

12 March 2026

India | Equity Research | Company Update

Central Depository Services

Exchanges

Absent operating leverage due to costs; earnings growth dependent on market momentum

Depositories remain a structural play on India’s capital markets, buoyed by higher retail participation and distinguished by a mix of annuity and transaction-based business. Central Depository Services (CDSL) benefits from: 1) its leadership (in a duopoly industry) in terms of number of demat accounts (market share at 80%, as of Feb’26 [calculated as per data on website]); 2) steady non-market-linked revenue from annuity issuer charges, plus others like corporate actions; and 3) traction from market-linked revenue segments like cash delivery, company listings and KYC. However, continuous investments through costs have led to a decline in margins and rate cuts have led to likely lower earnings growth in the KYC subsidiary. Maintain **HOLD**.

Maintain HOLD; TP revised to INR 1,180 (earlier INR 1,500), based on 40x FY28E core EPS of INR 26.6

We factor in FY25–28E revenue/EBITDA/PAT CAGRs of ~15–16% each. This implies average quarterly EBITDA of INR 1,543mn in FY26E, INR 1,769mn in FY27E and INR 2,085mn in FY28E vs. INR 1,610mn in Q3FY26. Accordingly, CDSL’s core EPS is estimated at INR 19.3/22.3/26.6 for FY26/FY27/28. We value CDSL at a 40x multiple on FY28E core EPS of INR 26.6 and add free cash investments of INR 111/share to the valuation.

Available positive and negative levers underpin HOLD rating

Clearly, market momentum is the single biggest positive lever but is not in the control of the company. Over the years, escalating costs (negative lever) have meant that the company has had no scope to improve margins, without positive momentum in market-linked revenues. As such, basis market momentum, margins have expanded to more than 60%, and also to sub-50% in the past. Investors must be aware of that cycle. Add to that, cut in KYC revenues (negative lever) will likely now mean lower growth in the subsidiary—CDSL ventures Ltd.

Financial Summary

Y/E March (INR mn)	FY25A	FY26E	FY27E	FY28E
Net Revenue	10,822	11,796	13,420	15,569
EBITDA	6,242	6,173	7,078	8,338
EBITDA Margin (%)	57.7	52.3	52.7	53.6
Net Profit	5,263	5,033	5,795	6,764
EPS (INR)	25.2	24.1	27.7	32.4
EPS % Chg. YoY	24.5	(4.4)	15.2	16.8
P/E (x)	51.0	53.3	46.3	39.7
P/B (x)	15.2	13.6	12.5	11.0
Dividend yield (%)	1.0	1.1	1.5	1.5
RoE (%)	32.7	27.0	28.1	29.5

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Market Data

Market Cap (INR)	255bn
Market Cap (USD)	2,770mn
Bloomberg Code	CDSL IS
Reuters Code	CENA.NS
52-week Range (INR)	1,829 /1,047
Free Float (%)	0.0
ADTV-3M (mn) (USD)	25.0

Price Performance (%)	3m	6m	12m
Absolute	(19.9)	(20.4)	10.4
Relative to Sensex	(10.5)	(14.7)	6.7

ESG Score	2024	2025	Change
ESG score	77.4	77.9	0.5
Environment	50.4	56.8	6.4
Social	79.1	79.4	0.3
Governance	85.9	84.3	(1.6)

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Previous Reports

16-11-2025: [Q2FY26 results review](#)

06-05-2025: [Q4FY25 results review](#)

Expect Q4FY26 to be flattish on a sequential basis

CDSL reported a PAT of INR 1.3bn in Q3FY26. We expect CDSL's PAT to remain in a similar range for Q4FY26E. Key assumptions for Q4FY26E are –

