



Central Depository Services (India) Limited

CDSL/CS/NSE/PSB/2021/277

December 28, 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 23, 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 23, 2021 with Elara Capital Limited, please find attached the transcript of the aforesaid conference call.

The above information is 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

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“Central Depository Services (India) Limited Conference Call with Elara Capital Limited”

December 23, 2021



MANAGEMENT: MR. GIRISH AMESARA- CFO, CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED
MR. SUNIL ALVARES – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – CDSL VENTURES LIMITED
MR. NILESH KITTUR – AVP, CENTRAL DEPOSITORY SERVICES (INDIA) LIMITED

MR. MADHUKAR LADHA- ELARA CAPITAL LIMITED
MR. JENISH KARIA- ELARA CAPITAL 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 or unmute your lines you may press '*' and '6'. Please note that this conference is being recorded. I now hand the conference over to Mr. Nilesh Kittur. Thank you. And over to you, sir.

Nilesh Kittur: Good afternoon. Welcome to CDSL Conference Call. For today's call CDSL management team is represented by Mr. Girish Amesara –CFO, CDSL and Mr. Sunil Alvares-MD & CEO, CDSL Ventures. I now request Steven to open the floor for discussion.

Moderator: Participants, all your lines are in talk mode to mute and unmute your lines, you may press '*' and '6'. Thank you.

Girish Amesara: Hello Madhukar, Girish here.

Madhukar: Sir thank you for taking the time and doing this call with us. So, you know, we have, I mean I have, I broadly understand what the company does and everything, but wanted to get a more detailed understanding of each segment. So, let's start with maybe annual issuer charges that we receive, right. We get Rs. 11 per folio, right.

Now, first thing I want you to know is, there will be a number of folios under CDSL, and there will be a number of folios under NSDL. So, does CDSL receives Rs. 11 per folio under its folios or does it receive for both NSDL and CDSL?

Girish Amesara: No CDSL receives, meaning basically CDSL charges the annual issuer fees okay. There are two methods of arriving at the annual issuer charges. First is a slab-based method, it starts from Rs. 5000 and Rs. 9000 depending upon the category of company. If it is unlisted company it starts with Rs. 5000, if it is listed company it starts with Rs. 9000 and it goes up to Rs. 75,000. And from Rs. 9000 to Rs. 75,000 is based on the share capital admitted of the companies with the CDSL and NSDL.

Now, in case of this mechanism for both NSDL and CDSL the income may be the same amount charged to the company. Now, when these calculations are done, for the preparation of the invoice, slab based value is compared with the folio that CDSL has average folios for last year during the year of bill, the previous year is compared okay with this slab. And if the value that is arrived based on the folio at Rs. 11 rupees is higher than the higher amount is billed to the company.

Now, when we do this exercise, this exercise is done based on the folios that CDSL is having in records. NSDL does it, their invoicing based on their records. So, if CDSL has a higher count of the folio based on the opening of the demat account then obviously the invoice value of CDSL would be higher and vice versa.

- Madhukar:** So, both companies charge the company right. Both the depositories basically charge for their respective folios to the corporate who is issued the security.
- Girish Amesara:** Yes. So basically, as per SEBI rules all listed companies have to compulsory admit their share capital with the depositories. So, for all these listed companies, we will raise an annual issuer fee, if the value of annual issuer fees based on slab is higher than the invoice would be raised.
- Madhukar:** Slab wise otherwise folio wise, yes.
- Girish Amesara:** Yes, both the depositories raise invoice on the slab wise then the value of invoice would be same. In the comparison between slab wise amount and the folio wise, if folio wise amount is higher than the invoice value would be different, because it would be based on the folio admitted with CDSL. So is the case with NSDL.
- Madhukar:** Right. It can be different, or it can be one company has done slab wise, one company has done folio wise even that may –
- Girish Amesara:** Yes, that is also possible.
- Madhukar:** Yes understood. And when we do this, you said average folio, so, you take average at the end of every month, so it's monthly average or something or how does that work?
- Girish Amesara:** Yes monthly, so, generally the invoicing of annual issuer bill is done in the month of April. And this is based on the share capital admitted as on 31st of March of the previous year. And for the purpose of folio working monthly average is considered of previous year.
- Madhukar:** So, as on date, as at the end of last maybe day of the month, how many folios that is what you will take?
- Girish Amesara:** Yes.
- Madhukar:** Or you will take daily average?
- Girish Amesara:** Monthly average.
- Madhukar:** At the end of month average okay, understood. And this is something that which I am a little unclear about also, I have heard that on the issuer side NSDL has a higher market share. So how is that, because in this where do they have higher market share, because in this way it does not really matter right. Then it can only be for the private companies.
- Girish Amesara:** So, one needs to understand that in case of listed company it is purely driven by number of folios. And for both CDSL and NSDL company has to compulsory register, admit their share capital. So, in that particular area the difference in income would be based on the explanation that we discussed just now. So, that is totally depending upon the count of folio. And in case of unlisted

