



भारतीय प्रतिभूति
और विनियम बोर्ड
Securities and Exchange
Board of India

सहायक प्रबंधक

Assistant Manager

निर्गम एवं सूचीबद्धता प्रभाग-1 / Division of Issues and Listing-1

निगम वित्त विभाग / Corporation Finance Department

दूरभाष सं. / Phone: +91 22 2644 9955

ई-मेल / Email: poonam@sebi.gov.in

April 25, 2022

सेबी/सीएफडी/डीआईएल1/P/OW/2022/17505/1
SEBI/CFD/DIL1/P/OW/2022/17505/1

ICICI Securities Limited
ICICI Venture House,
Appasaheb Marathe Marg,
Prabhadevi,
Mumbai – 400 025
Maharashtra, India

Kind Attention: Mr. Sumit Singh

महोदय,
Dear Sir,

**विषय /Sub: Kfin Technologies Limited के प्रारंभिक प्रॉस्पेक्टस के मसौदे के संबंध में स्पष्टीकरण /
Clarifications on the DRHP of Kfin Technologies Limited**

हमें उपरोक्त कंपनी का प्रारूप प्रारंभिक प्रॉस्पेक्टस (डीआरएचपी) प्राप्त हुआ है, जो हमारे पास तारीख/We are in receipt of Draft Red Herring Prospectus (DRHP) of the captioned company forwarded to us vide letter dated March 31, 2022 के पत्र के साथ भिजवाया गया है।

इस संबंध में, कृपया संलग्नक-क के अनुसार स्पष्टीकरण प्रदान करें।

In this regard, please provide the clarifications as mentioned at Annexure A.

भवदीय/Yours faithfully,



Poonam

सहायक प्रबंधक

Assistant Manager

(संलग्नक/Encl: उपरोक्तानुसार /As above)

सेबी भवन, प्लॉट सं. सी 4-ए, "जी" ब्लॉक, बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा (पूर्व), मुंबई - 400 051.
दूरभाष : 2644 9950 / 4045 9950 (आई.वी.आर.एस.), 2644 9000 / 4045 9000 फैक्स : 2644 9019 से 2644 9022 वेब : www.sebi.gov.in



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Annexure A

Clarifications sought on the DRHP of Kfin Technologies Limited

With reference to the Draft Red Herring Prospectus of captioned IPO filed with SEBI, you are advised to clarify the following points:

General Clarifications:

1. LM is advised to examine the applicability of SEBI (Issuing Observations on Draft Offer Documents Pending Regulatory Actions) Order, 2020, dated Feb 05, 2020, to the DRHP of Issuer Company and confirm whether the said general order is applicable to the instant public issue/DRHP. LM is further advised to provide a para-wise reply on the applicability of aforesaid order.
2. LM is advised to submit whether there has been any instance of issuance of equity shares in the past by the issuer Company, the Group Companies or entities forming part of the Promoter Group to more than 49 investors in violation of:
 - a) Section 67(3) of Companies Act, 1956; or
 - b) Relevant section(s) of Companies Act, 2013, including Section 42 and the rules notified thereunder; or
 - c) The SEBI Regulations; or
 - d) The SEBI (Disclosure and Investor Protection) Guidelines, 2000, as applicable.
3. The names of the following entity/person has appeared in the SEBI ATR database. LM is advised to confirm whether the aforesaid entities are associated with the issuer company in any manner. If yes, please provide us with current status and your comments, if any.