- **Expect uptick in transaction revenue:** Systemic cash ADTV (NSE + BSE) has witnessed robust QoQ growth of 18.9% in Q4FY26–TD, and stands at INR 1,268bn. This should translate to strong growth in transaction revenue in Q4FY26.
- **Expect decline in IPO/CA revenue:** Q2/Q3FY26 saw strong activity in the IPO market with 141/125 IPOs (mainboard + SME) going live. However, with changing market sentiment in Q4FY26, the number of IPOs slumped to 18 in Jan'26.
- **Expect decline in online data charges:** CDSL recently revised its KRA fetch charges downwards by 20% to INR 28 (Earlier INR 35) ([Link](#)). We expect this to lead to a decline in online data charges in Q4FY26E (INR 490mn in Q3FY26)
- **Expect cost growth to be ~20%:** CDSL's cost has grown by 20.5% YoY in 9MFY26. We expect similar YoY growth in Q4FY26E.

CDSL's cost grew in-line with revenue in last 5 years, before outpacing revenue growth in 9MFY26, implying no operating leverage

CDSL reported a total revenue CAGR of 37% between FY20–25 while its total expenses escalated at a CAGR of 30% between FY20–25. This cost growth has been driven by employee cost/technology cost/other expenses' CAGRs expanding 21%/49%/30% between FY20–25.

However, in 9MFY26 while revenue growth has been lacklustre, at 2.7%, due to weak capital markets, cost growth has continued at a similar pace with 20.5% YoY growth in 9MFY26, leading to a drop in EBITDA margin to 57.7% in FY25 to 53.1% in 9MFY26.

Systemic demat account additions slowed down in FY26; incremental demat addition market share remains strong for CDSL

Between Dec'23–Dec'24, systemic demat account additions remained above 3mn for 13 consecutive months. However, post this strong growth, demat additions have averaged 2.65mn between Jan'25–Feb'26. CDSL's Feb'26 total/incremental demat account market share stood at 80%/85%.

Number of IPOs declined in Jan'26, but pipeline remains strong

Q2/Q3FY26 saw strong activity in the IPO market with 141/125 IPOs (mainboard + SME) going live. However, with changing market sentiment in Q4FY26, the number of IPOs declined considerably to 18 in Jan'26. However, overall pipeline of IPOs continues to remain strong.

Reduction in KRA fetch charges for CDSL ventures

CDSL recently revised its KRA fetch charges downwards by 20% to INR 28 (earlier INR 35) ([Link](#)). CDSL ventures had a revenue of INR 2.3bn in FY25 and INR 1.3bn in 9MFY26. The KRA fetch charges constitute ~60–70% of CDSL ventures' revenue.

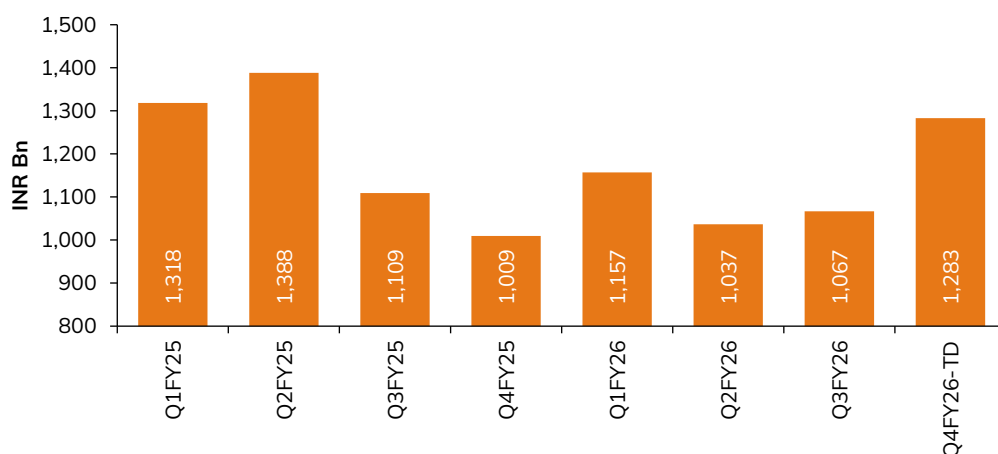
The 20% reduction in fetch charges can lead to an ~15% reduction in revenue for CDSL ventures. We expect the online data charges revenue segment to decline in Q4FY26E and remain flat on a YoY basis in FY27E.

