

B S R & Associates LLP

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INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED CONSOLIDATED FINANCIAL INFORMATION

The Board of Directors

KFin Technologies Limited **(Formerly known as 'KFin Technologies Private Limited')**

Selenium Tower B,
Plot Nos. 31&32, Gachibowli, Financial District
Nanakramguda, Serilingampally
Hyderabad - 500 032

Dear Sirs,

- 1) We, B S R & Associates LLP, Chartered Accountants (“we” or “us” or “our”) have examined the attached Restated Consolidated Financial Information of KFin Technologies Limited (Formerly known as KFin Technologies Private Limited) (the “Company” or the “Holding Company” or the “Issuer”) and its subsidiaries (the Company and its subsidiaries together referred to as the “Group”), comprising the Restated Consolidated Balance Sheet as at 30 September 2022, 30 September 2021, 31 March 2022, 31 March 2021 and 31 March 2020, the Restated Consolidated Statement of Profit and Loss (including other comprehensive income), the Restated Consolidated Statement of Changes in Equity, the Restated Consolidated Statement of Cash Flows for the six month period ended 30 September 2022 and 30 September 2021 and for the years ended 31 March 2022, 31 March 2021 and 31 March 2020, the Summary Statement of Significant Accounting Policies, and other explanatory information (collectively, the “Restated Consolidated Financial Information”), as approved by the Board of Directors of the Company at their meeting held on 17 November 2022 for the purpose of inclusion in the Red Herring Prospectus (“RHP”) and Prospectus prepared by the Company in connection with its proposed Initial Public Offer of equity shares (“IPO”) prepared in terms of the requirements of:
 - a) Section 26 of Part I of Chapter III of the Companies Act, 2013 (the “Act”);
 - b) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (“ICDR Regulations”); and
 - c) The Guidance Note on Reports in Company Prospectuses (Revised 2019) issued by the Institute of Chartered Accountants of India (“ICAI”), as amended from time to time (the “Guidance Note”).
- 2) The Company’s Board of Directors is responsible for the preparation of the Restated Consolidated Financial Information for the purpose of inclusion in the RHP and Prospectus to be filed with Securities and Exchange Board of India, (“SEBI”), the stock exchanges where the equity shares of the Company are proposed to be listed (“Stock Exchanges”) and the Registrar of Companies, Telangana, situated at Hyderabad (“ROC”) in connection with the proposed IPO. The Restated Consolidated Financial Information have been prepared by the Management of the Company on the basis of preparation stated in Note 2.A. of Annexure V to the Restated Consolidated Financial Information. The responsibility of the respective Board of Directors of the companies included in the Group includes designing, implementing and maintaining adequate internal controls relevant to the preparation and presentation of the Restated Consolidated Financial Information. The respective Board of Directors

Registered Office:

INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED CONSOLIDATED FINANCIAL INFORMATION (Continued)

are also responsible for identifying and ensuring that the Group complies with the Act, ICDR Regulations and the Guidance Note.

- 3) We have examined such Restated Consolidated Financial Information taking into consideration:
- a) The terms of reference and terms of our engagement agreed upon with you in accordance with our engagement letter dated 16 November 2022 in connection with the proposed IPO of equity shares of the Company;
 - b) The Guidance Note also requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI;
 - c) Concepts of test checks and materiality to obtain reasonable assurance based on verification of evidence supporting the Restated Consolidated Financial Information; and
 - d) The requirements of Section 26 of the Act and the ICDR Regulations.

Our work was performed solely to assist you in meeting your responsibilities in relation to your compliance with the Act, the ICDR Regulations and the Guidance Note in connection with the proposed IPO of equity shares of the Company.

- 4) These Restated Consolidated Financial Information have been compiled by the Management from:
- a) The audited interim consolidated financial statements of the Group as at and for the six months period ended 30 September 2022 and 30 September 2021, prepared in accordance with the Indian Accounting Standard (Ind AS) 34 "Interim Financial Reporting", specified under Section 133 of the Act and other accounting principles generally accepted in India (the "Interim Consolidated Financial Statements") which have been approved by the Board of Directors at their meeting held on 17 November 2022.
 - b) The audited consolidated financial statements of the Group as at and for the years ended 31 March 2022, 31 March 2021 and 31 March 2020, prepared in accordance with the Indian Accounting Standards (referred to as "Ind AS") as prescribed under Section 133 of the Act read with Companies (Indian Accounting Standards) Rules 2015, as amended, and other accounting principles generally accepted in India, which have been approved by the Board of Directors at their meetings held on 06 June 2022, 24 June 2021 and 02 June 2020 respectively.
- 5) For the purpose of our examination, we have relied on, Auditor's report issued by us dated 17 November 2022 on the interim consolidated financial statements of the Group as at and for the six months period ended 30 September 2022 and 30 September 2021 and Auditor's reports issued by us dated 06 June 2022, 24 June 2021 and 02 June 2020 respectively on the consolidated financial statements as at and for the years ended 31 March 2022, 31 March 2021 and 31 March 2020 respectively as referred in paragraph 4 above.
- 6) The Auditor's reports referred to in paragraph 5 above and issued by us included the following emphasis of matter paragraphs on the interim consolidated financial statements as at and for the six months period ended 30 September 2022 and 30 September 2021 and the consolidated financial statements as at and for the years ended 31 March 2022, 31 March 2021 and 31 March 2020.

INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED CONSOLIDATED FINANCIAL INFORMATION (Continued)

In the Auditor's report for the six months period ended 30 September 2022 and 30 September 2021

- A. We draw attention to Note 44(B) of the interim consolidated financial statements, regarding the amalgamation of Karvy Computershare Private Limited (KCPL) and the 'RTA Undertaking' of Karvy Consultants Limited (KCL) into the Company accounted for in financial year 2018-2019 with effect from 17 November 2018. In accordance with the scheme approved by National Company Law Tribunal (NCLT), the amalgamation had been accounted for as per Accounting Standard 14 – 'Accounting for Amalgamations'. Accordingly, all assets and liabilities of KCPL and of the RTA Undertaking of KCL had been recorded at their respective existing book values. The difference between the book values of the net assets so recorded and the consideration (being the face value of equity shares issued by the Company to the shareholders of KCL and cost of investment in equity shares of KCPL) amounting to INR 6,694.10 million had been debited to goodwill. This goodwill was being amortised over a period of ten years as per the terms of the scheme and was also being tested for impairment every year. Such accounting treatment of this transaction was different from that prescribed under Ind AS 103 – 'Business Combinations' which became applicable to the Company from the year ended 31 March 2019 and which requires assets, liabilities and consideration to be measured at fair value and goodwill to be tested only for impairment.

On 02 March 2022, the Company obtained approval of NCLT for not amortising goodwill with effect from 01 April 2021.

Our opinion is not modified in respect of this matter.

- B. We draw attention to Note 36 of the interim consolidated financial statements, where the pre-amalgamated Company was the Registrar and Transfer Agent ("RTA") of a past client ("the Client") until 5 April 2021. The Client had a demat account with one of the Depository Participants ("DP") for depositing its shares in escrow for the purposes of its initial public offering ("IPO"). The Company identified that 1,294,489 shares were transferred by the DP (in 2011 and 2020) from the said escrow account of the Client to the DP's own demat account and to a Third Party's Demat account through an off-market transaction without any authorisation from the Client. The Board of Directors of the Company after considering legal advice transferred 1,294,489 shares to the escrow account of the Client on a 'good faith and no fault' basis, after reducing the amount payable upon redemption, in future, of the Redeemable Preference Shares (refer Note 19 to the Restated Consolidated Financial Information) issued in October 2021, by INR 300 million (Refer Note 19(ii) to the Restated Consolidated Financial Information), pursuant to an indemnity clause contained in the agreement for the issuance of such Redeemable Preference Shares. The dividend received on such shares by the Company in the financial year 2021-22 of INR 4.08 million was also transferred back to the Client.

The Company has recognised an amount of INR 70 million as a provision in the interim consolidated financial statements related to potential claims by the Client (including dividends on such shares for the earlier periods). Pending the final settlement of terms to be agreed with the Client, the Company has measured the said provision at its best estimate. The Company will initiate proceedings against the concerned parties, including certain minority shareholders, for recovery of the amount paid and payable by the Company to the Client in connection with this matter upon completion of final settlement with the Client.

Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED CONSOLIDATED FINANCIAL INFORMATION (Continued)

In the Auditor's report for the year ended 31 March 2022

- A. We draw attention to Note 44(B) of the consolidated financial statements, regarding the amalgamation of Karvy Computershare Private Limited (KCPL) and the 'RTA Undertaking' of Karvy Consultants Limited (KCL) into the Company accounted for in financial year 2018-2019 with effect from 17 November 2018. In accordance with the scheme approved by National Company Law Tribunal (NCLT), the amalgamation had been accounted for as per Accounting Standard 14 – 'Accounting for Amalgamations'. Accordingly, all assets and liabilities of KCPL and of the RTA Undertaking of KCL had been recorded at their respective existing book values. The difference between the book values of the net assets so recorded and the consideration (being the face value of equity shares issued by the Company to the shareholders of KCL and cost of investment in equity shares of KCPL) amounting to INR 6,694.10 million had been debited to goodwill. This goodwill was being amortised over a period of ten years as per the terms of the scheme and was also being tested for impairment every year. Such accounting treatment of this transaction was different from that prescribed under Ind AS 103 – 'Business Combinations' which became applicable to the Company from the year ended 31 March 2019 and which requires assets, liabilities and consideration to be measured at fair value and goodwill to be tested only for impairment.

