



“Central Depository Services (India) Limited
Q3 FY2019 Earnings Conference Call”

January 28, 2019



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Moderator: Good day, ladies and gentlemen, and a very warm welcome to the CDSL Limited Q3 FY2019 investor conference call hosted by Axis Capital. As a reminder all participant lines will be in the listen-only mode, 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. Please note that this conference is being recorded. I now hand the conference over to Mr. Aditya Bagul from Axis Capital. Thank you, and over to you, Aditya!

Aditya Bagul: Thank you, Ali. Good afternoon, ladies and gentlemen, and a warm welcome to the 3Q FY2019 earnings conference call of CDSL India Limited. We have the management of CDSL represented by Mr. P.S. Reddy, Managing Director and CEO; Mr. Bharat Sheth, CFO; Mr. Gaurang Shah, Vice President; and Mr. Nilesh Kittur, Assistant Vice President. I request Mr. Reddy to give us a brief overview of the results, post which we will open the floor for Q&A. Over to you, Sir!

P. S Reddy: Thank you, Mr. Aditya. Welcome to you all to this Q3 con call. Well, it must have disappointed some of you the results are not all that is expected. It is primarily due to a very weak market and the number of IPOs has been substantially lower. You see the kind of revenue that we had in the corresponding quarter in the last year as against this quarter. And this year is not all that good in terms of markets. As you know, 60% of our income is almost all market related. So it has impacted our performance as well.

Although you are all very much well known in the industry as to the numbers of IPOs, etc., in the FY2018, you have IPOs of, about Rs 33000 Crores, was raised as against 2017, 68000 Crores that itself is more than half is the fall in the IPO market. And that has substantially impacted because IPO revenues were driving our business.

In fact, last year was exceptionally a good year for us. That being so, even the transactional revenues have also come down because delivery based volumes are lower. In this quarter, we had about 27%, 28% fall in the billable transactions. That was the kind of fall we have.

Even in the eKYC, thanks to the Aadhar order, it has impacted the account opening in terms of using the eSign and then Aadhaar-based accounts. And so we are trying to find where we are introducing an offline eKYC module. In fact, we have soft-launched it. Maybe we will be rolling out to other market participants at the earliest once the feedback is received from the market participants.

So eKYC is another one, which has impacted us. Of course, National Academic Depository, we are doing well there, almost all 500-plus universities we have signed up and that is a good number. And also, we have, the government has also taken a keen interest in populating the database with more and more academic records. And a lot of conference calls and VCs are



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happening with the Ministry officials and the university officials. We are in between to facilitate that activity. So that is now picking up. That is good fortune for us.

Coming back to the other business in the CDSL in itself, that is unlisted companies. There also, we have seen a very good traction. Almost all about 500-plus companies we have been admitted in the quarter-end and another 500 are being done. That is a good development that is taking place on this front.

Our commodity repository, as I have been saying, you have 3 verticals. One is the eNAM vertical, where the integration is still happening. It is not done kind of case. And the other one is the pledge by the banks taken as eNWR. There, we have seen some kind of growth and some banks have become repository participants. So there, we are looking at our business to pick up.

And commodity exchanges themselves have done the settlements MCX have done settlements of Mentha oil. And we have done Mentha and cardamom is another one which we have done it.

Yes, we have done in cotton. And for ICEX, we have done rubber settlements as late as in December 2018. So these are the developments that are taking place. And so there, again, it is a very small transaction is in as of now.

The eNWR has not made mandatory by the RBI. Probably once it is made mandatory by RBI, many banks will start lending all against the eNWRs. And commodity exchanges anyway have made it mandatory for registration of all warehouses, which are under their, where the stocks to be deliverable on exchanges are being kept. So all those commodity warehouses are registered.

Of course, we are now looking at insurance repository which is also doing well. We have seen good traction as a standalone. Notwithstanding our pursuance with the ministry for a single DEMAT account, which is again, let me tell you is happening, interesting and may be sooner than later, the guidelines will be issued for permitting depositories through depository SBU, it will be permitted to do aggregation of other asset classes in the DEMAT form. So this is what we are looking at it at this point in time.

I will ask Bharat Bhai to explain some of the numbers, which you are all keen to look at. And later on, you can ask questions.

