



# Central Depository Services (India) Limited

CDSL/CS/NSE/PSB/2021/263

December 14, 2021

**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 December 10, 2021**

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

This is with reference to our intimation dated December 09, 2021 on the captioned subject, please find attached the transcript of the aforesaid conference call.

The above information is also be available on the website of the company:  
[www.cdslindia.com](http://www.cdslindia.com)

This is for your information and record.

Yours faithfully,  
For **Central Depository Services (India) Limited**

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

Enclosures: As above

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## “Central Depository Services (India) Limited Conference Call with William Blair”

**December 10, 2021**



**SPEAKERS:**

- MR. GIRISH AMESARA – CHIEF FINANCIAL OFFICER, CDSL**
- MR. RAMKUMAR K – HEAD, OPERATIONS & BUSINESS DEVELOPMENT, CDSL**
- MR. SUNIL ALVARES – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER – CDSL VENTURES LIMITED**
- MR. SWAROOP GOTHI – VICE PRESIDENT, CDSL**
- MR. NILESH KITTUR – CDSL**
  
- MR. KALPIT SHAH – WILLIAM BLAIR**

- Moderator:** Ladies and gentlemen, good day and welcome to the CDSL Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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 Mr. Nilesh Kittur. Thank you and over to you, sir.
- Nilesh Kittur:** Welcome to the conference call. From the management side we have Mr. Girish Amesara – CFO of CDSL; Mr. Ramkumar – Head of Operations and Business Development; Mr. Sunil Alvares – M.D. and CEO of CDSL Ventures Limited. I now request Stephen to open the floor for discussion.
- Girish Amesara:** Hello, everyone. I’m Girish Amesara here, CFO, CDSL.
- Sanketh Godha:** Hi, sir. This is Sanketh from Spark Capital. Honestly, I can’t see whether Mr. Esteban has joined from William Blair or not.
- Kalpith Shah:** This is Kalpith Shah speaking. Esteban had a preoccupation with other things, so he won’t be here, but I’m going to be taking this call for him. I don’t know if it’s useful for management for me to talk a little about William Blair first, but I’m happy to jump into questions if they already know.
- Girish Amesara:** We can directly go to discussion on question-answer session in order to save time.
- Kalpith Shah:** Maybe we could spend a little time just talking about the regulatory environment. Could you may be talk about the risk to the current duopoly between NSDL and CDSL, can that continue to stay?
- Ramkumar K:** Presently, it’s a duopoly. But if you look at the Depositories Act, in fact, it allows multiple players i.e. more than two to come into the system. To that extent there is no bar on a third entity or a fourth entity coming into the system as a depository. There is always a possibility that there could be some other party who may come in with a depository.
- Kalpith Shah:** What about the pricing pressures from regulation?
- Ramkumar K:** The pricing of depository by definition is monitored or rather approved. Any price that we would want to be put for any of the services that we offer has to be approved by the SEBI that is Securities Exchange Board of India, our regulator, and then it can be made public by way of intimating through the DPs or RTAs or the public at large.
- Kalpith Shah:** So at this current moment, I think I read it was Rs.11 rupees per user. Do you think that’s sustainable? And can you give me some historical context?

**Ramkumar K:** In 2010, this was fixed at about Rs.5 per folio and the slab was there, but the rates were much lower. Before 2010 it was Rs.5 per folio and slab rate; in 2010, it became Rs.8 and slab rate; in 2015, it became Rs.11 and slab rate. So here we are in terms of the change in issuer billing tariff.

**Kalpita Shah:** And then do you think there's any risk of regulation on the trading side, because the business is broadly unregulated?

**Ramkumar K:** Trading is not handled by CDSL as we are a depository. We only deal with holding of the securities and allowing investors to do the transactions and facilitating settlement of the securities. If there is any regulation that affects trading or the ability to trade or the stock exchange that we wouldn't be directly intimated about by the regulator.

**Kalpita Shah:** If there's less IPOs or there's less exchange of shares on the markets, then there's less money to be made for you all. And so I'm just trying to get on...

**Ramkumar K:** Whether our income is directly proportional to the market activity? Yes, that is true, in terms of IPO, in terms of delivery based transaction, yes, it is involved, but how much percentage of it is there in terms of market-driven income and non-market that our CFO can throw light on it. But otherwise, what you said is broadly right.

