



“Central Depository Services (India) Limited  
Q3 FY2020 Investors Conference Call”

January 29, 2020



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**Moderator:** Ladies and gentlemen, thank you for standing by and welcome to CDSL Q3 FY2020 Earnings Conference Call. My name is Nirav. 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. Please note that this conference is being recorded. Please note that CDSL does not provide specific revenue or earning guidance. Anything said on this column which reflects CDSLs outlook for the future or which could be construed as forward looking statement must be reviewed in conjunction with the risk that the company faces. I now hand the conference over to Mr. Aditya Bagul from Axis Capital. Thank you and over to you Sir!

**Aditya Bagul:** Thank you Neerav. Good evening everyone and a warm welcome to the Q3 FY2020 Earnings Call of CDSL India Limited. From the management, we have Mr. Nehal Vora-Managing Director and CEO. Mr. Girish Amesara-CFO, Mr. Sunil Alvares-COO CDSL Ventures, Mr. Nilesh Kittur, AVP. I shall now hand over the phone to Mr. Vora for the opening remarks post which we will open the floor for Q&A. Thank you and over to your Sir!

**Nehal Vora:** First of all I would like to thank all the investors for joining the call. I wish you all a very good afternoon. I welcome you all to the quarterly conference call for the quarter ending December - 2019. We at CDSL have had an exceptional first month in this New Year. From launching the first depository branch in the IFSC, GIFT City in the first week of the New Year to reaching a new milestone on being the first depository to cross two Crore Demat accounts last week. It has been really an amazing start to the calendar year and we hope to continue the success through the year.

In terms of the business highlight, the last calendar year the number of beneficial owners at CDSL has increased to 1.97 Crore as on December 31, 2019 from 1.67 Crores as on December 31, 2018 which indicates a growth of 17.96%. As on December 31, 2019, CDSL has 600 depository participants offering Depository Participant Services from over 19,000 locations across the country. These depository participants comprise of clearing members, bank, custodians and non-banking finance company. The securities of almost all listed companies have been admitted with CDSL for Demat. Further, a large number of private limited and unlisted companies are also admitted with CDSL. As on December 31, 2019 the securities of 14,709 companies have been admitted for Demat with CDSL. During the last twelve months, the volumes of securities and the custody has increased by 28% and the value of security has increased by 7%.

In terms of the new updates, basically as was stated briefly earlier by me, CDSL has set up a branch at GIFT City as per provisions of the extended regulations. CDSL is the first and only depository to have received the approval from SEBI to commence operations at the GIFT City. CDSL has inaugurated the branch on January 6, 2020. The branch will contribute to the development of the market with the introduction of delivery base trading to the existing suite of



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products traded on the exchanges at the centre. It would also enable to issue us to list all the kinds of issuances of there, thereby enhancing the value proposition for the centre.

CDSL has been awarded the Internet Data Centre Insights Award, the award is in recognition for sustainable and measurable improvement in key business performance matrix via the innovation and/or transformation, which results in the operation efficiency and enhancement as well as the benefit in time to market via the ecosystem of partners and suppliers. CDSL has received an award of excellence in basically the operations category also by the IDC Insight Award of 2019. SEBI has prescribed a webcast of annual general meetings, which would be compulsory for the top 100 listed companies or market capitalization with effect from Financial Year 2018-19. CDSL introduced the live webcast facility last year, which enable share holders to gain an access to the live proceedings at the AGM of companies through their secure e-voting login credentials. This facility facilitates wider participation of shareholders from different locations who are unable to travel to the AGM venue. Shareholders are able to gain knowledge about the company's future and also pose questions to the management. CDSL's e-voting system enables investors to cast their votes pertaining to company resolutions through Internet till the closure of an e-voting event. At present more than 4,600 companies have signed agreement with CDSL for its e-voting facility of which over 4,500 companies have used CDSLs e-voting platform.