During the current year, the Company has obtained approval of NCLT on 02 March 2022 for not amortising goodwill with effect from 01 April 2021.

Our opinion is not modified in respect of this matter.

- B. We draw attention to Note 37 of the consolidated financial statements, where the pre-amalgamated Company was the Registrar and Transfer Agent ("RTA") of a past client ("the Client") until 5 April 2021. The Client had a demat account with one of the Depository Participants ("DP") for depositing its shares in escrow for the purposes of its initial public offering ("IPO"). The Company identified that 1,294,489 shares were transferred by the DP (in 2011 and 2020) from the said escrow account of the Client to the DP's own demat account and to a Third Party's Demat account through an off-market transaction without any authorisation from the Client. The Board of Directors of the Company after considering legal advice transferred 1,294,489 shares to the escrow account of the Client on a 'good faith and no fault' basis, after reducing the amount payable upon redemption, in future, of the Redeemable Preference Shares (refer Note 19 to the Restated Consolidated Financial Information) issued in October 2021, by INR 300 million (Refer Note 19(ii)(b) to the Restated Consolidated Financial Information), pursuant to an indemnity clause contained in the agreement for the issuance of such Redeemable Preference Shares. The dividend received on such shares by the Company in the financial year 2021-22 of INR 4.08 million was also transferred back to the Client.

The Company has recognised an amount of INR 70 million as a provision in the consolidated financial statements related to potential claims by the Client (including dividends on such shares for the earlier periods). Pending the final settlement of terms to be agreed with the Client, the Company has measured the said provision at its best estimate. The Company will initiate proceedings against the concerned parties, including certain minority shareholders, for recovery of the amount paid and payable by the Company to the Client in connection with this matter upon completion of final settlement with the Client.

Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED CONSOLIDATED FINANCIAL INFORMATION (Continued)**In the Auditor's reports for the years ended 31 March 2021 and 31 March 2020**

We draw attention to the consolidated financial statements regarding the amalgamation of Karvy Computershare Private Limited (KCPL) and the 'RTA Undertaking' of Karvy Consultants Limited (KCL) into the Company accounted for in financial year 2018-2019 with effect from 17 November 2018. In accordance with the scheme approved by NCLT, the amalgamation had been accounted for as per Accounting Standard 14 - "Accounting for Amalgamations". Accordingly, all assets and liabilities of KCPL and of the RTA Undertaking of KCL had been recorded at their respective existing book values. The difference between the book values of the net assets so recorded and the consideration (being the face value of equity shares issued by the Company to the shareholders of KCL and cost of investment in equity shares of KCPL) amounting to INR 6,694.10 million had been debited to Goodwill. This Goodwill is being amortised over a period of 10 years as per the terms of the Scheme and is also tested for impairment every year. Such accounting treatment of this transaction is different from that prescribed under Ind AS 103 - 'Business Combinations' which became applicable to the Company from the year ended 31 March 2019 and which requires assets, liabilities and consideration to be measured at fair value and goodwill to be tested only for impairment. Since no evaluation of the fair value of assets, liabilities and consideration as at the date of the aforesaid amalgamation has been made by the Management in view of the NCLT order referred to above, the impact of this deviation cannot be determined. The effect of the aforesaid deviation in the accounting treatment continues in the consolidated financial statements of each of the mentioned years.

Our opinion is not modified in respect of this matter.

- 7) As indicated in our audit reports referred above, we did not audit the financial statements of four subsidiaries for the six months period ended 30 September 2022 and for the financial year ended 31 March 2022, and the financial statements of two subsidiaries for the six months period ended 30 September 2021 and for the financial years ended 31 March 2021 and 31 March 2020, whose share of total assets (before consolidation adjustments), total revenues (before consolidation adjustments), net cash inflows / (outflows) (before consolidation adjustments) included in the consolidated financial statements, for the relevant years is tabulated below:

(INR in million)

Particulars	As at/ for the six months period ended		As at/ for the year ended		
	30 September 2022	30 September 2021	31 March 2022	31 March 2021	31 March 2020
Total assets	276.42	115.21	247.70	126.44	124.62
Total revenue	163.53	103.66	256.86	202.87	156.96
Net cash inflows/(outflow)	(35.44)	(15.33)	3.09	5.01	62.05

These financial statements have been audited by other auditors as mentioned in Annexure A, whose reports have been furnished to us by the Company's Management and our audit opinions for the relevant years on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these components for the relevant periods/ years, are based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements is not modified in respect of these matters.

INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED CONSOLIDATED FINANCIAL INFORMATION (Continued)

Further, the financial information of these subsidiaries included in these Restated Consolidated Financial Information, is based on such financial statements audited by the other auditors. The restatement adjustments made to such financial statements by the Management as per Note 2.A. to the Restated Consolidated Financial Information, have been audited by us.

- 8) Based on our examination and according to the information and explanations given to us, read with the Emphasis of Matter paragraphs included in para 6 above, we report that the Restated Consolidated Financial Information:
 - a) have been prepared after incorporating adjustments for the changes in accounting policies, material errors and regrouping/reclassifications retrospectively in the financial years ended 31 March 2022, 31 March 2021 and 31 March 2020 and for the period 01 April 2021 to 30 September 2021 to reflect the same accounting treatment as per the accounting policies and grouping/classifications followed as at and for the six months period ended 30 September 2022;
 - b) does not contain any qualifications requiring adjustments. However, those qualifications in the Companies (Auditor's Report) Order, 2016 issued by the Central Government of India in terms of sub section (11) of section 143 of the Act, which do not require any corrective adjustments in the Restated Consolidated Financial Information have been disclosed in Annexure VII to the Restated Consolidated Financial Information; and
 - c) have been prepared in accordance with the Act, ICDR Regulations and the Guidance Note.
- 9) The Restated Consolidated Financial Information does not reflect the effects of events that occurred subsequent to the respective dates of the reports on the interim consolidated financial statements and audited consolidated financial statements mentioned in paragraph 4 above.
- 10) This report should not in any way be construed as a reissuance or re-dating of any of the previous audit reports issued by us, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
- 11) We have no responsibility to update our report for events and circumstances occurring after the date of the report.

B S R & Associates LLP

INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED CONSOLIDATED FINANCIAL INFORMATION (Continued)

- 12) Our report is intended solely for use of the Board of Directors for inclusion in the RHP and Prospectus to be filed with SEBI, Stock Exchanges and ROC in connection with the proposed IPO. Our report should not be used, referred to, or distributed for any other purpose except with our prior consent in writing. Accordingly, we do not accept or assume any liability or any duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come without our prior consent in writing.

for **B S R & Associates LLP**

Chartered Accountants

ICAI Firm's Registration No: 116231W/ W-100024

Amit Kumar Bajaj

Partner

Membership No: 218685

ICAI UDIN No.: 22218685BDJISZ9324

Place: Hyderabad

Date: 17 November 2022

INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED CONSOLIDATED FINANCIAL INFORMATION (Continued)**Annexure A****(i) List of Subsidiaries of KFin Technologies Limited**

Name of Entity	Nature of relation
KFin Technologies (Bahrain) W.L.L. (Formerly known as Karvy Fintech (Bahrain) WLL)	Subsidiary
KFin Technologies (Malaysia) SDN.BHD (Formerly known as Karvy Fintech (Malaysia) SDN.BHD)	Subsidiary
KFin Services Private Limited	Subsidiary
Hexagram Fintech Private Limited (acquired w.e.f. 07 February 2022)	Subsidiary
Hexagram Fintech SDN. BHD. (Formerly known as Hexagon Global IT Solutions SDN. BHD.) (acquired w.e.f. 07 February 2022)	Subsidiary
KFin Global Technologies (IFSC) Limited (incorporated on 28 June 2022)	Subsidiary

(ii) Details of entities for the periods/ years not audited by us and name of the other auditor for the respective period/ year

Particulars	Nature of Relation	Period/ Year ended	Name of the auditor
KFin Technologies (Bahrain) W.L.L. (Formerly known as Karvy Fintech (Bahrain) WLL)	Subsidiary	For the six months period ended 30 September 2022 30 September 2021 For the year ended 31 March 2022 31 March 2021 31 March 2020	Grant Thornton - Abdulaal
KFin Technologies (Malaysia) SDN.BHD (Formerly known as Karvy Fintech (Malaysia) SDN.BHD)	Subsidiary	For the six months period ended 30 September 2022 30 September 2021 For the year ended 31 March 2022 31 March 2021 31 March 2020	Crowe Malaysia PLT

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INDEPENDENT AUDITOR'S EXAMINATION REPORT ON RESTATED CONSOLIDATED FINANCIAL INFORMATION (Continued)

Particulars	Nature of Relation	Period/ Year ended	Name of the auditor
Hexagram Fintech Private Limited	Subsidiary	For the six months period ended 30 September 2022 For the year ended 31 March 2022	P S K R & CO
Hexagram Fintech SDN. BHD. (Formerly known as Hexagon Global IT Solutions SDN. BHD.)	Step-down subsidiary	For the six months period ended 30 September 2022 For the year ended 31 March 2022	EMC & Associates