



“Central Depository Services Limited
Q2 FY2019 Earnings Conference Call”

October 29, 2018



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Moderator: Ladies and gentlemen, good day and welcome to the Q2 FY2019 Conference Call of Central Depository Services, 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 entering “*” then “0” on your touchtone telephone. 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 Sir!

Aditya Bagul: Thank you. Good evening ladies and gentlemen. On behalf of Axis Capital a warm welcome to the CDSL Q2 FY2019 conference call. We have from the management Mr. P.S. Reddy, Managing Director and CEO, Mr. Bharat Sheth, Chief Financial Officer, Mr. Gaurang Shah, Vice President and Mr. Nilesh Kittur, Assistant Vice President. I shall hand over the call to Mr. Reddy for his opening comments post which we will open the floor for Q&A. Over to you Sir!

P.S. Reddy: Thank you. Good evening everybody. Welcome to the Q2 analyst call. Pardon me for being hoarse in my voice because of the sore throat and much of the talking will be done by Bharat Sheth. As regards to business, we have been continuously doing well in the areas that we have taken up for business and our incremental market share continues to be about 64% even in the current quarter as well. The aggregate market share of Demat accounts is almost 47.57%. That being what it is and on the unlisted front, unlisted companies are getting admitted with us is an additional business. The timeline is not prescribed, but a lot of enquiries are coming and almost about 200 applications are in the pipeline and it is mandatory for companies only if they are issuing a fresh capital or if there are any transfers or so. The government has not fixed any timeline for it, but we expect it is only a matter of time. By the time our systems and systems of both the depositories and interface with MCA website are ready for automatic download of filings that the companies have done from the MCA side, this one will pick up that is what our view.

The other subsidiaries while CVL is doing as usual exceedingly well and we have the numbers, which Bharat will speak and the other new business is national academic depository where we have almost signed up with 460 plus universities and that is also we are ahead of others.

When it comes to the commodity repository that is work in progress and the MCX settlement for Mentha Oil was done in the month of October, 2018 if I am not mistaken for the Mentha Oil settlement using the CCRL platform. We will be doing next month also for the other products and it is a work in progress as I said. We are expecting the non-agri commodities also to be notified to be handled in the commodity repositories, so once that is done we will be able to handle still much more business in this year and we have also launched what you call VDR i.e. Virtual data room whenever a company goes for public there is an activity of consultation among the solicitors, the RTAs, legal advisors and merchant bankers, etc., so we have provided a virtual data room and that is being used by both insolvency professionals as well as by the merchant bankers. Of course the number of issues are less that is why it has not picked as yet, we expect it provide a good competition in the domestic market.



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The current players who are mostly foreigners, foreign service providers. We are also doing well in the space of Evoting and of course a new entrant has come in the form of Link intime, but we have continued to retain our market share and grow without any hit on our revenues or number of companies that we are servicing at this point in time. It is too early probably, but that is the way it is and I will now hand over to Bharat to speak something more on these issues.

Bharat Sheth:

Good evening ladies and gentlemen. First I will give you consolidated results for quarter ended September 2018 versus quarter ended June 2018 that is quarter-on-quarter. The consolidated total income is up by 25% that is Rs.63 Crores in September 2018 as compared to Rs.51 Crores in June 2018 mainly on account of overall improvement in Operational Income and around 89% increase in other income from Rs.5 Crores to Rs.9.74 Crores in the current quarter. Further the profit after tax is up by 37% that is from Rs.22 Crores to Rs.30 Crores, which was due to controlling of the expenditure. The expenditure was marginally up by 2% on quarter-on-quarter basis that is Rs.22 Crores to Rs.22.51.

Now quarter ended September 2018 to quarter ended September 2017 that is year-on-year and consolidated basis. Although the consolidated total income increased by 11% that is Rs.63 Crores in September 2018 as compared to Rs.56.4 Crores in September 2017, the operational income increased by 12% from Rs.47 Crores to Rs.53 Crores mainly due to increase in annual issuer charges and online data charges that is KYC income.

Other income has increased by 7% from Rs.9 Crores to Rs.9.74 Crores in the current quarter. Further the PAT profit after tax is up by 12% that is from Rs.26.8 Crores to Rs.30.15 Crores. The expenditure was higher by 20% on year-on-year basis that is Rs.18.7 Crores to Rs.22.5 Crores. The effective tax rate has reduced from 29% to 25%.