S No.	Entity/Person Name	Case Name	Action Approved
1.	Kfin Technologies Limited	Kfintech P Ltd.	Administrative warning
2.	Kfin Technologies Limited	Inspection of Karvy Fintech Private Limited	Adjudication (30-Dec-20)
3.	Kfin Technologies Limited	Inspection of KFinintech	Administrative warning
4.	Kfin Technologies Limited	Inspection of KFin Technologies Private Limited	Deficiency and advise



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5.	Kfin Technologies Limited	Kfintech P Ltd.	Administrative warning (23-Dec-21)
6.	Ajit Kumar (PAN DBVVPK6391D)	Examination of activities of M/s.Eprofitzone Fincap Consultant Private Limited as Unregistered Investment Advisor	11B (7-Dec-20)
7.	IIFL Wealth Management Ltd.	NSEL - ARCL, IICL, MOBCL and PCIPL	Enquiry (19-Jul-17)
8.	IIFL Wealth Management Ltd.	Investigation in the trading activities of certain entities in the scrip of Alkem Laboratories Ltd.	Adjudication (04-Mar-21)

Specific Clarifications:

4. LM is advised to disclose on the cover page that the company was formerly known as “Karvy Fintech Private Limited”.
5. It may be noted that Clause 24 (3) of SEBI (ICDR) Regulations, 2018, requires that the LM shall exercise due diligence and satisfy himself about all aspects of the issue including the veracity and adequacy of disclosure in the draft offer document and the offer document. LM is advised that the DRHP shall not contain any information where no responsibility is taken by the LM or the Issuer Company/ Expert. The Issuer Company /LM shall ensure that the “Industry Overview” section represents a fair and true view of the comparable industry scenario and the same is neither exaggerated nor any underlying assumptions have been omitted for investors to make an informed decision.
6. At all relevant sections of the Offer Document where the report has been mentioned, it needs to be disclosed that the industry report has been exclusively prepared for the purpose of the Issue, and is commissioned and paid-for by the Issuer. The date of appointment of the provider of the industry report and the date of the report to be clearly disclosed. Also disclose whether the provider of the industry report is in any way related to the Issuer/ its directors/ promoters. Further, such report shall be part of material documents available for inspection.
7. LM is advised to ensure that at all places, where the Industry Report has been mentioned, such report to be provided in bibliography / or as weblink.
8. **Page No. 21** – It is disclosed that this DRHP contains certain “forward-looking statements”. It may be noted that SEBI (ICDR) Regulations, 2018 states that the offer document should not make any forward looking statements that cannot be substantiated. In

[Handwritten Signature]
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view of the same, LM is advised to confirm and explain compliance with aforesaid provision with respect to all such forward looking statements made in the DRHP.

9. **Offer Document Summary:**

- a) Summary of Outstanding Litigation and Material Developments: LM is advised to disclose in brief, details of criminal litigations by CBI and ED against the company and further disclose that the impact of such pending proceedings is not ascertainable and has not been quantified in monetary terms.
- b) Summary of RPT: LM is advised to disclose the date/period till which related party transactions have been undertaken by the company with Karvy Stock Broking Limited (KSBL), Karvy Data Management Services Limited (KDMSL) and Compar Estates and Agencies Private Limited.

10. **Risk Factors:**

- a) LM is advised to rearrange the risk factors based on materiality.
- b) **Risk Factor 2:** LM is advised to disclose the impact of COVID-19 in quantifiable terms. LM is advised to quantify reduction in investment in funds and Average Assets Under Management (AAUM) and resultant impact on the company.
- c) **Risk Factor 3:**
 - LM is advised to disclose financial data in a tabular form. Further, disclose change in AAUM along with corresponding change in revenues, and revenues as a percentage of AAUM for the last three financial years and the stub period.
 - In respect of factors causing AAUM decline, LM is advised to disclose financial impact in case of past instances, if any, for the last three financial years and the stub period.
- d) **Risk Factor 4:** LM is advised to disclose percentage of revenues derived from domestic mutual fund business, percentage market share for the same and trends for the domestic mutual fund operations business and other business.
- e) **Risk Factor 5:** LM is advised to disclose percentage revenue earned from top 5 or 10 clients to depict concentration of revenue from them in the heading and explanation. Further, in the table disclosing revenues from clients with more than 10% contribution, LM is advised to disclose the business vertical to which such customers belong.
- f) **Risk Factor 6:** LM is advised to disclose past instances of liabilities in respect of indemnity provided to clients and any adverse findings with regard to inspection/ audit by clients for the last three financial years and the stub period.


