



“Central Depository Services (India) Limited  
Q1 FY2019 Earnings Conference Call”

July 30, 2018



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**Moderator:** Ladies and gentlemen, good day and welcome to the CDSL Limited Q1 FY2019 Investors Conference Call, hosted by Axis Capital Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “\*” then ‘0’ on your touchtone telephone. Please note that this conference is being recorded. I now like to hand the conference over to Mr. Aditya Bagul of Axis Capital Limited. Thank you and over to you Sir!

**Aditya Bagul:** Thank you Bikram. Good evening ladies and gentlemen and a warm welcome to the Q1 FY2019 earnings call of CDSL India Limited. We have with us the management of CDSL represented by Mr. P.S. Reddy – Managing Director and CEO, Mr. Bharat Sheth – Chief Financial Officer, Mr. Gaurang Shah – Vice President and Mr. Nilesh Kittur – Assistant Vice President. I request Mr. Reddy to take us through the results highlight and shall we open the floor for Q&A subsequently. Over to you Sir!

**P.S. Reddy:** Thank you Mr. Aditya. Good evening everybody. Thank you for your continued interest in the stock. This quarter is a mixed results for us in the sense the operational income has gone up but in terms of the other income, investment income has substantially come down because the returns are low. In any case on all these line item wise, Mr. Bharat Seth will take you through, but I will give you the overview as to how we are doing and what is the roadmap in the sense what we expect year to be like.

If you see the depository business currently we have a 70% incremental market share, 71% rather to be precise in this quarter and we are currently at about 1.55 Crore Demat accounts that we have. This is a good growth, reasonably good growth I would say. And the aggregate about 47% market share we have. On the IPO front, although the number of IPOs compared to the corresponding quarters are more but then the size is not very big so the number may be looking big but then the number of investors who have applied and number of times the issues got oversubscribed did not get as much as we thought it will be yielding the income. So that is one area probably we have not got as much as we thought we should be able to achieve.

In terms of new businesses that have come in terms of new activities rather of course you are aware that IEPFA has been there for the last six months, Investor Education Protection Fund Authority, there we started charging the companies annually and the latest addition for the income stream is the foreign portfolio investor monitoring .Our tariffs are there in the public domain. About Rs 25000 for the top 500 companies and the rest will be paying Rs.10000 annually. Of course it is not going to be very big but this is another source of revenue that we are expecting in this current financial year.

When it comes to the new initiatives, it is the CDSL Ventures Limited there again we have done reasonably well, although the new creations are slightly lower as compared to the last year, the



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number of hits have definitely have gone up and there we have done reasonably well and the most of the mutual fund investments of course all the investment folios have gone up to some extent. The KYCs have gone to the competition especially the CAMS, which have got a captive service centers where they are uploading the data, so not so much has come from that part but then still some mutual funds are doing with CDSL Ventures Limited, so we have done reasonably well out there as well.

The third area is the National Academic Depository. This National Academic Depository has been picking up, gaining momentum and as I said last time also or rather each time whenever I meet investors I do tell them that till September 2019 we were told not to charge so there would not be any much revenues except from verification. Verifications will happen if the number of records increase substantially, so that is where the government as well as the depositories both are working to bring in as many academic records as possible into the depository network fold. So that will help us to increase the number of verifications. At this point in time, again it is a miniscule. It is a project as I said is about 2019 or 2020-2021 we should be able to reasonably say that we are doing well in this space.

Then the Commodity Repository is one, which we have recently launched. I believe some people again in private sector have a concern that there is a risk on the depository in terms of commodity, we are guaranteeing as if the commodity depository is guaranteeing quality and quantity of the stock that is in the commodity warehouses. I mean that is completely a wrong notion that they have. The regulations itself stipulate what depository will do and what is not and who has the responsibility especially in terms of quality and quantity that is very specific expressly stated in the regulations.

