



Central Depository Services (India) Limited

CDSL/CS/NSE/AJ/2023/35

February 10, 2023

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

Symbol: CDSL
ISIN: INE736A01011

Sub: Analyst /Investor Call /Conference Call held on February 03, 2023

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

Dear Madam/ Sir,

This is with reference to our intimation dated January 31, 2023, for scheduling of Conference Call on February 03, 2023, please find attached the transcript of the aforesaid 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
ACS No.: A20586**

Encl: As above

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“Central Depository Services Limited
Q3 FY '23 Investor Call”
February 03, 2023



MANAGEMENT: **MR. NEHAL VORA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CENTRAL DEPOSITORY SERVICES LIMITED**
MR. GIRISH AMESARA – CHIEF FINANCIAL OFFICER – CENTRAL DEPOSITORY SERVICES LIMITED
MR. SUNIL ALVARES – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – CDSL VENTURES LIMITED
MR. RAMKUMAR, CHIEF OF BUSINESS DEVELOPMENT AND NEW PROJECTS
MR. VINAY MADAN, CHIEF RISK OFFICER
MR. SWAROOP GOTHI, FINANCIAL CONTROLLER
MR. NILESH KITTUR, AVP FINANCE

MODERATOR: **MR. PRAVEEN AGARWAL – AXIS CAPITAL LIMITED**

Moderator: Ladies and gentlemen good day and welcome to the Central Depository Services (India) Limited Q3 FY '23 Investor 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 statements must be reviewed in conjunction with the risk that the company faces. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Praveen Agarwal from Axis Capital Limited. Thank you, and over to you, sir.

Praveen Agarwal: Thank you, Dorwin. Good afternoon, everyone, and welcome to the earnings call of Central Depository Services (India) Limited (CDSL). We have with us Mr. Nehal Vora, MD and CEO along with his other team members to be answering your questions. I would request Mr. Nehal to share his initial highlights for the results, post which we'll open the floor for Q&A. Over to you, sir.

Nehal Vora: Thank you so much. A very good afternoon, and welcome, everyone. I hope each of you and your loved ones are safe and healthy. Thank you for joining us today to discuss CDSL's financial results for the third quarter of the financial year '22-'23. As in previous quarters, we have posted a detailed financial presentation on our website for your reference. I'm joined by the CDSL Group's leadership team. This quarter, India further strengthened its retail participation in Indian capital markets, and has registered investors with the stock exchanges which stands at 12 crores-plus. The total number of demat accounts, investors with CDSL as on 31st December, '22 reached 7.78 crores demat accounts. The same number as on December 31, '21, was 5.56 crores, an increase of about 40%.

The new milestones that India has achieved are due to a combination of two factors: growth of the digital online movement and the empowerment of investors, the convenience and ease of doing business; digital services, such as online account openings, eDIS, Margin Pledge and Repledge mechanism, eAGM and e-Voting, etc. are, in the hands of the investor in various corners of the country has started it into the growth story for the Indian retail investors. Having said that, we believe that this is just the beginning.

Our primary focus remains on the continuous improvement of the financial ecosystem by making it more efficient and transparent. Speaking further on our performance, CDSL has been following its strategy to keep the business growing on a sustainable foundation with a diversified revenue while investing in advanced technology and its people. For the quarter, a number of active accounts admitted with CDSL as on December 31, '22, stood at 19,724, an increase of 12% from the number of active companies as on December 31, 2021.

Furthermore, the value of securities in demat custody with CDSL stood at INR 41 lakh crores as on 31 December '22, an increase of about 11% from the value of securities held as of the previous year. Our ability to understand the requirements, innovate and build on technologies and to deliver diversified experience, this continues to drive strong value for our stakeholders and investors. Before I hand it over to our CFO, Shri Girish Amesara, I would just like to say that the growth of Indian securities market is an extremely encouraging sign of India's potential. I also want to place an appreciation and gratitude to all our stakeholders, regulators, depository participants, investors, issuers and other market participants and employees for their constant faith in us.

So I would now hand it over to our CFO, Shri Girish Amesara.

Girish Amesara:

Thank you, Nehal. Good afternoon to everyone. On a year-on-year performance, the consolidated total income for the December '22 quarter is at ₹ 160.87 crores compared to ₹ 162.93 crores for the December '21 quarter. The net profit on a consolidated basis for December '22 quarter is achieved at ₹ 74.77 crores as against ₹ 83.63 crores for the December '21 quarter.

