

“Central Depository Services (India) Limited Q4 FY18 Earnings Conference Call”

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MODERATOR: MR. PRAVEEN AGARWAL – AXIS CAPITAL

Moderator: Ladies and Gentlemen, Good day, and welcome to Central Depository Services (India) Limited Q4 FY18 Earnings 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 phone. I am now hand the conference over to Mr. Praveen Agarwal from Axis Capital. Thank you and over to you, Mr. Agarwal.

Praveen Agarwal: Thank you, Aniket. Good evening, everybody and welcome to this earnings call. We have with us Mr. P.S. Reddy – MD and CEO, Mr. Bharat Sheth – CFO and Mr. Nilesh Kittur to discuss the results. I would request Mr. Reddy to give us a brief overview of the quarterly results, post which we will open the floor for Q&A. Over to you, Mr. Reddy.

P.S. Reddy: Thank you, Mr. Agarwal. Welcome to the Analyst Conference Call of CDSL. This year we have done exceedingly well, as you have seen the results. Apart from the quarter the overall year has been good, capital markets are booming, and the new issues have substantially lifted our revenues, Mr. Bhart bhai will tell you the revenue heads which have substantially contributed.

And at the macro level our market share is now 46.5% as of the end of the financial year as against 44% at the beginning of the year, and that is a substantial gain that we have made. And in the last year we have opened 25.72 lakh accounts as against the competition, 15.11 lakh accounts. The incremental market share has gone up to 63%, so that has lifted the aggregate market share. The CVL has also substantially contributed to the growth and it contributes 19% to the top-line and 23% of the profits for Consolidated financials.

And in terms of CVL ,we have about 1.7 crores KYCs fully digitized available and people are using it. And what is important is the multiple usage of the KYCs has resulted in substantial income, that is one part of it and the second part, e-KYC is doing well, and a lot of online account opening is happening using e-KYC. Of course, there is some rough patch that we are currently going through because about the uncertainty about the usage of Aadhaar for the KYC, and the matter is subjudice. So until the issue is finally decided by the Supreme Court of India probably there will be some slow process of approving of applications. But otherwise it is doing well.

The other part is the national academic depository, here again we are a market leader at this point in time and the number of academic institutions which have signed with us are 231 as against competition 190, and we have 47 universities or recognized institutions who have given us letter of intent, so we are setting up there whatever the integration part of it, once that is done they will also sign up. And when it comes to the commodity depository which recently we launched, of course there is no income except the investment income at this point in time. It was launched sometime in September and there are about 72 repository participants we have registered so far and very few accounts have been opened and the ecosystem is being developed, we are conducting a lot of awareness programs with the warehouses, with banks, with commodity

traders and we have a lot of major mandis where various products are being traded. So the response has been very encouraging, that is one another important thing that we have done.

The other part is, SEBI has granted the registration for registrar to the issue i.e. RTA license we got and that we will be starting it shortly. There is also news, you must have read in the papers also, the unlisted companies are also going to be admitted with the depositories because then only the government, the Ministry of Company Affairs will get a complete view about what is happening in the sectors with respect to the shareholding. That process and discussions are on and that is another line of business that we are looking at it. Of course, it will not be as big as the listed companies, obviously there would not be much transfer, that is more important.

We are also looking at another important piece, thanks to the online account opening there is a e-sign project. So for doing e-sign you can work with somebody who is a certifying authority or you yourself can become a certifying authority. So we thought as there are only four in this space and we too should be doing well by entering into it, may be going forward online e-signing will take a major shape, but then we should be there when it is really big, that is why our board, especially the CVL board has decided to take up that activity as well. Initially we do not expect any great revenues but then only time will tell how far we will do it, how better we will do it in this space, that is e-sign part of it.

So these are the major developments in this space. There is another thing that the board has decided, last year we had paid 30%, this year it has decided to declare a 35% dividend, i.e. is Rs. 3.50 per share dividend. That you see a dividend payout ratio of 57% which is by and large maintained in the last three years.

Now I will ask my colleague Bharat Sheth to speak on the financials.

