



# Central Depository Services (India) Limited

CDSL/CS/ANP/2020/106

July 06, 2020

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

**Sub: Transcript of Analyst /Investor Call /Conference Call held on July 28, 2020**

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

Dear Madam/ Sir,

With reference to our intimation vide letter reference CDSL/CS/SEBI/ANP/2020/101 dated July 24, 2020 on the captioned subject, please find attached the transcript of the aforesaid conference call.

The above information may also be available on the website of the company:  
[www.cdslindia.com](http://www.cdslindia.com)

This is for your information and record.

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

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



“Central Depository Services Limited  
Q1 FY2021 Investor Conference Call”

July 28, 2020



**ANALYST: MR. ADITYA BAGUL - AXIS CAPITAL LIMITED**

**MANAGEMENT: MR. NEHAL VORA – MANAGING DIRECTOR &  
CHIEF EXECUTIVE OFFICER – CENTRAL  
DEPOSITORY SERVICES LIMITED  
MR. GIRISH AMESARA – CHIEF FINANCIAL  
OFFICER - CENTRAL DEPOSITORY SERVICES  
LIMITED  
MS. NAYANA OVALEKAR – CHIEF OPERATING  
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MR. SUNIL ALVARES – CHIEF OPERATING OFFICER  
- CENTRAL VENTURES LIMITED  
MR. SWAROOP GOTHI – VICE PRESIDENT -  
CENTRAL DEPOSITORY SERVICES LIMITED  
MR. NILESH KITTUR - ASSISTANT VICE PRESIDENT  
- CENTRAL DEPOSITORY SERVICES LIMITED**



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**Moderator:** Ladies and gentlemen, good day, and welcome to the Central Depository Services (India) Limited (“CDSL”) Q1 FY2021 Results Conference Call hosted by Axis Capital Limited. Please note that CDSL does not provide specific revenue or earnings guidance. Anything said on this call, which reflects CDSL's outlook for the future or which could be construed as a forward-looking statement, must be reviewed in conjunction with the risks that the company faces. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” 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. Thank you, and over to you, Sir!

**Aditya Bagul:** Thank you, Aisha. Good morning, everyone. On behalf of Axis Capital, a very warm welcome to the Q1 FY2021 Conference Call of CDSL India Limited.

Before we begin, we really hope that you and your family are safe and well in this time of pandemic. We have the management of CDSL with us. It is represented by Mr. Nehal Vora, Managing Director and CEO; Mr. Girish Amesara, Chief Financial Officer; Ms. Nayana Ovalekar, COO; Mr. Sunil Alvares, Chief Operating Officer, CDSL Ventures Limited; Mr. Swaroop Kumar Gothi, VP; Mr. Nilesh Kittur, AVP.

Before we begin, let me just take this opportunity to congratulate the entire team of CDSL for a superb Q1 performance and now without a further ado, Nehal Sir, over to you.

**Nehal Vora:** I would like to wish everybody a really a very good morning, and thank you so much, Aditya, for the warm welcome and your compliments.

First of all, I hope that all of you are safe and secure in these times. I welcome you all to CDSL's quarterly conference call for the quarter ended June 30, 2020. And I trust each one of you and your loved ones are safe in these hard times. I am joined on this call by other members of our management team, who will also address the questions later that you may have.

Before we get into the details, I want to take a brief moment to place our appreciation, gratitude to all our employees and stakeholders because in these times, we all have kind of remained one and ensured that CDSL as part of the depository services was designated as



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an essential service and we are proud to inform that our operations have been running seamlessly across this entire time without any compromise on the health of our employees.

In our response to the COVID-19 situation, we have also created and launched various initiatives to promote the idea of Atmanirbhar Niveshak, in terms of basically the ultimate customer being able to perform its functions on its own. We have various platforms like Easi/Easiest, and I would urge all of you as well as all your well wishers, family members as well as people who you know to kind of use these platforms of CDSL so you can start doing things on your own.

In terms of the business highlights, the last quarter, CDSL has observed a buoyant increase in the number of new Demat accounts being opened, and we would like to welcome the new investors into the capital market ecosystem.

During the last three months, the number of new active beneficial owner accounts with CDSL has increased about 20 lakhs, taking the total number of active beneficial accounts as on June 30, 2020, at 2.32 Crores, indicating a growth of around 7% to 8%. The comparative number of beneficial owner accounts for the quarter ended June 30, 2019, was approximately 6 lakhs and 15 lakhs for the quarter ended March 31, 2020.

As on June 30, 2020, CDSL has 597 depository participants, offering depository participant services from about 20,000 locations across the country, representing around 94% to 95% of the pin codes of the country. These depository participants comprise of clearing members, banks, custodians and nonbanking finance companies.

CDSL has experienced a substantial growth in the number of companies, issuers admitted in Demat from 541 in the FY 1999-2000 when we started our operations to around 14,000 companies in the FY 2019-2020, which has seen a very healthy growth.

