

Qualitative Analysis

Sector analysis

- The financial services sector in India mainly consists of the **capital markets (asset management, broking, wealth management, investment banking, depository companies) and non-banking financial companies (NBFCs) and Payment banks.**
- However, the financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64% of the total assets held by the financial system.
- India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market.
- As of May 2022, AUM managed by the mutual funds industry stood at Rs. 37.37 trillion (US\$ 477.55 billion) and the total number of accounts stood at 133.3 million.
- By 2022, India's personal wealth is forecast to reach US\$ 5 trillion at a CAGR of 13%.
- Fund raising from IPOs amounting to Rs. 1,18,704 crore (US\$ 15.4 billion) were at an all time high during the calendar year 2021.
- Non-banking financial companies (NBFCs) are rapidly gaining prominence as intermediaries in the retail finance space. The public funds of NBFCs increased from US\$ 278.23 billion in 2016 to US\$ 470.74 billion in 2020 at a CAGR of 14.04%.

Company overview

- Central Depository Services (India) Ltd. (CDSL), is the first listed Indian central securities depository founded in 1999.
- CDSL was set up with the objective of providing convenient, dependable and secure depository services at affordable cost to all market participants.

- A depository facilitates holding of securities in the electronic form and enables securities transactions to be processed by book entry by a Depository Participant (DP) who acts as an agent of the depository, offering depository services to investors.
- In 2017 the company became and continues to be the first and only listed depository in Asia Pacific region.
- Largest depository in India in terms of number of demat accounts opened. On February 28, 2022 CDSL became the first depository in India to open 60 million active demat accounts.
- The depository holds assets worth INR 37.2 trillion and over 580 participants are associated with CDSL.

Company strengths and differences

1. **Electronic access to securities information** allows registered beneficiary owners (BOs) and clearing members (CMs), online access to their demat account from CDSL website.
2. **Myeasi Mobile App** allows users to login and view Holdings / transactions details and execute transactions securely from mobile device.
3. **SMS alerts related to transactions** enables to receive alerts for all type of debits and credits due to IPO allotments and corporate actions.
4. **Electronic Consolidated Account Statement** Provides you a consolidated statement of transactions and holdings held in both depositories' demat account(s) as well as in units of Mutual Funds held in Statement of Account (SOA) form.
5. **Electronic Voting** CDSL's e-Voting is an online platform that enables the shareholders to vote on Issuer / Company resolutions.
6. **Application Programming Interfaces** Ensures seamless processing of data between the Depository Participants (DPs) and CDSL.
7. **Electronic Delivery Instruction Slip** Allows a demat account holder to make an electronic debit request in a secured manner using an API provided to DPs by CDSL.
8. **Electronic Margin Pledge** an API interface provided to DPs using which an investor can make an online Margin Pledge / Margin Funding setup for availing margin benefit.
9. **Online Account Opening** online Account Opening (OLAO) application, is a complete solution for making KRA entry, generating CKYC files, generating DP file, and generating UCC files of customers and sharing them with the intermediary.
10. **Foreign Investment Monitoring** Monitoring of Foreign Investment limits in listed Indian companies.
11. **System Driven Disclosures** System Driven Disclosures (SDD) pertains to trading in equity shares and equity derivative instruments.
12. **MySARAL GST** CVL's tax filing solution MySARAL GST is authenticated with unique licence keys and in turn provides controlled API access to its partners through sub licence keys – Making tax filing convenient, easy and secured.
13. **Stamp Duty Calculator**
14. **Electronic Insurance Account** CDSL Insurance Repository provides policyholders the facility to keep insurance policies in electronic form.
15. **Electronic Negotiable Warehouse Receipts & Electronic Non-negotiable Warehouse Receipts** Facilitates ownership and transfers of commodity assets electronically.

Chairperson- Shri Balkrishna V Chaudal

Shri. Balkrishna V. Chaudal retired as Deputy Managing Director of State Bank of India, after serving for more than 38 years with the bank. As Deputy Managing Director he was overall in-charge of global markets' operations involving bank's investments and forex. His role inter alia included formulation of policy as well as strategy, ensuring regulatory compliance like maintenance of CRR/SLR, managing liquidity through money market operations and contributing to investment decisions, Asset Liability Management and Market Risk Management.