However, an introduction of annual maintenance charge on KYC records created onwards from FY26 can drive growth in FY28E.

Expect PAT to reach INR 6.8bn in FY28E

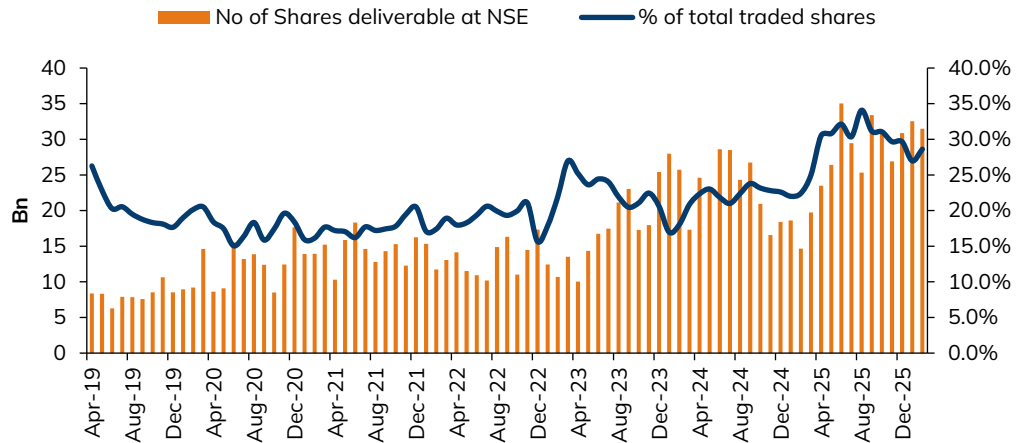
- We estimate annual issuer charges to be INR 4.6bn/5.2bn/6.1bn in FY26E/27/28 vs. INR 3.24bn in FY25 and INR 3.4bn in 9MFY26, implying an FY26–28E CAGR of 15.8%.
- We expect steady uptick in cash ADTV in FY27/28E and estimate transaction charges to be INR 2.45bn/2.82bn/3.3bn in FY26/27/28 vs. INR 2.7bn in FY25 and INR 1.8bn in 9MFY26, implying a CAGR of 16% between FY26–28E.
- Driven by the reduction in KRA fetch charges, we estimate online data charges to be INR 1.56bn/1.6bn/1.9bn in FY26/FY27/28 vs. INR 2.1bn in FY25 and INR 1.3bn in 9MFY26, implying a CAGR of 10% between FY26–28E.
- Given the IPO pipeline ahead, we estimate IPO/corporate action charges to be INR 2bn/2.3bn/2.7bn in FY26/FY27/28 vs. INR 1.62bn in FY25 and INR 1.42bn in 9MFY26 (annualised), implying a CAGR of 15% between FY26–28E.
- We estimate other operating revenue to be INR 1.2bn/1.4bn/1.6bn in FY26E/27/28 vs. INR 1.25bn in FY25 and INR 0.9bn in Q3FY26.
- We estimate total operating revenue to be INR 11.8bn/13.4bn/15.6bn in FY26E/27/28 vs. INR 10.8bn in FY25 and INR 8.8bn in 9MFY26, implying a CAGR of 14.9% between FY26–28E.
- We expect total operating expenses to expand at a CAGR of 13% between FY26–28E. We estimate total operating expenses to be INR 5.6bn/6.3bn/7.2bn in FY26/27/28 vs. INR 4.6bn in FY25 and INR 4.13bn IN 9MFY26.
- We expect CDSL's EBITDA to grow at a CAGR of 16% between FY25–28E. We estimate CDSL's EBITDA to be INR 6.2bn/7.1bn/8.3bn and EBITDA margin to be 52.3%/52.7%/53.6% in FY26E/27/28E, respectively vs. EBITDA of INR 6.2bn and margin of 57.7% in FY25 and INR 4.7bn and margin of 53.2% in 9MFY26.
- We estimate CDSL to report PAT of INR 5bn/5.8bn/6.8bn in FY26/27/28 vs. INR 5.3bn in FY25 and INR 3.75bn in 9MFY26. This would imply a CAGR of 16% between FY26–28E.

