

Central Depository Services Ltd. (CDSL)

Making hay while the sun shines

Revenue at Rs 2.408 bn - up by 93% yoy & 12.3% qoq
EBITDA at Rs 1.479 bn - up by 112.7% yoy & 12.5% qoq
EBITDA margin at 61.4% - up by 569 bps yoy and 13 bps qoq
PAT at Rs 1.294 bn - up by 105% yoy and 20.4% qoq

Moderate operational performance:

- Annual issuer charges increased by 38.3% yoy/ 1.6% qoq at Rs 650 mn.
- Transaction charges increased by 130.3% yoy/ 28.8% qoq at Rs 760 mn.
- IPO/ Corporate action charges increased by 285.7% yoy but declined by 12.9% qoq at Rs 270 mn.
- Online data charges increased by 136.4% yoy/ 20.9% qoq at Rs 520 mn.
- While the overall market size for demat accounts increased by ~32% yoy/ ~9% qoq, number of demat accounts with CDSL at 115.6 mn were higher by ~39% yoy/ ~10% qoq.
- Market share in demat accounts improved to ~76% (Vs ~73% yoy/ ~75% qoq).
- In demat custody value, while the overall market size increased by ~43% yoy/ ~7% qoq, demat custody value with CDSL at Rs 64.2 trillion was higher by ~62% yoy/ ~11% qoq.
- Market share in demat custody value increased by 155 bps yoy/ 49 bps qoq to ~13%

Future Outlook

- Equity markets have garnered phenomenal interest from first-time investors in the last 5 years due to increased awareness about equities & related products. This is expected to positively impact volumes in the equity markets in a significant manner.
- The mandatory use of insurance repositories provides immense business opportunity for CDSL.

Key Risks

- Trading volumes of major Indian stock exchanges could decline substantially if market participants reduce their level of trading activity for any reason.
- Intense competition as well as SEBI's regulatory oversight on pricing, including tariffs being charged to customers.
- Appointment of CERSAI as central KYC registration agency may have a significant adverse impact on the business prospects and results of operations of CDSL Ventures.

Valuation

CDSL is currently trading at P/E of 39.6x on FY26 basis. We value the stock based on P/E methodology and assign multiple of 40x (2-year forward) on FY26E PAT of Rs 5,667 mn to arrive at a target price of **Rs 2,169** per share, which is potential upside of ~1.0% from current market price and recommend **"HOLD"** on the stock.



East India Securities Ltd
Excellent | Investment | Solutions

Rating: **Hold** Upside/(Downside): **1.0%**
CMP: **2,147** Target Price: **2,169**

Market Data

Bloomberg:	CDSL:IN
52-week H/L (Rs):	2195 / 9751
Mcap (Rs bn/USD bn):	224.4/2.8
Shares outstanding (mn):	104.5
Free float:	85.0%
Daily vol. (3mth Avg)	0.5 mn
Face Value (Rs):	10

Source: Bloomberg, EISEC Research

Shareholding pattern

	Mar-24	Dec-23	Sep-23	Jun-23
Promoter	15.0	15.0	15.0	15.0
FIIIs	11.0	11.0	8.1	7.9
DIIIs	28.5	28.5	29.0	29.2
Public/others	45.5	45.5	47.9	47.9

Source: NSE

Price Performance (%)*

YE Mar (R)	1M	3M	6M	12M
Nifty 500	0.8	3.8	21.5	36.6
CDSL	13.9	16.0	33.8	116

*As on 06 May 2024 Source: Ace Equity, EISEC Research

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Y/E Mar (Rsmn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Fully DEPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY22	5,513	60.4%	3,669	66.5%	3,112	55.3%	29.8	34.3%	30.3%	72.1	58.1
FY23	5,550	0.7%	3,233	58.2%	2,759	-11.3%	26.4	23.9%	23.2%	81.3	66.1
FY24	8,123	46.3%	4,894	60.3%	4,094	48.4%	39.2	30.6%	29.6%	54.8	43.4
FY25E	9,693	19.3%	5,925	61.1%	4,784	16.8%	45.8	29.1%	28.5%	46.9	35.1
FY26E	10,662	10.0%	6,796	63.7%	5,667	18.5%	54.2	27.9%	27.7%	39.6	29.9