In terms of the financial performance, the total income on a consolidated basis for the nine months ended December 31, 2019. The total income has increased by Rs. 34.51 Crores which tantamount to 20% to Rs. 211.27 Crores from 176.76 Crores. The net profit after tax on a consolidated basis for the nine months ended December 31, 2019 is Rs. 78.58 Crores compared to Rs. 80.64 Crores for the nine months ended December 31, 2018. Total income on a standalone basis for the nine months ended December 31, 2019 increased by 19.11 Crores which is 14% to Rs. 156.59 Crores from Rs. 137.48 Crores. The net profit after tax on a standalone basis for the nine months ended December 31, 2019 is Rs. 56.35 Crores compared to Rs. 59.95 Crores with the nine months ended December 31, 2018. It may be noted that the consolidated and standalone profits have decreased mainly on account of a provision of a non-recurring previous year's anticipated statutory liability of Rs. 10.56 Crores. The consistent income growth is a reward for the core values for the company believes in of being convenience, secure and dependable. The dip in the net profits is a result of non-recurring expense arising out of the past issues. We want to send out a clear message that we are strongly committed to core principles of transparency and good governance as per the framework prescribed by the government, SEBI and the other regulators.

Now may I request Shri. Sunil Alvares to give an update about the operations of our wholly owned subsidiary CDSL Ventures Limited. With this overview, let me welcome you all once again and I invite all of you for the questions and answers. Thank you. Over to you Sunil!

**Sunil Alvares:**

Good evening. So far as CDSL Ventures is concerned, there are two major businesses, one is the KRA business, and the other is the SEBI project, which we are handling. So far as the KRA



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business is concerned, the revenue is generated from new KYCs which come in as well as the KYCs which are fetched. During the period October 2019 – December 2019 we had 7.5 Lakh KYCs generated as compared to 4.88 Lakh in the same period last year, which was an increase of 2.97 Lakhs or 21% as compared to the same period last year. With regard to the KYCs, which were fetched during the period October-December 2019 it was 24.48 Lakhs as compared to 18.36 lakhs in the same period last year which is an increase of 6.12 Lakh or 33%.

Coming to the next project that is the SEBI project, the revenue on this project was Rs. 9.40 Crores in the first nine months of Financial Year 2019-20 as compared to Rs.2.85 Crores which was an increase of Rs. 6.5 Crores. We have budgeted an expense of about Rs. 6.39 Crores in this particular project. So far as the project is concerned, processing is underway and we have completed one slab of reprocessing. We have also reopened the site for investors to rectify the applications and for all these new applications there will be a new charge applicable on these applications.

Next project is the NAD project, as of December 31st, 2019 we have 519 Academic Institutions who have registered with us, out of which 261 have gone live and have uploaded 2.5 Crores wards into the system. As of December 31 we have 8.5 Lakhs students who have registered. So far as the charges are concerned, NAD project was free for all users up to September 30, 2019 post that MHRD had appointed a committee and was to decide on the charges. They are yet to decide on the charges so there is no progress on that front.

With regard to the other project E-KYC, we have applied to UIDAI and we are in an advanced stage of receiving an approval and second project is the E-Sign where we have received the approval from the CCA to start E-Sign services.

So far as the operational income for the period April 2019 -December 2019 is concerned, the total operational income was 41.36 Crores as against 30.51 Crores in the same period last year which was a jump of 10.85 Crores and the total income including the other income was 49.77 Crores for the first three quarters as against 36.14 Crores compared to the last year. With this, I now would like to take any questions.

**Moderator:** Thank you very much. The question is from the line of Ritesh Chheda from Lucky Investment Managers. Please go ahead.

**Ritesh Chheda:** Thank you for the opportunity. Sir I just wanted to clarify on these costs which have flown through in the nine months so just want to tally that the one off cost which would have flown in the nine month and in order to arrive at more regular cost, should I adjust the Rs. 10.6 Crores for statutory liability, another Rs. 8 Crores for bad debts which was done until the first half, these two costs or there are any other costs which also needs to be adjusted?

