



Central Depository Services (India) Limited

CDSL/CS/ANP/2020/84

29.05.2020

**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 20.05.2020

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 dated 18.05.2020 on the captioned subject, please find attached the transcript of the aforesaid conference call.

The above information may also be available on the website of the company:
www.cdslindia.com

This is for your information and record.

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

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



“CDSL India Limited
Q4 FY2020 Investor Conference Call”

May 20, 2020



ANALYST: MR. ADITYA BAGUL - AXIS CAPITAL LIMITED

**MANAGEMENT: MR. NEHAL VORA – MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER – CDSL INDIA
LIMITED**

**MR. GIRISH AMESARA – CHIEF FINANCIAL
OFFICER - CDSL INDIA LIMITED**

**MR. SUNIL ALVARES – CHIEF OPERATING OFFICER
- CDSL VENTURES LIMITED**

**MR. SWAROOP GOTHI – VICE PRESIDENT - CDSL
INDIA LIMITED**

**MR. NILESH KITTUR - ASSISTANT VICE PRESIDENT
- CDSL INDIA LIMITED**

**MR. RAMKUMAR K - EXECUTIVE VICE PRESIDENT
- CDSL INDIA LIMITED**



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Moderator: Ladies and gentlemen, good day and welcome to CDSL India Limited Q4 FY2020 Investor 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 forward-looking statement has been reviewed in conjunction with the risk that the company faces. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aditya Bagul from Axis Capital. Thank you, and over to you, Sir!

Aditya Bagul: Thank you Neerav. Good morning everyone and thank you for standing by. On behalf of Axis Capital, a warm welcome to the Q4 and financial year 2020 earnings call of CDSL India Limited. These are challenging times and during this crisis we hope that you and your families and colleagues are well and healthy. On the call today, we have the management of CDSL represented by Mr. Nehal Vora, Managing Director and CEO; Mr. Girish Amesara, CFO; Mr. Sunil Alvares, Chief Operating Officer, CDSL Ventures Limited; Mr. Swaroop Gothi, VP and Mr. Nilesh Kittur, Assistant Vice President. I shall now hand over the floor to Nehal Sir for his opening remarks post which we will open the floor for Q&A. Thank you and over to you Sir!

Nehal Vora: So first of all, I would really like to thank Axis Capital for this call. I would like to wish everybody a very good morning and good afternoon wherever you are. I welcome you all to the quarterly conference call for the year ending and the fourth quarter ended March 31, 2020 and I trust each of you and your love ones are safe in these extremely difficult times. Depository services were categorized as an essential service and these testing times, CDSL and its employees have represented strong resiliency and ability to adapt to the changing circumstances. The health and the well being of our employees, investors and all our stakeholders is of utmost importance to us along with the business continuity and CDSL has continued to perform all its operations under these very, very difficult circumstances.

Our efforts in these challenging times have to grow and strengthen our business. We request all our investors to move to a digital mode where the transactions can go through even in these times and CDSL continues to operate without compromising on the health or security of the DP operations. In our effort to support the country in its battle against



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this novel pandemic, CDSL has contributed sum of 6.8 Crores towards the ongoing relief efforts by the central government and the state government.

On the business side during the last financial year, the number of active beneficial owner accounts with CDSL has increased to 2.12 Crores as on March 31, 2020 from 1.74 Crores as on March 31, 2019, which indicates a growth of around 22%. During the quarter ended March 31, 2020 the active beneficial owner accounts of 14.96 lakhs were added as compared to 9.2 lakhs for the quarter ended December 31, 2019 and 6.61 lakhs for the quarter ended March 31, 2019. As on March 31, 2020, CDSL has 599 depository participants offering depository participant services from over 20000 locations across the country representing about 94% of the pin codes. These depository participants comprise of clearing members, banks, custodians and nonbanking finance companies. The securities of almost all listed companies have been admitted with CDSL for Demat. Further a large number of private limited and unlisted companies are also admitted with CDSL. As on March 31, 2020, the securities of 14762 companies have been admitted for Demat with CDSL. During the last 12 months the volume of securities and the custody has increased about 26%. I now hand over the call to the Chief Financial Officer, Girish Amesara to take you through our financial performance. Thank you.