Company MD and CEO- Shri Nehal Vora

CDSL under his leadership as the MD & CEO, has become the leading depository of India with over 2 crore beneficiary accounts and is the first and the only depository to launch have its Branch at the International Financial Services Centre (IFSC) at the GIFT City, Gandhinagar. In addition, he continues to implement strong systems and processes for effective governance.

Shri Vora has over 2 decades of experience. In his earlier role as the Chief Regulatory Officer of BSE Limited and the member of the Executive Leadership Team, he drove regulatory excellence through membership compliance, surveillance, inspection, investigation, regulatory communication, investor services, listing compliance and regulatory legal teams.

He began his career with Securities and Exchange Board of India (SEBI) in 1996, where, he managed various functions including the Derivatives and New Products Department, covering policy, product and process innovation in areas of derivatives. He also implemented the T+2 rolling settlement and the system of Straight through Processing for the Institutional trades for the Indian Securities Markets.

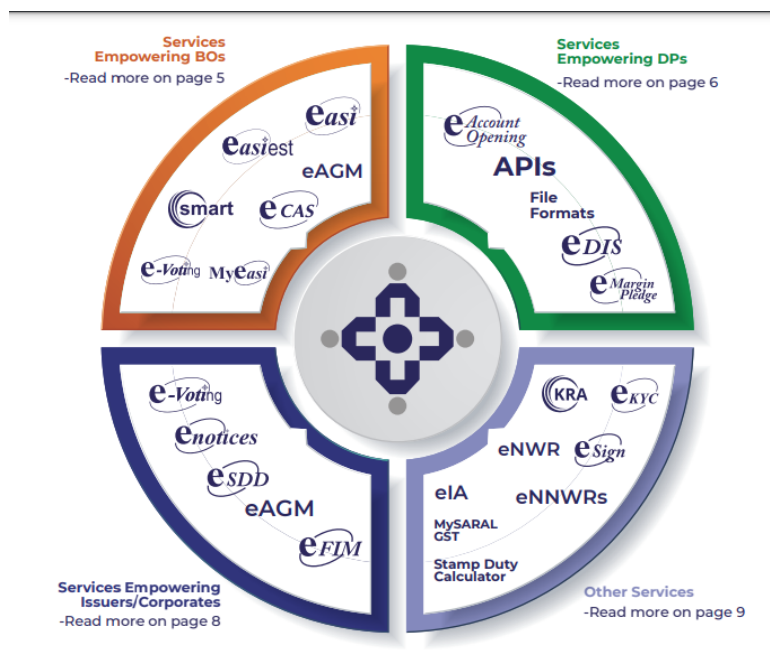
Shri Vora has also headed the Broking and Investment Banking Compliance at DSP Merrill Lynch Ltd, as the Director, Law and Compliance.

ALSO

The Board of Directors particularly the Managing Director & CEO is responsible for implementation of Business Responsibility policies.

Company Business segment-

- CDSL was set up with the objective of providing convenient, dependable and secure depository services at affordable cost to all market participants.
- CDSL facilitates holding and transacting in securities in electronic form and facilitates settlement of trades done on stock exchanges. These securities include equities, debentures, bonds, Exchange Traded Funds (ETFs), units of mutual funds, units of Alternate Investment Funds (AIFs), Certificates of Deposit (CDs), Commercial Papers (CPs), Government Securities (G-Secs), etc
- CDSL is currently the largest depository in India in terms of number of demat accounts.
- CDSL has in place, a robust infrastructure system with multiple back-up levels and world class information security and cyber security practices.
- CDSL offers an efficient and instantaneous transfer of securities held in electronic form in demat accounts.
- Company strives to provide convenient, dependable and secure depository services at an affordable cost for all market participants.



Investment Hypothesis-

Policies:

Corporate social Responsibility policy-The Corporate Social Responsibility Policy (“CSR Policy”) of Central Depository Services (India) Limited has been formulated by the CSR Committee and approved by the Board of Directors. This policy aims to contribute towards sustainable development of the society and environment to make the planet a better place for future generations.