space, when in 2018, MCA came out with a rule that all the unlisted company who intends to do a corporate action, then it has to be done compulsory in a demat mode. So, whenever a unlisted company has to do any issue of share or basically whenever there is any amendment in their share capital in terms of shares, then they have to compulsory do in demat mode and for that they have to come to any of the depository. So, they may come to CDSL and do that or they may go to NSDL and do that.

When this rule came in, CDSL started admitting unlisted company with a fee. Now traditionally NSDL to the best of our knowledge, was admitting unlisted company with one time charge and at no annual cost. So, that could be the difference of what you are asking.

Madhukar: And is there any data available, on the unlisted side, between number of companies admitted with CDSL versus NSDL. Is that available in public domain?

Girish Amesara: No, that is not available in public domain as of now.

Madhukar: So, I understood, you are saying that they started doing this free of charge, has that changed now? Are they also charging fees now?

Girish Amesara: Now they have started charging a fee.

Madhukar: And which is equal to ours so it's like --

Girish Amesara: So, it is same, it is SEBI governed fee, so there we don't have any leverage on charging less or high.

Madhukar: And the other things so when an unlisted company, let's say if I go to CDSL if I am a promoter of an unlisted company and I go to CDSL and say okay I have, 20 crores of share capital that needs to be dematerialized. Now, because it's unlisted, then all the shareholders need to have a demat account with CDSL only, is that how it works?

Girish Amesara: That's right. So whichever depository are admitting as securities and the shareholders necessarily have to have an account there. And in case you are having your securities admitted with both, then that really doesn't matter,

Madhukar: Then it doesn't matter, okay. Understood. See listed will automatically both have so then there is no problem. In unlisted, then it becomes whoever gets it then all the shareholders of that company need to have an account with the same depository only then it can work effectively.

Girish Amesara: That's right.

Madhukar: Any idea or any color on, in the unlisted space the incremental company additions, where have they been going to, see in the listed or the BO account that is fairly visible, because we get the

numbers every month and CDSL has got, in the incremental things more than 85% market share CDSL is gaining, incrementally. But on the corporate side, unlisted corporate side any sort of sense, idea, color that we have?

Sunil Alvares: I would say we have about whatever companies are getting added to both depositories there are about 35% to 40% of the companies get added to CDSL. That percentage keeps varying month on month. And typically, NSDL has a larger market share here, because earlier they were providing the service free of cost and many promoters, who admitted their security with NSDL and opened their accounts there. And it's convenient to have the securities of the other companies as well in NSDL.

Madhukar: So, basically there they sort of got the upper hand because of that. And incrementally, but we are at 35% to 40% which is not terribly bad.

Girish Amesara: That's right.

Madhukar: And what would you say in terms of the number of private companies, if I were to try and understand what the market opportunity in terms of the unlisted space then what sort is of, the total number of private companies that would need to do this and what percentage have already done this any sense over there, sir.

Sunil Alvares: No, private companies would be huge, I mean, it could be in lakhs actually. And we believe that about one lakh odd companies would be eligible to admit their securities. The regulations are framed in such a way only when there is a transaction to be done or issue of new capital etc., then the company has to demat its shares. So, there will be a lot of unlisted companies, in our opinion there are about 6 lakhs unlisted companies.

Madhukar: And how many are already in the system. So, unlisted companies are 6 lakhs of which eligible would be one lakh, you said, right.