**Nehal Vora:** No that is about it.



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- Ritesh Chheda:** And the other cost which is the Rs. 6 Crores which is the SEBI project related cost, when does the project gets completed, will it re-occur in FY 2021 or it was only meant to be executed until FY 2020?
- Sunil Alvares:** See this cost is for the Phase I of the project where we have made provisions and even the income is against the Phase I, in case SEBI decides to have Phase II of the project there will be both income and expenses against that particular phase as well.
- Ritesh Chheda:** Phase I stands executed in FY 2020 itself, that is how it is?
- Sunil Alvares:** No, it is an ongoing thing but the expenses have been provisioned for.
- Ritesh Chheda:** Okay. So just on the cost side if you adjust that Rs. 10.6 Crores and Rs. 8 Crores it becomes Rs. 15 Crores type operating cost and another Rs. 12 Crores type employee cost about Rs. 27 Crores type quarterly number on the regular or let us say ongoing costs, is it correct if I do it for the nine months?
- Girish Amesara:** So total cost reported by us for nine months is around Rs. 111 Crores, of that you can adjust Rs. 10 Crores for the statutory liability and the rest cost may continue.
- Ritesh Chheda:** So Rs. 8 Crores of bad debts continue?
- Girish Amesara:** No, that also you can adjust. The bad debts is the function of debtors so if there were last year certain bad debts this year also there might be certain bad debts so that would be decided at the year end.
- Ritesh Chheda:** But was it something exceptional this year in nine months versus last year?
- Girish Amesara:** No, it is not an exceptional.
- Ritesh Chheda:** I am saying if 8 Crore was there in nine month of FY 2020 what was it in nine month FY 2109 then?
- Girish Amesara:** It was around Rs. 6 Crores?
- Ritesh Chheda:** It is more regular. My just last one more question, we gave out two data points, one was on KYC growth and one was on the Demat account growth rate. When I see the corresponding revenue growth rate it does not come to that number so if you could help us understand your revenue line items to just help us figure out the growth in transaction, an issue or corporate tax.
- Nehal Vora:** In terms of that Demat accounts when you open account it is only you charge when there is debit transaction. The credit transactions are free and for the corporate accounts there is an annual



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charge but for the individual retail most of it is free. In terms of the newer clients Sunil you want to take that.

**Ritesh Chheda:** Could you give the revenue break up also for quarter 3 and for nine months.

**Girish Amesara:** For the revenue break up, mainly our operating income consists of annual issuer fees which is around 35% of total operating cost. Transaction charge from depository participant is around 18%.

**Ritesh Chheda:** This is for quarter 3 Sir?

**Sunil Alvares:** I am talking about nine months.

**Ritesh Chheda:** Okay, so issuer charge is 35%.

**Girish Amesara:** Transaction from depository participant is around 18%. Online data charge is from KYC is around 15%, IPO corporate exchange is around 9% to 10% and the SEBI project is around 6%, rest are all other income which you can consider around 13%, in total holding company's revenue is around 79% then subsidiary CVL main revenue is around 21%, it consists of our total operating revenue.

**Ritesh Chheda:** Okay.

**Moderator:** Thank you. The next question is from the line of Yash Nerurkar from PPFAS Mutual Fund. Please go ahead.

**Yash Nerurkar:** Sir my first question is on the branch which you have opened in the GIFT City, so could you just elaborate on what sort of prospects do we see, how scalable is this business and what sort of business do we hope to generate from this?

**Nehal Vora:** So basically the GIFT City you already have an exchange and clearing corporation. We have two exchanges and two clearing corporation. There was no depository. So we completed the loop. The Honourable Parliament has passed the bill for creating a separate GIFT City authority, which should get now done in the next few months. So with this obviously the bond kind of issuances which companies have or delivery based futures and options which can be taken up so various products which are delivery oriented would now be possible with basically depository being there. This is basically early stages, it has a volume of around \$ 2.5 million to \$ 3 million a day but as and when now there are newer hybrid products etc, which are coming into play which can have a play so. We will have to see how this pans out as per the new regulator once it comes in, building blocks to be there and then depository services are now ready available out.

**Yash Nerurkar:** So have we started charging for any of the services yet or any sort of model already out there?



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**Nehal Vora:** Yes, we are in close coordination with SEBI because all our charges have to be approved by SEBI so we are in discussion with them and the depository participants also we have received around three four for people who have sought their interest of creating a branch out there in GIFT City. Early days yet but I think we should see some progress going forward.

**Yash Nerurkar:** Okay and my second question is keeping aside the regulatory capital required for each and every business vertical, do we have any plans for any other sort of capital allocation anywhere?

**Nehal Vora:** Basically cyber security is one of the critical aspects, technology investments will be critical going forward. Our main line of business is obviously technology driven. Obviously there has to be constant investment as well as innovation, which has to be done on technology. Secondly also the financial strength of the company because when we have to take up large projects like the one which SEBI has given, they look at financial strength of the Balance Sheet as one of the key attributes so obviously there will be reaching kind of sufficient level is something which we would like to see, basically invest more into our financial strength of the company and third is obviously newer products are going to be involved. The Finance Minister has announced previously in the two finance bill speeches about a single Demat account where all the financial assets come under one Demat account. So all this would require investment into technology.

