



# Central Depository Services (India) Limited

CDSL/CS/NSE/NMO/2021/129

10.05.2021

**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 05.05.2021**

**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/SEBI/NMO/2021/123 dated 03.05.2021 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**

**Nisha Tiwari**  
**Compliance Officer**



# Central Depository Services (India) Limited

## Q4 FY2021 Results Conference Call

**May 05, 2021**



**Analyst:** Mr. Aditya Bagul - Axis Capital Limited  
Mr. Anshuman Singh - 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  
Ms. Nayana Ovalekar– Executive Vice President - Chief Regulatory Officer - 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 Q4 FY2021 Earnings Conference Call of Central Depository Services (India) Limited (CDSL), hosted by Axis Capital Limited. Please note that CDSL does not provide specific revenue or earning guidance. Anything said on this call, which reflects CDSL's 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. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aditya Bagul from Axis Capital Limited. Thank you and over to you Sir!

**Aditya Bagul:** Thank you Margaret. Good morning ladies and gentlemen and a warm welcome to the Q4 FY2021 call for Central Depository Services (India) Limited (CDSL). We sincerely hope you and your families are safe and well, amidst the current pandemic. Before we begin, I would really like to congratulate the management and Nehal Sir on a consistent and a strong performance in Q4 FY 2021 and FY2021. From the management today, we have Mr. Nehal Vora, Managing Director and CEO, Mr. Girish Amesara, Chief Financial Officer, Mr. Sunil Alvares, Managing Director and CEO, CDSL Ventures Limited, Mr. Swaroopkumar Gothi, VP and Mr. Nilesh Kittur, Assistant Vice President. We will begin with the opening remarks from the management post which we will open the floor for Q&A. Over to you Nehal Sir for your opening remarks!

**Nehal Vora:** I sincerely appreciate your warm welcome, Aditya. Wishing you all a very, very good morning. I hope your families and all of you are safe and secure during these unprecedented times. I welcome you all to the CDSL's conference call for the full year and quarter ended March 31, 2021 and I trust each one of you and your loved ones are safe and healthy. I am joined on this call from the other members of my management team, who will also help me in addressing your questions.

So, first at the beginning of the quarter in January 2021 we have crossed a new milestone. It became the first Indian depository to reach 3 Crores Demat accounts, which we believe is also on the backdrop of a general growth which has been seen in the Indian Securities market and the volumes have been seen on the stock exchanges as well.

As you know, the entire structure of the Indian Capital Market and the consumer landscape is really changing very, very rapidly. It is important to embrace the varied needs and perceptions of this securities market by engaging with all the participants. CDSL's efforts have been to increase not only the penetration for the wider participation across India but also empowering the self sufficiency of the market participants, which has been received renewed kind of enthusiasm as has been seen in the growth of the number of Demat accounts. So, the entire structure and ethos of the vision of CDSL is to make our investors self-sufficient, or basically Atmanirbhar to ensure that there is the ease and security of the operations for the Demat accounts and also reducing the dependency on the external sources in building a self-reliant system.

I am pleased to share our financial performance for the full year and quarter ending on March 31, 2021. Our pillars of growth remain fairness, good governance, and transparency. This also shows that the trust, the entire ecosystem has on CDSL during these current unprecedented times, and I really like to thank SEBI and all the regulator, Ministry of Finance, the Board of Directors of CDSL, the management, the shareholders, as well as the employees of CDSL.

We continue to provide and innovate services that are easy and convenient to use, which are secure and to ensure that it is based on the foundation of convenience, security, and safety to ensure that more and more people use the CDSL platform to bring in the best-in-class services for our entire system.

Speaking of the business update, in the financial year the number of new assets, Beneficial owner, accounts with CDSL has increased by about 1.23 Crores taking the total number at 3.34 Crores. The comparative number in the last financial year ending was at around 38 lakhs. So, there has been a significant increase in the number of Demat accounts. CDSL and our system or the ecosystem has been supported by our strong 592 Depository Participants which offer the services across 20,600 locations and these constitute around 97% of the pin-codes. These constitute various types including the clearing members, banks, custodian, and non-banking financial companies.

We have also initiated new services in line with the transformation and the requirements of the current times to promote a lot of the e-initiatives, this includes basically the e-voting services which is now completely through an online framework. In this CDSL has got a major market share. Also, we have provided a robust solution for lot of the companies to host their annual general meeting through video conference. To make the entire process of annual general meeting safe and secure and also very easy for the company to take it forward.