Sunil Alvares: Yes, according to us, it would be about a lakh. And I can't put a number right now, maybe I will have to check this and come back how many have actually admitted into the depository

Madhukar: We'll also try and look at this on a market sizing sort of way. And, obviously, every year, the number of companies have only I mean, apart from the cleanup that the Modi government did in-between most of the times the number of companies were only going higher, yes. So that's again, a good opportunity.

Then this issuer charges is also, there is an opportunity on the debt side right, because a lot of the debentures also now come with ISIN and with even the other debt market development rule where, I don't remember the percentage exactly right now, but the new sort of long term debt that needs to be raised at least 25% of it needs to be raised outside of banks, there is also

regulation like that right, right now. So, that will also be a big boost over the next few years right that the listed companies have to raise fixed income again through securities market.

Sunil Alvares: Yes, I cannot make any statements about the future but then you know the business model what we are in and what is expected and then you can decide for yourself.

Madhukar: But that is, you would have seen a growth historically even now in that segment, in the debt side of things, right?

Sunil Alvares: See for us, we don't look at it as equity or debt, we just look at it, typically, there is a process in place and accordingly the same charges apply whether it's equity or debt or anything.

Madhukar: So, see, I understand see equity will be share capital link, but let's say there's a company L&T and L&T is issuing a new series of debentures okay. So, there might be Rs. 1000 crores worth of debenture that they are issuing. Now, how will the charges work there will it be folio wise how does that work?

Sunil Alvares: It will be folio wise, so if they have said X number of folios, it will be in two levels that is how it will go.

Madhukar: There the share capital will not work, there on the debt side the Rs. 11 per folio will work.

Sunil Alvares: Both will be there, but what will happen is that, for that company, the capital will be very high So, typically what happens in the case of Rs. 20 crores we charge 75,000 rupees. But then in the debt issue obviously will be much higher than that.

Madhukar: So, basically what will happen –

Madhukar: So, it will be on average folio of debt and equity basically?

Sunil Alvares: No that will be two separate things. That is the average folio of debt will be computed separately and equity will be computed separately.

Madhukar: And share capital that slab is, one calculation is on the share capital basis; one a calculation is based on okay number of folios of equity plus number of folios of debt, that's how the computation will work.

Sunil Alvares: Yes, that's right you can say.

Madhukar: I am just trying to just understand this because yes, there is a big opportunity. And corporate actions how do we charge for corporate actions?

Sunil Alvares: Corporate actions, is again on the same line.

- Girish Amesara:** A flat rate of Rs. 10 is charged on the corporate action.
- Madhukar:** Rs. 10 per folio.
- Girish Amesara:** And there Rs. 10 is for the credit in the folio.
- Madhukar:** Exactly, Rs. 10 per folio, not per share to be per folio. And then that's how it will go. And again, the calculation is the same because I think if the value of the securities is between so much so much then there's a flat fee and if the number of folios exceed then you get into this corporate action per record basis right, similar way, right.
- Sunil Alvares:** No, Rs. 10 minimum.
- Madhukar:** That is not linked to the share capital, is it?
- Sunil Alvares:** No that is not linked with the share capital.
- Madhukar:** That is not linked to the share capital at all. That's a direct computation of Rs. 10 per folio per credit, or maybe a rights issue or bonus shares, or whatever the case may be.
- Sunil Alvares:** That's right.
- Girish Amesara:** Yes.
- Madhukar:** So this is clear. So, then, do you charge any maintenance charges, because there are right now, obviously, you are gaining a lot of --. Now I am coming to the BP side and beneficial owner account side, the same client ID effectively. So, per client ID per annum, do you charge any maintenance charges, like if the account goes dormant?
- Sunil Alvares:** We do not charge anything to the client, but you can perceive the annual issuer charges as a maintenance charge which we charge to the issuer.
- Madhukar:** So, you are not charging anything to the, so for example, Angel Broking or?
- Girish Amesara:** Except for say, maybe corporate account where we charge Rs. 500 per year. But that income is very miniscule. In last half year, we had quarterly we had earned around Rs. 80 lakhs. So, that is very minimal.
- Madhukar:** That on the corporate side Rs. 500 per year that you said right. That is too less, and I am actually surprised, because, if you some of the brokers, they charge clients maintenance charges for the Dema account, but you guys, CDSL does not charge anything, it's not even Rs. 50 rupees or Rs. 100 rupees, but brokers are normally charging the clients.

