



Central Depository Services (India) Limited

CDSL/CS/NSE/2020/166

10.11.2020

**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 27.10.2020

**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/2020/152 dated 23.10.2020 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

This is for your information and record.

Yours faithfully,

For **Central Depository Services (India) Limited**

**Amita Paunikar
VP-Legal & Company Secretary**



“CDSL India Q2 FY21 Earnings Conference Call”

October 27, 2020



MANAGEMENT: **MR. NEHAL VORA – MANAGING DIRECTOR & CEO,
CDSL INDIA LIMITED**
MR. GIRISH AMESARA – CFO, CDSL INDIA LIMITED
**MS. NAYANA OVALEKAR – COO, CDSL INDIA
LIMITED**
**MR. SUNIL ALVARES – CHIEF OPERATING OFFICER,
CDSL VENTURES LIMITED, CDSL INDIA LIMITED**
MR. NILESH KITTUR – AVP, CDSL INDIA LIMITED
MODERATOR: **MR. ADITYA BAGUL – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the CDSL India Q2 FY21 Earnings Conference Call hosted by Axis Capital Limited. Please note that the CDSL does not provide specific revenues or earnings guidance. Anything said on this call, which reflects CDSL's outlook for the future or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risks that the company faces. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aditya Bagul from Axis Capital Limited. Thank you, and over to you, sir.

Aditya Bagul: Thank you, Stanford. Good morning, everyone. On behalf of Axis Capital, a very warm welcome to the Q2 FY21 Conference Call of CDSL India Limited. At the very outset, let me just take this opportunity to congratulate the entire team of CDSL for a spectacular Q2 performance and consistently so. So to take us through the nuances of the results, we have the senior management here represented by Mr. Nehal Vora – Managing Director and CEO; Mr. Girish Amesara – CFO; Ms. Nayana Ovalekar – COO; Mr. Sunil Alvares – Chief Operating Officer, CDSL Ventures Limited; and Mr. Nilesh Kittur – AVP. Now without taking too much time, 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 over to you, Nehal sir.

Nehal Vora: First of all, I would like to thank Axis for setting up this call. I would like to wish everyone a very good morning. I welcome you all to the CDSL's quarterly conference call for quarter ended September 30th 2020. And I trust that all of you and your family members are safe and sound and secure. I am joined on this call by the other senior members of our Executive management team who would be all happy to address any questions that you may have.

So, for the call, I would like to first start at really with a macro theme, CDSL continues to promote the idea of Atmanirbhar Niveshak which is the self-sufficient investor, and that the increase in the number of demat accounts created in this quarter is the highest in the history of a company. We are happy to be the place as well as the market infrastructure institution from a depository standpoint where the investors prefer to go and that is driven by 2 key things. One is that we would like to focus on the software and technology, we would like to make it as easy, secured for all people to connect. And second big thing is that our systems and our platforms would like to make it as easy for the investors so that they can do it themselves. And for us, these are the two key things on which we would be building our future business.

So as we all know that, financial numbers is something which is kind of a by-product of the work, the platform and the services which we are doing and our constant effort and endeavor is to ensure that our technology is new, safe and secure, for which more and more people, I think we have just really scratched the surface where more and more people are interested to join the securities market ecosystem and we believe that our main effort is to create a safe, secure and convenient platform. Our hope is that our financial numbers continue to grow, but our main

focus or main theme is more than the financial numbers, is to provide sustainable, consistent, safe and secure platform where really the people at large can come to and really create a trust among the securities market ecosystem.

So, in terms of CDSL's business in the last quarter, CDSL has seen a buoyant increase in the number of demat accounts. We have added around 29 lakh demat accounts in the last 3 months taking the number of demat accounts to 2.61 crore. We have been the largest depository for some time now in terms of the number of demat accounts and we continue to grow. Our effort and endeavor is again to create a safe, secured, and convenient platform for which more and more people would find it very easy to link themselves with our depository.

In terms of our distribution platform, CDSL has around 593 depository participants which are really available in around 20,500 locations which are across the country. This represents around 94% of the pin codes and this is steadily growing, even though we have practically covered the entire pan of India. These depository participants consist of all parts of the securities market ecosystem, be it clearing members, banks, custodians and nonbanking finance companies. We have also continued to bring in new services in line with the requirements which are there in terms of the current COVID-19. We have been successful in creating a service where all the annual general meetings can be held through the video conference facility. And CDSL is very proud to inform that a large number of companies have used our services and continue to use our services for creating the annual general meeting platform through the video conference facility.

