

**Price:** 1,135

**Recommendation:** Buy

**Industry:** Depositories, Clearing

**Sector:** Financial Services

**Report Date:** 02-May-2025

KFin Technologies Limited is a leading financial services provider specializing in fund administration across public and private markets. With a global presence spanning 18 countries, KFin offers comprehensive solutions, including fund accounting, transfer agency, and fintech services. Its strategic acquisition of Ascent Fund Services strengthens its position as India's first global fund administrator.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1056 Cr	Operating Profit(Year)	469 Cr	Operating Profit Margin	44.4 %
Previous Year	811 Cr	Operating Profit(Quarter)	117 Cr	EBITDA Margin	47.54 %
Current Quarter	274 Cr	PAT (Year)	326 Cr	Net Profit Margin	30.8 %
Previous Quarter	282 Cr	PAT (Quarter)	81.5 Cr	EPS	18.9
Revenue (QYoY)	224 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	60.0	Sales Growth	30.2 %	Sales Growth	-2.84 %
PEG Ratio	0.49	PAT Growth	33.06 %	Sales Growth QYoY	22.32 %
EV/EBITDA	38.7	EPS Growth	0.0 %	PAT Growth	-10.44 %
P/B	13.9	Dividend Yield	0.51	PAT Growth QYoY	11.95 %
Capital Allocation		Holdings		Leverage	
RoE	25.6 %	Promoter	32.9 %	Debt/Equity	0.03
RoA	20.7 %	FII	22.6 %	Debt	44.7 Cr
RoCE	33.6 %	DII	20.4 %	Market Cap	19535 Cr
RoIC	22.6 %	Public	24.2 %	Enterprise value	19429 Cr
		No of Shares	17.2 Cr	Cash Equivalents	150 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

KFin Technologies Limited announced a strategic acquisition of Ascent Fund Services (Singapore) Pte. Ltd., marking a significant milestone in its journey to become a global fund administrator. The acquisition aligns with KFin's vision to diversify its offerings beyond mutual funds and public markets into private markets, including private equity, venture capital, hedge funds, and digital funds. Ascent, a fast-growing fund administrator with operations across 18 countries, complements KFin's expertise by offering full-stack services such as fund accounting, transfer agency, corporate solutions, and fintech services. The transaction involves an initial 51% stake for \$34.7 million, with a definitive path to 100% ownership by FY30, funded entirely through internal accruals. This acquisition positions KFin as the first large global fund administrator domiciled in India, leveraging Ascent's licenses across key financial hubs like Singapore, Hong Kong, and the Middle East.

The acquisition is expected to drive synergies through operational integration, technology optimization, and expanded geographical presence. Ascent's use of third-party platforms will be gradually replaced by KFin's proprietary Hexagram platform, enhancing cost efficiency and scalability. Additionally, KFin's technological prowess, with over 1,500 professionals, will support Ascent's growth trajectory. The combined entity aims to leverage Ascent's strong client relationships and KFin's balance sheet strength to target larger fund houses and expand into Europe and the U.S. The recurring nature of Ascent's revenue, contributing 92% of its \$13.5 million FY24 revenue, and its healthy gross margins of 52% provide a solid foundation for future profitability. The acquisition also diversifies KFin's revenue base, reducing dependency on Indian mutual funds from 95% to approximately 52%.

KFin's management anticipates maintaining Ascent's historical growth trajectory of 35% CAGR, driven by new client acquisitions and scaling existing relationships. The acquisition adds 576 schemes across 263 fund houses, with assets under administration totaling \$24 billion. Ascent's efficient operations, supported by a lean team of 200 employees, highlight its scalability and potential for margin expansion. The leadership team at Ascent, with decades of experience in global fund administration, will remain incentivized through ESOPs and long-term payouts, ensuring continuity and alignment with KFin's growth objectives. The integration of Ascent's expertise in private markets with KFin's dominance in public markets creates a complementary business model poised for exponential growth.

This acquisition underscores KFin's commitment to becoming a global leader in fund administration while maintaining a disciplined approach to scaling. The focus on operational synergies, geographical diversification, and technological integration positions the company for sustainable growth. With plans to expand into new geographies and deepen its presence in existing markets, KFin is well-positioned to capture a larger share of the \$30 billion global fund administration market. The transaction reflects KFin's strategic intent to deliver value to clients through innovative solutions, frugal engineering, and a robust global footprint, setting the stage for long-term success.