We also have other value-added services to these companies which have been very well received by them. Basically, before I hand over to the Chief Financial Officer to go through the financial performance, I would like to once again place on record the appreciation, gratitude to all our stakeholders, beneficial owners, the depository participants, issuers, regulators, as well as the employees and shareholders for their constant faith in us.

Now I will request our Chief Financial Officer Shri Girish to take us through the financial performance. Over to you Girish!

**Girish Amesara:**

Thank you, Nehal. Good morning everyone. Speaking on our financial performance we have seen a healthy growth during this financial year and during this quarter. Total income on a consolidated basis for the quarter ended March 31, 2021 has increased by 51% by Rs.37.27 Crores to Rs.110.25 Crores last year similar income was Rs.72.98 Crores for quarter ended March 31, 2020.

In view of this, the net profit after tax on a consolidated basis for the quarter ended March 31, 2021 has increased by Rs.23.50 Crores, which is 84% compared to the last quarter and it has increased to Rs.51.64 Crores from Rs.28.14 Crores during the last year same quarter.

The total income on a standalone basis for the quarter ended March 31, 2021 has increased by Rs. 30.19 Crores which is 55% and in value terms it has increased to Rs. 84.99 Crores from Rs. 54.80 Crores during last year, same quarter.

Net profit after tax on a standalone basis for the quarter ended March 31, 2021 has increased by 21 Crores which is 100% increase. It has increased to 41.97 Crores from 20.97 Crores compared to same quarter last year. Now I will request Shri Sunil Alvares to take us through on the update about our operations in the wholly owned subsidiary, CDSL Ventures Limited. Thank you everyone.

**Sunil Alvares:**

Good morning. I welcome all of you to this call on behalf of CDSL Ventures Limited. I am Sunil Alvares, MD, and CEO of CDSL Ventures Limited. I am pleased to run you through our results for the quarter ended FY2021 as well as for the year ended FY2021.

One important thing is that though in FY2021, the year has continued to be a very different place with most of the KYC moving to an online mode and the entire CVL team and for that matter even the CDSL team working from home. In fact, work from home has become the new business continuity side for all of us, not only for CDSL, but I think for most of the financial companies who are operating during the pandemic.

Digital channels which were the secondary channels have now become the primary channels or in a way has become the only channels what we have today. To take you through the financials first I will just run you through the volumes what we handled. So, basically on the KRA front where the new creation jumped by 37 lakhs to 65 lakhs in this year from 28 lakhs what was there in the previous year. The KYC fetches which was 96 lakhs in the previous had jumped to 1.50 Crores in this year. So there was a jump of almost 56% or 54 lakhs.

In terms of eKYC volumes what we processed, a jump from 11 lakhs to 13 lakhs in this financial year, it was a jump of almost 14%. So far as RTAs are concerned, we added another 233 companies in this financial year taking the total number of companies which we service to 665. So far as the quarterly results are concerned for the quarter ending FY2020-2021, the operational income jumped by 36% to Rs. 23.2 Crores from Rs. 17.1 Crores and there was a drop in the other income and the total income jumped by 19% to Rs. 24 Crores from Rs. 20.7 Crores as a result, the profit before tax was almost flat at Rs. 13.25 Crores as compared to Rs. 13.2 Crores in the previous year.

So far as the annual results are concerned, for the year ended FY2021 the operational income was up by 29% from Rs. 55 Crores to Rs. 71 Crores and the other income was up marginally by 6% to Rs. 11.75 Crores from Rs. 11.04 Crores. The total income was Rs. 83 Crores as compared to Rs. 66 Crores in the previous year. The profit before tax was up by almost 40% to Rs. 51 Crores as compared to Rs. 36 Crores in the previous year. Finally, the profit after tax was up to Rs. 39 Crores as compared to Rs. 28 Crores in the previous year.