Source-

<https://www.cdslindia.com/downloads/InvestorRels/CorporateGovernance/Corporate%20Social%20Responsibility%20Policy.pdf>

- Any income or surplus arising out of the CSR activities, projects or programs shall not form part of the business profit of the company and the same shall be ploughed back for use in CSR activities.
- CDSL has constituted a robust and transparent governance structure to oversee the implementation of its CSR Policy, in compliance with the requirements of Section 135 of the Companies Act, 2013 read with the CSR Rules.
- CDSL CSR Committee shall consist of at least 3 (three) Directors or more, out of which at least 1 (one) Independent Director / Public Interest Director, as per the requirement of the Companies Act, 2013.

CSR Spending:

CDSL's total budget for the CSR projects will be reviewed and approved by the CSR Committee and Board of Directors in accordance with applicable provisions of the Companies Act, 2013 and CSR Rules.

The company shall endeavour to achieve the objectives of CSR Policy and allocate every year:

a) Minimum 2% of its average net profits made during the three immediately preceding

financial years

b) Any income or surplus arising out of the CSR activities, projects or programs shall not form part of the business profit of the company and the same shall be ploughed back for use in CSR activities

All the expenditure relating to CSR shall be pre-approved by the CSR Committee.

3 The tax treatment of CSR spent will be in accordance with the Income Tax Act, 1961 as may be notified by the Central Board of Direct Taxes.

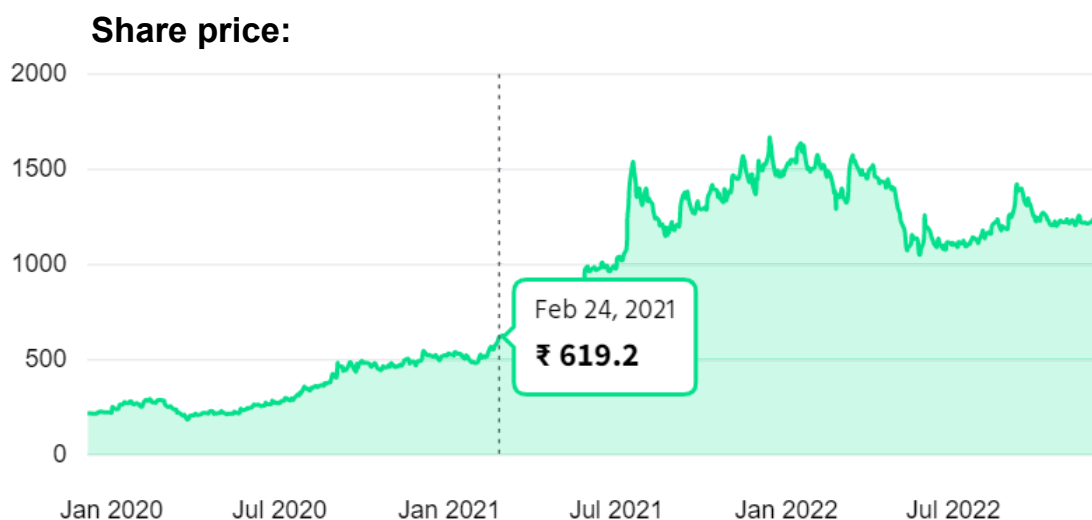
Strategy

Continue to focus on developing new DPs relationships and leveraging your Company's existing DP network

Continue to introduce new offerings and scale up recently started businesses

Continue to invest and upgrade the IT infrastructure and systems leading to enhancement of operational efficiency and service quality.

