



Central Depository Services (India) Limited

CDSL/CS/NSE/PSB/2021/272

December 24, 2021

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

Symbol: CDSL
ISIN: INE736A01011

Dear Madam/ Sir,

Sub: Analyst /Investor Call /Conference Call held on December 21, 2021

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

This is with reference to our intimation dated December 20, 2021 regarding the Conference call scheduled on December 21, 2021 with Dalal & Broacha Stock Broking Pvt Limited, please find attached the transcript of the aforesaid conference call.

The above information is to be also 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**

Nilay Shah
Group Company Secretary & Head Legal

Enclosures: As above

**Regd. Office : Marathon Futurex, A Wing, 25th Floor,
Mafatlal Mills Compound, N M Joshi Marg, Lower Parel (E), Mumbai - 400 013.
Phone: 91-22-2302 3333 • Fax: 91-22-2300 2036 • CIN: L67120MH1997PLC112443
Website: www.cdslindia.com**



**“Central Depository Services (India) Limited
Conference Call with Dalal & Broacha Stockbroking
Private Limited”**

December 21, 2021



SPEAKERS:

**MR. GIRISH AMESARA – CFO, CENTRAL
DEPOSITORY SERVICES (INDIA) LIMITED
MR. SUNIL ALVARES – MD & CEO, CDSL VENTURES
LIMITED
MR. NILESH KITTUR – AVP, CENTRAL
DEPOSITORY SERVICES (INDIA) LIMITED**

**MAYANK BABLA – DALAL & BROACHA STOCK
BROKING PRIVATE LIMITED
MIRAJ SHAH – DALAL & BROACHA STOCK
BROKING PRIVATE LIMITED**

Moderator: Ladies and gentlemen, Good day and welcome to the CDSL conference call. As a reminder, all participant lines will be in the interactive mode. To mute and unmute your lines you may press * and 6. Please note that this conference is being recorded and now I hand the conference over to Mr. Nilesh Kittur. Thank you and over to you sir.

Nilesh Kittur: Good afternoon, everybody. Welcome to the CDSL Conference Call. From management side, we have Mr. Girish Amesara who is the CFO of CDSL and Mr. Sunil Alvares who is MD and CEO of CDSL Venture. Now I request Steven to open the floor for discussion.

Mayank Babla: Good afternoon, Nilesh sir and Girish sir and Sunil sir. This is Mayank Babla - Dalal & Broacha. So, I will just quickly introduce ourselves and, and run through our company. So, I just first want to thank you all and Nilesh sir especially for arranging this call, and taking the time out for us, and I really want to express our appreciation for giving us the opportunity. We have with us myself, I'm a senior research analyst, and I've been covering the technology space for the last six years and I have been in this industry for the last 10 years. I cover technology, media and entertainment.

We also have with us, our head of research, Mr. Kunal Bhatia and we have Miraj Shah, who is also part of the research team and he is a Multi Cap Analyst and Sandeep Shah, who's the Institutional Sales Head.

So, sir I'm not sure if everyone knows, we are a 50-year-old brokerage house and we have all the outfits that financial services can offer. So, we have a sell side, institutional sell side. We are the research team for the institutional sell side and we have retail sell side also and also we have a buy side to our firm, which is the PMS and the AIF, which is around 700 crores worth and we have a mutual fund department so on and so forth. We in fact, have been also in touch with CDS as our backend has been in touch with CDSL quite a bit. Our promoters also been very close to Cyrus sir who was the previous MD and also I believe, Sunil sir, they've been in touch with so Yes. So, this is a quick brief about us and Kunal and Miraj will lead the questions, and I will also keep on adding. Sir we have already extensively researched on the company and read upon a lot of these past conference calls. So, many of our questions you have

indirectly already answered it, but few questions here and there we had, which we wanted for our report which, if you could help us, that would be great. So, we'll just right away start with the Q&A if you are all are okay with it.

Girish Amesara: Sure.

Mayank Babla: So, Miraj and Kunal you can lead and then I will keep on jumping.

Miraj Shah: Thank you so much for your time, sir. So, we've gone through the data on the company that is available in the public domain and it has been very clear for us. So, what we like to do is, with the questions, there may be some repetitive questions just for purely for our understanding, we might get repetitive but would love, you to answer all of those too. So, starting with the prices that we charge, we charge to Issuers, then we charge to the Depository participants also which is charged to Bos.. So, I wanted to understand that what kind of pricing regulation do we face I believe that we face from SEBI is certain. We must be facing certain pricing regulations also. So, to understand and on the front that when could we increase the prices or is there any reason for the prices to decrease? If I'm not wrong, that these prices are also market driven if I'm not wrong that will be my first question.