Besides that, the subsidiary service of e-voting is also growing with each passing day. With this, we have also created some kind of value-added services for the company where we help companies communicate with their shareholders by providing an e-mail service where they can forward their requisite documents to the shareholders in a safe, secured and convenient manner. So these are my brief comments. So just before I hand it over to the Chief Financial Officer, I would like to thank basically all the stakeholders, be it the existing customers, DPs, issuers, regulators as well as the entire CDSL team of the employee who have worked very hard during the unprecedented times and ensure that the company continues to grow. So with these words, I will hand it over to the Chief Financial Officer to take us through the financial performance. Thank you.

Girish Amesara:

Thank you, Nehal. Good morning everyone. Speaking on our financials, we have seen a healthy growth in this quarter with a year-on-year increase of 68% in our consolidated net profit. Total income on a consolidated basis for the quarter ended September 30th 2020 has increased by Rs. 32 crores which is 46% at Rs. 101 crore compared to 69 crores for the quarter ended September 30th 2019. Similarly, the net profit after tax on a consolidated basis for the quarter ended September 30th 2020 is increased by 19.81 crores which is 68% at Rs. 48.87 crores from Rs. 29.06 crores for the quarter ended September 30th 2019.

Now talking about standalone results, total income on a standalone basis for the quarter ended September 30th, 2020 has increased by 26.5 crores which is 51% at Rs. 79.15 crore from 52.58 crores for the quarter ended September 30th 2019. Similarly, the net profit on a standalone basis for the quarter ended September 30th 2020 has increased by 16.11 crores which is 73% increase to Rs. 38 crores from Rs. 22 crores for the quarter ended September 30th 2019.

With this, I will hand over to Shri Sunil Alvares to give an update about operation of our wholly-owned subsidiary M/s CDSL Ventures Limited. Over to you, Sunil. Thank you.

Sunil Alvares:

A very good morning to all of you and a warm welcome to all the participants this morning I am Sunil Alvares, Chief Operating Officer of CDSL Ventures Limited. We are very happy to inform that due to the extremely buoyant market conditions, CVL's KRA volumes increased by 117% as compared to the first half of FY2020. The KYC records in CVL increased to 14.57 lakhs from 6.7 lakhs to close at 243 lakhs as on 30th September 2020. KYC records which have been fetched increased by 26.11% to 35 lakhs from 28 lakhs. The CKYC records what we have processed, there was a marginal dip to 5.84 lakhs from 6.74 lakh. The number of RTA companies which we have serviced on a cumulative basis has increased to 539 as of 30th September, 2020 as compared to 296 companies as on 30th September 2019. We are also processing the DDO claims of the PMJJBY scheme which has increased by 109% that is this year we processed in the first half 50,910 records as compared to 24,350 records.

Coming to the financials of Q2 FY2021 as against Q2 FY2020:

the revenue from operations in Q2 FY2021 increased to 18.65 crores from 13 crores that was an increase of 5.65 crores or 43.46%. The total income increased from 16 crores to 21.08 crores that was an increase of 5.08crores or overall 30.91%. The overall expenses which were 5.98 crores increased to 7.18 crores in this quarter and the profit after tax for this quarter was 10.54 crores as against from 7.61 crores that was an increase of almost 39%. With this, I would like to hand over the mike back to Axis Capital to take the meeting forward.

Moderator:

Thank you. Ladies and gentlemen, 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:

My first question relates to, I just wanted a sense on granular revenue breakup. I understand that we have put in this time around in the presentation between say transaction charges and annual issuer charges, I wanted to understand more in terms of how much it came from IPO and how much first from pledge? And specifically, in the pledge business, what was the contribution of one-time pledge between what is something that is a recurring revenue that occurred in the quarter? And second question is on if you look at the presentation, we have talked about increase in the debtor provisions. So, can you just throw some light and give some color on how should one read into it whether it is one time acceleration and what would be the normal run rate for that? And the third question is on the NAD, which we were not given that project from the

government in last financial year; however, I hear that we are still trying to monetize the same project. Any thoughts on the same would be really helpful. Thanks.

