ICICI Securities	kotak Investment Banking	J.P.Morgan	IIFL SECURITIES	Jefferies
ICICI Securities Limited ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai – 400025 Maharashtra, India **Telephone**: +91 22 6807 7100 **E-mail**: kfintech.ipo@icicisecurities.com **Investor Grievance ID**: customercare@icicisecurities.com **Website**: www.icicisecurities.com **SEBI Registration Number:** INM000011179 **CIN:** L67120MH1995PLC086241	**Kotak Mahindra Capital Company Limited** 27BKC, 1st Floor, Plot No. C – 27, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, Maharashtra, India **Telephone**: +91 22 4336 0000 **E-mail**: **kfintech.ipo@kotak.com** **Investor Grievance ID**: kmccredressal@kotak.com **Website**: www.investmentbank.kotak.com **SEBI Registration No.**: INM000008704 **CIN:** U67120MH1995PLC134050	**J.P. Morgan India Private Limited** J.P. Morgan Tower Off CST Road, Kalina, Santacruz East, Mumbai – 400098, Maharashtra, India **Telephone no.**: +91 22 6157 3000 **E-mail**: KFINTECH_IPO@jpmorgan.com **Website**: www.jpmipl.com **Investor Grievance ID**: investorsmb.jpmipl@jpmorgan.com **SEBI Registration No.**: INM000002970 **CIN:** U67120MH1992FTC068724	**IIFL Securities Limited** IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel (West) Mumbai- 400013, Maharashtra, India **Telephone**: + 91 22 4646 4600 **E-mail**: kfintech.ipo@iiflcap.com **Website**: www.iiflcap.com **Investor Grievance ID**: ig.ib@iiflcap.com **SEBI Registration No.**: INM000010940 **CIN**: L99999MH1996PLC132983	**Jefferies India Private Limited** 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex (BKC) Bandra (East), Mumbai-400 051, Maharashtra, India **Telephone no.:** +91 22 4356 6000 **E-mail:** kfintech.ipo@jefferies.com **Website:** www.jefferies.com **Investor Grievance ID:** jipl.grievance@jefferies.com **SEBI Registration No.:** INM000011443 **CIN:** U74140MH2007PTC200509

May 2, 2022

Securities and Exchange Board of India
Corporation Finance Department
Division of Issues and Listing
Plot No. C4 A, 'G' Block
Bandra Kurla Complex
Bandra (East)
Mumbai 400 051,
Maharashtra, India

Kind attention: Poonam, Assistant Manager

Re: Proposed initial public offering of equity shares of face value of ₹10 each ("Equity Shares") of KFin Technologies Limited (the "Company" and such initial public offering, the "Offer")

Dear Madam,

This is with reference to the complaint sent to the Securities and Exchange Board of India by way of an e-mail dated April 19, 2022 and forwarded by SEBI vide an e-mail dated April 25, 2022 ("**Complaint**").

We wish to inform you that the Company has provided a response to the Complaint through an email dated May 2, 2022 ("**Response**"), which has been attached as **Annexure I**, and is summarised below, for your reference:

Date of Receipt	Complaint details in brief	Whether addressed by Merchant Banker (Y/N)	Reply of the Merchant Banker in brief	Page no. of relevant disclosure in the Draft Offer document
E-mail dated April 19, 2022 addressed to, Ms. Madhabi P Buch, the Chairperson of SEBI and forwarded by SEBI vide an e-mail dated April 25, 2022	The Complaint has alleged, amongst others: 1. Overvalued by Rs 2,000 crs thru Serious over statement of Profits: The company has surprisingly adopted some sharp accounting practices for the last year or so, that too before the IPO. Salaries have been capitalised to the tune of Rs 40 crs ostensibly under some garb of product development & innocuously presented in an obscure manner in the DRHP under page 316. The company has never adopted such practices for the last several decades and it is surprising to see the need arising now. Not only the Profits would reduce significantly if these were not capitalised but overvaluation would also come down. As a benchmark, Cams is trading at a multiple of 50 PE and if applied on KFin this would mean 40 cr times 50 leading to Rs 2,000 cr of over valuation. Plus, the cascading Impact of accumulation would be even more severe In the years to come, after the retail public have invested. 2. Basis the above, KMPs need to be made accountable for projecting false	Yes, as addressed by Company in their Response	The Company has responded to the Complaint pursuant to their Response, as follows: 1. The development cost of products (including salary of the employees who work on the development) gets capitalized for the period during which they worked on such development. The accounting treatment is in line with the Indian Accounting Standards (Ind AS 38 – intangible assets). Please refer to the relevant text from Ind AS 38 – Intangible assets reproduced below: *Response to allegation no. 1:* *Para 9 of Ind AS 38* - Entities frequently expend resources, or incur liabilities, on the acquisition, development, maintenance, or enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new processes or systems, licenses, intellectual property, market knowledge and trademarks (including brand names and publishing titles). <u>Common examples of items encompassed by these broad headings are computer software</u>, patents, copyrights, motion picture films, customer lists, mortgage servicing rights, fishing licenses, import quotas, franchises, customer or supplier relationships, customer loyalty, market share and marketing rights. *Para 17 of Ind AS 38* - The future economic benefits flowing from an intangible asset may include revenue from the <u>sale of products or services, cost savings,</u> or other benefits resulting from the use of the asset by the entity. <u>For example, the use of intellectual property in a production process may reduce future production costs rather than increase future revenues</u> *Para 21 of Ind AS 38* - An intangible asset shall be recognised if, and only if a. it is probable that the expected future economic benefit that are attributable to the asset will flow to the entity, and	The following are the relevant page numbers of relevant disclosures in the DRHP: 1. *Financial Information - Annexure V to the Restated Consolidated Financial Information – Significant Accounting policies* on page 289. In relation to Sr. No. 2 and 3, page numbers are not applicable. 4. *Our Business* on page 197. 5. *Risk Factors - Our future revenue and profit are significantly dependent on the growth, value and composition of AAUM of the mutual funds managed by our clients, which may decline*, on page 32.

