



# Central Depository Services (India) Limited

CDSL/CS/NSE/NT/2021/176

August 7, 2021

**The Manager,  
Listing Compliance Department,  
National Stock Exchange of India Ltd,  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (East), Mumbai – 400051**

**Sub: Transcript of Analyst /Investor Call /Conference Call held on 04.08.2021**

**Re: Disclosure under Regulation 30 of Securities and Exchange Board of India  
(Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Dear Madam/ Sir,

With reference to our intimation vide letter reference CDSL/CS/NSE/NT/2021/176 dated 04.08.2021 on the captioned subject, please find attached the transcript of the aforesaid conference call.

The above information may also be available on the website of the company:

[www.cdslindia.com](http://www.cdslindia.com)

This is for your information and record.

Yours faithfully,  
For **Central Depository Services (India) Limited**

*Nilay R. Shah*

**Nilay Shah  
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# “Central Depository Services (India) Limited Q1 FY2022 Earnings Conference Call”

August 04, 2021



- Analyst:** Mr. Aditya Bagul - Axis Capital Limited
- Management:** Mr. Nehal Vora - Managing Director and Chief Executive Officer - Central Depository Services (India) Limited
- Mr. Girish Amesara – Chief Financial Officer - Central Depository Services (India) Limited
- Mr. Sunil Alvares - Managing Director and Chief Executive Officer - CDSL Ventures Limited
- Mr. Ramkumar K– Executive Vice President - Central Depository Services (India) Limited
- Mr. Swaroopkumar Gothi – Vice President - Central Depository Services (India) Limited
- Mr. Nilesh Kittur – Assistant Vice President – Central Depository Services (India) Limited
- Ms. Sandhya Dubey, Manager – Central Depository Services (India) Limited

**Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY2022 Earnings Conference Call of CDSL (India), hosted by Axis Capital Limited. Please note that CDSL does not provide specific revenue or earnings guidance. Anything said on this call, which reflects CDSL's outlook for the future or which could be constructed as forward-looking statement must be reviewed in conjunction with the risk that the company faces. 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. 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. I now hand the conference over to Mr. Aditya Bagul. Thank you and over to you Sir!

**Aditya Bagul:** Thank you. Good morning everyone, on behalf of Axis Capital a very warm welcome to the Q1 FY2022 conference call of CDSL (India) Limited. Before we begin let me just take this opportunity to congratulate Nehal Sir and the entire team of CDSL for a superb Q1 performance. So we have the management team of CDSL represented by Mr. Nehal Vora, Managing Director & CEO, Mr. Girish Amesara, Chief Financial Officer, Mr. Ramkumar K, Chief of Business Operation, Mr. Sunil Alvares, Chief Operating Officer, CDSL Ventures Limited, Mr. Swaroop Kumar Gothi, Vice President and Mr. Nilesh Kittur, Assistant Vice President. Without further ado I will hand over the call to the management for their opening remarks post which we will open the floor for Q&A. Thank you and Nehal Sir over to you.

**Nehal Vora:** Thank you so much Aditya for the kind introduction and wishes. I welcome you all to the CDSL's quarterly conference call for the quarter ended June 30, 2021 and I hope each of you and your loved ones are safe and healthy. I am joined on this call by other members of the management team, who will address your questions later. The years 2020 and 2021 have been unprecedented due to the pandemic and it has also brought various kinds of difficulties, challenges in our day-to-day lives. It has spurred up lot of new participation also so as kind of an opportunity new participants have joined the securities market and that has seen a robust growth which has been seen by around 7 Crore Unique Client Codes at the exchanges, in the demat accounts around 1.9 Crore demat accounts from April 2020 to June 2021 and it is important to even note that a significant part has come not only from metros but from Tier-II and Tier-III cities, which is a positive sign for the growth of India as a whole. Also, the demat account from non-metros reflect a deeper penetration of our securities market. In the previous year we have fine tuned our business strategy with a vision and launch initiatives that promote various measures, which will look at empowering the self-sufficiency of every person, of every participant basically the Atmanirbhar-Niveshak to ensure that we are well prepared for the new normal and among the companies to capitalize on the new opportunities which is emerging out of this entire transformation. This is obviously focused on the core values of transparency and good security. We hope that with the changing times individuals

and companies continue to start availing the solutions and online services and grow to be a self-sufficient in Atmanirbhar-Niveshak. We will continue to innovate and offer e-services and digital solutions to all our capital market participants.