So, a broker can keep opening accounts, he does not care whether the guy will trade or not trade, if he is dormant, it doesn't matter, he can keep opening accounts, because he does not have a cost.

Sunil Alvares: No, how does he not have a cost? There is a cost that is incurred right. See what happens is in the depository system, the investor doesn't come directly to the depository to open an account. The investor goes to a depository participant who could be a broker as well and he opens his account over there. There is a cost of the infrastructure, there is a cost of the office. The investor goes there and opens the account. Even if the investor is coming online, there is the other cost of running the show for the broker. So that is what he is trying to actually recover from the investor.

Madhukar: But what I am trying to say is that there is no running cost. See these costs he has already incurred.

Sunil Alvares: No, there is a running cost right there is a running cost of the stationery, , there is a running cost of his office, there is a running cost of his relationship manager who chases the customer, then he needs to fill in the documents he needs to, many of them take a Power of Attorney there is a cost attached to that, there is a whole lot of costs attached at the time of opening an account.

Madhukar: So at the time of opening, I understand, say at the time of opening, there is a cost which you have sort of incurred. Now if you have opened let's say, if you have opened 100 accounts, and five of them trade well and do well and you recover all your costs plus you will keep making some brokerage money also. But 95% of them also turn dormant or there is no trading happening. Let's say I am just throwing some numbers. But that 95% I don't incur a cash cost which is in addition of that. I don't have to pay a depository any money for keeping those accounts open. I can then try to chase them up, I can have two people calling them up trying to persuade them to trade something that they do whatever.

Sunil Alvares: No, it doesn't work that way. See once the account comes in the system, there is a compliance cost, there is a technology costs and plus the depository participant irrespective if he has anything in his account or not, you are supposed to send him a statement. So, there is a cost attached to that. So you cannot say that there is no cost, And there is cost of a person who will be looking after their accounts. You cannot say that it is a sum cost and -- out of hundred accounts say only five people will be charged and rest of the people will not be levied a charge.

So what happens is minimum charge which the depository participant levies on all the investors because he is ultimately required to maintain those accounts. There is also a security cost, I mean there is a whole lot of costs which kick-in.

Madhukar: Okay, but you don't make any money in that way, the depository does not make a money, depository participant, you are saying okay, there are X-number of costs, which he is recovering by charging some maintenance costs to the ultimate retail client.

Sunil Alvares: Yes, see we only charge to the depository participants on the sell side, if there is a debit into the investors account, we charge from Rs. 5.50 paisa per transaction to Rs. 4.25 it's a slab-based structure, based on the number of transactions done by the participants. Now based on that the depository participant may put a markup and charge the customer. The other charges, allowed to be charged to the investor is an account maintenance charge and account opening charge to cover his costs, because there are other costs involved also.

Madhukar: We finished up the issuer corporate side. On this side of the business getting more depository participants, we have done phenomenally well. What would you say is the key reason for our success? One is obviously because the tie-ups that we had were with the high growth discount brokers, who have done very well over the last three to four odd years.

Now, anything else that we did, I also understand that we had developed some API's. We had got the entire online account opening process figured out before NSDL that gave us a very big head start. That's my understanding, is it correct or if you would like to add anything on to this?

Sunil Alvares: No, I would say that we have been more proactive compared to the competition. And that has really helped us, just by introducing a few API's or something the business doesn't shift really as it is made out to be. And it has been over a period of time we have been introducing various value adds. So we were the first to introduce the KYC Registration Agency in the country. In fact, the centralized KYC was conceptualized, designed and implemented by us in 2006/2007 with the Mutual Fund industry. And then it became mandatory in 2011 with the KRA regulations.

We were the first to come out with eVoting which resulted in a huge saving for companies. We were also the first to come out with eDIS for the industry so that people can sitting in the comfort of their homes could submit their debit instructions.

So, over a period of time, we have come up with various innovative products and that has really helped us to get in more depository participants. So that's why today we are at about 600 depository participants as against maybe approximately half the number with the competition.

Madhukar: So, you are having enhanced product features and API's and probably even more aggressive sales.

Sunil Alvares: Yes, I mean, that we need to get some value add to the depository participants at the end of the day. And we have always strived to do that. And that has really helped us in the long run.

Madhukar: And see charges are not materially different between NSDL and CDSL, right.