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	EBITDA numbers. It seems to have been done with a vested interest to achieve ESOP and bonus goals to cash in post IPO. The Promoter has also got aligned as it serves their interests as well, by showing higher profits and over valuation of Rs 2,000 crs. 3. Compliance Lapses: The company's internal audit firm, has repeatedly reported several compliance lapses over the last 2 years which are still un-addressed and pose a huge risk and none disclosed. 4. Misleading Sales data: Several numbers have been quoted on client acquisition in Southeast Asia. There is no mention about the age of these so-called clients (with zero revenue as they have not launched their schemes). Given the long hibernation, launch of the schemes itself, could be suspect. This is clearly misleading the retail investors to believe that they have an extremely strong order book. 5. Sensitivity Analysis: Most of the revenue is market driven given the billing being linked to AUM arid costs burgeoning on the other hand. Assuming the market takes a downturn		b. the cost of the asset can be measured reliably. *Para 27 of Ind AS 38* - The cost of a separately acquired intangible asset comprises: its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and any directly attributable cost of preparing the asset for its intended use. *Para 28 of Ind AS 38* - Examples of directly attributable costs are: a. costs of employee benefits (as defined in Ind AS 19) arising directly from bringing the asset to its working condition. b. professional fees arising directly from bringing the asset to its working condition; and c. costs of testing whether the asset is functioning properly. Further, the Company has disclosed the following under "*Financial Information - Annexure V to the Restated Consolidated Financial Information – Significant Accounting policies*", on page 289 of the DRHP: *"Intangible assets under development* *<u>Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the costs can be measured reliably. The costs which can be capitalized include the cost of software purchased, direct salary and overhead costs that are directly attributable to preparing the asset for its intended use</u>.* *These assets are not amortized, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable.*	6. *Risk Factors - We derive a significant portion of our revenues from a few customers and the loss of one or more such clients could adversely affect our business and prospects*, on page 34. 7. *Our Management* from page 255 to 257. In relation to Sr. No. 8, page numbers are not applicable. 9. *Our Business* on page 208 10. *Our Management* on page 242, *Capital Structure* from page 90 to 104, and *Financial Statements* from page 340 to 341

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	of say, even 10-15%, this would have severe impact on revenue and more so on profitability, as costs will remain where they are. No such sensitivity is being published other than some generic risk factors. 6. Need for CSat / NPS scores scores: It is very Important that utilities like this company are also asked to publish their NPS scores across clients. Complaints including social media & Scores complaints are at an all-time high while growing clients seem to be getting appalling service. There is a clear need for such scores to be published and certified independently. Retail investors should not be impacted with client exits after an IPO and they should be able to take informed decisions. Most of the revenue is centered around the top 5 clients 7. Leadership tenure: Almost all the KMPs have not more than 2 years of experience in the business. This is in the context of a business which requires deep domain knowledge and competencies to drive delivery. Add to that, if such KMPs exit after en-cashing esops, it can lead to further challenges		*Any impairment is recognized as an expense in the consolidated statement of profit and loss.* *If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognized for such excess amount. The impairment loss is recognized as an expense in the Statement of Profit and Loss, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset."* Therefore, the Company has appropriately applied the principles laid down under Ind AS 38 over the years. No further disclosures are required in the DRHP. Further, as the Company was incorporated in 2017, the allegation that the Company has not adopted such practices for the last several decades and that they are being practised currently is baseless and untrue. 2. As the present allegation is being addressed in the response to allegation no. 1, please refer to the response provided therein. Further, please also note that ESOPs have been granted in compliance with applicable laws. For further details, please refer to the response to allegation no. 7 herein. 3. The Complaint does not refer to the exact points of non-compliance in the internal audit reports, hence the Company may not be able to comment on the same. The Complaint is to provide exact references to the internal audit report to enable the Company to address the concern. Further, there have been no compliance lapses which pose a significant risk and remain unaddressed by the Company. As a result of this, no disclosures are required to be made in the DRHP 4. Relevant disclosures have already been given in "*Our Business*" on page 197 of the DRHP, wherein the Company has disclosed that it has signed on two AMCs in	