Bharat Sheth:

Good evening, everybody. On consolidated results on annual basis first time we have crossed total income of Rs. 225 crores, it is more than Rs. 200 crores we have crossed and first time we have crossed profit after tax of Rs. 100 crores, it comes to Rs. 103 crores as such. Increase in operational income by 31% and increase in expenditure by 20% whereas profit before tax has increased by 21% on consolidated basis, whereas PAT is of 20%. Whereas on standalone basis first time we have crossed Rs. 150 crores turnover operational income and profit before tax first time we have crossed Rs. 100 crores, i.e. Rs. 106.38 crores as such. So my standalone basis operational income increased by 27%, total expenses increased by 14% and profit before tax increased by 16% whereas profit after tax is 14%.

On quarterly basis if you see Q4 versus Q3 on consolidated basis, towards operational income is more or less same, there is 1% increase, but other income has increased by 67% in quarter four versus quarter three. Whereas total expenditure increased by 13%, profit before tax increased by 4% and net profit by 2% as such. And on standalone basis operational income quarter four versus quarter three by 2% and other income increased by 55%, other income means income from investments in Mutual Fund etc. And total expenditure increased by 10% quarter-on-quarter basis whereas profit before tax increased by 6% and profit after tax by 7%.

So I would like to open forum for question-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Sanjay Ladha from Perfect Research. Please go ahead.

Sanjay Ladha: My first question is, the depository services being offered seem to be similar across competitor, what strategy are we deploying to get incremental market share?

P.S. Reddy: Well, to get incremental market share the online account opening is one thing that we are concentrating on and we are looking at admitting more and more DPs and more and more fintech firms, and if they become DPs obviously they will be able to ramp-up our account opening faster than anybody else. That is the way we are looking at it.

Sanjay Ladha: And sir the second question is, you described that unlisted companies also have to register, could you please elaborate how this process works?

P.S. Reddy: MCA is considering offering the private limited companies and others to admit their securities mandatorily, and once that mandate takes a concrete shape obviously they will be asked to dematerialize the entire shareholding into depositories. Now they may chose one of the depositories, we do not know whether they will mandate it with both so that investors may have an account either of the depositories and still they get serviced or they may say that you go only with one of them to reduce their cost. And obviously the tariff will not be as high as what SEBI has mandated the listed companies to pay, but to that extent it will be much lower than what it is.

Sanjay Ladha: And the last question from my side is, what is the addressable size of opportunities at present?

P.S. Reddy: Of the unlisted companies?

Sanjay Ladha: From the services we are offering.

P.S. Reddy: What are the addressable opportunities?

Sanjay Ladha: Addressable size, like how much the total size of the opportunities we are gathering, like in FMCG they have Rs. 1,000 crores market share and there are 1,000 crores industries. So like what is the addressable size?

P.S. Reddy: That we will not be able to share any of those things, that is not appropriate for us to comment.

Moderator: Thank you. Our next question is from the line of Nitin Agarwal from JM Financial. Please go ahead.

Nitin Agarwal: Sir, my first question is regarding the recent news where SEBI said panel headed by R. Gandhi is likely to recommend allowing new corporate houses or private companies to get license for depository services. So I wanted to know what is the status on this? And if allowed by SEBI then how will the competition pan out in the next two years?