Exhibit 1: Systemic cash ADTV has increased in Q4FY26–TD



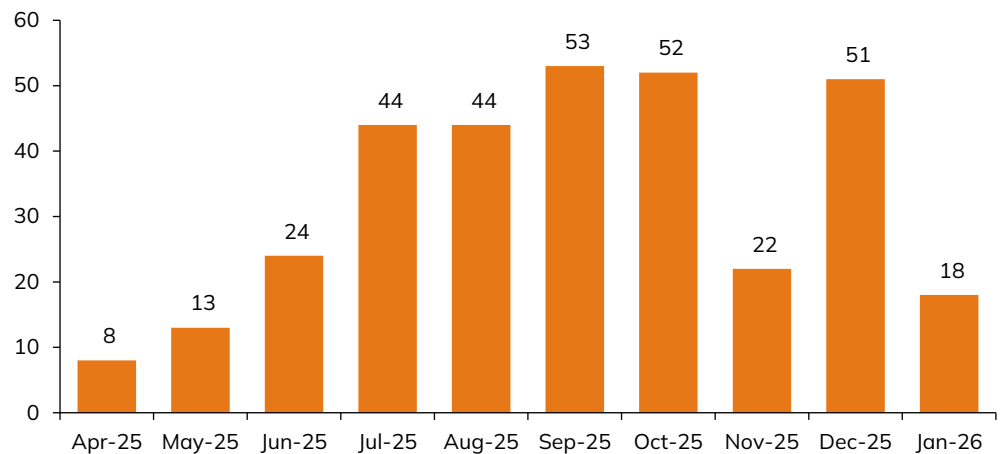
Source: I-Sec research, Company data

Exhibit 2: Number of shares deliverable at NSE increased but % of deliverable shares has broadly remained flat



