent on a going-forward basis on similar lines. As a result of a change in the ETF for metals, you would have seen that the domestic mutual fund yield has slightly come down by about 2.6%.

And that is something which we believe is a phenomenon where there is lot of participation from the investor community in terms of metals, ETF metals and there is almost a 200 basis point shift in terms of our AUM mix towards passives, and that has come down a little bit on equity and debt, respectively. That's more to do with the market commentary that Sreekanth will cover. But this is what I wanted to talk about in terms of financial performance, including Ascent and without Ascent to start with.

Over to you, Sreekanth for the business performance and the developments.

**Sreekanth Nadella:**

Thank you so much, Vivek. Very good morning, and a warm welcome to one and all. We felt it was a good way to segue into the business performance, unlike typically with the business commentary then falling into accounting, given there is an acquisition, there is a consolidation and then everyone is keen to hear in terms of with and without in terms of the progress and traction of the organization.

I wanted to make sure that we're level set and baseline the numbers. Now that we are reasonably familiar with the numbers. And of course, we'd be happy to take more questions around that. By and large, satisfied with the quarter performance. There are controllables and there are non-controllables.

I think as a management and as a Board of the organization over the past X number of years, we've been championing the cause of driving more and more attention to the controllable items beyond the vagaries of the market in order to derisk the organization from over concentration in order to derisk our investors in terms of predictability or lack of it given the uncertainties, both on macros as well as micros in terms of the financials.

I guess the headline statement is the fact that the mutual funds domestically for us today contribute to about 60%. Now that includes 6% of revenue, which is non-related to market, which is basically the value-added solutions and technology-driven outcomes we deliver to various clientele. If we take that aside, pure market-driven revenue now is down well below 55%.

And it is our intent and the stated commitment that we want as we grow other businesses much faster, would be able to reduce an overreliance on one asset class and one geography under 50% into the next couple of years. That said, our continued focus to win mandates in mutual funds and deliver exceedingly strong values for our clients to grow faster continues to be steadfast.

If I were to draw some metrics to your attention, we won 2 out of the 2 new launches that have happened in the mutual funds in terms of mandates. We won prestigious mandate of Nuvama and Monarch. And of course, as we move forward, the entities will become operational, and I'm sure we'll be able to continue to add a lot of value to our clients. The overall market share of AAUM for KFinTech continues to rise from about 30% in 2020 to now 32.7%.

So there's market share gains even if there is a marginal dip in the equity side of it. And I'm sure everyone is respectful of the fact that, that is the pre-disposition of the clients rather than KFinTech in terms of where they see more focus, more traction and more growth to come. There were times when we had a lot more equity exposure. Now over the past couple of months also, there's been strong traction on ETFs, especially driven by the gold and silver, and that has given a marginal decline in the yield and correspondingly, the share of equity into the overall AAUM.

Outside of that, in terms of the overall win rate, it's about 60%. We won 23 out of the last 38 mutual fund houses that have launched in our country. The market share in SIP continues to be strong, a little over 37%, which I always believe will be the critical determinant factor in terms

of where I expect the overall market share to move towards to as this is the sticky retail book, and it tends to propel the overall AAUM into that direction over a period of time.

Moving away from mutual funds, Issuer solutions once and also ran business, we've been calling out the importance of adding significant value in this direction to transformation as well as significantly elevated sales performance, including orchestrating several transitions into the industry. Happy to inform you that our current market share in terms of -- and of course, this is as measured by the market cap of the companies we manage on the Nifty 500 now is above 50%. It's about 51.4% to be precise.

We, at this point in time, while at the state, while at the time of release of the numbers, we're about 9,877 corporates. Happy to inform you that we just touched 10,000 corporates on the issuer solutions. Of course, about 9,000 plus are unlisted, and we hope they become listed at some point in time.

But the buoyancy in the IPO market in the previous 3 quarters definitely has helped despite the fact that the retail participation in the market had been tepid. Many retail investors did move out of the secondary market, which obviously will have a bearing on our financials. But in spite and despite of that, we clocked a very strong 22% plus year-on-year growth in the issuer solutions.

The overall folios that we manage today puts us head and shoulder above biggest of the RTAs in the world. We manage roughly over INR35 crores folios at this moment in time. This is just India. And as the acquisition of Ascent as we drive forward international expansion, I'm very confident that we will be in the top 3 into the next 5 years in terms of the total quantum of investors, volume of transactions as we handle, and I'm pretty sure the revenues would follow soon after that.

Now these two being our traditional businesses, it had been truly our intent to orchestrate several new lines of businesses, one, to derisk the overall business from concentration; two, to capitalize on the momentum of various different asset classes, various different business services and various different geographies, all three of them, all three vectors, if I may, with an intent to drive faster growth and continue to create modes, all with the singular intent to become the first large global fund administrator based out of India.