So in that field NMCE that is the commodity exchange base in Ahmedabad has issued a circular saying that the ENWR Electronic Negotiable Warehouses Receipts kept in the depository or rather repository are eligible for delivery on the commodity exchange. Similarly MCX has issued a circular just not even a week old informing that the CCRL held ENWR as valid for delivery so although it is not going to be a very big business because the deliveries in the commodities exchanges are small, we expect it to grow as we go along but more than that what we are looking at is the pledge by or the loan against these commodities by pledging the stock or otherwise ENWR in favour of banks. That is where we are working all of us including the regulators are working day in and day out to convince banks as to why they should go for it and the discussions are also on with the RBI especially the banking regulator to push for such kind of operation to enable ENWR based pledging and then lending.

Then comes the insurance repository, as you all know that the insurance repository has not taken off but we are all waiting for the single Demat account to come and then phase out the insurance repository which is not doing so well and in the Demat account itself we are expecting the investors to hold all their assets. Probably that will take some more time, although may be on a month on month or once in two months the meetings are taking place at the highest level



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wherever these needs to be pushed. I expect in the next three months some kind of changes to happen and this is my belief of course I am not holding any promise but then these are all regulatory changes but we expect some movement to happen in this front, especially in the form of regulations.

Then comes the RTA business, which we have taken up. You are aware that MCA proposes to admit all the unlisted companies may be in stages into Demat that is what their desire or roadmap is but to begin with all the Public Limited Companies will be told or may be told not that I can guarantee again to dematerialize their stock and keep them with either of the depositories, so that is going to be a good business opportunity to both for CDSL as well as for CVL under RTA. So CVL can cater to them as an RTA and CDSL can be a depository so that line of business also is expected to come and we are developing an online system for these companies to be admitted seamlessly and hope that will happen by the end of August-September that is what our thinking is, but again it has to be enabled by way of a regulation or circular from the MCA, Ministry of Company Affairs and hope that will also happen within this timeframe that I am talking about.

With these words I will now give it to Bharat Sheth for discussing about the financials.

**Bharat Sheth:**

Good evening ladies and gentlemen. Very warm welcome to CDSL concall. First I am giving you June 2018 versus June 2017 that is year-on-year basis consolidated results. The consolidated total income is flat at increase of 0.24% that is 50.45 Crores in June 2018 as compared to 50.33 Crores in June 2017.

The operational income increased by 12% from 40.55 Crores to 45.29 Crores, which was offset by reduction in other income where the mark-to-market gain in June 2017 was 5.20 crores, which reduced to 1.94 Crores in the current quarter. However the reduction in PAT is at 14% that is reduced from 25.47 Crores to 22.02 Crores, which was mainly on account of, increase in depreciation due to purchase of new premises and reduction on deferred tax assets.

The expenditure was higher by 18% on year-on-year basis that is Rs 18.64 Crores for June 2017 increased into 22.07 crores in June 2018. Excluding other income the PBT improved by 6% over June 2017.

Now consolidated results on quarter-on-quarter basis that is June 2018 to March 2018. Although the consolidated total income is down by 18% that is 50.45 Crores in June 2018 as compared to 61.65 Crore in March 2018 mainly on account of overall weak market condition and reduction in other income where the mark-to-market gain in March 2018 was 6.4 Crores which reduced to 1.94 Crores on the current quarter; however, the reduction in PAT is at 15% that is from 26.09 Crores to 22.02 Crores which was controlled by controlling the expenditure.

The expenditure was lower by 11% on Q-o-Q basis that is Rs 24.9 Crores for March 2018 down to 22.07 Crores to June 2018 whereas on standalone basis on June 2018 versus June 2017



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standalone total income up by 2% that is 40.4 Crores in June 2018 as compared to 39.52 Crores in June 2017. The operational income increased by 12% from 32.48 Crores to 39.52 Crores which was offset by reduction in other income where the mark-to-market gain in June 2017 was 3.58 Crores, which was reduced to 1.02 Crores on the current quarter also the dividend income is lower by 73 lakhs; however, the reduction in PAT is 15% that is from 22.73 Crores to 21.9 Crores, which was mainly on account of increase in depreciation due to purchase of new premises and reduction on deferred tax credit.