KFINTECH Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
BSE	85375.10	91.26	15.20%	2.27%	95.20%	-36.78%	105.69%
Multi Comm. Exc.	31904.42	62.26	5.82%	5.53%	57.35%	4.18%	3091.40%
CDSL	27759.38	50.00	31.31%	-13.70%	29.67%	-19.86%	20.83%
KFin Technolog.	19534.67	60.00	25.61%	-2.87%	22.27%	-10.51%	11.99%
Cams Services	19014.38	44.02	40.47%	1.65%	29.26%	2.26%	37.72%

Aspect	Commentary
Revenue	Revenue grew 30.2% YoY to Rs.1056 Cr, driven by strategic acquisitions and expanded services. However, QoQ sales declined by 2.84%, indicating potential seasonal or operational challenges. The company’s focus on diversification and global presence supports long-term revenue stability.
Profit & Loss	Operating profit surged to Rs.469 Cr, reflecting strong cost management and operational efficiency. PAT grew 33.06% YoY but declined 10.44% QoQ, signaling short-term pressures. EPS remains stable at 18.9, showcasing consistent shareholder value creation.
Profitability Matrix	Operating profit margin of 44.4% and EBITDA margin of 47.54% highlight robust profitability. Net profit margin at 30.8% underscores efficient cost control. These metrics position KFin as a high-margin player in the financial services sector.
Valuation Matrix	Trailing P/E of 60.0 and EV/EBITDA of 38.7 suggest premium valuation, reflecting growth potential. PEG ratio of 0.49 indicates undervaluation relative to growth. Dividend yield of 0.51% provides moderate income for investors.
Growth (YoY)	Sales growth of 30.2% YoY and PAT growth of 33.06% demonstrate strong annual performance. EPS growth remains flat, indicating stable earnings. The acquisition of Ascent Fund Services is expected to sustain growth momentum.
Growth (QoQ)	QoQ sales declined by 2.84%, while PAT fell 10.44%, signaling short-term challenges. However, PAT growth QYoQ of 11.95% reflects recovery potential. Strategic initiatives aim to mitigate quarterly volatility and drive consistent growth.
Capital Allocation	RoE of 25.6% and RoCE of 33.6% highlight efficient capital utilization. Cash equivalents of Rs.150 Cr and low debt/equity ratio of 0.03 ensure financial stability. Internal accruals fund acquisitions, showcasing disciplined capital allocation.
Holdings	Promoter holding at 32.9% ensures strong governance. FII and DII holdings of 22.6% and 20.4% reflect institutional confidence. Public holding of 24.2% provides liquidity. Balanced ownership structure supports long-term stability.
Leverage	Debt/equity ratio of 0.03 and debt of Rs.44.7 Cr indicate minimal leverage, ensuring financial flexibility. Market cap of Rs.19,535 Cr and enterprise value of Rs.19,429 Cr reflect strong market positioning. Low leverage supports sustainable growth.

**Analyst viewpoint:** KFin Technologies Limited presents a compelling investment opportunity from a short to mid-term perspective, driven by its robust financial performance and strategic initiatives. The company reported a 30.2% YoY revenue growth to Rs. 1056 Cr, supported by its acquisition of Ascent Fund Services, which diversifies its revenue base and strengthens its global presence across 18 countries. Despite a minor QoQ sales decline of 2.84%, the acquisition is expected to sustain growth momentum, with management projecting a 35% CAGR for Ascent's operations. KFin's profitability metrics remain strong, with an operating profit margin of 44.4% and a net profit margin of 30.8%, underscoring efficient cost control and operational excellence. Additionally, its PEG ratio of 0.49 highlights undervaluation relative to growth, while a RoE of 25.6% and RoCE of 33.6% reflect disciplined capital allocation and efficient utilization of resources.

The company's strategic focus on geographical diversification, operational synergies, and technological integration positions it as a high-margin player in the financial services sector. Its proprietary Hexagram platform is expected to enhance cost efficiency and scalability, further strengthening its competitive edge against peers like CDSL and CAMS. While short-term pressures are evident in the 10.44% QoQ PAT decline, the 11.95% PAT growth QYoY signals recovery potential. KFin's low debt/equity ratio of 0.03 and cash equivalents of Rs. 150 Cr ensure financial stability, enabling acquisitions through internal accruals. However, investors should monitor quarterly volatility as the company navigates integration challenges and seasonal fluctuations. Overall, KFin's strategic initiatives and strong fundamentals make it a promising investment for capturing growth in the global fund administration market.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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