What has that done? The acquisition that Vivek had spoken about adds about 328 additional clients in the form of Ascent. And also very happy to inform you that this seems to be a milestone quarter for us. We have touched 100 corporates in our own GFS business, which is KFin's organic international expansion. We've added 7 new logos into the last quarter, which gets the number to about 100, 328 being Ascent clients, getting the overall clientele to about 428, managing an overall AUM of now about \$41 billion, up from \$10 billion still about a quarter back, largely on account of the acquisition.

We continue to look at the Asian markets and the mark-to-market gains have been less than tepid. And one area where India had performed exceedingly well over the past 3, 4 years in the form of mark-to-market gains probably is also seeing sideways movement in the last 18 months.

But I'm pretty hopeful into the coming quarters, the Southeast Asian countries mark-to-market gains would be high, thereby contributing to faster growth of our international business in the form of AUM-driven revenue. Otherwise, much of the revenue growth had been on account of winning several new mandates literally every single month.

What had been probably the standout business performance for us, albeit on a very small scale is National Pension System. Very happy to inform you that not only have we broken even on to this business, we have clocked a very healthy close to 30% EBITDA margin. We have also continued to grow 3x the pace of the industry.

The industry grew at about roughly 12%. We grew about 35% in the quarter that has just concluded, having hit yet another milestone of 2 million subscribers, thereby adding a revenue expansion and a margin expansion, which we believe will continue to be accretive as the scale of NPS will see an organic and an extremely resilient growth given an extremely low churn in this portfolio.

Alternate investment funds and the wealth, the other lines of business continues to expand rather fast. We were at about 36% plus market share into the previous quarter. We have enhanced that to about 39% totally in terms of the alternate investment funds, clocking an overall AUM about INR1.8 trillion. As we speak today, we are inching close to INR2 trillion AUM being managed by us.

Mindful of the fact that unlike in the case of mutual funds here, a decent part of this AUM covers both transfer agency and fund accounting. So it's a full stack service, much like global fund administrators, how they provide for the rest of the world.

And we believe that it is extremely important for us to cover nearly all business services that are required for a fund manager so as to deliver to our committed goal of being an XaaS provider, which is everything as a service, which we created with a very simple notion that a fund manager should do what he or she does best, which is deliver returns to their investors.

If that being the North Star of any fund manager, then we believe that it is the duty of administrators such as us to be able to take the headache away in terms of technology, in terms of compliance, in terms of operations, sales, marketing, what have you, allowing them to deliver superior returns to their clients.

In terms of the overall performance of -- I want to just take probably a minute or 2 in terms of the Ascent demographics itself. As we all know, it's an entity that is present in about 18 different countries. About 9 of them have been reasonably newly orchestrated, which effectively means that they are yet to and will be firing in a relatively short period of time in terms of their own growth vector.

Otherwise, currently, much of the revenue comes from 25 different geographies, Singapore being the largest, followed by Cayman, Middle East, Hong Kong and that part of the region. And as we have now opened offshore locations in the U.S., in U.K. and many countries into the

Asian side of it, including Taiwan and Japan, etcetera, we expect through SG&A and feet on street, we'll be able to unlock value into each of these geographies, even as we have rather key focus in continuing to consolidate our current positioning in our growth geographies, and grow at a much faster clip. And of course, the entity had grown about 30% year-on-year with the potential to grow much faster.

It had been the -- pretty busy couple of months for us in terms of integration with Ascent, both at finance and accounting level. It's been a phenomenal job by our F&A and the M&A teams to be able to integrate an entity whose calendar year does not align with us, currencies do not align with us, accounting policies do not necessarily align with that of India.

Now that that's done, we have simultaneously worked on levels, one, to drive a higher clip of revenue in the form of upsell, cross-sell. There are close to 60 different products that we have identified in KFin Technologies that we've created, which have global relevance, which is something that I would expect Ascent to be able to leverage in terms of their faster growth elsewhere.

Similarly, many of these geographies are very large mutual fund markets. As we all know, U.S., for example, is spectacularly large in terms of mutual funds. We are identifying how to push the head start in terms of initiating our services in much of the other parts of the world beyond where we currently are present. And as we all know today, mutual -- KFinTech offers similar solutions in Malaysia, Philippines, Hong Kong, Singapore and Thailand.

And clearly, there are 13 more geographies that we believe we can take things forward to. It had also been a very interesting quarter in the form of us opening a very large account in pensions in Southeast Asia, which also has a great relevance in Australia and into the Middle East, having won a large contract in the previous quarter about which we have announced already, but then we are into the midst of delivery. And we believe that there is a strong potential for driving pensions in addition to the core asset management solutions for mutual funds and alternatives per se.