Speaking on the business updates. The total number of active beneficial owners as on Q1 of FY2021-2022 is about 3.97 Crores. The value of securities is about 31.9 lakh Crores at that level. We continue to provide services in line with transformation and requirement of the current times to promote various kinds of basic initiatives which moves from a physical mode to a digital mode. We also have the e-voting services, which is basically a hassle-free event for shareholders to continue their voting and also services to hold the annual general meeting through the videoconference. We also provide e-mail services to companies to update the shareholder database to ensure that the communication to shareholders is valid, sufficient and are productive.

Before I hand over to our Chief Financial Officer, I want to take a brief moment to place our complete appreciation and gratitude to all our stakeholders, beneficial owners, depository participants, issuers, regulators, employees and other market participants for their constant faith in us. Now I request our CFO, Girish to take you through the financial performance. Over to you Girish!

**Girish Amesara:**

Thank you Nehal. Speaking on our financials we have seen a healthy growth in this quarter with year-on-year increase of 98% in our standalone net profits. Our total income on a consolidated basis for the quarter ended June 30, 2021 has increased by ₹ 43.78 Crores which is 51% resulting into total income of ₹ 129.79 Crores compared to ₹ 86.01 Crores for the quarter ended June 30, 2020. The net profit after tax on a consolidated basis for the quarter ended June 30, 2021 has increased by ₹.17.27 Crores which is 37% resulting into net profit of ₹ 64 Crores compared to ₹ 46.73 Crores for the quarter ended June 30, 2020. Now on a standalone basis the total income for the quarter ended June 30, 2021 has increased by ₹ 54.76 Crores which is 82% resulting into total income of ₹ 121.69 Crores compared to ₹ 66.96 Crores for the quarter ended June 30, 2020. The net profit on a standalone basis for the quarter ended June 30, 2021 has increased by ₹ 36.12 Crores which is 98% resulting into net profit of ₹.73.17 Crores from ₹.37.01 Crores in the quarter ended June 30, 2020. Now I will request Shri Sunil Alvares, the MD & CEO of CDSL Ventures to give update on operations of our wholly owned subsidiary, CDSL Ventures Limited. Over to you Sunil! Thank you very much.

**Sunil Alvares:** Thanks Girish. Good morning everyone. The Q1 quarter FY2022 was very good period for the securities market and therefore the CVL as well. So far as CVL was concerned the operational income for the quarter ended June FY2022 was at ₹ 28.11 Crores as against ₹ 12.92 Crores for the quarter ended FY2021, which was an increase of ₹ 15.19 Crores or a growth of 101%. There as a marginal dip in the other income from ₹ 4.14 Crores in the quarter ended FY2021 to ₹ 2.74 Crores in the quarter ended FY2022. As a result, the total income there was a growth of ₹ 13.78 Crores that is in quarter ended June FY2022 we had a total income of ₹ 30.86 Crores as against ₹ 17.07 Crores in the quarter ended FY2021. As a result of all those the net profit for CDSL there has been a growth of 69%. In the quarter ended June FY2022 the total profit after tax was ₹ 14.37 Crores as against ₹ 8.50 Crores in the quarter ended June FY2021. So far as the KRA business is concerned we have seen a phenomenal growth in the last quarter where the number of KYC records created in quarter ended June FY2022 has increased by 195% as against the number of records created in quarter ended June FY2021. Similarly we have seen a good growth in number of KYC records pledged by intermediates from CVL by about 168% and so far as the other businesses are concerned we will be starting off shortly with e-Sign, e-KYC business as well as the online account opening project. With these few words I would like to thank you all for inviting us and if there are any questions we are happy to take them.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Kunal Thanvi from Banyan Tree Advisors. Please go ahead.

**Kunal Thanvi:** I had a few set of questions, one was on the annual issuer charges, so if you look at these quarter numbers there has been a jump like is it due to the increase in number of folios which we get sir that is question number one, second question was on the other expenses like it has been sort of while we have not been able to understand how to look at the other expenses over a longer period of time because the initial thought process was that large part of these expenses would be fixed and there would be an operating leverage that would take care so just wanted to understand the sharp increase in other expenses in last two quarters and third was on demat of mutual funds like in last two to three quarters we have seen a lot of noise around the digital players gaining market share in terms of mutual fund distribution which in a way turns out to be the whole mutual fund in the demat account and also on July 26, 2021 SEBI has come out with a circular wherein it has asked depositories RTAs and mutual funds to form a common platform for the digital distribution of mutual funds so how does a player

like CDSL and NSDL the depositories fit into that index and overall basis now how we are placed in terms of dematerialization of mutual fund units?