The expenditure was higher by 18% year-on-year that is 16.79 Crores for June 2017 increasing to 21.9 Crore for June 2018 so excluding other income, the PBT improved by 14% over June 2017 whereas standalone on the basis of quarter-on-quarter that is June 2018 to March 2018 the standalone total income is down by 17% that is 40.4 Crores in June 2018 as compared to 48.85 Crores in March 2018 mainly on account of overall weak market conditions and reduction in other income where the mark-to-market gain in March 2018 was 3.76 Crores, which was reduced to 1.03 Crores on the current quarter; however, the reduction in PAT is also 17% that is from 19.5 Crore to 16.3 Crores which was controlling the expenditure. The expenditure was lower by 12% on Q-o-Q basis that is 20.96 Crores for March 2018 down to 18.51 Crores for June 2018.

Now I open the forum for the question and answer session.

**Moderator:** Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Atul Mehra from Motilal Oswal Asset Management Company. Please go ahead.

**Atul Mehra:** Good evening and thanks for the opportunity. Sir could you talk about the incremental revenue streams that would expect given some of these changes like the unlisted companies coming about and one or two other things that you spoke about so can you broadly talk about what numbers could be like with these new revenue streams?

**P.S. Reddy:** Well, these are given to understand that there were about 65000 unlisted public limited companies, which are expected to come into the stream now (a) how many will be mandated to come in we do not know at this point in time.

**Atul Mehra:** 65000 public limited companies?

**P.S. Reddy:** 65000 unlisted public limited companies. It is an approximate figure. It could be 1000 more 1000 less whatever it is and I do not know how many will be mandated to come into the stream into the dematerialization, assuming that all of them will come, then if it is not mandatory to admit with both of us, they can choose between CDSL and NDSL okay, so again it depends on who will go where and assuming that if it is 50%:50% that is one variable. The second variable is the tariff, now the tariff is going to be decided by MCA. Obviously this is something on a major scale they wanted to do it and nobody should complain that is what they decided so they will



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keep it at a very low rate. Obviously current tariff plan will not be applicable that is for sure which during the course of discussions that they suggested, hinted rather I would say. That what tariff they will decide? I am not too sure about it at this point in time so I will not be able to say what will be the revenue that will accrue out of this business.

**Atul Mehra:** Sure. And any other revenue streams that you would expect? You spoke about insurance, you spoke about couple of other things?

**P.S. Reddy:** As I said, the corresponding things to be unlisted companies are the RTA business that CDSL is expected. Again it depends on those numbers only and there would not be much transfers in this area because they are all unlisted and how many people will choose CDSL RTA versus many other big ones, we do not know again at this point in time. I will not be able to give you any number unless that particular activity is started and coming back, we have also been trying to diversify the EVoting system into various other types of activities. For all these we have been doing only with the companies and shareholder meetings etc., now we have also started with the insolvency professionals so there is another set of customers who are using it. Now we are also moving into the academic institutions where the elections can be held so, we have already done Tata Institute of Social Sciences, the Student Union Elections who have done that. So we are trying to see how we can put it to multiple uses. Again as I said acceptability is important. Thanks to the brand name that CDSL has, so acceptability comes automatically.

**Atul Mehra:** Secondly for the quarter Sir could you give the mix of individual line wise growth so if you were to look at either say transaction business or corporate actions, so could you give the split of 50 Crores of number?

**P.S. Reddy:** On a year on year basis you are saying?

**Atul Mehra:** On a year-on-year basis growth and also the absolute numbers?

**Bharat Sheth:** Year-on-year basis on consolidated account annual Issuer charges has increased by 17% that is June 2017 versus June 2018 I am talking about. June 2017 Rs 13.44 Crores is my annual Issuer charges it has increased to Rs 15.67 Crores. Transaction charges from 9 Crores to 9.66 Crores that is 7% increase and I am giving major items only. Then consolidated accounts statement charges from 1.66 Crores to 2.04 Crores increased by 23%. Then IPO & Corporate Action charges from 5.11 Crores to 5.55 Crores that has increased by 9% and then online data charges from 6.15 Crore to 6.84 Crores that is 11% increase, so these are the major highlights.