- Bharat Sheth:** See, two itself is a crowd in the depository space, if a third one comes I do not know what to say. But then as we said, I do not know what the Gandhi committee has actually said because nothing official has come out yet on this, there is only newspaper reports that is discussed in bits and pieces. So we will see and then evaluate strictly what the Gandhi committee has said and then what we should do with this and the competition. Having said that, my view is that there is not enough space for too many depositories to work in this space because the depository participants have to incur expenditures and the product is by and large homogeneous and the market is, especially the established players are already tied up with either NSDL or CDSL. So even if a third one comes then the depository participants have to tie up with the third one and there is an expenditure at their end, whether they will be willing to look at that expenditure, I do not know, I do not think that is a viable option at this point in time that is what our thinking is, but then we will see how it will pan out, but there is no immediate danger in our view.
- Nitin Agarwal:** Okay. And my second question is, if you could give us the revenue bifurcation for FY18 for annual surcharge transaction charges, IPO, corporate action and online data charges?
- P.S. Reddy:** Okay. On consolidated basis annual issuer charges, FY17 it was Rs. 51.71 crores, it has increased to Rs. 55.62 crores, increased by 8%. Transaction charges from Rs. 31 crores has increased to Rs. 44 crores, that is increase by 41%. IPO corporate action charges from Rs. 16.5 crores has increased to Rs. 29.48 crores, that is an increase by 79%, whereas online data charges from Rs. 18.7 crores it has increased to 29.18 crores, that is 56%.
- Moderator:** Thank you. Our next question is from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.
- Anand Laddha:** Sir, if you can give some color like how is the annual registry charges calculated?
- P.S. Reddy:** See, annual issuer charges are calculated on two fronts, one on a slab basis or on a folio basis. For example, if share capital admitted is more than Rs. 20 crores then we can charge them Rs. 75,000. For example, Reliance if you take it, xyz company is having Rs. 25 crores share capital, then I can charge them Rs. 75,000 on the basis of slab. But they are having a 10 lakhs folio with us then I can charge 10 lakh into Rs. 11, whichever is higher like that we are charging.
- Anand Laddha:** And these charges are standard across both NSDL and CDSL?
- P.S. Reddy:** Yes, same as mandated by SEBI.
- Anand Laddha:** And in the case of IPO corporate action charges, how that is levied sir?
- Bharat Sheth:** IPO corporate action charges is based on the number of folio as such, i.e. Rs. 10 per folio we are charging or minimum file size, Rs. 10,000 per file like that it is.
- Anand Laddha:** And sir how are the transaction being charged, sir?

- Bharat Sheth:** Transaction charges from Rs. 4.25 to Rs. 5.50 depends on volume of business driven by the depository participant. And that is on debit transaction only, like mobile phone, incoming is free and outgoing is chargeable.
- Anand Laddha:** Sorry, I did not got the last one.
- P.S. Reddy:** Only debit transaction we are charging.
- Anand Laddha:** So at the time of selling only you have to pay the charge and not at the time of purchase?
- P.S. Reddy:** Yes.
- Anand Laddha:** And if you can give what is the number of companies listed with the CDSL?
- P.S. Reddy:** At present 7,539 crores are there listed with us.
- Anand Laddha:** This includes listed and unlisted both or...?
- P.S. Reddy:** Yes. Both together 10,628 companies are there.
- Anand Laddha:** Of this 7,539 are listed?
- P.S. Reddy:** Yes.
- Anand Laddha:** Sir, if you can give also revenue of CDSL ventures?
- Bharat Sheth :** CDSL ventures on an annual basis as on 31st March, 2017, operational income was Rs. 24 crores, it increased to Rs. 37 crores, 51% increase in operational income. Other income means mutual fund investment income from Rs. 5.40 crores to Rs. 6.13 crores, that is increased by 14%. Whereas total expenditure from Rs. 6 crores to Rs. 10 crores has increased by 63% whereas profit before tax from Rs. 23 crores to Rs. 32 crores, that has increased by 39%. And profit after tax from Rs. 17 crores to Rs. 24 crores that has increased by 38%.
- Anand Laddha:** And sir how much stake we have in this venture, this is 100% owned by us?
- P.S. Reddy:** Yes 100%.
- Anand Laddha:** Sir, the CDSL venture charges on the basis of KYC, right?
- P.S. Reddy:** Yes.
- Anand Laddha:** Sir, what is the basis of charge, per transaction we charge certain amount like in case of transaction charges?

P.S. Reddy: No, here per KYC usage the charges vary. Similarly when you create KYC there is one charge and when somebody uses the KYC the charge is different, so that is the way it works.

Anand Laddha: So how much of the charge is per KYC usage?

P.S. Reddy: By and large standard but some of the intermediaries who are giving big volumes there discounts are also there.

Anand Laddha: Okay. Sir, if you can give some color like how much KYC we could have created in FY18 versus FY17?

P.S. Reddy: Around 22 lakhs KYC created during the year.

Anand Laddha: This is the new KYC created?

P.S. Reddy: Yes, during the year.

Anand Laddha: This 22 lakhs is the new customer which has come or suppose a customer could have done KYC for one mutual fund and if he...