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	8. Unlawful & Oppressive employee clauses: Employees have been forced to agree to non-compete clauses by not allowing them access to HRIS systems, salary slips etc, unless they agree. It is an established matter of law that non-compete clauses are void ab initio. Section 27 of the Contract Act states that Every agreement by which anyone is restrained from exercising a lawful profession or trade or business of any kind, is to that extent void. In fact this is even against Fundamental rights granted by the Constitution. Incidentally, none of the Transfer Agents In the country have such restrictive clauses except K Fin. Nowhere are these restrictive practices highlighted in the DRHP. 9. Rampant Outsourcing: Transfer Agents are by nature an entity to whom work is outsourced. However, in case of KFin, there has been rampant outsourcing of Operations and surprisingly even Technology, while it is claiming to be a tech leader on the other hand. Not sure if SEBI guidelines are even being followed on Outsourcing norms.		Malaysia and one AMC in Singapore, that are yet to launch operations as on January 31, 2022. 5. Disclosures pertaining to the Company's dependence on the growth, value and composition of AAUM of the mutual funds managed by its clients are provided under Risk Factor No. 3 "*Our future revenue and profit are significantly dependent on the growth, value and composition of AAUM of the mutual funds managed by our clients, which may decline.*" on page 32 of the DRHP. Further, the Company has also listed the factors that could cause the AAUM of the funds managed by its clients to decline. 6. The relevant scores are published regularly on the Company's website as per the requirement of the circular issued by the SEBI, the same can be viewed at https://www.kfintech.com/qrta-guidelines-of-sebi/. Further, the Company has published the data of investor complaint at the following links https://ris.kfintech.com/clientservices/isc/default.aspx and https://mfs.kfintech.com/mfs/Redesign/InvestorCharter/home.html. The Company has highlighted under Risk Factor No. 5 "*We derive a significant portion of our revenues from a few customers and the loss of one or more such clients could adversely affect our business and prospects*" on page 34 of the DRHP that it is dependent on a limited number of customers for a significant portion of the revenue and the loss of one or more such clients or customers could adversely affect the business and prospects of the Company. 7. Disclosures pertaining to the qualifications and prior experience of the KMPs have been made in "*Our Management*" from page 255 - 257 of the DRHP. Further, the Whole-time Director and CEO of the Company, Venkata Satya Naga Sreekanth Nadella, is a member of several committees of the Board of Directors of the Company formed in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.	

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	10. Unheard of compensations: While there is a rage around salaries at NSE, which has a turnover of Rs 8.500 crs, for a company like K Fin which has a fractional revenue, the CEO compensation thru esops alone is in the range of Rs 75 crs (net)		Further, the options granted to the KMPs are granted in accordance with applicable law. Moreover, in the allegation made, no specific challenges are mentioned which may arise due to encashing of options by the KMPs, which have been granted in compliance with the applicable law. Specific challenges that are being referred to in the allegation are to be mentioned, to enable the Company to process the complaint. 8. The employment agreements between the Company and its employees are in compliance with applicable laws. Further, in accordance with the SEBI ICDR Regulations, the Company is not required to disclose the employment agreements entered into between the Company and its employees, in the DRHP. Accordingly, no disclosures pertaining to the employment agreements and the terms thereof are warranted in the DRHP. 9. As on January 31, 2022, the Company is India's largest investor solutions provider to Indian mutual funds, based on number of AMC clients serviced. The Company is providing services to 25 out of 42 AMCs in India, as on January 31, 2022, representing 60% of market share based on the number of AMC clients. Further, as on December 31, 2021, the Company serves more than 4,000 listed and unlisted corporates with 99.6 million issuer solutions folios out of a total of 156.4 million folios. With regard to the Company's RTA operations, all the work is carried out by the resources of the Company. Some of the non-core activities like integrated facility management services are outsourced to vendors which is not in violation of guidelines issued by SEBI. Further, the total number of employees of the Company has grown from 4,676 as on March 31, 2019 to 5,319 as on December 31, 2021. For further details pertaining to the number of employees, please see "*Our Business*" on page 208 of the DRHP. 10. The remuneration of the Whole-time Director and CEO of the Company has been recommended by the Nomination and Remuneration Committee, approved by the Board of Directors and Shareholders of the Company in a general meeting, as required	

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			under the provisions of the Companies Act, 2013 and other applicable laws, when the remuneration payable to the managerial personnel exceeds the prescribed thresholds. Venkata Satya Naga Sreekanth Nadella, who is also one of the key managerial personnel has over 20 years of experience and was previously associated with Accenture Services Private Limited as managing director, IBM Global Services India Private Limited as transformation manager, Capita Offshore Services Private Limited as transition manager, Callhealth Services Private Limited as chief operating officer and Indian School of Business as their finance manager. For further details, please see "*Our Management*" on page 242 of the DRHP. The required disclosures pertaining to stock options, the vesting schedule and the conditionalities subject to which the stock options can be exercised have been disclosed in "*Capital Structure*" from page 90 to 104, and "*Financial Statements*" from page 340 to 341 of the DRHP.	