Girish Amesara: So, to answer your question, our income is largely coming from annual Issuer charges, transaction charges, IPO & Corporate action charges and thereafter there are other miscellaneous income. So, annual issuer charges is driven by approval by SEBI on the rate that we may charge to any company. The structure of the charges of annual issuer charge is also available on our website and basically it is based on admitted share capital and market folio, count of value, whichever is higher. So, if charges are based on market folio, it is Rs. 11 per folio and the structure if it is based on capital structure, then there are various slabs starting from Rs. 5000 charge, up to Rs. 75,000 charge. So, whichever is higher is levied to an issuer, these charges are approved by SEBI. Last, I think it was approved in 2015 and historically these charges have been approved by SEBI after expiry of every 5 years and basically both the depositories has to make a joint representation before SEBI and based on our representation, SEBI considers their own viewpoint and thereafter they approve.. It was due sometime in last year to approach SEBI, however, due to

pandemic we have not yet decided as to how we will do it and we have not approached SEBI. So, currently this is the status on annual issuer charges. With respect to transaction charges, it is based on all the debits happening to the investor account. The charge is levied on depository participants, it starts from Rs. 5.50 paisa it goes down to Rs. 4.25 paisa based on the volume that any DP generates. Similarly, the corporate action charges are based on the issuers admitted, the ISIN admitted at the time of corporate action, which I think it is Rs. 10 per ISIN. This is what major income CDSL covers. Sunil, you want to explain on CVL.

Sunil Alvares: So, far as CVL charges are concerned, we levy a charge of Rs. 20 on creation of KYC and subsequently, if some other intermediary fetches that KYC we levy a charge of 35 and there are various other products also like eKYC. I do not like to get into that right now, because right now, majority of our income comes from KYC. I hope that answers your question.

Mayank Babla: Just wanted to dig in a little more on the others that you said which was a smaller component. This is directed towards Sunil sir. Sir as far as mutual fund, e-mutual fund and e-insurance is concerned, what we had a believe that this in the future also has a major-major scope or potential going ahead. So, how the entire I think dematerialization if I'm not wrong, became compulsory in 99. Can something like this also happen in the mutual fund and insurance industry? Is that viable and I would want your opinion on this in the long run.

Sunil Alvares: Firstly, we do not make any forward-looking statements as to how things will plan out going ahead. That is one. Point number two is that we have built the building blocks like in terms of e-insurance, we have CDSL Insurance Repository Limited, that is CIRL which looks after demat of insurance policy, so the building blocks are already in place. As and when the regulator decides to make it mandatory or anything like that then investors can always use that facility, in fact they don't need not even have to wait for it to become mandatory they can dematerialize it now.. Thirdly, as far as e-mutual fund is concerned by EMF I understand what you're trying to say it is pertaining to eKYC like today we are the largest KRAs in the country that is the KYC Registration Agency. We have registered with UIDAI as an AUA, KUA which facilitates

e-KYC using Aadhaar based e-KYC. So, to that extent, we are ready with EMFs. So, all the solutions and the building blocks are at place it is for these companies to take it and to implement it as and when they feel it necessary.

Miraj Shah: Sir Yes, I agree you don't give forward looking, but sir, if you could give us some sense on the scope of the same.

Sunil Alvares: Everybody has seen the journey of Demat you know I have been with this company since 98 and I have seen the journey where people were initially reluctant to give their shares for Demat to what Demat matter has done to the market itself. I think based on the fact that we put the building blocks in place, then it is anybody's guess that once say it becomes mandatory or investors takeup to holding insurance policies in the electronic form, then you can figure out for yourself what the journey is going to be like.

Miraj Shah: Okay and sir currently the charges in that case for an EMI per e-insurance would be how much?

Sunil Alvares: So, far as e-KYC is concerned, the Aadhaar based part costs around Rs. 10 including the UIDAI charges of about Rs. 3So, far as e-insurance is concerned if I'm not mistaken, it is about Rs. 25 per credit into the account. I will need to reconfirm that.

Miraj Shah: Ok. Approximately, Yes, okay. No, worries. So, sir, the annual issue charges that you said which is Rs. 11 per folio, I just wanted to understand how is that calculated So, is that calculated on any particular date that how many folios are present for that and then multiplied by 11 or is it an average of throughout the financial year, how many folios were present?

Girish Amesara: For Annual issuer charges, generally, the invoices are raised in the month of April last week. This is again based on the capital admitted as on 31st of March. On average folios held during the financial year ending on 31st March every year.r.

Miraj Shah: Okay. Great. Okay, so moving ahead, so, one small thing here. Sir, you mentioned that every five years this gets evaluated by SEBI. Sir, if you could

give us some sense on what is the criteria for evaluation. So, meaning if say this time, the market volatility was very high and there were a good amount of volumes, which came in so, of course, this kind of revenue would have gone up for us. So, does that mean that from Rs. 11 the SEBI can also bring it down say to Rs. 5 or Rs. 7 like that or is our understanding wrong on that?