Bharat Sheth:

Good afternoon to everybody. I am wishing you a Prosperous, Happy and Prosperous New Year to all of you. Now on consolidated basis, Q-on-Q, that is quarter ended December 2018 versus quarter ended September 2018, the total consolidated income is marginally down by 1%. That is 6289 lakhs in September 2018 as compared to 6222 lakhs in December 2018, mainly on account of overall market conditions.



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However, the other income increased by around 65% from 974 lakhs to 1605 lakhs on the current quarter. So the PAT is marginally down by 6%. That is from 3015 lakhs to 2845 lakhs, which was mainly due to increase in the some of the expenditure.

Whereas year-on-year basis, quarter ended December 2018 versus quarter ended December 2017, the consolidated total income increased by 9%. That is Rs.6222 lakhs in December 2018 as compared to 5726 lakhs in December 2017.

The operational income decreased by 10% from 5134 lakhs to 4616 lakhs, mainly due to subdued market conditions. However other income has increased by 171% from Rs.592 lakhs to Rs.1605 lakhs in the current quarter, mainly due to mark-to-market gains on investment.

Further, the PAT is up by 12%. That is from 2540 lakh to 2846 lakhs. The expenditure was higher by 18% on year-on-year basis. That is 2195 lakh to 2595 lakhs.

Whereas on a standalone front, quarter ended December 2018 to quarter ended September 2018 that is Q-on-Q, stand-alone total income is up by 1%. That is from 4821 lakhs in September 2018 to 4887 lakhs in December 2018, mainly on account of improvement in other income around 59% other income from 718 lakhs to 1139 lakhs in the current quarter. The decrease in PAT by 3%, that is from 2209 lakhs to 2152 lakhs, mainly on account of increase in expenditure.

Whereas quarter ended December 2018 to quarter ended December 2017 that is year-on-year basis, the total income up by 8% from 4541 lakhs in December 2017 to 4887 lakhs in December 2018. The operational income decreased by 9% from 4096 lakhs to 3748 lakhs. However, the other income increased by 156% to 445 lakhs in December 2017 to 1139 lakhs in December 2018. The increase in PAT is 18%. That is from 1828 lakhs to 2152 lakhs, was mainly on account of increase in the Income and reduction in effective tax. The expenditure was higher by 13% on year-on-year basis. That is 1897 lakhs to 2145 lakhs.

So now I request you to open forum for question-and-answer.

Moderator: Sure sir. Thank you very much. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Prakash Kapadia from Anived Portfolio Management.

Prakash Kapadia: If you could give us the revenue breakup about our major heads in terms of transaction charges annual issuer charges, IPO corporate action quarter versus last quarter?

Bharat Sheth: See, Q3, annual issuer income is Q3 is 1761 lakhs. Transaction charge is 950.46 lakhs, majorly only I am talking of. E-voting charge is 56.76 lakhs. IPO corporate action charges 400 lakhs. Whereas KYC, online data charge is 713 lakhs. These are the major head. Against quarter 2, that is September, 2018



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- Prakash Kapadia:** Last December, if you can give?
- Bharat Sheth:** December 2017?
- Prakash Kapadia:** Yes, yes. Q3 versus Q3, yes, exactly.
- Bharat Sheth:** Q3 versus Q3, that the annual issuer charges was 1388 Crores. Transaction charges 1271 Crores. E-voting charge is 30.84 Crores. IPO corporate action charge is 834 lakhs. And online data charge is 777 lakhs. These are the major components. So against 51 Crores of December 2017, 46 Crores is of December 2018.
- Prakash Kapadia:** In your opening remarks, we mentioned about unlisted companies, around 500 have signed. Sir, what is that kind of the conversion we are targeting? What is the onetime and kind of recurring revenues, if you could highlight during the quarter? And how is the pipeline looking?
- P. S Reddy:** See in this quarter, around 549 companies added as unlisted company. It gives me gross revenue of around 70 lakhs. And out of which, 50% or below, that is less than Rs.5000 per annum, what we are getting.
- Prakash Kapadia:** Okay. The 70 lakhs would include the recurring annual as onetime revenue?
- P. S Reddy:** No, no, that is the, that is only annual issuer, that is recurring one.
- Prakash Kapadia:** Okay. And what will be the onetime revenue for this?
- P. S Reddy:** 82 lakhs, onetime revenue. That is 15000 per company.
- Prakash Kapadia:** Okay. And when do we get clarity on the university kind of pricing? Because I think after 6-odd months, revenue monetization will start anything from the government as yet on that?
- P. S Reddy:** Nothing, nothing, because government told us to start charging them from September 2019 onwards so nothing on that front.
- Prakash Kapadia:** So nothing as yet. Right. And lastly, you mentioned about the Aadhaar ruling and we are trying to develop a physical verification on a system moving forward. So where are we on that? And what are the intermediaries? And channel kind of feedback and when does that normalize?
- P. S Reddy:** No, we have already launched it, offline KYC platform, and people are testing it, testing in a sense they are actually using it live. We are not formally rolled out to everyone. And maybe in the next 2 to 3 weeks, we will be able to do that.
- Prakash Kapadia:** That should tend some of the revenue kind of a decline and speed up the operation of the...