We have also initiated new services in line with the transformation requirements and the requirements of the current time to promote the digital initiatives of the Government of India. In addition to our e-voting services, we also offer services to hold annual general meetings (AGM) through videoconference facilities to make AGM a hassle-free event for the shareholders and the company. We also provide e-mail updation services to companies to update their shareholder database to ensure that the dissemination of communication to shareholders is valid and sufficient.



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In terms of the financial performance, we have seen a healthy growth in the quarter with a year-on-year increase of 82% of our net profits. Total income on consolidated basis for the quarter ended June 30, 2020 increased by about Rs. 12.58 Crores, about 17% increase, to Rs. 86 Crores from Rs. 73 Crores earlier. The net profit on tax on a consolidated basis for the quarter ended June 30, 2020 is at about Rs. 46.72 Crores compared to about Rs. 27.9 Crores in June 30, 2019.

The total income on a standalone basis for the quarter ended June 30, 2020, increased by Rs. 15 Crores, which is standing at around Rs. 67 Crores from Rs. 52 Crores earlier. The net profit after tax on a stand-alone basis for the quarter ended June 30, 2020, is at about Rs. 37 Crores compared to Rs. 20.3 Crores for the quarter ended June 30, 2019. The growth is a result of the strong growth in our depository and the other businesses and also a decline in the overall cost as compared to last year, especially the employee costs as well as the other expenses.

I now request Shri Sunil Alvares to give an update about our operations in our wholly-owned subsidiary, CDSL Ventures Limited. With this, over to you Sunil!

**Sunil Alvares:**

Good morning. I am Sunil Alvares here, Chief Operating Officer of CDSL Ventures Limited. I welcome you all to this call on CDSL's quarterly results for the quarter ended June 30, 2020.

Although during the lockdown, we had some impact in the verification process initially, you will be happy to note that the operations have since been normalized once the lockdown has been lifted partially.

In terms of the business highlights, CDSL has had a very robust performance in line with CDSL's robust account opening performance what we have seen. So far, as KYC generation is concerned, in the quarter ended June 2020, we added 9.95 lakh KYCs as compared to 4.68 lakhs in the same quarter last year, which was a growth of 112%. We are also processing CKYC records and for entities who want to submit the KYCs on this side and in this quarter, the quarter ended June 2020, we processed 3.58 lakh records as compared to 1.9 lakh records last year, which was a growth of 87.79%.

As far as the RTA business is concerned, there was a slight dip there, in the sense, though we had about 433 companies as of March 31, 2020, during this quarter, we could add only



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about 20 companies, primarily because many of the companies did not want to Demat their securities.

Finally, we were able to process again about 31,000 records as compared to 11,000 records in the same period last year, which again was a growth of 182%.

Coming to the results, so far as the revenue from operations are concerned, we did Rs. 12.9 Crores as compared to Rs. 17.7 Crores in the same period last year. This was a dip of about Rs. 4.16 Crores or 24%. This dip was slightly due to a onetime income, which we received from the processing of PACL application forms last year of about Rs. 7 Crores, that is Rs. 6.93 Crores, which was a onetime income, and it did not come in this year. So effectively, if you take out the obviously, PACL income, obviously, the results would look different.

The other income also jumped to Rs. 4.16 Crores from Rs. 2.53 Crores last year, which is a jump of 64.44%. Overall, the total income for this year's quarter ended June was Rs. 17.07 Crores as against Rs. 19.6 Crores of last year. There is a slight dip of around 13%.

The total expenses as this year were Rs. 6.41 Crores as against Rs. 10.75 Crores of last year, which was a dip of almost 41% this year. The profit before tax for this year was Rs. 10.65 Crores as against Rs. 8.85 Crores for the previous year. That is a jump of almost 21%. And the post-tax profit, i.e. the profit after tax, for this financial year was Rs. 8.5 Crores against Rs. 6.53 Crores for the previous year, which was a jump of 30%.

I will now hand it over back to Aditya so that if there are any questions, we would like to take it. Thank you.

**Aditya Bagul:** Operator, can we start the Q&A session, please?

**Moderator:** Thank you. We will now begin the question and answer session. The first question is from the line of Pritesh Chheda from Lucky Investments. Please go ahead.

**Pritesh Chheda:** Sir, just a question on the cost base. Now if you could give some color on the cost base because last year, there were a lot of one-offs. And this quarter, also because of COVID, we see some lower cost as well. So, this about Rs. 26-odd Crores of quarterly cost that we see extra of depreciation, what should be a better number that we should consider as a cost base? And I have one more question. If you could just help us with the absolute revenue



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breakup of this Rs. 65 Crores of revenue for the quarter versus the Rs. 60 Crores of revenue for the quarter last year? I have got these two questions.