Girish Amesara: In 2015, when SEBI revised these charges, they had approved the increase of around 45% compared to earlier increase of 50% under approved pricing mechanism. That is the history that we have, as of now, what can happen is on something which will be an outcome of discussion, which I cannot really give an indication at this point in time.

Miraj Shah: No, no, sir, I'm not asking for this sir. I just want to understand how is that evaluated whether is it that if the volumes are higher, so, because of taking into account the absolute total amount, will they cap it to some extent? So, the understanding is that is it related to more market participation or more volumes or what will be the basic criteria for the revision in charges meaning if we take an example we had Rs. 11 we were wanting say of Rs. 50 crores I'm just taking a hypothetical example and because of the volume increase at Rs. 7 also we might say Rs. 70 crores. So, is that how they evaluate.

Nilesh Kittur: Generally, what happens is whenever we make a joint presentation, we look at it you know various costs that we are incurring, what is the income that we are generating on historical basis and in recent time what is the cost that we are incurring and accordingly both the depositories put up a proposal before the SEBI. Now, SEBI might not look at what we have looked at it, they may have their own criteria, they may look at profitability, return on capital, those kinds of things, they may look into it, you know. Based on this SEBI will have a round of discussion with both the depositories and thereafter they come to a conclusion. So, it is totally you know, we make our efforts based on the current scenarios that are prevailing then it is totally depending upon SEBI to the best of my knowledge.

Miraj Shah: So, sir, currently, if we look we have approximately more than 17,000 live companies registered with us who are issuers, so if I'm not wrong, this was close to 10,000 in FY17. So, could you just tell us how this trajectory that we

read 17,000 right now, is there any particular reasons, such as compulsory dematerialization of certain section of companies such as the unlisted companies or any other particular reason that we have seen such an amazing jump Sir in terms of you know.

Girish Amesara: On the admission of unlisted company, in 2018 there was one requirement specified by Ministry of corporate affairs that whenever any unlisted company wants to come out with any corporate actions, at that point in time, it is compulsory for them to have this dematerialized. So, generally whenever such requirement is there at unlisted company, then they will come to any of the depository. For unlisted company, there is no compulsion for them to have to go to both the depositories. So, unlike listed companies, there is a no requirement that they have to get admitted with both the depositories. So, you know, what you see in terms of growth is on account of new listing that come up in the last five years. The growth in terms of corporate action executed by such listed companies and admission of unlisted companies. So, these three is the possible reason for the growth in the count of the company.

Miraj Shah: Understood right. Sir, just wanted to understand one more thing in that. So, when a issuer company has to dematerialize, just want this understanding and technical standpoint, do they prefer to get registered with both the depositories or is there any reason that they would register only with CDSL or NSDL? On that front what would be their action because is there any benefit of registering on both depositories and registering on any single depository.

Girish Amesara: See unlisted company if admits their security in only one depository then the cost will be much lesser. So, that is a difficulty for them and since there is no compulsion they might not go to both the depositories as of now

Miraj Shah: And for listed companies sir.

Girish Amesara: For listed companies it is mandatory for them to get the capital admitted with both the depositories then there is no choice given to listed companies.

Miraj Shah: Okay understood.

Mayank Babla: Sir what he means to ask in the unlisted space sir what would drive the company in the unlisted space to come in the direction of CDSL versus NSDL.

Girish Amesara: Basically, the service standard that CDSL gives for such a listed company would be you know, driving factor for them to come to CDSL, basically our business development team has made efforts in such a manner that a dedicated relationship manager is allotted to a group of companies and accordingly they work out on the requirements that they have. So, basically the service level standard is the ultimate factor and I think that should be the contributor and if you look at the history historically there was whenever the unlisted companies were admitting their securities with the competitor, there were no charges levied by them at that point in time. The charges have come only after making it compulsory for them to get their securities admitted whenever they want to do the corporate action. So, you may see that there are large number of unlisted companies associated with NSDL that is because this reason.

Mayank Babla: Sir that was free for them, is it?

Girish Amesara: Yes, the charges I think come in 2018. Since 2018, unlisted companies are admitted with a fee.

Miraj Shah: I understood. Okay. Sir, my next question would be regarding the BO accounts, the beneficiary owner accounts, I wanted to understand that out of the 5.25 crore DMAT accounts that we have, what proportion of it would be individual accounts and what proportion of it would be corporate accounts?

Girish Amesara: I need to get back on this response. I need to have some details on that.

Mayank Babla: Approximately ballpark any idea.