P.S. Reddy: A new KYC.

Anand Laddha: Sir, similarly you could have data of KYC uses also, how much KYC usage could have happened?

Bharat Sheth: That is a bit confidential, we do not disclose that. Because there are four other competitors there.

Anand Laddha: Who else are there along with you in terms of competition?

Bharat Sheth: NDML, CAMS, Karvy, DOTEX.

Anand Laddha: Sorry, NDML?

P.S. Reddy: NSDL Data Management subsidiary of NSDL is there, CAMS is there, Karvy is there, DOTEX is NSE subsidiary.

Anand Laddha: Okay, DOTEX also does the thing, okay.

P.S. Reddy: But we are the largest among all the five.

Anand Laddha: Just a small request, if you can give quarterly breakup of your revenue in terms of how much is the annual charges, IPO, online data charges, it will really help us in analyzing every quarter.

Bharat Sheth: Every quarter you want! But that is the format according to SEBI and Companies Act, accordingly we have given.

- Anand Laddha:** You can give in the press release a breakup of the revenue, it will be helpful sir.
- Bharat Sheth:** Definitely we will look into it.
- Anand Laddha:** And sir when you say online data charges, how it is charged and on what basis they charge, sir?
- P.S. Reddy:** It is the same, the KYC charges only they call it online data charge.
- Moderator:** Thank you. Our next question is from the line of Abhishek Jain from Vallum Capital. Please go ahead.
- Abhishek Jain:** Sir, your revenue on QonQ basis seems to be flat, sir what are the reasons for the same? And second question is, your interest income yield is so low against so much of investment, so can you just bifurcate on how much you are like earning interest and how much cash is very idle?
- Bharat Sheth:** About the operational income it is flat, it depends always on the market and quarter-on-quarter basis it is stable as such, if you see quarter one, two, three, four, it is more or less stable. And it depends on number of IPOs as well as corporate action on particular quarter it varies accordingly. Regarding the other income, other income quarter-to -quarter it depends on, see our 90% of investments are in mutual funds as such, FMPs are there, short-term funds are there. So, it depends on NAV because as per the IndAS we have to provide as per NAV whatever mark-to-market we have to do. So, as on 31st December whatever NAV are there, if you see as on 31st March it has increased that is why investment income has increased. And there are two components, one is tax free and one is taxable components of income are there in investment also, so yield is approximately 8.18% , if you compare to one i.e. last year it was 9.69% because investible surplus because we have invested in property so around Rs. 52 crores was not available to us because of that.
- Abhishek Jain:** Sir, how much amount is like available on which you earn interest income, I am asking that. How much corpus is available?
- Bharat Sheth:** Total Rs. 550 crores.
- Abhishek Jain:** and on which you are earning how much amount?
- Bharat Sheth:** 8.18%.
- Abhishek Jain:** And sir your some corpus is into the regulatory cash mandate, so are you earning interest on that part?
- P.S. Reddy:** Come again please, what are you asking?
- Abhishek Jain:** There is some regulatory mandate for you to maintain Rs. 210 crores cash or cash equivalent.
- Bharat Sheth:** Net worth requirements.