Nehal Vora:

On your first question, I will ask the CFO to answer, but before I go on to him, I just give you a broad perspective that the new system of the margin pledge is not really one-time income. So in terms of the new system, it is a new way of doing the business from a securities market in terms of the way the securities were pledged and this is expected to go on as a normal routine income basically of every month because these are yet the early times as to how much would be the trends on that. So, it is part of the overall income which we are taking. That is the first. Before I hand it over the CFO to give you more of the details, I will answer basically the other question you had in terms of the provision. So I think on the whole, the provisions we have had reasonably in terms of current times which we are in, we have seen some amount of slowdown in terms of the corporates in which they have to pay the fees to us, but we are very hopeful because as we have seen towards the latter part of the quarter that lot more companies have actually come back and paid to us. So there is really a standard operating process that if we do not get fees, there are certain kinds of actions which would be reflected. So we are very understand that probably it will be slightly late. So in terms of ensuring that the financial statements are **reflecting the reality**, we have increased the provision, but we are hopeful that by the end of the year we should be able to be at the same levels as has been in the previous year. So the first query, I will hand it over to the CFO and then after that on demat, I will ask Sunil to really answer that question.

Girish Amesara:

So at the outset, I had informed that total income is 101 crore. Out of which, 89 crores is total operating revenue which is 88% of total income. The breakup of operating revenue is transaction charge of 31 crores which is 34% of operating revenue. Annual issuer charge of 22 crores which is 24% of our total operating revenue. Then comes online data charges, which is pertaining to CVL which is 13 crore, 15% of total operating revenue. IPO corporate action is around 7.8 crore which is 9% of our total operating revenue. E-voting charges are 4.38 crores which is 5% of our total operating revenue and CAS statement that we sent which is around 1.85 crore which is 2% of our total revenue. This covers almost 90% of our total revenue and remaining are other charges. I hope I have answered your question.

Nehal Vora:

So if the third question be answered by Sunil.

Sunil Alvares:

So far as the National Academic Depository project is concerned, you will be aware that the MHRD and UGC has now appointed DigiLocker who implement this project. So both the depository will not be handling those projects anymore, but since we already have some costs and we have a domain expertise of almost 10 years on this project, we decided to offer our services as a private service provider to many of the academic institutions primarily because when we used to visit these academic institutions to admit their awards into the academic depository, we found that many of them required help in creating the awards, etc.. So we are looking at as an opportunity to provide our services as a private service provider and so far we have about 10 academic institutions have shown their interest and signed up with us which we think is a good beginning on this.

Kunal Thanvi: How many academic institutions? Sorry, I missed that.

Sunil Alvares: So far about 10 have signed.

Kunal Thanvi: So basically we will be charging for it whereas DigiLocker and the government, they would not be charging it? So it would be the service that would differentiate us from them.

Sunil Alvares: That is right. So in case we sign up anybody, they have to accept our charges, only then we will be onboarding them.

Moderator: Thank you. The next question is from the line of Varun Goenka from Nippon Mutual Fund. Please go ahead.

Varun Goenka: I had two questions. One, if you could again come back to the same answer we have been asking you for last so many quarters that why CDSL really accelerating its market share versus our peer? What is it that is working for it maybe some comments on the systems or where is the market share coming from, maybe some of the newer age brokers? Are we gaining share there? Your comments will help. And secondly, our annual issuer charges. I think they come up for revision every 5 years and that is next year, some comments there will help.

Nehal Vora: On the first one I had answered in the last investor call, we are a market infrastructure institution. Our intent is to create most sophisticated technology service, easy-to-use services and platforms. So how many people would like to use would be the value-add or the value which they see in our platform vis-à-vis basically the other platforms. So where we see ourselves is our focus as well as is to ensure that we give the most sophisticated services and platforms at reasonable cost and try to create more of a value proposition for anybody who is wanting to come within our platform and that is in my considered opinion, and this is my personal opinion is the reason why more and more people are wanting to come and come on to the CDSL platform. Our focus is not to increase the number of people, but to ensure that our platforms remain safe, secure and basically easy to use. And what did happen during lockdown is kind of learning because our intent is to create a safe, secure platform which we have, that is number one. In terms of the issuer piece, this is something which SEBI would have to take into consideration. Yes, we are due for an increase, but I do not know whether given the circumstances which we are in where most of the companies have not really grown to the extent that they should have whether SEBI would want to increase in this year or we will have to see whether we will postpone it by some time. So the matter is something which we believe is not within our control. It is within the control of SEBI, but however, our focus as well as our intent is continue to basically more and more companies onto our fold so that even if the rate remains constant, the total income would continue to grow.