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- g) **Risk Factor 7:** LM is advised to disclose past instances wherein clients were subjected to losses including censures, fines, or other sanctions and extent of liability of the company during the last three financial years and the stub period.
- h) **Risk Factor 8:** LM is advised to disclose past instances of claims pursued against the company in respect of deficiencies associated with its services during the last three financial years and the stub period.
- i) **Risk Factor 9:** LM is advised to disclose total employee costs as a percentage of Revenues for the last three financial years and the stub period.
- j) **Risk Factor 10:** LM is advised to move the Risk Factor to top 5 and disclose in brief details of outstanding legal proceedings filed by CBI, ED, and PFRDA and disclose the impact of such proceedings, in monetary terms or otherwise, to the extent ascertainable and if not, disclose that impact, if any, has not been accounted for by the company.
- k) **Risk Factor 11:**
- LM is advised to move it to Risk Factor 1 and disclose in the heading and explanation that the company's erstwhile promoters are subject to ongoing investigations by enforcement agencies, including the Enforcement Directorate and the outcome of such investigations may adversely impact the company and the market price of the equity shares of the company.
 - LM is advised to disclose details of lenders to whom Kfin subject shares have been pledged and date of creation of such pledge/encumbrance.
- c) **Risk Factor 12:** LM is advised to move the Risk factor to top 10 and confirm that all material observations made by regulatory authorities pursuant to any action have been disclosed.
- d) **Risk Factor 13:** LM is advised to confirm that all material enforcement actions and penalties imposed on the company have been disclosed.
- e) **Risk Factor 14:** LM is advised to disclose details of any material registrations and licenses that may be due for renewal or expiry in the next three financial years.
- f) **Risk Factor 15:** LM is advised to explain as to whether the fraud pertaining to Yes Bank and IDFC is an employee fraud and is relevantly placed according to the heading of the Risk factor. If not, LM is advised to make the disclosure in relevant Risk factor along with the disclosure that the case is outstanding with CBI and ED.
- g) **Risk Factor 16:** LM is advised to move the Risk factor to top 10 and quantify impact of the same, to the extent ascertainable.


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- h) **Risk Factor 17:** LM is advised to disclose in brief nature of solutions and services offered outside India and quantify impact on operating profits due to changes in international markets.
- l) **Risk Factor 18:** LM is advised to disclose revenue break-up from issuer solutions business to demonstrate impact of seasonality for the last three financial years and the stub period.
- i) **Risk Factor 20:**
- LM is advised to move the Risk factor to Top 12.
 - LM is advised to disclose measures taken to ensure disaster recovery and business continuity plans are successful in the event of a disaster and details of location, handling of data, etc. w.r.t. off-site backup facilities.
 - LM is advised to disclose details of location of middle offices, back offices and branches and their concentration in the southern regions of India.
- j) **Risk Factor 21:**
- LM is advised to move the Risk factor to Top 12.
 - LM is advised to disclose location of data centers globally and in India, details of regulations applicable and compliance requirements in respect of data protection/retention/transfer norms.
 - LM is advised to disclose who controls the data center facilities and liabilities in case of loss/ theft/ misuse of such data.
- m) **Risk Factor 22:** LM is advised to disclose if any acquisitions, investments, etc. as stated have been undertaken by the company in the last three financial years and its impact on operations.
- n) **Risk Factor 25:** LM is advised to disclose in a tabular format details of all facilities leased/ licensed, lessor details, tenure, lease rent, whether agreement registered and stamped, whether lessor/ licensee is a related party, etc.
- o) **Risk Factor 29:** LM is advised to disclose the following with respect to Related Party Transactions (RPTs):
- a. Confirm whether all RPTs are done on arm's length basis;
 - b. Whether transfer pricing audit has been conducted for RPTs;
 - c. Confirm whether RPTs taken together for last three fiscal year is more than 10% (for all 3 FYs) of the total transactions of similar nature.