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- P. S Reddy:** Yes. Account opening will increase, and then KYCs will increase, etc., etc.
- Prakash Kapadia:** I will come back if I have more questions. Thank you.
- Moderator:** Thank you. The next question is from the line of Harit Shah from Reliance Securities. Please go ahead.
- Harit Shah:** Sir wanted some; data as far as your incremental market share is concerned, as far as your beneficial owner account expense in this quarter?
- P. S Reddy:** Incremental market share is about 65%.
- Bharat Sheth:** Incremental market share for the quarter is 63%, and for 9 months, it is 65%.
- Harit Shah:** Okay. So 63% for the quarter, 65% for 9 months?
- Bharat Sheth:** Overall market share for beneficial owner account is 48%.
- Harit Shah:** Right, sure. And secondly, so my second question, as you had mentioned that the obviously, because of the weak markets, your transaction revenue was obviously down the there was about a 28% fall in billable transactions. So that was year-on-year, is that right?
- P. S Reddy:** Yes. For the quarter ended, comparison is over the quarter ended December 2017.
- Harit Shah:** Right, sure. All right. And finally, as far as the unlisted companies is concerned, of course, you had mentioned about the 70 lakh or so revenue being recurring revenue. So that is annuity or is that quarterly?
- Bharat Sheth:** Yes, that is annual issuer charges, annuity basis.
- Harit Shah:** Yes. So this is annual recurring revenue basically?
- Bharat Sheth:** Yes.
- Harit Shah:** That is it from my side for now. I will come back later, if I have a follow-up. Thank you.
- Moderator:** Thank you. The next question is from the line of Harshal Sethia from AUM Advisors. Please go ahead.
- Harshal Sethia:** Sir, can you give me the heads-off incomes under other income, which quantifies to your 16 Crores of topline in the current year?
- Bharat Sheth:** Other income includes investment income .



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- Harshal Sethia:** All these are subsidiaries of ours, commodities and repositories?
- Bharat Sheth:** Yes, yes. Altogether, CDSL and all subsidiaries.
- Harshal Sethia:** And one more thing, which subsidiary will be the major contributor to CDSL's other income as of now?
- Bharat Sheth:** CVL i.e. CDSL Ventures Limited.
- Harshal Sethia:** Thank you.
- Moderator:** Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** Thanks for the opportunity. Sir, the annual issuer charges that you mentioned, 17.6 Crores for the quarter, how much of that incrementally from the unlisted opportunity in this quarter?
- P. S Reddy:** Unlisted is 70 lakhs, what I have told you, 70 lakhs. And 82 lakhs application processing fees, so 1 Crore, 50 lakhs, is from unlisted companies.
- Amit Chandra:** Sir, like, in this quarter, we have seen a sharp jump in the other expenses, which is like from 8.5 Crores it has jumped to 12.6 Crores so in this quarter. So can you please, like, provide the breakup of this?
- Bharat Sheth:** See, generally during third and fourth quarter, we are providing for doubtful debts and bad debts. So majority comes from the provision for impairment of financial as against provision for doubtful receivables. Majority is from issuers only as such.
- Amit Chandra:** Okay. So of these 12.6 Crores the jump is around 4 Crores. So the 4 Crores incremental is around?
- Bharat Sheth:** Around 3 Crores is from provisional for doubtful debts and bad debts.
- Amit Chandra:** So we are also going to provide for the next quarter or we have taken into account all the defaults in this quarter?
- Bharat Sheth:** That is next quarter also some that we will see how much we are, getting amount. Based on it, we will provide. This is based on 9 months as such.
- Amit Chandra:** Sir, in the online related data charges the CVL KYC business. In the last call, you mentioned that as for the change in India regulation that the online OTP-based KYC is not allowed. So that has benefited us and like people are coming to this CVL KYC. So as per my understanding, that