Varun Goenka: Just to clarify on the first point of CDSL gaining share, are there any particular measurements that you benchmark against for example turnaround time in account opening is yours

significantly better versus the peer or the downtime in systems much lower than the peer. Are there any?

Nehal Vora:

So basically there are various means in which we will be constantly seeing the systems are really creating the value for person using it. And it will be difficult to really list down each one of them, it is more of creating platform in an ecosystem which constantly creates value for the person at a low cost. I think that is really our focus as perhaps basically our endeavor. We have an inclusive approach. So the number of depository participants, for example, at CDSL are far much higher than our competition. So we have basically an inclusive approach. So again our focus is to ensure that we create a technology platform which is easy to use, safe and secure, and then kind of leave it to the market to really figure out where that they will find more value in going.

Moderator:

Thank you. The next question is from the line of Anand Laddha from HDFC Mutual Fund. Please go ahead.

Anand Laddha:

Sir, just wanted to understand on the transaction revenue. So can you give some color like what was the number of transaction we have this quarter and vis-à-vis the number of transactions that the overall market has reported? How has been our trend in number of transactions like what was the number of transactions we did in Q1? What was the total number of transaction in the market and is there any way can we capture this data in terms of number of transaction happening in the market? First thing was that. Second sir of the 2.6 crore demat account holders, what is the active demat accounts we have? And how this number was in Q1 and same quarter last year? How this number was? And lastly on the pledge revenue sir, if you can quantify how much was the pledge revenue this quarter?

Nehal Vora:

So in terms of the transaction revenue is a mixture of many things. It is not only the amount of transfers which take place, so it will be difficult to quantify and put it as one single number because that will not lead to the proper conclusion in terms of the growth because it is mixture of many such variables which are out there. So in terms of that. In terms of the number of demat accounts, we grew at around 29 lakhs this quarter around 19 to 20 was in the previous quarter. And in the same quarter last year, it was basically, I think around 7-8 lakhs. There has been a significant number of demat accounts which have been opened during this second quarter. And as I mentioned in my speech, this has been really the highest number of demat accounts which have been opened in a particular quarter. So your third question on the revenue of the pledge, margin pledge, I think as I said it will be really early times. It will not be fair to really put out those numbers because this has only started on the 1st of September. This is one month into this particular quarter and what we give is kind of picture in terms of the transaction revenue. However, I will hand over to the CFO, if he can give any further comments.

Anand Laddha:

Sir, in terms of active demat account, you didn't indicate that of the 2.6 crores demat account we have, what proportion is active demat account from that?

- Nehal Vora:** I think a significant portion would be fairly active demat account, significant portion. We won't have an actual number which we put out.
- Anand Laddha:** The transaction charge of Rs. 30 odd crores which we have reported, does this include the pledging charges as well and what are the other variable charges in your transaction charges. So apart from the transfer charges, pledging is included and what other....
- Girish Amesara:** So the margin pledge charges are including in the transaction charges revenue that I had shared earlier and if you look at our website on the charges, you will come to know what all are included in the transaction charges. It is a quite long list. I would request you to go through the website.
- Nehal Vora:** So I think if you can just name 2 or 3 names, the ones which is there. So that is the...
- Moderator:** Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** I had two questions. One, if I look at our OPEX, it is down around 3% in the first half. So apart from employee cost, any major items which are seeing a downward trend and where we have negotiated some of the costs due to the COVID if you can some insights and second half how do these costs look like? And secondly, despite we seeing a robust 67%-68% profit growth, our cash flow from operation in the first half is just up 28%. So any specific items which are seasonal in nature and will reverse in the second half and cash flow also should improve in the second half or by the year end?
- Girish Amesara:** With respect to the 6 months expenditure that you are comparing, if you recall, last year we had an SEBI PACL project done in the subsidiary CDSL Ventures Limited. The cost towards that was around 6.5 crores which is compensating, which is not there during this quarter.
- Prakash Kapadia:** In the entire second half, it is not there, right?
- Girish Amesara:** Yes.
- Prakash Kapadia:** And assuming that doesn't come, this muted cost should continue in the second half as a trend?
- Girish Amesara:** That would be a forecasting.
- Nehal Vora:** Yes, we don't give any future this thing, but I think as an overall theme, our basic effort is to ensure that we keep our costs under control. However, there will be certain increased cost as we go forward. So we will see how it goes.
- Prakash Kapadia:** And on the cash flow, Girish, if you can give some color?
- Girish Amesara:** See, basically we during this first half; cash flow wise, we have not incurred any major capital expenditure. So it may continue, it may remain at this place, this particular level.