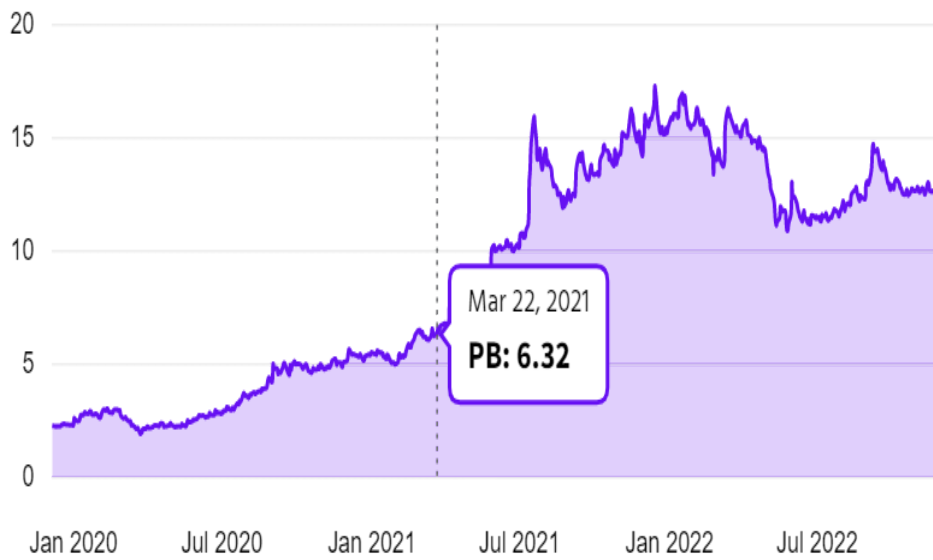
Quantitative Analysis



P/E ratio:



P/B



Income Growth i



Profit Growth i



ROE% i



ROCE % i



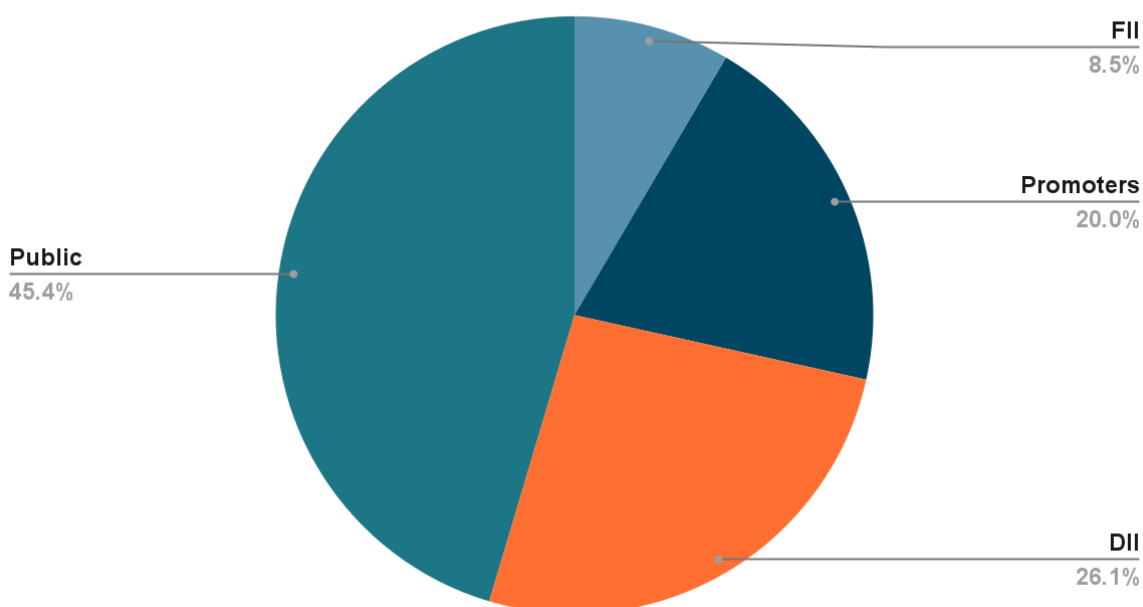
CDSL RATIOS	1YEAR	3YEAR AVG.	5YEAR AVG.
Income growth	34.42%	39.64%	27.81%
Profit growth	64.79%	46.22%	31.2%
P/E Ratio	44.88(current)	43.49	39.70
P/B Ratio	12.47(current)	10.72	8.55
ROE	34.42%	24.63%	21.23%
ROCE	44.02%	31.49%	27.5%
Debt to equity	0	0	0
EPS	0.25(current)	0.16	0.13