Girish Amesara:

Good morning everyone. Good evening wherever you are. I will just brief through the financial performance that we have concluded for the year ended March 2020 and quarter ended March 2020. The total income on a consolidated basis for the year ended March 31, 2020 has increased by Rs.38.80 Crores, which is representing 16% to Rs.284.25 Crores from the previous year income of Rs.245.45 Crores. The net profit after tax on a consolidated basis for the year ended March 31, 2020 is Rs.106.72 Crores compared to Rs.114.83 Crores for the year ended March 31, 2019. Total income on a standalone basis for the year ended March 31, 2020 has increased by Rs.22.92 Crores representing 12% increase to Rs.211.39 Crores from the previous year income of Rs.188.47 Crores. The net profit after tax on a standalone basis for the year ended March 31, 2020 is at Rs.77.32 Crores compared to Rs.84.38 Crores for the year ended March 31, 2019. It may be noted that the consolidated and standalone profits have decreased mainly on account of provision for a nonrecurring previous year anticipated statutory liability of Rs.10.56 Crores, contribution towards CSR expenditure of Rs.6.80 Crores, which includes Rs.4.17 Crores of unspent amount of previous years and a legal provision of Rs.1.79 Crores pertaining to an outcome of previous year's legal matters. The consistent income growth is a reward for the core values that the company believes in of being convenient, secure and dependable. The dip in the net profit is a result of nonrecurring expenses arising out of legacy issues. We want to send out a very clear message that we are strongly committed to the core principle of transparency and good governance as per the



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framework prescribed by the government and the regulators. Now I request Sunil Alvares to give an update of our operation of our wholly owned subsidiary CDSL Ventures Limited. Over to you Sunil!

Sunil Alvares:

Good morning everybody. So far as CDSL Ventures is concerned, the total income was Rs.68.81 Crores as against Rs.51.58 Crores that is an increase of 30% of Rs.15.22 Crores in this year. However the overall expenses increased from 15.5%, an increase of almost Rs.13 Crores that is of up to 90%, based on this the profit after tax actually worked out to Rs.36.42 Crores as against Rs.35.70 Crores. The increase in expenses were mostly related to the increase in the KYCs processed so the charges towards that. Secondly is the inter KRA charges that is whatever we search from other KRA the expenses towards that and third is the expenses towards the PACL projects. So the PACL project, there was a provision worth of Rs.6.5 Crores. I would also like to mention so far as the KYC registrations are concerned in this financial year as of March 31, 2020 it was 2.16 Crores as against 1.88 Crores that was a growth of 29 lakh KYCs in this calendar year, which is a growth of 15%. We are also doing the CKYC processing for other companies so that they can submit their KYCs where this year we processed 11.42 lakh KYCs as against 2.29 lakh KYCs last year, which was a growth of 291%.

So far as the RTA business is concerned, we have been registered with 402 RTAs as of March 31, 2020 as against 121 companies as of March 31, 2019, which is a growth of 281 companies or 230%. So far as the GSP, that is the GST Suvidha Service Provider is concerned, we have processed 277 lakh transaction as against 259 lakh transaction, which is a growth of 7% and finally coming to the NAD project, we have registered 619 academic institution as against 527 academic institution as of March 31, 2019. Also we had good number of awards, which have uploaded about 2.83 Crores awards uploaded into the system as against 1.04 Crores awards uploaded last year and a total of as of March 31, 2020 13.27 lakhs students were registered as against 2.7 lakhs students, which were registered. One adverse news is that the NAD project has been handed over to the DigiLocker and both the depositories will no longer be handling it going forward. So that is all from my side. If there are questions we would like to take that.

Moderator:

Thank you very much. We will now begin the question and answer session. First question is from the line of Prakash Kapadia from Anived Portfolio Management Service. Please go ahead.

Prakash Kapadia:

Thanks for taking my questions. Couple of questions, if I look at our financial performance for FY2020, this is the second year in a row where EBITDA growth is negative even if I adjust for some of the expenses, which Girish mentioned in terms of



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increased CSR contribution, legal provision, and we have seen a decent revenue growth this year, so going forward for FY2021 will revenue and EBITDA both be positive for us, what is our sense and what could drive this and on the unlisted space if you could give us some insights into what were one time activation fees, recurring revenues and the revenue breakup for Q4 in terms of our major heads that will be helpful?

Nehal Vora:

As we are aware we have a new management team, which has joined around the half year mark so around October we have a new board, so the management structure has changed. If you account for the legacy items through the expenses the current year would be in line with the previous years profits. Number two I think the important metrics, which should be seen is the number of accounts, which are getting enrolled. This year has been a landmark year for CDSL on two counts, one is that basically we have crossed our competition in number of Demat accounts open and there continues to be a robust growth there and second is basically we are the only depository in the International Finance Centre, which has been permitted to start a branch. So there is definitely growth and as this pandemic is basically come in, there is going to be new paradigm of doing business. The online digital mode is going to be the way forward and that is where we see a lot of core business, which is basically expected to grow. The other important thing is that we have 599 depository participants so in terms of the distribution reach we are at 92% of the pin codes; our competition is around 280 depository participants. So I think the distribution reach is also going to be extremely critical. We have a lot of connectivity and volumes coming from Tier-2, Tier-3, Tier-4 towns where there is expected to be more of growth and therefore in these times we would really hope and expect that growth will continue. However, this is based on lot of extraneous factors also and how the pandemic really pans out in the country, but at least from the way things have been going on that is securities market has continued even despite the pandemic and it is considered to be an essential service we expect this growth to continue. The second part of the question I will request our CFO Girish to answer that.