**Atul Mehra:** And during this period the total Demat account increase has been how much Sir on a Y-o-Y basis say Q1 to Q1?

**P.S. Reddy:** Last year we have opened approximately 24 lakh accounts.



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- Bharat Sheth:** See in this quarter means June 2018 versus March 2018, 511368 accounts were opened. Overall 15351426 accounts are there compared to 12750757 in June,17.
- Atul Mehra:** So about close to 20% to 25% increase on Y-o-Y basis.
- Bharat Sheth:** Yes. And overall incremental market share if you see that is number of account opened for this quarter 71% has increased.
- Atul Mehra:** And for last 12 months also be quite similar?
- Bharat Sheth:** Yes.
- Atul Mehra:** That is it from my end. Wish you all the best. Thank you.
- Moderator:** Thank you Sir. We have next question from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir I wanted to know the status on price increases, which come to you on a regulated basis on some of the revenue line items so what is the status there for FY2019?
- Bharat Sheth:** There are no price increases as such. It is same as of last year. There is no price increase.
- Pritesh Chheda:** Okay. What part of your revenue, which you gave out, issuer charges and transaction charges would be linked to the market activity?
- Bharat Sheth:** Definitely issuer charges, number of folios are going to increase because last year was a good year where more number of IPOs and corporate expense were there, there my income has increased 17% compared to last year.
- Pritesh Chheda:** And transaction charges also similar it is linked to market activity?
- Bharat Sheth:** Yes, definitely it linked to market activity.
- Pritesh Chheda:** Lastly, I wanted to know the status on new licenses for getting new deposits?
- Bharat Sheth:** That is third depository you are talking?
- Pritesh Chheda:** Yes, there is on and off news flows, which come across where talks are there to invite a new depository or issue licenses so what is the status there?
- P.S. Reddy:** No. It is like this what you read may be in the newspaper based on the Gandhi Committee Recommendation. Now that board has, board means SEBI Board has considered the Gandhi Committee Recommendations. They are doing with the concept of the sponsor. In the olden days



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the sponsor meaning, he must be All India Financial Institution, Stock Exchange, etc., not everybody and anybody qualifies to promote a depository. Now that entry barrier in the form of sponsor requirement has been done away with. Now it is yet to come into a regulation. The regulations have to be amended and it will be made may be in the next three months time. Now once that is made anybody can setup as eligible investors. They will replace it with eligible investor. Now who is allowed to have a maximum of 16% so nothing more than 15%. The regulations are going to be much the same they as for as a stock exchange like for other market infrastructure institutions you call them. So even if a third depository comes I have always been saying even if a third depository comes is not for them to plug and play. The reason is they need to have the depository participant network. Without depository participant network they cannot operate. Now today itself if some of the depository participant feel too itself is a crowd so if the third one will come what will be called, I do not know. So it is even if a third depository comes what is that the competitive advantage that they have is the price increase is more between the depository for which reason they will come my answer is no. Today my average transaction charges are Rs.5, so there is no much room for them any new entity to come. Even if as I said new entity comes the depository participants are needed then each one as to again invest in a third depository also because there is a cost associated with the back office, software development etc., so why would anybody when the product is by and large identical so why would anyone choose a third depository is the question. But still if somebody comes they are welcome. We are not worried in that sense.

**Pritesh Chheda:** Initially in your opening remarks you mentioned about CAMS uploading the KYC data and which led to slower growth so that you are referring to the online data service revenue stream of yours?

**P.S. Reddy:** That is right. Online data essentially the KYC they service the mutual fund investors from they will accept the investors request for buying the mutual fund units etc., when a new investor comes probably they may be uploading it directly to their KYC CAMS KRA.

**Pritesh Chheda:** This revenue stream is reported in CDSL Ventures, which is a subsidiary of yours right?

**P.S. Reddy:** That is right.

**Pritesh Chheda:** So could you just elaborate little bit more what exactly has happened in this revenue stream and industry dynamics actually with CAMS?