	FY22	FY21	FY20
Total Revenue	605.9	400.63	284.25
Profit after tax(PAT)	311.18	200.34	106.16
EBITDA Margin	76.43	78.18	65.84
ROA	12.29	14.48	14.88
OPM	74.35	75.51	60.62
NPM	59.44	58.28	47.15
Basic EPS	29.78	19.17	10.16

Other financial ratios (current):

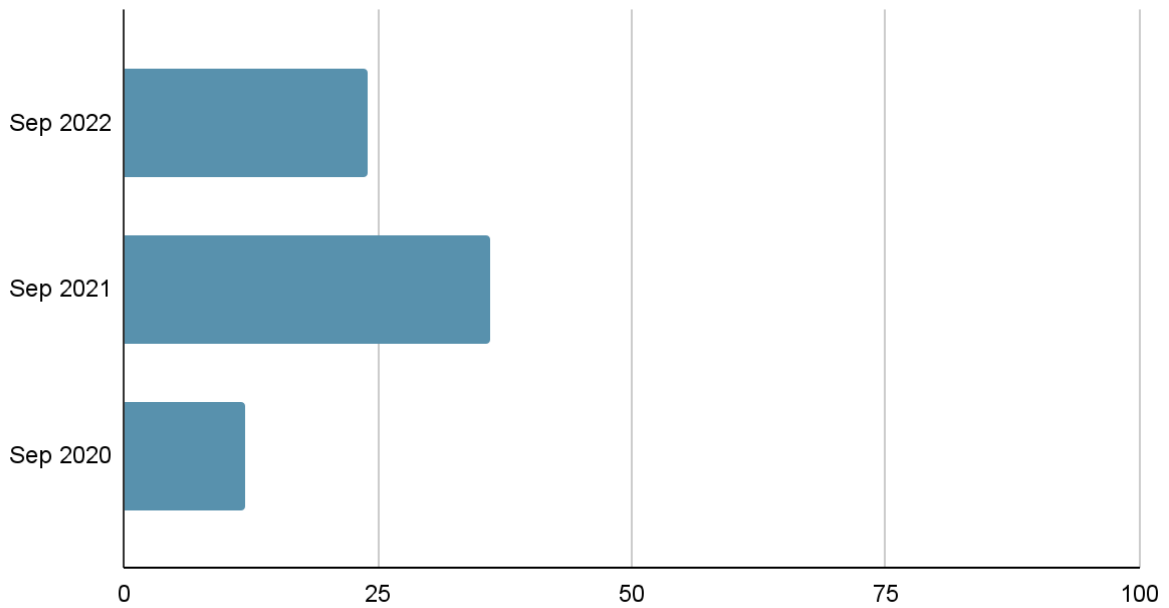
PEG Ratio	PAT Margin	EPS Growth
0.69	6.59	64.79
Industry PE	Working capital	Div. Yield
26.2	Rs 568 cr.	1.25%

Shareholding Pattern



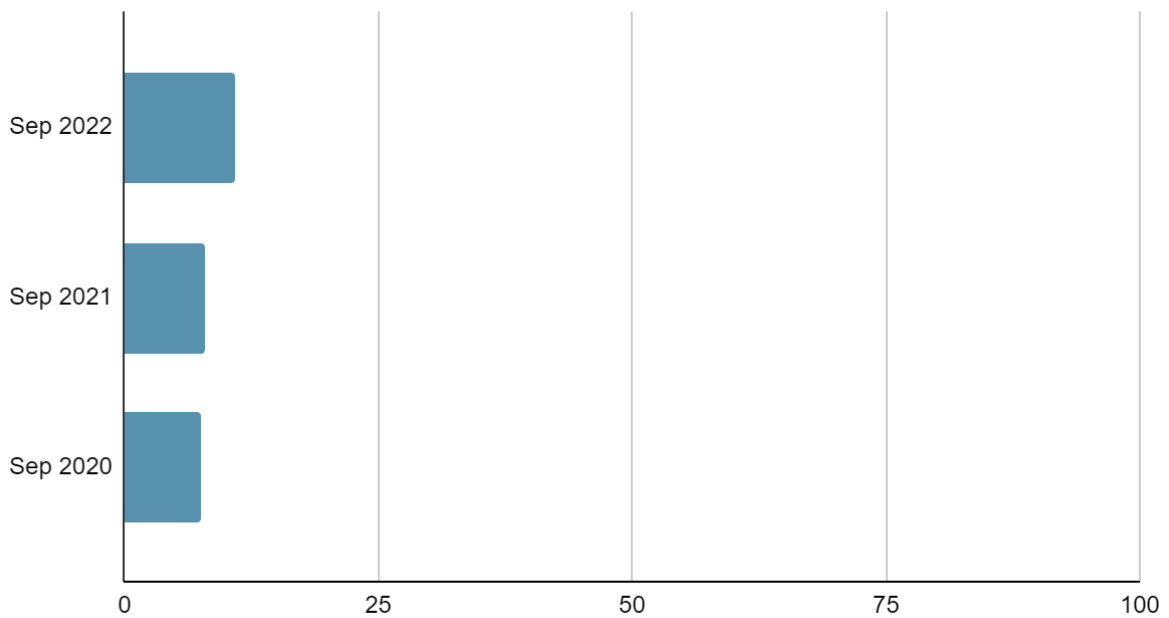
Foreign Institutions:

FII Holdings



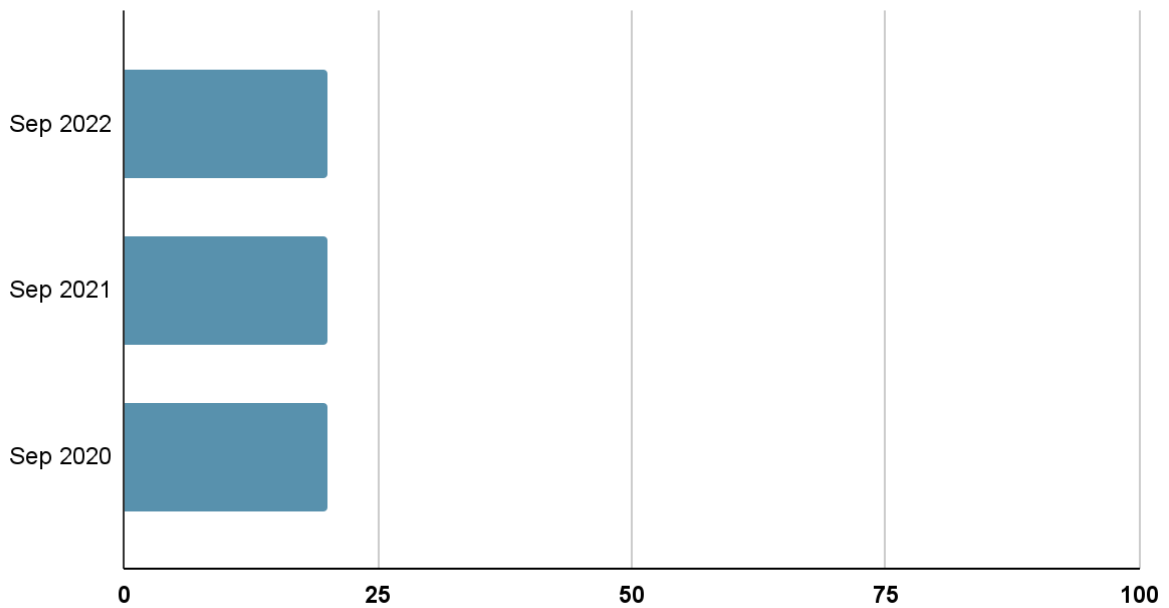
Mutual Funds:

MF holdings



Total Promoter holdings:

Promoter holdings



Peer Comparison

Name	Mar Cap.	Sales Turnover	Net Profit	ROCE%	ROE	Book Value	P/E	TTM -PE	Debt/Equity
CDSL	12,563Cr	551.33	313.22	41.4%	31.6	102.92	39.14	41.93	0.00
Info Edge	53,433	1589.03	10,686.87	24.3%	21.8	1104	18.0	9.70	0.01
Ques s Corp	6,499	13691.78	252.66	13.2%	9.80	171	24.5	24.39	0.38
Delta Crop	5831	616.13	68.22	5.40	3.25	78.6	23.4	23.90	0.01
SIS	5706	10,059.08	323.33	12.9	16.6	148	16.4	16.39	0.74
Team Lease Ser.	4376Cr	6479.82	39.45	16.6	14.8	441	37.0	36.68	0.12