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ICICI Securities Limited ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai – 400025 Maharashtra, India **Telephone**: +91 22 6807 7100 **E-mail**: kfintech.ipo@icicisecurities.com **Investor Grievance ID**: customercare@icicisecurities.com **Website**: www.icicisecurities.com **SEBI Registration Number:** INM000011179 **CIN:** L67120MH1995PLC086241	**Kotak Mahindra Capital Company Limited** 27BKC, 1st Floor, Plot No. C – 27, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, Maharashtra, India **Telephone**: +91 22 4336 0000 **E-mail**: **kfintech.ipo@kotak.com** **Investor Grievance ID**: kmccredressal@kotak.com **Website**: www.investmentbank.kotak.com **SEBI Registration No**.: INM000008704 **CIN:** U67120MH1995PLC134050	**J.P. Morgan India Private Limited** J.P. Morgan Tower Off CST Road, Kalina, Santacruz East, Mumbai – 400098, Maharashtra, India **Telephone no.**: +91 22 6157 3000 **E-mail**: KFINTECH_IPO@jpmorgan.com **Website**: www.jpmipl.com **Investor Grievance ID**: investorsmb.jpmipl@jpmorgan.com **SEBI Registration No.**: INM000002970 **CIN:** U67120MH1992FTC068724	**IIFL Securities Limited** IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel (West) Mumbai- 400013, Maharashtra, India **Telephone**: + 91 22 4646 4600 **E-mail**: kfintech.ipo@iiflcap.com **Website**: www.iiflcap.com **Investor Grievance ID**: ig.ib@iiflcap.com **SEBI Registration No**.: INM000010940 **CIN**: L99999MH1996PLC132983	**Jefferies India Private Limited** 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex (BKC) Bandra (East), Mumbai-400 051, Maharashtra, India **Telephone no.:** +91 22 4356 6000 **E-mail:** kfintech.ipo@jefferies.com **Website:** www.jefferies.com **Investor Grievance ID:** jipl.grievance@jefferies.com **SEBI Registration No.:** INM000011443 **CIN:** U74140MH2007PTC200509

We confirm that pursuant to the Complaint, no changes are required in the draft red herring prospectus dated March 31, 2022 filed by the Company with SEBI ("**DRHP**").

Further, we would like to confirm that the disclosures made in the DRHP are adequate and that all relevant disclosures have been made by in the DRHP in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosures Requirements) Regulations, 2018 ("**SEBI ICDR Regulations**") and therefore, the DRHP is in compliance with the spirit and text of the SEBI ICDR Regulations and any other applicable SEBI regulations and guidelines.

All capitalised terms not defined herein have the meaning ascribed to such terms in the DRHP.

We request you to kindly take the same on record.

Should you require any clarification, we request you to contact the following persons from ICICI Securities Limited:

Contact Person	Contact Number	Email
Prem D'Cunha	+91 99302 63663	prem.dcunha@icicisecurities.com
Nidhi Wangnoo	+91 72900 21384	nidhi.wangnoo@icicisecurities.com
Sumit Singh	+91 87894 19402	sumitkumar.singh@icicisecurities.com

Thanking you,

Yours faithfully,

Enclosed: Annexures as above

ICICI Securities	kotak Investment Banking	J.P.Morgan	IIFL SECURITIES	Jefferies
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For ICICI Securities Limited

Nidhi

LIMITED ★ ICICI SECURITIES

Authorised Signatory
Name: Nidhi Wangnoo
Designation: VP
Contact Number: +912268077215
Email: nidhi.wangnoo@icicisecurities.com

ICICI Securities	kotak® Investment Banking	J.P.Morgan	IIFL SECURITIES	Jefferies
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For Kotak Mahindra Capital Company Limited

Kotak Mahindra Capital Company Limited Mumbai

Authorised Signatory
Name: Sumit Agarwal
Designation: Director - ECF
Contact Number: 9167554074
Email: sumit.a@kotak.com

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For J.P. Morgan India Private Limited