**P.S. Reddy:** No. Still we are the market leader. We have 1.75 Crores KYCs and the KYC usage also is increased. It is not that we have fallen short but what I am saying is we are always there to capture the growth that is happening in various segments. One segment that has grown substantially well is the mutual fund industry, but that is more skewed in the sense that only two of the major RTAs are managing that and the substantial party is the CAMS so to that extent





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some KYCs have been channeled into the CAMS KRA and to the extent only the mutual fund KYCs not otherwise.

**Pritesh Chheda:** So your observation is that bulk of the growth was in MF KRA and in mutual fund KRA CAMS has slightly better dominance and hence the growth was with CAMS and we had a slightly lower growth that is how?

**P.S. Reddy:** That is the way I read it. But still we are No.1. They are still far behind. It is not that they have overtaken.

**Pritesh Chheda:** What is our market share and the size of this market?

**P.S. Reddy:** Well, what I learnt is about we have 1.75 Crores and may be the NDML has got simply 70 lakhs and CAMS has got may be 50-60 lakhs, something like that.

**Pritesh Chheda:** Okay and what is the revenue potential in this. Revenue recorded in last year for the whole market share, for our size I think it was about 29 Crores last year so what it would be for NDML CAMS and us?

**P.S. Reddy:** We would not be able to tell anything about it.

**Pritesh Chheda:** No problem Sir. Thank you very much.

**Moderator:** Thank you. We have a next question from the line of Prakash K from Anived Portfolio Management Services. Please go ahead.

**Prakash K:** Thanks for taking my question. Sir wanted to get some sense from you. Last year we added around 25.1 lakh Demat accounts typically what is the time lag for revenue of these accounts, is it immediate, is it with the lag and they start with transactions or IPO? What drives these accounts?

**P.S. Reddy:** IPO is the driver for these accounts to get opened. That is why we most of the time depend on IPOs and if IPOs come and more and more then we will get good number of incremental. At the same time we will also have a good issuer income also. Folio base will increase. In fact this quarter rather folio base is more than what it was in the corresponding last year so you can say 17% versus 18% is the folio number.

**Bharat Sheth:** In FY 2017-2018 we have won around 30 Crores from folio basis, which has increased to 37 Crores for 2018-2019. So again 58% of total charges from folio basis it has increased to 63% from folio base income.

**Prakash K:** Sir you mentioned the mark-to-market impact was 1.94 Crore in this quarter right?



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- Bharat Sheth:** Correct.
- Prakash K:** What was it for last June I missed that number on a consolidated basis?
- Bharat Sheth:** On a consolidated basis it is from 520 lakhs to 194 lakhs.
- Prakash K:** Basically it is 3.4 kind of lower other income due to this MTM?
- Bharat Sheth:** Yes, MTM.
- Prakash K:** Okay and assuming interest rates remain this, do you think second half onwards other income should normalize because then the base of interest rate will not be that adverse as we had seen may be this quarter?
- Bharat Sheth:** We are hopeful. If it remains steady then percentage growth in income will be more as compared to the first quarter.
- Prakash K:** Okay going forward it should be better. I also missed the figure of online data charges if you could give I heard 6% the revenue is up if you could just give the absolute number?
- Bharat Sheth:** Again June 2017 6.15 Crores against it 6.85 Crores this quarter.
- Prakash K:** Lastly on the unlisted set of companies would there be clarity in terms of one-time charges recurring charges so will it be just as the NCSS and the recurring revenue there will be a one-time charge to board them to take data from them any clarity?
- P.S. Reddy:** We will have both the segments. One is the application processing fee so it is a one-time charge and then on an ongoing basis year-on-year they have to pay.
- Prakash K:** Okay so there will be some one-time charge.
- P.S. Reddy:** Some one-time charge and some recurring charge annuity basis.
- Prakash K:** Any thoughts on the regulatory or the MCA side to get say maybe the private public companies first and then the private set of companies on the unlisted space by the year end or anything which they have shared so by when do we get clarity on this?
- P.S. Reddy:** In two months time we should get this clarity. That is what my view is.
- Prakash K:** So in case you know the regulator mandates this we will see revenue stream may be in the third quarter itself?
- P.S. Reddy:** I hope so, third quarter it should be, you are right, that is the way it is. You are right.



