



Central Depository Services (India) Limited

CDSL/CS/NSE/HS/2022/100

June 06, 2022

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

**Symbol: CDSL
ISIN: INE736A01011**

Dear Madam/ Sir,

Sub: Analyst /Investor Call /Conference Call held on June 01, 2022

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

With reference to our intimation dated May 31, 2022 for scheduling of Analyst /Investor Call /Conference Call on June 01, 2022, please find attached the transcript of the aforesaid Analyst /Investor Call /Conference Call.

The above information is also available on the website of the Company: www.cdslindia.com.

This is for your information and record.

Thanking you,
Yours faithfully,

For Central Depository Services (India) Limited

**Nilay Shah
Group Company Secretary & Head Legal**

Encl: As above



“Central Depository Services (India) Limited Discussion Conference Call”

June 01, 2022



MANAGEMENT: MR. SUNIL ALVARES – MD & CEO, CDSL VENTURES LIMITED
MR. RAMKUMAR K – CHIEF OF BUSINESS OPERATIONS & NEW PROJECTS, CDSL
MR. GIRISH AMESARA – CFO, CDSL
MR. SWAROOP GOTHY – VICE PRESIDENT, CDSL
MR. NILESH KITTUR – AVP, CDSL
MODERATOR: MS. SONAL GANDHI – NIRMAL BANG INSTITUTIONAL EQUITIES

Moderator: Ladies and gentlemen good day and welcome to the Central Depository Services (India) Limited Conference Call hosted by Nirmal Bang Institutional Equities. Participants, please note this call is only for buy-side as a part of Nirmal Bang Institutional Equities annual investor conference. 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 Ms. Sonal Gandhi from Nirmal Bang Institutional Equities. Thank you and over to you ma’am.

Sonal Gandhi: Good morning, everyone. On behalf of Nirmal Bang Institutional Equities, I welcome you all to discussion with CDSL. The management is represented by Mr. Sunil Alvares – MD and CEO, CDSL Ventures Limited, Mr. Ramkumar K – Chief of Business Development Operations and New Projects, CDSL, Mr. Girish Amesara – CFO, CDSL; Mr. Swaroop Gothi – Vice President and Mr. Nilesh Kittur as part of our annual investment’s investor conference. I would request management to commence the session with some opening remarks on the business environment as it stands today, further to which we can open the floor for Q&A. Thank you and over to you sir.

Girish Amesara: Good morning to everyone. I’m Girish Amesara, CFO for CDSL. With me Sri. Ramkumar, Chief of Business and Operation of CDSL, , Mr. Sunil Alvares, MD & CEO of CVL, has joined the call. Apart from that Nilesh Kittur and Mr. Swaroop Kumar Gothi from finance team has joined the call. CDSL welcomes you all for this call. I hope all of us are aware of the operation of the CDSL. CDSL is the first listed depository and it’s into the business of depository services. With this we can start the question-and-answer sessions if everyone is okay with that.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Sonal Gandhi.

Sonal Gandhi: If you could run us through your business model, what could be the key revenue drivers from hereon, especially when if I look your annual charges that you charge as transaction basis. Any kind of outlook if you could just help us with that for FY23.

Girish Amesara: Okay. I will briefly explain about the revenue that we earn. Our revenue largely consists of income from issuers, income from transaction charges, income from our wholly-owned subsidiary, i.e online data charges, basically, it is KRA charges and income from corporate and IPO related income. These are the four main sources of income.. Apart from that we also have income earned from CAS , e-voting and through other miscellaneous areas of our operations. The four major income stream which I mentioned are contributing to almost 85% to 90% of our total revenue. Apart from that as I explained, the other income constitutes to roughly around 12% to 15% of the overall total income. Kindly note that we will not be making any futuristic statement while on the call. Hence, we should restrict our question on the financials and other business strategies, with respect to the year that has gone by and hence any futuristic statements

on the predictability of income or predictability of business, we will not be able to make any comments as of now. I hope I have answered your question.

Sonal Gandhi: I was just looking at more I mean just in case of transaction charges even when basically we would be charging only on the cash delivery and nothing else. So how do we I mean it's probably not futuristic but just to understand the business, probably even when the markets are not doing well when we see some selling happening, shouldn't that income kind of remain intact and not go down much in line with the broader indices. Just wanted to understand that more.