**Nehal Vora:**

I will answer last question and ask the CFO, Girish to answer the first two questions on the increase in the issuer charges and the expenses, but overall underlying theme is that the billing is done for kind of the entire year for the issuer so that could be one reason and I will hand it over to Girish but before that on the mutual fund on your third question I think the general process which is moving is trying to graduate the entire securities market structure from a physical mode to basically an electronic mode and demat becomes a most important building block to kind of ensure this. So demat for mutual fund is something which is optional, a lot of the investors see the benefit in having a demat account where the mutual funds can be put in, it is not really big mandatory as of now. In terms of the circular which SEBI has issued of a new platform this is to ensure that there is a deeper penetration and there is a kind of a common platform the circular has been issued we will see how it basically pans out, but I think the most important process is that the demat accounts becomes the most important building bloc. Basically the initiatives moving from a physical mode to an electronic mode and that is what is the core within this and that could be considered as an opportunity for both NSDL and CDSL. So, with this I will just hand over to our CFO, Girish to answer the first two questions.

**Girish Amesara:**

To answer your question on annual issuer charges as Nehal rightly explained we are raising invoices in the first quarter and appropriately it is distributed over 12 months for the accounting purpose. This invoices are levied based on the capital that is admitted with depository as on March 31, 2021 and this has increased largely on account of increase in folios and on expenditure front due to increase in operating profits there is a charge which is regulatory charge which is contribution to investor protection fund largely increased by roughly ₹ 1.5 Crore and is the incremental expenditure that we had to consider for the quarter and on a consolidated basis if you see our operational income has also increased resulting into increase in expenditure like KRA charges that we have to pay to the other KRA agencies that has increased by around 3.88 Crores. Technological expense has marginally increased. Another contributor in expenditure is the statement that we issue, CAS statement that we issue to all the investors that has increased due to increase in number of participants, it has also increased by 1.5 Crores during this quarter-to-quarter i.e. June quarter compared to June quarter last year. Another important increase in expenditure is the SMS alert that we have to send to our investors post implementation of margin pledge system and EDIS, where we have to send SMS alerts to all the investors, that has contributed an increase of around 1.5 Crores. So, all put together, all this expenditure are more or less directly linked with the operating profit and the various regulatory measures that we implemented during this financial year, so I hope I have answered you question.

**Kunal Thanvi:** Just on the expenses part like when we said the investor protection it would be one for this quarter only right, going ahead it will normalize again right is that understanding right?

**Nehal Vora:** No, it is basically a function of what is the revenue, it is a percentage of the revenue as the revenue grows up you have to keep on increasing.

**Girish Amesara:** If our operating income is in similar lines then the future cost would be in this similar line as Nehal has rightly put across.

**Kunal Thanvi:** Sure I will get back in the queue. Thanks and all the best.

**Moderator:** Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.to

**Prakash Kapadia:** Congrats on crossing the milestone of 4 Crore demat accounts. Couple of questions from my end, on the CVL business with increase in volumes is we seeing any pricing changes for refresh or for new customer generally with volume increase we see some pricing changes so have we seen a major pricing change on the mutual fund side on the CVL business?

**Nehal Vora:** I will ask Sunil to answer that

**Sunil Alvares:** So far as the pricing is concerned we have only two types of pricing one is on the creation and second is on the fetch so typically we have a standard rate for creation as well as for fetch, but on the creation side we are mainly, as there is a large volume, we do give certain discounts to the participants.

**Prakash Kapadia:** From media reports we understand CAMS has recently launched this e-KYC using Aadhaar for mutual fund investors does this lead to more competition does it expand the market because being an RTA we can cross sell better do we see some change in the pricing or the way we are operating that business or really does not affect us?

**Sunil Alvares:** There are two ways of looking at it, one is that we have added almost 10 lakh plus KYC records in the last quarter as compared to the other KRAs I think we here also one we will have to actually compare the number of KYC records which have been added as compared to the number of folios have been added in the mutual fund but there again you have to keep in mind that large number of folios have been added because of the accounts which have got added to CDSL and people have taken credit in the demat form as well as the KYC has been done through CVL, so that will really not give you an actual picture and secondly I would

not be able to comment on it because those figures are not available in the public domain. I hope that answers your question.

**Prakash Kapadia:** Any clarity on the SEBI project for FY2022?

**Sunil Alvares:** Yes, we are planning to have the second phase but the way it is proceeding it will take some time because during the lockdown courts were closed, etc., because there are lot of things is because it is the Supreme Court appointed committee so lot of approvals to be taken from the committee so it is taking time.