Now on the standalone results, quarter ended September 2018 to quarter ended June 2018 quarter-on-quarter basis standalone total income is up by 19% that is Rs.48.2 Crores in September 2018 as compared to Rs.40.4 Crores in June 2018 mainly on account of overall improvement in operational income and around 81% increase in other income from Rs.4 Crores to Rs.7 Crores in the current quarter. The increase in profit after tax by 35% that is from Rs.16.3 Crores to Rs.22.10 Crores mainly on account of controlling expenditure and increase in operational income. The expenditure is slightly up by 1% on quarter-on-quarter basis that is Rs.18.5 Crores for June 2018 increased to Rs.18.6 Crores for September 2018. Whereas for quarter ended September 2018 to quarter ended September 2017 that is year-on-year basis, the total income up by 7% that is Rs.48.2 Crores in September 2018 as compared to Rs.45.10 Crores in September 2017. The operational income increased by 6% from Rs.38.8 Crores to Rs.41.03 Crores. Other income increased by 14% to Rs.7 Crores from Rs.6.3 Crores. The increase in PAT is 8% that is from Rs.20.5 Crores to Rs.22.09 Crores. The expenditure was higher by 18% on a year-on-year basis that is Rs.15.8 Crores to Rs.18.6 Crores. The effective tax rate has reduced from 30% to 25%, so overall on quarter-on-quarter basis situation has improved very much as such and I now open the forum for question and answers.



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- Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have the first question from the line of Prakash Kapadia from Anived Portfolio Management Services. Please go ahead.
- Prakash Kapadia:** Thanks for taking my questions. I have two questions. If I look at the employee cost or the consolidated results they are up 20% at Rs.16.5 Crores how much of this would you attribute to newer businesses and how much would be due to existing business and what would be the number of employees as on date?
- Bharat Sheth:** The number of employees increased from 226 to 238 and mainly in the new business that is commodity business that has increased and apart from the increase in salary and number of employee increase, second thing that performance linked bonus what we have declared in March 2018 that has got impact and otherwise general increments are there overall.
- Prakash Kapadia:** Performance bonus was paid in last quarter as well as this quarter or was it this quarter Sir?
- Bharat Sheth:** No, that is every quarter means on a monthly basis we are paying performance linked bonus prorated for 12 months, but declared in March 2018 whereas in last year corresponding year March 2017 whatever we have declared we have paid, so that is the difference.
- Prakash Kapadia:** Understood and Sir if I look at the CVL business we have seen a strong growth after some of the challenges, which were mentioned in Q1 for the CVL businesses the revenues have grown from Rs.9.6 Crores to Rs.13.8 Crores, so now is that business back on track, what has changed during the quarter if you could give us some sense on the CVL business that will be helpful?
- P.S. Reddy:** Prakash growth essentially is driven by one is the online account opening and using the Aadhaar and the increase in mutual fund investors. Now the problem now is Aadhaar is banned using this e-facility KYC. They are asking us to use the QR code, so we are already in the advanced stage of development. Maybe very shortly we are going to deploy and replace it with QR code based Aadhaar verification. Once that is done the client will be seamlessly onboarding as if there is a Aadhaar based verification, so that will happen shortly as I said, so we do not see any challenges on this front, but there is an additional cost associated with this because of the developments, but yes it is a dampener thing to that extent.
- Prakash Kapadia:** Last quarter Sir what I was trying to understand is last quarter there was some mutual fund and some specific challenges, so are some of those challenges obviously revenue growth as you mentioned is a function of online KYC or mutual funds are drivers to the business, but some of the challenges, which you are facing those seem to be sorted out right is what I want to know?
- P.S. Reddy:** They are already sorted out.