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- Prakash K:** Thank you. All the best. I will come back if I have more questions.
- Moderator:** Thank you Sir. We have next question from the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** Thanks for the opportunity. Sir my question is related to the annual issuer charges opportunity. Sir currently we have around 10000 issuers out of that 4000 issuers are the unlisted ones so what is the tariff plan for the unlisted companies that we have now so is it also regulated by SEBI or like if you see the slab basis so the Rs.9000 per issuer is the lowest slab so are we charging this unlisted company lower than that and how it is now and what do you expect the charges to be for the upcoming opportunity?
- P.S. Reddy:** We are charging the same SEBI tariff we are applying it. We do not deviate from that. So that is the way currently we are doing it and going forward what will be the tariff and other things I think I will not be able to comment at this stage.
- Amit Chandra:** Okay, so like you are saying the tariffs for the listed and the unlisted companies are the same?
- P.S. Reddy:** As far as we are concerned we are applying the same tariff so much that is it.
- Amit Chandra:** Because if you see for NSDL the number of unlisted companies Demat'd in NSDL is around 10000 so there also the tariff structure is according to SEBI or there is some kind of leeway wherein you can charge based on your discretion?
- P.S. Reddy:** Yes, there is a leeway to charge based on our own discretion because unlisted companies are not regulated by tariff, but then for us to give a justification, we are simply saying this is the SEBI tariff you have to pay, so whosoever is interested will come and do not come it is okay, because there is no transaction charges. Please understand that there is no transaction charges in this unlisted company whereas as we understand from the market sources and then from the tariff called that NSDL have put up on their sites also they charge only one time and then there is not annual issuer fee but in the current year or in the last year sometime they started charging annual issuer charges also and only just now they have started for all these years there is no such annual issuer charges. So that is like that.
- Amit Chandra:** Okay and Sir on the transaction charges, so how many number of transactions we had so if you can give a comparable figure Y-o-Y so the number of debits this quarter can be comparable figure for the last quarter same year?
- P.S. Reddy:** I think generally it is a confidential information but it is as compared to the immediately succeeding preceding quarter it is much lower no doubt about it and but as compared to the corresponding quarter it is slightly higher.



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**Amit Chandra:** Sir on the mutual fund KYC business you said that lot of business is shifting to CAMS KRA and eKYC?

**P.S. Reddy:** I think there is a wrong notion, communication problem, it is not shifting. The new KYC is going there because the industry is integrated in that sense, the CAMS and then their services RTA services are integrated so that is a reason and there is a growth in the mutual fund industry that is why it has gone more there that does not mean that we are lagging behind. I am sure we will also get that.

**Amit Chandra:** Okay. Sir as far as my understanding the strength of CVL KYC was in person verification and the original document verification so that still persists or CAMS also provide these kind of services or it is likely largely online related eKYC and online submission out of documents in CAMs?

**P.S. Reddy:** Online we are also providing we are providing E-Sign, and we are providing online account opening etc., so there are lot of people are also using this Aadhar based account opening essentially. We are providing it by the time the CDSL has been recognized as a global AUA by the Aadhar and there is a notification issued by the government. Aadhar has issued it. So there are many issues around Aadhar number storing and number usage etc., so not that everybody can do this kind of thing. Now that gives an extra strength to the CVL to open more and more KYC records to do the more and more KYC records.

**Amit Chandra:** Okay or we can say that the pricing is also a factor there because CAMS is charging less per KYC?

**P.S. Reddy:** Yes, you are in the industry so you are very much. They may be doing it all that but then it is fine. See I have to be fair to my conscious also. Depository participants are doing also good amount of business, instead of depository participant I would say the cap to market intermediary doing the good amount of business, I cannot discriminate and I do not think anybody is doing their, captive market intermediaries are not doing with the registrars.