- Abhishek Jain:** Yes, so are you earning some interest on that part also??
- Bharat Sheth:** Yes.
- P.S. Reddy:** This Rs. 550 crores includes that also.
- Moderator:** Thank you. Our next question is from the line of Prakash Kapadia of Anived Portfolio Management Services. Please go ahead.
- Prakash Kapadia:** Congrats to the entire team for a very strong revenue growth and 1 billion PAT figure for the year, we were 1 billion sales few years ago, so we hope this is very structural and congrats to the team for that. Sir, if I directionally look at the investment book the share of non-current investments has been going up, so if you could give us some idea of the tenure or the duration of non-current, will this continue, is this a conscious strategy at our part to avoid re-pricing of interest rate stocks?
- Bharat Sheth:** See, total investment if you see 90% are in mutual fund and out of which is taxable as well as non-taxable i.e tax free we have invested in the bonds. And for taxable thing we are following that most of our investment are on three years FMP tenure, where capital gains tax benefit also we will be able to take.
- Prakash Kapadia:** So this would continue in the near future where the longer-term or the non-current could see further increase?
- P.S. Reddy:** Yes, definitely.
- Prakash Kapadia:** Okay. So that will avoid the capital gain, understood. And investor protection fund, there has been absolute decline in FY18 as per notes, is that right understanding at my part?
- Bharat Sheth:** No, last year investor protection fund includes, see SEBI has come out with guideline for IPF in 2012 and in 2016 they have revised the guidelines, so we have transferred last year whatever funds with interest on that, that is around Rs. 1.60 crores we have transferred towards interest, so because of that difference only the number looks lower this year. Otherwise one on one basis it is same, every year once the board approves we have to transfer the fund to the trust.
- Prakash Kapadia:** Sure. And Mr. Reddy you mentioned about the e-sign and the RTA license which was just approved by SEBI, so e-sign is more linked to DBT and how does that work, if you can give some color, and RTA how does life change for us and what is the game plan on the RTA?
- P.S. Reddy:** See, SEBI is looking at distribution of the dividends, etc, by the depositories, there is a concept paper already, I suppose it is there on the SEBI site. And there is also thinking that the depositories should be able to do whatever little is now being done by RTAs, because the IPO process has become online and substantial work has been shifted online. And what is left now across the world depositories are doing more and more of even the RTA process also. So, keeping that in view we thought we should step in and prepare ourselves to take over that kind of

responsibility. Now, when it comes to e-sign, see account opening turnaround time has to be reduced substantially and many of the brokers or DPs are competing with banks and others who have a three in one account opening portal. So for that using e-sign they are getting all documents signed, and e-sign is based on Aadhar number. So, once you pick an e-sign using the one-time password then that can be attested on only one PDF document. So more the PDF document you have to sign the number of times you need to do that, Aadhar fetching is increased. But then again the turnaround time as I said has substantially reduced from few months to may be few minutes. And the compliance costs are also reduced, there is no doubt that whether it is signed by client or not signed by client, all that dispute is eliminated and audit trail is fully established. So it is a very no nuisance kind of process, that is why we want to step into that. And this is not necessarily that we will use that e-sign process wholly for the account opening here, once I am a certifying authority this e-sign concept can be applied for anywhere, for any documents sign in, not just account opening with the depository.

Prakash Kapadia:

So, so tomorrow it can be extended to...

P.S. Reddy:

You can sign the bills, you can sign any papers, any piece of paper, any document.

Moderator:

Thank you. Our next question is from the line of Khadija Mantri from IIFL. Please go ahead.

Khadija Mantri:

I just wanted to know market share with respect to increase in Demat account, whether it has increased QoQ and YoY?

Bharat Sheth:

I will tell you, year-on-year it is 64% as against 59% last year. Quarter-on-quarter it is an increase, 60%, 62%, 63%, 65%, this is the way it has gone up, the average is 63%.

Khadija Mantri:

Okay, and this quarter it was 65%?

Bharat Sheth:

Yes, last quarter it was 65%.

Moderator:

Thank you. Our next question is from the line of Sanket Godha from Spark Capital. Please go ahead.

Sanket Godha:

I just have a couple of questions, one was on non-depository services have shown a good growth, just wanted to know details, just more granular details on it. And second was, how should one look at central KYC? And if this happens is CDSL being paid for uploading the data?

P.S. Reddy:

See, the CDSL's major revenues come from KRA business i.e. where the CVL is doing. And we have been telling and in the IPO documents also there are risk factors, if CKYC is the only KYC that is to be maintained and the KRAs have no role to play then probably this will take a big hit. But then at this point in time we have been successful in living through this fear and I am sure we will continue for some more time that is what my view is, because there is a value addition what we are doing in the KYC arena. There is no in-person verification when it comes to CKYC and there is also the data that is entered is verified by our people in our operation site. They also

reject some of the applications where the KYC is done wrongly. So all that value addition is now coming though on the CKYC system. So we see that we will continue to do that. When it comes to the upload charges, yes even we are giving the services to the intermediaries where they upload on the KRA and then we will massage the data and provide the file that is needed to be uploaded on CKYC. And then intermediaries quietly upload that data into that, there is no extra effort for them to upload that. So that is where we charge a small price for doing that is spend on massaging the data.