**Kalpita Shah:** How do you all think about the risk to some of that? It seems like in India, a lot of that today tends to be unregulated. Do you think there's more regulation to come on outside and that's a potential...?

**Ramkumar K:** Whatever transactions happen through the stock exchanges are all under the regulated environment. So unregulated transactions are not there at all if you go to see. The only transaction which is not through the stock exchange is the bilateral transaction, which is between two people, we use the word "off market", which is also called bilateral transaction. Except for that everything else is regulated. I don't know where you're coming from in terms of seeing unregulated market or unregulated transaction.

**Kalpita Shah:** What I meant to get at is there's risk of regulation on the trading side where historically there have been maybe issues around, IPOs have been definitely a lot more regulated and then some of the insider trading, quant strategies and so forth it's been unclear what the regulations in those areas have been. Maybe also I don't follow the market close enough and I don't understand until I guess your position is that it has been fairly regulated up. Do you think there could be any changes to regulation are what I'm trying to get at?

**Ramkumar K:** About the trading system we would not be able to comment on because that is not something that we are in terms of being in business. We are not a stock exchange or a clearing corporation. So the regulations would be affecting those companies.

**Sunil Alvares:** We cannot give any forward-looking statements on how the regulations would impact us in case they are changed going forward? As of now, there's no impact on us.

**Kalpita Shah:** Can you talk about maybe on the competitive side, the commercial strategy difference between the depositories.

**Sunil Alvares:** As far as the commercials are concerned, it's almost the same. On the transaction charge side, we charge 5.50 in Indian rupees per transaction and it goes down to Rs.4.25 based on the volumes of transactions, whereas the competitor charges a flat rate of Rs.5.00 per transaction.

**Kalpita Shah:** Also what I meant by aside from pricing, how do you gather customers, try to convince them to come to you rather to the other side, what's the strategy there?

**Sunil Alvares:** The investor doesn't come directly to us, okay. So the investor is agnostic, where he is opening the account which depository. So basically, you need to have a strong network of depository participants. And it is those depository participants who ultimately recommend your product to the end investors. So, currently, we have around 600 depository participants as against about 275 of the competitor.

**Kalpita Shah:** How do you continue to grow that network?

**Sunil Alvares:** See, there is an eligibility criteria. So they need to have a basic networth requirement, etc., Actually, most of the intermediaries who are eligible to become participants are already becoming a participant. So from hereon it's like more or less growing. Within that people who are registered to increase their business and as their business increases, it will also increase the volume of our business.

**Kalpita Shah:** I guess you guys have had market share gains versus NSDL. Why has CDSL been gaining market share and new demat accounts?

**Sunil Alvares:** Yes, one is because, in terms of helping and hand holding depository participants, we are way ahead of NSDL. So there were a lot of solutions on the fintech side, which we could offer the new players who are coming in. So as a result, what has happened is most of the fintechs are currently only with CDSL. So that in a way has helped us to garner major market share. And not only that, even with some of our existing depository participants, we have been able to help them to go digital especially during this COVID period where most of the offices and branch offices are closed and only the online model was working. And that has helped us to a great extent.

**Kalpita Shah:** You mentioned earlier that the regulator allows Rs.11 per year, but do you think there's room for either side to even decrease pricing and still maintain this high level of profitability?

**Sunil Alvares:** Yes, actually, pricing again, the investor who's actually paying, he's agnostic, in the sense that I charge the depository participant some amount and the depository participant then charges the

investor some amount. But what would happen is if I increase my pricing, okay, there is a chance that the depository participant may not be happy with such a situation and if the impact is very high **they may shift to the** competitor.

**Kalpita Shah:** And then how do you think about maybe disruption on your business model, thinking about things like Blockchain and maybe even other things that you guys might be paying attention to?

**Sunil Alvares:** We have internally have analyzed that. But as of now, we don't feel that it will be a major impact, because apart from the technology, you need to have the companies onboarded. So there are a lot of other activities which have to come in simultaneously. So it is not just you to have a platform and everything will move onto it. It's not as simple as that.

**Kalpita Shah:** I guess from some competitive threats, what are some things internally that you guys are constantly thinking about?