Prakash Kapadia: I was looking at operating cash flow, not just CAPEX or investing or free cash flow. I was just looking at operating cash flow.

Girish Amesara: Let me come back on this.

Prakash Kapadia: Lastly, Sunil mentioned there was eKYCs, there was some increase and KYC also is seeing an increase, so is eKYC an ancillary to KYC? For growing eKYC businesses, KYC business, the right matrix to look at or eKYC is a separate business model and a potential revenue by itself?

Nehal Vora: No, it is basically a part of one, it is a way of doing it. You have a physical way of doing a Know Your Client or you have a e-way of Know Your Client. But this will become kind of easier for it to open. I will ask Sunil to answer that question.

Sunil Alvares: Yes. To answer your question, eKYC would be a separate business head by itself in CVL and it will facilitate the number of KYCs which ultimately get added to the KRA. So if somebody does an eKYC or he does a physical KYC, ultimately it has to get added to the KRA. So the way the world is moving towards digital more currently, eKYC will definitely facilitate the number of KYCs into the KRA, that is how we are looking at it. I hope that answers your question.

Prakash Kapadia: And is Sunil a possibility of tapping or cross selling this business to banks or other financial institutions given the way the world is, is that a business opportunity which can be thought of?

Sunil Alvares: It is a business opportunity on paper. But right now, as per the regulations of UIDAI, if I onboard anybody, I have to recommend that entity to SEBI and SEBI will recommend that entity to UIDAI and UIDAI to DFS and that is how they will get the registration. Now given that sort of a situation, if that entity is not registered with SEBI, I will not be able to recommend it to SEBI. So I think right now will be limited only to capital market intermediaries.

Moderator: Thank you. The next question is from the line of Hiten Jain from Invesco Asset Management. Please go ahead.

Hiten Jain: My question was on other expenses. So from your presentation where you are giving the various heads of expenses, the tech expense is up sequentially by I think 20%, more than 20% and same is admin and other expenses. So can you just explain this cost items? Are they linked to some revenue sources?

Nehal Vora: Yes. So I think as I said earlier, our entire depository operation is going to be based on enhancing our sophistication in basically IT and technology. So there is going to be a constant endeavor to ensure that our platforms become easy to use and therefore that is going to translate into some amount of the expense being spent on the software, hardware as well as basically the applications which we have and that is why there is an increase and it is done in a manner so that it will give a long-term play in terms of ensuring the ease of the operation. As well as the admin cost includes also some of basically the SMSes, which we are required to send, these are the new kinds of

platforms which are going to come up and SEBI has asked both the depository to send basically the SMS for each transaction which is going to be done and now is being mandatorily done through this particular system, so that has caused a slight increase in terms of the admin cost.

Hiten Jain: Understood. And another question was while you answered that, but just wanted some more clarity on this provision for doubtful debt. So while that is up 100% year-on-year, you also said that it will reverse at the end of the year. So I am assuming that the accounting...

Nehal Vora: It is not going to reverse, I am saying we are hopeful given that the situation is such that most companies because of by national lockdown, there are most companies which were not working because of shutdowns. Slowly, they have started to open up and we are hopeful that this piece would get.

Hiten Jain: But sir, even sequentially the number is quite high. So even in one quarter, first quarter 21 also lockdown was there. So is it that there was some seasonal element here?

Nehal Vora: Yes, the fees are charged for the entire year for the company, that happens in the end of the first quarter and beginning of the second quarter. So there will be in terms of how much payment people are making. In terms of that we start seeing, but as the year progresses, this is what we have seen in the past that normally companies do pay off and we come down to kind of steady numbers which is basically the amount which we are able to recover.