With these few words, I now request Aditya to have the Q&A. Thank you so much.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. The question is from the line of Prakash Kapadia from Anived Portfolio Managers. Please go ahead.
- Prakash Kapadia:** Congrats to the entire team for a good set of numbers. I had a couple of questions; if I look at the balance sheet there is a CWIP of Rs. 10 Crores and intangible asset of Rs. 12.7 Crores. What are these items? Secondly on the subsidiary revenue this quarter has seen a 62% growth so what is it that has driven this growth. Is it new folios of mutual funds, is it some of the other initiatives on the KRA and is it SEBI revenues, you know what are the number of client folios as of this year as compared to last?
- Nehal Vora:** I will request the first question to be answered by the CFO, Mr. Girish Amesara and the second by Sunil Alvares.
- Girish Amesara:** The capital work-in-progress that you mentioned is pertaining to the cyber security project that we are implementing, and it is likely to be implemented during i.e. during May 2021 and as of March 31, 2021, it is carry forwarded as capital work-in-progress. With respect to intangible assets, they are all values of the software that we have bought over the period of time. I hope I have answered your question.
- Prakash Kapadia:** The cyber security project is for some new initiative or it is a technology upgrade given that online has increased?
- Nehal Vora:** I think I will just answer it very quickly. Cyber security is security of information and data remains a topmost risk and we want to enhance the security protocol, which we currently have and therefore this is in sync with what really the SEBI as a regulator also has kind of prescribed taking the entire security protocol to the next level to ensure that it is going to be the topmost risk for our business. The second question could be answered by Sunil please.
- Sunil Alvares:** See so far as the KYC business is concerned, we are currently at 281 lakh records that is 2.81 Crores records. This year we have added close to 66 lakhs records as compared to about 30 lakhs records added last year. So, there are two sources of business for us; one is from the fetch side and one is from the new record creation side. So far, the new record creation is concerned with amounts to totally about 15% of the total revenues and fetch adds about 85% of the revenue. So, with a huge number of broking and Demat accounts opened in this financial year, we are seeing a huge number of records being fetched as well as new number of records getting added, record number, I would say, because almost that number is almost up by 126%. So that has basically added to the overall volume and revenues of CVL. I hope that answers your question.
- Prakash Kapadia:** Just one more clarification, you know, you mentioned about the eKYC, Aadhaar digital is the new way of bringing business and that brings far more, bigger contributor because of the pandemic so then is the physical KYC required or that is not now mandatory?

- Sunil Alvares:** When I said, online KYC it could be online KYC without Aadhaar as well. So basically somebody who can do an eKYC while uploading his documents and getting that e-signed or submitting his signature in some way and thereafter we will do an eKYC. Aadhaar based eKYC is different procedure altogether and you need to register with Aadhaar and all these things. Currently CVL is registered with UIDAI for Aadhaar based eKYC but how to register the intermediaries, we are in discussion with both SEBI and UIDAI for that.
- Prakash Kapadia:** Lastly a data keeping point, if you have the revenue breakup of the items of Q4 transaction, annual charges, IPO, corporate action?
- Girish Amesara:** We had already put up this in the investor presentation also. I will give the numbers. On a consolidated basis annual issuer income is at Rs.22.06 Crores for the quarter ended March 31. You need quarterly or you need annual?
- Prakash Kapadia:** Quarterly is fine.
- Girish Amesara:** This is 27% of our total operating income. Transactional charge income is closed at Rs. 37 Crores, which is 36% of our total operating income. Online data charges are closed at Rs. 20 Crores which is 19% of our total operating income. IPO corporate action charges have closed at Rs. 13.04 Crores, which is 13% of our total operating income. CAS statement charges is around Rs. 3.33 Crores, which is 3% of our total operating income and then there are minor 1% contributor which are user facility charges, account maintenance charges, eKYC/CKYC charges, foreign portfolio monitoring charges, inter KRA charges, document storage charges, which is totaling to roughly 6 Crores. This covers 99% of our total operating income. I hope I have answered your question.
- Prakash Kapadia:** SEBI's revenue in the subsidiary business which is intact for the year or quarter of the SEBI project?
- Sunil Alvares:** That has just been 81 lakhs as compared to of almost 9.5 Crores last year. So, if you take away the 9.5 Crores of last year, you will see that the operational incomes has been much better compared to the previous year. I hope I have been able to answer your question.
- Prakash Kapadia:** Thank you. All the best. I will join back if I have more questions. Thank you so much.
- Moderator:** Thank you. The next question is from the line of Kunal Thanvi from Banyan Tree Advisors. Please go ahead.
- Kunal Thanvi:** Thanks. Good morning everyone. Hope everybody is safe. Congratulations to the entire team on a great set of results. I have one question for Sunil. Sunil if you can help me understand one thing So, you had mentioned the biggest participant that new record in the KYC has seen a significant growth hence you know; it moves the entire business growth as well. So, is the same reason why we have seen a significant increase in the cost in the subsidiary because what I see that the margins have come little bit off in this quarter? Is it because of the shade of new records going higher than

the fetching or we are doing some technology upgradation there as well, which has resulted in inventory cost?