**Yash Nerurkar:** Last question, right now we fall under which bracket of taxation, is it 25%?

**Girish Amesara:** Yes.

**Yash Nerurkar:** Alright. That is it from my side.

**Moderator:** Thank you. The next question is from the line of Utkarsh Solapurwala from Damos Capital. Please go ahead.

**Utkarsh Solapurwala:** Sir, can you lay out strategy for the insurance depository?

**Nehal Vora:** Yes, the insurance depository is basically kind of a new product where all the insurance policies which are getting issued would move from a physical mode to an electronic mode. However, basically the IRDA has not made it mandatory so lot of the private insurers as of now are keen to move from a physical mode to a electronic mode and this as we move forward with really the central government push in moving things from a physical mode to an electronic mode. We are going to see all the financial assets finally coming into electronic mode and therefore there is value in terms of the subsidiary of retaining that licence of being able to convert physical insurance policies into electronic mode. But I think once that critical mark is reached then probably the regulators will make it mandatory.

**Utkarsh Solapurwala:** Would LIC go for its own thing or opt for either NSDL or CBSLs services for the insurance depository?



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- Nehal Vora:** That will be difficult for me to answer as to what LIC wants to do but obviously there will be basically efficiencies seen in terms of moving from physical mode to one of electronic mode both in terms of retrieval of policies and also saving of costs for their insurance company, which service provider they chose would be as per their own internal matter.
- Utkarsh Solapurwala:** Current market share in the segment?
- Nehal Vora:** It is not very significant; I think it is very early days yet so the total as it is nothing to talk of because it is not made mandatory, physical policy percentage is 0.01% of all the insurance depositories.
- Utkarsh Solapurwala:** Thank you.
- Moderator:** Thank you. Next question is from the line of Srivathsan Ramchandran from Spark Capital. Please go ahead.
- Srivathsan R:** So I was asking one on the warehouse depositories that we start around as JV between MCX, BSE and CBSL. I just wanted to get an offset status on that, and then the second question was while on the academic depository the committee is yet to come with numbers but on the verification side the depositories are free to go ahead and have their own charges, any transactions that have started happening on the verification side?
- Nehal Vora:** Yes on the verification side transactions are happening but the numbers are very small because the numbers of verifiers who are registered are about 150 so far, so the verifications are happening but nothing much to talk about that.
- Srivathsan R:** So and then warehouse depository receipt?
- Nehal Vora:** Sir on the warehouse depository receipt as of now it is new initiative to that extent there is not much volumes here, again it is mandated by the exchanges that all the deliveries that happen in the exchanges or the clearing corporations in terms of warehouse receipt will be in the electronic forms so we are talking about very small population of the total commodity that is in the market, so to that extent it is in the initial stages of formation.
- Srivathsan R:** Okay my last question was on the e-voting bid with some changes in the comparative dynamics, it is an area where the alternative is materially more expensive than what we offer, sir any thoughts on taking price hikes what our clients telling on that front?
- Nehal Vora:** See e-voting the way the business is, it is very competitive right now, so I do not really see, the only way we see it may be the prices could come down there does not seem any chance for the prices to really go up actually.





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- Nehal Vora:** So I think any business there are two major points, one is the number of companies and second is the margin that comes. While margins may come down but the number of companies which is expected to go up so, I think it is a function of both these aspects.
- Srivathsan R:** Sure thank you.
- Moderator:** Thank you. Next question is from the line of Pawan Kumar from Ratna Traya Capital. Please go ahead.
- Pawan Kumar:** Sir what is the investment income component of this particular quarters revenue and are there any mark to market gains or losses and secondly if you could give the breakup of all the revenue head for the quarter please?
- Girish Amesara:** The investment income is around 14 Crores in the quarter compared to last year December quarter of 15 Crores. The mark-to-mark component is not significant compared to last year. The component of income for the quarter to quarter comparison last year and annual income is around 36%, transaction charges from DP is around 21%. Our KYC business contribution is around 17%. IPO and corporate contribution is around 9%, rest are all minuscule contribution.
- Pawan Kumar:** Okay and that this CDSL venture that will be separate?
- Girish Amesara:** I spoke about that, I said KYC business is around 17% compared to last quarter.
- Pawan Kumar:** Okay fine Sir. Thank you.
- Moderator:** Thank you. Next question is from the line of Abhishek Vigneshwar from Trust Line. Please go ahead.
- Abhishek Vigneshwar:** At the first you have explained about the CDSL ventures break up that SEBI project break up and the KYC break up can you repeat that again Sir, please?
- Sunil Alvares:** So this project on SEBI work is around 6% in the contribution of total operating income and KYC is around 15% from the total operating income contribution on nine months to nine months comparison basis.
- Abhishek Vigneshwar:** Sir I want to know about the in-depth you spoke about 7.5 Lakh KYC and all that thing I just wanted to know about the volumes?
- Sunil Alvares:** Yes as compared to the last quarter, the KYC generated were about 2.97 Lakh and the KYC's, which were fetched, were about 6 Lakhs higher.
- Abhishek Vigneshwar:** Okay Sir. Thank you.