**Girish Amesara:**

Sure. We will provide you the details of cost and revenue breakup. Basically, the cost on a Y-o-Y basis compared to June 2020 compared to June 2019, the cost has decreased by almost Rs. 8.77 crores. So this has largely decreased because of what Sunil has mentioned of PACL project which was there during last year. So basically, there was a cost of Rs. 561 lakhs during last quarter, which is not there this quarter. On account of salaries, the earlier year bonus provisions which were made on higher side have been reversed during this quarter. This has resulted into reversal of roughly Rs. 2 Crores. And the increase which was given to the employees last year, it has impacted the overall actuarial valuation, which was on a higher side during last quarter, which is not there during this quarter. However, having said this, due to the reversal, the current quarter cost has been suppressed. So those costs will be recurring on a quarterly basis and now giving you the details of absolute numbers of the income portion. Total annual issuer income has closed at roughly Rs. 21 Crores compared to last quarter's Rs. 19 Crores. Transaction charge income has been closed at around Rs. 20.55 Crores against last quarter's income of Rs. 9.87 Crores. Online data charges have closed at around Rs. 9.85 Crores against last quarter's income of Rs. 7.63 Crores. IPO corporate action have closed at Rs. 5.06 Crores compared to Rs. 5.31 Crores, and revenue from Consolidated Account Statement i.e, CAS that is closed at around Rs. 2.95 Crores against Rs. 2.37 Crores. So roughly, the income that I described right now covers almost 90% of our total operating income. I hope I have answered your question.

**Pritesh Chheda:**

Yes. So just for clarification, transaction you said Rs. 20.5 Crores?

**Girish Amesara:**

Rs. 20.55 Crores, against Rs. 9.87 Crores.

**Pritesh Chheda:**

Perfect. And this cost now that we see at about, whatever, Rs. 25 Crores, Rs. 26 Crores, Rs. 27 Crores quarterly, is it safe to annualize this cost?

**Girish Amesara:**

As I already told, in case of employee cost, we have certain reversals of earlier years. So, a couple of Crores would be higher compared to what costs we have reported this year because this quarter, cost is impacted due to that reversal.

**Pritesh Chheda:**

Okay. There will be no costs related to the project business, which was there last year, at least, because last year, the project business cost and write-offs all put together was a fairly significant number. So is it safe to assume that?



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- Girish Amesara:** Currently, that project is not on. If there are any new projects come up during the future quarters that will impact.
- Moderator:** Thank you. The next question is from the line of Ashutosh Somani from JM Financials. Please go ahead.
- Ashutosh Somani:** My questions have been answered, but I have a request to make to the management. Sir, if you could include this revenue breakup as a part of your exchange filing, it will be a great thing to do because I believe this was a practice that was continued sometime in the past, and it was a good way to understand the result. Now this number is regularly shared in the concall, but after two days. So it takes that much time to understand the results. So if it is not too much of a hassle, can you please include it in your exchange filing?
- Nehal Vora:** So we will surely take your feedback on record. We will have it examined and we will take appropriate action as deemed right on this.
- Moderator:** Thank you. The next question is from the line of Siddhant Kant from Goodwill. Please go ahead.
- Siddhant Kant:** I have a question. So according to the new SEBI rules, there will be a lot of pledging revenue that we can see?
- Nehal Vora:** So, this is a new system. I think it will be difficult to predict and give any guidance on future. We generally would like to restrict our queries and our replies to numbers which are as on June 30, 2020. This is a new system. We will have to wait and watch how that will kind of pan out in the future.
- Moderator:** Thank you. The next question is from the line of Siddharth Rajpurohit from JHP Securities. Please go ahead.
- Siddharth Rajpurohit:** I will ask two questions and then come back in the queue, Sir. Sir, my first question is that the current income tax filing in India is close to 5.5 Crores. We have reached more than 4 Crores of Demat accounts. Do you see any glass ceiling in coming few years for the new accounts?
- Nehal Vora:** First, I will request you to first ask both the questions so that it can be combined if it can be combined.



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**Siddharth Rajpurohit:** Do you see any hindrance in terms of maintaining our good operating margins that we have maintained over the years?

**Nehal Vora:** Replying to your first question is that in terms of the growth of the PAN as India's population grows and especially the working population, we have a young population so more and more people are going to be added through the income tax fold as we go forward and that will obviously people are looking at market-driven instruments, more and more people are wanting to invest their money through the financial markets, be it mutual funds or be it the securities market on their own. I think the number of bank PANs are far higher at around 75 Crores. So I think technically, as more and more awareness is growing, we would see that there would at least, they will expect there to be a higher number of people who are expected to grow. And also the people who are in the system are going to trade more. So this is something which is a function of what will happen in future. But I think what is important to note, we are building the requisite building blocks to ensure that more and more people can safely come into the financial markets and trade seamlessly. I think that is our entire intent. In terms of the margins, it is a futuristic question. It is dependent on a lot of factors. We will have to see how it pans out. Our effort and endeavor is to ensure that our platforms remain safe, secure and convenient. And our focus is going to be more and more people who are trading should be able to do it by themselves. So I think more and more people are going to do that. Safety and the security is something which we hope that they would be using the platform frequently as we go forward.