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change in relation was beneficial for us. But now, again, now you are saying that this has impacted us in this quarter. So what has changed?

P. S Reddy: I am sorry, I am not able to understand all and the OTP based which is beneficial to us. I did not understand.

Amit Chandra: The last quarter, you, last quarter, like you have mentioned that change in the Aadhaar. Earlier, it was a risk to us.

P. S Reddy: No, no. See, it was seamlessly happening with Aadhaar . So accounts growth was good. And the accounts growth has stopped because they said you cannot use the Aadhaar-based online account opening. Now offline KYC has come in. So offline KYC is better but, not better than online but, it is better than not having any KYC of Aadhaar.

Amit Chandra: So earlier we were present in offline only right sir? So offline has increased. So have you seen?

P. S Reddy: No, no, offline KYC has increased in the sense the once people who are going to the broker and submitting the KYC details, and then they are uploading that will maybe increasing it. But it is the online brokerages houses are who are using the Aadhaar-based KYC. They are opening good amount of accounts. All of a sudden that pipeline is tried because of the Aadhaar, Supreme Court order. Now we want to revive that. That is where we are at this point in time.

Amit Chandra: Okay. So right, now we are only doing physical KYC?

P. S Reddy: No, no. Offline also we have introduced now. Off-line there is a QR code-based Aadhaar authentication. So people have to go to the Aadhaar. The Aadhaar is digitally signing it and then pushing the QR code-based, this one. So our system reads that and then opens the account online. That is the way we have developed the system. But there is a two-leg process involved. It is not as seamless as it used to be when there is a direct fetching of the data from Aadhaar.

Amit Chandra: How do you see this revenue line, like, from here onwards? Do you see it, like, dropping further? Or do you expect to pick up in the next two quarters?

P. S Reddy: See, if I only look at how I am doing vis-à-vis competition, given the market conditions, given these problems. And so we are doing better than the competition, and we will continue to do better than competition. That is what I would like you to take from that.

Amit Chandra: One last question. So in this KYC market, what is our market share and how you have gained there or loss there?

P. S Reddy: Well about the 60% we have. We have continued to have that.



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- Amit Chandra:** Okay. So you have not seen any increase in competition in this?
- P. S Reddy:** No, competition is, yes, we have not seen it. At least we have remained stable in that sense, yes.
- Amit Chandra:** Thank you.
- Moderator:** Thank you. The next question is from the line of Pavan Kumar from Ratnatraya Capital. Please go ahead.
- Pavan Kumar:** In the other income part, which is 16 Crore, how much is the mark-to-market gain?
- P. S Reddy:** Mark-to-market gain is 7 Crore for the quarter.
- Bharat Sheth:** 7 Crores for the quarter.
- Pavan Kumar:** Secondly, the other income part of it, which is, I am not referring to the other income part, the part in the financial results, but the things that are not covered by annual issuer charges, online data KYC, IPO and transaction charges, now that particular part of revenue seems to have come down to 8.46 Crores. So what does it comprise of exactly? 8.46 Crores for these 10.55 Crores last quarter.
- P. S Reddy:** You are talking about other income or expenses?
- Bharat Sheth:** No, no, other operational income.
- Pavan Kumar:** Other operational income, yes.
- P. S Reddy:** See, other operational income comprises of beneficial on our statement charges is there then E-voting is there, eKYC is there.
- Pavan Kumar:** Okay. That portion is 6.6 Crores versus 10.5 Crores, is it, Sir QoQ?
- Bharat Sheth:** Total operational income, from 51 Crore, it has gone down to 46 Crore. So eKYC, from 115 lakhs, it is down to 79 lakhs. E-voting that is 30 lakhs to 56 lakhs, that is a major. Otherwise, there are online data charges from 777 lakhs to 713 lakhs. So there is no major dip as such. From 51 Crores to 46 Crores, it gives me 3 major items that is. You are talking about Q3 2018 to Q3 2017 is not it, you are comparing?
- Pavan Kumar:** See, what I am asking is, if you take off transaction charges, which you have mentioned as 9.5 Crores, IPO charges, you have mentioned as 4 Crores. Online data KYC charges, you have given at 8.46 Crores.
- Bharat Sheth:** 7.13 Crores.