Prakash Kapadia:

Nehal, when you are referring to some of the management changes it is the employee structure and revision is what you are hinting at, which is also a big contributor to cost in this year?

Nehal Vora:

Yes that had happened prior to me joining, this was on April 1, 2020 it was an effect from April 1, 2020 and I joined in September end. What I was referring is to we have a new CFO, CTO and MD & CEO, so three core management team members have changed in this year, in the second half of this year and the entire board composition has also changed. So there has been a significant management change, which has happened at CDSL.



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- Prakash Kapadia:** To the point of which, obviously you have been the leaders in terms of the account opening and we have overtaken NSDL also, so when do some of these changes translate into more steady state revenue, what I am trying to understand is the activation cycle what will kick start some of these accounts because we have been very aggressive and kudos to the management team for adding so many accounts in such a time period so will it be some kind of an IPO because what we read is volumes are going up in capital market, so when the typical activation cycle would be, six months, one year and when do some of these initiatives lead to more steady state higher revenues for us?
- Nehal Vora:** See I think this will be dependent on the market turn, how they are going to use it, our expectation is as more and more people are going to enroll themselves into the Demat mode. Also there are more and more assets, which are expected to move into the Demat mode. That is obviously going to translate into more amount of transactions being done through the Demat, but how that will transfer is a futuristic statement and I would really not like to comment on it at this point of time. Our core is to present facts the way they are and the hope in which we will expect this to go going forward, whether this will translate or not is something which you and I will have to see as the situation unfolds.
- Girish Amesara:** Just to answer your question on the EBITDA margin, if you were to add back those earlier year expenses, which are debited to this profit and loss account this year I think then you will see a positive EBITDA.
- Prakash Kapadia:** If I adjust that 68 million and the legal provision it still comes to negative obviously the...
- Girish Amesara:** I will just give a breakup. If you remember in December quarter, we had charged off Rs.10.5 Crores towards earlier service tax payment and we have paid earlier year CSR expenditure of a tune of around 4 Crores and legal provision of roughly around 2 Crores, so you add up all this expenditure and add back to the EBITDA you will see a positive EBITDA for all nonrecurring expenditure, which has to be incurred during this year to sort out all issues.
- Prakash Kapadia:** Yes. You could give us the revenue breakup of the major heads for this quarter?
- Girish Amesara:** Sure. You want quarter or you want...
- Prakash Kapadia:** Whatever is available readily.
- Girish Amesara:** I will give you quarter wise revenue breakup for March quarter on a consolidated basis. Our annual issuer charge income is 33% of our total operating income, transaction charge



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is 21% of total operating income, online data charges, which are largely from our subsidiary is around 19%, IPO corporate expense charges is around 12% of our operating income. Statement that we deliver to the investor dues is around 4% of our total income. Document storage and eKYC each contribute 2% so if you add up all these things it will constitute to around 94% of our total operating income, so this is the constituent of our main operating income. I hope I have answered your query.

Prakash Kapadia: Sure and the last question from my side is the NAD, which is being transferred to DigiLocker were we paid any one-time revenue by the government on this and what is our government business contribution to these revenues on an annual basis and are we still continuing with the government project or not that is the last question from my end?

Girish Amesara: On NAD, I doubt government had not paid any revenue to us and on that operation question I will ask Sunil to answer those questions.

Sunil Alvares: Yes. So far as the NAD is concerned, we had to provide these services free of cost up to November that is in the contract and post that they had renewed the contract and then awarded to DigiLocker. I do not see government will be paying us anything for education project and so far as the government project is concerned if you consider the current projects we are doing for the regulator for processing then that is about 9.5 Crore, so that was income from that project in this particular year as against the expenses of last year.

Prakash Kapadia: Sorry your voice was cracking Sunil, 9.5 Crores you said is the contribution for the whole year from the government project?

Sunil Alvares: Yes. 9.5 Crores

Prakash Kapadia: You incurred an expense of around 6.5 Crores?

Sunil Alvares: 6.5 Crores that is true.

Prakash Kapadia: Thank you. All the best.

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

Varun Goenka: I have three questions. So first on this NAD project, could you help us understand under what circumstances or what decision backdrop was it transferred from the depositories and is there any other projects, which are under consideration to receive or to be transferred?



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Nehal Vora:

Could you ask all the three questions will be easier to answer them.

Varun Goenka:

Secondly on the eKYC that we have received how does that change our business or how does that impact us and third I think every five years we received some kind of issuer charge hike and we have to go to SEBI, if you could help us with where does that lie today, what is the status of that?