**Siddharth Rajpurohit:** Congratulations for a good set of numbers. I will come back in the queue for more questions.

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

**Kunal Thanvi:** Thank you for the opportunity. Congratulations on good set of numbers. I had a couple of questions. Going through the platform that we are working with SEBI for the pledge creation, well I understand that it would not be feasible for you to give any future impact, what I was asking was how that platform would work and what would be the role of your depository and how would those charges, if any, will be charged by the depository? Can give you a flavor in terms of how that platform would work and what would be the role of the depository? That is the first one. The second is, what kind of traction we have seen in the key AGMs and what would be our market share there and what would be average realization? Any color on that if you can provide?



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**Nehal Vora:** Your second question I will answer first and the first question, I will request COO, Ms. Nayana, to answer that. So first, I will answer your second question. I think, again, that is a futuristic question. Our endeavor is to provide safe, secure and convenient platforms. Our endeavor is to have more and more distribution points within the country. We are around 94% to 95% of the pin codes where the CDSL system is available. And I think the safety, security of the platforms will really encourage more and more people to come on to our platform seamlessly and that is our focus. Our focus is not to drive in terms of the numbers. Our focus is to create a platform which remains safe and secure for a long period of time. So whatever people come in, have a good user feel as a user and they continue to trade more and more onto our platforms. As regard to the first question, I request the COO, Ms. Nayana, to answer the question on pledge/re-pledge.

**Nayana Ovalekar:** I understand that the question was with respect to the AGMs being handled by CDSL through the e-Voting platform?

**Nehal Vora:** No. Nayana, his question was about the pledge and re-pledge system, as to what will be the role of the depository? What is the role of CDSL in the pledge/re-pledge system?

**Nayana Ovalekar:** In this new system of pledge/re-pledge, the depositories play a vital role because the change is that whenever a client is setting up a request for margin pledge, at that time, an OTP will be sent by the depository to the client. And unless the client authenticates, the pledge will not go through. So now the authentication is being done by depository. And an opportunity is being given wherein after the client pledges some shares for margin purpose with the clearing member, the clearing member can re-pledge it in favor of Clearing Corporation so earlier the transactions used to happen from the client account to the clearing member account. And after that only, both unencumbered shares could be placed by the clearing member in favor of CC. Instead of that, the client will be in a position to pledge in favor of clearing member, and then the clearing member will be able to re-pledge it. The client will have visibility of his pledge and how it has been re-pledged and what is the status of that re-pledge. So the depository system will provide all this information to the client as well as to the clearing member. So lot of transparency will be brought in the entire system by using the depository system.

**Kunal Thanvi:** In terms of creating the pledge, depository would be charging for pledge to the clearing member or the client?

**Nayana Ovalekar:** This will be charged.



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**Nehal Vora:** So you could see the circular which we issued on the charges. We would not like to waste too much time on the operational details. You can go on to our website. We have issued the circular there.

**Moderator:** Thank you. The next question is from the line of Sanjay Singh from PineBridge Investments. Please go ahead.

**Sanjay Singh:** I got dropped off in between. You had mentioned the transaction revenues of Rs. 20.55 Crores from Rs. 9.86 Crores. Can you please mention the other key revenue-wise line items also? I just missed to get into, call dropped off.

**Nehal Vora:** I would just request the CFO, Mr. Girish Amesara, to answer that question.

**Girish Amesara:** Yes. I will go through once again. See, annual issuer charges has increased, closed at Rs. 20.76 Crores compared to Rs. 19.23 Crores. Transaction charges closed at Rs. 20.55 Crores compared to Rs. 9.87 Crores. Online data charges have closed at Rs. 9.85 Crores compared to Rs. 7.64 Crores. IPO corporate expense income has closed at Rs. 5.06 Crores compared to Rs. 5.31 Crores, and the CAS statement charges has closed at Rs. 2.96 Crores compared to Rs. 2.37 Crores. Basically, this all income covers 90% of our total operating income.

**Sanjay Singh:** Your online data charges, is Rs. 9.85 Crores versus?

**Girish Amesara:** Rs. 7.63 Crores.

**Sanjay Singh:** Sir, you have also mentioned that there were some one-off charges in the employee cost?

**Girish Amesara:** See, basically in employee cost, last year, we had made certain bonus provisions, and those have been reversed in this quarter because the payment was less compared to what we had provided for and during last year, same quarter, due to revision in the salaries, the actuarial valuation cost was higher compared to this year's actuarial valuation cost. So these are two one-off costs which were there during last year and which are not featuring in this quarter. Having said this, the reversal has impacted the current year cost by Rs. 2 Crores.