Sunil Alvares: I would say we are slightly more expensive than NSDL if you compare Rs. 5.50 with Rs. 5, to that we are slightly more expensive. The charges become agnostic after a point in time.

- Madhukar:** Yes, it's too small a difference.
- Sunil Alvares:** What people see is, what is the value add they are getting, what support are they getting in terms of expanding their business, so all of that really matters at the end of the day.
- Madhukar:** Can let's say SEBI come and ask you to reduce your prices. You are making a lot of profits and you are a market infrastructure company and there are only two depositories, we cannot have you make such abnormal returns, hypothetically, let's say if the good time sort of continue, volumes increase, accounts increase, issuances increase.
- Sunil Alvares:** To answer your question in one word, I would say 'yes'.
- Madhukar:** SEBI can come into that.
- Sunil Alvares:** Yes, they are the regulators.
- Madhukar:** And historically, I have seen the charges have generally sort of moved up only, they have not really come down. How does SEBI think about this, if I were to try and understand from you like, what do they look at? And when do they review pricing? Do they review pricing every year, every two years, every five years? How does the regulator sort of think about it, if you can help me just understand that a little bit?
- Sunil Alvares:** I would not be able to throw any light how the regulators think, but I can only tell you that whenever we feel that we require a price hike, okay, both depositories discuss if we feel that way, and then take it up with SEBI. So typically, that's how it happens.
- Madhukar:** And so far, it's not happened that either of you have sort of reduced prices. Can you reduce prices?
- Sunil Alvares:** Yes, we can. But typically, SEBI, has given what should be the charges to the issuers so there is no reason why anybody will charge below those rates.
- Madhukar:** Issuer and transaction, let's say forget issuers, issuers are one thing, but let's say transaction charges.
- Sunil Alvares:** Transaction charges are independent of both depositories. So, if I want to reduce my charges, I can reduce my charges and go to SEBI. And ultimately, I need to get approval from the regulator. I get the approval from the regulator, and I can implement it, that's not a problem.
- Madhukar:** And you can do it, okay. But like whatever your charges, it cannot be negotiated between you and a DP. The charge is a charge like if you are charging Rs. 5. 50, if Zerodha tomorrow says that listen you are getting so much money from me, reduce it to Rs. 4, does that happen, does client to client, you know CDSL to DP, can charges differ or is it a standard rate cut across?

- Sunil Alvares:** No it cannot differ. So, whatever is my charge structure we charge according to that. That is why we have a slab structure so if Zerodha is giving me more volume, so, and he comes into –a lower slab of our tariff.
- Madhukar:** But that slab structure is per folio wise, right that it is –
- Sunil Alvares:** It is a per transaction, on the transaction side we have a slab structure. So, based on the amount of transaction you do, you get charged from Rs. 5.50 to Rs. 4.25.
- Madhukar:** But that, exactly Rs. 5.50 to Rs. 4.25 and that if you do more than Rs. 1.5 million a month, right then the charge is Rs. 4.25 paisa, correct. Now, Rs. 1.5 million per month, per broker or per folio?
- Sunil Alvares:** Per broker, per DP.
- Madhukar:** My understanding was then on a per folio basis, I understood. So, this makes sense.
- Sunil Alvares:** No, per folio will never happen. You are looking at very high number of transactions.
- Madhukar:** Yes, so I was thinking that if that if I was doing only like a Rs. 1 lakh, if I have an account with Zerodha and I am doing only Rs. 1 lakh, then I will get charged Rs. 5.50 paisa by you to Zerodha and --
- Sunil Alvares:** That is cumulative of all the transactions --
- Madhukar:** Cumulative, yes.
- Sunil Alvares:** Per month.
- Madhukar:** So, then it will always be, most guys will be charging only Rs. 4.25 only because it's Rs. 15 lakhs is nothing, any decent size broker would be doing more than that.
- Sunil Alvares:** No, it doesn't work that way.
- Madhukar:** No, but Rs. 15 lakhs only right, it's only Rs. 15 lakh, one and half million.
- Sunil Alvares:** But they have to get across so many transactions, if you divide by a number Rs. 5.50, that's large number of transactions.
- Madhukar:** Understood, okay, I got it. I understood what you mean, yes makes sense, okay, yes. My understanding was a little unclear, I got it after talking with you. So one question I had on this was that whenever there are large IPOs, okay, have you seen historically that the number of accounts, number of retail account openings have increased?