**Prakash Kapadia:** So maybe second half there could be some revenue coming?

**Sunil Alvares:** That is right.

**Prakash Kapadia:** Lastly from my side on the private companies now with unlock happening and mobility increasing do we see a good increase in the number of private companies what was it as of now and any sense on revenues on the private company in terms of contribution?

**Nehal Vora:** I think the law currently says that if you want to transfer or raise any capital then you need to demat it. I think with the pandemic where policy makers will obviously there is a little bit of time to make it mandatory but I think the overall underlying ethos is moving through basically a demat mode because there are huge amount of kind of advantages only thing when it will be done that has to be seen.

**Prakash Kapadia:** Any kind of overall number from a private company revenue perspective for say last year and this quarter if you can just share?

**Nehal Vora:** I will just give it to our CFO, Girish.

**Girish Amesara:** The overall total income in the quarter from unlisted company is around 86 lakhs compared to in last June we had around 40 lakhs.

**Prakash Kapadia:** I will join back the queue. Thank you.

**Moderator:** Thank you. The next question is from the line of Aalok Shah from Monarch Network. Please go ahead.



**Aalok Shah:** Congrats on a great set of number Sir. I had two questions I will just take that the second one as an extension to the previous one Girish Sir you mentioned the revenue from private companies was 86 lakhs how was this number for full year last year?

**Girish Amesara:** Last year full year it was around 3.5 Crores.

**Aalok Shah:** Second question is more on trying to understand what could be a more comfortable margin level, the increase in cost that we have seen in this quarter because of increase in volume. The margin still continue to hold on well in fact it keeps on increasing with every passing quarters and I believe there will be and the point where you would not really be able to take the margin beyond a particular element internally what is your assessment on a steady state margin that we could see on consolidated basis?

**Nehal Vora:** I think futuristic it will be difficult to predict but as a market infrastructure company so we will have to kind of invest into technology and system which is kind of a fixed cost and the security of the information and finally basically human resource, so I think these are some of the important things which we will have to continue to invest and also a newer business opportunities are coming up we set up our subsidiary at basically the IFSC at Gujarat and there is International Bullion Exchange coming up also there which will trading in the spot gold and other precious metals so that is another kind of opportunity for the depository. So as the ecosystem increases in terms of breadth as well as basically the expense you will find newer kind of opportunities and that will have to be kind of invested in the relevant system and basically human resource. So, it will be difficult to give a number to it, but I think that is what how we are really structured.

**Aalok Shah:** Is there been any element of interactions with the regulator on the annual issuer charges now?

**Nehal Vora:** We will be kind of assessing it because with two years of the pandemic most of the costs have come down there is a general kind of perception that charges should come down, so, as of now we are waiting and we are assessing what could be that right kind of opportunity to do that, a proposal by both NSDL and CDSL.

**Aalok Shah:** So, if I understood right on the annual issuer chargers that we are taking up into our P&L there is an element of revisiting those numbers on the lower side is that what I got is?

**Nehal Vora:** No, I am not saying lower side or upper side that will have to be seen because it is approved by SEBI. The point is till now the trend was it was increasing every five years it has been more than it is probably sixth year now but because of two years of the pandemic we have not gone back to the regulator.

**Aalok Shah:** What is the element of opportunity we have given some numbers there but how quickly you could see something like our insurance repository business really gaining bigger scale and for that matter the warehouse and the state opportunity?

**Nehal Vora:** Yes, so both these businesses I think there is a fair amount of policy changes which are in the pipeline or and are being implemented. Overall, the ethos of the government is to move from a physical mode to an electronic mode or a digital mode and there is going to be an opportunity as and when that kind opens up because both on the insurance and the warehousing there is huge amount of potential which we can take it forward. We have to wait and watch how this plays.

**Aalok Shah:** This helps. Thank you so much Sir.

**Moderator:** Thank you. The next question is from the line of Sanketh Godha from Spark Capital. Please go ahead.

**Sanketh Godha:** Sir I just need a couple of breakup in the transaction income so the last time you have mentioned that the pledge income was around 2.75 Crores in the fourth quarter, so in 4.3 Crores just wanted to understand the number has seen an increase or what is the trend what you are seeing and if you can quantify that number it would be great and second question is based on the e-voting income how it has been in the current quarter compared to last year and finally just wanted to understand why the data provisioning cost has gone up and how do you see this to behave going ahead in the sense given it has been now around 2.7 Crores for consolidated number how do you see this number to play out?

**Nehal Vora:** I ask our CFO, Girish to answer that.

**Girish Amesara:** So answering your question first on margin pledge income the margin pledge income that we achieved in this quarter is roughly around ₹ 3.25 Crores compared to March quarter of ₹ 2.75 Crores last quarter the June is not comparable because this activity started somewhere in August 2020 and your second question was on what?

