

**Price:** 1,060

**Recommendation:** Buy

**Industry:** Depositories, Clearing

**Sector:** Financial Services

**Report Date:** 03-Apr-2025

KFin Technologies is advancing its market presence through strategic initiatives like mPower Wealth, securing contracts with Tata Capital and Aditya Birla Wealth. The company aims to diversify revenue, reducing reliance on mutual funds, and expanding internationally into Singapore and Dubai. With a focus on wealth management and technological infrastructure, KFin is poised for growth, despite challenges in market sensitivity and execution of international strategies.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1006 Cr	Operating Profit(Year)	451 Cr	Operating Profit Margin	44.8 %
Previous Year	696 Cr	Operating Profit(Quarter)	131 Cr	EBITDA Margin	37.97 %
Current Quarter	282 Cr	PAT (Year)	245 Cr	Net Profit Margin	30.3 %
Previous Quarter	269 Cr	PAT (Quarter)	91.0 Cr	EPS	18.5
Revenue (QYoY)	211 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	57.6	Sales Growth	31.6 %	Sales Growth	4.83 %
PEG Ratio	0.60	PAT Growth	25.64 %	Sales Growth QYoY	33.65 %
EV/EBITDA	37.5	EPS Growth	28.47 %	PAT Growth	6.81 %
P/B	15.0	Dividend Yield	0.56	PAT Growth QYoY	38.3 %
Capital Allocation		Holdings		Leverage	
RoE	24.4 %	Promoter	33.0 %	Debt/Equity	0.04
RoA	18.4 %	FII	25.4 %	Debt	46.2 Cr
RoCE	30.0 %	DII	19.4 %	Market Cap	18240 Cr
RoIC	24.4 %	Public	22.2 %	Enterprise value	18063 Cr
		No of Shares	17.2 Cr	Cash Equivalents	223 Cr

source : Company filings

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

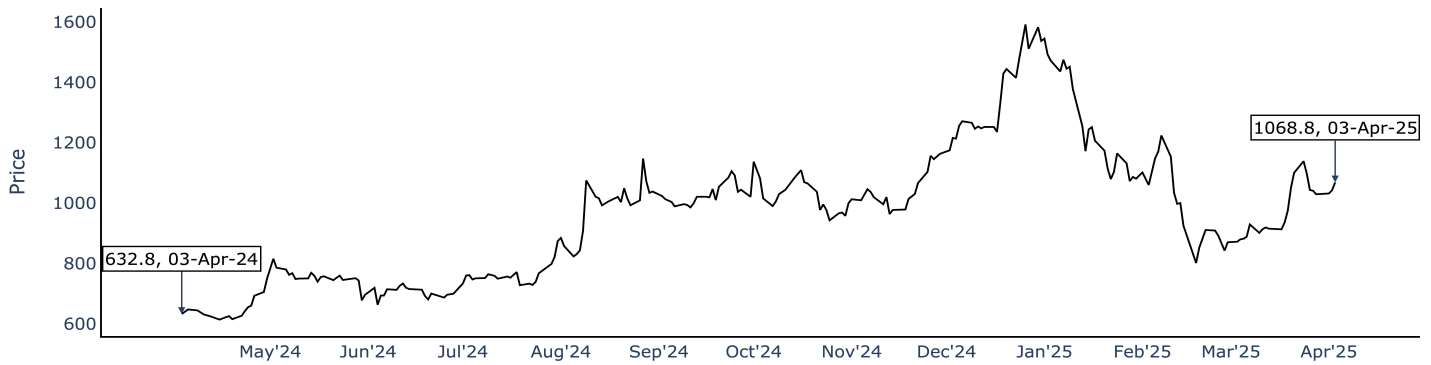
KFin Technologies has embarked on several new initiatives and business strategies to enhance its market presence and diversify its offerings. A significant development is the launch of mPower Wealth, which was introduced at the Hubbis event in Mumbai. This initiative has already resulted in five large contracts with prominent names such as Tata Capital and Aditya Birla Wealth. The company is focusing on the wealth industry, anticipating its growth as affluence levels rise. This expansion is part of a broader strategy to diversify risk and increase the addressable market across various business services, asset classes, and geographies. The company is also enhancing its international footprint, with plans to expand into Singapore and Dubai, leveraging its asset management solutions and big data capabilities.

The company's diversification strategy is evident in its efforts to reduce reliance on mutual funds and increase revenue from non-mutual fund sources to 50% of the total book. This includes expanding into alternative asset classes and geographical markets. KFin Technologies has also made strides in the pension sector, growing at three times the industry rate and aiming for a 10% market share. The acquisition of Hexagram has bolstered its fund administration capabilities, contributing to significant revenue growth. The company is also exploring mergers and acquisitions to fast-track growth and maintain EBITDA margins between 40% and 45%.