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- Prakash Kapadia:** Lastly you mentioned in your opening remarks about unlisted companies, but if we look at the government circular it says December is the actual deadline, so if you could give us some sense there are around I think 70000 public unlisted companies, so what could be the overall revenue pool is prizing clear in terms of annual fee onetime fee because circular also mentions about they are maintaining a two-year security deposit with us, so if you could give us?
- P.S. Reddy:** There is no deadline of December. What they were essentially saying is transfers cannot happen maybe that is the way that you are looking at it, but if new capital that is to come in, it has to come in Demat, so look at a company, which is not raising any new resources. Then it is not required to immediately come into the Demat. Similarly they also said you need to give two years issuer fee as a deposit. The second thing is we have come out with a new tariff structure, new tariff structure in the sense it is up to Rs.5 Crores. The current tariff is Rs.9000. Now up to Rs.2.5 Crores Rs.5000 is the tariff that is prescribed by the agencies concerned. Now you have one more slab introduced so that the smaller companies are benefited and they would not resist it. Beyond that there is no change in the tariff, so we are expecting more and more companies to do that and there is one more change in the tariff. The processing fee will be Rs.15000 instead of Rs.25000. That is another one.
- Moderator:** Thank you. We have the next question from the line of Dharlek Patel from Active Alfa. Please go ahead.
- Dharlek Patel:** I have a couple of questions. First one is what is the status on R Gandhi report and secondly why the current liabilities have increased from approximately Rs.18 Crores in March to Rs.50 Crores in September quarter?
- P.S. Reddy:** In regards to R Gandhi recommendations, precisely you are talking about the term of the MD, etc., and as per the new regulations even R Gandhi committee also has not recommended, but SEBI thought it is appropriate to have proper governance structure in place so the MD of a depository or market infrastructure institution not just depository be it at exchange, clearing corporation or a depository cannot serve more than two terms of maximum five years each. I have completed my two terms and Board has given an extension of five years then we sent to SEBI and SEBI gave me only one year extension pending these recommendations to be converted into regulations. Now on October 3, 2018 or October 2, 2018, the regulations have come. Now the regulations say that only two terms, two terms of five years each, but they are taking two terms for five years, whichever get hit, so probably I am not sure at this point in time, we need to revise the policy and then send it to SEBI, but I understand as it stands today I may not continue beyond March 31, 2019 that is the way it is.
- Dharlek Patel:** How about SEBI was planning to open depository services to corporates, so what is going on in this direction?
- P.S. Reddy:** Come again I did not understand this question.



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- Dharlek Patel:** A couple of months ago, SEBI was planning to open depository services to corporates or private entities so they will be able to enter in depository services?
- P.S. Reddy:** Those are already amended with this October 3, 2018. The sponsor concept has gone. The holding of sponsors, now they can easily divest in whichever way they want it and banks are free to sell off their stake whatever they have it, so substantial amount of floating stock will be available. Now with this regulations, corporates can only maximum take 15% not more than that.
- Dharlek Patel:** Can any other corporates enter in this depository services business?
- P.S. Reddy:** They can enter subject to a maximum of 15% that too if SEBI approves them as an eligible and fit and proper person for holding.
- Dharlek Patel:** Who can enter in this business, are there specific banks or any other financial institutions or apart from them any other?
- P.S. Reddy:** There is no restriction. Anybody who is willing to put that money and then promote a company and then bring Rs.100 Crores, but only maximum 15% they can hold they can start a depository.
- Dharlek Patel:** The final question about the current liabilities?
- Bharat Sheth:** About the current liabilities whatever issuer income what we have annually charged, are being pro-rated, so it is shown as a current liability. Whatever annual income that we are getting, we have pro-rated it, so for six months it shows as advance received from customer.
- P.S. Reddy:** We issued the issuer bill in the month of April, but that is we collect it, so that is apportioned over the four quarters.
- Dharlek Patel:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Pawan Kumar from Ratnatraya Capital. Please go ahead.
- Pawan Kumar:** Can I have the breakup between the transaction charges, IPO, corporate action charges and annual issuer charges?
- Bharat Sheth:** For the quarter you want?
- Pawan Kumar:** Yes.
- Bharat Sheth:** For the quarter only right?
- Pawan Kumar:** Yes for all the segments?