**Amit Chandra:** Do you think that like this tower enough platform coming in the role of RTA coming down so that also could be a reason?

**P.S. Reddy:** I would not be able to comment on somebody else's platform and its impact on their business it is not fair and yes, multiple channels are available for investors to apply for mutual fund investments and so much the more the better it is that is the way I conclude.

**Amit Chandra:** So how do you see it Sir like the charges going forward so you expect a further drag in the revenues from hereon or like do you expect to stabilize?

**P.S. Reddy:** I can only see growth but not even stability or not even a drag I would say that.



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- Amit Chandra:** Thanks for the opportunity Sir.
- Moderator:** Thank you Sir. We have next question from the line of Hiten Jain from Invesco Asset Management Company. Please go ahead.
- Hiten Jain:** Sir what percentage of KYC business comes from the mutual fund and which are the other major segments?
- P.S. Reddy:** We will not be able to give you that break up. It is not in the public domain.
- Hiten Jain:** Okay but which could be the other areas may be not the percentage?
- P.S. Reddy:** As I said the capital market intermediary, the stock broker, all stock brokers are not my DPs, but every stock broker has to upload the KYC and one KRA or the other isn't it, so we have about 700 to 1500 or even more I do not have exactly. The market intermediaries are uploading their data in the KRA.
- Hiten Jain:** Okay. And my second question is on sequential basis our employee cost is down by 16% so what explains this drop?
- Bharat Sheth:** See always for the March quarter what we are providing all the provisions on the basis of actual liability as well as the performance linked bonus besides in the month of March so that is why there is a sequential debt?
- Hiten Jain:** So are the salary hikes also given in Q4?
- Bharat Sheth:** No salary hike.
- P.S. Reddy:** A performance linked bonus decided in the month of April which when the accounts are getting finalized in the board meeting of the April they decide, when they considering the annual accounts they will decide all these benefits.
- Hiten Jain:** Sure. And which quarter would see the wage hike impact?
- P.S. Reddy:** No that there is no wage hike, every two to three years we are doing wage hike as such, in October 2016 we did it.
- Hiten Jain:** Alright. Thanks.
- Moderator:** Thank you Sir. We have a next question from the line of Dipan Shankar from Trust Line Portfolio Management Services. Please go ahead.



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- Dipan Shankar:** Thanks a lot for the opportunity. Sir just want to understand what are the motivations for this unlisted company for joining this Demat without even regulation so currently we see lot of unlisted companies have come in so what are the motivation for them?
- P.S. Reddy:** Well, many of the promoters may decide to do it voluntarily this is one, second when they go and then raise the capital from the banks when they go to pledge their stock for loans and others. The banks insist you please go to the depositories and then dematerialize that is the second reason. Third reason is some of these the PE investors and others they insist that you must go for dematerialization then only we will invest it. So and this is kind of the reasons for doing all this.
- Dipan Shankar:** So currently are we focusing on this segment to add as a new client even before regulation?
- P.S. Reddy:** Yes, we have been aggressively pursuing the companies but as somebody has pointing out in the meeting until recently there is an attraction of the tariff on the other side so lot of companies were going there because they were charging just onetime fee and there is no annual issue of charges that they have doing it and we have been insisting on annual issuer charges annuity as this is important for me also. And now that by and large the tariffs are on the same footing there is no competitive advantage in the sense so for them in terms of tariff. So now they are aggressively doing this.
- Dipan Shankar:** So any status update on this monetization of academic depository and insurance depository?
- P.S. Reddy:** Insurance repository is not started. In fact the major insurance share is by the LIC who is having the 70% plus market share or 75% may be and they have not joined in this initiative as yet. So that is why it is not taking off and when it comes to the National Academic Depository as I said, already till 2019 September, we are not allowed to charge because that is what the MHRD directing is and more than the payments from these universities and academic institutions, we expect lot of academic institutions start uploading the data then the verifications takes place that is where we expect the revenue streams to come. So the academic institutions are slow in uploading the data and that is where we are doing lot of education to all stakeholders and government is also actively pursuing it. They are calling for lot of seminars meetings etc., and that is how they are trying to popular.
- Dipan Shankar:** This revenue streams might start before September 2019 itself?
- P.S. Reddy:** Come again.
- Dipan Shankar:** This revenue streams that you are talking about verification?
- P.S. Reddy:** No as I said that may be till 2020 we have to wait for these things to take off in a reasonable sense.



