



“Central Depository Services (India) Limited  
Q4 FY2019 Earnings Conference Call”

May 08, 2019



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**Moderator:** Ladies and gentlemen, good day and welcome to Q4 and FY2019 earnings conference call of CDSL hosted by Axis Capital. 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. 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 Mr. Bagul!

**Aditya Bagul:** Thank you Stephen. Good evening, ladies and gentlemen to the Q4 and FY2019 earnings call of CDSL India Limited. We have the management of CDSL today with us represented by Mr. Bharat Sheth, Chief Financial Officer, Mr. Gaurang Shah, Vice President, and Mr. Nilesh Kittur, Assistant Vice President. I request Mr. Bharat Sheth to give us a brief overview of the results post which we will open the floor for a Q&A session. Over to you, Sir!

**Bharat Sheth:** To discuss the results of Q4 and FY2019, I am Bharat Sheth, CFO of the company from Mumbai joining with my colleagues, Mr. Gaurang Shah, Mr. Nilesh Kittur, Chief Operating Officer, Mr. Sunil Alvares from CDSL Venture Limited, Mr. Nitin Ambure from operations side. Selection of Managing Director is under process, so we management team are available for you to discuss about the Q4 earnings.

From CDSL standalone perspective, at BO incremental level, we are maintaining a leadership position of 62% to 63%. At present, we are having a 1.73 Crores BO accounts against Rs.1.48 Crores in March 2018 that is 25 lakhs new accounts were opened during the FY2018-2019 compared to other depository. They have opened around 14 lakh new accounts, so we are maintaining a lead of around 63% on a BO incremental level.

Now this year compared to March 2018 is flat because of subdued market condition. Transaction income has come down but because of more number of folios generated that what we call that is issuer income is increased, and online data charges that KYC income has also increased, E-voting charges also increased, but overall it is a flat year, but due to other income that is income from investments, we have around overall increase in income of 8% whereas operational income increased on a consolidated basis by 4%, other income increased by 29% on a year-on-year basis, so net profit increase after minority comes to around 10%. So our income mainly depends on a capital market. If market is down, our income is also down, but due to last year i.e. March 2018 was exceptional year, it has been compensated by issuers income, there is more number of folios generated and our issuers income increased by around 21% that is custodial charges and during this year around 1400 new unlisted company has admitted in our fold and it gave us around Rs.3 Crores more income. Otherwise expenses were kept under control because of that we are maintaining our profits and are maintaining Rs.100 Crores plus net profit also.

Regarding other projects that is other subsidiary CDSL Venture Limited that is KYC income as compared to last year, increase in operational income as well as profit after tax also. we have crossed Rs.25 Crores profit for the first time.



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In CVL, other projects that is National Academic Repository is there, there 520 universities, academic institutions has joined and 1.5 Crores records also updated in the system, but still income has not started because only after September, 19 we can charge to the institutions, so after September, 2019 only some income will flow whereas CDSL Insurance Repository hardly any income is there that is 35 lakhs-40 lakhs income we have earned. CDSL Commodity Repository around 712 service providers has joined out of 1885 providers, repository participant around 150 has also joined and total, so hardly anything is there, but last quarter we have earned around Rs.67 lakhs from CCRL also. So now I will call this floor to open for question and answer.

- Moderator:** Thank you very much. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Prakash Kapadia from Anived Portfolio Management Services. Please go ahead.
- Prakash Kapadia:** Thanks for the opportunity. My line got disconnected Bharat Bhai. You were mentioned about the new MD and the line got disconnected, so by when do you think?
- Bharat Sheth:** So that selection process is in the process.
- Prakash Kapadia:** By when would this like?
- Bharat Sheth:** By quarter end means June 30, 2019 everything will be in place.
- Prakash Kapadia:** If you could share the revenue breakup for the quarter versus last quarter of key items transaction, annual issuers, IPO?
- Bharat Sheth:** I start now that is with consolidated results. Q4 March 2019 versus Q3 December 2018 the consolidated...
- Prakash Kapadia:** Q4 will be better?
- Bharat Sheth:** You want?
- Prakash Kapadia:** Yes, Q4 versus Q4, transaction charges, annual issuer charges.
- Bharat Sheth:** That is you want Q4 versus Q3 only?
- Prakash Kapadia:** Q4 versus Q4 of last year. Q3 you had given last time, current quarter versus Q4 of last year Sir? Q4 versus Q4?
- Bharat Sheth:** Annual issuer charges from 14.64 Crores it went up to 17.92 Crores that is increased by 22%. Transaction charges from 11.88 Crores to 9.83 Crores down by 17% whereas user facility is hardly any changes are there, I am giving figures wherever major changes are there. IPO corporate