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- Bharat Sheth:** For Q2, annually issuer charges are Rs.16 Crores, transaction charges Rs.10.26 Crores and IPO corporate action charges Rs.6.16 Crores and online data charges Rs.10.17 Crores.
- Pawan Kumar:** Sir last year we had a significant amount of income from this IPO corporate action charges, but this year seems to be much more drier, so what are your thoughts on, is there any possibility of any growth in this or we have to cover up revenues from the other streams?
- Bharat Sheth:** No. It depends on a market as such. When the market is good more number of IPOs come then definitely it will increase, so it depends on a market.
- Pawan Kumar:** We are almost flat on the transaction charges basis right?
- P.S. Reddy:** Correct.
- Pawan Kumar:** Fine Sir. I will get back in the queue. Thanks.
- Moderator:** Thank you. We have the next question from the line of Agam Shah from Raj Trading. Please go ahead.
- Agam Shah:** What do we include in data storage and all?
- Bharat Sheth:** Online data charge is there and data storage is there. Previously if physical copy is submitted at the initial stage for mutual fund investment, all KYC physical documents we are maintaining at present, so we are maintaining for those 45 lakh investor accounts, so all these physical documents on behalf of mutual funds we are maintaining, so per annum we are charging on that, so that is the document storage charge.
- Agam Shah:** In the data entry and storage, this is the one component you are saying right, this is the only component or any other component is there?
- Bharat Sheth:** That is the document storage charge. Online data charges are KYC charges.
- Agam Shah:** These are the two components in data entry and storage?
- Bharat Sheth:** Correct.
- Agam Shah:** The growth, which we have seen on the quarter was due to may be the KYC and the mutual fund incremental?
- Bharat Sheth:** Yes.
- Agam Shah:** Dematerialization about the private company's part, so any tender or anything what is happening out there?



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- Bharat Sheth:** Tender means?
- Agam Shah:** Dematerialization of the private company?
- P. S. Reddy:** As of now MCA has not mandated it, so it is voluntary for them to do it. The regulation that came is only for public limited companies. Once we locate the progress of this they may instruct other private limited companies also to go for it.
- Agam Shah:** Do you expect in the near term to be mandated?
- P. S. Reddy:** These are all regulatory issues. We should not hazard a guess.
- Agam Shah:** I think you are holding sufficient cash and bank balance of Rs.42 Crores, so any plans to acquire something as such or to make any investments as such?
- Bharat Sheth:** Surplus cash we are investing in mutual funds, FMPs, bonds etc. Capex requirement is on an average Rs.5 Crores to Rs.6 Crores that is on an average we require, so otherwise everything we are investing.
- Agam Shah:** That is it. Thanks.
- Moderator:** Thank you. We have the next question from the line of Harit Shah from Reliance Securities. Please go ahead.
- Harit Shah:** Thank you for the call. Sir you gave the breakup of issuer charges, transaction charges, do you have the year ago figure please?
- Bharat Sheth:** You want on quarter basis.
- Harit Shah:** That is right for FY2018?
- Bharat Sheth:** Q2 2018 what you mean to say. Again Rs.13.65 Crores for Q2 FY2017 we are having Rs.16 Crores for annual issuer charges whereas transaction charges are flat Rs.10 Crores as such. E-voting charges from Rs.2.69 Crores to Rs.3.21 Crores whereas IPO corporate action charges Rs.8.43 Crores for Q2 2017, it went down to Rs.6.16 Crores for Q2 2018. Online data charges from Rs.6.82 Crores to Rs.10.17 Crores.
- Harit Shah:** Rs.6.82 Crores?
- Bharat Sheth:** Rs.6.82 Crores online data charges it went up to Rs.10.17 Crores.
- Harit Shah:** Thank you Sir. Secondly do we have the figure of total number of Demat accounts end of this quarter, but I think Rs.1.53 Crores last quarter?



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- Bharat Sheth:** It is Rs.1.60 Crores for September.
- Harit Shah:** Got it and one last question, the breakup of the other income if you have that?
- Bharat Sheth:** That is mostly investment income.
- Harit Shah:** Because there was a pretty substantial increase from the Q1 to this quarter so that would be related to MTM?
- Bharat Sheth:** Yes MTM.
- Harit Shah:** Fine. I just wanted to get that data point. Thank you Sir.
- Moderator:** Thank you. We have the next question from the line of Abhishek Jain from Vallum Capital. Please go ahead.
- Abhishek Jain:** Congratulations for the good set of numbers Sir. Sir I just wanted to understand that you told in the initial statement of yours that you have launched virtual data room for insolvency professionals and investment bankers, so what will be the market size for the same and can you just throw some more light upon the same?
- P. S. Reddy:** When IPOs come, CDSL IPO we have almost paid about Rs.10 lakhs to Rs.15 lakhs for that virtual data room.
- Abhishek Jain:** Come again. Your voice is breaking.
- P. S. Reddy:** We have paid almost Rs.10 lakh to Rs.15 lakh for one IPO i.e. CDSL IPO and that happened to be some Australian company, so for each of the IPOs people are taking various vendors are there, most of them are foreign companies, hardly Indian company is there, so we use network of merchant bankers, so if merchant bankers work with us also there is a synergy out there, so using the merchant bankers we are propagating the uses of our media. Our cost of investment is hardly anything. It is internally developed and it is in house and there is hardly any cost for it. That is the way it is.
- Abhishek Jain:** Actually voice was breaking.
- Bharat Sheth:** This is a platform we are providing to the issuers, those who are coming with IPO thing, so there are various what we call solicitors, then merchant bankers, auditors everything has to come together and whatever data they have received, they have to store in that software only, so for that matter only we are charging to the company. At present, nobody in India is doing such type of business.
- Abhishek Jain:** What are the charges for the same and how you see the market face off the same?