Source: Company, EISEC Research Estimates

Quarterly financials, operating metrics and key performance indicators

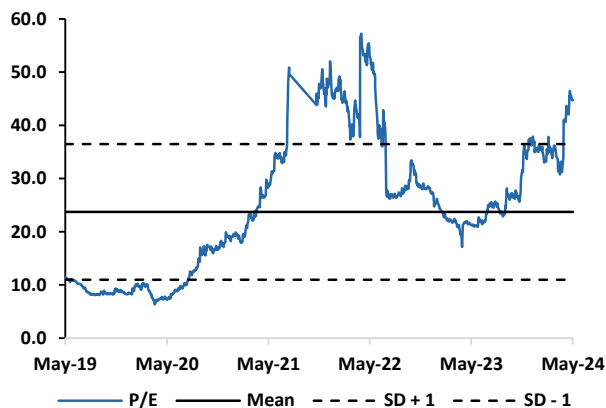
Quarterly Financials

Y/E March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Sales	1,402	1,489	1,412	1,248	1,497	2,073	2,145	2,408
Employee Costs	259	192	174	185	226	224	237	276
Other Expenditure	387	368	386	368	464	555	593	653
EBITDA	756	930	852	695	807	1,294	1,315	1,479
Depreciation	42	49	49	55	58	65	69	80
Interest	0	0	0	0	0	0	0	0
Other Income	61	210	197	191	242	228	215	266
Share in Profits of Assoc.	-9	-17	-6	-12	-11	-9	-10	20
PBT	766	1,074	993	819	979	1,448	1,450	1,684
Tax	190	269	246	187	242	358	375	390
Tax rate (%)	24.8%	25.1%	24.7%	22.9%	24.7%	24.7%	25.9%	23.2%
PAT	576	805	748	631	737	1,090	1,075	1,294
YoY Growth (%)								
Revenue	19.5%	2.0%	-6.8%	-8.6%	6.8%	39.2%	51.9%	93.0%
EBITDA	2.5%	-6.2%	-17.5%	-23.3%	6.8%	39.1%	54.3%	112.7%
Adj. PAT	-10.0%	-6.5%	-10.6%	-19.2%	27.9%	35.4%	43.7%	105.0%
QoQ Growth (%)								
Revenue	2.7%	6.3%	-5.2%	-11.6%	20.0%	38.5%	3.5%	12.3%
EBITDA	-16.7%	23.1%	-8.4%	-18.4%	16.0%	60.4%	1.6%	12.5%
Adj. PAT	-26.3%	39.7%	-7.1%	-15.6%	16.7%	47.9%	-1.4%	20.4%
Margin (%)								
EBITDA	53.9%	62.5%	60.3%	55.7%	53.9%	62.4%	61.3%	61.4%
PAT	41.1%	54.0%	53.0%	50.6%	49.2%	52.6%	50.1%	53.7%