Abhinav Bharti

J.P. Morgan India Private Limited Mumbai

Authorised Signatory
Name: Abhinav Bharti
Designation: Executive Director
Contact Number: +91-77380-50763
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ICICI Securities	kotak® Investment Banking	J.P.Morgan	IIFL SECURITIES	Jefferies
ICICI Securities Limited ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai – 400025 Maharashtra, India **Telephone**: +91 22 6807 7100 **E-mail**: kfintech.ipo@icicisecurities.com **Investor Grievance ID**: customercare@icicisecurities.com **Website**: www.icicisecurities.com **SEBI Registration Number:** INM000011179 **CIN:** L67120MH1995PLC086241	**Kotak Mahindra Capital Company Limited** 27BKC, 1st Floor, Plot No. C – 27, "G" Block, Bandra Kurla Complex, Bandra (East), Mumbai – 400 051, Maharashtra, India **Telephone**: +91 22 4336 0000 **E-mail**: **kfintech.ipo@kotak.com** **Investor Grievance ID**: kmccredressal@kotak.com **Website**: www.investmentbank.kotak.com **SEBI Registration No.**: INM000008704 **CIN:** U67120MH1995PLC134050	**J.P. Morgan India Private Limited** J.P. Morgan Tower Off CST Road, Kalina, Santacruz East, Mumbai – 400098, Maharashtra, India **Telephone no.**: +91 22 6157 3000 **E-mail**: KFINTECH_IPO@jpmorgan.com **Website**: www.jpmipl.com **Investor Grievance ID**: investorsmb.jpmipl@jpmorgan.com **SEBI Registration No.**: INM000002970 **CIN:** U67120MH1992FTC068724	**IIFL Securities Limited** IIFL Centre, Kamala City, Senapati Bapat Marg, Lower Parel (West) Mumbai- 400013, Maharashtra, India **Telephone**: + 91 22 4646 4600 **E-mail**: kfintech.ipo@iiflcap.com **Website**: www.iiflcap.com **Investor Grievance ID**: ig.ib@iiflcap.com **SEBI Registration No.**: INM000010940 **CIN**: L99999MH1996PLC132983	**Jefferies India Private Limited** 42/43, 2 North Avenue, Maker Maxity, Bandra-Kurla Complex (BKC) Bandra (East), Mumbai-400 051, Maharashtra, India **Telephone no.:** +91 22 4356 6000 **E-mail:** kfintech.ipo@jefferies.com **Website:** www.jefferies.com **Investor Grievance ID:** jipl.grievance@jefferies.com **SEBI Registration No.:** INM000011443 **CIN:** U74140MH2007PTC200509

This signature page forms an integral part of the letter to be submitted to SEBI for the initial public offering of KFin Technologies Limited

For IIFL Securities Limited

Authorised Signatory
Name: Pinak Bhattacharyya
Designation: Senior Vice President – Head Corporate Finance
Contact Number: +91 22 46464712
E-mail: pinak@iiflcap.com

ICICI Securities	Kotak Investment Banking	J.P.Morgan	IIFL SECURITIES	Jefferies
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This signature page forms an integral part of the letter to be submitted to SEBI for the initial public offering of KFin Technologies Limited

For Jefferies India Private Limited

Jefferies India Private Limited Mumbai

Authorised Signatory

Name: Aman Puri

Designation: Senior Vice President

Contact Number: +91 22 4356 6000

E-mail: kfintech.ipo@jefferies.com

ANNEXURE I

From: compliance corp <compliance.corp@kfintech.com>
Sent: Monday, 2 May 2022 5:53 PM
To: whistle.blower.dynkswkwedd8jwg@protonmail.com
Subject: Reply to the Complaint

[WITHOUT PREJUDICE]

Dear Sir / Ma'am,

This is with reference to the complaint filed by you before the Securities and Exchange Board of India by way of email dated April 19, 2022 ("**Complaint**"). Please see below our responses to the allegations made in the Complaint:

Sr. No.	Allegation	Response of the Company
1.	Overvalued by Rs 2,000 crs thru Serious over statement of Profits: The company has surprisingly adopted some sharp accounting practices for the last year or so, that too before the IPO. Salaries have been capitalised to the tune of Rs 40 crs ostensibly under some garb of product development & innocuously presented in an obscure manner in the DRHP under page 316. The company has never adopted such practices for the last several decades and it is surprising to see the need arising now. Not only the Profits would reduce significantly if these were not capitalised but overvaluation would also come down. As a benchmark, Cams is trading at a multiple of 50 PE and if	The development cost of products (including salary of the employees who work on the development) gets capitalized for the period during which they worked on such development. The accounting treatment is in line with the Indian Accounting Standards (Ind AS 38 – intangible assets). Please refer to the relevant text from Ind AS 38 – Intangible assets reproduced below: *Response to allegation no. 1:* *Para 9 of Ind AS 38* - Entities frequently expend resources, or incur liabilities, on the acquisition, development, maintenance, or enhancement of intangible resources such as scientific or technical knowledge, design and implementation of new processes or systems, licenses, intellectual property, market knowledge and trademarks (including brand names and publishing titles). <u>Common examples of items encompassed by these broad headings are computer software</u>, patents, copyrights, motion picture films, customer lists, mortgage servicing rights, fishing licenses, import quotas, franchises, customer or supplier relationships, customer loyalty, market share and marketing rights. *Para 17 of Ind AS 38* - The future economic benefits flowing from an intangible asset may include revenue from the <u>sale of products or services, cost savings,</u> or other benefits resulting from the use of the asset by the entity. <u>For example, the use of intellectual property in a production process may reduce future production costs rather than increase future revenues</u> *Para 21 of Ind AS 38* - An intangible asset shall be recognised if, and only if a. it is probable that the expected future economic benefit that are attributable to the asset will flow to the entity, and b. the cost of the asset can be measured reliably. *Para 27 of Ind AS 38* - The cost of a separately acquired intangible asset comprises:

	applied on KFin this would mean 40 cr times 50 leading to Rs 2,000 cr of over valuation. Plus, the cascading Impact of accumulation would be even more severe In the years to come, after the retail public have invested.	a. its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and b. any directly attributable cost of preparing the asset for its intended use. *Para 28 of Ind AS 38*- Examples of directly attributable costs are: a. costs of employee benefits (as defined in Ind AS 19) arising directly from bringing the asset to its working condition. b. professional fees arising directly from bringing the asset to its working condition; and c. costs of testing whether the asset is functioning properly. Further the Company has mentioned the following under "*Financial Information - Annexure V to the Restated Consolidated Financial Information – Significant Accounting policies*", on page 289 of the DRHP:– *"Intangible assets under development* *Research costs are expensed as incurred. Software product development costs are expensed as incurred unless technical and commercial feasibility of the project is demonstrated, future economic benefits are probable, the Company has an intention and ability to complete and use or sell the software and the costs can be measured reliably. The costs which can be capitalized include the cost of software purchased, direct salary and overhead costs that are directly attributable to preparing the asset for its intended use.* *These assets are not amortised, but evaluated for potential impairment on an annual basis or when there are indications that the carrying value may not be recoverable. Any impairment is recognised as an expense in the consolidated statement of profit and loss.* *If the carrying amount of the assets exceed the estimated recoverable amount, an impairment is recognized for such excess amount. The impairment loss is recognized as an expense in the Statement of Profit and Loss, unless the asset is carried at revalued amount, in which case any impairment loss of the revalued asset is treated as a revaluation decrease to the extent a revaluation reserve is available for that asset."* Therefore, the Company has appropriately applied the principles laid down under Ind AS 38 over the years. No further disclosures are required in the DRHP. Further, as the Company was incorporated in 2017, the allegation that the Company has not adopted such practices for the last several decades and that they are being practised currently is baseless and untrue.
2.	Basis the above, KMPs need to be made accountable for projecting false EBITDA numbers. It seems to have been done with a vested interest to achieve	As the present allegation is being addressed in our response to allegation no. 1, please refer to our response provided therein. Further, please also note that ESOPs have been granted in compliance with applicable laws. For further details, please refer to our response to allegation no. 7 herein.

	ESOP and bonus goals to cash in post IPO. The Promoter has also got aligned as it serves their interests as well, by showing higher profits and over valuation of Rs 2,000 crs.	
3.	Compliance Lapses: The company's internal audit firm, has repeatedly reported several compliance lapses over the last 2 years which are still un-addressed and pose a huge risk and none disclosed.	The Complaint does not refer to the exact points of non-compliance in the internal audit reports, hence we may not be able to comment on the same. Request you to please provide exact references to the internal audit report to enable us to address the concern. Further, there have been no compliance lapses which pose a significant risk and have remained unaddressed. As a result of this, no disclosures are required to be made in the DRHP.
4.	Misleading Sales data: Several numbers have been quoted on client acquisition in Southeast Asia. There is no mention about the age of these so-called clients (with zero revenue as they have not launched theirschemes). Given the long hibernation, launch of the schemes itself, could be suspect. This is clearly misleading the retail investors to believe that they have an extremely strong order book.	Relevant disclosures have already been given in the section titled "*Our Business*" on page 197 of the DRHP, wherein we have disclosed that we have signed on two AMCs in Malaysia and one AMC in Singapore, that are yet to launch operations as on January 31, 2022.
5.	Sensitivity Analysis: Most of the revenue is market driven given the billing being linked to AUM arid costs burgeoning on the other hand. Assuming the market takes a downturn of say, even 10-15%, this would have severe impact on	Disclosures pertaining to our dependence on the growth, value and composition of AAUM of the mutual funds managed by our clients are provided under Risk Factor No. 3, titled "***Our future revenue and profit are significantly dependent on the growth, value and composition of AAUM of the mutual funds managed by our clients, which may decline.***" on page 32 of the DRHP. Further, we have also listed the factors that could cause the AAUM of the funds managed by our clients to decline.