Nilesh Kittur: There are around 70,000 corporate accounts, and rest of them are mostly under the individual category.

Mayank Babla: Okay. Sir any particular reason that we have such a high number of individual accounts and if I'm not wrong, on the contrary, NSDL would be having more of corporate accounts. So, I believe that as you said previously, also, there is some technological difference that we provide to depository participants,

which in turn helps us get more depository participants with us. So, my question is that, is it that NSDL be competitor is lacking somewhere where we are progressing more and or is there any difference in the charges that we asked for and what could be the possible reason that they can match up or not match up as where we are in in terms of numbers?

Nilesh Kittur:

Yes, see NSDL started two years before CDSL have started and by that time, it was made mandatory to institution to settle their security in DEMAT form. So, they had almost 90% of the institutional business with them and because of that, when CDSL started, we started with a retail model, that's why you see the higher number of retail accounts with CDSL as compared to the competitor and even number of depository participant is also double the count of competition. So, that is the major factor.

Miraj Shah:

Sir even in the past two years also that there have been a lot of account openings, I believe that the number of account openings have maximum have been with us. So, is there any reason that these account openings were not with NSDL and with CDSL? Any particular reason regarding that? I believe that it is because of Zerodha and Upstox and Angel One be registering with becoming a participant to the CDSL depository. So, is there any reason in terms of costing that we provide our network that we provide that makes it easier for them to register with us and not with NSDL. My question is this because going ahead also we could see more registrations of depository participants coming to us compared to our RPO. So, which would be beneficial, incrementally beneficial for us? I believe that is a starting point for us to unmove. So, that might do we still have that mode of getting more on of these depositories with us or even now NSDL is on the same page.

Nilesh Kittur:

Since our depository Participant count is almost twice that of competitor and the depository participants are the main contributor to the increase in DEMAT accounts, and the names which have been taken earlier are mostly opening up accounts with CDSL only that is the reason you see a higher number of accounts being opened with us as compared to the competitor.

Miraj Shah:

What would be the reason for that sir because of one thing, I understand that we had allowed these participants to open online accounts. So, but that was,

again, the thing is that is for a single holder. So, the extended question was A. just wanted to understand are our charges lower? B. Are we better on technology? And C. what happens in the future if somebody wants to open a joint account online.

Sunil Alvares:

Couple of things is one is that we have closely worked with our depository participants. So, there's a lot of hand holding in terms of you know, starting off in terms of expanding your business as well. We do a lot of training with our depository participants. We also have put in the required technical, you know IT building blocks in place, so that the depository participant can also seamlessly increase their business so far as their DP businesses are concerned. So, far as charges are concerned, both of them, both the depositories charge almost the same that is NSDL charges of flat rate of Rs. 5 and we charge rate starting from Rs 5.50 and it goes down to Rs. 4.25 depending on the number of transactions the depository participant does, so there's really not much of incentive so far as charges are concerned. We believe it's more on the side of you know helping the depository participants to start and you know to have a much more friendlier approach in terms of expanding their business. So, to that extent, if you see, many of the large depository participants have, you know, started off with CDSL and have continued to stay with CDSL, so if you say Angel or even an Anand Rathi, you know, many of these large players have started off with CDSL and they continue to do business with CDSL. So, also, many of the large FinTechs they joined CDSL when they were very small companies, and over a period of time, both of us have grown together. So, that is now reflecting in the statistics, what we see is the statistics as of now. We've been you know in association with these companies over a long period of time. In fact, Angel broking was one of the first I would say batch of depository participants, which joined CDSL, I would say around in the year 2000 or so. It's been a partnership over a long period of time and like, there are other large DPs like Motilal Oswal who do business only with CDSL, so it's a journey which we have gone through, say over the last 20 years.

Mayank Babla:

Okay. So, this means that we have a better reach and service if I'm not wrong, and this would, I think, probably still be our mode, right? So, this since we have already capitalized once on it. So, this is still our mode, right?

Sunil Alvares: We have done things differently at CDSL. We have tried and given solutions to these participants whenever they've come across a roadblock. So, to give you an example, we were the first company in the country to come out with a KYC concept. So, we started the KYC concept in around 2006 or 2007 along with AMFI. Okay, so we ran it with the mutual fund for about four years and then SEBI made it mandatory in 2011 with the KRA regulations. Earlier we were one of the first companies to come out with e-voting, we came out with the e-voting when nobody had heard about the voting in the country. So, we were first country who launched the e-voting and then the MCA saw merit in what we were doing, they made it mandatory and now, you can just imagine the amount of paper and the convenience it was brought to investor. So, the amount of paper which has actually gone out of the system and investor has to just sit at his home and he can cast his vote without getting into the issue of you know, casting his vote putting it into an envelope and then mailing it to the company. So, there are a lot of these things which we have been done from time to time. We have given solutions on settlements to brokers, we have come up with an internet facility called EASI and a lot of digital facilities which have really helped the depository participants in handling and you know servicing their investors.