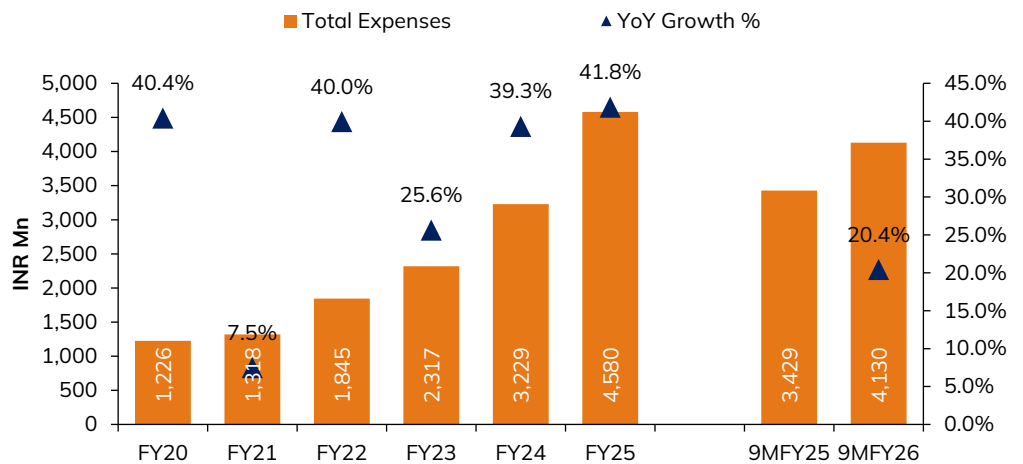
Source: I-Sec research, NSE

Exhibit 3: Number of IPOs (SME + Mainboard) reduced in Jan'26



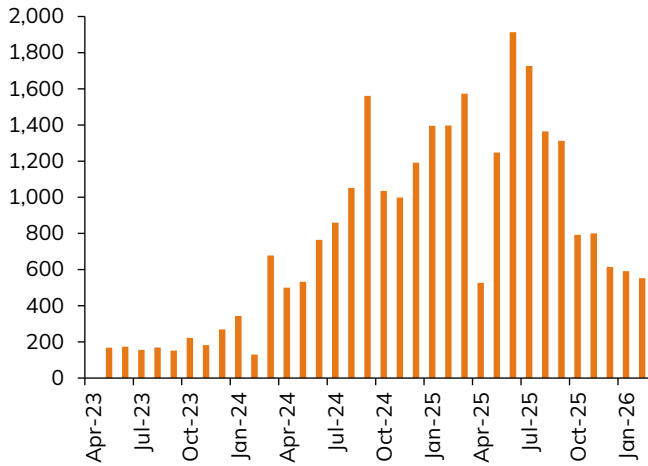
Source: I-Sec research, SEBI

Exhibit 4: CDSL's expenses registered CAGR of 30% between FY20-25



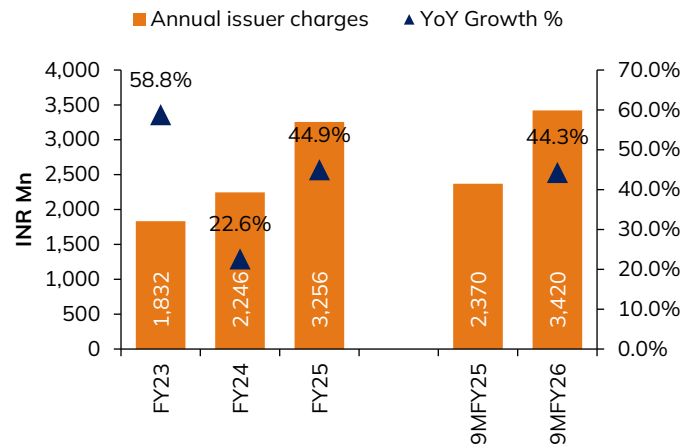
Source: I-Sec research, Company data

Exhibit 5: Company additions have declined for CDSL in recent months



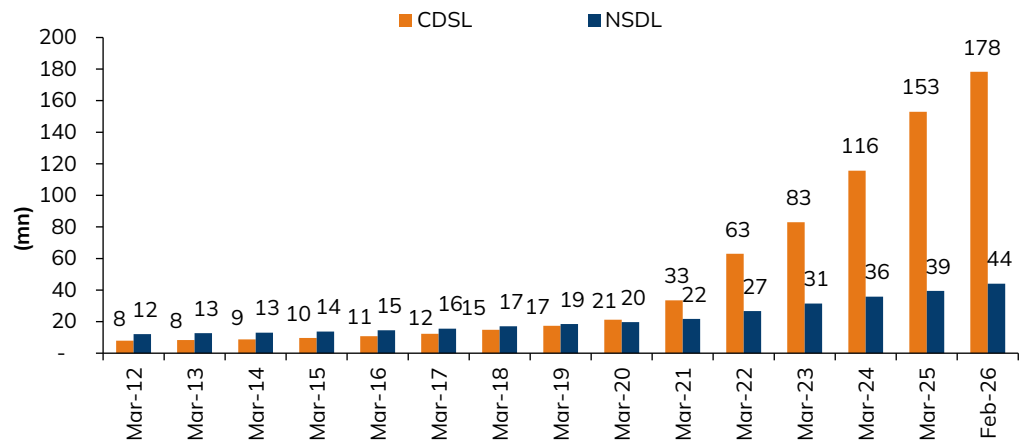
Source: I-Sec research, Company data

Exhibit 6: Strong company additions led to strong growth in annual issuer charges till now