Sanket Godha: Okay, so the charges would be very low, or you can discuss the charges sir?

P.S. Reddy: The charges for massaging the data are very low, but then for KYC creation and actually doing it on the CVL KRA portal of which they have competitive prices, that is all I can say.

Sanket Godha: And just on the initial part of the question, non-depository services have shown good growth, so if you can give more details on it it would be really helpful.

P.S. Reddy: It is 99% CVL because all of these are still in the case of CIRC it has not taken off as I said that the insurance industry is not as off supporting fully the dematerialization of the policies, or they themselves are putting up on their portals the policies. And when it comes to the commodity repository, just started last year sometime in September, we are still making the stakeholders aware of the commodity repository. And when it comes to the CVL that is a well-established platform. And National Academic Depository, one which we are doing on the CVL but the MHRD has mandated that we cannot charge the education institutes till September 2019. So we are only bringing them into our fold but the charge will start only in 2019 September onwards. So that is the way it is.

Moderator: Thank you. Our next question is from the line of Ayush Khaitan from Prospero Finvest. Please go ahead. Apologies. The next question is from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.

Anand Laddha: Sir, if I look at our four major revenue lines, annual charges, transaction, IPO and online data, all four together is Rs. 160 crores and our reported top-line figure is Rs. 190 crores. So if you can give some color, like the balance Rs. 30 crores are coming from which area sir?

Bharat Sheth: See, there are other charges like user facility charges apart from those five you have mentioned, user facility charges are there, then settlement charges are there, account maintenance charges are there, e-voting charges are there.

P.S. Reddy: E-voting is one other major contributor.

Bharat Sheth: That is Rs. 4 crores that we have won, e-CAS charges are there.

Anand Laddha: Sorry, what it is?

P.S. Reddy: E-voting charges Rs. 4 crores.

- Anand Laddha:** And e-CAS, what is e-CAS sir?
- P.S. Reddy:** Consolidated account statement electronically we are sending and physically also we are sending, both are there. If you want figures also then we can give.
- Anand Laddha:** If you can give figures that would be helpful.
- Bharat Sheth:** User facility charges Rs. 3.4 crores.
- Anand Laddha:** This in FY18?
- Bharat Sheth:** FY18. Then settlement charges Rs. 1.6 crores, account maintenance charges Rs. 2.88 crores, e-voting charges Rs. 4.1 crores, e-CAS charges Rs. 6.43 crores, then document storage charges that is CVL thing that is Rs. 5.28 crores, e-KYC will come to Rs. 2 crores, these are the major.
- Anand Laddha:** And sir what is the growth outlook on all of these charges, what is the basis of these charges?
- P.S. Reddy:** Basis of charges you will find out on our website it is there.
- Anand Laddha:** Okay. And sir what is the growth outlook on these other charges, like e-CAS, e-voting?
- P.S. Reddy:** See, for e-voting there competitions are there, so it depends on that also, and e-CAS charges whenever transactions are there we have to send to beneficial owner, so depends on the number of transactions they have done and accordingly we are sending. So growth and all depends on the markets overall.
- Moderator:** Thank you. Our next question is from the line of Harith Shah from Reliance Securities. Please go ahead.
- Harith Shah:** Sir, I have a query, do you have the data of total beneficial owner accounts, gross and net basis at the end of FY18?
- Bharat Sheth:** We are having data of net BO accounts, so current year CDSL has 25.72 lakh accounts opened against NSDL of 15.11 lakhs.
- Harith Shah:** So this is on a net basis?
- Bharat Sheth:** Yes, all on net basis.
- Harith Shah:** Okay. So I think last year the total figure was about 1.6 crores the total beneficiary accounts.
- Bharat Sheth:** They are having 1.07 crores and we are having 1.48 crores.
- Harith Shah:** This is also net, right?