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expense charges Rs.7.6 Crores; it is down to Rs.4.16 Crores that is 45% down. Online data charges from Rs.8.43 Crores to Rs.7.52 Crores that is 11% down. This year document verification charges, which is one-time charges are there that is around Rs.2.85 Crores we have earned in CVL. These are the major sources of income, so overall quarter ended March 2018 versus March 2019, so Rs.49.93 Crores to Rs.50.54 that is 1% increase is there.

- Prakash Kapadia:** Do you have the consolidated ECS charges with you handy?
- Bharat Sheth:** Consolidated E-voting charges or ECAS charges?
- Prakash Kapadia:** Yes ECAS charges?
- Bharat Sheth:** ECAS charges, 166 to 189 that is 1.67 Crores to 1.89 Crores.
- Prakash Kapadia:** Fine. If I look at the other income there has been a sharp jump, so is there some one-time gain due to FMP maturity or what is this, which has led to this jump?
- Bharat Sheth:** That is due to appreciation in the value of FMP, mark-to-market, around 21 Crores is there, altogether and on quarter-to-quarter basis around 12 Crores.
- Prakash Kapadia:** If I read it right 99 million to 177 million that is an 80% jump, so out of this how much would be mark-to-market?
- Bharat Sheth:** Around Rs.21 Crores. Since all the investments are in fixed income securities, as per the contracted rate the accrual will always be there and because of movement in bond prices either on positive or negative side there will be appreciation or depreciation, so that incremental appreciation because of movement in bond prices is around Rs.2 Crores.
- Prakash Kapadia:** Rs.2 Crores for the quarter and do you have it for the full year?
- Bharat Sheth:** Rs.2 Crores is for the year. That is the incremental because at a contracted rate accrual will always be there since it is a fixed income portfolio.
- Prakash Kapadia:** Right and this year, which Nilesh we have seen the tax rate being lower than last year, so what would that be on account of, so I think effective tax rate is around 23%.
- Nilesh Kittur:** 23% around. Because of this capital gain and tax rate only, nothing else because last year also 25 plus surcharge and taxes are there and this year also tax rates are the same, but more appreciation was there compared to last year, so exempt income.
- Prakash Kapadia:** Okay because it is mark-to-market and this has a larger contribution, so the effective rate is much lower?



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- Nilesh Kittur:** Yes.
- Prakash Kapadia:** On the KYC business, I think last year we were around 17 million accounts, if you could share some of the progress in terms of market share, how is the new system, was Aadhar working, is the QR code shared, what are we seeing and where are we in terms of number of accounts on the KYC business?
- Bharat Sheth:** Mr. Sunil Alvares is there. He is the Chief Operating Officer of CDSL Venture Limited. He will throw some light on it.
- Sunil Alvares:** In terms of KYC business we are close to about 1.9 Crores accounts, exactly it is 1.88 Crores accounts and the second question where we are going with regard to Aadhar? After the Supreme Court verdict on Aadhar based KYC there were only direct benefits schemes are allowed to do e-KYC. Subsequently there have been modification in the ordinance, amendments to the ordinance, so banks and telecom companies have been committed to do e-KYC. In the meanwhile, UIDAI has also introduced offline e-KYC using QR codes and we are in the process of integrating those into our systems where we will be offering that as a service to customer.
- Prakash Kapadia:** So the way it will work is they will have to give consent and based on that you will retrieve the data and port it into the system?
- Sunil Alvares:** Either online, offline the customer has to give his consent to fetch his KYC from Aadhar. Online through an KYC anyway he has to give an consent. Offline when he goes to UIDAI site he has give the consent on UIDAI site. Either ways consent is mandatory.
- Prakash Kapadia:** Okay, be it online or offline, okay and any sense Sunil on market share or competitive side because few quarters ago we had seen some challenges and some aggressions?
- Sunil Alvares:** Approximately our share is about 60% because the other KRAs do not publish their figures anywhere, so this is what we know when you speak to each other that market share is about 60%.
- Prakash Kapadia:** Lastly anything on pricing of NAD how will that business model work, government given some kind of indication of what kind of pricing the universities will pay, will it be?
- Sunil Alvares:** We are looking at two methods of pricing. One is to charge for record uploaded by the university and the second charge would be on the verifier whenever he verifies the record. Now what that amount exactly would be, that would be decided by MHRD in September 2019.
- Prakash Kapadia:** Okay before the actual monetization then only we will have some clarity.
- Sunil Alvares:** That is right.