The total income on a standalone basis on a year-on-year basis for December '22 quarter is at ₹ 132.94 crores as against ₹ 121.55 crores for the December '21 quarter. The net profit on a standalone basis on a year-on-year basis is at ₹ 62.71 crores as against ₹ 63.77 crores for the December '21 quarter.

Now I shall request Sunil Alvares to give an update about the operation of fully owned subsidiary, CDSL Ventures Limited. Thank you. Over to you, Sunil.

Sunil Alvares:

Yes, good afternoon, everyone, and welcome to the CDSL earnings call. I would like to present the results of CDSL Ventures Limited (CVL) for the quarter ended December 31, 2022. On the quarter ended December '22, the operational income was ₹ 23.07 crores as compared to ₹ 25.82 crores for the quarter ended September '22, which was a drop of about 10%. The other income was at ₹ 4.05 crores as against ₹ 2.89 crores, which was a jump of 40%. The total income was at ₹ 27.13 crores as against ₹ 28.71 crores, which was a slight drop of 5%.

Total income -- total expenses dropped by 3% from ₹ 10.92 crores to ₹ 10.54 crores during this quarter. The profit before tax was ₹ 16.59 crores as against ₹ 17.78 crores, and the profit after tax was ₹ 12.59 crores as against ₹ 13.44 crores. During this period, we saw a slight dip in the KYC creation from, 27.91 lakh to 26.86 lakhs. The KYC Fetch was at 58.76 lakhs from 65.06 lakhs.

So I'd like to open the call for any questions that you all have. Thank you.

Moderator:

The first question is from the line of Prakash Kapadia from Anived Portfolio Managers Private Limited.

Prakash Kapadia:

Two or three questions from my end. If I look at the subsidiary, the CKYC business, it's I think the third quarter in a row where the revenues have degrown for us. So if you could give us some

sense what is impacting revenues? Because revenues are not so large, but still we are degrowing. That's the first question.

Second question is, what kind of capex we've done for the current year? And what is the likely capex for next year? And lastly, out of the total demat account, if you could give us some sense of what are the unique or active demand accounts because we've grown rapidly in the last 2, 2.5 years. So if you could give us some colour on that? Those are my three questions.

Nehal Vora:

Yes. So I'll first answer your third question, and I'll refer your second question to the CFO, Girish, and the first question to Sunil. On the first and third question, I think CVLs is a measure of the total volumes in the market. And there has been some muted volumes over the last few months due to the - basically the geopolitical issues, the interest rates firming up, etc.

In terms of demat accounts, we don't give out the numbers from a privacy point of view as to how many are active or inactive what is given out is basically the total number of demat accounts. But it shows that whatever is our demat accounts maybe transaction-based income has also kind of been about at the same levels over the last 3, 4 months. So that kind of gives you a kind of an indication of what has been basically the market participation.

I'll hand it over to Girish to answer the capex question.

Girish Amesara:

So till December, we have incurred a capital expenditure of roughly ₹ 17 crores. And this is in line with our overall budgetary approvals that we do every year. About future, I will not be able to make any comments about the future because we don't do any forecasting. I will hand it over to Sunil to answer your next question.

Sunil Alvares:

Yes. As Nehal has just pointed out that for the 9-month period December 31, 2022, the markets have been very muted. So if you do the count of number of KYC records, which are fetched, created are intrinsic to the number of demat and broking accounts which are opened. So with a drop in the new demat and broking accounts, it has also impacted the KYC records. So I hope that answers your question.

Moderator:

The next question is from the line of Homeyar from Kotak Mahindra.

Homeyar:

I have just one question for you. What is the number of deliverable trades, is that fit with the CDSL accounts? Number, because that is what affects our revenue. So the number of accounts is in consequences, what is the number of deliverable trades on a weekly or a monthly basis?

Nehal Vora:

You may refer the exchange website for the delivery trades.

Homeyar:

No, exchange gives the volumes. And volume is not total volumes for share -- for each share it gives volumes. It doesn't give the total number of trades that takes places. Total volume is also do not says. As you said, that you charge a particular fee of each trade, it is for sure the volume of the trade. So if that can sell 1 crores shares also, but the deliver that takes places on 1 delivery, you only charge -- will be charged only one-time fees.