Mayank Babla: I understood sir. So, that will be the reason why we have seen a jump in the eVoting companies between 2013 and 2015 because it was made mandatory.

Sunil Alvares: See we are the market leaders so far eVoting is concerned. So, there are all types of service providers right now, and out there, there are a lot of competition, which happens on pricing as well. So, ultimately, it is the pricing and the service which plays a large part and so far as eVoting is concerned.

Mayank Babla: Right. So, just an additional question. So, what are the charges that we levy and the charges we levy is to the Company, right, the issuer Company?

Sunil Alvares: That's right. We levy a charge of about one rupee per folio, which is uploaded into our system and that again depending on volumes most of the eVoting service providers do give a discount.

Mayank Babla: Understood. Okay.

- Sandeep Shah:** This is Sandeep Shah here, Yes, this one rupee per folio will be depending on the actual voter who voted or it will be just based on the number of folios which existed pre voting.
- Sunil Alvares:** No, it is based on the number of folios which are uploaded into my system. So, if you have 100 folios, and only 10 have cast their vote, I will still charge you for uploading 100 folios
- Miraj Shah:** Okay, sir my next question was regarding the account maintenance charges that we charge to corporate that is Rs. 500 annually. We do not charge anything to individuals, right.
- Sunil Alvares:** That's right. Yes.
- Miraj Shah:** Yes. Is there any scope that any sort of charges would be introduced going ahead or previously any charges being levied to individuals also. My question is because we have a lot of individual DMAT account holders.
- Sunil Alvares:** See, when we started off in 1998 we had started a levying a charge to investor, but subsequently, we stopped charging that because the competitor was not charging those charges. So, after that, we do not charge any charges, but the depository participant do levy a charge on the investors as their annual maintenance fees.
- Miraj Shah:** Sir I was going through the presentation Q2 presentation and one point I wanted to understand is that you've mentioned something regarding SEBI special projects. Can you just explain what exactly SEBI special projects that is I think also consisting are inner revenue contribution.
- Mayank Babla:** Actually, before that, sir that Rs. 500 per DP, sir is there any fixed or any other charge to that or that is the only charge.
- Sunil Alvares:** For corporate that's the only charge and over and above you have the debit charge for instruction, whichever comes through. So, that is the debit charge of Rs. 5.50 paisa to Rs. 4.25 paisa which we levy on the depository participant based on the number of transaction.

- Mayank Babla:** And sir for the software's that you provide and everything so the is there any other maintenance tab for that to the DP?
- Sunil Alvares:** Yes there is an annual charge on the software to the DP. So, that is how it works.
- Mayank Babla:** And that is based on some unit or how do we you know calculate that or how is it charged?
- Sunil Alvares:** That is a flat charge for participants, it is levied per annum.
- Girish Amesara:** Okay and it is it is a very minimal charge. Okay. In last quarter we had around 85 lakhs.
- Mayank Babla:** Okay. Understood. Sir, I just wanted to direct my question towards the technology cost. Sir , I want to understand our technology infrastructure, we completely handled it so it's completely insourced is in house or we outsource some of this tech to another IT services company.
- Girish Amesara:** So, for the technology cost most of the technology are inbuilt at CDSL. Okay and we have our internal officials who handle it, as well as we have a vendor that handles technology.
- Mayank Babla:** Okay, and sir have we moved to cloud or we have not yet moved to cloud as far as our back end is concerned?
- Girish Amesara:** Currently, all the server all the data that are stored at CDSL end.
- Mayank Babla:** Okay, so any plans on that? Will it be eventually move to Cloud Drive? I know that there are many benefits at least cost wise. So, any plans in the pipeline for this?
- Girish Amesara:** Whenever we thought of whenever we think of such a development, we'll announce it in public domain.
- Mayank Babla:** Okay. Understood, sir. Sir my another question was regarding the margins. So, it's a two part question. I'll come in the first part in terms of margins. So, what

levers do we have at hand? I mean, both employee cost and tech costs can be considered as a lever. I just want to understand what headroom do we have? I'm not asking for any guidance or any future outlook, but just want to understand what headroom we have for our results.