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- Bharat Sheth:** That depends on number of months, how many months, it has just started, but it depends on the number of month's license you require to operate this account and specific wise.
- Abhishek Jain:** Can you just give me a sense of idea that is how our revenue will shape up there?
- Bharat Sheth:** This is a nascent stage as such, so once all the companies which are going public and merchant bankers are going to utilize it then we will come to know. There is hardly any income is there around Rs.3 lakh to Rs.4 lakh there. Once this is popular then definitely we will get it and more of number of IPOs should come.
- Moderator:** Mr. Jain I am sorry to interrupt, but the audio is breaking from your line. Could you give us a call back from another instrument? Sir we move to the next question. We have lost the audio for this participant. 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 have mentioned that around like 200 private companies are in pipeline and in this quarter you have seen private companies coming from?
- Bharat Sheth:** These are public unlisted companies.
- Amit Chandra:** The growth we are seeing in the annual issuer charges is just like on quarter-on-quarter basis is 2.1%?
- Bharat Sheth:** No, it was applicable from October onwards, so next quarter you will get something.
- Amit Chandra:** In this quarter?
- Bharat Sheth:** Nothing.
- Amit Chandra:** Sir you mentioned the revenue for annual issuer charges, transaction charges, IPO and online data charges, so except that the others here are seeing a very steep growth, so others basically consist of free cash, the e-voting and on all the other small sources of revenues, so what is the reason for huge jump in the others, which is Rs.10.5 Crores?
- Bharat Sheth:** All five I have told you annual issuer charges, transaction charges, e-voting charges, and online data charges these are the major out of Rs.53 Crores these are the major component of it which comes to Rs.45 Crores. These are the main components as such.
- Amit Chandra:** That is what I am saying apart from that, the total revenue is Rs.53 Crores, so apart from that also we are seeing huge jump in the other components, so as compared to the last quarter?



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- Bharat Sheth:** That is Rs.1 Crores is there instead of Rs.31 lakhs to 1 Crores because of this it includes that is foreign investment portfolio monitoring that charges are there.
- P. S. Reddy:** FPI monitoring charges. We have started doing foreign portfolio investor monitoring, so it has been given to both depositories and almost 1800 to 2000 companies have chosen CDSL, there we are charging Rs.25000 per annum for the BSE 500 and NSE 500 companies and for all the rest of the companies it is Rs.10000 per annum, so that is the major contributor for it.
- Amit Chandra:** Sir we have seen a huge jump in the online data charges, so your comments on the stability of this huge jump so we expect this run rate to continue or just a onetime thing that we are seeing or there is a change in the way the mutual funds do their KYC or how the competition is acting to it?
- P. S. Reddy:** The competition is not a worry first because we have almost 1.7 plus Crores KYC records with us. If all the KYC is there then that particular intermediary has to necessarily come to us not to go anywhere else that is the kind of business, regulatory rule that is set up, so the only thing is e-KYC, which we were doing well earlier and now that has been stopped for some time. Hopefully with this QR code, will be able to relaunch that. We are hoping online OLA. We have a product called OLA, Online Account Opening where seamlessly investors come to the broker site. He opens Demat account. He opens trading account. He does KYC also. In that KYC after doing it, it resides in CVL. That is how this product was made. Now that we are restructuring that, so probably except for the gap that we have experienced may be for the last 15 days to one month this will again pick up. Of course it all depends on the market unless the investors come to the markets to buy and sell or do some investment in the market.
- Amit Chandra:** Can we attribute platforms like Paytm and Zerodha who have started selling mutual funds online that is also a major contributor to this?
- P. S. Reddy:** Zerodha is doing exclusively with us so their KYC is only with us, so that does not matter.
- Amit Chandra:** Sir any in terms of like technology expenses also there has been a steep increase 44% quarter-on-quarter around Rs.2.4 Crores to Rs.3.4 Crores, so any kind of investment we are doing in terms of upgrading our technologies?
- P.S. Reddy:** We have bought a new oracle licenses because of the increase in the work because based on the number of CPU their licensing works. When we are hitting about 70% to 80% of capacity utilization we have added some more CPUs so we had to take additional license. That is the reason why it is such.
- Amit Chandra:** Regarding the other income so we have seen some volatility in the last two to three quarters from here on we can expect stability in the other income or still we have portfolio, which is very much prone to the volatility in the markets?