Nehal Vora:

I think first question Sunil could you answer and maybe second, I will take the third question.

Sunil Alvares:

So far as the NAD is concerned, we had a contract for three year from the government and post the contract the government is supposed to, rather the MHRD was supposed to review the performance of the work and then give an extension of the contract. After which they did a review of the depositories, it was done by an IIT professor, based on which two subcommittees were appointed by the HR and recommended that DigiLocker should come in as the third depository and when the final statement given to us, we found that DigiLocker will be the only depository. So far as the eKYC business is concerned, we were already providing the services prior to the Supreme Court verdict post that the services were suspended. We had almost 250 odd intermediaries who were availing of the eKYC services, so far as this eKYC's business is concerned, we are one of the intermediaries who have been permitted to take up AUA/KUA license and we have at the same time also received a new e-signed license from CCA. So both of these put together is definitely correlated to the online account opening as well as add to the number of KYC. So both the eKYC and the e-Sign will definitely facilitate online account opening and add to the number of accounts in CDSL as well as the KYCs in CVL.

Nehal Vora:

So as regards to the third question about the issuer fees being increased every five years, Yes, five years has lapsed, but given the pandemic I do not know what it is going to be because the charges have to be approved by the SEBI so that is something which we will have to wait and watch, it will be a joint application made by both the NSDL and CDSL to SEBI and based on that, they will take a call whether it should be increased or not. So, we can go on to the next question please.

Varun Goenka:

Yes. So the question on NAD project, the voice was not clear. Just to circle back once more on that are there any other projects also where the government feels that the output of delivery is probably suboptimal that we need to increase any kind of volumes there if you could help us on the same measurement?



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- Nehal Vora:** See I think basically the government pushes to move towards a digital mode and basically the depository is the best equipped to kind of take forward this particular thought of the central government and there are various areas which they are looking at, but it is all at the planning stage, it has not yet been firmed up, but given this particular issue about the virus, which has happened, it is only businesses which have been able to move to an online mode have continued to grow or continued to have their business going on while the virus is on. So I think that is a clear cut indication that the push is going to move really more and more into this kind of mode.
- Varun Goenka:** Any major capex plans or investment plans for us Sir that is on the board?
- Nehal Vora:** The technology is one area, which we would continue to grow because the backbone of CDSL is its technology, cyber security also continues to remain an area of focus for us and so we will continue to invest in technology as we go forward. So basically, we will see how it pans out but this is going to be our focus area.
- Varun Goenka:** Any quantification of how much amount that we are looking to invest for the next two years Sir?
- Nehal Vora:** We have not yet firmed up, that is yet being discussed and deliberated at the level of the board, so we have not firmed that up as soon as we firmed that up we will be making whenever it is due, we will surely be informing people.
- Varun Goenka:** Sure. Thank you, Sir. I will come back in the queue.
- Moderator:** Thank you very much. Next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Thank you for the opportunity. Sir on the one-off charge or one-off expenses, which are flowed in FY2020 and Q4 I just want to clarify a couple of things. So you have mentioned that for FY2020 there is 10.5 Crores on service tax settlement, 7 Crores on CSR and a legal provision of 1.7 Crores. Until Q3 there was a bad debt provision also, which was taken and was classified as one-off, so just want to clarify, is that number and whatever that number is, is it a one-off or it is no more relevant one-off for FY2020 and what is the one-off in Q4 expense because the number for your other expense shoots up from 10 Crores to 20 Crores.
- Nehal Vora:** So I would just request the CFO, Girish to answer that.



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- Girish Amesara:** What we have informed in the presentation is that service tax and unspent amount of CSR of previous year are one of the items, which we had to spend during this financial year. On provision for bad and doubtful debt, now that is a function of collection mechanism and it is also depending upon the market scenario at the customer end level. So given the pandemic situation the overall collection is not that fast as what each and every company must have desired. You must be also experiencing that payments are coming with a delayed timeframe.
- Pritesh Chheda:** Sir, I just want to intervene here.
- Girish Amesara:** I am answering your question. I am coming to that only. So when we say bad debts, bad debts would be required to be provided based on the criteria specified in the accounting standard based on the collection history. Now if there is an overlapping collection, suppose our collection is delayed then there will be provision prescribed under the accounting standard that is how it works. So yes on an average, our provision will work out to around 8% to 9% of our total invoicing that we do for any financial year because it is based on our recovery ratio that we have right now. So provision for bad debts will continue to happen on a quarter-to-quarter basis that is the reason we have not said that it is a nonrecurring expenditure. I hope I have answered your question.
- Pritesh Chheda:** Okay. So is it possible to just mention then what was the bad debt number, provisioning number for FY2020 and what it is for FY2019? If you have the two numbers ready?
- Girish Amesara:** You want financial year wise, right?
- Pritesh Chheda:** Yes. Full year I am asking about full year number?
- Girish Amesara:** Yes. Let me give you that number.
- Pritesh Chheda:** For Q4 what is the specific one-off, so that CSR spend number flows in, in quarter four, the entire one-off number in Q4?
- Girish Amesara:** Yes. One-off is, CSR is totally in Q4.
- Pritesh Chheda:** 7 Crores right or it is about 7 Crores you mentioned?
- Girish Amesara:** Yes, roughly 7 Crores. To answer your question on provision, the provision for bad debt is around 7.5 Crores in the financial year 2020 ending March 2020, and correspondingly the provision made during last year was roughly around 3 Crores.