- Nehal Vora:** Yes. So we don't share that information. So that...
- Homeyar:** But why is it -- what is so private about number? I'm not asking per person. I'm not asking per person. I'm asking the total number of trades that take place. There's nothing private about it. What is -- who is going to inform okay. I'm asking for total number of trades that takes places. I'm not asking for individual or this person or this share or that share. Total number of trades that take place.
- Nehal Vora:** We have taken your point on record. There are certain regulatory frameworks, we will kind of assess it and examine. Whatever is possible, we can put it out.
- Homeyar:** Sir, you can at least share this with the shareholders. This is nothing to do with privacy, it's just total number of trades that take place.
- Nehal Vora:** We have noted the question. You can send us an e-mail, and we will send a reply on that.
- Homeyar:** Can you confirm the e-mail address, please.
- Nehal Vora:** It is there on our website.
- Moderator:** The next question is from the line of Prayesh Jain from Motilal Oswal.
- Prayesh Jain:** Sir, the question is more on the industry outlook and not specific to CDSL. So if you look at the kind of report the regulator has implemented, but then it showcase that only 10% of the active traders and F&O actually make profits. And by line of this does not impact your business, but that it does impact the sentiments on the street and that will eventually will lead to an impact on the number of demat accounts that get opened.
- Apart from that, other regulations that have come through, do you think that the pace of demat account addition is kind of it has slowed down, obviously, in the last say 3 to 4 quarters. Do you see any pickup that can happen or what could trigger the pickup of demat accounts again?
- Nehal Vora:** So I think it's a good question, Prayesh. I think what the SEBI study from an industry outlook is kind of showcasing is that investors should be aware about its suitability norms and our objectives before kind of really attempting in complex products like futures and options.
- Now this business is a business of faith and trust. So I think it is a long-term play, which is more important. So I think the important thing is that as a market infrastructure institution our intent and our focus has been and will continue to be to ensure more and more transparency from an investor point of view.
- He or she should be able to 'do it' himself or herself. So that brings in the trust factor. Also, it brings in basically the responsibility in terms of how one trades because it is your own wealth. And that's where I see the key driver is that when there is a clear focus on ensuring transparency as well as basically allowing people to really understand -- more and more people will be able to participate in the securities market.

Today, we're at about 6% to 7% of the population. In India we have a population which is very young. And hence, it is really being important that we continue to embark in this reform journey of ensuring more and more transparency in the way we conduct ourselves.. It's more of a long-term foundation which we are looking at. So that's how I would really basically approach this question.

Prayesh Jain: And the other one is we heard ASBA thing, what has been spoken about and that ASBA kind of thing to be implemented for the secondary markets. Now that kind of takes away -- how will it float income of brokers. But does that really increase the compliances from your end? Or what is the kind of impact that CDSL will have to go through in case that is implemented?

Nehal Vora: So that is not really majorly applicable from a depository point of view. It's more on the clearing corporation point of view of funds. So anyway, securities, there is kind of reform, which has already been put in place where the investors' shares are blocked and only once the obligation translates into a public transfer, which happens. So I think that's the general move in which we are moving towards. And hence, this is something which may not be really applicable to CDSL

Prayesh Jain: And last question, Nehal, could you talk about what are the new avenues of revenue that you are looking at to garner, say, in the next 3 to 5 years? I know not forward-looking -- you don't give forward-looking statements. But from a strategy perspective, if you could give us some thoughts as to what are the aspects that you're looking at, that would be helpful.

Nehal Vora: So I think CDSL has a generic, without giving into any forward-looking statements and I'm very conscious about that principle. Is that we'll continue to embark upon our journey of making it on technology, where we would like to focus more and more into technology and a more of B2C kind of information flow where more and more investors are able to observe, see their demat accounts, operate their demat account themselves, that's the entire ethos with which we are working.

More and more kind of asset classes are going to come into dematerialisation, Because that is what is basically the society would want that kind of ease of doing business, the transparency factor and the security factor. These are some of the key aspects in which we will be working.

Prayesh Jain: So sir, I'll just slip in one more. Any thoughts on the insurance repository business as to how that's shaped up? And what is the status from IRDA on this?