**Sanjay Singh:** Current quarter cost, right?

**Girish Amesara:** Yes.

**Sanjay Singh:** Okay. So that is relatively higher by Rs. 2 Crores?



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- Girish Amesara:** Yes.
- Sanjay Singh:** The online data charges is essentially the KYC charges, right?
- Girish Amesara:** KYC, yes. That is CDSL Ventures income.
- Sanjay Singh:** What was the IPO revenue?
- Girish Amesara:** IPO was Rs. 5.06 Crores compared to Rs. 5.31 Crores.
- Sanjay Singh:** Thank you very much. I will come back in the queue.
- Nehal Vora:** Just before we go to the next question, I just want to make a clarification that charges on the pledge-repledge, are subject to us, getting approved by SEBI. So, it has yet not been issued. As soon as the approval comes, that shall be issued on the website on the pledge/re-pledge. Thank you.
- Moderator:** Thank you. The next question is from the line of Prakash Kapadia from Anived Portfolio Managers Private Limited. Please go ahead.
- Prakash Kapadia:** I had two questions. Congrats to the team for doing a wonderful job on the continuous market share for Demat accounts. If you could give some color, these Demat accounts are being done in the close, Tier 2 and Tier 3. And if I look at the cumulative base, around 2.31 Crores Demat accounts, how do we internally track these Demat accounts in terms of activity? So, we call these active accounts, if there is a debit transaction, once a year, once a quarter, how do we ensure more and more people are active with us? What initiatives we take? And secondly on other income, what is the mark-to-market gain on Rs. 20.7 Crores total other income? And what are the current yields versus last quarter? These are all my 2 questions.
- Nehal Vora:** On the first question, it will be difficult to give a complete picture on how, what would be the demographic profile because this is through the depository participants which have offices. They do not have offices only in one location, it is in multiple locations. So, from wherever we get. The important thing is that it is a fairly healthy mix of accounts being opened in Tier 1, Tier 2, Tier 3 and Tier 4 cities also. So, this is something which we see. And what we have observed is around 70% to 72% of our transactions are coming from Tier 2, Tier 3 and Tier 4 cities. So that is something. But again, this is not really indicative



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of any future growth. This is what has happened in the past. The hope and wish that as more and more people are going to transact, the building blocks have been created for people to do that. As regards to your second question, I will request the CFO, Girish, to answer that.

**Girish Amesara:** The income that has increased during this quarter is largely on account of mark-to-market gain, which is roughly around Rs. 6 Crores to Rs. 6.5 Crores. If you recall, RBI has reduced REPO rates during this quarter up to a tune of 115 basis points, which has, overall, increased the closing NAV of majority of the schemes. So roughly our yield this quarter is around 12% compared to last year's yields of around 8.5%. I hope I answered the question.

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

**Moderator:** Thank you. The next question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.

**Deepan Shankar:** Thanks for the opportunity. Congratulations for a good set of numbers. What are the key reasons for this data entry business de-growth of 24% any breakup for that?

**Nehal Vora:** I will just request Sunil Alvares from CVL to answer that question.

**Sunil Alvares:** You have to understand one thing is that it was a onetime business. So far as the data entry was concerned, we were appointed to process the refunds for a particular company by the regulator. So that onetime collection of data happened last year, for which we raised the bills. And the expenditure also, we had booked it last year so all of that happened last year. So that is why it is not reflected in this year's balance sheet profit and loss account.

**Deepan Shankar:** In the Q1 FY2020, how much of this is related to that business?

**Sunil Alvares:** Q1 FY2020, the income was almost Rs. 6.93 Crores, okay? So that was on Rs. 17.07 Crores.

**Deepan Shankar:** Thank you. All the best.

**Moderator:** Thank you. The next question is from the line of Ravin Kurwa from ICICI Securities. Please go ahead.

**Ravin Kurwa:** My questions have been answered, but just wanted some clarity on employee cost. So when you say about yourselves of bonus, so does it mean that no benefit will be paid now?



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**Girish Amesara:** What I had explained earlier that the bonus provision that was made last year, against that, we have reduced the payment. So whatever was the excess provision made during last year has been reversed in this quarter so there would be bonus payments, but not to the tune of what we had paid during last year.

**Ravin Kurwa:** So it is just like an installment which will be paid in installments?

**Girish Amesara:** No. Suppose we make a certain amount of provision during last year and out of that if we consider to make payment of 50%, the balance remaining 50% would not be paid and it would be reversed. On a continuous basis, the balance 50% may continue to be paid. I am just giving you a hypothetical example to make you understand.

**Ravin Kurwa:** Sure. So, the employee cost in the next quarter will be in the tune of Rs. 12 Crores to Rs. 13 Crores?

**Girish Amesara:** Yes, possibly.

**Ravin Kurwa:** Thank you.

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

**Hiten Jain:** My first question is on the annual issuer charges. What would be the revenue contribution from the unlisted opportunity? My second question was pertaining to this quarter while you have clearly explained year-on-year drop in expenses, if you could also explain the sequential movement in expenses. So, employee benefit expense is up sequentially by 9% and other expenses are down sequentially by 31%. If you could also explain the reasons for that for this quarter, it will be useful.