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- d. If any loan/advances given by issuer/subsidiaries to related parties and guarantees given/securities provided to related parties, mention Risk Factor on recoverability/ any default in the past and its effect on the financials of the issuer/subsidiaries.
- e. Further, disclose any violation w.r.t. RPTs under Companies act or Income Tax Act.
- p) **Risk Factor 34:** LM is advised to disclose insurance coverage as a percentage of total assets and industry benchmark for the same for the last three financial years and the stub period.
- q) **Risk Factor 37:** LM is advised to move the Risk factor to Top 20 and disclose amount involved in the dispute with Past client, provisions made in respect of potential claims by the Past client and how the stated amount is proposed to be recovered. Further, disclose emphasis of matter related to goodwill amortization.
- r) **Risk Factor 39:** LM is advised to disclose financial and operational impact of the data protection policies on the company.
- s) **Risk Factor 40:** LM is advised to quantify impact of such laws and regulations on the company in financial terms.
- t) **Risk Factor 41:** LM is advised to disclose past instances, if any, and impact in the last three financial years and the stub period.
- u) **Risk Factor 42:** LM is advised to disclose details of objections, if any, raised in respect of the pending trademark applications.

11. **Capital Structure:**

- LM is advised to disclose in detail reasons and rationale for issue of Non-convertible redeemable preference shares to Adhiraj Parathasarthi and that the same are not subject to attachment by the Enforcement Directorate (ED) as per its provisional attachment order or any other encumbrances. Further, confirm that all material terms in respect of such issue of preference shares have been disclosed. (Page 82)
- LM is advised to disclose details of encumbrances in favor of certain lenders of the CP group (Page 89)
- LM is advised to confirm whether intimation to ED in respect of allotment of preference shares to Adhiraj Parathasarthi is included in the list of material documents available for inspection.

12. **Basis for Offer Price:**


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- LM is advised to re-examine the qualitative factors and ensure that it does not contain adjectives not supported by facts.(Page 110)
- LM is advised to disclose statistics to substantiate “*Asset-light business model with recurring revenue model, high operating leverage, profitability and cash generation*”.
- LM is advised to disclose difference in revenue streams and business segments of CAMS in comparison to the company in notes to table given on Page 112.
- LM is advised to disclose the key performance indicators (KPIs) of the business of the Issuer Company that have been considered/have a bearing for arriving at the basis of offer price. Further, LM is advised to make the following disclosures in respect of KPIs:
 - Provide disclosure on appropriate KPIs for this section, why they are material to understand the business of the Issuer Company and how they have been used by the management historically to analyse, track or monitor the operational and/or financial performance of the issuer company.
 - Provide explanation regarding how KPIs contribute to form basis for offer price.
 - Issuer Company shall disclose all material KPIs that have been shared with any pre-IPO investor at any point in the three years prior to IPO [DRHP filing].
 - KPIs stated by Issuer Company shall be described and defined clearly, consistently and precisely and should not be misleading.
 - Comparison of KPIs over time to be explained based on additions or dispositions to the business, if any. *For e.g., in case the Issuer Company has undertaken a material acquisition or disposition for the periods that are covered by the KPIs, the KPIs should reflect that and explain.*
 - For KPIs disclosed by the Issuer Company, comparison with Indian peer companies may be provided. Where Issuer Company does not have any comparable Indian listed peers, comparison of key accounting ratios of the Issuer Company with global peers, as relevant and applicable (where ever available), for the most recent full year and interim period, may be disclosed, together with the source of information (if one to one comparison is not possible appropriate notes to explain the differences may be included). *Key accounting ratios as covered under para 9(k) of Schedule VI of ICDR or key KPIs, and any differences in definition with the peers (if any).*

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- All KPIs to be certified / audited by statutory auditors/ Independent peer-reviewed Chartered Accountant.