Nehal Vora: So I think it's going through its own process of the implementation. It's a big reform. And all the insurance companies are kind of gearing up towards that.

Prayesh Jain: Any data that you can share as to what is the size that has happened? Currently, how many accounts are there in the industry? And what is the kind of number of policies that are covered in the EI so far?

Nehal Vora: So as of now, there are no specific numbers to put out on basically in the public domain. It is going through the process of the reforms in terms of this entire move, which is kind of in happening. But maybe Ramkumar, you want to add to anything to this?

Ramkumar K: No, sir, you have covered it. And only in the annual report we'll give the yearly figures as is required. But otherwise, generally, we don't put it in the public domain, as far as mentioned.

Moderator: The next question is from the line of Amit Chandra from HDFC Securities.

Amit Chandra: Yes. Sir, my first question is on the ransomware attack that you had. So can you please provide some more update on what actually went wrong there? And also, like more from a technology perspective, so what kind of investments are required in terms of our technology structure. So is it total revamp is required or are you going to expand it in all your team? So that is the first question.

And second is in terms of the investment in the office space that we have done around capex of INR 163 crores, 46,000 square feet. So it's like massive investment at least 2.5x like bigger than the last office space we bought. So what is the reason behind buying such a large office space? And also in terms of the impact in the other stream that we had because of a drop in e-voting. So if you can quantify what is the exact drop in e-voting that we had prior to last quarter?

Nehal Vora: So on the first question on malware, and we've put out a detailed press release, it was a CDSL securities operation system, which was from the first major expenses which CDSL has embarked upon in the new management team. We have the state-of-art. So it itself basically detected this.

And we see that this is the trend in one of the large companies also, be it the global companies also face these kind of safety outages. The important thing is how far you're able to really restore your operations. And CDSL was very quick in ensuring the restoration. The regulatory requirements on filing of reports, etc. will continue to happen as and when we are supposed to do it.

But the important thing is that CDSL has able to basically restore its entire operations. In terms of after this episode has taken place. We continue to embark upon. I think the system was sophisticated enough to be detect it. So we continue to ensure that the top-class consultants and we will continue to embark upon the sophistication of our existing framework to come in line with what are the best international practices, cutting edge in terms of ensuring and that is going to be our focus.

Your second question on the property. The intent is we are embarking upon our sophistication of technology and people, but these are the two key aspects. it has gone through a rigorous kind of processing at the Board level to assess what will be the requirements, both from a regulatory side, because the regulatory responsibilities are also increasing, the technology response also increasing, the subsidiaries are growing.

And the important thing is to have CDSL group as a focus where all subsidiaries are working within the same building. So that there is a kind of an integration which is continuing to really embark upon. And the third question, I'll ask the CFO, Girish, to answer that question.

- Girish Amesara:** So if you look at our historical data, traditionally e-voting business has been on maximum in the second quarter. So second quarter, we had clocked income of ₹ 14.18 crores. However, in this quarter also, we have achieved an income of ₹ 3.78 crores. I hope this answers your question.
- Moderator:** The next question is from the line of Madhukar Ladha from Nuvama.
- Madhukar Ladha:** I wanted to get a sense of what were the KRA records at the end of the period and how many got created and what were the fetches? You used to give this number on calls. So it will be good to sort of get this detail right now.
- Sunil Alvares:** It's not there in the public domain.
- Madhukar Ladha:** Can I have it for the quarter end?
- Sunil Alvares:** Yes, for the 9 months FY '23, we did 85.72 lakhs records as against 1.11 crores last year. And from the fetch side, we did 1.9 crores as against 2.51 crores last year. So on both cases, it was a dip of about 23% to 24%.
- Madhukar Ladha:** I understand the KYC business, if I recollect correctly, we make around ₹ 20 per record creation and about ₹ 35 per fetch. Has there been any change in the economics? That's part one of the question.
- Part 2 was also the adoption of Aadhaar-based KYC could actually impact these revenues. So any comments around that will be helpful in terms of where the competing technology is and whether that will be used in financial services?
- Sunil Alvares:** Two things. One is the Aadhaar-based technology is already being used by most intermediaries. And after the KYC is fetched from Aadhaar, okay, the record is then uploaded in the KRA. So in a way, it is actually facilitates the online journey of customers and has increased the number of KYC records in the KRA. I didn't get your first question, sorry.
- Madhukar Ladha:** So I understand in that Aadhaar-based technology, the realizations could be lower from the current realization. Has that changed?
- Nehal Vora:** This will be a more futuristic question. So I would recommend that let's kind of remain out of this because we don't give a future outlook. It will have to be seen how it will pan out as we move forward. But what we're able to kind of focus on is what is happening as on today.
- Madhukar Ladha:** Understood. And currently, we are still realizing ₹ 20 per record created and is about ₹ 35 for fetches, is that understanding correct?
- Sunil Alvares:** See, that understanding is correct so far as our rack rates are concerned, but there are certain discounts.
- Moderator:** The next question is from the line of Sanketh Godha from Spark Capital.

