

CDSL

Market share gain impressive

CDSL delivered a robust performance both on the revenue and margins front, driven by traction in transaction charges (32% of revenue, +59.2% QoQ). The transaction charges surged due to high retail activity, an increase in delivery volume, and strong addition of new accounts. The COVID-19 impact was felt on KYC revenue (April and May-20) and the addition of unlisted companies. NSDL also witnessed a ~59% drop in the addition of unlisted companies. CDSL continued to gain BO account market share from NSDL (stood at 53.7% in June-20 vs. 48.4% in FY19). Its incremental market share stood at 85% due to exclusive arrangements with discount brokers. BO accounts are the building blocks for a depository and have a high correlation to revenue growth. SEBI allowed Aadhaar-based e-KYC for account opening, which will boost KYC volumes. We increase the FY21/22E EPS estimate by 20.1/16.8% due to a surge in transaction revenue and expansion in margins. We value CDSL on an SoTP basis by assigning 30x to June-22E core profit and adding net cash to arrive at a target price of Rs 412. The stock trades at a P/E of 25.3/22.5x FY21/22E EPS. **Maintain BUY.**

- **1QFY21 highlights:** CDSL revenue was up 9.0/11.8% QoQ/YoY to Rs 0.65bn, higher than our estimate of Rs 0.64bn. Annual issuer/transaction charges contributed 32.2/31.5% to revenue and were up 7.7/59.2% QoQ. KYC/IPO-corporate action revenue was down 33.2/17.1% QoQ. The total number of BO account stood at 23.16mn in June-20, +28.7% YoY. The incremental market share of the company jumped to 85%, and it now stands at 53.7% (+470bps YoY), which is impressive.
- Adjusted for one-offs last quarter, EBIT margin was up 186bps to 54.5%, in line with our estimate of 54.7%. Employee cost was up 8.8% QoQ due to the wage hike. The margins will expand with growth due to embedded non-linearity in the business.

Quarterly Financial summary

YE March (Rs mn)	1Q FY21	1Q FY20	YoY (%)	4Q FY20	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	653	584	11.8	599	9.0	1,947	2,251	2,672	3,021	3,379
EBIT*	356	200	78.4	315	12.8	990	966	1,337	1,560	1,778
APAT	444	274	61.9	374	18.8	1,135	1,255	1,485	1,668	1,842
Diluted EPS (Rs)	4.3	2.6	61.9	3.6	18.8	10.9	12	14.2	16	17.6
P/E (x)						33	29.9	25.3	22.5	20.4
EV / EBITDA (x)						28.4	28	20.3	16.9	14.3
RoE (%)						17	17.3	18.4	18.6	18.4
Cash/Mcap (%)						15.5	16.7	18.6	20.8	23.2

Source: Company, HSIE Research, Consolidated Financials, * EBIT adjusted for one-offs for FY20

Change in Estimates

Rs Mn	FY21E Old	FY21E Revised	Change %	FY22E Old	FY22E Revised	Change %
Revenue	2,348	2,672	13.8	2,707	3,021	11.6
EBITDA	1,134	1,458	28.6	1,378	1,693	22.8
EBITDA margin (%)	48.3	54.6	627bps	50.9	56.0	511bps
APAT	1,237	1,485	20.1	1,428	1,668	16.8
EPS (Rs)	11.8	14.2	20.1	13.7	16.0	16.8

Source: HSIE Research

BUY

CMP (as on 29 Jul 2020)	Rs 351
Target Price	Rs 412
NIFTY	11,203

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 330	Rs 412
EPS %	FY21E	FY22E
	+20.1	+16.8

KEY STOCK DATA

Bloomberg code	CDSL IN
No. of Shares (mn)	105
MCap (Rs bn) / (\$ mn)	37/491
6m avg traded value (Rs mn)	219
52 Week high / low	Rs 368/180

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	51.8	29.8	81.0
Relative (%)	35.4	37.4	79.9

SHAREHOLDING PATTERN (%)

	Mar-20	Jun-20
Promoters	20.00	20.00
FIs & Local MFs	35.76	35.46
FPIs	1.78	1.51
Public & Others	42.46	43.03
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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