Girish Amesara: If you look at our recent results, you will notice that you know, what are the main driver for cost are employee costs, technology cost, regulatory cost and thereafter the other ancillary costs which a company normally incurs. Now, employee costs is going to be in line with inflationary pressure and if you ask me on a percentage basis generally, for the employee cost, around 10 to 15% increase is considered every year. If you compare last three years, you will notice this. In case of Technology cost we do development or implementing regulatory push that regulator is asking us to do for example, if you notice, we had implemented an EDIS in the first quarter of last year. Thereafter, now, we are implementing six attributes. So, all this development that we keep on doing is going to impact the regulatory cost. Third major increase in contributor to cost will be the regulatory fees. The SEBI regulation specifies that 5% of our operating profit, we are supposed to contribute to Investor Protection Fund, and apart from that, we have to also contribute to SEBI a certain percentage of our issuer fees. So, these three are the major cost contributor and thereafter, you know whatever we do there, the cost will be associated with the scale of the operations. I hope I have answered your question.

Mayank Babla: Sir you said that apart from the investor protection fund you said 3% of HUFU mentioned.

Girish Amesara: No, I said certain fees are paid to SEBI based on the income that we collect with respect to issuer fees, etc. So, this information is available in public domain you will find it.

Mayank Babla: Okay, got it. Okay understood.

Miraj Shah: So, sir, just clarify on the last part, you said 5% of our operating profit, SEBI has asked us to pay to the investor protection fund, right. So, we do that annually, right?

- Girish Amesara:** Yes.
- Miraj Shah:** Okay. Sir, moving on, from our revenue contribution, there is a line item as online data charges, which is 16% of our revenue, I just wanted to understand what exactly comes in the part of online data charges.
- Girish Amesara:** You know, as part of our call we had explained you components of CDSL and CVL. So, Sunil had explained that the KYC that we generate and the KYC that gets fetched by other KRA from CVL, that is the income.
- Miraj Shah:** Understood, so, on that end sir, we earn on KYC record, so, is it what we own is it based on creating, fetching or processing or part of all these.
- Girish Amesara:** Both. First is creation and thereafter, whenever it is fetched we earn on that.
- Miraj Shah:** Okay, right. So, both of these charges would be from, so creation would be charged to the individual, right? The creation part.
- Girish Amesara:** Agency.
- Miraj Shah:** And fetching is also to the agency.
- Girish Amesara:** Investor will not get charged. Agency gets charged.
- Miraj Shah:** Sir what will be the charges here.
- Girish Amesara:** So, initially, Sunil said that it was Rs. 20 for creating and Rs. 35 for fetching.
- Miraj Shah:** Sir, who is the agency can you just explain that.
- Sunil Alvares:** They are all market intermediaries like brokers and whoever's a capital market intermediary.
- Miraj Shah:** I understood right. Okay. So, under CDSL ventures, we are registered as a KUA. We are also registered as RTA. GST service provider, certifying authority also. So, I wanted to understand in the RTA part, we have I think, if I'm not wrong we have 740 companies roughly to which we are the registrar

and transfer agent. So, is this duty different from what an RTA is to mutual fund and what an RTA is to know other companies, other corporates.

Sunil Alvares: Yes, that's right. we have been currently focusing more on unlisted companies. So, most of these companies are, you know, I would say almost all these companies are unlisted companies and they have very small number of shareholders and we also have a very small unit. So, far as RTAs are concerned, so, our focus has been mostly on unlisted company right now.

Miraj Shah: Right, okay, sir understand that, but, sir, I was complicated regarding the KYC parts, I just wanted to simplify that e-KYC is what we do. Now, there is another option as c-KYC, central KYC if I'm not wrong, it is done physically. So, I wanted to understand what is the difference between eKYC and c-KYC. Because c-KYC data is recorded centrally. So, anyone I don't think any is recorded with any one particular party I just wanted to understand difference between e-KYC and c-KYC?

Sunil Alvares: See e-KYC is done through UIDAI where you do an Aadhaar based verification and the data is downloaded to the intermediary directly from UIDAI. So, far as c-KYC is concerned, it is another agency set up by the central government under the aegis of CERSAI okay where for the entire capital markets and financial markets, the intermediary is required to upload this KYC into that particular c-KYC.

Miraj Shah: So, sir, for a broker, he has to do both the things or only one.

Sunil Alvares: Yes he is required to do both the upload.

Miraj Shah: Okay, sir because our understanding is that like if you say CDSL for example, if I'm opening an account somewhere and CDSL has done my e-KYC so is that same thing can be used with broker B, broker C, so because every time whenever a new account is opened, they always do it multiple number of times.

Sunil Alvares: Actually, it's not required but to be on the safer side, you need to verify whether there is any change in any details of the investor. In case there is any change in the details of the investor you are required to update your KYC.

Mayank Babla: So, that is how meaning in this case it would be beneficial for CDSL because every time he does an income is generated.

Sunil Alvares: No, on the modification side we do not levy any charge.

Mayank Babla: So, you won't get into fetching charges.