- Pritesh Chheda:** It explains one thing.
- Girish Amesara:** Yes.
- Pritesh Chheda:** Is there any other one-off in quarter four barring the 7 Crores CSR?
- Girish Amesara:** So you are asking for quarter or full year?
- Pritesh Chheda:** Q4.
- Girish Amesara:** In the March quarter, the one off is CSR spend and provision made towards legal matter of earlier year.
- Pritesh Chheda:** Okay even that flows in Q4?
- Girish Amesara:** Yes.
- Pritesh Chheda:** This explains one part and another question I want to know the FY2020 absolute revenue mix if you could give, which is your transaction charge, issuer charge, corporate action, KYCs for full year?
- Girish Amesara:** Okay. So full financial year the annual issuer charge...
- Pritesh Chheda:** Related to the full financial year consolidated?
- Girish Amesara:** Sure. I will give. So annual issuer charge income for the full financial year March 2020 is 77.5 Crores, transaction charge is around 43 Crores, online data charge is around 37 Crores, IPO and corporate action charge is around 23 Crores.
- Pritesh Chheda:** Sir just an online data that you mentioned?
- Girish Amesara:** IPO corporate action charges.
- Pritesh Chheda:** That is how much.
- Girish Amesara:** 23 Crores. SEBI project on PACL is around 9.5 Crores, statement that we deliver cash charges is around 9 Crores, eKYC, cKYC charges is around 4 Crores. Document storage charge is around 5 Crores, eVoting charges is around 3.5 Crores and I think this covers almost 94% of our income.



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- Pritesh Chheda:** Perfect Sir and the addition here the corporate action is the only revenue item which gets influenced for FY2021 as of now?
- Girish Amesara:** Yes.
- Pritesh Chheda:** Right because that is linked to your IPO and non-IPOs.
- Girish Amesara:** Yes.
- Pritesh Chheda:** Will this be largely IPO corporate action or it will be IPOs splits and all?
- Girish Amesara:** It would be yes, it would be mixture of all the active corporate action that a company does.
- Pritesh Chheda:** So as of now what gets affected as a line item is basically the corporate action right?
- Girish Amesara:** Yes.
- Pritesh Chheda:** Because transaction charge is linked to market volume, issuer charges linked to the number of companies that you probably add in the system as well.
- Girish Amesara:** Yes.
- Pritesh Chheda:** KYC is linked to your financial instruments, mutual funds and insurance and all those, right?
- Girish Amesara:** Yes.
- Pritesh Chheda:** This explains. Do you have any outlook on how much reduction the corporate action might take in FY2021? If there is a possibility?
- Nehal Vora:** No. We do not give any futuristic numbers. So this will be again dependent on the market. So it will be difficult to predict.
- Pritesh Chheda:** But in the market year like this, does it go down by half and almost?
- Nehal Vora:** Again I am telling you, you are asking the same question in the different form. The point is that it is a futuristic question that will be difficult to answer that.
- Pritesh Chheda:** Thank you very much and all the best.



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Moderator: Thank you. Next question is from the line of Yash Nerurkar from PPFAS. Please go ahead.

Yash Nerurkar: I hope everyone is well and safe. I just had couple of questions. Sir firstly just wanted to get like proper sense about the NAD projects. So we spent like almost a year, spending like the expenditure and doing everything, building up the whole network of execution, registering the students and then the entire project moves on to Digilocker, so it was expected that, that will generate some revenue, it will open additional lines of revenues for the company, but since that entire projects, it has moved to Digilocker so that the revenue chunk will just be gone. So is there anything else on your mind which going forward, which would open the revenue lines, any other product, any other strategy, which is in the pipeline? Secondly, I just wanted to get the clear sense about the KYC thing, I just missed it in the opening remarks. Like what was it about the cKYC you were talking about that they are processing for other companies? So these are the only three questions which I had. In the opening remarks, you mentioned about the cKYC or the eKYC, so just have to clear out whatever the numbers here?