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**Moderator:** Thank you. Next question is from the line of Neeraj Kamtekar from Prospero Tree. Please go ahead.

**Neeraj Kamtekar:** Thanks for the opportunity, Sir, why data entry and storage charges are lower in Q3 compared to Q2 and so EBIT is also lower and has it ever come into discussion with SEBI that they may pose a decrease in transaction charges that are allowed to be charged by the depository like you and NSDL. The reason for asking the same is that over the period of time SEBI has decreased the rate across all categories like mutual fund brokerage and...

**Moderator:** The line for the participant got disconnected. We move on to the next participant. Next question is from the line of Pritesh Cheddha from Lucky Investment Manager. Please go ahead.

**Pritesh Cheddha:** Yes Sir instead of giving the percentage can you just give the absolute numbers so that it helps us do the YoY growth rate numbers for nine months only on transaction issue over rate reduction?

**Girish Amesara:** So annual issue income is Rs. 58 Crores compared to Rs. 49 Crores nine months. Transaction charge income is around 30 Crores compared to 29 Crores. KYC business is around 25 Crores compared to 24 Crores last year. IPO corporate action is around 15 Crores compared to similar amount during last nine months. The SEBI project is around 9.4 Crores in this nine months compared to zero during last year. So this covers all major heads of income.

**Pritesh Cheddha:** Now I have one or two observations here, we somewhere gave the transaction value growth up and we gave the number for KYC annual number, which is 33% higher. So then is there a rate reduction where in the KYC growth rate in revenue terms is not visible and in transaction also the growth rate is not visible where you said that the value up is about 8% so just wanted to know?

**Nehal Vora:** The transaction charges are only on the debit that happens, it is not on the credit.

**Nehal Vora:** And it is not on value.

**Pritesh Cheddha:** We said that volume on securities is up 27% and that is how some data points we gave, so I am just trying to correlate the two?

**Nehal Vora:** The reason for that is that we only charge on the debit that happens in the transaction. Yes irrespective of the value at what both the transactions.

**Pritesh Cheddha:** Okay and what about the KYC, where your KYC volume number is up 33% but your KYC revenue?

**Sunil Alvares:** Yes there could be some large players who have been charged at slightly lower rate so that could be a possibility.



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- Pritesh Cheddha:** Okay lastly there is an issue over charge which is subject to review for a rate hike next year so any status there?
- Nehal Vora:** No, as of now the status quo remains.
- Pritesh Cheddha:** Okay. Thank you very much Sir.
- Moderator:** Thank you. Next question is from the line of Harit Shah from IndiaNivesh. Please go ahead.
- Harit Shah:** Yes my question has been answered. Thank you.
- Moderator:** Okay. Thank you. Next question is from the line of Agam Shah, an individual Investor. Please go ahead.
- Agam Shah:** Sir, can you just roughly tell about the SEBI project, which was done and going ahead what are the plans ahead Sir I might have missed the opening remarks?
- Sunil Alvares:** Yes the SEBI project was to send out a refund to investors in a particular company and we processed about 1.5 Crores applications of which we have already started sending out refunds and there were two phases of the project, the first phase we have done the processing but the payment will be made as and when funds are made available to us. The phase two of the project calls for getting the certificates etc. from the investor but that SEBI has to take a call, if they take a call then there could additional revenue for us at that point of time.
- Agam Shah:** So what we have done you have provided a data to the SEBI right?
- Sunil Alvares:** That is right we have created a website, collected data, processed the data and given that to SEBI to make the refunding.
- Agam Shah:** On any annual earning can you just brief the provided privatization of the unlisted securities and Demat form, so what is earning that space or anything can you throw light on that?
- Nehal Vora:** Yes we are adding around 200 to 250 unlisted companies every month if you see that has been the run rate across.
- Agam Shah:** Okay. Thank you and all the best.
- Moderator:** Thank you. Next question is from the line of Amit Chandar Rao from HDFC Securities. Please go ahead.
- Amit Chandar Rao:** Thanks for the opportunity. Sir my question is on the followup on the unlisted opportunity that you just mentioned, as you said that you have been adding 150 to 200 companies per month but if I see the data that has been published in terms of the number of companies now available for



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Demat and if do the maths there then in this quarter we have added only 96 unlisted companies and if I see the rate in terms of monthly addition is only around 30 companies have been added versus NSDL which has added around 360 companies. I know that the rate has come down if I compare it on YoY business. So what is there and as you have mentioned earlier also that we have been known some kings where you are tying up with RTA's and trying to increase the number of companies added there.