Girish Amesara: The depository charges in terms of transaction charge is based on every debit that happens to a Demat account irrespective of the volume. If you are doing a transaction of one share then the same amount of charges that you will repay to depository for transacting one share or more than one share. That is charge module implemented as of now. The competition also does the same module of charge. Our charges ranges from start from Rs. 5.50 paisa and goes down to around Rs. 4.50 paisa

Ramkumar K: Rs. 4.25 paisa.

Girish Amesara: Sorry Rs. 4.25 paisa based on the volume of transactions generated by that particular depository participant. This is the structure of our transaction charges income. Now to answer your question on the volatility of market, again the income is based on the debit in the Demat account. So, if there are delivery-based volumes happening, then there would be an income accrued to depository. I hope I've answered the question.

Moderator: The next question is from the line of Raghav Garg from Nirmal Bang.

Raghav Garg: Just wanted to get some sense on how exactly do you charge on the insurance depository business and the warehouse receipt business. Just wanted to understand how exactly do you monetize in this business if you can just throw some light there.

Girish Amesara: Ramkumar can you take this question?

Ramkumar K: Sorry. I couldn't hear it properly if you can repeat the question.

Raghav Garg: Sir I was asking in the insurance depository business as well as in the warehouse receipt business what exactly, how should we understand the monetization of the business or how do you make revenues there, how should we understand about the charges that you...?

Ramkumar K: Basically, your question is related to how we charge for holding policies in the electronic form in CIRL and for holding commodities in the electronic warehouse which is in the CCRL system? Just like your previous question with CDSL, right?

Raghav Garg: That's right.

Ramkumar K:

So first I will explain about CIRL then I will go into CCRL. CIRL is the insurance repository. There is no charge on the investor or the policy holder as we call them in the life insurance or general insurance parlance. So, the policy holder doesn't pay anything for the services used., Who pays for this is the insurance company ?. There are two types of payments that they make. One is a one-time payment which is for creating or setting up a policy, so creating means it could be a fresh policy that is credited directly in the electronic form in the CIRL system. So that is for e-policy. Second type is where you already hold the policy and you want to get it converted in the electronic form from the physical mode. So, this is equivalent to our Demat as we have it in CDSL or in the securities market. These are the two types by which the policies are credited into the system. As far as charges are concerned, again there are two types of charges, first charge is for the setup or conversion and second charge is for the AMC. So set up charge is ranging from Rs. 5 to Rs. 12 depending on the volume of business given by a particular insurance company. And AMC charges typically is about Rs. 5 per annum for a policy. Typically, the AMC will be triggered only for a life insurance policy and maybe for some health policies and motor policies which are few and far between those are multi-year policy. Otherwise by definition a general insurance policy only takes, we get only one-time fees for the creation of the policy. So, this answers the question about your charges for insurance repository. In the case of CCRL that Commodity repository also, the logic is more or less same. The logic is that the payment is made here by the concerned entity. It could be a farmer or a trader or anybody else who holds the stock in the physical form i.e. in a, physical warehouse. This person makes the payment based on the tonnage stored by him in the warehouse. This is one part of the charge. Second part of the charge is the warehouse storage charges also gets billed into this person's holding because it depends on where the location of the warehouse is, what is the rate by charged that particular warehouse and what is the frequency of the movement of stock, based on which the charges are made by the warehouse on him to the repository. The third type of charge is the charge that we charge in case of a pledge to the pledgee. So here what I explained earlier was the deposit charge followed by the storage charge which is also kind of the deposit charge. Then for a transaction there are two types of transactions, one is the pledge transaction where we charge the pledger and as well as the pledgee just like in the security depository. Again, it is based on the tonnage. The second type of transaction is a debit type of transaction which could be because off-market transaction or it could because of a market transaction resulting from delivery that is initiated because of some transaction that is carried out in the derivatives market. That is NCDEX or MCX or BSE or NSE as the case be. So here also it is based on the tonnage, this I hope answers the question.

Moderator:

The next question is from the line of Pritesh from Lucky Investment Managers.

Pritesh:

I had not attended the start of the call. If you could help us, give the 151 crores FY22 revenue break up in our key line items of transaction charge, issuer, corporate action, KYC, e-voting.

Girish Amesara:

Sure. I will give you that. You want quarterly numbers or you want year-on-year?

Pritesh:

I just want the annual number.