In terms of cost management, we have laser sharp focus to be able to drive productivity, but in extremely scientific manner. We never take a knee-jerk reaction in the form of looking at the market correction, so on and so forth. It had always been our focus that even and especially during the tough times, investing, front-loading investments to drive value to capitalize when the markets turn up had been our mantra, and we'll continue to do so.

None of these conversations in today's world can be concluded without the strategy around artificial intelligence. Much like any other sector, we believe that our industry, too, is ripe for disruption for AI.

And as we always believed, it is not for somebody else to come and disrupt us, it is for us to disrupt our ourselves. And hence, our comprehensive strategy on AI, it cuts across both the generative side of AI as well as on the agent side of AI, has started to yield a certain level of comfort in terms of deploying it organization scale at enterprise scale. It should be very

important for all of us to note that a lot of it is still to be tested at enterprise scale, even if it has a lot of relevance in B2C space.

We have, however, gone ahead and already created two platforms, which are AI native. And both of them are interesting in the space of issuer solutions, one in the space of bond market and one in the space of Investor Relations. Both of them are about to be launched into the coming weeks. Very, very excited in terms of how we could do it. But the same substances, we managed to deliver them by reducing the cycle time of the delivery by about 45% to 50% thereabout.

And typically, some of these platforms would have taken anywhere between 5 to 6 months. We managed to deliver them in about 3 months. The Gen AI part of it is already live in some of our hyperscale analytics platforms that we have given to the industry as well as to many of our clients. And we believe that we continue to deliver many such solutions for our corporates.

The big thing, of course, is the replatforming of our core MF itself, as we all know, which has been built over the past 3, 3.5 decades. It is going in a sharp pace. We have gone live with some of the biggest business processes modules into the previous quarter, which gives us a great deal of comfort as we start driving the migration of existing clientele and delivering value at scale and at speeds that the industry had not seen.

Today, much of our technical -- technological infrastructure resilience and speed. Now we no longer speak in seconds. We speak in milliseconds in terms of responses to our digital ecosystem. There is still many a mile to walk in this direction, of course. But that said, I think it's been a very good quarter in terms of not just tech adoption, but pioneering some of -- even the untested technologies finally some of which we can't just speak yet about, but we will in due course of time.

So broadly, that's been a quarter for us. Very excited to look into the last quarter of this year. We continue to see a mix of headwinds and tailwinds, headwinds largely in the form of, of course, the market performance and continued outperformance of passives over actives, so on and so forth.

But the controllable parts of it, which is effectively new growth geographies, new growth business processes, new growth asset mixes, we believe will continue to provide a huge hedge, including hopefully some amount of currency hedge as well. So that's broadly the update at my end. So we continue to drive growth forward, keeping a very sharp focus on risk management and cost management at it. Thank you. We are happy to take questions.

**Moderator:**

Thank you very much. The first questions is from the line of Karthik Chellappa from Indus Capital Advisors. Please go ahead.

**Karthik Chellappa:**

I have two questions. The first question is, in this quarter, if I were to look at our issuer solutions, we have seen a sharp margin expansion. And if I just look at the incremental EBIT on incremental revenue, that also looks pretty high. So just curious to see whether there were any

nonrecurring items in this? And what drove the strength in this particular segment this quarter? That's my first question.

**Sreekanth Nadella:**

Thank you, Karthik. And as always, a pleasure to be talking to you. It's -- so there is no onetime item and extraordinary item. In fact, we are ruling the opportunity of not having such events. Some of those were to have fructified in terms of mergers, demergers and rights issues, etcetera. It had been a reasonably quiet 9 months in Corporate India. So hopefully, we'll have better quarters ahead of us where we get onetime.

But this particular quarter's growth on issuer solutions, Karthik, is just purely organic growth, which is, one, a compounding of several IPOs that we have done into the past year as well as into this year, which drove our annuity revenue. And Q3 traditionally, as you know, is always a bigger quarter into the issuer solutions in the form of corporate actions, Q2 and Q3, Q3 more pronouncedly into the December quarter. So in fact, we can already see a reduction of corporate activity into this quarter in the issuer solutions. So that's broadly it.

I think even in terms of the portfolio fee is a combination of two factors. I guess, winning several such deals and transitioning some large accounts into us at higher rates helped us to improve the throughput, though I would attribute much of the portfolio increment largely towards a reduced number of folios, which is because retail participation had come down in the last quarter. But the corporate actions revenue when distributed over a reduced number of folios, obviously, will semantically show to be a higher per price folio.

