



Central Depository Services (India) Limited

CDSL/CS/NSE/HS/2022/96

May 27, 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 May 24, 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 23, 2022 for scheduling of Analyst /Investor Call /Conference Call on May 24, 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 Conference Call”

May 24, 2022



MANAGEMENT:

**MR. SUNIL ALVARES – MANAGING DIRECTOR & CHIEF
EXECUTIVE OFFICER - CDSL VENTURES LIMITED**

**MR. GIRISH AMESARA – CHIEF FINANCIAL OFFICER –
CDSL**

**MR. RAMKUMAR K– HEAD OF BUSINESS,
DEVELOPMENT, OPERATIONS, & NEW PROJECTS –
CDSL**

**MR. SWAROOP GOTHI - VICE PRESIDENT, FINANCE –
CDSL**

**MR. NILESH KITTUR – ASSISTANT VICE PRESIDENT –
CDSL**

**MR. NIKHIL MALPANI – AMERICAN CENTURY
INVESTMENTS**

MR. BALAJI JAYARAMAN – INVESTEC INDIA

SMT. SWAPNA BHANDARKAR – INVESTEC INDIA



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Moderator: Ladies and gentlemen good day and welcome to the conference call organized by Central Depository Services India Limited. As a reminder, all participant lines will be in the interactive mode. If you are travelling or in a crowded place please mute and unmute your lines by pressing “*” and “6” on your touchtone phone. 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 over to you Sir!

Nilesh Kittur: Good day and welcome to conference call of CDSL. For today’s call, CDSL management team is represented by Mr. Sunil Alvares, MD and CEO of CDSL Ventures Limited, Mr. Girish Amesara, CFO, CDSL, Mr. Ramkumar, Business. Development, Operations and New Projects and Mr. Swaroop Gothi, Vice President, Finance. I request the operator to open the floor for the questions.

Moderator: Thank you very much.

Balaji Jayaraman: Thanks Nilesh. Bala here from Investec. Nikhil has already dialed in.

Nikhil Malpani: Thank you for your time. I really appreciate you taking the time out, out of your schedule. I only have a few questions and just in terms of background I work at American Century Investments, which is a mutual fund based out of US and represent that I work in the emerging market scheme and we have invested in CDSL we have got in at a pretty good level at 400 or so and been pretty happy with our investments, but I thought it has been a while, it will be good to just quickly catch up on just a few things, we really do not need more than a little bit of time on this call so I thought it will be good time to catch up. So one of the primary reasons of the call I understand that different segments that the company has some of which are cyclical, some of which are structural, within the cyclical part I thought I will try and understand how things can work in the coming period if they were to be as people say bear market, the volumes can decline a little bit, etc., or what have you, but at the same time annual Issuer charges and those charges are expected to probably continue to grow overall and while I understand it is very difficult to predict what the volumes can be like, etc., but overall just trying to understand how are you thinking over the next few quarters and I understand there are a lot of different segments where the company is planning to grow which are new, but at the end of the day transaction charges are still good proportion and IPO also used to be a good portion of the company’s revenues, so just generally wondering what are your thoughts on those segments before I continue with other segments?



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- Girish Amesara:** Just to reiterate, the revenue of CDSL is largely contributed by issuer income, transaction charges, online data which is our KRA business and IPO charges, so these are the four main drivers of our income and rest of the income are ancillary to this activity. Now having said this you must have witnessed a very robust contribution of all this income in our overall yearly closing that we did and quarterly closing and in terms of future predictability it is something that we generally do not do make futuristic statements, but if you look at the overall market conditions which are prevailing in India and based on the geopolitical pressure or any such pressures there will be volatility in the market, so I guess we would not give any heads up on this, but as a market participant you may have various other sources to find this out.
- Nikhil Malpani:** I appreciate that and the base will become higher for those segments as well slowly as we keep moving forward and I am guessing that the other segments are still too small to be able to compensate for bad days in order to ensure that the growth remains strong right, some of the other new segments that the company is targeting those will take time to scale up, is that correct?
- Girish Amesara:** That's correct.
- Nikhil Malpani:** What has been the impact of recent regulation, the broker margin levels went up which resulted in some pressure on retail, consumers and brokers and I think there is some impact on volumes as well, anything that you sense from the market based on the recent changes?
- Girish Amesara:** Ramkumar can you touch upon this?
- Ramkumar:** Basically the question is more like as a depository we are not directly connected or our business is not directly related to margin or any other such activity,. So the impact of this if at all would be felt by the clearing member or the trading member who does the trade in the market, but it will not directly impact the depository, this is one. In terms of whether the volume drop or increase is related to this or not it is something that we will not be able to judge or tell you.
- Nikhil Malpani:** What was the change in regulation in particular in the month of May?
- Ramkumar:** This I think call is about details of March 31, 2022 I do not know whether we are talking about April, May, Girish we are supposed to be giving information on April, May also in this call or how does it work?



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Girish Amesara: That we can see only after June 30, 2022, but I guess your question is on the margin pledge activity which was initiated last year?

Nikhil Malpani: No, from what I understand there was some regulatory change which was implemented..

Girish Amesara: What you are talking about is the requirement of margin correct?

Nikhil Malpani: Yes, requirement at the individual client level.

Ramkumar : That affects the clearing member or the trading member, it does not affect the depository and that is imposed on the clearing member who is a registered member of the exchange, not on the depository, so this is something that we will not be able to comment on Sir.

Girish Amesara : So that impact would be on stock exchange or clearing corporation.