Sunil Alvares: As far as NAD anyway, there was no income generated or booked by NAD last year, and these are expecting some income to come in from the NAD project this year till the project went to Digilocker. To compensate for that, we are looking at the projects performed eKYC where will be registered as an AUA/KUA with UIDAI where we will enable investors through online KYC. The second project we are looking at is becoming an eSign service provider, as you are aware that the SEBI has made it mandatory for all investors to eSign their document and they can make an online application for either booking or Demat and the third part is we also have an online account opening service which you would be providing so we hope that once licenses are in place that it will make up for the income what we would have got from the NAD projects.

Yash Nerurkar: All right. So any expenditure done so I think that will just be kind of a sunk cost on the NAD project?

Sunil Alvares: So far as NAD project is concerned, yes there is already a sunk cost coming for a period of 10 years, so maybe our CFO would be handled that question better and most of the expenses have come over the last three years.

Nehal Vora: To answer your question it is just all the costs have been done and for sunk cost it was the revenue which was expected and now that would not come. So I think that has been answered by Sunil in terms of how we are proposing to go forward.



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Yash Nerurkar:

Okay.

Moderator:

Thank you. Next question is from the line of Kunal Sanghavi from Banyan Tree Advisors. Please go ahead.

Kunal Sanghavi:

Thanks for opportunity. In terms of that price hike, from the SEBI Board depositories where expected to apply this year. Just wanted to have historical background on previous increases, I understand that last increase that we took was in 2015, can you quantify for me like what kind of increase were taken say in 2005 and 2010? That could be my first question. Second question would be on the opportunity in the unlisted security side, I understand that, I had two questions there. One is what is the opportunity left in terms of unlisted public companies, what is the target market like? Second is I understand there were some incentive structure, where NSDL was better than CDSL and that resulted in the NSDL gaining market share. Now how we are pleased with R&TAs in terms of the incentive structure and what we think about it like how we plan to gain market share there?

Nehal Vora:

Basically the one I will answer. Second one I will request Yogesh to answer that question, The first question on when on 2005, 2010, 2015 is where that price increase has happened, I think there is no particular trend in which that increase is. So I do not think that is going to really matter in terms of going forward what SEBI sees is the current market conditions before they approve on any kind of increase in the charges. So it is not a trend which can be put in that every five years, and so much percent increase was happened. It depends on the facts and circumstances which have been presented and therefore it is also not put down that every five years the increase would happen, it could happen in three years, it could happen in more than five years, it is basically on the facts and circumstances, which are there at that point of time and the second part of the question, Yogesh if you could answer those.

Yogesh Kundnani:

See there are close to about 80,000 companies in the unlisted space. Out of that approximately 11000 have been admitted till now. The balance are to be admitted but what MCA guidelines says is that if there is corporate action or any transfer then it is mandatory to do it in the Demat form that is first part. The second part which you asked was of the incentive or the referral fee structure, so we are actually matched the referral fee structure of the other depository and now we are also offering the same referral fee to RTAs as well as to the practicing company secretaries also and so that is what is I hope I have answered your questions.

Kunal Sanghavi:

Sure. Thank you.



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- Moderator:** Thank you. Next question is from the line of Sushil from JM Financials. Please go ahead.
- Ashutosh Somani:** This is Ashutosh. Just wanted to know how has the business doing during lockdown both in terms of revenues and whether we have taken any special cost line items also during the lockdown especially in terms of IT spends?
- Nehal Vora:** I think I will have to restrict it to up to March 31, 2020 because the lockdown has continued after that. The purpose of our call is to discuss the results up to March 31, 2020. On March 31, 2020, the business has very been the way it has been going on, on so many months. There has been no major impact seen in the month of March. As can be seen from quarterly results also for the Q4 and in terms of the technology cost, it continues to remain within our standards. There is nothing which is coming out of tune. It is in line and in sync with what we normally spend.
- Ashutosh Somani:** Sure. Thank you.
- Moderator:** Thank you. Next question is from the line of Amit Chandra from HDFC Securities. Please go ahead.
- Amit Chandra:** Sir thanks for the opportunity and Sir my question was related to the annual issuer charges in FY2020 roughly we had the rate of 170 companies per month, so which is half of what the competition was guiding. So as you have explained that we have the incentives structure and so maybe we can increase there. So my question is related to what has been this rate in the last two months during the lockdown period? Have you seen significant drop in this number? Also for FY2020 if you can state the contribution from the unlisted companies in annual issuer charges and the breakup between one-time issue charges and the annuity part, it will be very usual? The second is on the approval that we got from SEBI for the Aadhar-based eKYC. So what is the changed in the process post this for on-boarding of a client and to what extent it could boost the KYC volumes? Thank you.
- Nehal Vora:** On the first one, we will have to restrict it again up to March 31, 2020. I will ask Yogesh to just give a sense and second part in terms of the transaction charges or other charges make up to the extent, I will ask the CFO, Girish to reply to that and on the third one, Sunil if you could answer on the eKYC.
- Yogesh Kundnani:** Up to March 31, 2020, as I answered the previous participant's query also, last year also we have also started the referral fee structure and due to the registrar and transfer agents as well as the practicing company secretary, so we have been also gradually gaining



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market share so it close to about 30% that companies we have also admitted that is till March 31, 2020. What was your other question, please?

