

CDSL has established itself as the market leader in retail demat accounts, capturing 84% (as of Jan 25) of incremental accounts in FY25, largely due to strong partnerships with major discount brokers. The surge in new-to-market investors is driving significant growth in KYC revenue, while the broadening base of equity ownership is set to substantially increase annual issuer charges. Additionally, the mandatory dematerialisation of unlisted companies presents a promising new growth avenue. Beyond its core business, CDSL's offerings in insurance repositories, consolidated account statements (CAS), eVoting, and eAGM services provide substantial potential for future expansion.

## Introduction

Central Depository Services (India) Limited (CDSL) received its certificate of commencement of business from SEBI in February 1999 and was initially promoted by the BSE, which later sold its stake to leading private and public sector banks. CDSL facilitates the electronic holding and transaction of a wide range of securities-including equities, debentures, bonds, ETFs, mutual fund units, alternate investment fund units, certificates of deposit, commercial papers, government securities, and treasury bills-and supports the settlement of trades executed on stock exchanges. It holds the distinction of being the first listed depository in India and the second listed depository worldwide.

Central Depository Services Limited is a Market Infrastructure Institution (MII), part of the capital market structure, providing services to all market participants - exchanges, clearing corporations, depository participants (DPs), issuers and investors. It is a facilitator for holding of securities in the dematerialised form and an enabler for securities transactions.

## About The Company

CDSL was set up in 1999 with the objective of providing convenient, dependable and secure depository services at affordable cost to all market participants. It is the largest depository in India in terms of number of demat accounts opened.

In addition to dematerialization services, the company offers specialized services through its subsidiaries:

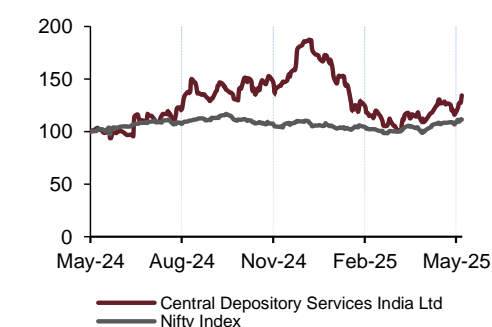
Rating	TP (Rs)	Up/Dn (%)
<b>BUY ON DIPS</b>	<b>1,587</b>	<b>12</b>

### Market data

<b>Current price</b>	<b>Rs</b>	<b>1,409</b>
Market Cap (Rs.Bn)	(Rs Bn)	294
Market Cap (US\$ Mn)	(US\$ Mn)	3,442
Face Value	Rs	10
52 Weeks High/Low	Rs	1989.8 / 916.48
Average Daily Volume	('000)	2,586
Bloomberg		CDSL.IN

Source: Bloomberg

### One Year Performance



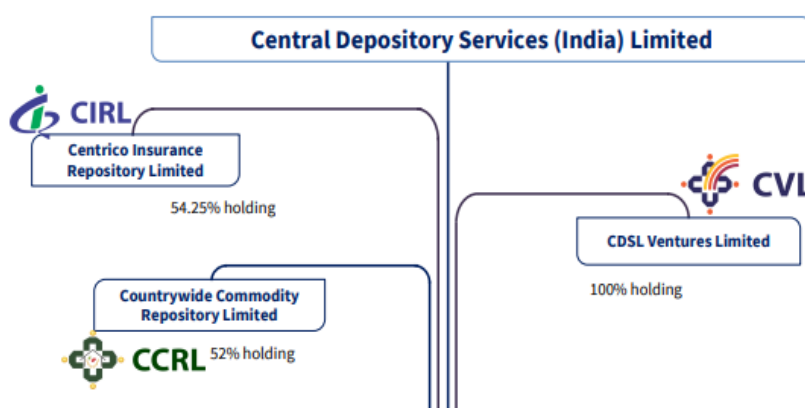
Source: Bloomberg

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## Our Group companies



Source: Company

### CDSL Ventures Ltd (CVL):

CVL conceptualised, designed, and implemented the KYC Registration Agency (KRA) system within the mutual fund industry in 2006 and soon became the first and largest KRA in the country. In November 2018, we started our Registrar and Transfer Agents (RTA) operations. Additionally, CVL handles refund processing for PACL investor claims and conducts dedupe activity for Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) insurance claims.