Sunil Alvares: Giving you an example. So, say for instance if an investor has already done his KYC. Okay then typically the broker would fetch the record and display to the investor online and in case the investor feels there are certain changes to be done in his KYC record then he has to fill in a modification form and you know, update it with that particular broker who is displayed the record to him, and then wherever other intermediaries have the record, the modification gets done centrally at the KRA, and the record gets pushed to all the intermediaries that fetched the record earlier.

Mayank Babla: Sir, if we take an example say I have an account with a Motilal Oswal, and now I open up another account with ICICI Securities. So, in this case for us two times the income would be generated or no?

Sunil Alvares: No Motilal Oswal would have paid me Rs. 20 whereas ICICI Securities will pay me 35. So, in that context, if we say two times the income would be generated that would be correct.

Mayank Babla: So, ICICI will be charged for fetching.

Sunil Alvares: One would be charged for creation and one would charge for fetching.

Mayank Babla: Okay. Got it.

Miraj Shah: So, my next question on CDSL Ventures is that, since we are registered, we have a few roles, KRA, KUA, GST. So, I wanted to understand is there any complimentary function because all of these rules somehow provide us revenues, we generate revenues from these roles. So, are they interrelated, are they complementary that is why we've taken up these roles, and would there be any other role that we could take up going ahead in the future, which would also be interrelated or complementary?

Sunil Alvares: Many of these roles complement each other within CVL or within the group that is how I would look at it. So, like to give you an example, unlisted companies are admitted into CDSL and to that extent, wherever possible CDSL ventures plays the role of an RTA. Point number two is so far as our other businesses are concerned like e-KYC using Adhaar based solution or Adhaar based other e-sign, okay, there is a SEBI 24th April circular of last year, which says that now, you can do a KYC by just uploading your documents, uploading your signature and then digitally signing that. So, effectively the e-sign and the e-KYC solutions complement the KYC business. So, to that extent, I would say many of the businesses complement each other.

Miraj Shah: Understood any other business that would complement that we would take on going ahead, do we have any anything in progress, anything in work that we would adjacencies or avenues?

Sunil Alvares: Right. Difficult to say, but for us, the way we look at it is that we believe in converting physical paper into you know, electronic processes or digitizing the journey for investors. So, wherever we see I mean, a large amount of paper that could be a business opportunity there which could complement the entire digital journey again.

Miraj Shah: Understood sir.

Sandeep Shah: I had a related question to I don't mean to offend, but just want to understand the threats to our business in two parts. So, one would be the barriers to entry. So, how CDSL was a depository which entered after NSDL. What are the barriers to entry for any other for any other depository to enter and related to that threat wanted to understand that with the recent developments in blockchain, so, a lot of advancement has happened in terms of tech that settlement and everything can happen, you know, under a blockchain network can happen immediately also. So, do we have anything in the works for that or what is your view on these two threats please?

Sunil Alvares: See the threat of third depository coming in, it is possible, I am not saying it's not possible because the Depository act by itself which is called as the Depositories Act. So, there is provision for multiple depositories, but it is not

as simple as just starting a company or a Depository and you will have investors flocking onto you, you need to understand that when an investor opens an account with you that he would like to see that all the company which he is holding stock are admitted in that depository, so, there has to be first and foremost is that if a third depository comes in, he has to first get in all the companies so that it does not inconvenience the investor that is, you know, that he's holding some 10 stocks in one depository and another five stocks in one depository. So, it's not only that plus they will have to ramp up their services to match up with the other depository. So, I think that itself becomes a huge challenge for any newcomer.

Sandeep Shah: And as far as technology threat.

Sunil Alvares: And so far as blockchain is concerned, we have evaluated all of those things and we don't really feel much of a threat because we are currently following a T+2 settlement on the exchange and SEBI is pushing on a T+1 settlement. So, we are geared up to handle it.

Sandeep Shah: Got it, sir thank you.

Miraj Shah: Okay, sir, I have a couple of more questions. One is regarding MF Central. I think that was discussed in the Q2 call, I just wanted to understand what exactly is this business that we are getting in what exactly is MF Central?

Sunil Alvares: See, MF Central is a centralized portal developed by the mutual fund industry so that and today what happens is in case if the investor has to do any queries or transaction he has to go to various portals. So, the idea was to come up with a central portal where he could query on any of his holdings across the mutual funds. So, that was the purpose of MF Central and plus in case he had any grievances etc he could also track what is the progress on those redressal of grievances. So, not only that, it was also decided that even the people who are or the investors who are holding the mutual fund units in the DMAT account, okay they could also through MF Central access what is the status of their holdings etc, transactions on the MF Central.

Miraj Shah: Understood sir, how would we earn over here with more investors coming in transacting over here.