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

Yash Nerurkar: Basically I just had to like get a clarification on the point which you mentioned earlier about the DigiLocker and the NAD which you guys are running. So since the project is handed over to DigiLocker, you said you have signed like roughly 10 institutions and DigiLocker wouldn't be charging them whereas you guys will be charging them. So could you just elaborate on how exactly is that going to work because if DigiLocker is running these services without a charge, so how would it work for you guys?

Sunil Alvares: See, currently, DigiLocker is still setting up this infrastructure and it will take some more time for them to really set up the academic depository because it took us almost 3 years and they have to set it up from scratch. That is point number one. Point number two is, why we are offering this service to academic institutions which basically many of them are still holding their awards in the physical form and all of that. So it is like a back office what we are creating for these academic institutions where they can hold these awards in the digital form and if at all, they want to share it with DigiLocker they can do it, that is not a problem. But in the interim like if a student wants to verify the awards or wants to verify, it is already available with us and we have a choice of verifying it through us or with DigiLocker but if he does it through us, there will be a charge applicable. As of now, the awards what we have are not available in DigiLocker.

- Yash Nerurkar:** So, in a way, going forward you will be sort of competing with DigiLocker?
- Sunil Alvares:** No, we are not really competing with them. I mean we will be charging and they are not charging anything. So it is not really competing with them. We are basically facilitating academic institutions to convert the awards into digital format and there will always be a phase where we will be converting and then they will be uploading. So during that period I think that is where many of the students will be able to access and verify the awards. Ultimately the way, to give you another example is between the CKYC and the KRA, CKYC just charges Rs. 1 per record for searching and we charge Rs. 35, many of the intermediaries are very comfortable searching it from KRA because they can depend on that particular veracity of that award.
- Yash Nerurkar:** Got it. And secondly, also what I wanted to know about is, the infrastructure which you guys are building, so most of that is inhouse, right?
- Sunil Alvares:** You talking about the academic depository, no, it is the same infrastructure..
- Yash Nerurkar:** I am just talking about the whole general technological piece, so anything...
- Sunil Alvares:** Our entire technology is being owned by CDSL. We have the outside software vendors as well as the hardware providers which kind of link up, but the entire technology is owned by us.
- Yash Nerurkar:** Sir, just a last small question. Because in the past, ever since March, since the lockdown has happened, we have seen this astronomical growth in the number of demat accounts opened. So has that growth sort of tapered down or you are seeing the same kind of growth even in this quarter and this month as well?
- Sunil Alvares:** See, I will not be able to talk about this month. Whatever we will put out, we will put out on the CDSL website. But that is what I said that second quarter has seen really the highest number of demat accounts basically in the history of the company. So there has been a growth over the first quarter also.
- Moderator:** Thank you. The next question is from the line of Ashutosh Somani from JM Financial. Please go ahead.
- Ashutosh Somani:** Just wanted a clarification, have I heard you correct on the eVoting charges being 4.38 crores in this quarter?
- Nehal Vora:** That is right.
- Ashutosh Somani:** And what was it last quarter?
- Girish Amesara:** It was 2.48 crores in September 2019 quarter and 17 lakhs in June 20 quarter.

Ashutosh Somani: And sir, this is a clear, significant jump from a Y-o-Y perspective eVoting charges, right? I remember this is to be below 4 crores on an annual basis in fiscal 20 and now it is 4 crores on a quarterly basis. So you see a lot more traction in eVoting?

Nehal Vora: I think this is where we see there because of the virus which has happened, the COVID-19 crisis, more and more people are really using these kind of platforms as we see. But what we have seen is that lot of people are finding basically the ease of doing it from their homes rather than having to come to the physical location. So I do expect that once you are used to a certain ease of doing things, it should probably go on even after things really basically open up. But what we have seen over the previous year is that there are number of companies which are doing that service with us has also significantly increased and that is partially because there has been a national lockdown etc. and also that our systems have been fairly simple to really access and people have found it extremely easy and secure.

Moderator: Thank you. The next question is from the line of Praveen Guru from ICICI Securities. Please go ahead.