**Sunil A:** One is we are trying to constantly improve on the technology and give value to the end user, that is the investor. So, to that extent, we have developed systems where the investor can give debit instructions, electronically itself. We have something called an eDIS which we had introduced. We are one of the first companies to introduce E-Voting for shareholders of companies. We were the first company to introduce Online KYC. So, that was introduced by us in 2007-2008. We are constantly updating our technology. that is a constant thing at CDSL. And going forward, we are looking at other avenues. We are one of the first companies to come out holding insurance policies in the electronic form as well as we have a commodities repository as well. All of those activities are already there in CDSL and there is constant developments taking place to ensure that we make the life of the investor much simpler and he has a great online experience.

**Kalpita Shah:** Just maybe piggybacking off that, maybe we can talk a little bit about growth. You mentioned a couple right there, but what are maybe some more the primary like short and long term growth drivers?

**Sunil Alvares:** For us all our growth drivers depends on the number of accounts, which are added by us month-on-month, that is a great growth driver. And point number two, because each account will get in transaction and transaction will result into revenue for us as transaction revenue and revenue from ISIN servicing. Secondly, is the state of the market, so if you have a buoyant market, obviously, there will be larger number of transactions and larger amount of revenues for CDSL. These are the two great growth drivers for us.

**Kalpita Shah:** You mentioned in order to get the number of accounts to go up you need to get more depository participants in your network. What you do is basically provide solutions. What has helped you grow so far is provide solutions on the fintech side and helping your customers go digital. Are there any other more long term tactics that you're using that might potentially make you stand out going forward?

- Sunil Alvares:** This is internal to us, so we will not be able to discuss this.
- Kalpita Shah:** And then maybe you could talk a little bit about TAM optionality. Do you think there's any other markets or any other monetization option that might be available to you all?
- Sunil Alvares:** We are also becoming a depository in the Gift City that is the IFSC, that is something my colleague Ram can speak on.
- Ramkumar K:** As far as the depository functions are concerned, we are having a foreign depository as a subsidiary of CDSL as we speak in (IFSC) International Financial Services Center, which is based out of Gandhinagar in Gujarat. We're having a company called CDSL IFSC Limited which is the depository offering bullion and securities depository system. So that is just in the course of getting operationalized, the company is floated, the systems are ready, it is only a question of it being inaugurated, it will be done in a month or so. Then after that, we'll see how it goes along.
- Kalpita Shah:** And how big do you think that international securities depository?
- Ramkumar K:** It is just going to be started. So I wouldn't be in a position to put a finger on the figures as to how big or what will be the potential of the market, but it will be similar to Hong Kong or Shanghai or Singapore market in that.
- Kalpita Shah:** And then the bullion market, that's just within India?
- Ramkumar K:** No, the bullion market, there are two parts to it, one is within India, India, there are two, one is the derivatives market, which already runs in maybe last 10 or 15 years through the various exchanges like MCX, BSE, NSE and others. So, that is a derivative market. Spot gold market is going to be launched soon as was published by SEBI as being discussed and approved by the SEBI board in the October meeting. So, that'll start maybe in the next financial year or maybe a little earlier, but next calendar year definitely. So, that is within India. In the IFSC bullion market, we will be competing with Shanghai or London or any other such bullion market for that matter.
- Kalpita Shah:** On the pricing side, does the SEBI ever give any long term guidance to you all about where it might be headed? I know you guys mentioned the five to eight to 11.
- Ramkumar K:** In terms of figures, no. It is market driven.
- Kalpita Shah:** Okay, so that's helpful on the growth side. Maybe we could talk a little bit about the costs, high level what would you consider to be the main costs?
- Girish Amesara:** If you look at our cost side, basically technology cost and employee cost are the key costs, which are the driver for depository. And apart from that, there are ancillary cost related to operations,

cost related to regulatory requirements, which are specified by SEBI and cost which are ancillary to business activity. So, overall, the cost consists of employee cost, technology cost and regulatory cost and other cost which are necessary for smooth running of the operation of the company.

**Kalpita Shah:** Since the beginning of the business to now where have you seen like the most increase in spending in cost and give me some examples of why?