So I wouldn't read too much into that. I think the math would automatically adjust itself into the coming quarters in terms of the per folio pricing. But yes, I think this is just literally a combination of a fabulous number of growth -- amount of growth in terms of number of -- net new number of companies added into this business and the corporate actions that have taken on a smaller -- on a retail investor base.

**Karthik Chellappa:**

Okay. Excellent. My next question is, if I were to look at our stand-alone on the employee expenses side, at least for the last 2 to 3 quarters, that has actually been rising in single digits. While that has given us a very good operating leverage at a standalone margin level, I'm just curious to see how sustainable this is?

And to relate that to your point on how you're looking for AI an opportunity to disrupt yourself rather than somebody else disrupting you and investing a lot more in productivity-enhancing measures, whether the employee expenses rising in single digits for the stand-alone business alone is something we can sustain? Or do you think that should normalize as we actually gain in scale?

**Sreekanth Nadella:**

Thanks, Karthik. No. So we continue to look at the payroll cost. We -- what we have done over a period of time is drove what used to be a significantly bottom of the pyramid kind of made it into more like a rectangle and then possibly it will go further up. It is counterintuitive. Everybody expects services industry to be like a traditional pyramid with a lot of individuals in terms of carrying out activities at an operations level.

But a shift to a high-tech business almost always calls for senior and technically well-equipped individuals who will drive a lot of automation to reduce laborious manual activity. Part of this is actually not a reduction of cost as much as improvement of services, which we accomplish through removing the manual error element.

As we process crores and crores of transactions, today, we process a little over 1.5 crores transactions a day, almost \$300 billion worth of money gets settled on our accounts. We -- the margin factor is negligible. So basically, what we are doing is the count -- the pyramid is transitioning, the count probably will not grow much further.

And as this entire senior technically strong team tries to drive more and more automation straight through AI, I expect the payroll cost to probably come down, but that will have a compensatory cost escalation in the form of technology. Now some of it may be onetime, some of it may last more than a couple of years, but that is very much required as we as an organization trying to be a global entity and Indian mutual funds itself, today touching almost \$1 trillion, poised to cross \$2 trillion, \$3 trillion into the next 5 to 6 years, the volume of transactions will expand in a phenomenal manner.

And with every transaction increase, the data exposure to us increases tenfold. So it is in that direction. So I think I draw comfort in the fact that we could keep the payroll cost around that number. It may remain to be so, but what you will see is probably the non-payroll cost expanding. But all -- we will endeavor to keep our margin ranges around 40% to 45% despite the cycles.

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

**Shrenik Mehta:** I wanted to ask you some questions about the Ascent acquisition and how you're seeing this to become EPS accretive over a period of time. Currently, we obviously see that the EBITDA is slightly lower compared to the Indian operations. How do you see this evolving? When do you see this becoming EPS accretive?

**Sreekanth Nadella:** Thank you. I'll take the question. So on a cash basis, Ascent is already EPS accretive, notwithstanding certain accounting adjustments that were required in the form of deferred tax liabilities, et cetera. But by and large, it is, however, a fair observation that the margin of Ascent is well below that of KFinTech business. And rightfully -- so, KFinTech has been in existence for nearly 40 years, and Ascent is 5, 6 years into it.

And much like extremely fast-growing businesses, you would see the initial spring of growth largely coming in the form of negative margins. In fact, for the fact that they have already turned around the corner, both at EBITDA and at PAT level is a true mark of phenomenal leadership of the founders at Ascent in terms of not just expanding globally into 18 different countries, supporting some of the most complex fund structures into private equity, into hedge funds, into digital funds, so on and so forth.

They have also managed to keep the cost very, very firmly in order to ensure that the margins do improve. And of course, it is only through the continued expansion of margins through, one, scale expansion and two, cost optimization. There will be a significant fructification in terms of the monetization of the overall asset for both the entities as well.

So I expect every quarter, there may be quarters which may be adversarial in terms of the market movements. But by and large, as you may have seen in every other business we have done so far, whether it is alternate investment funds, whether it is international, whether it is National Pension System, KFinTech too has seen the first 2 to 3 to 4 years steadily improving its margins, including the acquisitions that we have made, which were negative at the time of acquisition, but slowly gravitating towards our organizational EBITDA margins and now contributing pretty much to strong growth.

So whilst you do not see Ascent numbers kind of meeting KFinTech's into immediate future, but it is definitely a 3-year plan, thus we believe we can get that far. And in fact, at that point in time, we expect Ascent's margins to be even higher than that of KFinTech's margins in the context of faster global growth, higher yield that we derive and higher productivity given a fairly standardized fund administration that exists globally as compared to that of India. India continues to be extremely bespoke, and that's the reason why the AIF growth in India comes with probably slightly lower margins as against similar growth in the international markets. I hope I answered your question.