**Sunil Alvares:** See, one is the inter KRA charges. There are many intermediaries who do all the business to CVL, it's irrespective of where the KYC record is. So, the KYC record is with another intermediary, it will still fetch it through CVL for matter of convenience and since they fetch it through CVL, so whatever is the charges levied by that intermediary on us, we raise it from that intermediary and pass it on. So, typically what happens is there in a bullish market is these numbers of records go up substantially. So, to that extent the inter-KRA charges have increased in this quarter. I do not have the exact numbers. Maybe Girish will be able to give the exact details and the other increase has been on the employee benefit front. So, these are the two major expenses, which have got added in this quarter.

**Kunal Thanvi:** So, this employee benefit would be a onetime replacing thing, or this is the new base that one should work with?

**Sunil Alvares:** Girish can you answer this question, please?

**Girish Amesara:** This is not a onetime expenditure. This is ongoing expenditure. This is the base and with respect to inter-KRA charges it has increased by 2.6 Crores which is also showing an increase on income terms also.

**Kunal Thanvi:** Sure, just one more if I can squeeze in was on the total number of Demat accounts that if we look at the industry was around 5 Crores now; however, if we look at the UCCs that is Unique Client Codes they are at around 1.83 Crores. So, can you throw some colour on what would be the active UCCs for CDSL and we have seen a lot more growth in the total Demat accounts than the active UCCs. Does it mean that people are closing the old accounts and opening new? So, can you share some light on how much new Demat accounts have already, or another Demat account holder with some other broker and are coming to say a broker which is empanelled with CDSL? Thanks.

**Nehal Vora:** I think these are all questions which are very dynamic in sense. So, one is that a person can open more than one Demat account but a general sense, which I can answer without any specific details because these are certain things, which are not yet released in the public domain, but I can give you as a general answer is that we are seeing basically a lot of new people coming up and opening Demat accounts. The active number of Unique Client Codes is a function of whether they trade or not and some of them may open a Demat account to ensure that their shares are kept safe and whenever they find an opportunity, they will do it. So, I think it is a function of various things. I do not think there is a linkage between the numbers of Demat accounts. What we have seen is that lot of unique first holders continue to remain and that shows that there has been a spread on the number of Demat accounts in terms of the breadth which is a very good sign.

**Kunal Thanvi:** Thanks. I will get back in the queue. Thank you.



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

**Anand Laddha:** Good morning Sir. Just a couple of questions from my side; Sir, our transaction charges have seen a very sharp jump both quarter-on-quarter and YOY basis and even for the full year. If you can give a breakup of this into what could have been the pledging and re-pledging charges for this quarter and for the full year and if I am not wrong these charges have started coming in, in the second half of the year? Second, if you can give some colour in terms of the Demat charges per transaction we charge, what could be that for this year? Like is it Rs.5 per charge, average for the year or is it lower than that?

**Nehal Vora:** The answer to your first question is, it is a function of various kinds of initiatives, the general market has moved especially during the national pandemic from a physical mode to a more of an online mode and CDSL has been in the foray of basically the electronic transaction or basically the instruction since three or four years and lot of the number of depository participants have participated are mainly feeling that basically their platform at CDSL has been simpler to use. Obviously, there are the other contributory factors like pledge, re-pledge system or the margin pledge system but it is finally a combination of various factors be it the normal overall growth in the volumes and the securities market and the cash market through the pledge, re-pledge system and I think it will be very difficult to point out a specific in terms of numbers, as to why it has gone, but the overall number of transaction charges have gone up because of these various reasons. As regards to the charges which CDSL has been done for many, many years, it is a slab wise kind of an approach. The people who use the CDSL platform, the charges go down to 4.25 and so it basically people who really use the platform more will get lower charge per transfer. So, the credits are free. It is only the data fees debits which are charged.

**Anand Laddha:** On the pledge, re-pledge charges with the new margin norms coming up, the charges are similar to the like the Demat charges on the credit transaction or on a debit transaction Sir?

**Nehal Vora:** Pledge, re-pledge charges are in identical across both the depository. This I think is driven by SEBI. So, that way the first creation of pledge is Rs.5 and then for the re-pledge it is Re.1 for every re-pledge which has happened and similarly when you kind of invoke there are certain charges. So, there are a variety of charges, but to answer your question on a broad basis, it is basically identical across both the depositories.

