

Price: 1,314

Recommendation: Buy

Industry: Capital Markets

Sector: Financial Services

Report Date: 05-May-2025

Central Depository Services (India) Limited (CDSL) is a leading securities depository in India, holding a 79% market share with 14.65 crore demat accounts as of December 2024. Focused on innovation, transparency, and financial inclusion, CDSL drives market modernization through initiatives like eKYC and eAGM. Recognized for excellence, it supports India's evolving capital market with scalable, technology-driven solutions.

Sales		Profit & Loss		Profitability Matrix	
Current Year	848 Cr	Operating Profit(Year)	498 Cr	Operating Profit Margin	58.7 %
Previous Year	641 Cr	Operating Profit(Quarter)	90.1 Cr	EBITDA Margin	74.76 %
Current Quarter	182 Cr	PAT (Year)	462 Cr	Net Profit Margin	54.5 %
Previous Quarter	221 Cr	PAT (Quarter)	80.8 Cr	EPS	22.1
Revenue (QYoY)	185 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	59.4	Sales Growth	32.3 %	Sales Growth	-17.65 %
PEG Ratio	1.38	PAT Growth	27.27 %	Sales Growth QYoY	-1.62 %
EV/EBITDA	43.1	EPS Growth	0.0 %	PAT Growth	-23.05 %
P/B	19.7	Dividend Yield	0.74	PAT Growth QYoY	-17.04 %
Capital Allocation		Holdings		Leverage	
RoE	36.2 %	Promoter	15.0 %	Debt/Equity	0.00
RoA	29.6 %	FII	11.3 %	Debt	2.31 Cr
RoCE	46.5 %	DII	15.4 %	Market Cap	27463 Cr
RoIC	44.8 %	Public	58.2 %	Enterprise value	27306 Cr
		No of Shares	20.9 Cr	Cash Equivalents	159 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

Central Depository Services (India) Limited (CDSL) showcased robust growth and strategic initiatives during its Q3 FY25 earnings call. The company emphasized its commitment to enhancing the capital market ecosystem through innovation, efficiency, and transparency. Key initiatives like eKYC, eDIS, and eAGM have been instrumental in modernizing market access and infrastructure, earning CDSL the Market Infrastructure of the Year Award at the Regulation Asia Awards 2024. The company also highlighted its focus on financial inclusion, aiming to increase retail participation in the securities market, which currently stands at only 7% of India's population. With 14.65 crore registered demat accounts as of December 2024, marking a 40% YoY growth, CDSL continues to dominate the market with a 79% share of total demat accounts.

CDSL's financial performance reflects its strategic focus on scaling operations and leveraging economies of scale. Consolidated income for Q3 FY25 grew by 26% YoY to INR 298 crores, while net profit increased by 21% to INR 130 crores. On a nine-month basis, consolidated income surged by 47% to INR 944 crores, with net profit rising by 47% to INR 426 crores. Subsidiary CDSL Ventures Limited (CVL) reported a 61% increase in income to INR 206 crores for the nine-month period, driven by KYC-related services. The company continues to invest in technology and skilled personnel to ensure scalability and readiness for future market demands, despite muted market conditions and geopolitical challenges.

Strategically, CDSL is focused on long-term sustainability rather than short-term gains. The company has proactively reduced transaction charges to encourage broader market participation, aligning with its Atmanirbhar investor-focused approach. While this has impacted transaction income, the move is expected to drive higher adoption of demat accounts and strengthen CDSL's position as the preferred depository. Additionally, the dematerialization of private company shares under new MCA guidelines presents a significant growth opportunity, with INR 7.47 crores earned from this segment in Q3 FY25. The company remains optimistic about leveraging these regulatory changes to expand its revenue base.

Looking ahead, CDSL aims to further enhance its technology infrastructure to support scalability and innovation. The management emphasized the importance of being prepared for sudden market spurts, as seen during the COVID-19 period. Investments in technology and employee skillsets are viewed as complementary rather than competitive, ensuring the company remains agile and resilient. With a focus on financial inclusion, regulatory compliance, and customer-centric growth, CDSL is well-positioned to capitalize on India's evolving capital market landscape, driving sustainable growth and creating long-term value for stakeholders.