**Sanketh Godha:** E-voting income Sir.

**Girish Amesara:** So e-voting income has marginally increased by roughly around ₹ 30 lakh compared to June quarter, actual e-voting income will start in next quarter which is September.

**Sanketh Godha:** It was 1.7 million in first quarter if I am not wrong last year so you are seeing that has increased by ₹.30 lakh right?

**Girish Amesara:** Yes.

**Sanketh Godha:** On better provisioning just given that number has decently increased if I look at from year-on-year perspective is it in line with topline growth or maybe something else will need to be required?

**Nehal Vora:** What do you mean by data provisioning?

**Sanketh Godha:** Last year it was 1.4 Crores it has increased to 2.7.

**Girish Amesara:** Seems you are talking about debtor provision. So, debtor provision is based on the historical collection ratio that we have and it is a function of requirement of Indian accounting standard which specifies that you have to make provisions based on expected credit loss method. So, model has been built, which is agreed upon with the statutory auditors and this quarter it has taken a charge of around 2.66 Crores compared to 1.40 Crores same year last quarter so you can assume that this more or less the charge would be in range of this.

**Sanketh Godha:** Finally the way you gave the breakup in the presentation the admin on other expense so if I look it on year-on-year basis regulatory cost segregated but if I look at that cost year-on-year basis that has increased substantially from 8 Crores to 18 Crores even from sequential basis point it seems to be a decent jump around 4%, 5% so you will try to explain that question initially but given ideally IPF cost is part of the regulatory cost this 18 Crores what is exactly leading to it?

**Girish Amesara:** So, on a consolidated basis the regulatory cost consist of contribution to IPF which is SEBI mandated contribution i.e. 5% of our operating profit and apart from this there are regulatory cost in terms of collection that we receive towards issuer income and apart from this, in CCRL there is a regulatory cost which is payable to WDRA. So, out of this, major component is contribution to IPF.

**Sanketh Godha:** I was just referring to the admin and other expense which is 18 Crores.

**Girish Amesara:** So this regulatory expense is a function of the market if our operating profits are on higher side this cost is going to increase because it is directly proportionate to our operating profit. I hope I have answered your question.

**Sanketh Godha:** That is it. Thank you.

**Moderator:** Thank you. The next question is from the line of Kunal Thanvi from Banyan Tree Advisors. Please go ahead.

**Kunal Thanvi:** I just wanted to have more clarity on the annual issuer side of the business. So when we say that one of the reasons is the increase in the folios so how does it generally function right is the number of folios in the market improve, will the annual issuer charges for depositories would improve, if yes then does it mean that this part of the business will also have some sense of probability because in a market like this the new number of folios will come in and that may lead to an increase in the annual issuer charges?

**Nehal Vora:** In terms of how the number of investors based on folios but there is a ceiling of the charges which are charged to each company so even though if the participation increases and the shareholding folios increase it will go by the kind of proceeding in terms of this thing basically the charges.

**Kunal Thanvi:** So for example hypothetically if a company has got 100 folios today and if it goes to 120 folios tomorrow like in the next year does it result into higher annual issuer charges for that particular company across depository?

**Girish Amesara:** To answer your question, the annual issuer charge income is based on share capital which is a slab wise share capital charge, and minimum starting from Rs.9000 up to Rs.75000 and also there is a charge base which is based on folios so this income particularly is a combination of both this particular requirement and to be very frank we are not disclosing the details of what is the income of slab based income and what is the income of folio basis because these details are not publicly available.

**Kunal Thanvi:** I get it the way we had the understanding was that either we charge on the per folio basis or on the capital basis whichever is higher?

**Nehal Vora:** Whichever is higher, yes.

**Kunal Thanvi:** So hence if number of folios increases and if that amount increase is larger than the paid up capital formula that will be higher.

**Nehal Vora:** Yes, perfect.

**Kunal Thanvi:** Thank you.

**Moderator:** Thank you. The next question is from the line of Gokul Maheshwari from Awriga Capital. Please go ahead.

**Gokul Maheshwari:** Just slightly more basic understanding of the previous question only so when you mentioned on the annual issuer charges it is based on share capital and the number of folios whichever is higher but is there a upper limit to this and it stops at a particular level?

**Nehal Vora:** Yes that is what I said there is a ceiling to it beyond which generally it gets frozen at the ceiling.

**Gokul Maheshwari:** On the breakup of the income while we have reported transaction revenue of Rs. 44 Crores is there both IPO and corporate actions be reported and what would be that number?