**Girish Amesara:** So in terms of technology cost, we are constantly improvising on our technology that we provide to our participants. And that cost which will see an increase year-to-year. Employee cost will see an increase based on the inflation and based on the requirement of the company, regulatory costs are defined by SEBI. It's a cost which is based on operating profit that we earn and collection that we make from the issuer income. So these are the two main regulatory costs. So based on the operations of the company, if my operations are better, these costs would be higher and other cost will be in line with the inflationary pressure that we have on a year-to-year basis.

**Kalpita Shah:** Speaking of the inflationary cost, now, obviously, there's globally been news of inflation being an issue and have you been facing cost inflation and just maybe a) an employee base, but even broadly across the business?

**Girish Amesara:** So when we talk about employee cost, generally, what happens is that we tend to pay incremental cost of around 10% to 15%. And with respect to the cost which are ancillary cost or other cost, which will have an inflationary pressure of around 8% to 12% on an overall basis year-over-year.

**Kalpita Shah:** So you're saying employee cost have probably been around 10% to 15% year-over-year and ancillary cost have been around 8% to 12% year-over-year?

**Girish Amesara:** Yes. And those regulatory costs are directly proportionate to the operating profits that we make. So suppose if we make an operating profit which is higher by 50% compared to year-on-year basis, the equivalent cost, which is prescribed by SEBI will also increase in the same manner.

**Kalpita Shah:** Oh, that's interesting. So they're just basically tracking how much profit you're making? They're trying to take a percentage of that?

**Girish Amesara:** Yes.

**Kalpita Shah:** That's interesting. Is that the same way NSDL is regulated?

**Girish Amesara:** For regulatory cost it would be same. For employee and other it would be driven by their own estimates and the decision that they take.



**Kalpita Shah:** And then maybe we could shift a little bit to capital allocation. How are you guys thinking about dividend, share buybacks, reinvesting back into the business, maybe potential M&A and so forth?

**Girish Amesara:** So, when we talk about our network, we are roughly around 700 crores network and our dividend payout policy is 60% of the profits that we earn during the year, we are going to pay. There is something very peculiar in India, which has been specified by SEBI that the depositories who are running this business has to have minimum network requirement. So, if we consider CDSL and all other subsidiaries and the long term liabilities that we have around 235 crores would be required for regulatory capital out of this network. And what we foresee is that when we go to bid any projects which are coming out in the market and which are also supported by government, then our balance sheet size should be such that we are able to garner such projects. So, as of now, we have not thought of doing any buyback, but we are going to continue paying dividend as per the policy decided by the board.

**Kalpita Shah:** How do you think about M&A?

**Ramkumar K:** As of now, the board has not considered any such matter. And I cannot talk about future. It depends upon outcome of whatever board decides.

**Kalpita Shah:** I guess more specifically do you have any internal strategy for M&A, do you guys ever just look at maybe something that bank send you or other startup places might send you deals like is that even something that's a strategy internally or not even considered?

**Sunil Alvares:** We have to consider one thing is that we as a depository, we are governed by the depository regulation. We can only deal businesses which are incidental to the depositories which are very few in nature. So, to me, it would not be possible because the company you're merging or something would necessarily have to be a depository company.

**Kalpita Shah:** You talked about some of the investments into new businesses. You said the international depository bullion. What's your process to think about why those businesses and why make entries into those businesses, is that primarily because they are depository like businesses?

**Ramkumar K:** Yes, because our strength is mainly depository and also database-related systems, where heavy usage of databases required or processing capacities required. So we are looking at that space. Since it was a depository, and it was well within our line of functioning and our business in terms of understanding, we went ahead in terms of having a depository floated in Gift City, IFSC.

**Kalpita Shah:** What do you think are the main risks of the business and maybe even the durability of the business and maybe growth?

**Ramkumar K:** If we talk about businesses, it is about the volume in the market. As we mentioned, some time back in our conversation, the delivery based business volume that is witnessed in the stock exchange, either direct driver for our income partially to the extent of the percentage income from direct market transaction. So that is a risk that we are talking about. As in any other country there is always environment risk or regulatory risk, or government risk. Those things are all there in every country in every possible place in the world. So this I think hopefully answers your question.

**Kalpita Shah:** Sure. That's helpful. Yes. It seems like it's pretty straight forward that the largest risk is volume in what seems to be a fairly regulated business. What have been maybe questions that I haven't asked or maybe you heard a lot of investors consider asking?