**Nehal Vora:** I would request CFO, Girish, to answer that.

**Girish Amesara:** In case of employee cost, I have already explained earlier. **Hiten Jain:** No, I am saying sequential. So while you have explained year-on-year drop, I am saying sequentially, it has gone up by 9%..

**Girish Amesara:** So when you say sequentially, you are trying to compare March quarter with June 2020 quarter?

**Hiten Jain:** That is right.



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- Girish Amesara:** We had also factored in the increment of roughly around 8% to 9% during this quarter.
- Hiten Jain:** So, you are saying that you have given wage hikes this quarter to all the employees?
- Girish Amesara:** Yes.
- Hiten Jain:** That explains that. And then other expenses, is down Q-o-Q?
- Girish Amesara:** In last quarter, when you compare March to June, in March, we had considered CSR contribution of last year and all the previous year's put together, which was roughly around Rs. 6 Crores and we have taken onetime legal provision of around Rs. 1.79 Crores during March. So, these two put together is the main reason of reduction in March to June comparison.
- Hiten Jain:** Understood. My other question was revenue contribution from unlisted market?
- Girish Amesara:** Nilesh, can you give this response, please?
- Nilesh Kittur:** For unlisted companies, the contribution in this quarter is around 2% of annual issuer charges as compared to approximately 10% the corresponding quarter of previous year.
- Hiten Jain:** Do you think 10% of Rs. 19.23 Crores in 1Q 2020 was from unlisted. And this quarter, it is only 2%?
- Nilesh Kittur:** Because of lockdown, there have been fewer number of unlisted companies admitted into the system.
- Hiten Jain:** Thank you.
- Moderator:** Thank you. Our next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** Thank you for the opportunity. My first question is related to the transaction charges. As we are seeing that most of the growth is being led by the surge in the transaction charges, which is being up for the third consecutive quarter. So, I would like to understand a bit more in detail whether the transaction charges contribution has been coming from the existing or the old accounts or from the newer accounts that we have added, say, in the last six months because in the last six months, the account additions have also surged



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significantly and you have gained market share versus NSDL also. So, if you can provide some color between existing and the newer accounts, so that would be helpful to understand the profiling of the growth. And the second question would be on the KYC revenue. So as we have enabled the Aadhar-based eKYC system. So what added advantage you can have versus competition, I think, because of this? And we were actually waiting for some approvals to be done until this goes live. So what is the update there? And what kind of competitive advantage you can have? And what it can add value to the existing DPs? So that is the second question. And third question is on the annual issuer charges, wherein you said that market share is 70-30, 30, ours and 70 for the competition. So how do you see that panning out? So it is going to remain in the same way or we are seeing some correction there in terms of gaining market share there also?

**Nehal Vora:**

I will answer your first and third question. Second question, I will ask Sunil to answer. The first question is about the mix between the new accounts and the existing accounts. I think it will not be easy to kind of segregate that way between that. I think what is an important data point to keep in mind is the cash market volumes on the exchanges has gone up significantly over the last year. The delivery base volume in terms of the absolute value has also gone up and that is what tantamount to increase in transaction charges basically on the CDSL because that is what it creates in terms of how many transactions are coming through. I think It is a function of both that one is that there is renewed participation from the existing and that is also kind of really encouraging the newer investors to come in, in a very, very rapid pace. I think in terms of the contribution, we are more concerned basically, our overall income going up rather than whether it is coming from new or old. But our endeavor is also that it makes it easy for more and more people to enter into a fold and have a convenient secure platform to trade on them. So I think that is our real focus out here. In terms of your third question, in terms of basically the unlisted companies, our hope and endeavor is, and we are putting in place our renewed effort to improve our share in terms of how many companies come onto the CDSL fold. It is again a futuristic question whether that will succeed or not. Basically, the effort of the management is going to be to ensure that more and more companies come in, making the platform easy for the companies also to come onboard. And with that hope, with more and more companies seeing the success, I think our share also should increase. As regard to your second question, I will ask Sunil to answer that.

**Sunil Alvares:**

Thanks, Nehal. Typically, when a new account is opened, it does take some time to start transacting. So like Nehal rightly said, it is a mix of both the old and the new accounts. So, you cannot really attribute it to the new accounts only or to the old accounts. And you