Sanketh Godha: So I have two questions and a couple of data-keeping points. So first one is on insurance repository. I just wanted to understand or if you can give a color whether we have already started in intense discussions with the insurance companies? And what charges we are requiring -- we are charging and whether entire industry is thinking to outsource this to the depository or they intend to do it in-house? And where the charges will settle? So just if you can give a little bit of colour, how it will play out in from next fiscal year? That's the first question on insurance repository.

And second question is with respect to this KYC itself. Yesterday in the budget or day before in the budget, Finance Ministry has spoken about DigiLocker or the public cost structure and KYC linkage. So just wanted to understand whether this will have any impact on the current CVL's KRA business or how it will compete with the KYC income?

Nehal Vora: So both questions, I think are more futuristic. Insurance, something which you'll have to wait and watch how will it play out on how they will be kind of putting it where that charges will stabilize, etc. The teams are going ahead with their normal process of reaching out to the insurance companies, and we'll have to wait and watch.

Sanketh Godha: Sorry, but sir, on this one, just a small follow-up. Is there any pushback from insurance companies that they want to do it in-house or they are okay to outsource it to the repositories?

Nehal Vora: It's difficult to kind of gauge at this stage because they're all going through their own process of kind of really assessing the situation. But the regulations require it to have kind of an account. So I don't see that, I think the rules are pretty clear as to how it needs to be done. So they'll have to follow that.

Sanketh Godha: And sir, the reason I'm asking is that even the KYC thing has gone live from 1 April -- sorry, 1 Jan for the insurance -- every insurance product. So any colour there because it has already gone live?

Nehal Vora: Yes, that is for the new -- and that also is going through a process of basically the evolution is for the new insurance policies. So again, that's going through its own process of how it will basically stabilize because each one has its own way of ensuring its technology also is in compliance with all these requirements.

As regards to your second question on the KYC also. This will have to be just an announcement made. There is no formal process. And I think there are certain nuances and value adds, which the KRA as a process is involved in. And I think those are expected to continue. I don't think there is going to be any change, which is expected at this stage.

Sanketh Godha: Got it, sir. And probably a few data-keeping questions. Sir, if you can let us know the pledge income, annualized income broken down into listed and unlisted and cash income? And then if you can provide data provision also, it will be great because I think we used to disclose all these numbers in the past?

- Girish Amesara:** So the income from unlisted company in the quarter is at ₹ 89 lakhs and for 9 months, it is at ₹ 3.66 crores. With respect to margin pledge, the income for this quarter is ₹ 3.27 crores. And third, you had said about what?
- Sanketh Godha:** CAS income.
- Girish Amesara:** CAS is at ₹ 5 crores.
- Sanketh Godha:** And finally, debtors provision?
- Girish Amesara:** Debtors provision is at ₹ 3 crores.
- Moderator:** The next question is from Pranav Muchhala from Reliance General Insurance.
- Pranav Muchhala:** Yes. Sir, two quick questions. First, the question that I had is, sir, if you could give any guidance on the capex that we intend to do in terms of the technology cost for the forthcoming year?
- Nehal Vora:** Yes, Pranav, normally, we don't give any future outlook. So that we'll not able to give any specifics.
- Pranav Muchhala:** Sir, because we've talked quite a lot about the technology. So it will be much more helpful to understand or if you could give or the management could give a retrospective guidance or a ballpark's percentage of top line, which could be earmarked towards the technology costs in terms of an investment?
- Nehal Vora:** So we will not be able to give any specific numbers. – As I told you, we continue to ensure that technology is going to be our key driver in terms of our main business. But as a policy, we don't give any future outlook.
- Pranav Muchhala:** Sir, my second question is, in this financial year, as we speak by, have we revised or has there been any revision in terms of prices in transaction charges or annual issuer charges?
- Nehal Vora:** No, not yet.
- Pranav Muchhala:** And in FY '24, since this is being duopolistic, are we envisaging any upward revision in either of these charges?
- Nehal Vora:** That will be driven by basically the regulator. So we'll have to see how that pans out. And that's, again, futuristic, so we'll have to wait and watch.
- Pranav Muchhala:** So have we taken it up with the regulator? Have we put in an application for upward revision in the charges for the same?
- Nehal Vora:** Again, there are various points. –I don't think these are really put out in basically the public domain on our conversation with the regulator. But all as I can say as and when, if at all, it is approved, it will be put out in the public domain.