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- Prakash Kapadia:** Okay. Thank you. I will come back in the queue if I have more questions.
- Moderator:** Thank you. The next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir in your breakup if you could give what is the E-voting and KYC for Q4 of 2019 and Q4 of 2018 the revenue? E-voting?
- Bharat Sheth:** E-voting breakup 76 lakhs is in Q4 2018 versus 71 lakhs in Q4 2019.
- Pritesh Chheda:** Okay and KYC?
- Bharat Sheth:** KYC from 844 lakhs to 753 lakhs.
- Pritesh Chheda:** So 7.53 Crores versus 8.44 Crores last year?
- Nilesh Kittur:** Correct.
- Pritesh Chheda:** The same breakup if you could give for full year FY2019 over FY2018 transaction issuer, E-voting, IPO corporate action, KYC?
- Bharat Sheth:** E-voting it was 4.09 Crores in Q4 2018 versus 5.6 Crores in Q4 2019.
- Sunil Alvares:** No, full year.
- Bharat Sheth:** E-voting charges just now Sunil said.
- Sunil Alvares:** That is for the whole year.
- Bharat Sheth:** And what else you wanted?
- Pritesh Chheda:** Sorry Sir I got confused, so you said 4.8 versus?
- Bharat Sheth:** 5.06.
- Pritesh Chheda:** You give for full-year, full breakup, so transaction, issuer, E-voting, IPO corporate, KYC all the big heads?
- Bharat Sheth:** So all top four I am giving you that annual issuer charges from 55.6 Crores to 67.16 Crores.
- Pritesh Chheda:** 55.6 to 67.2 okay?
- Bharat Sheth:** 67.16. Transaction charges from 44 Crores to 39.27 Crores.



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**Pritesh Chheda:** 39.27 okay.

**Bharat Sheth:** E-voting charges just now given 4.09 to 5.06, then consolidated accounts.

**Pritesh Chheda:** 5.06 is for this year?

**Bharat Sheth:** This year, yes.

**Pritesh Chheda:** Okay, 4.9 for last year?

**Bharat Sheth:** 4.09.

**Pritesh Chheda:** 4.09 sorry, okay.

**Bharat Sheth:** Then cas charges, consolidated account charges, statement charges that is 6.43 Crores to 7.96 Crores.

**Pritesh Chheda:** 7.96 and versus?

**Sunil Alvares:** 6.43 versus 7.96.

**Pritesh Chheda:** This year it is 6.43.

**Bharat Sheth:** No, I am giving you for quarter 2018, means, year ended FY2018 versus 2019 I am giving you.

**Pritesh Chheda:** So 6.43 versus?

**Bharat Sheth:** FY2018 6.43 versus 7.96. FY2018 for corporate expense charges IPO, 29.49 Crores against 19.88 Crores.

**Pritesh Chheda:** Okay.

**Bharat Sheth:** Then KYC that is online data charges CVL income 29.18 Crores to 31.68 Crores.

**Pritesh Chheda:** Okay.

**Bharat Sheth:** These are the major heads.

**Pritesh Chheda:** It is fair to assume that what is linked to market activities, transaction charges and IPO corporate charges are there?