**Sunil Alvares:** So I think Amit you got some figures wrong, last quarter we added 588 companies and for the last three quarters we have added 1,694 companies so I think somewhere you got the numbers wrong.

**Amit Chandar Rao:** Okay because the total companies were 14,321 in this quarter versus 14,225 last quarter?

**Nehal Vora:** No, we also published the items which are listed so I think there could be some confusion in that space out there.

**Amit Chandar Rao:** Okay Sir I will just confirm and in terms of the branch that you opened in the GIFT City so as of now there is no revenue but if you can just provide the expense that we are doing there in terms of the annual rate that you have planned or what is the monthly expense and are we expensing it out?

**Nehal Vora:** As of now, the charges are to be approved by SEBI and so we have already given the proposal it is not yet out in the public domain.

**Amit Chandar Rao:** In terms of expense, how have been the expenses there, how many employees are there?

**Nehal Vora:** Today we have around 3-4 employees out there, it is only a branch it is not separate legal entity. It is an International branch and we have the possibility of transferring people as and when the demand for that really increases. So as of now the cost are not reduced significant. This property had been taken on a long-term lease, around 2 years or 3 years ago, so it was just that we have got it basically refurbished and the SEBI approval has been got in terms of starting the branch.

**Amit Chandar Rao:** Okay. Thank you.

**Moderator:** Sir sorry to cut here. I will ask you to come back in the question queue for a follow up question.

**Amit Chandar Rao:** Okay thank you.

**Moderator:** Thank you. The next question is from the line of Manish Bhandari from Vallum Capital. Please go ahead.



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- Manish Bhandari:** Good evening my question is regarding these bad debts if you could explain that is there any possibility of reducing these numbers which has been concerned from 6 Crores to 8 Crores slightly higher so going forward if these numbers can change?
- Girish Amesara:** Basically bad debts are those numbers for which the customers generally do not end up paying and as per the normal accounting practice we have to consider them in books of accounts. Having said that there is already an internal policy to follow up after the bad debts are recorded and in some cases the customers do pay after recording at bad debts. So this trend is going to continue like this roughly our bad debts would in this bandwidth.
- Manish Bhandari:** My other question is regarding the interesting point made during the conversation was related to the cash which we want to hold on the books and the various streams of things regulatory and IT. So I mean that looks very unending process where the cash will keep on accumulating and which will depress the return on capital employed and return on equity for the shareholders. So, is there any just as listed entity and which is all obligations to the minority shareholders. So is that any line which you are putting up that this the cash what we require and above that we will distribute back to the share holders, to the rightful owner?
- Nehal Vora:** Yes we do have a certain number but obviously that is our forward looking statement. I would rather not go as to what that number is but we do have some numbers in our mind as to what we would look at. But having said that there is going to be newer business and opportunity so I think the way we have really address this issue is that we have a dividend policy in terms of which we are adhering as a percentage of the standalone of profits and that we have been adhering on a year-on-year basis to ensure that there is fairness which has been granted to the shareholders also whilst we are doing this particular objective.
- Manish Bhandari:** Yes but then this still does not answer and it is very vague answer if you can?
- Nehal Vora:** No it cannot be specific because it is doing about the future and I would not be able to commit right now about the future. So the way the Board has taken this up is that created a policy of the dividend payout which has to happen and that has been really adhered to.
- Manish Bhandari:** Okay. Thank you.
- Moderator:** Thank you. Next question is from the line of Ashish Sood from Vishuddha Capital. Please go ahead.
- Ashish Sood:** Thanks for taking my question. Sir I was looking at the annual reports, in annual reports there was a contingent liability of around 40 Crores relating to service tax matter and this time you have taken a charge of 10 Crores for the settlement of this as a sick matters. So can I assume that these 40 Crores is fully set off against the payment of 10 Crores that we have taken the charge or it is still in?