Source: Company, EISEC Research

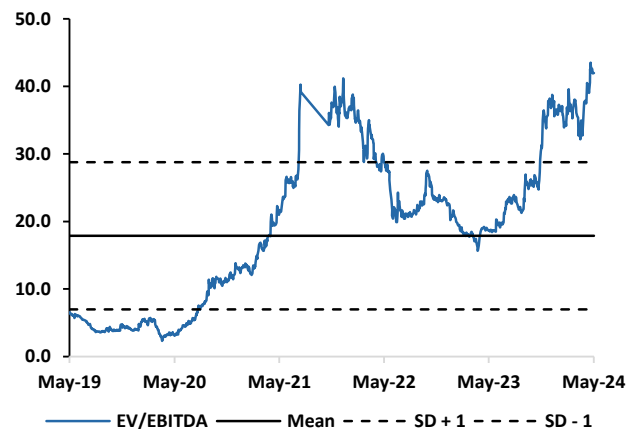
Valuation

Fig 1: 2-year forward P/E chart



Source: ACE Equity, Company, EIS Research

Fig 2: 2-year forward EV/EBITDA chart



Source: ACE Equity, Company, EIS Research

Financials Consolidated

Income Statement	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Revenues	5,513	5,550	8,123	9,693	10,662
% Growth	60.4%	0.7%	46.3%	19.3%	10.0%
Operating Expenses	1,339	1,508	2,265	2,702	2,762
% of sales	24.3%	27.2%	27.9%	27.9%	25.9%
Personnel	505	810	963	1,066	1,105
% of sales	9.2%	14.6%	11.9%	11.0%	10.4%
EBITDA	3,669	3,233	4,894	5,925	6,796
EBITDA Margin (%)	66.5%	58.2%	60.3%	61.1%	63.7%
Depreciation & Amortization	115	195	256	360	364
EBIT	3,554	3,038	4,638	5,565	6,431
Finance cost	0	1	1	0	0
PBT From Operations	3,554	3,037	4,637	5,565	6,431
Other Income	546	658	770	829	896
Share from Associates	-14	-44	0	0	0
PBT	4,086	3,651	5,407	6,393	7,328
Tax-Total	967	892	1,313	1,609	1,660
Reported PAT	3,118	2,759	4,094	4,784	5,667
Minority Interest	-6	-0	0	0	0
Adjusted PAT	3,112	2,759	4,094	4,784	5,667
PAT Margin	56.4%	49.7%	50.4%	49.4%	53.2%
% Growth	55.3%	-11.3%	48.4%	16.8%	18.5%

Source: Company, EISEC Research Estimates

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
YE March					
Growth Ratios (%)					
Net Sales	60.4%	0.7%	46.3%	19.3%	10.0%
EBITDA	73.2%	-11.9%	51.4%	21.1%	14.7%
Adjusted Net Profit	55.3%	-11.3%	48.4%	16.8%	18.5%
Margin Ratio (%)					
EBITDA Margin	66.5%	58.2%	60.3%	61.1%	63.7%
PBT margins	74.1%	65.8%	66.6%	66.0%	68.7%
PAT Margin	56.4%	49.7%	50.4%	49.4%	53.2%
Return Ratios					
ROE	34.3%	23.9%	30.6%	29.1%	27.9%
ROCE	30.3%	23.2%	29.6%	28.5%	27.7%
ROIC	3400.1%	216.3%	133.8%	148.4%	234.5%
Turnover Ratios (days)					
Gross Block Turnover (x)	3.7	2.1	2.0	2.2	2.4
Inventory	0	0	0	0	0
Debtors	30	25	30	30	30
Creditors	103	111	101	100	100
Cash Conversion Cycle	-73	-86	-71	-70	-70
Solvency ratio (x)					
Debt-equity	0.0	0.0	(0.0)	(0.0)	(0.0)
Net Debt-Equity	(1.0)	(0.9)	(0.8)	(0.9)	(0.9)
Gross Debt/EBITDA	0.0	0.0	(0.0)	(0.1)	(0.1)
Current ratio	6.4	5.6	5.3	5.4	6.2
Per share (Rs.)					
Basic EPS (reported)	29.8	26.4	39.2	45.8	54.2
BV	104.6	116.1	140.0	174.4	215.0
CEPS	30.9	28.3	41.6	49.2	57.7
DPS	15.0	16.0	9.8	11.4	13.6
Dividend Payout (%)	50.4%	60.6%	25.0%	25.0%	25.0%
Valuation					
P/E	72.1	81.3	54.8	46.9	39.6
P/BV	20.5	18.5	15.3	12.3	10.0
EV/EBITDA	58.1	66.1	43.4	35.1	29.9
Dividend Yield (%)	0.7%	0.7%	0.5%	0.5%	0.6%

Source: Company, EISEC Research Estimates

Balance Sheet	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Capital	1,045	1,045	1,045	1,045	1,045
Reserves & Surplus	9,884	11,092	13,588	17,176	21,427
Shareholders' Funds	10,929	12,137	14,633	18,221	22,472
Minority Interest	434	434	438	438	438
Total Loan Funds	0	0	-194	-388	-582
Deferred tax liabilities	58	46	184	184	184
Total Liabilities	11,421	12,617	15,062	18,456	22,512
Gross Block	1,359	1,676	4,074	4,406	4,456
Accumulated Dep.	501	696	952	1,313	1,677
Net Block	857	979	3,122	3,093	2,779
Capital WIP	242	2,009	331	50	50
Net Fixed Assets	1,100	2,989	3,454	3,143	2,829
Investments	191	257	247	39	39
Other non current assets	223	342	433	517	569
Total Non Current Assets	1,514	3,588	4,134	3,699	3,437
Inventories	0	0	0	0	0
Current Investments	0	0	0	0	0
Sundry Debtors	458	377	668	797	876
Cash & Bank Balances	11,123	10,345	11,580	16,038	20,610
Other current Assets	161	260	1,238	1,238	1,238
Total Current Assets	11,742	10,981	13,486	18,073	22,724
Sundry Creditors	1,563	1,682	2,241	2,938	3,231
Provisions	272	270	317	379	416
Total Current Liabilities	1,834	1,952	2,558	3,316	3,648
Net Current Assets	9,908	9,030	10,928	14,757	19,076
Total Assets	11,421	12,617	15,062	18,456	22,512