	revenue and more so on profitability, as costs will remain where they are. No such sensitivity is being published other than some generic risk factors.	
6.	Need for CSat / NPS scores scores: It is very Important that utilities like this company are also asked to publish their NPS scores across clients. Complaints including social media & Scores complaints are at an all-time high while growing clients seem to be getting appalling service. There is a clear need for such scores to be published and certified independently. Retail investors should not be impacted with client exits after an IPO and they should be able to take informed decisions. Most of the revenue is centered around the top 5 clients	The relevant scores are published regularly on our website as per the requirement of the circular issued by the SEBI, the same can be viewed at https://www.kfintech.com/qrta-guidelines-of-sebi/. Further, the Company has published the data of investor complaint at the following links https://ris.kfintech.com/clientservices/isc/default.aspx and https://mfs.kfintech.com/mfs/Redesign/InvestorCharter/home.html We have also highlighted under Risk Factor No. 5, titled "***We derive a significant portion of our revenues from a few customers and the loss of one or more such clients could adversely affect our business and prospects.***" on page 34 of the DRHP that we are dependent on a limited number of customers for a significant portion of our revenue and the loss of one or more such clients or customers could adversely affect our business and prospects.
7.	Leadership tenure: Almost all the KMPs have not more than 2 years of experience in the business. This is in the context of a business which requires deep domain knowledge and competencies to drive delivery. Add to that, if such KMPs exit after en-cashing esops, it can lead to further challenges	Disclosures pertaining to the qualifications and prior experience of the KMPs have been made in the section titled "*Our Management*" from page 255 - 257 of the DRHP. Further, our Managing Director and CEO, Venkata Satya Naga Sreekanth Nadella, is a member of several committees of the Board of Directors of the Company formed in accordance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended. Further, the Options granted to the KMPs are granted in accordance with applicable law. Moreover, in your allegation, no specific challenges are mentioned which may arise due to en-cashing of Employee Stock Options by the KMPs, which have been granted in compliance with the applicable law. Please provide specific challenges that are being referred to in the allegation, to enable us to process the complaint.

8.	Unlawful & Oppressive employee clauses: Employees have been forced to agree to non-compete clauses by not allowing them access to HRIS systems, salary slips etc, unless they agree. It is an established matter of law that non-compete clauses are void ab initio. Section 27 of the Contract Act states that Every agreement by which anyone is restrained from exercising a lawful profession or trade or business of any kind, is to that extent void. In fact this is even against Fundamental rights granted by the Constitution. Incidentally, none of the Transfer Agents In the country have such restrictive clauses except K Fin. Nowhere are these restrictive practices highlighted in the DRHP	The employment agreements between the Company and its employees are in compliance with applicable law. Further, in accordance with the SEBI ICDR Regulations, the Company is not required to disclose the employment agreements entered into between the Company and its employees, in the DRHP. Accordingly, no disclosures pertaining to the employment agreements and the terms thereof are warranted in the DRHP.
9.	Rampant Outsourcing: Transfer Agents are by nature an entity to whom work is outsourced. However, in case of KFin, there has been rampant outsourcing of Operations and surprisingly even Technology, while it is claiming to be a tech leader on the other hand. Not sure if SEBI guidelines are even being followed	As on January 31, 2022, our Company is India's largest investor solutions provider to Indian mutual funds, based on number of AMC clients serviced. Our Company is providing services to 25 out of 42 AMCs in India, as on January 31, 2022, representing 60% of market share based on the number of AMC clients. Further, as on December 31, 2021, we serve more than 4,000 listed and unlisted corporates with 99.6 million issuer solutions folios out of a total of 156.4 million folios. With regard to our RTA operations, all the work is carried out by the resources of the Company. Some of the non-core activities like integrated facility management services are outsourced to vendors which is not in vioation of guidelines issued by SEBI. Further, in recent times, our employees total has grown from 4,676 as on March 31, 2019 to 5,319 as on December 31, 2021. For further details pertaining to the number of employees, please see section "Our Business" on page 208 of the DRHP.

	on Outsourcing norms.	
10	Unheard of compensations: While there is a rage around salaries at NSE, which has a turnover of Rs 8.500 crs, for a company like K Fin which has a fractional revenue, the CEO compensation thru esops alone is in the range of Rs 75 crs (net)	The remuneration of the CEO of our Company is recommended by the Nomination and Remuneration Committee, approved by the Board of Directors and Shareholders of the Company in a general meeting, as required under the provisions of the Companies Act, 2013 and other applicable laws, when the remuneration payable to the managerial personnel exceeds the prescribed thresholds. Additionally, Venkata Satya Naga Sreekanth Nadella, who is also a key managerial personnel has over 20 years of experience and was previously associated with Accenture Services Private Limited as managing director, IBM Global Services India Private Limited as transformation manager, Capita Offshore Services Private Limited as transition manager, Callhealth Services Private Limited as chief operating officer and Indian School of Business as their finance manager. For further details, please see section "Our Management" on page 242 of the DRHP. The required disclosures pertaining to stock options, the vesting schedule and the conditionalities subject to which the stock options can be exercised have been disclosed in the sections titled "*Capital Structure*" from page 90 to 104, and "*Financial Statements*" from page 340 to 341 of the DRHP.

In view of the aforesaid responses, we vehemently deny the allegations made in the Complaint.