**Ramkumar K:** More or less covered. Generally, all the investors assess this risk part, which others have really not asked till now, maybe because they are all India based, so, they are aware of the risk that they carry, that is point number one. Point number two is in terms of the question that you have not touched upon is basically the breakup of the income which anyway is available in the public domain as far as CDSL is concerned. So, probably already gone through those so you have not chosen to ask.

**Kalpita Shah:** Then maybe you could talk about what are maybe some things that I might not have asked that you would like to highlight that you feel like investors should be aware of in the business model that most maybe not aware of?

**Ramkumar K:** If I may put it across in a different way, we have something called Investor Awareness Program, these are called IAPs in abbreviated form. We do program fairly regularly at least two or three every week across the length and breadth of the country, that is one. Second thing it is also made available by way of it being uploaded into the YouTube, our link is there in YouTube, so any investor who has got time, he can look at the past IAPs that you have done, go into the YouTube and learn for himself as to what is good, what is bad, what are the do's and don'ts as far as getting into the capital markets generally and using the depository system specifically concerned, this is second. Third way in which we try to engage the investor is to also publicize the forthcoming programs if I may put it that way, the IAPs that would be running either in the physical mode or in the electronic mode, that is the (VC), Video Conference mode with the date and time and also the language. A person who has like for a particular language can join in. If he wants to look at the past records, he can always go into our site, see when a particular IAP was done, and a topic that he likes, he can select that and go to YouTube and then view it for him, this is the third point. Fourth point is that from investor risk perspective or risk mitigation or management perspective, we do send SMS through the mobile numbers of the customers if they are not registered in DND, and the emails to all the investors who have chosen to have their account debited or credited because of their actions or actions of individuals. So this is another kind of all-around information made available to the investor. It is for the investor to you know, educate himself and be aware of what is good, what is bad in entering the capital market in maintaining

himself having a demat account in the capital market. So you can also, when time permits, go to our site, look for yourself all these things which I mentioned.

**Kalpita Shah:** That's great that you all do that, investor education is obviously important and I think plays into some, we've been recently talking a lot about ESG factors and that obviously plays into a social aspect, right. And so could you maybe talk a little bit or highlight some ESG and corporate governance related aspects of the business?

**Girish Amesara:** With respect to corporate governance, we are supposed to file regularly on a quarterly basis, various requirements which are mentioned by SEBI and various requirements which are prescribed under the Companies Act, we have to file on a quarterly basis with the stock exchange at which we are listed. And those filings we made based on the listing agreement or SEBI regulation which are specified for a listed company. So, more or less these are all regulated disclosures which we are supposed to carry out on a periodic basis.

**Sunil Alvares:** Also, from the corporate governance perspective, SEBI prescribes that based on the number of shareholder directors, you should have equal number of independent directors on the board. So we have two shareholder directors and five independent directors and one MD & CEO. Then even in terms of the various committees, which are there in the depository, the SEBI also prescribes what should be the construct of each of the committees, how many independent directors should be there, and all of those things. These are very detailed regulation from the regulator. Corporate governance to a large extent is taken care of based on the recommendations of all these committees.

**Kalpita Shah:** You mentioned the corporate governance. You mentioned some of the investor education. Is there anything else you'd like to convey on the ESG front?

**Sunil Alvares:** No, these are two large things we do. So far as the environment is concerned, since we are already in the demat business, so we are already contributing to a large extent in reducing the carbon footprint. We have not really gone ahead and tried to get this converted into carbon credit as yet, but maybe in the future, that is something we can look at.

**Kalpita Shah:** Those are all the questions that I really had. I think you guys have covered a lot. Me and Esteban has just started looking into CDSL, we're very interested in the business and very high quality business, optionality for growth and we'd love to stay in touch and continue to learn more about the business and the regulatory environment as we're kind of ramping up on the business model, the competitive advantages, the growth opportunity and so forth. So, really appreciate the time. Thank you.

**Girish Amesara:** Yes. Thank you so much. Have a good day.

**Ramkumar K:** Thank you.



*CDSL  
December 10, 2021*

**Moderator:** Ladies and gentlemen, with that we conclude the conference. Thank you all for joining us and you may now disconnect your lines.