- Moderator:** The next question is from the line of Paresh G. Sangani from Club Millionaire.
- Paresh Sangani:** Yes. The first question is, we have seen a big jump in the employee cost almost more than 30% on a Y-o-Y basis. Wanted to know how many people have been added, I mean, which divisions or functions are these people being assigned to?
- Nehal Vora:** Yes. So I'll – we – generally, we don't give the count out, but I am saying the areas which are going to be in focus is basically the regulatory area, because there we are going to be a regulatory focus, technology are the 2 key areas.
- And obviously, overall, basically the operations also as our number of demat accounts and our size of the operations grow. So these are the 3 principal areas in which we are growing. However, there is an overall increase in our operations. So the ancillary support functions will also continue to see a growth.
- Paresh Sangani:** Okay. Noted. And Nehal, has there been any increase in our repository business in terms of people being added over there, because KYC would come into being just before of 1st of January and even digitization announcement have come due from November. So have you added headcount over there? And how are we well positioned on that?
- Nehal Vora:** We are going through our own internal process of – it's assessing the requirements as per the business opportunities. And that is again futuristic. So we will have to wait and watch how that pans out. But we are fully aware of the business opportunity, and we continue to kind of embark upon putting that right kind of people there to ensure that we are able to really explore and execute basically the business opportunity, which is there.
- Paresh Sangani:** Nehal, I understand, I don't want any futuristic guidance there. I'm referring to the expenses that have been incurred for the past quarter in terms of employees or manpower that you guided on the insurance side? I mean, is there a headcount or is there...
- Nehal Vora:** It is going through its own process of recruitment, etc. So that is something in process. ...
- Paresh Sangani:** And generally, Nehal, we now, almost 8 years-plus, right, that we have not had a price increase. I know discussions are being on and sometimes not being on as well. What is the plateau on it? Because if you see the costs have actually gone up in terms of technology, as you mentioned, regulatory costs have gone up, compliance costs have gone up, operational technology, manpower cost has gone up, right, we've gone up to IIT chargings. So what is status on that?
- Nehal Vora:** So again, there are two ways of looking at it. On one side, there are certain costs which grow on a certain year-on-year basis or after a period of time. Sometimes the costs are even expected to go down, that is what is the expectation. So where this particular thing will fall, we'll have to wait and watch.
- The important thing is that as ethos again and as a focus is that we want to have as many more people joining our fold, make it easier for them. Because any sales is a function of 2 aspects. One is the rate we charge and also the number of people who are joining, the volume of business.

So what is the – rate is basically what – basically the regulator will decide and we will take into consideration a lot of points before it moves forward. But at least where the volume is something, we want to create that value kind of proposition so that more and more people can join us.

Paresh Sangani: Sure. Has there been any discussions with the SEBI on this, Nehal, in terms of giving a price hike?

Nehal Vora: Sorry, Paresh, '–we don't discuss our regulatory conversations in basically the public domain. way-.

Moderator: The next question is from the line of Rabinder Singh Sikand from GSS.

Rabinder Sikand: My question is relating to the malware attack. I think somebody had already brought the subject up. Was any data compromised. And considering that you are doing KYC, isn't it something that should be on updates given to shareholders and the public more frequently than just a onetime press release?