**Bharat Sheth:** It is down.



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- Pritesh Chheda:** So that is linked to market activities, others are not linked so much so that is issuer charges, E-voting and KYC.
- Bharat Sheth:** Correct.
- Pritesh Chheda:** Right and your subsidiary of KYC, is this KYC number right, you have a subsidiary of?
- Bharat Sheth:** CDSL Venture also 29 Crores versus 32 Crores.
- Pritesh Chheda:** It gets reflected here?
- Bharat Sheth:** That is already reflected.
- Pritesh Chheda:** Again I am repeating what depends on market activity is transaction and issuer transaction and IPO corporate?
- Bharat Sheth:** Correct.
- Sunil Alvares:** To a large extent even KYC.
- Pritesh Chheda:** Even KYC, so KYC would be linked to your mutual fund KYC and all those right?
- Bharat Sheth:** Absolutely.
- Pritesh Chheda:** Now issuer charges will be purely linked to the number of companies listed on the exchange, so number of companies listed on the exchange keeps on growing, the issuer charges keeps on growing. E voting charges keeps on growing. Those are all linked to your number of companies listed into the system?
- Bharat Sheth:** That is right, admitted with a Depository. Now unlisted company also have come into fold.
- Pritesh Chheda:** So that 3 Crores of unlisted company income that you generated for full year that would reflected in the issuer charges and the E-voting charges?
- Bharat Sheth:** Issuer charges only.
- Sunil Alvares:** Unlisted companies do not have to do E-voting.
- Pritesh Chheda:** so it will get reflected in issuer charges.
- Bharat Sheth:** Absolutely.





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- Pritesh Chheda:** So if that is the analysis, if you have to hazard a guess on growth rate next year what should be your revenue growth rate in your best case assessment?
- Bharat Sheth:** We cannot give you any forward-looking statement, but even if you see last four years my operational income on a consolidated basis we are growing at a 17% CAGR of last four years, operational income whereas my total expenses increased by 10% four years CAGR and profit after tax on a consolidated basis for four years period 17%. So this has been our growth rate.
- Pritesh Chheda:** What is the cash in the balance sheet?
- Bharat Sheth:** Cash in the balance sheet around on consolidated basis around Rs.658 Crores.
- Pritesh Chheda:** What is the regulatory requirement in this?
- Bharat Sheth:** Around Rs.300 Crores.
- Pritesh Chheda:** Regulatory Rs.300 Crores and lastly on your new ventures, so you mentioned the updates on new venture, which is CDSL insurance, you mentioned 50 lakhs of revenue is what you recorded in FY2019?
- Bharat Sheth:** 45, yes.
- Pritesh Chheda:** Right, CDSL commodity you recorded Rs.60 lakhs of revenue for FY2019?
- Bharat Sheth:** Rs.67 lakhs, yes operational income.
- Pritesh Chheda:** Yes, revenue, any revenue you recorded on the education side those certificate?
- Bharat Sheth:** Very negligible, nothing.
- Pritesh Chheda:** Negligible and any revenue recorded on your GST side?
- Bharat Sheth:** Yes about Rs.60 lakhs.
- Pritesh Chheda:** Rs.60 lakhs and all these three was first year of operations right?
- Bharat Sheth:** That is right.
- Pritesh Chheda:** All these three, ventures, insurance, repository.
- Bharat Sheth:** No, academic depository is there in. We are doing probe owner work right now till September 2019. It has been in operation for almost seven to eight years. They were officially launched about two years back.



- Pritesh Chheda:** Which one academic?
- Bharat Sheth:** That is right.
- Pritesh Chheda:** No, but this GST, GST commodity and insurance, this was all first year right?
- Bharat Sheth:** GST is under CDSL Venture that is one of the projects under CDSL Venture as such.
- Pritesh Chheda:** Okay, but I am just saying it was first year of operation?
- Bharat Sheth:** No that is second year.
- Pritesh Chheda:** It was second year, okay and these three operations, what will be the scale up possible in FY2020 and 2021, if you could just give that?
- Bharat Sheth:** No, that we cannot give anything about it. No forward looking statements.
- 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:** Sir you mentioned in the initial remark that there is a 2.85 Crores or some verification charge I believe it is recorded in CVL?
- Bharat Sheth:** Correct.
- Giriraj Daga:** What was the nature of this transaction and is it at one-time or next year also we can have at some point of time this charge?
- Bharat Sheth:** Next time also will be there, one of the government project, in which one-time job they have given to us that is verification of the documents and all that.
- Giriraj Daga:** Ideally should we assume that the entire large part of that money has been flown to EBITDA also because the direct cost associated with a project must be very low?
- Bharat Sheth:** Yes, not very high, we assume yes about cost should be not more than 50%.
- Giriraj Daga:** 50%, because when I look at the – you are giving KYC charges of 7.53 and 2.85, so this mix at about 10.4 while your CVL revenue was about 12.7? Because EBITDA has also gone up in the similar fashion, sharp jump on CVL EBITDA?
- Bharat Sheth:** Yes.