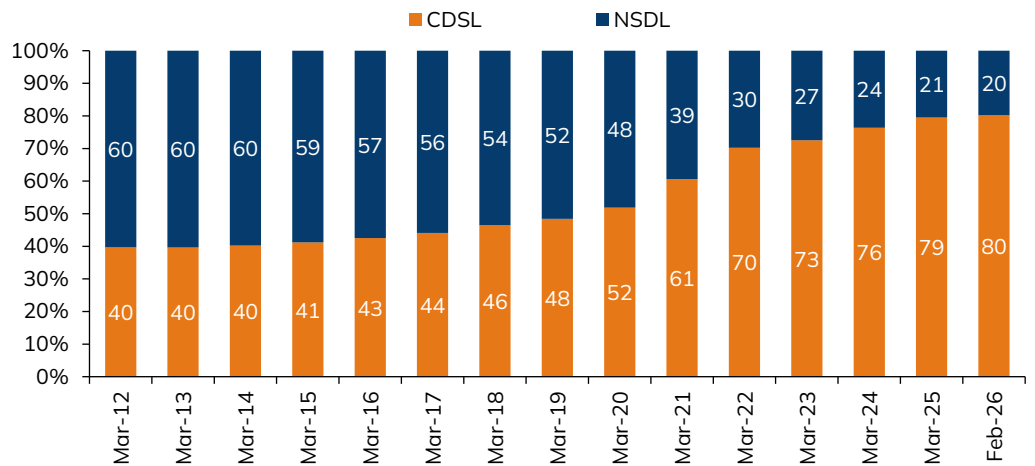
Source: I-Sec research, Company data

Exhibit 7: Total demat accounts' trend for CDSL and NSDL



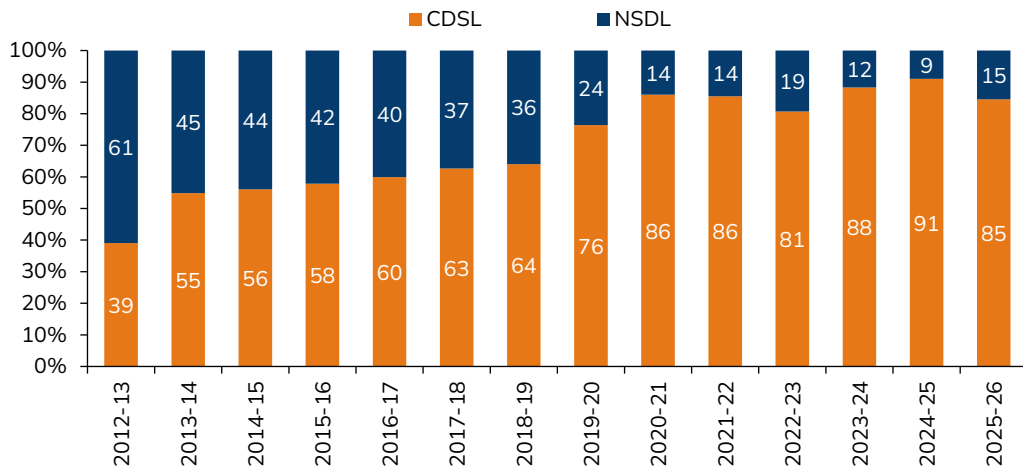
Source: I-Sec research, Company data

Exhibit 8: CDSL's market share remained steady at 80% in Feb'26



Source: I-Sec research, Company data

Exhibit 9: Incremental demat addition market share



Source: I-Sec research, Company data

Exhibit 10: Shareholding pattern

%	Jun'25	Sep'25	Dec'25
Promoters	15.0	15.0	15.0
Institutional investors	26.9	25.3	27.5
MFs and others	6.2	6.2	7.4
FIs/Banks	0.1	0.2	0.2
Insurance	7.5	7.4	7.3
FIIIs	12.9	11.5	12.6
Others	58.3	59.7	57.5

Source: Bloomberg, I-Sec research

Exhibit 11: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 12: Profit & Loss

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Revenue	10,822	11,796	13,420	15,569
Operating Expenses	4,580	5,623	6,342	7,231
EBITDA	6,242	6,173	7,078	8,338
EBITDA Margin (%)	57.7	52.3	52.7	53.6
Depreciation & Amortization	490	718	838	900
EBIT	5,753	5,455	6,240	7,438
Interest expenditure	1	1	1	1
Other Non-operating Income	1,171	1,326	1,466	1,559
PBT	6,922	6,780	7,705	8,996
Less: Taxes	1,686	1,776	1,942	2,267
PAT	5,237	5,004	5,763	6,729
Profit / (Loss) from Associates	26	29	32	35
Extraordinaries (Net)	-	-	-	-
Net Income (Reported)	5,263	5,033	5,795	6,764
Net Income (Adjusted)	5,263	5,033	5,795	6,764