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Pavan Kumar: How much, Sir?

Bharat Sheth: Online data charges, 7.13 Crores.

Pavan Kumar: Annual issuer charges is 17.61 Crores?

Bharat Sheth: Correct.

Pavan Kumar: Okay. So if I take these all off, there is another part of the income, right, which is around 7 Crores to 8 Crores.

Bharat Sheth: That is user facility charges, 83 lakhs; settlement charges, 40 lakhs; account maintenance charges, 78 lakhs; then consolidated account statement charges, 223 lakhs.

Pavan Kumar: Right. So I am asking you, that particular part of the income has come down from 10.55 Crores to 7 Crores around. So is there any particular reason for that?

P. S Reddy: No, Debt has increased. There is not, that way has come down. If you see, from 51 Crores, December 2017, to 46 Crores, overall impact of 5 Crores.

Pavan Kumar: Sir secondly, regarding the bad debt. So how do we account for it, I mean, majorly account for these bad debts in Q3 and Q4?

Bharat Sheth: Q3 and Q4.

Pavan Kumar: Okay. So every year, Q3 and Q4, these particular bad debts might be there.

P. S Reddy: Correct, correct.

Pavan Kumar: In Q4, is there any other major impact as we have taken around 4 Crores in this particular quarter?

P. S Reddy: That we have to see because now as per the Ind-AS, expected credit loss formula is there even less than 6 months old also we have to provide for it. So we will work it out, and we will continue to know about it.

Pavan Kumar: But are they recoverable?

P. S Reddy: Yes, yes.

Pavan Kumar: As per your view?



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- P. S Reddy:** Yes, we have been recovering also. It is not that we have not been recovered. The problem is that the rule says that you have to, accounting standard say that, you have to provide for it, you have to do provisioning then later on when you recover it and you add it into your income.
- Bharat Sheth:** See, last year we provided for 4.5 Crores for the full year out of which we have recovered around 1.70 Crores during current year.
- Pavan Kumar:** Fine, I will get back in the queue. Thanks.
- Moderator:** Thank you. The next question is from the line of Manish bhandari from Vallum Capital. Please go ahead.
- Manish Mandari:** Good afternoon Sir. Sir, this is regarding this provision. And why this bad debt occurs in the business like ours? What is the modus operandi? And do we need to file some legal cases against the people?
- P. S Reddy:** The annual issuer charges are the ones, which we raise a bill in the month of April and May. And then we give them a month's time. And then thereafter, we keep collecting it. And year-on-year, our, about 92%, 93% is the recovery rate? In some years, good years, it is even 96%. And this year, it is, about 92%. And some company's say that, no, we are under IBC, so we cannot pay. Some big companies also say that we are under IBC, they do not pay? So we are filing it, whatever under the IBC provisions whatever they needed, let us prepare correctly and we send it. But yes, this is a recurring issue for us. And what we do is we stop the BenPOS, that is beneficial owner position and other services we do not give them, if they issue additional share, if they want beneficial owner position like what you call your shareholders register and other things. We do not provide any service. So when they come back to us, we tell them, "You better pay" than only we will give it. That is the way we do it.
- Manish Bhandari:** Sure. I appreciate. Sir my second question is regarding the cash on the books. And as a shareholder, I am quite concerned about, that there is no special provision for either dividend or maybe a buyback. So I fail to understand that why we should keep a cash on the books and which is the rightful owner of the shareholder and why should not be distributed as a special dividend or maybe as a buyback or whatever maybe the process? Maybe you are from a suitably position to do a quarterly dividend to the shareholders. So, and our regulatory capital, what you require is not more than 250 Crore. And even you extend it to a 300 Crore, and the cash, what we accrue each year, is significantly big enough for us to generate back and give back to the shareholder. So what is holding the board back or maybe our sponsors back to give this back shareholder, rightful money to back to the shareholders?
- P. S Reddy:** See, out of 600 Crores, surplus is there. 300 Crores requirement is there, but that the networth criteria is there, that we have to maintain it. Further, every year, on a standalone basis, around 57% to 60% payout ratio is there. And on a consolidated basis, 42% to 44% ratios are there. And