**Anand Laddha:** Last question if I can ask, a lot of companies have moved to the AGM, the online platform does that charges capture in our online charges or where in the revenue line that comes in and if you can quantify that revenue?

**Nehal Vora:** No, it is not part of the transaction charges. It is a separate item. I will ask the CFO Girish to give some broad answer.

- Girish Amesara:** It will come as a part of the e-voting charges. E-voting charges during this financial year was Rs. 6.61 Crores, which is 2% of our total operating income.
- Moderator:** Thank you. The next question is from the line of Gokul Maheshwari from Awriga Capital. Please go ahead.
- Gokul Maheshwari:** Thank you for the opportunity. First of all, thank you for the enhanced dividend. Clearly there is a big jump in the payout policy. Is there a strong payout policy, which we had crystalized?
- Nehal Vora:** Yes, we have. I had spoken in the last investor call also. Generally, we pay around 60% of the operating profits as payouts, so in that range of 60%.
- Gokul Maheshwari:** Great. Thank you. Secondly clearly there is a lot of emergence of Fintech brokers who has come in and there has been a significant value migration from traditional brokers to them. Most of them are working with CDSL and which is also reflected in your increased market share. So, from a technology and people perspective, how prepared are you to really handle this big surge or in terms of volumes coming your way?
- Nehal Vora:** I think CDSL has been proactive and that is why we have been investing in both technology and people. As you have seen in the last financial year around 1.23 Crores Demat accounts were added and the system and the people have been able to handle that kind of an additional load, which has happened. The number of transactions has also gone up significantly. It is not only the Demat accounts, but the number of transactions. So, that also the system and the people have been able to handle. So, we are very much aware of the requirements and we are putting in place and necessary building blocks to ensure that the system and the people are able to manage the increase in load if any.
- Gokul Maheshwari:** The transactions historically have been quite cyclical, so in that perspective should we think that this is again dependent on market forces largely?
- Nehal Vora:** I am sorry could you just repeat that question?
- Gokul Maheshwari:** This transaction income is cyclical in nature that would be largely dependent on market forces in terms of the investor sentiment of buying and selling of stocks? Is that a fair comment?
- Nehal Vora:** Yes. It is generally connected with the market sentiment or the markets participation, more than a market sentiment is a wrong word, and it is markets participation. So, as the number of people increase, and the number of transactions increase it is kind of dependent on that. When the market is bullish or bearish, it has no real bearing on that. It also depends on the number of IPOs which comes in. So, it is basically a combination of lot of factors. Basically, to answer your question head on is the participation is what really drives this.
- Gokul Maheshwari:** Thank you. Just on the dividend just to followup, you mentioned 60% of the operating profits, so you would have made consolidated EBITDA post taxes on that?

- Nehal Vora:** No. This is basically on the standalone.
- Gokul Maheshwari:** Standalone EBITDA would be the operating profit for?
- Nehal Vora:** Yes, the standalone operating profits, 60% of the standalone's Net profit, in the range of 60% is the payout.
- Gokul Maheshwari:** Thank you so much. Stay safe.
- Moderator:** Thank you. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.
- Bharat Sheth:** Congratulations on a good set of numbers and opportunity. You said that this 60% of the profit of standalone will be distributed as dividend that I understand, but over a period if you really look, our operating profit is expected with the base increasing there is lot of certain or recurring or revenue item is there whereas the corresponding expenses do not increase, corresponding expenses is in line with the way the transactions charges and all. Is that correct and fair understanding?
- Nehal Vora:** I would not say that. Basically, CDSL is in the market infrastructure space and in an infrastructure space the expenses increase in blocks. So, we have to build the infrastructure and the transaction, the revenue is on a year-on-year basis or a month-on-month basis. So, I think it maybe a fair assumption to draw that now basically the expenses have been done, so the income will just keep on increasing. As the income grows, as was the previous question, we have to build on our systems and people and that it takes time for it to build on systems and people. So that is something, which we have to continuously basically assess to ensure that the platform is seamlessly available.
- Moderator:** Thank you. The next is from the line of Sanketh Godha from Spark Capital. Please go ahead.
- Sanketh Godha:** Thank you for the opportunity. Sir, just wanted to understand last quarter we disclosed around 2 Crores to 2.5 Crores of the total, out of total 31 Crores of transaction income what we reported last quarter around 2 Crores to 2.5 Crores came from the pledge income. So, just wanted to understand what is the similar number in the current quarters and just wanted to understand the growth what we are seeing from 31 Crores to 37 Crores in the fourth quarter. It can be attributed to get the pledge related income because it is a full quarter where the peak margins rules got implemented. That is the first question. Second question which I have was with respect to annual issuer income, if you can breakdown that entire income for the quarter and also for the full year into listed and unlisted companies it will be useful?
- Nehal Vora:** The first question before I hand it over to the CFO, Girish to answer from a number standpoint, from a principal standpoint again, as I have said earlier it is a combination of market participation and margin pledge, re-pledge is kind of deriving its volumes from the number of participants and the extent of participation in the market. As the participation grows the transaction income and the overall margin pledge income is expected to grow, but to what extent that will translate into an