13. **Industry Overview:**

- LM is advised to re-examine and ensure superlatives are used only where the same can be substantiated by facts.
- LM is advised to provide updated data wherever applicable.
- In reference to historical AUM growth, LM is advised to disclose impact of COVID-19 on the AUM i.e. pre-COVID and post-COVID AUM. (Page 136)
- LM is advised to disclose impact of COVID-19 on the AUM in Southeast Asia and Hong Kong. (Page 149)
- LM is advised to explain as to why CAMS, also registered as a Central Recordkeeping Agency (CRA) with PFRDA is not disclosed as a peer and comparison in respect of the same is not provided. (Page 174)
- LM is advised to disclose peer comparison for CRA business, International investor solutions and Global business services. (Page 184)

14. **Our Business:**

LM is advised to disclose/modify the following:

- a) LM is advised to re-examine and ensure superlatives are used only where the same can be substantiated by facts.
- b) Disclose data in a tabular format wherever it pertains to multiple years or multiple segments.
- c) LM is advised to also disclose details of business wise top 5 clients in terms of percentage revenue earned from them and duration of relationship/ association with them. (Page 196 and 203)
- d) LM is advised to disclose in a tabular format, market share of the company in respect of each of its business vertical.
- e) LM is advised to disclose revenue from various business verticals as a percentage of total revenue from operations. (Page 195)


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- f) LM is advised to explain reasons for decreasing Asset turnover from FY 2019-20 to FY 2020-21 and for the period ending December 31, 2021.
- g) LM is advised to explain how Gross margin, operating EBITDA margin and (net) Profit margin is computed and disclose the same in brief in notes to the table on page 204.
- h) LM is advised to disclose in a tabular format details of all properties leased/ owned and in case property is leased, disclose details of lessor, lease tenure, lease rent, whether lessor is a related party, whether lease deed is adequately stamped/registered. (Page 221)

15. **History and Certain Corporate Matters:**

- LM is advised that it is categorically disclosed that none of the special rights available to the Promoters / Shareholders (except for nominee/nomination rights and information rights) would survive post listing of the Equity Shares of the Company and same shall cease to exist or shall expire / waived off immediately before or on the date shares are allotted to public shareholders in IPO, without requiring any further action.
- LM is advised to make disclosures if special rights for nominee/nomination rights and information rights are available to certain Promoters / Shareholders that would continue post listing and if yes, then details of the same may be clearly disclosed.
- Further, LM shall specifically disclose that special rights, post listing shall be subject to approval of the Shareholders by way of a special resolution, in the first general meeting of the Company held post listing of the Equity Shares.
- LM is advised to ensure that special rights which will continue post listing are not prejudicial or adverse to the interest of the minority / public shareholders.
- LM is advised that inter-se agreements/ arrangements between the shareholders are disclosed.
- LM is advised that a categorical statement from the Issuer Company/ Promoters / Shareholders, may be provided that there are no other inter-se agreements/ arrangements and clauses / covenants which are material and which needs to be disclosed and that there are no other clauses / covenants which are adverse / prejudicial to the interest of the minority / public shareholders. Also that there are no other agreements, deed of assignments, acquisition agreements, SHA, inter-se agreements, agreements of like nature other than disclosed in the DRHP.