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every year, if you see last 10 years, every year, we are increasing the dividend payout ratio. So, and if you see our income depends on a market. Market is weak, that time also we are ensuring dividend and keep ratio at the same level or more. So for that purpose only, we require. And if I give it to you, then my other income is going to reduce which will reduce my profits.

Manish Bhandari:

I appreciate that, but Sir the dividends are very inefficient on the taxation front because you have to pay a dividend distribution tax, and as an owner, we have to pay taxation on our hand. So a buyback is far more a tender approach of buyback is far more suitable where the return on capital employed of the business can change dramatically. So if I have to extrapolate this in next 3, 4 years, the return on equity of the business would remain at close to 20% or, at max, would can go to down or maybe 21%, struggle there. And once a better use of cash is done, and then the return on equity can go back to 28% to 30%. And I can send you my calculation in detail. So I am just wondering that what is there in the board and why they have not discussed this issue and why it has been too long for so now. So I am just wondering if there is any answer you can, and you are as a custodian of the shareholder wealth. You are better placed to answer this.

P. S Reddy:

No. But we have informally discussed in the board, but then the board is of the view that we will discuss it, we will take it up at an appropriate stage, that is the way the board is of the view. And now they feel that it is not right time to discuss these issues. As we have listed just now. And then let us wait for some time and then do that. We will look at that; examine that, that is what they were saying.

Manish Bhandari:

Maybe, Sir, I would definitely write to the board and ask for their explanation in detail, that what is that, they are waiting for, when the cash is piling on the books. So, definitely, I will do that. Thank you.

Moderator:

Thank you. The next question is from the line of Aditya Bagul from Axis Capital. Please go ahead.

Aditya Bagul:

Sir, I have just one question. We have 4 new ventures that we are seeking out. You have the GST, NAD, insurance and the warehouse receipts. How do we see this scaling up? Which amongst them do you think is the most promising? And as we stand today, what is the kind of revenues that we generating from this? And let us say, 2020-2021 what is the number that we can be looking at?

P. S Reddy:

Well, I will not be able to give any numbers as to what will be the 2020, 2022, 2023 or whatever it is. But the most promising of all the 4 and if I have to rank them, the warehouse repository is going to be #1. That is what my view. The second thing is the National Academic Repository. And the third one is single DEMAT account for all financial assets where this insurance and other products will also go into that. And that is the kind of order. GST, as you are saying, going day-by-day, the government is reducing the number of filings that are required to be made. And I



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do not think that will be a very big revenue driver at this point in time. But, yes, the other 3 are really good ones. They are good ones.

Aditya Bagul: Sure, Sir. If I ask it conversely, can you share what is the revenue generation from these 3 revenue streams in the first 9 months?

P. S Reddy: Well, as I said, the National Academic Repository we are not allowed to charge since September 2019. So obviously, there is nothing that we share. In the case of, CCRL, this we have done the few settlements and then few lakhs not even 5 lakhs that is the way it is. It is very insignificant. But my bet is, substantially in CCRL depends on the Electronic National Agriculture Market, which is a spot market, which is going to grow much bigger than what it is, what commodity exchanges are doing it. And that is where we would like to play a much bigger role. And that will take time. As I said, that we are discussing system integrations with eNAM. So once that is done, probably that is going to be a big one.

Aditya Bagul: Sure sir, that is quite helpful and that is it from my end. Thank you.

Moderator: Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.

Pritesh Chheda: Just 2 clarifications. You gave the E-voting charges revenue you gave at 5.6 Crores for the quarter. What was it for the corresponding quarter last year?