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should also see that the number of transactions also, is at a record high. So, it has been a mix of both accounts and, typically, each of these accounts takes some cooling time before they actually start transacting. Prior to the lockdown, this used to be about six months. With people at home and opening accounts, I think maybe this period would have come down. But net-net, I mean the fact remains that it is a mix of both the old and the new accounts. Coming to your second question on the KYC revenue, would Aadhar-based eKYC have a positive impact? Definitely, it will have a positive impact because it would improve the way people actually do KYC today. Today, you have offline Aadhar-based eKYC or you have to upload scan and upload your documents which is a very cumbersome way of doing KYC. Once Aadhar-based eKYC is done, either through an OTP or a biometric you can do your KYC, depending on what module you follow. So, if you are following an assisted module as a DP, then you can actually take a tab to the investor, take his biometrics and do KYC there itself. Alternatively, you can post the eKYC on your website and do it on the website itself. The current status is that the approvals are pending with UIDAI so none of the NIIs have got any approvals as yet. So once that approval is received, it will definitely boost the account opening even more because we have received a circular on April 24, 2020 for online KYC, as well as another point I would like to make is we have also received eSign registration from the CCO. So as per the SEBI circular, all online applications have to be eSigned. Further, we have also applied to UIDAI to allow us to do online Aadhar-based eSign. So that approval, too, has been given by UIDAI. So, I think we are well set that once all the approvals are in place, online account opening will definitely help and we have also developed a product which will highlight both the midsized as well as the smaller DPs to open online accounts in case they are unable to invest in the software for whatever reason. So, we will be giving them that piece, which they can plug into their website and facilitate them to open online accounts. I hope that answers your question?

**Moderator:**

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

**Aalok Shah:**

Thank you for the opportunity. Good afternoon. Congratulations all, for very strong set of numbers. Sir, I have two questions, some of which are data keeping side, maybe I will ask them separately. But when I look at your employee expenses line item on a standalone basis and, again, when compare that to a consolidated basis, on a standalone basis, these numbers are up something like 20% Q-o-Q. You have talked about 8% to 9% wage hike, which kind of should flow through in each of those line items but what explains the difference here? That is my first question and then when I again look at employee expenses on a consolidated basis and adjust that for the one-off that you have talked about, the Rs. 2



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Crores of bonus reversals and actuarial valuation related line item, it shows a 16% drop on a Y-o-Y basis or on Q-o-Q. So what is it? I mean is it that we have had some element of employee count reduction or something where there has been some element of temporary reduction in salary? How do we read this number, Sir?

**Nehal Vora:** Before I ask Girish to answer on the absolute numbers, on a conceptual basis, you need to understand that CDSL now has a full management team, including the MD and CEO so as regards because of the previous MD's term coming to an end and two senior employees, their terms coming to an end, the CTO and the CFO so that is something which has really panned out what you are talking about. And in terms of the numbers, I will request Girish to answer that.

**Girish Amesara:** As you rightly said, on a standalone basis, the employee cost has increased by 23% when June is compared to March, and if you compare June to June, the cost has reduced by 34% for the reasons I had explained earlier. Now our MD has already explained you the reasons.

**Aalok Shah:** I was just trying to understand the arguments which we are trying to put across, we need to hear the reasoning for the Y-o-Y change?

**Girish Amesara:** I think it is basically the similar reasons in terms of what you have said and the new management team, which has already replied to you.

**Moderator:** Thank you. The next question is from the line of Ramakrishnan V from Equity Intelligence. Please go ahead.

**Ramakrishnan V:** Good afternoon. Congratulations for the good set of numbers. Sir, what is the incremental market share of the incremental DP account opening and top 5 DPs will be contributing what percentage?

**Nehal Vora:** The incremental number is during the quarter is about 85% where we have got the new numbers. So that is that. As regards to the top 5 DPs, I think that particular information we do not put out yet in the public domain as to what is their contribution. So that is something which you will have to see it as a consolidated basis. I do not think we will be able to give you that number.

**Ramakrishnan V:** Thank you.



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- Moderator:** Thank you. The next question is from the line of Sarvajith Vora from Ikea. Please go ahead.
- Sarvajith Vora:** I have two questions. The first question is on capital allocation. So, we have more than 84% of cash and investments of total assets on our book. So, what is your policy regarding dividend payout? And that is first question. And the second question is regarding what is our market share in AGM that we started recently?
- Nehal Vora:** So, on the first, we have answered that we have a dividend policy. I will ask actually the CFO to answer this question on the dividend policy. So, can you answer that, Girish?
- Girish Amesara:** Yes. See, basically, we have a dividend policy of making payout of in earlier regime, it was around 40%, including the dividend distribution tax. So, considering this year, there is no dividend distribution tax, we will continue to make those kind of payments to the shareholders as a dividend.
- Sarvajith Vora:** Sir, do you have any regulatory requirements regarding the certain cash percentage that you should have on your balance sheet or something like that?
- Nehal Vora:** There is a minimum requirement which SEBI as prescribed on how the depository is supposed to have. We are well over that. But in these times, it is important to have the strength of the balance sheet to continue. So, whilst we, as Girish mentioned, we have a robust policy of dividend payout of the operational profit, but at the same time, it is important to build the balance sheet of CDSL because as it grows, it shows the financial strength of the company to ensure that basically, our volumes, etc., continue to grow.
- Moderator:** Thank you. The next question is from the line of Viraj from Banyan Tree Advisors. Please go ahead. The next question is from the line of Kunal Thanvi from Banyan Tree Advisors. Please go ahead.
- Kunal Thanvi:** Thank you for the opportunity again. My question was now on the cost structure. So post COVID, are we looking at any cost reduction measures in terms so the reason I asked this question is, across the board, we are seeing a lot of companies talking about getting rationalized in terms of cost and taking this time out to improve their profitability. So are we looking at the same? Second question was on our philosophy of the management team in terms of new projects. At what extent we expect to put money behind the new project because last year, if I am right, we lost the land projects. Wanted to understand on an indicative basis, what kind of investment we did in that project and they have been



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fructified. So, do we have any benchmark here in terms of going for a new project? So these are the two questions that I wanted to understand.