income, it will be a little difficult to predict because it depends on the transaction participation of the people during that month or quarter, which would really basically determine. It is similar to a road that how many people will use the freeway versus the expressway or that is what will drive, how many transactions are flowing through the CDSL platform is really determined. Now I will request the CFO Girish to just answer on a broad basis the part of the numbers, the first question and the second question.

**Girish Amesara:** Income from pledge and margin pledge was 2.75 Crores in the last quarter compared to 2.46 Crores in previous December quarter. With respect to the income from unlisted companies, during the March quarter the income was around 83 lakhs and on a yearly basis it was around 3.69 Crores in total annual issuer income.

**Moderator:** Thank you. The next question is from the line of Depan Shankar from Trust Line PMS. Please go ahead.

**Depan Shankar:** Thanks a lot for the opportunity. Congratulations for good set of numbers. Sir, firstly wanted to understand is there any discussion with SEBI regarding increase in our annual issuer charges?

**Nehal Vora:** Again, as I mentioned, this has been a very difficult year for the people at large. It has been a national pandemic. There has been obviously currently that discussion has not yet started. This will be a joint discussion with both the depository with SEBI, so we will have to wait and watch as to what the situation how it pans out and then really take a call on that. So, as of now we have not yet started.

**Depan Shankar:** Secondly what is the number of unlisted companies which have been dematerialized this year for the industry and for us? What is our market share in conversion of unlisted companies?

**Nehal Vora:** Overall, market share ranges between 29% and 30%. It has been growing. It was much lower earlier. But it is slowly growing. I will just ask the CFO, Girish to answer how many unlisted companies we have added in this year?

**Girish Amesara:** In the financial year 2021, we have added 1668 unlisted companies.

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

**Amit Chandra:** Thank you for the opportunity. Sir, my first question is on the transaction charge fee, if you can provide some more colour based on how the mix of the transaction charges have been as in how much is from like the new clients say who have joined in the last one year and the old clients. If you can quantify roughly what is its contribution from the non-bank transaction charges? I am not asking for any numbers, but just in terms of direction how it has changed, like this can be over the last one year. Also, in terms of the BO accounts have been gaining incremental market share and they are costing around 85%. So, if you exclude what we have from the large discount brokers. So,

have we seen the increased competition here as the size has increased or we are yet to increase, or do we still have this exclusive direction here?

**Nehal Vora:**

I think, again, will be difficult to breakup between participant wise transaction income, but I will answer your question in a broad manner is that the general ecosystem is moving towards as I mentioned in my opening remarks basically the investors want to do things themselves. So, they want to move away from really giving a particular broker or a particular finance company giving a POA. They would rather do it themselves in terms of retransferring their charge. Therefore, a lot of the new kind of the investors has been extremely active in terms of the securities market as we can see in the volumes in the stock exchanges and that kind of link up with what is expected to be as transactions, which are occurring because to settle those transactions, they will have to do the transactions in basic through the CDSL system. So, the overall, flow is really moving towards the new age Fintech brokerages as has been seen where people are given more of the tools where people can do it themselves, rather than they do or really relying on someone else. They would like to really execute things themselves and that has been the overall framework also in which the rule making has been moving towards that you give the people the tools and they should be able to do it themselves. In terms of whether the pie will increase or not yes, India is a large country, and we are just around 7% to 8% of the population as really been active in securities market. So, there is a huge potential for growth, and we will see how it pans out.

**Moderator:**

Thank you. The next question is from the line of Sunil Shah from Turtle Star Portfolio. Please go ahead.