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- Bharat Sheth:** I thought it was like stable growth. You want quarter-on-quarter how much percentage we grow.
- Amit Chandra:** You got stability there.
- Bharat Sheth:** Yes that is right. The revenue streams are safe, but yes there will be a fluctuation in the amount of income that each one of them contributes depending on the market.
- Amit Chandra:** Thanks for the opportunity.
- Moderator:** Thank you. We have the next question from the line of Nitin Agarwal from JM Financial. Please go ahead.
- Nitin Agarwal:** Thank you Sir for giving opportunity. Sir just wanted to ask that in this quarter the annual issuer charges has increased 17% year-on-year, so traditionally what we thought was that the annual issuer charges are more of a low growth 6% to 10% kind of a business stream, so can you tell what has been driving this 17% growth year-on-year in the annual issuer charges, is it that the number of companies, which have been dematerialized has increased in this period because the fee has not been revised upwards?
- Bharat Sheth:** The annual issuer charges we are charging on two basis, one either on a slab basis or on a folio basis, whichever is higher, so last year because of more number of IPOs and because of good market conditions more number of IPOs there, so number of folios increases, so that has got effect in this. As on March 31, 2018 whatever number of folios are there on that basis we are billing the company, so because of that only.
- Nitin Agarwal:** Previous March 31, 2018 number of folios you are billing in this year?
- Bharat Sheth:** Yes correct. on average basis.
- Nitin Agarwal:** Sir my second question is so for the unlisted public companies so we have 200 applications till now that is what in pipeline, which you have said so from the MCA website what we come to understand is that there are 64000 odd companies, so when it is a listed company they have to mandatorily dematerialize with both NSDL and CDSL, but in case of these companies they can choose between one of the depositories, so what advantage do we have that we can attract maximum companies to our side vis-à-vis the competitors and also like such a small amount of companies have been registered till now only 200 out of 64000, so what is your thought about it? What is the timeline, which you think that more and more companies will come by this year and next year? Do you have any sense on that, so if you can answer that question?
- P.S. Reddy:** The tariff being the same with both depositories what guides the company is the service. Some of them are coming directly especially as groups they are coming. If it is a big industrial group they are bringing all their issues to us. I think they are seeking some discount in the processing fee. We



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are not giving it in the annual issuer charges, so that is the way they are looking at it, but the RTAs are the ones, which are maximum supporting us, so we hope once the online application processing is released where and gets created online so admission will happen online. That is the way we are working where the companies are not required to enter the data themselves it will download from MCA site. It will take by the end of November we are expecting that portal to be up and running at both the ends both the depositors have to do that, so once that is done probably actually it will pick up the growth will pick up.

Nitin Agarwal: Do we have any specific advantage over our competitor that we will be able to offer other than the discounts on onetime fee that even the competitor might be able to offer?

P.S. Reddy: Our marketing teams are on the street all the time. As I said relationship works in this business and our business development teams are constantly pursuing the companies especially those who are using e-voting services, those who are using FPI, monitoring services as well as the IEP accounts they opened. A good number of companies have chosen CDSL over the competition, so I think that will help us.

Nitin Agarwal: Thank you. That answers all my questions.

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

Giriraj Daga: Just a followup on the online data charges when you mentioned that we are moving to QR codes how the competitors are taking up this matter, so everyone is moving from Aadhaar base to QR code or there is a different mechanism there?