- Bharat Sheth:** Yes, net only.
- Harith Shah:** And secondly, what was the total amount of depository participants at the end of FY18?
- Bharat Sheth:** We are having 594 depository participants.
- Harith Shah:** Okay. Just one query, sir what is the reason for depreciation charges increasing so substantially and your net assets?
- Bharat Sheth:** Yes, we recently we have got new property on office premises, because of that and fixtures in office premises.
- Harith Shah:** Apart from that there is no additional , because that is part of your CAPEX in any case, right?
- Bharat Sheth:** Yes.
- Harith Shah:** And just one last question, what is the outlook for FY19 and on a overall consolidated level obviously the market will vary based on various factors but the overall outlook for rest of the business, if you can just give some qualitative understanding? Thank you.
- P.S. Reddy:** We do not see any problem in market what it is today, may be the elections and rain gods may throw some element of uncertainty, but otherwise economy is doing well, there is no reason why we should not be doing well. As long as there is an opportunity in the economy, as long as the economy does well, company sectors do well, capital market does well we are going to capture the market, so much we are confident about.
- Harith Shah:** And one last question on my side, what is the CAPEX outlook for FY19?
- P.S. Reddy:** It would be around Rs. 6 crores to Rs. 7 crores.
- Moderator:** Thank you. Our next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir, I missed the CDSL ventures revenue for FY18 vis-à-vis FY17. And when you mention online data revenue, is that CDSL venture revenue or it is a separate number then?
- P.S. Reddy:** No, same thing, CDSL Venture Limited only.
- Pritesh Chheda:** That you mentioned at Rs. 29 crores versus Rs. 18 crores last year?
- P.S. Reddy:** Yes. See operational income CDSL Venture Limited against FY17 Rs. 24 crores we have earned Rs. 37 crores, out of which Rs. 29 crores from online data charges.
- Pritesh Chheda:** Okay, so CDSL Venture is Rs. 37 crores versus Rs. 25 crores. And the difference between standalone and consolidated is function of CDSL venture, right?

- P.S. Reddy:** Yes.
- Pritesh Chheda:** There is no other company or subsidiary?
- P.S. Reddy:** Operational income side, no. Out of Rs. 191 crores around Rs. 154 crores from CDSL and Rs. 34 crores from CDSL Ventures for operational side.
- Pritesh Chheda:** Secondly, I just wanted to take some update on the GSTN, what is the status there in terms of monetization revenue, what is the update on the national education depository?
- Bharat Sheth:** On the GST piece we have, as CDSL has transferred this license, CDSL Ventures Limited has independently applied and CVL got it and we transferred the business from CDSL to CVL because we have not got the permission from SEBI to continue this business in CDSL. And the projection, the kind of outlook that we had for GSTN was very bullish at the time when we launched, but then the number of filings of come down and we have not seen as much traction as we thought we will get it. But still we stay put in this business and see what will happen as the time pass by.
- Pritesh Chheda:** What was the scope of area in this business, you were basically records keeper for...?
- P.S.Reddy:** No, we are proving ASP service as well as we are GSP. So if we have an ASP module, if somebody wants to use that ASP module they can use it and then they can upload it independently without depending on anyone. And if you have an ASP module and you can connect yourself to GSP and then you upload it, that is the way it is. And this is on the GST. And I think I have explained earlier the national academic depository, the number of academic institutions that we have on-boarded, about 231 have signed and about 47 have given letter of intent as against the competition. And again this is there on the UGC website, you can see who has done what, it is a transparent way. And we have also been told, of course it is part of the agreement, we cannot charge the academic institutions till September 2019. So there is no revenue coming at this point in time but we are engaging all the academic institutions to register with us so that we will be able to start earning something from September 2019 onwards.
- Pritesh Chheda:** What kind of costs are sitting in the P&L from these two business areas?
- P.S. Reddy:** It is less than Rs. 1 crores.
- Moderator:** Thank you. Our next question is from the line of Parimal Mithani from Prudential Investment. Please go ahead.
- Parimal Mithani:** I just wanted to check technology wise how do we upgrade the entire thing in terms of the CDSL with reference to lot of new technologies coming and the intermediaries getting out of the chain, do you see that is certainty of the business?
- P.S. Reddy:** We are also upgrading our technology. People usually ask me about the block-chain, and on two, three occasions I did speak about block-chain. It is not a stable technology as yet and not too

many developers are there, not too many applications are also there, thanks to Bitcoin it has become a popular talking point and flavor of the month, but then otherwise it is not a mature application as yet. So, even if one fine morning block-chain comes there is hardly anything that they can do, they have to come via the regulatory jurisdictions and systems that are put in place. And it is not just depository alone will do it, even the depository participant should be compliant with that. And existing depository participants also have to tie-up with the new depository even if the new depository comes, they have to invest additional money in new depository. So we are not worried about that part and whatever changes that take place in the technology front we will be able to keep pace with that, or may be stay ahead of the technology changes that competition may envisage or happen in this market.