P. S Reddy: Not 5.6 Crores. 56 lakhs only corresponding quarter 30 lakhs.

Pritesh Chheda: Okay. And the other question, when you gave the bad debts write-off number, you said that incremental, it is about 3 Crores more. So just wanted to know, what was the bad debt number this year? And what is the bad debt provisioning number last year?

P. S Reddy: Last year, we have provided 450 lakhs. This year, it will be around 7 Crores.

Pritesh Chheda: Okay, so basically, the whole incremental expense number is because of the bad debt provisioning?

P. S Reddy: Yes. Exactly.

Pritesh Chheda: Okay. And third clarification, on the eKYC side, you mentioned about Aadhaar and some changes there. So if you could highlight what is the changes in the business that has come in on account of this Aadhaar link eKYC and whatever are our changes or strategies?

P.S. Reddy: I will not be able to exactly say how much eKYC generated based on Aadhaar and how much is other than Aadhaar, but when Aadhaar was there, a lot of online brokerage firms were opening,



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very good number of accounts. I will not mention that number again. It is sensitive, competition sensitive and some of them have reduced their account opening because eKYC is no longer there. So the offline KYCs that we have introduced trying to restore our numbers back to what we had started, but I will not be able to disclose the numbers as so as how much is the eKYC part.

Pritesh Chheda: Lastly, on the unlisted company's side, the revenue has started flowing from this quarter or revenue was flowing since the last two to three quarters. You gave a number of 1.?

P.S. Reddy: There are two things. Even for may be a decade that unlisted companies are also listing, equating themselves with the depositories, but that is a voluntary activity. Now with effect from October 1, 2018 the regulation has come and under the regulation companies cannot issue additional securities unless they are in Demat. So that compulsion of going for Demat has come only in October, because of which the numbers have substantially gone up.

Pritesh Chheda: Now this 500 companies is what you said has got converted in the quarter, which generated your revenue of about 1.5 Crores to 1.7 Crores. What is the full potential here and what is the timeline given to these companies to get their securities registered with the depositories.

P.S. Reddy: Well, the regulation has not prescribed at this point in time any outer timeline for them to get admitted, but we expect, we are giving MIS to the MCA every now and then, probably they will look at it whether the companies are showing any urgency to get it done or now, if they have not done probably they will impose, but otherwise, if they are satisfied with this growth probably they may not put any timeline. The total unlisted public limited companies are almost 65000 to 75000 roughly and some are anyway admitted and some many are still to be admitted.

Pritesh Chheda: As of now the only regulation change is that if anyone has to issue a new share it has to get compulsorily Demat?

P.S. Reddy: That is correct.

Pritesh Chheda: That is the only regulation imposed?

P.S. Reddy: Or any transfer has to be done that will be done only in Demat.

Pritesh Chheda: Thank you.

Moderator: Thank you. The next question is from the line of Giriraj Daga from KM Visaria Family Trust. Please go ahead.

Giriraj Daga: Just a few questions; first one is in bad debts the last five years, what is the collection efficiencies you have seen on recovery side? Normally we end up recovering more than 30%, 40%, and 50%?



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- P.S. Reddy:** Please repeat your question.
- Giriraj Daga:** On the bad debt side, normally in the last five years cumulative, how much recovery we have made. We have the last year number, but cumulatively are we seeing 30%, 40% recovery or higher than that?
- P.S. Reddy:** No, around that type, 25% to 30% recovery.
- Giriraj Daga:** 25% to 30%. Second on the unlisted that you mentioned 5% in companies this is the fresh companies which you got in the last quarter?
- P.S. Reddy:** Correct.
- Giriraj Daga:** So you are having some companies with the addition of this?
- P.S. Reddy:** These are additional companies, new companies in this last quarter, October to December.
- Giriraj Daga:** This 70-lakhs also only from these companies?
- P.S. Reddy:** From those companies, 1.5 and not 70. 70-lakhs for annuity and 80-lakhs is one-time income.
- Giriraj Daga:** Sir, just confirming on the transaction head what you are doing, so transaction charges were 9.5 Crores versus 12.71 Crores?
- P.S. Reddy:** Yes.
- Giriraj Daga:** And IPO were 4 Crores versus 8.34 Crores?
- P.S. Reddy:** Yes.
- Giriraj Daga:** The CAM charges was 2.23 you mentioned was at 3.08% if I remember?
- P.S. Reddy:** Which charges?
- Giriraj Daga:** CAMS consolidation account.
- P.S. Reddy:** Yes, against 180, 223.
- Giriraj Daga:** Against 180?
- P.S. Reddy:** Yes.
- Giriraj Daga:** Thanks a lot. All the best.