**Girish Amesara:** So, IPO and corporate actions income is ₹ 7.75 Crores in this particular quarter it is 7% of our total operating income.

**Gokul Maheshwari:** In your presentation when you pull this out where do you account that in the format like whether it is in transaction charges or is it part of annual issuer charges or other income?

**Girish Amesara:** In the presentation if you see we have given breakup which has the larger amount appearing separately and all amounts which are less than a particular percentage are clubbed based on other income. So, most of the time all market driven income are clubbed together for example transaction charge and IPO corporate action are based on market how it work. So, most of the time we club these two number and we try to put it across but if the percentage of IPO corporate action is much small then we include in others.

**Gokul Maheshwari:** So, if I may ask ₹ 42.34 Crores includes IPO corporate action includes pledge income this thing also more market related?

**Girish Amesara:** ₹ 44.34 Crores is only transaction charge which includes transaction charge plus margin pledge charges and it does not include the IPO corporate action.

**Gokul Maheshwari:** That would be in the other operational income.

**Nehal Vora:** Yes.

**Gokul Maheshwari:** Great. Thank you so much and all the best.

**Moderator:** Thank you. The next question is from the line of Devansh Nigotia from SRMPL. Mr. Nigotia please proceed with your question.

**Devansh Nigotia:** Sir it might sound a bit repetitive but I just wanted to reclarify it once again. In case of mutual funds which are purchased through Fintech brokers and mutual funds which are basically dematerialized in the custody value so even mutual funds pay annual issuer charges to us is that understanding correct?

**Nehal Vora:** In terms of the mutual fund the annual issuer charges is basically whatever the unit. I will ask our CFO, Girish to answer that.

**Girish Amesara:** So in case of mutual funds it is part of annual issuer charges.

**Devansh Nigotia:** What would be the mix between mutual fund and companies in terms of annual issuer charges?

**Girish Amesara:** So, the annual issuer charges are largely driven by companies and mutual fund is very miniscule amount.

**Devansh Nigotia:** In case of the transaction charges just wanted to understand for equity where things are very clear that we want Rs.5 per debit transaction but let us say now these other securities which are rating shown through Fintech brokers like digital gold and mutual fund so in that case also there is similar way of charging or how does that work?

**Girish Amesara:** I am sorry can you come back.

**Devansh Nigotia:** Yes, so now through this Fintech broker we can buy mutual funds, we buy digital gold so even they get into the dematerialized account and then whenever the debit transaction occur we earn the standard Rs.5 per debit transaction?

**Nehal Vora:** Yes whatever is the ISIN and part of the security the demat account which has standard charge. All this was not moved to the demat mode there is a plan of moving it as of now there is no goal as a part of this.

**Devansh Nigotia:** So as of now it will be equity and within mutual fund it will be debt funds and mutual funds equity mutual fund or are there any other securities on which we can earn the debt transaction?

**Nehal Vora:** Debentures, CPs, CDs and all those are there and there also REIT, InvIT setup, but these are all at kind of the inception stages yet it has to pickup, it is not really mandatory as of now.

**Devansh Nigotia:** In case of I just wanted to understand the unit economics you just mentioned that there is a ceiling limit but when look at the charges it is Rs.11 per folio or based on share capital whichever is higher it is not whichever is lower so, why did we see that there is a ceiling limit to that income that we can earn from let us say one mutual fund?

**Girish Amesara:** If you look at the circular issued by SEBI and by us, there is a comparison to be made between the number of folio and the share capital so, if the number of folios is lesser then the slab based transaction kicks in, now in slab based transaction there is a limit of maximum Rs.75000.

**Devansh Nigotia:** But when the folio numbers it exceeds the share capital.

**Girish Amesara:** Then the charges will be there from the folio.

**Devansh Nigotia:** Yes, exactly that because you mentioned that there is a ceiling limit but then okay.

**Nehal Vora:** Once the ceiling is reached the higher of the two.

**Devansh Nigotia:** In the presentation we highlighted new revenue streams in CVL so can you just elaborate on it are there any new opportunities which we are seeing?

**Nehal Vora:** We have recently received Aadhaar based e-KYC approval, we have also recently received approval from CCA to register as its CA for Aadhaar based e-sign and we have launched our own online account opening software which we are quite confident that many of the mid and small size details we have signed it useful to use this as a backbone to launch the online digital policies, so I think going forward in the next couple of quarters we are looking at some traction on these three new opportunities.

**Devansh Nigotia:** Unit economics in the way we collect charges for all these three new opportunities?

**Nehal Vora:** I did not get your question sorry.

**Devansh Nigotia:** Will the charges get collected in these three Aadhaar based ECA and the other two opportunities that we have taken?