**Shrenik Mehta:** Great. Just another question in the same line. Are there any thoughts about establishing some kind of a GCC kind of an operation given that you will have far more expansion globally at a faster pace in the medium to long term?

**Sreekanth Nadella:** We will be -- in fact, work is already on. It's a great question. We have secured license from GIFT City and created a subsidiary in the direction. Our intention is to consolidate over time the delivery of all international business into that entity in Gujarat. And in addition to talent expansion that's happening and a phenomenal number of opportunities that are coming up in GIFT City.

As we all know, we are probably the only entity in GIFT City who basically is able to administer fund solutions for mutual funds, retail funds, international funds, India domestic AIFs and also issuer solutions. We have taken the first two companies that have gone public in GIFT City as the registrar and transfer agent.

Being located in GIFT City has imminent advantages over and above the opportunity there. Some of it is around tax credits. There is a 20-year tax credit that we will get, but it's still early days. But short answer to your question is, yes, we are thinking we are invested in creating a large GCC, especially for the international operations.

India operations, I guess, our strategy had been different as we have explained several times over, which is to move away from Tier 1 city into the Tier 2, Tier 3 cities. Part of that is cost, part of that is retention of talent. But above all, we are seeing a fabulous amount of talent

available in Tier 2, Tier 3 cities. And we believe that it is also our social responsibilities to move to as many of those cities as possible within India to be able to provide employment and do our own little bit.

For example, today, our presence in Bhubaneswar is expanding towards 500-odd individuals. Vijayawada has about 300 people. Gujarat is expanding, and we are looking at more Tier 2, Tier 3 cities to be able to drive some of the risk away, concentration risk that exists in large Tier 1 cities like Hyderabad, Mumbai, Bangalore, so on and so forth. So yes, GCC is for international. India domestic strategy is largely hyperscale, hyperlocal moving to a lot of cities rather than being present in one large city.

**Moderator:** The next question is from the line of Lalit Mohan Deo from Equirus Securities.

**Lalit Deo:** Firstly on the international business, excluding Ascent, so there we have seen that the AUM growth on a sequential basis seems to be around 9% to 10%, whereas if we just look at the revenue, so that seems to be broadly flat on a sequential basis. So just wanted to understand how the revenues in the international business will pick up in that segment, excluding the Ascent business?

Second question was on the Ascent business itself. Now when we are looking at improving margins in this business. So just wanted to understand like the margin improvement, will it be on both accounts, both on the employee expenses side as well as on the other expenses side? And where do we intend to take this in each of these segments in the next 2 years?

**Sreekanth Nadella:** Sure. Thank you. I'll take the second question first. I think part of it I've already answered. Every acquisition that we have, every new line of business we have, we usually have a 3-year strategy. The intent is that we challenge ourselves constantly to push each of those businesses to arrive at similar margin profile as the rest of the organization within 36 months.

Thus far, we had been vastly successful with the exception of one odd business lines for various different reasons. But by and large, we see a very good line of visibility in terms of Ascent getting that far within that time frame -- into the 36-month time frame. What will contribute to that? I think every lever that is possible.

Part of that is just simple scale. That means as you keep expanding your revenue profile, a lot of your fixed overheads get absorbed and hence your margin expands, which is typically a symptom that you would have seen even national pension system, for example, for us. It's been a loss-making business for the last 4 years. Not just have we turned around. We're kind of looking at a very, very healthy double-digit margin in just a matter of a few quarters, which will be the same thing that will happen. So there is scale that will drive it.

Payroll cost, to an extent, I won't put my top bet in payroll cost optimization in Ascent, a business that is designed, built to grow geographically with a strategic ambition to become a global fund administrator. We should not be cutting corners in the form of feet on street into the geographies

having started so many countries' operations. In fact, I'd expect probably some amount of expansion in that, even though productivity will continue to significantly expand.

So for the same quantum of work, we may need fewer people. But in general, we'll need a lot more people as we grow our business into this 30%, 35% kind of a clip year-on-year. It is probably the non-payroll expenditure where we may see immediate amount of traction in terms of optimization of costs. So for example, real estate costs, much of Ascent is also present in India and in Malaysia in terms of headcount, 200 out of 300 people are based in these two locations, which is where KFinTech also has a very strong presence. So we will be consolidating real estate costs, infrastructure costs.