**Sunil Shah:**

Sir, my question is from the CIRC that is our Insurance Repository Limited, sir, on equity we are clearly established ourselves, we are the market leader and we have various multiple legs of income also, so, want to get a sense on the addressable opportunity on the insurance space. Now when we say that we have got the registrations certificate from IRDA, a) what does it mean? b) How much is the addressable opportunity in the insurance space, itself? c) What is the competitive landscape? So, feasibility there is just 6 lakhs policies, but over the next three years, five years, how much you can and where you will be and how that entire pocket will work out? So, shares we are there, equity we are there, insurance will be another leg. Can that be the vertical which can be as good as or how will that pan out? If you could give us some understanding on the opportunity which is there?

**Nehal Vora:**

Basically, the market infrastructure institution business where CDSL is a market infrastructure institution and is basically a regulated business. So, a lot of business is driven by the policies and permissions which have regulators from time to time and really the insurance repository is also belonging to that same way of the business making where basically the IRDA will drive as to how much kind of opportunity will really open up. As of now as we speak, the insurance policies have not been made mandatory to be converted from a physical to a Demat mode, so as a repository you are permitted to move the policies from a physical mode to a Demat mode. There are around four to five players and till things do not become kind of make to win and that is how really SEBI also move the securities market, reforms where it kind of mandated there that the shares have to move from a physical mode to a Demat mode. So similar kind of policy initiative will obviously help the

cause, and when and where that will come that we will have to see, it will be difficult to predict that. The second point is obviously because the national pandemic and the lack of physical policies and certificates and also the overall saving, there is a general very gradual move up, companies also wanting to opt for it; however, the clients who are opting for this policy also should be willing to kind of move if it is not made on a compulsory base. So, all these factors will kind of really show as to how this business will grow in future.

**Moderator:** Thank you. The next question is from the line of Siddhant Garg from Goodwill Investments. Please go ahead.

**Siddhant Garg:** Sir, congratulations on 3.5 Crores Demat accounts. Actually, most of my questions have been answered. Just on the cash balance understanding, now that you have so much cash and investments, do we tweak our dividend policy for a higher payout? Because being a repository we need let us say a 500 Crores, 600 Crores whatever amount as a base cash required, but post that we are having 70 Crores to 90 Crores payout?

**Nehal Vora:** I think as I had mentioned in my earlier calls also, as an infrastructure company there is the minimum regulatory capital which needs to be maintained, but the strength of business is also driven by large players looking at the strength of the cash balances of an infrastructure company. So, if we have aspirations of gaining more and more players coming into us and large players also, large, small, medium, or small sized they will look at what is the strength? How many times the minimum regulatory capital do you have that will show whether the company is really strong to take on that kind of work. Number one is that. Second is there are a lot of newer kind of initiatives which have been coming where CDSL has been announcing from time to time from maybe with the IFSC the Gift City where we are the only foreign depository there, a lot of work is basically expected to go in the future based on the volumes, which are created and we are creating basically the infrastructure there. We are the first ones and right now currently the only ones to be there. Also, there has been an announcement on the Gold Spot Exchange both at that local level as well as at the international level. So, we will need that money to also drive basically the infrastructure to build these both for the Gold Spot Exchange out there as well as out here in the local market. So, we will kind of assess it. We would rather have a very stable policy rather than having a very high payout in one year and low payout in the second year. Have really a stable policy, so that needs to ensure that there is basically predictability in terms of what the dividend is going to be and at the same time creating the necessary financial strength of the company to grow and to basically invest into newer projects.

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

**Paresh Singhani:** Nehal, two questions and gratitude to you and your entire team for the fantastic performance. We wish you all good health. My question is largely, we have connectivity or digital connectivity on the pipeline to retail clients of more than 3.34 Crores Demat holders. Do we have an internal benchmark, or internal study to know how many of this 3.34 Crores in a multiple security? For

instance whether it is GSEC or whether it is mutual fund units, right, and any percentage that you would have?

**Nehal Vora:** It is again very difficult to really come to a percentage because that keeps on changing very rapidly. Secondly is the policies are also changing very rapidly. Today, the Ministry of Finance has also keen that the government securities also the other financial assets, all should move from a physical mode to a Demat mode. We can generally take as a rule of thumb is that once the person is kind of used to it is like similar to having, so once again as I was saying that basically today mutual funds and cash in equity is first kind of the asset class where people go to and they are kind of build as we go forward. Today, Demat account is not mandatory for mutual funds, but people are seeing the increase of having it, Demat account and really using it for various kinds of other asset classes also they trade, etc., for margin purposes. It becomes kind of very easier with this kind of a Demat account as well. So, these are some of the changes which are taking place as usual.