Praveen Guru: My question is on revenue so can you give an update that what are the number of pledges which are getting created in the system right now, so right now since Q2 FY21 and how sustainable this pledges have been till date? Can you get me some sense on it?

Nehal Vora: We don't have the actual number of margin pledges which are being set out on the website. So I am sorry I will not be able to give you the number of margin pledges. But all I can say is that the system of margin pledges is basically here to stay. It is the way of doing business going forward and there is definitely a value proposition in terms of ensuring that BO, the beneficial owner is able to see that whether its shares are actually getting pledged, repledged to the trading member, clearing member or the clearing cooperation. So it is bringing in a lot of transparency into the system, it is also ensuring that only one, the pledge flag has been removed and we sell the securities. So this kind of an unauthorized sale which could happen, would not happen. So it is making the entire system very safe and secure and also bringing the transparency. So I think given all these factors and plus there is basically a study has mandated that this is the only way of doing things. So this system is basically here to stay.

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

Aalok Shah: My question pertains to an extension of your last answer on pledge part. While it might be difficult for you to really break down the numbers and guide us with transaction charges ex pledge revenue, but when I look at the first half numbers or say for that matter FY20, there has been a meaningful amount of increase and that has been a factor of multiple aspects. Trying to sustain this, maybe not FY21, but FY22, what do you see that as a possibility and would you kind of try and give some thoughts on how do you kind of see the transaction charges line item move forward?

Nehal Vora: So, we don't give any future statements on how this will pan out in the subsequent quarters. Our focus and our endeavor is to ensure as I said moment the infrastructure of a demat account is created and it creates the value proposition. Basically the hope is that securities market as the volumes grow, that is going to lead to a significant increase also in the number of demat transaction. But I am sorry, we would not be able to give any kind of reply in terms of whether this can.

Aalok Shah: I take that point sir, but at least can you share some thoughts on while you have disclosed the number of beneficiary accounts which have got added and somewhere during the conversation you also mentioned the percentage of active clients, would that also have shown the meaningful increase. I mean, you have a 2.6 crores BO accounts, of which say at any point 20%-30% are actively trading. Has that number gone up to the same extent or a higher extent?

Nehal Vora: So again, it is very difficult to give an overall principle, but I think what has been seen is that lot of people which earlier used to basically open a particular account and wait for some time before they transact, that in overall timeline has, basically the general trend has been the people generally trade as soon as they really open the demat account. So that is what we have seen, that more and more people are and that can be seen in the overall volumes also in the market, that the volumes in the stock exchanges have also increased significantly over last year. The delivery based volumes in terms of the value has also gone up significantly over the previous year. So these are some of the trends which we see and we are hopeful that this will continue. The important thing is we are creating the sophistication, structure and value so that more and more people will continue to use that part.

Moderator: Thank you. The next question is from the line of Varun Goenka from Nippon Mutual Fund. Please go ahead.

Varun Goenka: So could you help us understand over the next 2-3 years what could be our major investment area, both in terms of numbers and also the areas that we are looking to invest?

Nehal Vora: See, I don't think we will give you the numbers. So we don't talk about the future. That is part of our overall strategy and policy also. But in the broad areas, software technology is going to be a core area. Cyber security is going to be another very important area because there is push from SEBI also and we also feel that as the number of accounts grow, this is a very important part to be really continuously being basically enhanced. These are the 2 or 3 key areas and obviously we need the sophistication of basically the employees. So these are very specialized employees which are there which are needed out here. So as our key operations grow, we will need that kind of. So really the employee cost, technology cost and the cyber security cost are one of the three key areas that we will continue to grow.

Varun Goenka: Sure. And because our treasury yields are falling, obviously it is getting lesser and lesser attractive to keep it in fixed income. So what are we looking to do towards our payout ratios or as such?