- Sunil Alvares:** Yes.
- Madhukar:** So, I have heard so during SBI Cards this has happened, or Reliance Power or let's say in the last bull market, when that was the case. Did this happened or have you sort of noticed something like that?
- Sunil Alvares:** Yes, a generalized statement. So whenever there is a buoyant IPO market, obviously, the number of accounts does tend to increase.
- Madhukar:** For any specific IPO, have you sort of, in your experience seen something like this happen, if you remember that?
- Sunil Alvares:** No, I think, all large IPOs you do see a tendency of accounts going up. So I couldn't put a name saying that this IPO only account increased or that IPO, like what I am trying to tell you is the number of accounts which get facilitated whenever there is a buoyant IPO market.
- Madhukar:** In a way, it also works that way, right, whenever there is a buoyant market, IPO activity also increases and then the folios also increase. So, it's also very hard to say what is driving what, in a way.
- Sunil Alvares:** Yes, it could be, say the companies and some business that they have a large number of potential investors who do not have a demat account. And since they know the company well, they would like to invest in the company, then they start opening accounts, that is one way too.
- Madhukar:** See LIC is the next, one of the big sorts of IPOs. And the number of policyholders is very large. And I have read that LIC is thinking about some preferential, some reservation of shares. And there might be some preferential price also for them. And to get through with such a large IPO, and you need to get retail participation high so is there anything happening on that side? Is the government or LIC in talks or if anything you can share with us on that?
- Sunil Alvares:** We are in talks, but we cannot share what is actually happening right now, it's not in the public domain.
- Madhukar:** Is it possible that directly through LIC's website, one may be able to sort of put in their pan number and they have IDBI Bank, and you put in the pan number apply it through making some clicks and get a broker and demat account through IDBI Bank and apply for the IPO. That can be a possibility right through LIC's and IDBI Bank's website, right?
- Sunil Alvares:** See these are all the technological solutions and we believe that anything through technology is possible. If it is to be done, it can be done.
- Madhukar:** It's fairly simple, with the technology already exists on this, you already do this.

- Sunil Alvares:** We have done it for some debt issues earlier. So, it's not something very difficult for us.
- Madhukar:** You said, sorry you have done it for some?
- Sunil Alvares:** We have done it for some debt issues earlier, okay. And it's not very difficult.
- Madhukar:** Which debt issues would that be --?
- Sunil Alvares:** Where you are giving a PAN, and it throws up the list of accounts you have, and you select your account number and then you go and invest accordingly.
- Madhukar:** And that can be possibly even in IPOs.
- Sunil Alvares:** Yes, that debt issues was an IPO, right, so whether it's an equity or debt --
- Madhukar:** Final one thing on last few questions actually on the KYC side, how does the revenue work over there?
- Sunil Alvares:** In KYC, we have two legs of the revenue. One is that if I go to a Motilal Oswal and open an account, Motilal does my KYC and uploads it into the KRA system. At that point in time, I charge him Rs. 20 for uploading the KYC into the KRA. Subsequently, I decide to go and invest in say HDFC Mutual Fund, then HDFC, will verify my PAN in the system whether this PAN is KYC compliant, if it is KYC compliant, he will download the KYC. At that point in time, I charge HDFC Mutual Fund, Rs. 35, so these are the two legs of the transaction.
- Madhukar:** So, creation of record is Rs. 20 and fetch of record is Rs. 35.
- Sunil Alvares:** That's right, yes.
- Madhukar:** So, what happens, let's say if I am already with Motilal, and I have done this. And then I go to whatever, to some other intermediary who is not keeping the record with CDSL, who is maybe keeping a record with CAMS. So, does my KYC get created at two places then?
- Sunil Alvares:** No, it doesn't happen that way, whenever you create your KYC, we have an interoperability between the KRAs. So, we do a search on the PAN, if that PAN is not found, the KYC of that PAN has not been created. Only then is the KYC of that PAN allowed to be created. So, across all KRAs it will be a unique KYC.
- Madhukar:** So, then it basically means that the person who captures maximum number of people under him, he is the biggest beneficiary, because all updation, all record fetching revenues will come to that person.
- Sunil Alvares:** That's right, yes.