P.S. Reddy: Even QR code is also online available. Essentially what it will happen is investor will go to Aadhaar site, he will download the QR code digitally signed one seamlessly and then that QR code is read by the depository or the service provider and then enter the data into the application. Everybody else has no choice but to do that. There is no other way.

Giriraj Daga: It is more or less everybody in the same page in terms of competition also?

P.S. Reddy: That is right.

Giriraj Daga: Why the debtors have moved up 50% debt receivables compared to September quarter?

Bharat Sheth: Trade receivables because of this annual issuer charges. That is around 70% to 80% in Q1 and Q2 and the balance always, so as on March 31, 2018 if you compare debtors are more during this period.

Giriraj Daga: From Rs.18 Crores to Rs.27 Crores?



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- Bharat Sheth:** Because of that.
- Giriraj Daga:** Thank you.
- Moderator:** Thank you. We have the next question from the line of Pawan Kumar from Ratnatraya Capital. Please go ahead.
- Pawan Kumar:** Sir about the tax rate, what is the sustainable tax rate that we can assume, this quarter it has been 25 whereas last year it was 29 around.
- Bharat Sheth:** It depends on the mark to market investment where other income is more, my tax rate would be accordingly adjusted as such and capital gain benefits and capital losses are there that I can adjust it indexation benefit.
- Pawan Kumar:** Can you give any breakup on how much was the capital gain and how much is the normal proposition in the other income?
- Bharat Sheth:** Capital gain would be around exact figure I do not have right away, but I can give you later on.
- Pawan Kumar:** For the full year would it be fair to assume a 30% tax rate?
- Bharat Sheth:** Effective tax rate comes to 25%, otherwise 29.12% is the normal tax applicable to us.
- Pawan Kumar:** Since we are under Rs.250 Crores revenue our tax rate is not 25%?
- Bharat Sheth:** No, it is 25% only. 25% plus 12% surcharge and 4% educational surcharge comes to 29.12%.
- Pawan Kumar:** Fine got it. Thanks.
- Moderator:** Thank you. We have the next question from the line of Mansi Shah from CapGrow Capital. Please go ahead.
- Mansi Shah:** Sir could you please repeat the market share data?
- Bharat Sheth:** We are having 1.60 Crores account and other competitor has 1.77 Crores accounts, so we are having a 47.57% market there.
- Mansi Shah:** Sir incremental market share?
- Bharat Sheth:** Incremental market share comes to 64% for this quarter.
- Mansi Shah:** In terms of the KYC business what is the market share?



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- P. S. Reddy:** We have all numbers informally we know what the competition. Four of them are there what they are holding. Our market share works out to be about 60%.
- Mansi Shah:** That is all. Thank you.
- Moderator:** Thank you. We have the next question from the line of Aditya Bagul from Axis Capital. Please go ahead.
- Aditya Bagul:** Thank you for taking my question. I just have one question. We have about Rs.620 Crores to Rs.650 odd Crores of cash and investments in our book, is there a plan to increase our dividend payouts, I think our dividend payout was about 37% last year?
- Bharat Sheth:** Dividend payout ratio on consolidated basis is 42% was there last year and on standalone basis 57% and dividend yield of 1.5% is there, which is quite good.
- Aditya Bagul:** Right Sir, but is there a plan to increase because I do not think we have immediate use for such high levels of free cash on our balance sheet?
- Bharat Sheth:** Definitely I will consider your suggestion.
- Aditya Bagul:** Sure Sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Dharlek Patel from Active Alfa. Please go ahead.
- Dharlek Patel:** I just wanted to confirm the incremental market share you mentioned is 64% right?
- Bharat Sheth:** Yes for second quarter.
- Dharlek Patel:** The same I think was 71% in Q1 FY2019?
- Bharat Sheth:** Yes correct. You are right.
- Dharlek Patel:** That is coming down right?
- Bharat Sheth:** Yes quarter-to-quarter.
- Dharlek Patel:** Thank you.
- Moderator:** Thank you. As we have no further questions, I would like to hand the floor back to the management for closing comments. Please go ahead Sir.



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P. S. Reddy: Thank you everyone for participating and I wish all of you Happy Diwali and a prosperous New Year and may be you look forward to increasing the floating capital company, may be some of the sponsors may be to divest may be, so with that I thank one and all.

Bharat Sheth: Thank you very much all of you.

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