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- Girish Amesara:** yes you can take that as certainty.
- Ashish Sood:** Okay so this all is removed, and just related to the previous point regarding the SEBI project again when the phase 2 will come it will again depress your margin because it is a low margin product. So are you planning to charge higher fees in phase 2 or it will be like this because it is very difficult for us to estimate when the project will start and then again the margin dips. So what is the overall strategy in that, how we will go?
- Girish Amesara:** It will be up in same lines.
- Ashish Sood:** Okay sure. Thank you.
- Moderator:** Thank you. Next question is from the line of Anish Jobalia from Banyan Capital. Please go ahead.
- Anish Jobalia:** Good evening. I wanted to get a sense around your total expenses, like in this nine months if I have to adjust for the government and one off like initially you have mentioned that MTN employee rate of expenses which happens in past quarters but despite of that our adjusted expenses have grown by around 28% so of course one of the reasons was hike in the salary of the employees but the other lying items have also been a bit much higher than the revenue growth. How do you see this panning out in the next year, is this going to grow at inflation or still one should continue expecting this should grow at a higher rate?
- Girish Amesara:** Apart from cost that we have mentioned there is one cost which is pertaining to SEBI project for which there is a separate income. So this cost is around 6.4 Crore in this total cost. About the other cost there will be inflationary pressure for incurring similar cost that might continue.
- Anish Jobalia:** What is the inflationary expectation here because the long-term growth in your cost like over a 5 years to 10 years period is like I think more than 10%, so is that the kind of inflation that we could expect in our expenses also like historical growth rate or it could come down to 5%-6%-7%-8% an average like in the next year may be, I mean next two to three years?
- Girish Amesara:** It will be difficult to predict next year but yes inflationary cost would be increasing and we will not be able to put up percentage right now because that we will be able to do it in next quarter.
- Anish Jobalia:** Our annual issuer charges have grown in the nine months at around 19% because the market shares were bit in the last two years they were down, can we expect that in the next year this kind of growth will not continue or we can expect similar growth in the next year also in the annual issuer charges?
- Nehal Vora:** I think again this is about the future, so we will have to kind of really restrict it to what data points we have now. Annual issuer charges SEBI kind of approval is over a periodic time



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whether they increase it, decrease it, ensures that remains constant is something which will be difficult to predict at this point of time.

**Anish Jobalia:** But when do we expect to take the price hike to SEBI because it also takes a year to get kind of an approval from them and I think we are already ripe in terms of going for the price hike because I think it is already three years to four years, is there any real plan to do this?

**Nehal Vora:** Normally it happened in the past at every four years to five years and it is done in co-ordination with both the depositories. So, I think it will be due from the next financial year but when SEBI will really take it up for a hike is something which will be difficult to predict in terms of when and visiting in what form it will fructify.

**Anish Jobalia:** Okay. Thank you so much for answering the questions.

**Moderator:** Thank you. Next question is from the line of Ravin Kurwa from ICICI Securities. Please go ahead.

**Ravin Kurwa:** Sir, I just wanted to confirm the annual issuer charges, transaction revenue, IPO and online and others, so annual issuer charges stands at Rs. 58 Crores, right for nine months FY2020?

**Nehal Vora:** Yes. That is right.

**Ravin Kurwa:** Transaction revenue Rs. 30 Crores?

**Nehal Vora:** Yes.

**Ravin Kurwa:** IPO Rs. 15 Crores?

**Nehal Vora:** Yes.

**Ravin Kurwa:** Online Rs. 25 Crores and others will be Rs. 37 Cores right?

**Nehal Vora:** Yes.

**Ravin Kurwa:** Okay Sir. Thank you.

**Moderator:** Thank you. Next question is from the line of Hiten Jain from Invesco. Please go ahead.

**Hiten Jain:** I wanted to understand this quarter we are seeing sequential increase in employee expense by 9% whereas in first since we have already have taken a 30% hike, I was just curious to understand what is leading to this sequential jump in employee expense and at the same time, our other expenses down sequentially, so could you just help me understand what happened in this quarter which led to these kind of outcomes on both employee expense and other expense?