Source Company data, I-Sec research

Exhibit 13: Balance sheet

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Total Current Assets	3,205	3,873	4,562	6,038
of which cash & cash eqv.	1,742	2,279	2,747	3,933
Total Current Liabilities & Provisions	3,167	4,052	5,111	6,129
Net Current Assets	37	(179)	(549)	(90)
Investments	13,515	15,756	17,788	19,823
Net Fixed Assets	4,017	4,099	4,261	4,561
ROU Assets	-	-	-	-
Capital Work-in-Progress	71	71	71	71
Total Intangible Assets	447	447	447	447
Other assets	367	367	367	367
Deferred Tax Assets	-	-	-	-
Total Assets	18,454	20,561	22,385	25,179
Liabilities				
Borrowings	-	-	-	-
Deferred Tax Liability	254	254	254	254
provisions	-	-	-	-
other Liabilities	161	161	161	161
Equity Share Capital	2,090	2,090	2,090	2,090
Reserves & Surplus	15,513	17,620	19,444	22,237
Total Net Worth	17,603	19,710	21,534	24,327
Minority Interest	435	435	436	436
Total Liabilities	18,454	20,561	22,385	25,179

Source Company data, I-Sec research

Exhibit 14: Cashflow statement

(INR mn, year ending March)

	FY25A	FY26E	FY27E	FY28E
Operating Cashflow	7,009	6,475	7,440	8,357
Working Capital Changes	1,210	753	838	728
Capital Commitments	(1,456)	(800)	(1,000)	(1,200)
Free Cashflow	5,553	5,675	6,440	7,157
Other investing cashflow	(2,138)	(2,242)	(2,032)	(2,035)
Cashflow from Investing Activities	(3,593)	(3,042)	(3,032)	(3,235)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	-	-	-	-
Dividend paid	(2,613)	(2,926)	(3,971)	(3,971)
Others	410	29	32	35
Cash flow from Financing Activities	(2,202)	(2,897)	(3,939)	(3,936)
Chg. in Cash & Bank balance	1,213	537	469	1,186
Closing cash & balance	1,742	2,279	2,747	3,933

Source Company data, I-Sec research

Exhibit 15: Key ratios

(Year ending March)

	FY25A	FY26E	FY27E	FY28E
Per Share Data (INR)				
Reported EPS	25.2	24.1	27.7	32.4
Core EPS	20.8	19.3	22.3	26.6
Cash EPS	27.5	27.5	31.7	36.7
Dividend per share (DPS)	12.5	14.0	19.0	19.0
Book Value per share (BV)	84.2	94.3	103.0	116.4
Dividend Payout (%)	49.6	58.1	68.5	58.7
Growth (%)				
Net Sales	27.6	(1.1)	14.7	17.8
EBITDA	25.4	(4.4)	15.1	16.7
EPS	24.5	(4.4)	15.2	16.8
Valuation Ratios (x)				
P/E	51.0	53.3	46.3	39.7
P/CEPS	46.7	46.7	40.5	35.0
P/BV	15.2	13.6	12.5	11.0
EV / EBITDA	41.5	42.0	36.5	30.7
Dividend Yield (%)	1.0	1.1	1.5	1.5
Operating Ratios				
EBITDA Margins (%)	57.7	52.3	52.7	53.6
Effective Tax Rate (%)	24.4	26.2	25.2	25.2
Net Profit Margins (%)	48.4	42.4	42.9	43.2
Profitability Ratios				
RoCE (%)	31.1	25.8	27.0	28.4
RoE (%)	32.7	27.0	28.1	29.5

Source Company data, I-Sec research

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