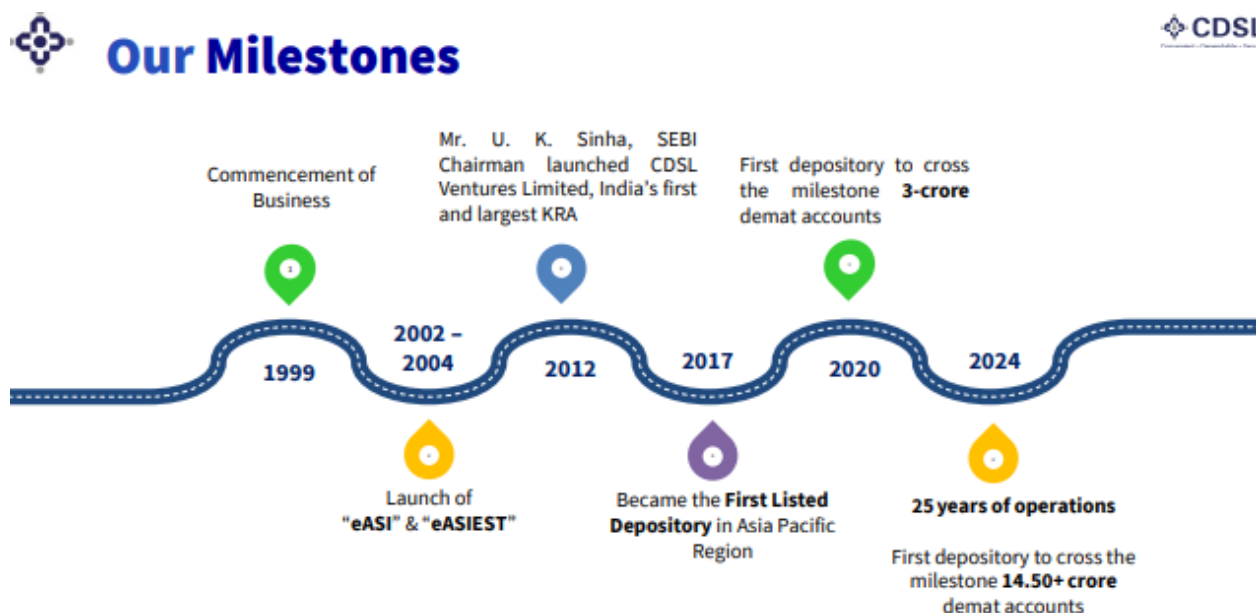
### CDSL Insurance Repository Limited (CIRL)

CIRL has obtained a registration certificate from the Insurance Regulatory and Development Authority of India (IRDAI) to act as an insurance repository. The Company has equity ownership from 10 insurance companies and CDSL. Moreover, it has established partnerships with 40 life and general insurers. With this setup, CIRL provides a comprehensive view all policies, including life, health, and motor vehicle insurance, all at no cost to our customers.

### CDSL Commodity Repository Limited (CCRL)

Enabling the ownership and transfer of commodity assets is CCRL's core function. This service caters not only to commodities exchanges but also to a broader market. Established in 2017, it operates under the regulatory authority of the Warehousing Development and Regulatory Authority (WDRA)

## History



Source: Company

## Investment Rationale

### Market Leader

CDSL is market leader in retail demat with a share of 79% (84% in incremental accounts) in FY25 driven by strong partnerships with key large discount brokers. New-to-market investors dominate account openings, bolstering KYC revenue.

### Debt Free Balance Sheet & strong cash flows

Company sits with a cash and cash equivalents of INR 175 Crore and a deleveraged balance sheet at zero debt.

## Q4FY25 Call Highlights

- **Annual issuer charges:** comprises INR360mn from unlisted company for FY25. Management stated the average folios charged in FY25 was based on average folios of FY24, which totaled 227.6mn.
- **Transaction charges:** Management stated that sluggish market sentiments and macro slowdown led to muted investor participation and a QoQ decline in revenue. Q4FY25 pledge income is INR540mn. Management expects the gears division to clock about ₹2,000 Cr and maintain EBITDA margins of around 24-25%. MHE division is expected to contribute around ₹650 Cr of revenue for FY26 to EBITDA margins of 23-24%.
- **IPO/corporate action charges:** Management explained that the revenue from IPO depends on the number of applications filed rather than the actual listing of companies. Furthermore, the revenue from this segment will be market-driven and, hence, cannot be estimated accurately
- **Online data charges:** Management clarified that account opening online charges are in line with volumes. Additionally, the proportion of fetch-to-new record creation is 80/20.

## Key Risks

**Regulatory risk**, which may arise due to pricing controls, and increased payout requirements to Investor Education and Protection Fund (IEPF).

**Technological changes** may call for beefing up capabilities and data security, thereby altering the calculus of investments needed in technology upgradation.

**Increase in competition** CDSL and NSDL are the two depositories in India currently. Any approval granted for a new depository could increase competition for the company impacting its growth.

**Loss of market share** CDSL has been able to garner majority share of incremental demat accounts in this duopoly market. Aggressive move by its competitor NSDL could result in market share loss

## Valuation & Outlook

As the market leader in retail demat accounts, CDSL is well-positioned to benefit significantly from the rising participation of retail investors in the equity market and other asset classes. Additionally, CDSL's offerings in insurance repositories, consolidated account statements, eVoting, and eAGM services provide further avenues for sustained growth, reinforcing its position to gain immensely from the expanding capital markets ecosystem.

The stock is currently trading at a P/E of 59x/51x on FY26E/27E earnings. We recommend 'BUY ON DIPS' rating at a TP of Rs 1,578, giving us upside of 12% from current levels (discounting its FY27e EPS by 56 times).

## Financial Summary

Particulars (In Cr)	FY24	FY25	FY26E	FY27E
Revenue from Op	812	1082	1115	1260
Employee Benefit Exp	95	122	140	147
other expense	228	336	365	405
Ebitda	489	624	610	708
<b>EBITDA %</b>	<b>60%</b>	<b>58%</b>	<b>55%</b>	<b>56%</b>
Finance cost	1	-	-	-
Dep	27	49	54	56
other income	95	120	110	125
PBT (Incl OI)	556	695	666	777
Tax	136	169	160	186
<b>PAT</b>	<b>420</b>	<b>526</b>	<b>506</b>	<b>591</b>
<b>PAT Margin</b>	<b>52%</b>	<b>49%</b>	<b>45%</b>	<b>47%</b>
Equity Shares	20.9	20.9	20.9	20.9
EPS	20	25	24	28

Source: Dalal & Broacha Research

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