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- Girish Amesara:** Basically in case of employee expense, recently in this third quarter three KMPs were hired and two KMPs had retired as on December 31. So, this has led an incremental cost of around 9%.
- Nehal Vora:** So, if I can answer that there were two senior KMP's who were due to retire and to ensure that there is no issue in terms of day-to-day operation, the board as well as the Nomination and Remuneration Committee (NRC) had approved one and a half month of overlap to ensure that there is a smooth transitioning. So the three KMP's which are no longer with us has been replaced with three more. So there has been a substitute.
- Hiten Jain:** On the other expense side?
- Girish Amesara:** On the other expense side in last quarter, the SEBI project related costs were recorded which are not there in this quarter. So, all the cost and income related to SEBI project were recorded up to the second quarter.
- Hiten Jain:** You are saying the SEBI project related cost did not occur this quarter and we only had the revenues right?
- Girish Amesara:** Revenues also were recorded up to last quarter.
- Hiten Jain:** So when you say this SEBI project of 9.4 Crores, you are giving this 9 month data?
- Girish Amesara:** Yes. That is right.
- Hiten Jain:** One question was what was the revenue contribution from unlisted companies this quarter within annual issuer and what is the market share in that? Last quarter it was 57 Lakhs which you gave, what is the number in this quarter?
- Girish Amesara:** Market share is around 32% which is growing every quarter. Annual issuer income for nine months, I have already said it is around 58 Crores compared to last year income of 50 Crores roughly.
- Hiten Jain:** No, my question is within the annual issuer, how much is the contribution from unlisted companies, you gave that number last quarter which was 57 lakhs of revenue or what is that number in Q3 2020?
- Girish Amesara:** Processing fee is of around 1.4 Crores in the last quarter and in nine months, it was around 4.62 Crores.
- Hiten Jain:** So this is you are saying the revenue from the unlisted companies who are coming on to CDSL?
- Girish Amesara:** Yes.





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- Hiten Jain:** Okay but last quarter you gave a number of 57 lakhs and in Q1 2020 you gave a number of 75 lakhs, so I am not sure if it is like-to-like? In Q3 2019, it was 1.5 Crores I am not sure what is the number in this quarter Q3 2020?
- Nilesh Kittur:** 57 lakhs does not include processing charges which is paid one time, it is Rs.15000 per company, so 1.4 Crores includes proceeding charges which amounts to around 88 lakhs.
- Hiten Jain:** Okay so it is 1.4 Crores in Q3 2020?
- Girish Amesara:** Yes.
- Hiten Jain:** And what was that in Q2 2020 like-to-like?
- Nilesh Kittur:** Around 460 companies were added. So accordingly 15,000 into that amount will give you the processing Charges.
- Hiten Jain:** Okay and you add 57 lakhs to it?
- Nilesh Kittur:** Yes.
- Hiten Jain:** Okay. Thank you.
- Moderator:** Thank you. Next question is from the line of Ronak Ramesh from Pantomath Fund Managers. Please go ahead.
- Ronak Ramesh:** Sir, I just wanted to know the last time when you took a hike in your annual issuer charges and your transaction charges?
- Nehal Vora:** It was in 2015. 2015 was the issuer charges and transaction charges were about 2004-2005 was revised.
- Ronak Ramesh:** Okay and what was the quantum in percentage?
- Nehal Vora:** Issuer charges were almost 50% around 45% and transaction charges we had moved from an ad valorem to a flat fee based.
- Ronak Ramesh:** Okay. That is all. Thank you Sir.
- Moderator:** Thank you very much. Next question is from the line of Neeraj Kamtekar from Prospero Tree. Please go ahead.
- Neeraj Kamtekar:** I have one question Sir, has it ever come into discussion with SEBI that they may force a decrease in transaction charges that are allowed to be charged by the depository like you and



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NSDL, the reason for asking the same is that over the period of times SEBI has decreased the rate across all categories like Mutual Fund, Broker head and now proposal on upper casting advisory fee and so on, so what is your long- term view on the same?

**Nehal Vora:** In terms of again what SEBI will do in future is very difficult to predict right now. The important thing is that we are going to have services which are going to be up to speed and really the sophistication of technology; whether that will translate into lower fees or higher fees or same fees, something which will have to see as and when it happens in future.

**Neeraj Kamtekar:** Okay. Thank you.

**Moderator:** Does anyone have follow up question. Ladies and gentlemen, due to time concern that was the last question for today. I will now hand the conference over to the Management for closing comments.

**Nehal Vora:** I would really like to thank all of you for joining the investor call. We will continue to invest into our technology to ensure that we have sophistication of our products and services and also the innovation in our services so hoping that this will continue this translate into increased revenue and profits for the company. Thank you.

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