As we all know, we are one of the largest data fiduciary in the country with over 8, 9 petabytes of data. The amount of support we can afford -- I mean, we can afford in terms of consolidating, whether it is data centers, whether it is license size, whether it is no-tech manpower, digital, UI/UX, so on and so forth is quite substantive. The last 6 weeks had been in that direction. Our focus to be able to identify the non-payroll cost synergies that we can drive them down and hence see a reasonably quick margin uptick.

Now obviously, many of these are contractual in nature. So we'll have to wait for the life cycle of that particular contract to end. Or if I have a multiyear contractual life cycle, we might probably look at a premature termination, but then be able to identify how we can optimize the cost based on the KFin's own structures. So yes, so basically, every lever that is there, we are constantly working on, including the upsell, cross-sell component of it.

I think on the first question was about domestic funds, if I'm not wrong, in terms of the AUM growth being there, but the revenue not necessarily translating into as much. We've known this beginning of this year itself. I think you probably would have seen a trend kind of through the year, which is a combination of a certain amount of extraordinary discounts that were given at the beginning of the year in the very month of April.

Obviously meant that the AUM growth need not necessarily have translated into the revenue growth into this year. But the base effect will end by end of Q4. As the base effect ends, what you would start seeing is growth of revenue nearly dovetailing that of the AUM growth into the coming year. So to that extent, it is expected, anticipated and has already been modeled into our books.

**Lalit Deo:**

But, actually the question was on the international investment solutions including Ascent

**Vivek Mathur:**

Sreekanth, I'll take over this question. On the international business, while we have seen that the revenue has gone up without Ascent for the GFS is about 5.7% sequentially quarter-on-quarter and a little more than 11% year-on-year. The AUM has come down slightly. And the bps -- AUM has gone up, but the bps has come down slightly from 4.73% to 4.13% YTD, December '25.

That is largely because many of the funds are still on the minimum fee. And as they cross the minimum fee, the yield will come in, in terms of bps-based pricing. And we do expect with the newer contracts coming in, platform revenue coming in from international business that Sreekanth talked about earlier, the overall bps will improve as we go forward and start winning larger contracts, which Sreekanth alluded to earlier in his commentary. Does that help, Lalit?

**Lalit Deo:** Sir, just answer the one data you think that will help. Could you just give us a split of the issuer solution business between the same folios, corporate actions in IPO?

**Vivek Mathur:** Lalit, I didn't get you, can you speak...

**Sreekanth Nadella:** Sorry, the voice is a little muffled, not able to hear you very well.

**Lalit Deo:** So I was referring to that split between -- split of issuer solutions business between folios, corporate actions and IPO income.

**Vivek Mathur:** You want to break up in terms of how much is the percentage of revenue mix in corporate registry, correct?

**Lalit Deo:** Yes, yes.

**Vivek Mathur:** So corporate registry, 47.6% of the revenue comes from folio maintenance, about 40.2% comes from corporate action and 12.2% comes from value-added services.

**Moderator:** The next question is from the line of Mohit Mangal from Centrum Capital Limited.

**Mohit Mangal:** Congratulations on a strong set of numbers. My first question is towards the yield. So you said that the yield contracted a lot in this quarter, owing to a shift in the mix towards the ETFs. So going forward, if this trend kind of continues, right, say maybe for the next, say, 3 to 4 quarters, then how do you think we should look at the yield contraction versus the AUM growth? That's my first question.

Second question is towards the issuer solutions. So I wanted to know, I mean, say, considering a medium term of, say, 2 to 3 years, now that we already have about 168-odd million folios, how do you think the growth would kind of span out in this segment? Yes, that's it.

**Sreekanth Nadella:** I want to just clarify the point about the yield correction. It is marginal. It is not substantive. I commented about the yield correction at the beginning of the year, right, when 7 -- 8 of large contracts went into renegotiation phase. This quarter reduction is extremely marginal, and that is on account of asset mix shift more towards gold, silver ETFs.

And hence, I'd expect the yield to stabilize to where it is now and probably even go up should this frenzy of the metals, ETFs, like everything else, there is seasonality and cyclicity. I expect good sense would prevail and over a period of time, the equities would come back to favor. So there is no significant yield correction. I just wanted to correct that particular math on that. My apologies, the second question was on what?

**Mohit Mangal:** Issuer solutions. So basically, we have about 168 million folios. So just wanted over the next 2 to 3 years, how do you see this spanning out?

**Sreekanth Nadella:** No, it should -- see, if you see the folio expansion is a component of a number of demat holders, which we all know is continuing to expand over 25% thereabout. And a vast majority of Indians still do not have a demat account. And I expect that will continue to grow as the overall financialization of the team expands in India and the movement from savings into investments as a philosophical trend changes. That is one, so which is more demat accounts hopefully will translate into more participation in the secondary markets and hence more folios.