**Sunil Alvares:** The Aadhaar based and e-sign will be transaction based and online account opening software which we will be providing again that would be transaction based but it has a lot of options available whether you want to do online Aadhaar, offline Aadhaar so based on how you actually want to do it the charges we have taken.

**Moderator:** The next question is from the line of Kabir Sehgal from Beekalene Fabrics Pvt. Ltd. Please go ahead. As there is no response from the current participant we move to the next question from the line of Pratik from Civica. Please go ahead.

**Pratik:** I would like to first congratulate Nehal sir and fantastic results for the stellar number. My question is just a followup question to the one. So just want to understand on the annual issuer charges as you have also mentioned that it is all depend on the market activator I just want to know about that what CDSL and CDSL team think that is there any chance in the future that this annual issuer charges remain go up or it is in the lower side because these are proportions by the main income of the CDSL so just want to get update?

**Nehal Vora:** It will be difficult to predict that and it is a futuristic statement we do not give futuristic reply so we will have to fairly wait and watch what happen.

**Pratik:** Thank you.

**Moderator:** Thank you. The next question is from the line of Paresh from Club Millionaire. Please go ahead.

**Paresh:** Hi Nehal Congratulations to you and your entire team for a wonderful performance I just wish simply all of you are safe and healthy given the second wave. Couple of requests about to start off with, we wanted some data on the presentation with regard to how we are planning to capture existing product category whether it is launch commercial deposits or debentures in the presentation and mutual funds as well so we did not get an idea because with aftermarket activities are closer to the peak so this kind of data on the presentation could be pretty helpful. The second one is also on the Gift City...

**Nehal Vora:** On that we are in a regulatory driven business so the rules of the game would be driven by regulator, difficult to predict that how it will pan out so there are various kinds of things which I put into place when a new proposal is finalized we normally put out the paper on the public domain, etc.

**Paresh:** Nehal I was looking in terms of past data for example the quarter has gone by right it could have some percentage or some numbers and how many new MFs for example within the



trading income itself how many mutual funds in this we are effectively traded loans for that matter REITs or InvIT I think the numbers will be small at the moment but just to kind of get a flavor in terms of how the business is structurally using right and how are you capturing basically in terms of categories so some past data nothing on futuristic basis?

**Nehal Vora:** The point is that, that will not give basically the extrapolation which we are thinking of doing that out of that as to what will be the futuristic kind of agenda so I think in terms of that we need to basically keep these things in mind. In terms of your first kind of the question as to how things will see moving forward in terms of basically the REITs, InvITs are some areas where the benefits of the demat, etc. would be kind of seen by the market, the benefits in margin pledge also can be done through the demat system and so these are some of the core benefits of moving to a demat account which will ensure that more and more products will move towards that.

**Paresh:** I just hoping do we put that data without the idea of extrapolation just to see what is the percentage for example in the mutual fund units demat unit could be potentially 100 probably at 1%, 2% or even say 5% just to kind of move, we are not worried about how it grows going forward or the pace at which it grows we know it is going to grow but just a number on that would be helpful, the second thing is really you are always very optimistic upon the GIFT City transaction that we have incorporated recently so maybe a line or a section on that presentation and how it is moving I know it is early maybe some number or some details just to see how the business is standing out there?

**Nehal Vora:** Yes, we are just having the subsidiary it is kind of early stages as we gain some meaningful traction we definitely put that as a part of our presentation.

**Moderator:** Thank you. The next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.

**Amit Chandra:** Sir my question is related to the account additions that we have seen so it is pretty healthy but are we seeing any increase in competition from the competitor you have or any change in strategy that we want to do it to put at our incremental market share or we are happy with what you are doing and also in terms of the technology expenses now we have seen increased technology expenses over the course of FY2021 also but from here on most of the expenses has been done or we are still planning to increase investments in technology because that has been the backbone of the business so some more clarity on that?

**Nehal Vora:** The first question is obviously we are completely resilient we will ensure that we remain directly a value proposition to the market and we will see how that goes forward. So it is

basically a dynamic market so we have to keep on ensuring that we come up with newer kind of value proposition to ensure that we remain maybe relevant to the market. Second question I will ask the CFO Girish to answer.

**Girish Amesara:** Amit can you repeat your question please. I am sorry I could not hear you properly

**Amit Chandra:** Sir so on the technology expenses so now we have seen increase in expense in FY2021 on the technology part so is more of the major investments have been done or we are still planning to have some big investments here?