Looking ahead, KFin Technologies is optimistic about its growth prospects, driven by strong net inflows and new SIP hits. The company is well-positioned to capitalize on the growing demand for professional wealth management solutions, particularly as the affluent segment expands. The international expansion, supported by approvals in Thailand and GIFT City, opens new doors for growth. The company is also focused on enhancing its technological infrastructure to support increased transaction volumes and regulatory requirements. The strategic partnerships with custodians like StanChart and Deutsche Bank further strengthen its market position.

While the company is on a positive growth trajectory, there are areas for improvement. The revenue sensitivity to market conditions remains a concern, with potential adverse impacts if net flows do not offset market corrections. Additionally, the company could benefit from further diversifying its revenue streams to mitigate risks associated with market fluctuations. The focus on international expansion and strategic partnerships is promising, but execution will be key to realizing these opportunities. Overall, KFin Technologies is well-positioned for future growth, with a robust strategy to navigate the evolving financial landscape.

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
<b>BSE</b>	76093.03	81.34	15.20%	2.27%	95.20%	-36.78%	105.69%
<b>Multi Comm. Exc.</b>	27200.23	53.06	5.82%	5.53%	57.35%	4.18%	3091.40%
<b>C D S L</b>	25880.47	46.60	31.31%	-13.70%	29.67%	-19.86%	20.83%
<b>Cams Services</b>	18888.64	43.73	40.47%	1.65%	29.26%	2.26%	37.72%
<b>KFin Technolog.</b>	18239.97	57.61	24.38%	4.89%	34.13%	6.88%	38.34%

Aspect	Commentary
<b>Revenue</b>	The company shows strong revenue growth with a 31.6% YoY increase, indicating robust sales performance. The quarterly growth of 4.83% suggests consistent demand and effective sales strategies. This positive trend reflects the company's ability to capture market opportunities and expand its customer base.
<b>Profit &amp; Loss</b>	Operating profit margins are healthy at 44.8%, with a PAT growth of 25.64% YoY, showcasing efficient cost management and profitability. The quarterly PAT growth of 6.81% further highlights the company's ability to maintain profitability amidst market fluctuations, ensuring sustainable financial health.
<b>Profitability Matrix</b>	The company maintains a strong profitability profile with an operating profit margin of 44.8% and a net profit margin of 30.3%. These figures indicate effective cost control and pricing strategies, contributing to overall financial stability and shareholder value creation.
<b>Valuation Matrix</b>	The valuation metrics, including a trailing P/E of 57.6 and a PEG ratio of 0.60, suggest the company is valued for growth. The EV/EBITDA of 37.5 and P/B of 15.0 reflect market confidence in the company's future earnings potential and asset utilization efficiency.
<b>Growth (YoY)</b>	The company exhibits impressive YoY growth with sales increasing by 31.6% and EPS by 28.47%. This growth trajectory underscores the company's strategic initiatives and market positioning, driving shareholder value and reinforcing its competitive edge in the industry.
<b>Growth (QoQ)</b>	Quarterly growth metrics show a 4.83% increase in sales and a 6.81% rise in PAT, indicating steady performance. The QYoY sales growth of 33.65% and PAT growth of 38.3% highlight the company's ability to capitalize on market opportunities and sustain momentum.
<b>Capital Allocation</b>	The company demonstrates efficient capital allocation with a RoE of 24.4% and RoCE of 30.0%, reflecting strong returns on investment. The RoIC of 24.4% indicates effective use of capital to generate value, supporting long-term growth and financial resilience.
<b>Holdings</b>	The promoter holding of 33.0% and significant FII and DII stakes at 25.4% and 19.4% respectively, suggest strong institutional confidence. The diverse shareholder base provides stability and reflects positive market sentiment towards the company's growth prospects.
<b>Leverage</b>	With a low debt/equity ratio of 0.04 and debt of 46.2 Cr, the company maintains a conservative leverage position. This prudent financial management ensures flexibility and reduces risk, supporting sustainable growth and enhancing investor confidence.

**Analyst viewpoint:** KFin Technologies Limited showcases a promising growth profile with quarterly sales growth of 4.83% and PAT growth of 6.81%, underscoring strong operational performance. The strategic expansion into wealth management, through initiatives like mPower Wealth and securing significant contracts, highlights their commitment to diversifying revenue streams beyond mutual funds and entering international markets like Singapore and Dubai. Valuation metrics such as a trailing P/E of 57.6 and PEG ratio of 0.60 indicate a robust market position poised for future growth. Effective capital allocation with a RoE of 24.4% and RoCE of 30.0% further supports the company's healthy financial outlook, ensuring resilience and shareholder value creation.

Despite its positive trajectory, KFin Technologies must cautiously manage its sensitivity to market conditions, which may impact revenue if net flows do not adequately compensate for market volatility. Nonetheless, with strategic international expansion and technological enhancement, backed by significant partnerships, the company is well-positioned to capture growing demand in the wealth management sector. The focus on maintaining EBITDA margins between 40% and 45% will be vital for sustaining profitability. While challenges exist, the company's ability to navigate these through diversified strategies and strong market execution promises sustained short to mid-term growth potential.

Please read detailed disclosure on next page.

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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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