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- Dipan Shankar:** Okay Sure Sir. Thank you and all the best.
- Moderator:** Thank you Sir. We have a next question from the line of Gautam Gupta from NRC. Please go ahead.
- Gautam Gupta:** Thank you for taking my question. Sir just wanted to know do we have any idea by when will the tariff structure for NAD be decided?
- P.S. Reddy:** Tariff structure for NAD will be decided only in sometime July 2019 or something like that.
- Gautam Gupta:** Okay and also a small question regarding we said we have about 1.55 Crore accounts on the Demat side how much would be DSDA out of this?
- P.S. Reddy:** BSDA accounts are approximately 55 lakh account but they do not affect us, BSDA account mean that you do not charge the AMC that is what it means and we do not lose anything because we are not charging anything.
- Gautam Gupta:** Sure that is true the details I understand that. Sir last question is slightly speculative if you permit me, but we hear you know lot of opportunity in terms of e-governance, land record digitization, so anything that we see coming up in the next two three years for us in terms of new revenue streams?
- P.S. Reddy:** We have been constantly pursuing at various levels for new businesses and it takes time to fructify and another important thing is there are lot of stakeholders and when we say stakeholders I would also include western and southern also in that stakeholder so sometime they do not allow the things to digitize and non-transparency helps some of these projects so that is why there is something holding back. In NAD records are not getting uploaded in academic institutions because there are some courses which do not want to completely digitized if everything digitized who will go to the universities and then ask for certificate things like that. So it will take time, it is a transformation that we are, it is a challenge for us and we are in the business of transformation and we will do it successfully.
- Gautam Gupta:** Okay. Great Sir, thank you so much.
- Moderator:** We have next question from the line of Nilesh Doshi from Prespro Invest. Please go ahead.
- Nilesh Doshi:** Thanks for providing an opportunity. Sir my question was related to SEBI. When RTA activities will be commercially started and how big is this activity?
- P.S. Reddy:** I can say it will be commercially starting. In fact we have talked once and we have not actually done anything at this point in time but we are expecting this unlisted companies to be admitted into Demat. Now this will happen parallel along with that. Now how big is the opportunity,



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probably I will not be able to hazard a guess it is not fair but I would only say that it is a good opportunity that we can take up. It will add some revenue reasonable decent amount to our line of business.

**Nilesh Doshi:** Okay. Then secondly, how many companies have been appointed CDSL as dedicated depository for monitoring the FDI Limited?

**P.S. Reddy:** It is on our website. You can see that how many companies for which we were doing it there is about 1700 companies are the ones which are doing it and almost 3500 companies so far or less than that 3200 companies only have given this kind of mandate so almost half of it is with us in that sense.

**Nilesh Doshi:** Sir the last question, how much KRA is registering in Q1 and what is the growth rate?

**P.S. Reddy:** March 2018 quarter 1,70,00,000, KYC was there it has increased to 1,74,40,722 so about 4,40,000 we have.

**Nilesh Doshi:** And in KRA business the CDSL is No.1 in the market am I right Sir?

**P.S. Reddy:** Absolutely right.

**Nilesh Doshi:** Thank you Sir.

**Moderator:** Ladies and gentlemen that was the last question, I now hand the conference over to the management for closing comments. Over to you Sir!

**P.S. Reddy:** Thanks to all of you for sparing your valuable time and showing your interest in the company and I hope you will continue to show interest in the company and we will continue to improve our performance and we will strive to do better each quarter God willing. Thank you. Thanks to all of you.

**Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of Axis Capital Limited that concludes this conference call, thank you for joining with us. You may now disconnect your lines.