- Amit Chandra:** Sir, contribution from the unlisted companies to annual issuer charges for FY2020?
- Girish Amesara:** Amit, roughly around 16 lakhs has been contributed by the unlisted company during the quarter ended March 2020.
- Amit Chandra:** It is for full year, I am asking FY2020?
- Girish Amesara:** Let me come back on this, Amit.
- Amit Chandra:** Sir this contribution would also include the one-time registration charges and the annuity part, also right?
- Girish Amesara:** Yes.
- Amit Chandra:** Okay Sir.
- Sunil Alvares:** As far as the Aadhar based eKYC is concerned, we are fairly hopeful on that because in the last couple of months what we are seeing is for most of the accounts are getting opened online and once the Aadhar based eKYC is in place to make it much more easier for an investor to open an account and we are fairly bullish that it will add to a substantial number of accounts through this vertical, especially when we have eSign as well as our own online account opening product interest. Does that answer your question?
- Girish Amesara:** Amit, for the full year income is around 2.24 Crores.
- Amit Chandra:** 2.24 Crores.
- Girish Amesara:** Yes.
- Amit Chandra:** Thank you.
- Moderator:** Thank you. The next question is from the line of Jatin Damania from Kotak Securities. Please go ahead.
- Jatin Damania:** Good morning Sir. Thank you for the opportunity. Just one thing to carry on with the question that the earlier participant asked regarding the number of new companies if you can help us in understanding what was the number of companies that has been added in



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the unlisted space in the entire FY2020 and what are the total count stand as of now for us?

Nehal Vora: I think CFO you would be having that number, Girish, can you just give that number how many have been added?

Girish Amesara: During the financial year ended March 2020 the number of companies added is around 2120 companies and total I need to get back on the total companies.

Jatin Damania: During this financial year what will be the annuity charges that has been recovered or the onetime registered entry data that could have been recovered from this 2000-odd companies that has been added?

Girish Amesara: I had answered that to the earlier question. It is around 2.24 Crores.

Jatin Damania: Thank you Sir. Just need that total number of companies that have been admitted. That is all from my side. Thank you.

Moderator: Thank you very much. The next question is from the line of Gautam Gupta. Please go ahead.

Gautam Gupta: Good morning Sir. Thank you for the opportunity. First let me thank you also for the investor presentation, we have been asking for it and this is the first time it has come up. Lots of useful data that gets answered. I hope we can see this maybe every quarter. So, I think that will also save time on the call. Thanks for that. The question that I had was 1) on the commodity repository side, if you could give us any color in terms of progress, how that is panning out? 2) On whether that government project, whether we are seeing a phase II happening or not? That is it.

Nehal Vora: On the commodity repository its currently and basically agri based commodities is where it has been permitted. I think there are discussions, the government move to non-agri base also. So, that is something we have to wait and watch how it moves forward. There we can really contribute a lot more in what we have been contributing. We have to wait and watch how the rules change. On the second query, I am sorry, your voice broke off?

Gautam Gupta: We had the government project the PACL, so whether we are going to see a phase II of that project. Do we have some clarity now?



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- Nehal Vora:** That is something which continues in terms of an ongoing basis so there are lot of special situations. So it is difficult to give you comments around that because there are lots of conditions ifs and buts etc., so I would not be able to give a firm answer.
- Gautam Gupta:** We could have a direction essentially because it is an ongoing process?
- Nehal Vora:** Yes.
- Gautam Gupta:** I appreciate that. Thanks a lot for your time.
- Moderator:** Thank you. The next question is from the line of Sriram Srinivasan from Care PMS. Please go ahead.
- Sriram Srinivasan:** First of all congratulations for your numbers, almost posted at 16% of growth in this very tough times and hearty congratulations to you. My queries will be on annual issuer charges. Actually, we have added almost 2100 companies during this fiscal. The average run rate will be around 150 to 180 companies that we keep on adding every month. So, is this the trend that we can expect to continue along for FY2021?
- Nehal Vora:** Again it is a futuristic question, but if I can just answer in a broad basis that as Yogesh had mentioned earlier that there is a significant portion of companies which are yet to be enrolled under the Demat mode. So whenever transfers are required to be done, or they are going to raise capital, they will have to come into the Demat mode. So the way I would look at is that there is a significant opportunity of growth and difficult to predict how FY2021 is going to pan out because of the pandemic.
- Sriram Srinivasan:** Almost 60000 in unlisted companies are there?
- Nehal Vora:** There are around 73000 Companies.
- Sriram Srinivasan:** 73000 companies, so it is the big opportunity what we are looking forward, right?
- Nehal Vora:** Yes.
- Sriram Srinivasan:** In terms of national academics that we cater, we have not got our approval to get charging for that. It has been expected in September but we had our lockdown in the end of March actually. Can you give me the revenue breakup idea for this, how we are going to charge and how we are going to recover the revenue for this? Could you brief about that?