- Girish Amesara:** Transaction charge we had closed at 199.48 crores.
- Pritesh:** You could give alongside FY22 also, so I will just note down, if you have it handy.
- Girish Amesara:** I will start with transaction charges in FY22, we closed at 199 crores as against previous year of 119 crores. Online data charges we had closed at roughly 120 crores as against 56 crores of previous year, IPO & corporate action charges we had closed at 60.53 crores as against 33 crores in the previous year, annual issuer income we had closed at 115.40 crores as against 86 crores against the previous year. Apart from that CAS income we had closed at 16.25 crores as against 12.5 crores in the previous year, in case of e-voting income we had closed at roughly 9 crores as against 6.61 crores in the previous year. These are the major income items that I've described and rest all are contributing around 2% to 3% to overall revenue.
- Pritesh:** So, KYC will be Online data charges.
- Girish Amesara:** The online data charges are the KYC, KRA income, 120 crores as against 56 crores.
- Pritesh:** The expense line which I see at about 45-46 crores for quarter now, sorry 47 crores for quarter roughly, this expense line how do you see it panning out?
- Girish Amesara:** If you look at our expense, largely our expenses are on four fronts. Technology costs, employee costs, regulatory costs and other business ancillary costs. Now we being into some kind of a service provider activity which is largely depending on technology, employee cost and technology cost contributes to a major chunk of the total expenditure. Apart from that regulatory cost is something which will increase based on our increase in the overall operating profitability because there in SEBI stipulation that 5% of our operating profit has to be contributed to the investor protection fund. It is a variable portion, as and when there is a higher operating income this cost will increase. So roughly last year overall cost was around 10% of our total costs. Apart from that the other administrative expenditure in terms of audit fees, insurance, director sitting fees, inter-KRA expenses and routine administrative related expenditure will consist the last portion.
- Pritesh:** So your variable expense is regulatory whereas employee and tech cost will go move at a certain rate?
- Girish Amesara:** Yes. Employee and technology would be kind of a fixed cost that we have to incur irrespective of whether there is a business opportunity or not but technology and other expenses are some kinds of variability in that, so higher the business higher will be that cost.
- Pritesh:** And on your income side what will variate with market volume will be basically transaction charge, corporate action and issuer charge?

Girish Amesara: Yes, Issuer Charges more or less will not be impacted by the what volatility of the business is because once Issuer is admitted and unless there are withdrawals in terms of decreasing folios or withdrawals by listed entities from the overall market sphere otherwise issuer income is going to remain constant. The market volatility related income would be largely transaction charge and KRA income.

Pritesh: Issuer charge will be linked with the number of corporates basically, right?

Girish Amesara: It is based on the listed company admitted with the depository.

Pritesh: There was some price increase taken and this SME related Demat, what is the progress there in issuer charges?

Girish Amesara: In issuer charges generally in past what had happened that every 5 years both the depository used to approach SEBI and SEBI used to decide on the charges that the depository may levy from the issuer companies. Now this activity, last it was happened and approved in 2015. Based on the historical trend it was supposed to be due in the year 2020 but due to COVID related situations, we had decided not to go to SEBI considering that there could be undue pressure on depository to reduce charges. So, this was a possibility that we had thought that we should wait till this COVID related restrictions are lifted. There was a general perception that costs should reduce due to the lockdown and accordingly we have not approached to SEBI and we are still thinking as to what should be the right time to approach the SEBI.

Pritesh: For the hike or for reduction?

Girish Amesara: Generally, all these years there was a hike given by SEBI. It's a joint activity by both the depositories wherein we have to give various scenarios to SEBI based on that they decide. So last year when in 2015 when both the depository had approached, SEBI had increased the charges but the same time they had also introduced one incentive to depository that 20% of your issuer income that you collect, differential amount of that, you have to pay to the DPs as an incentive. So, there could be such incentives introduced by SEBI so that's the reason we are still thinking as to what should be our future strategy and time will let us know as to when we decide and when we go to SEBI. So, as of now this is the status.

Pritesh: Incentive of 20% should be given to the issuers?

Girish Amesara: Yes, it is differential i.e. rate which was prevailing prior to 2015 and rate approved in 2015, the difference of differential income that gets generated, 20% of that has to be set aside, to be provided as an incentive.

Ramkumar K: It's for opening Demat account?

Girish Amesara: Yes.