- Madhukar:** Who is the largest in this now?
- Sunil Alvares:** See, there is no publicly available figure, right now, but we believe we are the largest because we were the first to start. In fact, we had a head start of almost four years, as compared to the other KRAs when the KRA regulations came out in 2011. So, we believe we have about a 60% to 70% market share.
- Madhukar:** The other thing is that you naturally should be the largest also, because of the new account openings and first time investors that this business, the DEMAT account openings and new discount brokers are getting, right.
- Sunil Alvares:** That could be another logical reason.
- Madhukar:** Right, because most of, they tell us that almost 50% to 60% of the guys are first time into markets. And they are opening CDSL accounts. So, the KYC also they must be maintaining with you only most of them, or is that not the case?
- Sunil Alvares:** KYC can be maintained with any intermediary as such. But many of the large intermediaries who are there with us, typically they do their KYC through us.
- Madhukar:** They will do full business with you, right, I mean, why would I like, there is no difference in charge, and once the thing is there, you just might as well --
- Sunil Alvares:** No actually some people would like to have it, have two KRA one as a backup so that in case anything goes wrong with one, there is a fallback, and their business is not disrupted. So there are various ways of thinking about it.
- Madhukar:** I have sort of figured out most of the revenue. I think I wanted to understand one thing what the breakup of the transaction and marketing revenues is between standalone and consolidated. I saw your presentation. So, in the 2nd Quarter, the consolidated number is roughly Rs. 104 crores and the standalone number is Rs. 72 crores, I am just giving you round off numbers. What is the difference between this?
- Girish Amesara:** So, the difference is roughly around Rs. 31 crores, that is pertaining to KRA business which Sunil just now spoke.
- Madhukar:** Do you give even more details, unfortunately, I am travelling, and I didn't get a chance to go through the last couple of conference call details. So, is there a further breakdown given of transaction market driven income in terms of --
- Girish Amesara:** So basically, in the investor call, we generally give details of all the operating income, which cover almost 90% of our operating income. So, what is the transaction charge fee, what is the KRA fee? What is inter-KRA fee? What is our corporate action fee? What are annual issuer

charges that we have earned during this particular quarter, all this detail we share in the quarterly call.

Madhukar: I have got it until Quarter 1. I have not got Quarter 2 numbers. So, I will just take it from the call, that's fine. And if I don't get it, if I have any confusion, then I will just call you and I will speak with you and I will get that it, if that's alright with you

Girish Amesara: Yes, but whatever we discuss, I think we have to record it and will not be able to discuss anything post next Monday, because then our silent period starts.

Madhukar: No, I will send you an email if I have one or two questions, small data points, something which you have already repeated somewhere or whatever. I will not take any sort of explanation or whatever from this. So, I understand, it's good that you are following the thing very strictly, that's good, sir. Thank you.

Then coming to the technology side, is there any limitation in terms of capacity? How do you think about, what will be our technology costs, what sort of CAPEX and OPEX do we need to incur on an annual basis? And until how many, let's say 20 crore accounts need to be opened over the next one and a half years or one year, can we do it or suddenly there will be a limitation and we will need to, we will not be able to manage the volume or the scale?

Girish Amesara: In terms of technology costs, basically we are a technology company, basically we are maintaining database of all the investors, right, and for that we need to have excellent technology. So, we keep on regularly revisiting the technological requirements. We have a Board Structure Technology Committee, which keep on looking into our requirements. And this committee keeps on meeting at least five to six times in a year. And SEBI also keeps monitoring of our capacity utilization and our capacity. So, technology is the core for our business. So, we closely monitor technological expenditure, in terms of operating expenditure and capital expenditure.

Madhukar: And any numbers that you can share in terms of what is planned CAPEX, or if I were to, from a --?

Girish Amesara: Generally, we don't share any capital expenditure that we have planned. An operating expenditure, we can share with you what we have achieved till now. So, in the quarter ended 30th September we had revenue expenditure on technology of around Rs. 7.5 crore for the quarter ended 30th September.

Madhukar: And for the half year?

Girish Amesara: Half year, I need, just a moment.

Madhukar: Half year and maybe last year's number, both the numbers, if you can.