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Moderator: Thank you. The next question is from the line of Gautam Gupta from Nine Reverse Capital. Please go ahead.

Gautam Gupta: Good afternoon Sir. Thank you for the opportunity. Glad Mr. Reddy is doing well. I remember you had a bad throat last time. My question was on AIC charges. I understand that AIC is linked very substantially to the number of folios because that is the full year base charges are the biggest share in that. Now given that this year we had a weak market, are you seeing any reduction in the number of folios which therefore may impact AIC for us in the next financial year, any colour if you could give us on that?

P.S. Reddy: See, I do not think AIC charges will impact immediately. As on March 31 of the last year whatever is the annual issuance charges that is whole number of folios are there that will be the basis for charging for this entire year.

Gautam Gupta: This year there will be no impact?

P.S. Reddy: This year it will not be, but then if this year is much lower, then it will be there in the next year, but I have not seen such kind of this one. The reason is the new accounts are coming in. There some credits are coming, so to that extent some compensation is there. If some folios are going out, some new folios are getting added.

Gautam Gupta: Fair enough. I think that is the only question. Wishing you a great New Year ahead.

P.S. Reddy: Thanks.

Moderator: Thank you. The next question is from the line of Shiv Kumar from Unify Capital. Please go ahead.

Shiv Kumar: Thank you for the opportunity. Sir, can you shed more light on this eKYC venture, because in the last call you said that because of the Supreme Court order on the Aadhar based issuance would be moving to a QR code based system. So what is the progress in that and how much is the general industry coping with the recent changes in the whole Aadhar based signing up system?

P.S. Reddy: Yes. As I said, they are all waiting for CDSL also to launch a new product, which will be seamlessly integrated with the QR code and which we have now done and this has also reached the QR code base which is a month ago or so, so immediately we started the development and then we launched it. How the industry is coping with probably they are looking at alternative methods of using a webcam for the impersonal verification and they are also seeing that we will ask them to show on the site they will open the account and they will confirm it and they will take the printout and sign it and then send it to them and pending that they may open the Demat account and then whatever the accounts they have to open, open it but then they do not allow any debit to take place in the account until the original documents are arranged so that there is no risk



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in that sense. They will only receive the securities into the Demat account but nothing will be moving out unless the original documents are sent. Anyway power of attorney at this point in time is a requirement for most of the players in the market, so power of attorney has to be collected. So with a TAT of about seven days they are expected to complete this process.

Shiv Kumar: Sir, how does this QR code system work? How easy is it compared occupational therapy the Aadhar based system?

P.S. Reddy: This is also Aadhar, but this is offline essentially. What we were earlier envisaging it without you knowing that you are moving to Aadhar you simply enter your Aadhar number and our system sends it to the Aadhar and then Aadhar gives you what you call as OTP, you enter that and then again system talks to the Aadhar and then you get the entire thing downloaded. That is what is the online system is working. Now there will be no linking between our system and Aadhar. Once you exit it, our system will take you to the Aadhar site and leave you there then you enter your things on the Aadhar site, whatever number and all that, you get OTP and then they will send where your QR code based system to be sent and then you download it once it is made available, digitally signed then you need to log into our system and again upload that QR code. It is not so convenient to the investors, but yes you have to live with that. You need to exit and then enter. That is the way it is.

Shiv Kumar: Sounds a little bit complicated for the layman.

P.S. Reddy: Yes.

Shiv Kumar: Thank you Sir.

Moderator: Thank you. As there are no further questions, I now hand the conference over to the management for their closing comments.

P.S. Reddy: Thanks to all of you. We hope that we will be able to do better next quarter. If markets improve, definitely we will do better. Thank you. Thanks to all of you. Thanks to Mr. Aditya.

Moderator: Thank you. Ladies and gentlemen on behalf of Axis Capital that concludes the conference call for today. Thank you for joining us. You may now disconnect your lines.