- Ramkumar K:** One more point Girish sir if I may add to what you said.
- Girish Amesara:** Yes, please go ahead.
- Ramkumar K:** Sir was asking a question about SME. There is no separate tariff for SME. SME means I assume you that you are talking about the companies which are listed, SME sector companies which are listed in the stock exchange separate plus on the stock exchange. If you are talking about those companies there is no separate tariff.
- Pritesh:** No, I was referring to some unlisted companies where government has...?
- Ramkumar K:** Unlisted again the tariff is only to the extent of one extra tariff slab created for companies which are between up to 2.5 crores as it is the earlier minimum of Rs. 5 crores to that extent there is one slab additional created for small unlisted companies. Otherwise, the tariff remains the same. So unlisted company having Rs. 25 crores capital, you pay the same amount as listed company having Rs. 25 crores capital.
- Pritesh:** This rate incentive will come as an expense, right? If suppose you pass through this so then the rate approved and the rate charged, the difference will be passed on as an incentive, as an expense back to the corporates who are listed or that's how I should read it?
- Girish Amesara:** No, so the differential rate which was approved by SEBI and rate prevailing before the approval of SEBI, 20% of that has to be paid as an incentive to be paid to the depository participants. Based on further criteria prescribed by SEBI, they have given a detailed criteria as to who is eligible depository participants, how he has to get those incentives. Detailed circular has been issued in 2015 when this rate was approved and their circular is available in public domain.
- Pritesh:** So, if you're charging if the rate approved was 1 and if you're charging 1.15 then 0.15 has to be passed as an incentive? So, it's an expense or you are charging 0.85 where the rate approved was 1?
- Girish Amesara:** The rate, in the example the rate difference is 0.5, 20% of that has to be parked separately to be paid as an incentive to DP.
- Pritesh:** But were you charging 1 as approved or you were charging less than 1?
- Girish Amesara:** So, suppose the rate approved was 1.5 and the previous rate before this approval was Rs. 1 so on the differential of 0.50, 20% has to be set aside as incentive to DP and issuer company gets charged the rate of 1.5.
- Pritesh:** So, it's already there in your expense line and its already there in your revenues?

- Girish Amesara:** Yes, the income has already increased based on the SEBI approval and there is an introduction of another expense line which was not prevailing prior to this approval. So, I'm trying to draw your attention that the moment we go to SEBI, there is a possibility of prescribing similar kind of expenditure line by regulator. I'm just trying to draw the attention on that point.
- Pritesh:** But the last revision did not happen in FY20 in terms of the rate approved itself, that revision can also come through, a higher rate can come through, right?
- Girish Amesara:** Yes, there is a possibility.
- Moderator:** The next question is from the line of Sonal Gandhi.
- Sonal Gandhi:** Just harping on the previous question. So, despite introducing the new line item, we still had a net-net benefit in terms of revenue. So, why is there this delay because our expenses are going up obviously the markets are kind of supportive to volume supported, not sure that's going to happen in the future. So, why is there this hesitance to go back to the regulator and try and at least get the inflation rate aligned to the numbers?
- Girish Amesara:** You are talking about the rate revision?
- Sonal Gandhi:** Yes.
- Girish Amesara:** I said that we are still thinking of what to do and we will decide. Basically, this activity has to be jointly done by both the depositories so we'll decide the future course of action and it will come as and when it gets discussed and approved by SEBI. Currently we are still thinking on that and we have not yet decided as to when we'll approach SEBI.
- Sonal Gandhi:** Another question I have is on the issuer charges. If you could just explain that a bit more? What I understand is you also have; you also charged based on the folios. So basically, some probably the company is where the retail clients are very high. They would be paying more than the minimum limit that you have. Could you just explain a bit on the issuer charges in, just talk a little bit about it?
- Girish Amesara:** Sure. The model approved by SEBI or if you read the circular issued in 2015, the process is in such a manner that the fees calculated based on the slab prescribed in the circular which is starting from Rs. 5 crores or it is ending at Rs. 20 crores. The fees model for listed entity is starting from Rs. 9,000 and up to Rs. 75,000 depending upon the bracket in which their share capital falls. This value is compared with folio based revenue which is prescribed at Rs. 11 per folio. Whichever amount is higher, is charged to the issuer. I hope I have answered your question.
- Sonal Gandhi:** Right sir, understood.
- Moderator:** The next question is from the line of Sapna Laha from Bajaj Holdings & Investment Limited.