Nikhil Malpani: That is what I meant, I was trying to understand that better because in a way clearing members or brokers if they get impacted and volumes get impacted, so I was trying to understand what exactly was it that a new regulation that we have to deal with, but anyway it is okay if you cannot comment on that and the other thing was you are still in discussions with SEBI to see if they can raise the fee it has been pending for a while right, are you getting any feelers from the regulator on whether they are warming up to this or they are open to listening to this at the moment?

Girish Amesara: Basically it is a combined effort between both the depositories to take up with SEBI and recently that the COVID-related restriction has been lifted somewhere in last month or so, we are still thinking of getting into discussion with NSDL or that internal discussion thereafter we will see to how we can take it to SEBI, so we have yet not approached to SEBI on this and we will wait for some time to discuss on this.

Nikhil Malpani: Then LIC IPO which has happened recently, I noticed that new accounts grew from 40 million to 63 million in just nine months pretty fast and I am wondering how much of it might have been mainly because of that IPO because while everywhere in the world we are seeing retail participation increasing, but I am guessing you would have better visibility in terms of how many people are only there for LIC out of the new accounts that might have open, how active are these in general so you do not have to go into all the details, but I was hoping to get some color on possible out of these accounts, how much might be LIC impact and going forward so that I can get some understanding of what might be that one off we might see because of LIC IPO if at all?



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- Ramkumar:** LIC IPO details pertain to this financial year for this quarter, so this is something that I think we should not be discussing Sir because we are here to discuss about the last quarter of the previous financial year and of course you can ask about everything that happen in the previous financial year, this is my understanding Sir.
- Nikhil Malpani:** That is fine if you cannot discuss it and in terms of annual issuer charges I just want to understand one thing that if the overall let us say hypothetically if there were to be slowdown in the economy, etc., then annual issuer charges from what I understand also has non-listed entities, which is continuing to grow, so would you expect that to continue to happen at a good pace even if they were to be slowdown just a non-listed space is there a lot of interest in that segment?
- Girish Amesara:** Basically the unlisted companies are supposed to admit their capital with depository in case they have to come out with any corporate actions and there is no compulsion on them to remain with both the depository, they can either be with NSDL or CDSL, so there are chances that company may decide on as to which depository wants to admit their capital. Now having said this once any corporate action is conducted by the unlisted company they have to continue to remain admitted with depository, so as I told they keep on moving between two depositories, but they have to remain with one depository.
- Nikhil Malpani:** Would you expect large market share in unlisted also like it is in the listed one, what might be the current market share in the unlisted entity between the two depositories?
- Girish Amesara:** Rightly, roughly our market share is 30% so we may continue to hold that.
- Nikhil Malpani:** Investment income trends with higher interest rate should we expect that your investment everywhere?
- Girish Amesara:** Frankly speaking investment income is a by-product income and we generally do not put our much efforts on that because these are totally driven by the interest rates that RBI decides in India, so if the RBI increases the repo rate or CRR rate there are high chances that bond yields will increase and that will result into lower NAV with respect to investment avenues, so if RBI increases rate further from this there are chances that the investment income would be lower compared to earlier periods. I think we had witnessed that during 2021-2022 compared to 2021.
- Nikhil Malpani:** The bond prices go lower or higher rates and the mark-to-market..



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Girish Amesara: Because of that mark-to-market gains would be lower compared to earlier period and that we witnessed in last year, in 2021-2022 witnessed that in comparison with 2021.

Nikhil Malpani: Okay and then just on the cost front if we were to witness slower growth hypothetically not really predicting anything here, but if you were to witness slower growth, I am just trying to understand how much of the cost or how much operating leverage the business would have, are there a lot of cost control measures that you can work with to ensure that margins are, if not protected at least they do not go down much or most of the costs likely to be a little bit sticky?

Girish Amesara: If you look at our profitability and expense compared to our income, we have tried to control our cost to a larger extent and the main driver for our cost increase is with respect to technological cost and the employee cost because being into service industry, these two costs are the main costs based on which the business is going to run and everywhere we hear this great resignation trend that is happening for almost like six to nine months, so there is a likely impact of increase in cost with respect to technological cost and employee cost, but having said that what we achieve during March and if you look at it we are quite high compared to what we had achieved two years back in 2021 and 2019-2020 if you compare our profitability we are at whole time high, so cost is going to remain like this and I comment in first quarter of June as to what could be the cost.

Nikhil Malpani: Is that reasonable to generally expect cost to grow in line with inflation?

Girish Amesara: There could be inflationary pressure on the cost as well as, as I already told you this great resignation trends to increase employee cost to a extent, all large technological companies are witnessing increase in their cost, so that trend is likely to continue overall basis.

Nikhil Malpani: Okay and then just last question from me, of all the things you are doing outside of the main revenue streams, if I look five years from now what would be something that excites you the most where you think the business can be quite exciting for the company in the next four, five years which segment or which new business?

Ramkumar: We will not be able to make forward-looking statements to that extent this question particularly cannot be answered, but if you have any specific questions that any of the projects they undertaken in the past like for example your gold depository which is in the news or the securities and covenant monitoring we can answer that Sir. In terms of the open projects that is something that we will not be able to comment on. The project which is released or by the regulator as a press release or by a public statement that we can definitely answer.



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Nikhil Malpani: I do not have anything specific and I guess it was mainly the current big segments that I was curious about. In that case that is all from me. Thank you again for your time. Really appreciated and have a great evening all of you.

Ramkumar: Thanks a lot Sir.

Moderator: Thank you. Ladies and gentlemen on behalf of Central Depository Services India Limited that concludes this conference call. Thank you for joining us. You may now disconnect your lines.