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- Giriraj Daga:** Second, in terms of yield, so what should be that normally as you mentioned that large part of that is tax free instrument, so what should be a yield we should assume on cash?
- Nilesh Kittur:** 7.5 to 7.75.
- Giriraj Daga:** 7.5 to 7.75 and just like you must be also hearing lot of things in terms of like the FMP exposure, as the investor we need to worry about that is there any instrument where we might have to see any mark to market or all our instruments are in a very AAA kind of rated instrument there?
- Bharat Sheth:** We have AAA rated portfolio and as of now there are no such issues.
- Giriraj Daga:** Do you have any fear also that might be something in future?
- Bharat Sheth:** No, we do not think, it is a clean, in most of the cases it is a clean portfolio.
- Giriraj Daga:** Sure Sir. Thanks a lot from my side.
- Moderator:** Thank you. The next question is from the line of Harish Shiyad an Individual Investor. Please go ahead.
- Harish Shiyad:** Good afternoon team. I have one suggestion to you Sir, a lot of participants been asking a lot of data point information detailing of what your income made of and all those things, it is my small suggestion. If you can give on corporate basis along with the result some type of presentation or the press release where all those detailing have given that will be more clear to everybody to understand while overall communication some of the information may not be directly digested and understood by the investor. I will appreciate if you can give some all those data point by presentation along with the results. Thank you and all the best.
- Bharat Sheth:** Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Manish Bhandari from Vellum Capital. Please go ahead.
- Manish Bhandari:** Good afternoon. You said that your regulatory requirement is Rs.300 Crores, can you define which all areas and what capital you require?
- Bharat Sheth:** Rs.100 Crores CDSL we require. For CVL around Rs.75 Crores we require and then the CRL Rs.50 Crores we require, then CRL Rs.30 Crores we require and some of the government projects also we have to keep bank guarantee and all for that also we require and Rs.27 Crores for DP deposits are there for that we have to maintain.



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- Manish Bhandari:** This takes care of your business requirement for next three or four years or would this change with the new?
- Bharat Sheth:** No, if new projects will come then definitely we require further.
- Manish Bhandari:** So which project you are talking about?
- Bharat Sheth:** All government projects are there, requirements are there, networth requirement and all.
- Manish Bhandari:** Can you define the government projects, which projects are we talking about?
- Bharat Sheth:** Like this National Academic Repository.
- Manish Bhandari:** How much that would be?
- Bharat Sheth:** Such type of projects in future will also come, we have to keep something?
- Manish Bhandari:** Sir I fail to understand that there is a huge disservice to the shareholders by keeping this Rs.670 Crores worth of cash on the books, which is yielding 7%, so I fail to understand that why we need to have a Rs.670 Crores and which would depress the return on capital employed of our business substantially, so is there a motivation and what could be motivation if you could explain us in detail? Assuming after Rs.300 years you have a cash generation of Rs.100 Crores each year and you pay some dividend also, but apart from that, that cash keeps on piling up, which depresses the return ratios for our company, so what is the motivation of keeping that future in mind that there will be some project, which comes, so we generate enough cash, so why we should not resort to a way special onetime dividend call for a buyback?
- Bharat Sheth:** If you see our dividend policy it is a consistent dividend policy, this year also we have declared. Last year it was 35%, this year 40%, it comes to 60% payout ratio of standalone profits as such and if you see my income depends on a market, if market is not good, my income is down. Even then we are maintaining consistent dividend policy. About your special dividends as well as buyback of shares it is under consideration by the management, means by the board of directors at an appropriate time, okay.
- Manish Bhandari:** I mean to say, are we waiting for some catalyst for this because there is a clear merit in terms of what the kind of ROCE, which is getting depressed because of the excess cash in the books, so I appreciate that what all you require for the new ventures and for the – unless and until we take some other growth kind of initiative in this process?
- Bharat Sheth:** Yes, we will look into it.
- Manish Bhandari:** Sure. Thank you.