Nehal Vora: So it is going through its own process of the regulatory interactions. At a suitable time, we will be giving out whatever is required to be done, but it is a process of certain amount of confidentiality, which has to be maintained from the overall scheme of things and that regulatory interactions which we are going through.

I would like to kind of really assure you that the highest level of security has been imposed, and there will not be any situation to really think about that there are any compromise, which has happened in terms of in that, but we continue to work on ensuring that the security is at its highest level.

I would request you to that we are going through a regulatory process and in terms of once at an appropriate time, we will be able to give that out.

Rabinder Sikand: And second follow-up question would be, how do you benchmark the technology that you're using? Do you compare it to what is used and what is comparable in, say, the United States and Europe, more developed economies? Are you benchmarking it against something? Or is that an OS that you're using?

And secondly, your password, considering you say that you're investing heavily in technology, have you seen the password that you use is only alphanumeric. It doesn't allow you to use special characters, isn't that something that you should be concerned about or has no one looked into this?

Nehal Vora: No. So we will take that because there are multiple ways of security. Password is just one angle. There are other ways in which it is being done. But however, I'll ask my security teams to look at that going forward. We have other mechanisms in which also the things have been made secured. In terms of how we benchmark ourselves, India is at a very unique position where we have a more -- most of the Western world is -- on the depository space is on a B2B business.

There is no client level visibility, which is given. It's the intermediary, which gives the visibility to the client. Whilst in India, we have more of where the customer is able to view his or her demat account directly with the CDSL. And in that sense, we are far superior. Even basically the authorization of onetime passwords, etc, directly happens with the customer with CDSL, which is kind of unique to the world in terms of the business security.

Rabinder Sikand:

No. But are we using an OS that is globally acceptable? Is this a home-developed operating system? Is it updated? Because the app or the website never asks for any updates, any security updates ever. As a user I've never ever had to update my, the website or the app and I use an Apple phone. On the Apple, there's no update on the app.

So what is the OS that we're using -- that you're using for this? And the password is the only access that a customer has to enter the site? What is the -- when you said multiple means of securing the account, the password is the only entry into the website, into a customer's this thing, what are the multiple points that you are referring to?

Nehal Vora:

So whenever there is transaction, which has to be conducted, there is a transaction pin and there's a onetime password which is required mandatorily, which is the additional forms of security, and that keeps on changing.

It goes to a two-factor authentication. Besides that, over and above that, every transaction is mapped with the obligation with the clearing corporation also at an individual level before the transfer takes place. That's why there are multiple forms of checks, which are taking place.

Before these things move forward, even on basically, the pledge mechanism, basically the margin pledge mechanism also, there's a one-time password to be put it before the transaction moves forward. So it is not just basically the password, but there are various modes in which the transaction is getting secured.

Rabinder Sikand:

But I don't know if anyone is actually following your Twitter feed. There are so many complaints every day on the lack of response to customer queries. Has anyone audited how your customer representatives actually interact with the individual customers? Is there any audit on that? I mean do you actually check dispute resolution?

Because if you look at your Twitter feed, it is full of people complaining and comparing. I know it's not a good thing, but one, you need to be aware, the people comparing your -- comparing CDSL with an STL in terms of response, in terms of customer query resolution. Is anyone auditing this? And has this been -- has this ever been discussed by anybody?

Nehal Vora::

Yes, this is closely being monitored. And as far as my review and reporting goes, most of the queries have been satisfactorily resolved and replied to. In fact, the continuous growth in demat accounts or the new demat accounts testifies that this is something which the market at large has been fairly satisfied with.

Rabinder Sikand: Yes. And the last point, you made a comment saying that you have in your opening remarks, working towards building wealth for investors. Market cap has eroded by nearly 70% in the last year or about 1 year, 1.5 years. What value are you creating?

Nehal Vora: See, I think the point is that it's important to ensure in a market infrastructure institutional business. And this is a long-term play. We are creating the infrastructure for the country as a whole. And these are the lines of business which has to be seen in that perspective and in that context other than on a quarter-on-quarter basis.

Rabinder Sikand: No, this is over a year, right? I mean we...

Nehal Vora: You will need to see what has been the market conditions at large. But there are basically the other extraneous factors which have taken place, be it basically the geopolitical issues, the interest issues, which have really impacted the market.