Second is of that, how many of the clients are the clients with KFin services today? And that is where I was stating that our market share has now gone to 51.4% in terms of the market cap of Nifty 500 companies. And as we win more and more companies and we transition more and more companies, consequently, the folios will continue to expand.

Third item is the market performance itself. Retail investors, as we all know, I'm actually speaking to the acquire, is generally a fairly risk-off approach when the markets do not give conducive returns over a period of time and which is what we are seeing. I think Indian markets have barely moved into the last 18 months.

And the first 12 months, the folio participation or the retail participation was still good. That was the previous year. This year, we have started to see a reasonable amount of movement away by the folios -- by the retail investors from the secondary markets.

We still continue to grow because of the net new number of clients we have added and hence, the retail participation in those. So what I expect to see should the market turn around is actually a double whammy, which is a lot many more companies to go public and retail folio expanding and thereby the revenue expansion to be even faster clip than what it is at this point in time.

Not to mention, should the results be very good, so will the corporate actions be. So it's hard to predict. There is a lot of macros associated with that. But we believe that we have unlocked this -- what used to be a 10%, 11%, 12% kind of a growth momentum business into anywhere between 15%, 16% to 20% kind of a growth business year-on-year.

And if that were to fructify, that means the number of folios will have to expand at a faster clip, which is what I see will happen.

**Moderator:** The next question is from the line of Devesh Agarwal from IIFL Capital Services Limited.

**Devesh Agarwal:** Yes. Sir, my first question would be on the AI emergence. Although, you did touch upon it, but you mentioned that it's more of a basically an opportunity rather than a risk. But what I wanted to understand what I always thought that one of the entry barrier for any third RTA to come in is the vast amount of data that you need to process and obviously, the initial cost, which would lead to losses. But with AI coming in, does -- it becomes commercial sense for a third RTA to emerge even if we have to do this activity for a new mutual fund or a digital-only mutual funds?

**Sreekanth Nadella:**

Great question. And something that I'm often asked about and something that we ask ourselves often enough as well in terms of -- as a part of our risk management, we have to consider the potential impact of a third entrant. I mean we should never be arrogant to think that there won't be a third or a fourth or a fifth entrant. I do believe a possibility always exists.

But world over, if you see the phenomenon, inevitably, it will end up with 2 or 3 consolidation. For example, in our industry, whilst today, it may appear like there are only two RTAs, if we kind of take a step back and look at what was the situation prior to 2020, just 5 years back, there were several more RTAs. There were actually 8 RTAs when I joined this industry myself and even more prior to that, right?

What happened is basically consolidation. Consolidation happened because until and unless there is significant scale in this business, it's near impossible to get both ends meet, right? Even if you have very deep pockets, you want to burn cash for a decade, it would still be a very tough thing to accomplish in this business and also considering the fact that our own yields, what used to be a 6, 7 basis points on a yield, it's about 3.

For a third entrant to come in, obviously, there has to be a business case for anyone to take the risk and cut over. And if that does not give a 40%, 50%, 30% kind of optimization, it makes no sense for anyone because there's the cost of transition itself is way too high not to mention about the risk of transition, which can be quite catastrophic in the scale that we operate at.

So I would find it hard business-wise for anyone to enter into it. AI probably may reduce certain amount of cycle time on the tech development. But what we -- where we exist is in the crossroads of tech and domain. And it is truly the domain knowledge that we bring to the table that makes the most significant difference. Otherwise, today, if you see or not just today, even over the past number of decades, you want to start a bank or insurance company, you want to start an oil company, you want to start a B2C.

Many large enterprise players like SAP, Oracle, Microsoft, they always have enterprise solutions, right? And that's what you take. But for this very nuanced business, nobody has been able to create platforms like this. And that truly is our moat. So I don't think AI is going to take that domain competency away.

And even if it were to at some point in time, the business dynamics in terms of unless there is a massive consolidation and about somebody wins 15, 20 clients together, it makes no sense. Winning new clients is not nearly going to cut ice in terms of even -- breaking even in the next 10 years for the newer team.

**Devesh Agarwal:**

Very clear. And my second question was on the international business or the Ascent. Historically, we have seen although we had a very strong client wins, but typically, I think these were smaller clients. So just wanted to understand the progress in terms of winning new mandates from a medium to large-sized clients.

**Sreekanth Nadella:**

That has truly been our focus. You're right. I mean many of these are -- these are very large logos in terms of names, but I think we need to respect the fact that these are relatively smaller geographies, right? I mean we're not exactly in the U.S. and Europe and Japan. We are in countries where the capital markets are buoyant enough, are pragmatic enough to embrace outsourcing and even offshoring, if I may.