- Girish Amesara:** Just a moment, half year technology cost was roughly Rs. 12.5 crore and previous year six months it was around roughly Rs. 10 crores.
- Madhukar:** And capacity constraints, that question is you know --
- Girish Amesara:** That I already explained that we have a Board Level Committee which looks into our technological requirement, which includes this capacity utilization and whether we have enough capacity for investors, accounts creation or database maintenance. So, that Board Level Committee keeps on monitoring this. And we also need to share regularly with SEBI on this requirement. So, internally we have a robust system to monitor this.
- Sunil Alvares:** And to clarify more on that is that we monitor continuously what is the system utilization. And once it reaches a particular level of optimal value then we start looking at enhancing the system once again. So, you will never have, capacity issues
- Madhukar:** Then last couple of questions, one on this, we because we are a market infrastructure company, is there any requirement for us to pay anything or to deposit any amount to the Investor Protection Fund?
- Girish Amesara:** Yes, under SEBI regulation, CDSL as a depository has to pay 5% of its operating profits to Investor Protection Fund, every year.
- Madhukar:** 5% of operating profit. So, other income will not come through in this.
- Girish Amesara:** It would be part of our expenditure. So, in this quarter we had incurred an expenditure of roughly Rs. 3.76 crores.
- Madhukar:** Just I can look it up, but I know the rule now, 5% is what you have to pay.
- Girish Amesara:** Yes, of operating profits. So generally, more the operating profit, this charge would be higher.
- Madhukar:** See, will other income be included in operating profit?
- Girish Amesara:** No, investment income will not be included.
- Madhukar:** Investment income will not be included.
- Girish Amesara:** Only operating income.
- Madhukar:** What is the staff strength, what is sort of our requirements, maybe you can talk a little bit about that?
- Girish Amesara:** See, generally, I think the count of employee, we disclose in the annual report. And see basically we have to have a robust structure on employees, in terms of employees catering to regulatory

requirements, employee catering to operating business, employees catering to technological requirements. And we keep on regularly monitoring our requirements and wherever there is an internal need, we keep on augmenting our requirements. So, I think I have answered your question.

Madhukar: Yes sir. Yes, I think I have asked most of my questions. My colleague Jenish is also here with me. Any questions, do you have any questions, if I missed anything.

Jenish: No, most of it are answered in a way. I guess we can work on it and if we have anything we can obviously get back.

Madhukar: No, this is very helpful. We will do our work and we will probably write you an email and we will understand it that you cannot talk after 31st right, that's the last date or --?

Girish Amesara: No, generally what happens is that whenever we do a communication whether on telephonic communication or email communication, we have to intimate the stock exchange. That is internal rule that we have decided, because from 1st April '22, all investor calls are compulsory to be uploaded on NSE website, recording and transcript of it is compulsory. So, we have implemented this from this year itself. And generally, we have five days' time. So, anything, any question that we receive from next Monday will not be in a position to reply because then that monitoring of five days will not be able to do.

Madhukar: Okay, understood.

Girish Amesara: That when I said that whatever question you have, whatever discussion you have, we need to discuss it before next Monday.

Madhukar: Understood.

Girish Amesara: And thereafter if you have questions, we can definitely speak in February. Yes, after the board meeting.

Madhukar: Yes. I think we have covered 99%, I am quite sure, we are through. But there might be one or two small things that may get left out, but that's okay. We can do that maybe in Feb also. I mean, 95% material things we have understood so it's all good.

Girish Amesara: Okay.

Madhukar: Thank you. You know, I got, obviously, I have been in touch with Girish. The other gentleman.

Girish Amesara: I will introduce sorry; I could not introduce in the start. So other gentleman was Mr. Sunil Alvares, he is Managing Director of our subsidiary, CDSL Ventures Limited. And our Chief of Business was supposed to join this call, Mr. Ramkumar. But unfortunately, he had an incident

to attend today morning. So, he is not available today. So generally, all investor calls are jointly attended by all three of us. And that's it.

Madhukar: You said Mr. Sunil Alvares.

Girish Amesara: Mr. Sunil Alvares, yes. He is MD & CEO of CDSL Ventures Limited.

Madhukar: Great, thanks a lot. Thanks a lot for taking this time and doing this at a short notice also.

Girish Amesara: Thank you.

Madhukar: We will work on this.

Girish Amesara: Thanks.

Sunil Alvares: Yes, thanks. Have a nice day.

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