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- Moderator:** Thank you. The next question is from the line of Rahil Jasani from ICICI Securities. Please go ahead.
- Rahil Jasani:** In terms of the segment information we classify the segments into depository activity and also data entry and storage, so I wanted to know what is the exact nature of data entry and storage because this quarter I see that it has increased sequentially, very substantially from around 8.5 Crores last year to around 12 Crores this quarter, so what has been the catalyst for this increase and what is the exact nature of this?
- Bharat Sheth:** There are two major segments, one is depository services that is the CDSL income and other is KYC and document verification charges, it comes under CDSL Venture. In this quarter because of this document verification one-time charge that what we have received around Rs.2.85 Crores because of that, it is come under document verification charges that is KYC.
- Rahil Jasani:** Okay, got it, so one-time charges are included and how long do you expect these charges to continue, the one-time job, which you have been given?
- Bharat Sheth:** No in current quarter means, June quarter it would be there that is one-time job as such.
- Rahil Jasani:** And not after that.
- Bharat Sheth:** That is it from my side. Thank you.
- Moderator:** Thank you. The next question is from the line of Shriram Srinivasan from Ksema Wealth Management. Please go ahead.
- Shriram Srinivasan:** Good evening Sir. My question is in terms of analyzing actually we have been now tracking on numbers about, the total number of companies, which is available for de-materialization. As on March 31, 2019 it was almost 12100 companies, now the website we have been updated almost 13000 companies and even I heard about that the ROC, rest of companies have been mandated that the public unlisted companies who are all going for any kind of transaction they have to begin de-materialized right?
- Bharat Sheth:** Correct.
- Shriram Srinivasan:** In terms it shows that the 1000 companies in a month period, I mean what will be the total number of companies that we can expect to be add on in a particular year?
- Bharat Sheth:** No, as mandated by ROC. Unlisted public companies, there are around 65000.
- Shriram Srinivasan:** 65000 companies are there?



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- Bharat Sheth:** 65000 companies there. Not mandatory for them to admit this. Unless and until they will do new issue or any transfer or any corporate action they need to mention, bonus or something they receive then they have to do it compulsorily in Demat form. Again wholly subsidiaries are not required to DEMAT.
- Shriram Srinivasan:** Okay, so far now we have covered 1000 companies in a month whether we can expect same trend as likely to be follow in throughout the year?
- Bharat Sheth:** As on March 31, 2019 around 1400 odd companies we have added unlisted public company and now on an average around 200, 250 companies every month, so accordingly.
- Shriram Srinivasan:** So 200 to 250 companies we are expecting by month-on-month basis right?
- Bharat Sheth:** Yes, very good.
- Shriram Srinivasan:** Fine Sir and one more thing is that we are speaking about that the government project of NAD where project to get a revenue by two things, one is by through verifier as well as from through the depository, through who we have been done so right?
- Bharat Sheth:** Correct.
- Shriram Srinivasan:** So what will be the actual realization that we can expect from this kind of thing, is there any guidance have been given to that?
- Bharat Sheth:** No, we cannot right now because it all depends on what charges MHRD decides in September 2019.
- Shriram Srinivasan:** Sir and more thing actually inter clearing corporations are likely to commence from June of 2019 right?
- Bharat Sheth:** Sorry come again.
- Shriram Srinivasan:** The inter clearing corporation settlements have been, for example, if an investor is buying company's shares there will not be any charges over there in BSE but in its own settlement, charges will be likely to happen?
- Bharat Sheth:** That is right, yes.
- Shriram Srinivasan:** Yes. For that actually will investors has to be mandated to get other Demat account over there with CDSL?
- Bharat Sheth:** Not required.