CDSL Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
BSE	87229.76	93.25	15.20%	2.27%	95.20%	-36.78%	105.69%
Multi Comm. Exc.	31991.35	62.43	5.82%	5.53%	57.35%	4.18%	3091.40%
CDSL	27431.25	59.35	36.23%	-17.84%	-1.91%	-23.03%	-17.11%
Cams Services	18837.74	43.60	40.47%	1.65%	29.26%	2.26%	37.72%
KFin Technolog.	18705.42	56.21	26.10%	-2.52%	23.81%	-5.69%	14.21%

Aspect	Commentary
Revenue	CDSL's revenue grew 32.3% YoY to INR 848 Cr, driven by increased demat accounts and regulatory changes. However, QoQ revenue declined by 17.65%, reflecting muted market conditions. Strategic initiatives like eKYC and eAGM continue to support revenue growth despite short-term fluctuations.
Profit & Loss	Operating profit surged to INR 498 Cr, with a robust margin of 58.7%. PAT grew 27.27% YoY but declined 23.05% QoQ, indicating short-term pressures. EPS remained stable at 22.1, showcasing consistent shareholder returns despite market challenges.
Profitability Matrix	CDSL's profitability remains strong, with an EBITDA margin of 74.76% and net profit margin of 54.5%. High RoE (36.2%) and RoCE (46.5%) reflect efficient capital utilization, while RoIC of 44.8% underscores operational efficiency and sustainable returns.
Valuation Matrix	Trailing P/E of 59.4 and PEG ratio of 1.38 indicate high growth expectations. EV/EBITDA of 43.1 suggests premium valuation, supported by strong fundamentals. Dividend yield of 0.74% provides moderate income potential for investors.
Growth (YoY)	Sales grew 32.3% YoY, driven by increased demat accounts and regulatory tailwinds. PAT growth of 27.27% highlights operational efficiency. However, EPS growth stagnated, reflecting challenges in translating revenue growth into per-share profitability.
Growth (QoQ)	QoQ sales declined 17.65%, reflecting muted market activity. PAT fell 23.05%, impacted by reduced transaction income. Strategic focus on long-term growth through lower charges aims to offset short-term pressures and drive broader market participation.
Capital Allocation	CDSL's RoE (36.2%) and RoA (29.6%) highlight strong returns on equity and assets. Cash equivalents of INR 159 Cr ensure liquidity, while zero debt and a debt/equity ratio of 0.00 reflect financial prudence and a robust balance sheet.
Holdings	Promoter holding stands at 15%, with public investors owning 58.2%. FII and DII holdings of 11.3% and 15.4% respectively indicate institutional confidence. The diversified ownership structure supports stability and long-term growth potential.
Leverage	CDSL maintains a debt-free position with a debt/equity ratio of 0.00, ensuring financial stability. Market cap of INR 27,463 Cr and enterprise value of INR 27,306 Cr reflect strong investor confidence and scalability in the capital markets sector.

Analyst viewpoint: CDSL has demonstrated strong growth and resilience, making it a compelling investment opportunity in the short to mid-term. The company's revenue grew 32.3% YoY to INR 848 Cr, driven by regulatory tailwinds and a 40% YoY increase in demat accounts to 14.65 crore, solidifying its 79% market share. Despite a QoQ revenue decline of 17.65% due to muted market conditions, strategic initiatives like eKYC and eAGM continue to drive modernization and financial inclusion. CDSL's profitability metrics remain robust, with an EBITDA margin of 74.76% and a net profit margin of 54.5%, supported by efficient capital allocation reflected in a high RoE of 36.2% and RoCE of 46.5%. The company's debt-free position and cash equivalents of INR 159 Cr further underscore its financial stability and readiness to capitalize on future growth opportunities, including the dematerialization of private company shares under new MCA guidelines.

While CDSL's premium valuation metrics, such as a trailing P/E of 59.4 and EV/EBITDA of 43.1, suggest high growth expectations, they are supported by strong fundamentals and consistent shareholder returns. The management's proactive reduction in transaction charges aligns with its long-term strategy to drive broader market participation, even as it impacts short-term transaction income. Peer comparisons highlight CDSL's superior RoE and operational efficiency, positioning it favorably against competitors like CAMS and KFin Technologies. However, the stagnation in EPS growth and QoQ declines in PAT (-23.05%) and revenue (-17.65%) reflect short-term pressures that investors should monitor. Overall, CDSL's focus on innovation, scalability, and financial inclusion makes it well-positioned to deliver sustainable growth and long-term value for stakeholders.

Please read detailed disclosure on next page.

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Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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