Sunil Alvares: From a revenue standpoint, I would say it is neutral right now in the sense that currently, the MF Central is being developed by the RTAs of the mutual fund and we are just joining them as a depository where we will be sharing the information of investors who are holding units in the DMAT form and they also want to view their holdings on the MF Central.

Miraj Shah: Understood. Okay. So, my last question would be regarding the IFSC that we registered in GIFT City. I believe that we're there we are going to act as an depository for international securities. So, from a very basic layman perspective, would I as an investor would be able to open an account over there and would I be able to invest into foreign securities.

Sunil Alvares: I think you have to be registered as an international investor on the IFSC guidelines. A retail Indian investor, I don't think will be allowed to open an account.

Mayank Babla: Yes, sir. Correct. Because I believe there is some, you have to submit your paper to RBI and get yourself registered if I'm trying to invest in anything like Google or Apple or something like that. Sir, but if that is a registered user with would you be able to do that through CDSL?

Sunil Alvares I'm really not quite aware. I need to, check this and come back to you on this.

Mayank Babla: And between the investor and CDSL there would be a depository participant present, right.

Miraj Shah: Sir something like are vested and Vested which offers so you know, services like investing in US markets? So, that would be the intermediary, right? Would you were referring to. Sir Vested is a company or an app which allows retail investors to invest in you US Global markets. So, would that be your potential client or they would have a depository in the US or how does it work if you could clarify it.

Sunil Alvares: The participant would be here in the GIFT City.

- Miraj Shah:** Okay.
- Mayank Babla:** For example, even these larger bank like Kotak securities and ICICI securities, even they are nowadays very well advertised for this invest into the foreign companies. So, for them are we the depository.
- Sunil Alvares:** No, I have not seen these advertisements. You will have to be more specific what you're talking about.
- Mayank Babla:** The question so, for example, in case if I have an accountant with Kotak securities. So, there they do give me an option that if you want to invest into say Apple, you can invest through Kotak Securities.
- Sunil Alvares:** Yes, but we will not be the Depository for such Securities.
- Mayank Babla:** Okay.
- Sunil Alvares:** This is specifically for the IFSC route where we are holding securities for that particular segment.
- Sandeep Shah:** Okay, so we are hearing a lot about this GIFT city and all but frankly, if you can throw some light as to what exactly is going to happen in next couple of years, including whatever you can share about what BSE is doing over there, it will be really helpful because we have been hearing a lot about this but frankly, not aware exactly what can happen over there?
- Sunil Alvares:** Honestly, again, I said this, we cannot make any forward looking statements, what's going to happen over there and secondly, what BSE is also doing I would not like to comment on this point.
- Sandeep Shah:** Sir, another understanding point over, there is that depository participants which are somewhere around 590 to 600. Would they be automatically registered with us in IFSC or would there be separate registration or we would basically starting from scratch with whichever participant wants to register with us? What would be the procedure over there? Because if they're directly registered with us over there, it would be an added advantage, I believe.

Mayank Babla: Sir that is because we are just trying to analyze the scope of CDSL in this particular segment.

Sunil Alvares: No, you will need to register separately all over again, just as we have as a depository registered separately. The participants too will have to register separately with us. So, if you are a participant in CDSL you do not automatically qualify to become a participant on the IFSC and secondly, I would also like to inform you the separate IFSC authority under which you need to make an application and get approval from them.

Miraj Shah: Sir, on a big picture what is the scope CDSL has and this entire IFSC thing?

Sunil Alvares: The scope is we add one more segment which includes the IFSC to CDSL entire portfolio of services which we offer. So, it will not be only what to say depository for the local investors using CDSL but also offer new services to international investors as well.

Miraj Shah: So, sir, I was going through one of the previous.

Nilesh Kittur We may have to end the call? This may be the last question.

Miraj Shah: Yes, we understand. Yes. sir just last question, I wanted to understand it regarding one of the previous transcript that I was going through, we wouldn't be participating with the asset classes such as the Gold Bullion Exchange and derivatives also Am I correct in understanding that? So, I just wanted to understand what all asset classes would be offered in the IFSC

Mayank Babla: As an inventor, what are other classes would I be able to transact in this what exactly I want to understand.

Sunil Alvares: To my knowledge, it would be similar to what are the asset classes, which are currently being offered under CDSL and going forward, I understand they would also be a Gold Bullion Exchange.

Mayank Babla Understood, thank you so much for your time. Thank you so much. You cleared a lot for us, and we will get back on this. We will start working more



*CDSL
December 21, 2021*

we have a lot more clarity regarding this. So, thank you so much for your time, sir.

Moderator: Ladies and gentlemen. with that we conclude today's conference. Thank you all for joining us and you may now disconnect your lines