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- Shriram Srinivasan:** Not required because it might have an impact in our beneficial accounts that is what I am expecting?
- Bharat Sheth:** Settlement will happen within the brokers actually, so the way he open his accounts will undergo change slightly for the way he will handle these accounts.
- Shriram Srinivasan:** It will impact our growth in the beneficiary accounts?
- Bharat Sheth:** It would impact to the extent of clearing member account because he no longer needs to have accounts with both the exchanges. He has to have the account with only one exchange, but transaction will remain with both the accounts, in that accounts. There would be some impact, but we do not know right know how much would be that impact, because he may decide to keep that accounts in CDSL or NSDL.
- Shriram Srinivasan:** Sir and one more thing looking at the CERSAI, you have been likely to come up with KYC model right, they are doing KYC model, stocks are going on?
- Bharat Sheth:** Yes.
- Shriram Srinivasan:** How long it will take for them to commence the business, whether it will come means what will be the impact that we can expect from our side because in that segment itself we are getting nearly what to say nearly 18% to 19% of income right?
- Sunil Alvares:** Correct. See they have started operation if I am not mistaken for the last five years and for last five years there have been some talks that they will be going, it will be mandatory to upload your KYC over there, but right now we cannot say anything.
- Shriram Srinivasan:** Okay, so they are already doing the business for the past five years?
- Sunil Alvares:** They are already doing it, yes, all the banks and insurance companies already have started uploading record into it.
- Shriram Srinivasan:** Okay, now they are requesting us to do the things with them right?
- Bharat Sheth:** They are requesting intermediaries to do through them.
- Shriram Srinivasan:** Okay, fine Sir, so that is all my side Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Pooja Doshi from Motilal Oswal Securities Limited. Please go ahead.
- Pooja Doshi:** Sir, I have a question related to annual issuer charges, so for every financial year we charge this particular charge in the month of April based on the average number of folios in the previous



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financial year. So for FY2018 we charge in the month of April for FY2019 we charged based on the folios that was generated in FY2018, so that is why we had this 21% of growth, but going ahead for FY2020, do you expect a similar growth given the headwinds that were faced in the market or do you expect like a long-term growth of 7%, 8% that we have been growing historically?

- Bharat Sheth:** Historically if you see last 10 years also at a CAGR of 12% we are growing on that.
- Pooja Doshi:** Okay, so do you expect something similar in FY2020 given that FY2019 was not a very good year for us?
- Bharat Sheth:** We are expecting that.
- Pooja Doshi:** Okay all right and Sir in terms of effective tax rate do you expect similar to FY2018 tax rate of 26%?
- Bharat Sheth:** Yes.
- Pooja Doshi:** Okay, all right. That is all from my side.
- Moderator:** Thank you. The next question is from the line of Rama Krishna from Zenwealth. Please go ahead.
- Rama Krishna:** I was just trying to understand a bit in terms of the new government projects and all, which you have been venturing during the course of this call, so just wanted to understand in terms of who all could actually participate in such tenders and how technology intensive these projects are, so if you can throw some understanding on that part?
- Bharat Sheth:** Typically as depositories we are invited to participate in such projects if one of them is the academic depository then again for the GST and they had certain criteria where you could apply for a GST service provider, so we have become a GST service provider and the third one was on the e-KYC part, but there I think there was more thing of networth requirement and you could become a AUA, KUA based on that and CDSL is an ASA, KSA, so there is some license fee to be paid every year for both ASA KSA as well as AUA, so right now these are the three projects, which we are doing it with the government.
- Rama Krishna:** 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 as you mentioned that in FY2019 you have added 1400 new like unlisted companies in the annual issuer charges that given generation income of Rs.3 Crores and you are adding around 200, 250 companies every month, so based on this, it would be my sense





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that the average realization per company comes to around Rs.25000 and you have mentioned earlier that the revenue opportunity from the unlisted company is around 9000 to anywhere around 6000 to 9000, so am I missing something here or like 25000 is the realization that we should take for the?

**Bharat Sheth:** We can charge to unlisted company, one-time admission fee that is Rs.15000, it is one-time only and for unlisted company, first leg is Rs.5000, so having a share capital of Rs.2.5 Crores share capital. So on an average we are getting Rs.5000 only in most of the companies we are getting 5000 per company.

**Amit Chandra:** So for these 1400 companies next year we will get Rs.5000 right?

**Bharat Sheth:** That is right.

**Amit Chandra:** And one-time will be?

**Bharat Sheth:** Not all 14000 companies, only to the extent of the companies whose capital comes in the lowest slab.

**Nilesh Kittur:** At least 5000.

**Bharat Sheth:** At least 5000. We charge at least Rs.5000.

**Amit Chandra:** So 15000 plus 5000?

**Bharat Sheth:** It can be one-time. We charge 15000 in the first year, second year 15000 in non-cash.

**Amit Chandra:** So if you take like 200, 250 companies, which are coming every month, so it comes around 3000 companies for the year FY2020?