**Nehal Vora:** I think this I will take it rather than Girish taking it. This is not to do with the ongoing technology advancements to ensure that the value proposition it is a continuous process, we have also taken a robust cyber security framework going for but this is something which needs to continuously evolve in terms of how it will kind of take it forward.

**Amit Chandra:** I was just trying to understand if we have any major upgrades that we want to do or the technology practice that we have as of now is just sufficient to handle the traffic like 2x from here or 3x from here just from that perspective?

**Nehal Vora:** I think Amit there is a constant benchmarking has been done, the infrastructure is sufficient to ensure the load and we have to continuously plan for the future as growth is expected so there is no definitive answer to this because it is a continuously moving thing within our system.

**Amit Chandra:** In the other income and the investment income do we have any one off in this quarter or now it is all M2M gains and how do you see that for the full year?

**Girish Amesara:** On a consolidated basis there are no one off, in standalone there is a one off which is the dividend that we have received from a subsidiary so that is a one off in standalone.

**Amit Chandra:** Thank you Sir and all the best for the future.

**Moderator:** Thank you. Next question is from the line of Ravi Arun, an individual investor. Please go ahead.

**Ravi Arun:** Sir this question is on the cost of holding mutual funds in demat mode for investors when an investor holds mutual fund in physical mode practically there is no cost of holding it when they do transactions compared to holding them in a demat form this is because while holding

the MF in demat form they need to pay some charges to the DP and also when they transact they need to pay to CDSL or NSDL is my understanding correct Sir?

**Nehal Vora:** Yes, it is like any security like I said that generally when you open and there is a transfer there is basically a debit is being charged the credit is free.

**Ravi Arun:** Sir if that is the case then it will be very difficult to get the investors to move on to the demat mode because for him the cost is increasing even though it offer several advantages in terms of they can take loan and things like that I do not know how would an investor would look at it, my sense is that many may not move to a demat which may not be good for CDSL?

**Nehal Vora:** No I think there is a value proposition because moment you have the margins led facilities you can leverage your mutual fund units to go as margins for your other transactions so there is a safety thing, custody is there and also the whole in risk of maybe losing your whole year papers in this and physical mode all that is kind of a great advantage.

**Ravi Arun:** If we are holding it say through because I invest through mutual fund utilities so it is almost in a digital mode kind of a thing only so there my cost of operations is almost nil but the asset management companies maybe paying money to Karvy or CAMS whenever the transaction is done by the investor in a physical mode so the CDSL negotiate with the companies that when they can take care of the expenditure for the transaction why cannot they do this in a similar manner for CDSL?

**Nehal Vora:** No these are rules which are basically going forward which basically the regulator will kind of determine and as it was said earlier there is a common platform coming up so lot of things are in the process of change in the mutual fund space also let us see we will wait and watch how it goes forward.

**Ravi Arun:** Sir on the transaction income from CCRL is it based on the number or the quantity of the commodity for which the warehousing receipt is issued?

**Nehal Vora:** Yes I think it is a function of warehouse is there but otherwise it is a function of both I do not know really exactly I need to probably check.

**Ramkumar K:** Sir would you let me to answer the question, sir. Ramkumar here.

**Nehal Vora:** Yes.

**Ramkumar K:** Sir it is based on that quantity covered by the ENWR.

**Moderator:** Thank you. The next question is from the line of Devansh Nigotia from SRMPL. Please go ahead.

**Devansh Nigotia:** Sir just wanted to understand for CDSL, IFSC we have done some investments there so if you can elaborate on the size of the opportunity and currently at what stage it is there?

**Nehal Vora:** We are the only depository there we are a foreign depository stated as a subsidiary as this unit is expected to grow the entire kind of the IFSC space where the regulators are rolled into one all the regulators so I think it will be difficult to kind of put a number to it but I could not get it is a new kind of area which we are going to enter.

**Devansh Nigotia:** Can you elaborate on the eligibility on what kind of securities that we purchase through these brokers and which automatically gets in the demat so I think for digital gold you said that they do not get directly in the demat form as of now so what are other possible securities which automatically get in the demat?

**Nehal Vora:** These are all not compulsory they can give an optional basis like the mutual fund then there are bonds which can come in that sovereign gold bonds for example so I think it is slowly growing.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Aditya Bagul for closing comments. Over to you!

**Aditya Bagul:** Thank you Steven. A big thank you to the entire management of CDSL for answering the questions. I will hand the floor back to Nehal Sir. Sir if you have any closing remarks?

**Nehal Vora:** No, just stay safe and secure and really wishing everybody all the best. Thank you.

**Aditya Bagul:** Thank you Sir and wish you all the best. Steven we can close the call.

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