So I think every stock is kind of being mapped to the overall market conditions and not in its isolation. The important thing as a focus for a market infrastructure institution is to ensure that the company is focusing on building the right building blocks so that as and when the business opportunity is growing, it has the right toolkit within itself to ensure that, that growth is executed.

Rabinder Sikand: I take this with the spirit in which you have answered because I'm a very, very long-term investor. I've been investing in the stock from the time of the IPO. But my only request is that the security aspect be strengthened and we get a little more detail on what exactly we're using. I mean is it absolutely safe for, we don't want to be taken by, you don't want to be blindsided by another malware attack or something that we read about only in the press.

And the other thing is that please whoever is handling your Twitter feed, please handle it with a little more sensitivity, because the responses just do not match up to what you've just said over the telephone. It just does not match up. So if someone deals with this with a little more eye to detail, it would be nice.

Moderator: The next question is from the line of Prithvish Uppal from Asian Market Securities.

Prithvish Uppal: Sir, I just wanted to know from a data-keeping perspective, what is the split of annual issuer charges from the slab and folio-based method? That's the first. And again, in terms of annual insurance charges, what would be the split between listed and unlisted? Because this is something we used to provide earlier.

Nehal Vora: The first charge we don't provide in the public domain. I'll ask Girish Amesara to response on second one.

Girish Amesara: the income from unlisted companies is at ₹ 89 lakhs during this quarter and ₹ 3.66 crores for the 9 months.

Prithvish Uppal: Okay. Because, sir, I think one of your Q1 '19 calls, you've given the split between the slab and folio-based. So, or if you could just give any color like your total income, which -- how the

growth has been from either the slab -- from both the slab and folio based? And as a mix, how that would have possibly moved as well?

Girish Amesara: So if we look at our annual issuer income and if you look at last year, it was at ₹ 29 crores. However, this quarter, if you look at our income, it is at ₹ 47 crores. So it has moved positively, and the increase is almost 57%.

Prithvish Uppal: Sir, I was asking more from a perspective of how much the growth would have been driven from folios and how much would have been driven from slab?

Nehal Vora: We don't give that as part of our disclosures.

Moderator: The next question is from the line of Hemant, an Individual Investor.

Hemant: Sir, the first question which I have is, we have basically seen the revenue decline over the past few quarters, maybe 2 to 3 quarters. So what is the reason behind the decline in the revenue? And from when we can expect an upstream?

Nehal Vora: So revenue is a function of, again, as I said earlier, it's a function of the overall market volumes to some extent and to some extent, is kind of really an annuity. So to the extent of the impact of the overall markets have seen. So as and when we see the market picking up on its volumes and the level of activity at that point of time, we'll be able to see that. But again, that's a futuristic question, so I'll not be able to give a specific answer on that.

Hemant: And sir, you have given the split between the annual issuer charges of the unlisted and the listed, I think you mentioned ₹ 89 lakhs of unlisted. What is it from the listed company?

Girish Amesara: Our total annual issuer income for the quarter is at ₹ 45 crores, out of this the income from unlisted companies is ₹ 89 lakhs. Thus, the remaining is from listed companies.

Hemant: Okay. And sir, just a basic question from my end. Could the KYC part, which we are doing it from a subsidiary, is it only related to the mutual fund KYC or is it across? It may be a basic question to you.

Nehal Vora: No. It is across.

Moderator: The next question is from the line of Rahul Agarwal, an Individual Investor.

Rahul Agarwal: I have a question regarding the EGR. Could you please comment about the EGR revenue that has been...

Nehal Vora: We don't give us a product-specific revenue. And it is in the process of it will start going forward, but we don't give any product-specific revenue.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Nehal Vora: Yes. Thank you. To that one query on the Twitter feeds, I've just got an update from my team, I just thought I'll give you, that we do a weekly review of all the Twitter feeds and whether they have been replied.

However, we will take your feedback on record, and we will see if there have been anything which has not been replied to. In terms of overall, I would like to request all of you all to remain safe and sound and continue to be happy shareholders of CDSL. Thank you.

Moderator: Thank you. On behalf of Axis Capital Limited that concludes this conference call. Thank you for joining us you may now disconnect your lines.

Note: This transcript has been edited for readability and does not purport to be a verbatim record of the proceedings.