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Sunil Alvares: The latest update on this project is that the government has taken the project from the depository and given it to the DigiLocker. So the DigiLocker will be handling this service.

Sriram Srinivasan: For every login you have been charging, is that any recovering revenue?

Sunil Alvares: What I mean to say that the depositories will not be handling this project going forward.

Sriram Srinivasan: Going forward we are not going to handle the national academies project?

Sunil Alvares: That is right.

Sriram Srinivasan: Thank you.

Moderator: Thank you. The next question is from the line of Niraj Khandekar. Please go ahead.

Niraj Khandekar: Thank you for the opportunity. Sir, currently PAN is not compulsory for eKYC, but the security market will require PAN number and therefore broker and mutual fund needs KYC data stored by CVL KRA. However, if eKYC makes PAN number mandatory in their data, then who will use CVL KRA? That is my first question. Second other than securities market intermediaries who will use CVL KRA and last question is how much CVL KRA charge for one-time fetching data?

Sunil Alvares: As far as CVL KRA is concerned, it is only that the secondary market intermediaries who can use the CVL KRA. Point number two, what you mentioned is if PAN number is made mandatory in database, who will use the CVL KRA. The point is that it is not only the PAN number which matters here, it also matters in the quality of the data. Today what is happening the intermediaries are able to fetch data but they are not confident with the type of data they are getting from CERSAI because there is no verification done at the CERSAI so because of that many of the intermediaries depend on the KRA data itself. What was your third question Sir?

Niraj Khandekar: CVL KRA will charge for onetime fetching data?

Sunil Alvares: We charge Rs.35 of fetching a record. Does that answer all your questions?

Niraj Khandekar: Yes.

Moderator: Thank you. The next question is from the line of Ashish Sood from Vishuddha Capital. Please go ahead.



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- Ashish Sood:** Sir, I want to ask question regarding outlook on your insurance business because we have seen that around 43 Crores insurance policies are currently with Digilocker and is the reason that they have pricing different between the price charged by you from the insurance companies or the price charged by the Digilocker and in the forward, can the same thing happen that government can make Digilocker mandatory as a onetime entity is for all storing the all insurance policy record, so outlook on this business going forward?
- Nehal Vora:** So the insurance repository as of now is not mandatory, I will ask Mr. Ramkumar to just give a reply to you answers.
- Ramkumar K:** Ramkumar here, Sir may I take forward the answer. The first part of the question was the Digilocker is having x number of policies. As per the present IRDA regulations, only an insurance repository is allowed to hold electronic policies through electronic insurance account that is one part of the answer. Second part is that in the Digilocker, what generally people do is they store their policies. So it is not known whether it is really true or not. In case of some companies Digilocker have got a back to back arrangement, but not in case of all the insurance companies that is part 2 of the first question. The second question that you asked was whether government will in future say that everything will be through Digilocker that is only time will tell, will not be able to comment on that as of now.
- Ashish Sood:** Okay and in the pricing different between the price charged by Digilockers and insurance company price charge by you, the pricing is same?
- Ramkumar K:** My understanding is Digilocker does not charge. However we are a commercial organization to that extent we will not be able to give anything free. Point number one. Point number two is if you compare our cost with the cost of printing a policy and dispatching it or handing it over to the policyholder, ours is much less than that, that I hope answers your question.
- Ashish Sood:** Thanks.
- Moderator:** Thank you very much. Ladies and gentlemen, due to time constraints that was the last question for today. I will now hand the conference over to Mr. Aditya Bagul for closing comments.



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Aditya Bagul:

Thank you everyone for taking out the time and attending this call. A special thanks to Nehal Sir and the entire team at CDSL for patiently answering questions. Nehal Sir, I will hand it over to you for any closing remarks.

Nehal Vora:

I would sincerely thank all of you for your questions. One comment which or rather compliments that we have put in our numbers in some of our presentation. We shall do that going forward in every such quarter so one can look forward to that and we are basically hopeful that with these current tough times, with this continues to grow and basically, our effort is there of all the stakeholders to ensure that the business of CDSL continues to grow going forward.

Moderator:

Thank you very much. On behalf of Axis Capital Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.