- Nehal Vora:** What do you mean by that, the payout ratio in what we pay the shareholders in terms of dividends?
- Varun Goenka:** Dividends.
- Nehal Vora:** So that we have really an overall policy, I think everything is okay and the other thing which is worthwhile to note if the percentage of total income which relies on this is very low, the treasury part of the total income is not really significantly high. It is basically the operating income which really is driving that. And our payout ratio is basically based on the percentage of basically the operating income and the operating profits which we have. So I think we should be able to ensure that we would be able to add the same amount as we go forward, but this is something which we will see in the future.
- Varun Goenka:** And would we have any role in the account aggregator initiative that has been under works that would probably see the light of the day?
- Nehal Vora:** That will have to be seen how that really goes forward. It would be very difficult to comment till the formal structure is really approved.
- Varun Goenka:** And any movement on the proposed thing of a single account for all financial instruments?
- Nehal Vora:** Work in progress, we see how it goes forward, but it is yet work-in-progress.
- Moderator:** Thank you. The next question is from the line of Hardik Jain from White Stone Financial Advisor. Please go ahead.
- Hardik Jain:** I just missed one thing, when you were saying what is the online data charge for the quarter, I missed that thing?
- Girish Amesara:** It is 13 crores online data charges for September 2020 compared to 8.1 crores in September 2019.
- Hardik Jain:** So, when you see this other operating income of 37 crores, other operational income, so this 37 crores include online data charges which is 13 crores and IPO which is around 8 crores and eVoting which is around 5 crores. So that totals up to 25-26 crores. So what would be the other 9-10 crores?
- Girish Amesara:** See, basically we recover other charges from depository participants like, user facility charges, settlement charges, account maintenance charges, then other small charges. So all these small charges put together are around 10%, almost 90% area I had covered in my initial question. Do you want me to again repeat it?

- Hardik Jain:** No, that is it. Thank you. One more question, sir. This eVoting charges what we have, this also includes the online AGMs but we are conducting, that is also part of the eVoting charges if they are charging companies for online AGMs that we have conducted?
- Girish Amesara:** Yes.
- Moderator:** Thank you. Due to time constraints, we will be taking the last question from the line of Devansh Nigotia from SIMPL. Please go ahead.
- Devansh Nigotia:** Sir, just had couple of questions. Sir, one is in case of nonpayment of annual issuer charges, can you help us understand how does the compliance work? I mean let us say after what period of time, what actions happen for nonpayment. Second is, if you can just elaborate on the relationship with Upstox and 5paisa, so for Zerodha we know that they are exclusively with us, but the second and third discount brokers, I mean are they on both the platforms or they are with NSDL? And also if you can help us understand what is our wallet share with both of them? Thirdly in case of eAGM, I mean there have been some AGMs which are supposed to happen in June, which did not happen and then they are postponed to September and which were already supposed to happen in September, they did happen. So any number like percentage of the AGMs for the quarter, which happened in this quarter. So what is the remaining portion, so if you can just help us understand these things?
- Nehal Vora:** See, we do not comment on specific people whether they are with CDSL or not, on clients and customers because I think that is privy to basically how we are doing. The important thing is that we are ensuring that we are creating a value proposition for our output ad firms and I think basically each of the people are free to go to wherever they wish to and wherever they see value they are going to come there. It will be difficult for me to give you that answer, whether so and so person is on the platform or not. Sorry, what was your first question? I am sorry, I missed that.
- Devansh Nigotia:** I mean, how does the compliance work, let us say, so there has been some bad debts and we generally....
- Nehal Vora:** That is SEBI prescribed compliance, is a standard operating procedure, that if you would not pay, then there are certain shareholding patterns which they are required to find the compliances would also would not be available and hence to really ensure that they would need to pay up, otherwise they would not have the shareholding patterns with them. This is a broad standard operating procedure.
- Devansh Nigotia:** And in case of eAGM, I mean, because there have been some pent up for June, which did not happen. So if you can comment the percentage...
- Nehal Vora:** We have now further extended it by 3 months, MCA has extended by 3 months. So basically the AGM season should continue for another 3 months. So this is something which is going to

continue till that particular final date is there. And normally, our trend has been that most companies wait till the last date in September to finish their AGM. But now since there has been an extension of 3 months which has been given, they will probably, we should see some more volume coming up in the quarter.

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

Aditya Bagul: Thank you, sir. A big thank you to everyone to have participated in the call. Nehal sir, I will hand the floor back to you for any closing comments.

Nehal Vora: No, I think I have made my comments through various replies. Just stay safe and stay secure. These are some of the times we don't see it often. It is important to keep yourselves safe and secure. And I hope the very best to all of you.

Aditya Bagul: Thank you Nehal sir. You can close the call now.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Axis Capital Limited that concludes this conference. We thank you all for joining us and you may now disconnect your lines.