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- Further, the LMs shall also confirm to SEBI that they have gone through the inter-se agreements/ arrangements, if any, as disclosed in the DRHP and they also do not see any clauses / covenants which are material and need to be disclosed, which have not been disclosed and that there are no other clauses / covenants which are adverse / pre-judicial to the interest of the minority / public shareholders.
 - LM is advised to disclose all material facts in the SHA/ Scheme of amalgamation pertaining to liabilities in respect of pending litigations against KCPL/ any other entity related directly/indirectly to Karvy group. (Page 232)
 - LM is advised to disclose details of amendments/ supporting shareholder agreements entered into in respect of Equity shares of the company. Further, disclose history and rationale along with all material facts with regard to allotment of non-convertible redeemable preference shares to Adhiraj Parthasarthy on October 25, 2021.
16. **Our Management:**
- LM is advised to elaborate reasons for resignation of Director, Vishesh Tayal in July, 2020. (Page 246)
17. **Financial Information:**
- LM is advised to explain “*the company will initiate proceedings against the concerned parties, including certain minority shareholders, for recovery of the amount paid and payable by the company...*” (Page 271)
 - LM is advised to explain reasons for decrease in its working capital requirement from FY 2019 to FY 2020 and increase in FY 2021. (Page 244)
18. **Management’s Discussion and Analysis of financial condition and results of operations:**
- LM is advised to disclose data pertaining to multiple years in a tabular format wherever applicable.
19. **Legal and Other Information:**
- LM is advised to disclose the demand involved in tax proceedings in relation to goodwill. (Page 407)
20. **Offer Related Information:**
- LM is advised to remove content of similar nature, if any, from all section(s) of DRHP.


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"None among our company, the selling shareholders or any member of the Syndicate shall be liable for any failure in (i) uploading the bids due to faults in any software/hardware system or otherwise; or (ii) the blocking of Bid Amount in the ASBA Account on receipt of instructions from the Sponsor Bank on account of any errors, omissions or non-compliance by various parties involved in, or any other fault, malfunctioning or breakdown in, or otherwise, in the UPI Mechanism".

21. **Miscellaneous:**

- a) Any risk on pricing of the issue / basis of issue price, track record of BRLMs, average cost of acquisition of shares by selling shareholders etc. which is proposed to be included in the issue advertisement may be submitted.
- b) LM is advised to ensure following disclosures in the Issue advertisement for announcement of Price Band and all further advertisements as a box item below the price band:

"Risks to Investors:

- i.a) The [to be disclosed] Merchant Bankers associated with the issue have handled [to be disclosed] public issues in the past three years out of which [to be disclosed] issues closed below the issue price on listing date."
- i.b) Any adverse data/ noting in the basis for issue price should be disclosed. For example:
- "The Price/Earnings ratio based on diluted EPS for [latest full financial year] for the issuer at the upper end of the Price band is as high as [to be disclosed] as compared to the average industry peer group PE ratio of [to be disclosed]."
 - "Average cost of acquisition of equity shares for the selling shareholders in IPO is [to be disclosed] and offer price at upper end of the price band is [to be disclosed]."
 - "Weighted Average Return on Net Worth for [last three full financial years] is [to be disclosed] %."
- c) LM is advised that Market Value at Issue Price to Total Turnover and P.E. Ratio at issue price can be added in Price Advertisement.
- d) The portion pertaining to "Risks to Investors" shall constitute at least 33% of the price band advertisement space.
- e) The risks to investors shall include weighted average cost of acquisition of all shares transacted in last 3 years and 1 year, from the date of RHP, in the following format:



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Period	Weighted Average Cost of Acquisition (in Rs.)	Cap Price is 'X' times the Weighted Average Cost of Acquisition	Range of acquisition price: Lowest Price - Highest Price (in Rs.)
Last 1 year			
Last 3 years			

- f) The font size for price band and “Risk to investors” should be increased to match the font of BID/Offer Programme.
- g) Matters related to ASBA and UPI may be brought subsequent to Price Band, Risks to Investors, Bid/ Offer Programme and other offer details, and can be of smaller font.
- h) The portion pertaining to “BRLMs” shall not constitute more than 10% of the price band advertisement space.

The data on above disclosures shall be updated and disclosed prominently (in the same font size as the price band) in advertisements of Price Band and all further advertisements, website of the company and the stock exchange. Further, any adverse ratio / data in basis for issue price should also be disclosed. LM shall submit the draft advertisement for announcement of Price Band with SEBI before its publication in the newspapers for our comments.

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