But let truth be told, the total corpus of AUM is not that significantly large. And yes, of what is there, it is also true that we have managed through scoop out probably nearly all new AMCs and many of the small tier AMCs. But what we have seen in the last 18 months is that we started winning larger mandates, larger in the context of those geographies.

We should not equate them to large like our mutual fund houses, which are very -- probably on an order of 20x to 30x larger. But for example, we won one of the largest trustees-based deal last year, I mean, right Investment Managers, you might be aware, we have already explained. We have won a large pensions platform solution provider in one of the East Asian countries, which is also a material contract in the context of international business.

And these businesses typically, as I always call out, there is a maturity cycle. When you go into a new country where you are not known and it is a B2B in a highly regulated space, the acceptance of a third party from the standpoint of not just commercial, commercial is an easy thing, right? We can easily demonstrate that we're able to show a significant amount of money.

But despite that, the conversion rate are a little tricky because of the risk in terms of transitions, the same risk that I'm calling out as to how complex it will be to migrate from one to the other, the same risk exists when we have to win a mandate as well. And the first 3, 4, 5 years is largely about delivering exceedingly strong value to the limited number of clients we would have won, most of them could be small ones.

But it truly takes an amount of time for the large fund managers to stand up, take notice that, yes, there is a lot of value that we can unlock. We have already seen not once or twice or twice, but 100 different clients. And now is the time to move. And that is a conversation we are having with the medium and large tiered AMCs. And of course, the conversion, the sales life cycle is slightly longer, but this is a business that is not meant for quarter-to-quarter.

As you know, this is the organization, been here for 40 years. We are building the organization for the next 20, 30, 40 years. And the conversions will happen in terms of medium to large AMCs, where we have already seen the glimpse of it in the form of winning two large contracts in the last year alone, even as many are under a negotiation phase at this moment.

**Amit Murarka:**

Yes. Just to add to Sreekanth's point, Devesh, this is Amit here. Look, I mean, Ascent, when we say that they won 47 funds this quarter, so that doesn't mean that the fund activity has slowed down for this quarter for them and all. So I mean, overall, it's like more than 100 funds they have won during the quarter. But when we say 47 funds, one, it means that these are the number of funds which have gone live.

They have -- which means that these funds have become active in terms of the launch and all. And hence, I mean, that these are the funds which you can see, I mean, in terms of the revenue recognition and also as November, December, typically, I mean, here from the fund launch perspective is a little less active quarter given that -- I mean, this period, I mean, people are more engaged in the new year's activity and all.

As we hit the Jan, Feb and all this quarter, I mean, we are seeing more aggressive in terms of the fund launches and also -- and this number will catch up. So to give a perspective, so Ascent did -- basically, they were on a monthly revenue run rate of around \$1.5 million last December 2024. Now as we speak now, they are more than \$1.9 million in terms of the monthly revenue run rate and they are well on track in terms of the growth, the guidance that we are envisaging for the company.

**Devesh Agarwal:**

And lastly, if I see the asset mix for your international business, I see multiple categories. Now on an overall basis, we understand that the blended yields are somewhere around 6 to 7 basis points. But is there a significant difference between hedge fund AUM or public market or digital asset? The reason I asked is that we want to track if a particular segment grows faster, will that have a positive or negative impact on the blended yields?

**Sreekanth Nadella:**

So see, I mean, from the blended yield perspective, so the asset as far as the AIF business or the private mandate business is concerned, I mean, it doesn't make a big difference in terms of whether it's a hedge fund or a private equity or, let's say, digital assets and all. So the yield structures are more or less the same.

But as we move into the public market funds and all, definitely, I mean, compared to the private market here, the expense ratios are also a little lower compared to what we see in the private market funds. So hence, the yield structures would also be a little more different. But it also depends upon the size and the scale of the AMC as well that decides the yield.

But yes, I mean, given that Ascent is largely into the private mandate side and today, if you see the portfolio of the international business is more treated towards the private -- the mandate side and all. I mean, the yield structures would materially not be different when we talk about different class of assets, whether it is the hedge funds or the private equity or, let's say, the digital assets.

**Moderator:**

Ladies and gentlemen, we will take that as a last question for today. I now hand the conference over to Mr. Vivek Mathur for his closing comments. Over to you, sir.

**Vivek Mathur:**

Thank you. It has been a great quarter with the integration of Ascent. And as we have seen that including Ascent, our year-on-year growth on revenue from operations is well within the range of guidance that we gave of 15% to 20% and the EBITDA margins are in the range of 40% to 45%. We believe that we'll continue to maintain that guidance going forward as well. Thank you very much for joining the call today.

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