

## **CDSL: 4QFY20 Result - Revenue and margin beat**

(CMP Rs 223, MCap Rs 23bn, BUY)

CDSL delivered robust performance in a tough environment. Both revenue and margin were higher than estimate, and the company's operation is not impacted by Covid-19. The transaction charges have increased for the second consecutive quarter and KYC revenue surged. SEBI recently allowed Aadhaar based e-KYC for account opening, which will also boost CVL-KYC volumes further. CDSL continued to gain BO account market from NSDL (stood at 52.4% in April-20 vs. 48.4% in FY19). On the negative side, UGC cancelled the NAD project with CDSL and transferred it to DigiLocker. This will not have any revenue impact, but expectations were high from this channel.

\*CDSL revenue was up 10.7/18.5% QoQ/YoY to Rs 0.60bn, higher than our est. of Rs 0.56bn, led by higher transaction charges and KYC revenue. Depository activity (76% of rev) was up 8.5% QoQ, led by sustained improvement in transaction and Annual Issuer revenue. Data entry and storage was up 27.2% QoQ due to higher account opening, which led to higher KYC revenue. For FY20, total revenue was up 15.6% YoY.

\*Adjusted EBIT margin was up 608bps to 49.7%, higher than our est. of 44.3%. Technology/Other expenses were up 14.6/18.0% QoQ offset by lower employee expenses (-24.3% QoQ). CDSL donated Rs 65.1mn for Covid-19 fund and Rs 19.8mn was MAT credit write-off. The reported EBIT margin was 38%.

\*APAT for the quarter stood at Rs 0.36bn up 13.5% QoQ (vs est. of Rs 0.30bn), led by higher growth offset by lower interest income (-8.9% QoQ). Reported PAT stood at Rs 0.29bn vs Rs 0.21bn last quarter.

\*CDSL total number of BO account stood at 21.8mn, +25.2% YoY. The incremental market share of CDSL is at 78% and BO account market share of 52.4%.

CDSL has net cash of Rs 7.18bn (~31% of MCap) and OCF/EBITDA stands at healthy 80.4% vs. 78.4% in FY19. The stock trades at P/E of 20/17x FY21/22E. We currently have a BUY rating with TP of Rs 315.