Alankrit	159 Cr	128.15	2.87	8.28	2.05	6.31	180	-	0.60
Creative New	758 Cr.	933.88	19.25	24.8	27.3	70.3	39.1	29.96	0.82

Info Edge

Info Edge (India) Limited is an Indian pure play^[6] internet company, based in Noida, Uttar Pradesh. It was founded by Sanjeev Bikhchandani in 1995. The company runs an online job portal Naukri.com, a matrimony website Jeevansathi.com, a real estate classifieds platform 99Acres.com, a workplace discover platform AmbitionBox.com and an educational website Shiksha.com.

Quess Crop

Quess Corp Limited (Quess) is India's leading business services provider, leveraging our extensive domain knowledge and future-ready digital platforms to drive client productivity through outsourced solutions. Established in 2007 and headquartered in Bengaluru, Quess today has unmatched geographic presence and scale with more than 96 offices across world.

Delta Crop

Delta Corp Limited, previously known as Arrow Webtex Ltd., is an Indian gaming and hospitality corporation that owns and operates casinos and hotels under several brands. It is engaged in casino (live, electronic and online) gaming, with the majority of its offshore casinos in Panaji, Goa. Delta Corp Limited was incorporated as a privately held company under the name Creole Holdings Company Pvt Ltd on 5 November 1985. The company became a deemed public limited company with the acquisition of shares by Finolex Group.

SIS

SIS Group Enterprise (formerly Security and Intelligence Services (India)) is a private security firm in India, Australia and New Zealand. It was set up in 1985 by Ravindra Kishore Sinha who is an Indian billionaire businessman and journalist. SIS Group is one of the largest manpower security firms in the Indo-Pacific region with sales in excess of ₹8,500 crore (FY2020). The company offers Security, Cash Logistics, and Facility Management Services in India, Australia, and a few Asia-Pacific regions.

Risk And Concerns

- The Company's inability to effectively manage its growing DP network or any disruptions in its supply or distribution infrastructure may have an adverse effect on its business, results of operations and financial condition.

- Bulk of the accounts are presently being opened by the online account opening mechanism, which primarily depends on the online feed from / to depositories / stock exchanges / KRAs. Any changes to the mode of exchange of information from / to these entities enforced due to regulatory directions from SEBI, etc., could adversely impact account opening.
- Any interruptions or malfunctions in the operation of the Company's IT systems could damage its reputation and cause loss for the business.
- Shift in consumer preferences from investing and trading in securities to other products and services, could significantly reduce the demand for the Company's services and adversely affect its business, financial condition, and results of operations.
- Fraud due to unauthorized transfer of securities or service deficiency could result in losses. Further, if account data disseminated by the Company contains undetected errors; it could have a material adverse effect on its business, financial condition, or results of operations.
- Broad market trends, economic and market conditions and other factors beyond the Company's control could significantly reduce demand for its services and harm its business, financial condition, and results of operations.
- Insufficient system capacity and systems failures could materially and adversely affect the Company's business. Increasing reliance on technology has increased the Cyber Security and Data Privacy risks which could have a serious impact on business.
- The Company operates in a highly regulated industry and may be subject to strict compliances, fines and other legal proceedings if we fail to comply with our legal and regulatory obligations.

Summing Up

In brief, Central Depository Services Limited (CDSL) is a leading securities depository in India offering services related to holding, settlement and transfer of securities in electronic form. Financial analysis of CDSL includes analyzing its financial statements to understand its financial performance, liquidity, solvency and profitability. Key metrics used in financial analysis include revenue growth, operating margin, earnings per share (EPS), return on equity (ROE), and debt-to-equity ratio. It is important to note that the interpretation of financial analysis is subjective and can vary, so it is recommended to compare CDSL's financial results with its industry peers to better understand its relative performance.