Please feel free to reach out to us on any of the contact details provided in this response.

Thanks and regards,
Alpana Uttam Kundu
Company Secretary and Compliance Officer

KFINTECH
EXPERIENCE TRANSFORMATION

KFin Technologies Limited
(formerly known as KFin Technologies Private Limited)
T: +91 40 7961 5565
e: alpana.kundu@kfintech.com

https://www.kfintech.com/

From: whistle.blower.dynkswkwedd8jwg [mailto:whistle.blower.dynkswkwedd8jwg@protonmail.com]
Sent: 19/04/2022 11:43
To: MADHABI P BUCH
Subject: Serious irregularities and over valuation - DRHP of K Fin Technologies Pvt Ltd

Dear Sir/Madam,

It is quite shocking and surprising to see the DRHP of K Fin Technologies Pvt ltd. A company which is virtually seen as a Systemically important institution (like an MII), is seeking the fastest and hastiest exit made by an investor, within 3.5 years of investment. It is not just opportunistic but much more in terms of the grave situation the company is in - Plagued by lack of profits, severe attrition, uncontrollable costs, compliance issues among others. It looks like an effort to quick dilute at the cost of the retail public.

Severe issues include

1. Overvalued by Rs 2,000 crs thru Serious over statement of Profits: The company has surprisingly adopted some sharp accounting practices for the last year or so, that too before the IPO. "Salaries" have been capitalised to the tune of Rs 40 crs ostensibly under some garb of product development & innocuously presented in an obscure manner in the DRHP under page 316. The company has never adopted such practices for the last several decades and it is surprising to see the need arising now. Not only the Profits would reduce significantly if these were not capitalised but overvaluation would also come down. As a benchmark, Cams is trading at a multiple of 50 PE and if applied on KFin this would mean 40cr times 50 leading to Rs 2,000 cr of over valuation. Plus, the cascading impact of accumulation would be even more severe in the years to come, 'after' the retail public have invested

2. Basis the above, KMPs need to be made accountable for projecting false EBITDA numbers. It seems to have been done with a vested interest to achieve ESOP and bonus goals to cash in post IPO. The Promoter has also got aligned as it serves their interests as well, by showing higher profits and over valuation of Rs 2,000 crs

3. Compliance Lapses: The company's internal audit firm, has repeatedly reported several compliance lapses over the last 2 years which are still un-addressed and pose a huge risk and none disclosed

4. Misleading Sales data: Several numbers have been quoted on client acquisition in Southeast Asia. There is no mention about the age of these so-called clients (with zero revenue as they have not launched their schemes). Given the long hibernation, launch of the schemes itself, could be suspect. This is clearly misleading the retail investors to believe that they have an extremely strong order book

5. Sensitivity Analysis: Most of the revenue is market driven given the billing being linked to AUM and costs burgeoning on the other hand. Assuming the market takes a downturn of say, even 10-15%, this would have a severe impact on revenue and more so on profitability, as costs will remain where they are. No such sensitivity is being published other than some generic risk factors

6. Need for CSat / NPS scores: It is very important that Utilities like this company are also asked to publish their NPS scores across clients. Complaints including social media & Scores complaints are at an all-time high while 'growing' clients seem to be getting appalling service. There is a clear need for such scores to be published and certified independently. Retail investors should not be impacted with client exits after an IPO and they should be able to take informed decisions. Most of the revenue is centered around the top 5 clients

7. Leadership tenure: Almost all the KMPs have not more than 2 years of experience in the business. This is in the context of a business which requires deep domain knowledge and competencies to drive delivery. Add to that, if such KMPs exit after en-cashing esops, it can lead to further challenges

8. Unlawful & Oppressive employee clauses: Employees have been forced to agree to non-compete clauses by not allowing them access to HRIS systems, salary slips etc, unless they agree. It is an established matter of law that non-compete clauses are void ab initio. Section 27 of the Contract Act states that "Every agreement by which anyone is restrained from exercising a lawful profession or trade or business of any kind, is to that extent void.". In fact this is even against Fundamental rights granted by the Constitution. Incidentally, none of the Transfer Agents in the country have such restrictive clauses except K Fin. Nowhere are these restrictive practices highlighted in the DRHP

9. Rampant Outsourcing: Transfer Agents are by nature an entity to whom work is outsourced. However, in case of KFin, there has been rampant outsourcing of Operations and surprisingly even Technology, while it is claiming to be a tech leader on the other hand. Not sure if SEBI guidelines are even being followed on Outsourcing norms

10. Unheard of compensations: While there is a rage around salaries at NSE, which has a turnover of Rs 8.500 crs, for a company like K Fin which has a fractional revenue, the CEO compensation thru esops alone is in the range of Rs 75 crs (net)

11. This is being brought to your notice on an urgent basis, given the influence that some of the company's Board members may exert on SEBI

12. Discreet investigations with tenured leadership would reveal more challenges

Thank you,

Sent with ProtonMail secure email.