Source: Company, EISEC Research Estimates

Cash Flow	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Operating profit before WC changes	2,884	2,542	3,832	5,408	5,536
Changes in working capital	-50	-54	28	-546	-200
Cash flow from operations	2,834	2,488	3,859	4,862	5,336
Capex	-193	-131	-157	-829	-896
Adj. FCF	3,027	2,619	4,016	5,690	6,232
Cash flow from investments	89	-1,718	-4,310	986	846
Cash flow from financing	-942	-1,548	1,686	-1,390	-1,611
Net change in cash	1,982	-778	1,236	4,458	4,571

Source: Company, EISEC Research Estimates

Revenue Break up	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Annual issuer charges	1,154	1,834	2,550	2,805	3,086
% Growth	34.0%	58.9%	39.0%	10.0%	10.0%
Transaction charges	1,995	1,585	2,210	2,838	3,122
% Growth	67.5%	-20.5%	39.4%	28.4%	10.0%
IPO/ Corp. action charges	606	495	940	1,174	1,291
% Growth	84.3%	-18.3%	89.9%	24.9%	10.0%
Online data charges	1,199	865	1,600	1,990	2,189
% Growth	114.1%	-27.8%	85.0%	24.4%	10.0%
Others	560	771	823	886	974
% Growth	13.0%	37.7%	6.6%	7.7%	10.0%
Revenues	5,513	5,550	8,123	9,693	10,662

Source: Company, EISEC Research Estimates

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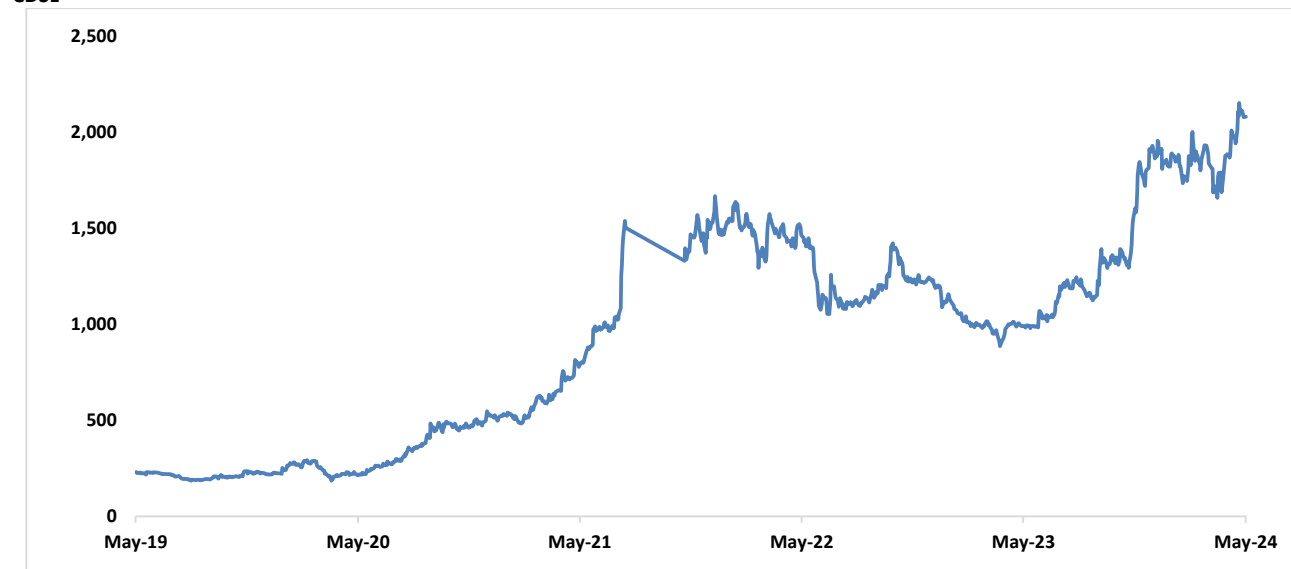
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CDSL



Source: ACEEquity, EISEC Research

Analyst holding in stock: **YES**

Key to EISEC Investment Rankings

Buy: Upside by >15%, Accumulate: Upside by 5% to 15%, Hold: Downside/Upside by -5% to +5%, Reduce: Downside by 5% to 15%, Sell: Downside by >15%

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