**Bharat Sheth:** So those companies 15000.

**Amit Chandra:** So those companies 15000 plus 5000?

**Bharat Sheth:** 5000 to 10000.

**Nilesh Kittur:** Which quarter they are joining accordingly proportionate we have to charge.

**Amit Chandra:** In terms of the opportunity, so the opportunity here is big, so are we approaching these companies or it is an incoming thing that these companies approach the either CDSL, NDSL?

**Sunil Alvares:** We wish you would get business sitting in the office?



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- Amit Chandra:** No, that is what, so you have a team, which is searching for companies, who want to Demat or so are we investing in that or any kind of investments that you have or what kind of team that you have?
- Sunil Alvares:** That is a normal investment into the marketing team right.
- Amit Chandra:** In the same period how much companies the competition would have added, any idea about that and how we are approaching that?
- Bharat Sheth:** That again is not public information.
- Amit Chandra:** Is it fair to assume that out of this 65000 unlisted companies opportunity that we have in the next two years at least we will have around 50% market share there at least?
- Sunil Alvares:** First of all this number of 65000 the compliance is very low, so it is not that all 65000 companies are definitely going to join the depositories because the way the notification has done is that only if they have issuance or they wanted to transfer the shares then they have to admit the shares in the repository. It is not that 65000 companies all will come at one go in either of depository and so far the compliance has been, we are seeing company slowly, slowly, slowly like in six months if you see the number above 1500 average.
- Bharat Sheth:** There is cost to the company, they are very selective in joining.
- Amit Chandra:** Okay Sir. Thanks.
- Moderator:** Thank you. The next question is from the line of Shriram Srinivasan from Ksema Wealth Management. Please go ahead.
- Shriram Srinivasan:** Thanks for the opportunity once again. Actually in annual issuance charges there is a recovering that we have been tracking apart from the processing fee of one-time right that based on the share capital?
- Bharat Sheth:** That is right.
- Shriram Srinivasan:** Yes, above the 20 Crores that we have been charging nearly Rs.75000 right?
- Bharat Sheth:** 75000.
- Bharat Sheth:** That is right.
- Shriram Srinivasan:** One more question is that once the 65000 companies whether we are expecting 200, 250 companies on a monthly basis it must be roughly around almost 1400 to 1500 companies on yearly basis



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means, whether how much of these companies comes under above Rs.20 Crores or above Rs.10 Crores.

- Bharat Sheth:** I think these are forward-looking statement, which even nobody will be able to predict.
- Shriram Srinivasan:** No, not about the forward-looking, for the past returns that is what I am asking.
- Bharat Sheth:** Typically these are unlisted companies where the capital is like say Rs.5 Crores, Rs.10 Crores because most of the companies, which are getting.
- Bharat Sheth:** It will come in the lowest slab. I would put it that way.
- Shriram Srinivasan:** Okay, it will be very difficult to come with the numbers right?
- Bharat Sheth:** Correct.
- Shriram Srinivasan:** Sir what is the actual realization for the debit transaction you have been charging, so far it has been started declining since from 2017 we can see from 5.4 to 5.3, 5.3 to again 5.1, now what is the charge that we are looking forward and whether we have any kind of premium among that?
- Bharat Sheth:** On an average we are charging Rs.5.
- Shriram Srinivasan:** Now for this financial year we are charging Rs.5 right?
- Bharat Sheth:** Now on an average it comes to Rs.5, from Rs.4.25 to Rs.5.50 we are charging, so an average we are charging Rs.5 per transaction.
- Shriram Srinivasan:** Whether we can expect any kind of increase in this slab from Rs.5.50 to Rs.6 or something else?
- Bharat Sheth:** No, right now no, because the competition is charging Rs.5.
- Shriram Srinivasan:** Okay your competitors are also likely to charge Rs.5 right, so we have been on the same category?
- Bharat Sheth:** It has increased from Rs.4.50 to Rs.5, so that increases.
- Shriram Srinivasan:** Okay fine Sir. Thank you.
- Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.
- Bharat Sheth:** Thank you very much for joining earning call of CDSL and I forgot to tell investors that we have declared 40% dividend that it comes to 60% of payout ratio and our consistent policies are there to



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declare dividend even in adverse market condition so we will stick to it. Thank you very much for joining us.

**Moderator:**

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