Sapna Laha: I just want to understand if you compare your margins with your peer, your margins are comparatively better. Can you explain the what is leading to better margin compared to peers?

Girish Amesara: If you compare the profitability or if you compare the P&L statement of us with the competition, you will see that the operating revenue has increased compared to the competition and our cost are kept in control as compared to the cost of competition. I think that explains the reasoning for better margins.

Sapna Laha: Second thing in last few years we have gained market share from your competitor. So, what is your outlook on that?

Girish Amesara: In the initial statement I said that will not make any futuristic statement. I will not be able to answer that.

Sapna Laha: I just want to have on a qualitative statement. I don't want any...?

Girish Amesara: Ma'am I won't be able to make any futuristic statements.

Sapna Laha: What is the dividend policy?

Girish Amesara: Generally, all these years we have dividend payout ratio of 60% and that what we have adhered to in this year also. Out of profit that we earn in any particular year 60% is paid out.

Moderator: The next question is from the line of Sapna Laha from Bajaj Holdings & Investment Limited.

Sapna Laha: One question I want to ask you is on the KRA income part. If you see the CKYC has also come up and which has having a less charges compared to your charges. So, what is the beneficial the customer will have to do a KRA with your end rather than going for CKYC?

Sunil Alvares: So far as the KRA is concerned, we have been in operation since 2000 April. We started off with the Mutual Fund Industry and the KRA regulations kicked-in 2011. The KYC concept was conceptualized, designed and implemented by CDSL and the CKYC came in somewhere around 2017 or so and the only difference is that while we do our thorough verification of all the records which are in KRA System. In the case of CKYC it is more a repository of information uploaded by the intermediary, however, CKYC does not verify the records. Secondly right from the inception for KRA, PAN has been the KYC identifier whereas in the case of CKYC they have a separate KIN number. To that effect the capital markets have continued to use the KRA and we are confident that it will continue to happen that way. I hope that answers your question.

Moderator: The next follow-up is from the line of Sonal Gandhi.

Sonal Gandhi: Just a last question from my end. Probably just two points I have here. One is that if I look at some large profiles, they have only CDSL as their depository. I'm just thinking we have this

based SEBI transaction charges wherein NSDL would charge a flat rate and they would charge on a monthly basis whether the transaction happens or not. Could that be the only reason why the Zerodha have chosen us as main depository?

Ramkumar K: Which flat charges you are talking about ma'am?

Sonal Gandhi: I was talking about that transaction charges that we have. So, I mean I'm just trying to understand why someone like Zerodha would have only us as their depository and not other players?

Ramkumar K: That might be their decision of the firm ma'am so we may not be able to comment on, whether it is because of the flat chargers or because of something else but definitely technology plays an important role in deciding and also the cost of setting up operations decide or is the major factor in deciding the choice of depository as far as the DP entity is concerned. That I hope answers the question ma'am.

Sonal Gandhi: Any guesses we had a certain glitch on the technology side. So, what have we done over there?

Ramkumar K: Ma'am your voice is breaking in between, not able to hear it properly.

Sonal Gandhi: Is it better now?

Ramkumar K: Yes, in between its breaking ma'am so if you can keep the sentence short, maybe I'll be able to understand better.

Sonal Gandhi: Sure. We had some technology glitch sometime back. So, just wanted to understand a bit on that. I mean what have we done in, how good are technologies as compared to the competitor?

Ramkumar K: Which technology glitch are you talking about ma'am?

Sonal Gandhi: We have some in CDSL?

Ramkumar K: There are some which may not be applicable to CDSL, so I don't know which one you are talking about ma'am.

Sonal Gandhi: I think in somewhere in the beginning of '21, we had some tech related some glitch we had?

Ramkumar K: That was not in CDSL ma'am, that I can say for sure.

Sonal Gandhi: Ventures...?

Ramkumar K: February 2021 you are talking about, right?

Sonal Gandhi: Yes sir.

- Ramkumar K:** That is not related to CDSL ma'am. Related to some other firm may be.
- Moderator:** As there are no further questions, I now hand the conference over to Ms. Sonal Gandhi for closing comments.
- Sonal Gandhi:** Thanks for the opportunity, sir for letting us to host you. Looking forward to host you again in the future. Thank you.
- Girish Amesara:** Thank you very much.
- Moderator:** Thank you very much. On behalf of Nirmal Bang Institutional Equities that concludes this conference. Thank you for joining us. You may now disconnect your lines.