**Paresh Singhani:** Nehal, just a followup on this. Is there a percentage that you would have say out of 3.34 Crores you would have, maybe people using multiple services? For example, there are 9 Crores or 10 Crores mutual fund folios outstanding, right? How many of our Demat accountholders would actually have mutual fund also for example along with equities, India's Demat accounts?

**Nehal Vora:** Difficult to predict Paresh because again there is lot of change, it is a rapidly moving. Say even if a number I give you may not be really an indicative of the trend, which is happening. It is not like a profit and loss account. It is a photograph, which you can take at one point of a time. So, it may not be really workable for you to even for us to indicate that number because that keeps on changing very, very fast.

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

**Devansh Nagotia:** Thanks for the opportunity. Sir, just one clarification on the cost structure especially admin and other expense. So, the run rate used to be around 10 Crores to 11 Crores normally, but this quarter is around 17 Crores to 18 Crores. One thing which we mentioned was inter-KRA charges of 2.5 Crores, which was in excess, but other than that how do should we really look at this number?

**Nehal Vora:** I will ask the CFO, Girish to answer this.

**Girish Amesara:** This question that you are asking is on year-to-year basis or quarter-to-quarter?

**Devansh Nagotia:** Quarterly.

**Girish Amesara:** Quarterly, okay. So, salary cost has increased by 2 Crores compared to last year same quarter. Depreciation has decreased marginally because of WDV impact. Impairment of financial assets that is debtor provision has marginally increased, less than half a Crores. Contribution to Investor Protection Fund which is based on 5% of our operating profits that has increased by roughly 2 Crores and CSR expenditure which we were required to incur at the year end that has been incurred

at 2.54 Crores in consolidated accounts. Inter-KRA, I have already spoke about it and I think this covers majority of expenditures that shows variation between quarter -and-quarter.

**Moderator:** Thank you. The next question is from the line of Pulkit Singhal from Motilal Oswal Asset Management. Please go ahead.

**Pulkit Singhal:** Thank you for taking my question. Congrats on an excellent set of numbers and performance during the year. Sir, I think the number of Demat accounts obviously has gone up quite well. I am just wondering whether once you look at it in terms of lead indicator of the potential revenues over the next two to three years, so say for instance when I look at annual issuer charges, a particular Demat account maybe over a period of time increasing the number of stocks it holds in the portfolio, which is what determines fees charges. So, typically how many years is the Demat account really ramp up in terms of contribution to sales? I am just trying to get a sense based on your past experience.

**Nehal Vora:** Again, this will not have a specific trend, once a Demat account is there; it normally remains in existence for a large number of years. We had some of the Demat accounts, which were opened from the first day of when CDSL had started off and we have some people who really closed the Demat account. I think to draw an analogy like we buy a physical asset, fixed asset, and how much I am going to use that physical asset will depend on various factors like a car, so a car sales whether that will lead to an increase in the fuel consumption is normally linked to that, but now if you see the entire year, where most of us have been working from home and general demand for the fuel has gone down, so again will be very difficult to predict in that sense, but as a general thumb rule one would say is that as the Demat accounts grow and the general policy initiatives of moving from a physical mode to a Demat mode, today you are not able to really transact on a physical mode. It is going to steadily increase because the number of stocks which are going to be listed is growing year-on-year, the number of transactions, which are happening year-on-year are growing. So, obviously when you settle these transactions, we will have to use the Demat accounts also in higher sales. So, I think that would be the broad way in which I would really think about. We are building the building blocks as having more and more people to join the CDSL platform in the hope that this will kind of ensure and translate into a higher transaction.

**Moderator:** Thank you. Ladies and gentlemen due to time constraints that was the last question for today. I would now like to hand the conference over to Mr. Aditya Bagul for closing comments.

**Aditya Bagul:** Thank you everyone for taking the time out and attending this call today. I apologize for some of the questions which were not answered. I request you to write to me or Mr Nilesh Kittur, we will try to get back the answers as soon as possible. I will hand over to Mr. Nehal Vora. Sir, thank you so much for answering my questions. I will hand the floor back to you for any closing remarks.

**Nehal Vora:** I think just stay safe and secure and we are trying to ensure that CDSL operations continue day on day. We would like to really solicit the support of all the shareholders and ensure that maybe all of you stay safe and secure. Thank you.





*Central Depository Services (India) Limited*

*May 05, 2021*

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