Moderator: Thank you. Our next question is from the line of Abhishek Jain from Vallum Capital. Please go ahead.

Abhishek Jain: Sir, with how many insurance companies you have tied up perpetually for electronic policies, can you just throw the light on the same, like how CDSL placed over there?

P.S. Reddy: We have about 22 insurance life insurance companies signed up, and we have 15 non-life signed up with us. And there are 18 non-life which are still in under discussion. Two Life insurance companies which are again which are under discussion.

Abhishek Jain: And how many are there which have signed perpetual contract with you?

P.S. Reddy: There is nothing like perpetual contract or anything, they sign the contract and there is always a termination clause, isn't it. So all these people are doing, some of them are active, some are not active.

Abhishek Jain: And sir actually I earlier asked, you are saying that 8.1% is the bond yield that you are getting, right?

P.S. Reddy: Return on investment 8.18%, not on bonds, altogether investment.

Abhishek Jain: And can we just bifurcate that also, per say?

P.S. Reddy: Means bond you want separate and...

Abhishek Jain: You said that 90% of investment is in FMP, so the substantial revenue comes from that, not from bonds or anything. There are few tax-free bonds but not very big investment, how much it is?

P.S. Reddy: Tax free rate is 6.85%

Abhishek Jain: And sir can you just throw some light on the warehouse receipt market size in India and positioning of CDSL on the same?

- P.S. Reddy:** See, as I said we have just thought about this initiative, we were told that bank's pledge business at this point in time is Rs. 60,000 crores and there is a scope for 1 lakh crores. But then these are all different people saying this number or some agencies there which have put in some report and based on that we are saying this. But then the ecosystem most important stakeholder is the banks, the banks are pledging commodities in the warehouses and they should make it mandatory for them to pledge via the repository route. So the discussions are on and then WDRA itself has engaged with them and hope that they will be seeing merit in doing via the repository route than what is happening at this point in time.
- Abhishek Jain:** And sir last question from my side, like how you see the progress being done in the phase for demat, your last commentary on the same, like how far it has gone, how the negotiation has been?
- P.S. Reddy:** Sorry, I did not get your point.
- Abhishek Jain:** How much progress has been done in space for this demat for all?
- P.S. Reddy:** Okay, single demat account for all financial assets you are saying?
- Abhishek Jain:** Yes.
- P.S. Reddy:** No, the regulatory things are yet to be announced, so once the SEBI announces those changes then the other regulators will start doing necessary things at their end also. So to begin with, it will have to happen at SEBI.
- Moderator:** Thank you. We take the last question from the line of Ayush Khaitan from Prospero Finvest. Please go ahead.
- Ayush Khaitan:** Sir, my first question is, how many number of companies have shifted from slab basis to folio basis in our annual charge? And folio basis generates higher revenue, so...?
- P.S. Reddy:** See, out of total revenue of annual charges 17% of the company gave me on a folio basis, it gives me 58% of total income, and 83% companies are on capital basis i.e. flat basis, it gives me 42% revenue from annual charges.
- Moderator:** Thank you. I now hand the conference over to Mr. P.S. Reddy for closing comments. Thank you and over to you, sir.
- P.S. Reddy:** Thank you, everyone, for participating in the call. And thank you for your support also, a lot of you are invisible to us but then I am sure you have taken a keen interest in the company. We will do our best to stay ahead of the competition and meet the expectations of all the investors. But ultimately the markets decide what is that we get at the end of the day. Thank you once again. Stay invested, I am sure you are in good company, that is all I can say. Thank you.

Moderator: Thank you very much. On behalf of Axis Capital Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.