**Nehal Vora:**

I think I can answer both the questions together. I think the philosophy is that we are a market infrastructure institution. So, whilst we remain a listed company, it is also a market infrastructure institution. It is a very regulation-driven business. Right from the areas which we can go into to the charges which we can charge is all driven by rules and regulations described. So there are a few players, but I think the important thing is that whilst a normal company can reduce the cost significantly, we also create a market infrastructure platform and, therefore, certain expenses are required to be incurred under whatever circumstances to ensure that the linkage to all the relevant market participants continue to remain under basically so our intent, as you can see from here, has been that even during these three months when there is a national lockdown, the important thing is that our platforms continued to run without any kind of issue. And that is, in my opinion, the success and basically the expectation, which SEBI as well as the ministry, etc., have from us because we are creating the infrastructure for the market. As regards the new projects is something which we will be again driven by what the rules permit to the extent that permit and whilst what is permission driven, we have also then seen whether it is financially viable or not. So there are various other kinds so whenever we explore a new project, we look at the potential, what will be the financial things, but more importantly, it is a permission-driven business. So, whatever the regulator permits us or the ministry permits us, those are typically the areas we go into.

**Moderator:**

Thank you. The next question is from the line of Sanjay Singh from PineBridge Investments. Please go ahead.

**Sanjay Singh:**

Sir, can you talk about anything on the insurance for the business?

**Nehal Vora:**

The insurance depository, we have created a framework and obviously, during the lockdown, it is not compulsory as of now to have an insurance policy in your Demat account. But I think with the lockdown, lot more insurance companies are feeling the need of moving towards demat insurance. So, we are hopeful. We continue to basically remain creating the platform. We are creating the requisite linkages with the insurance companies and with the hope that things would change for the better, we are seeing some amount of, basically, the inquiries coming from the insurance companies about what is the platform, and they are seeing what our systems are. And hopefully, all of that would translate into new business for us.



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- Sanjay Singh:** As of now, there is not any meaningful revenue, right?
- Nehal Vora:** Yes. As of now, it is not a meaningful revenue. That is right.
- Sanjay Singh:** What was the revenue this quarter from all this eCAS and the eAGM and all this e-Voting new businesses which you have?
- Nehal Vora:** So, I would just request the CFO, Girish, to answer that question.
- Girish Amesara:** For the e-Voting business, we have income of roughly Rs. 17 lakhs compared to Rs. 45 lakhs of last year.
- Moderator:** Thank you. The last question is from the line of Utkarsh Solapurwala from DAMOS Capital. Please go ahead.
- Utkarsh Solapurwala:** Sir, can you provide the performance update over the last three months of commodity repository?
- Nehal Vora:** I would just request the CFO, Girish, to discuss the update on the commodity, if you are ready.
- Girish Amesara:** In commodity repository, the income that was earned in June quarter was roughly around Rs. 10 lakhs compared to last quarter income of around Rs. 77 lakhs.
- Utkarsh Solapurwala:** What led to this downfall year-on-year?
- Nehal Vora:** It is not year-on-year. It is quarter-on-quarter.
- Girish Amesara:** It is quarter-on-quarter. Basically, the charges were revised with respect to the custody charges.
- Moderator:** Thank you. I would now like to hand the conference over to Mr. Aditya Bagul for closing comments.
- Aditya Bagul:** I just want to thank everyone for taking the time out and attending this call. A special thanks to the entire team of CDSL for patiently answering the questions. Nehal Sir, I will hand the floor back to you, just in case you have some closing remarks.



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**Nehal Vora:**

I think, first of all, I would like to thank really Axis for hosting and I will thank basically all the people who have come in large numbers for the investor call. Our endeavor and effort is to ensure that our systems run seamlessly. And it creates a convenient and secure platform for the entire securities markets and, more important, the financial markets. So we are working very, very hard to ensure that it becomes a technology-based depository. And our focus is also going to be, as I stated in my opening remarks, is to creating the final system where the investor should be able to transact on its own without the help of anyone else. So you want to start creating more and more such systems where people can start doing things on their own without the help of others. With that that is my closing remarks. Thank you.

**Moderator:**

Thank you. On behalf of Axis Capital, that concludes today's conference call. Thank you for joining us. You may now disconnect your lines.