

Price: 1,313

Recommendation: Buy

Industry: Capital Markets

Sector: Financial Services

Report Date: 22-Apr-2025

Central Depository Services (India) Limited (CDSL) is a leading securities depository in India, enabling secure and efficient dematerialization of financial instruments. With 14.65 crore demat accounts and a 79% market share, CDSL drives innovation through services like eKYC and eAGM. Committed to financial inclusion, it fosters retail participation and supports India's evolving capital market ecosystem.

Sales		Profit & Loss		Profitability Matrix	
Current Year	852 Cr	Operating Profit(Year)	522 Cr	Operating Profit Margin	61.3 %
Previous Year	451 Cr	Operating Profit(Quarter)	131 Cr	EBITDA Margin	57.98 %
Current Quarter	221 Cr	PAT (Year)	363 Cr	Net Profit Margin	56.7 %
Previous Quarter	248 Cr	PAT (Quarter)	105 Cr	EPS	22.9
Revenue (QYoY)	170 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	57.3	Sales Growth	53.7 %	Sales Growth	-10.89 %
PEG Ratio	1.69	PAT Growth	33.46 %	Sales Growth QYoY	30.0 %
EV/EBITDA	41.7	EPS Growth	31.61 %	PAT Growth	-38.6 %
P/B	22.7	Dividend Yield	0.71	PAT Growth QYoY	22.52 %
Capital Allocation		Holdings		Leverage	
RoE	34.2 %	Promoter	15.0 %	Debt/Equity	0.00
RoA	28.5 %	FII	11.3 %	Debt	0.25 Cr
RoCE	44.5 %	DII	15.4 %	Market Cap	27433 Cr
RoIC	144 %	Public	58.2 %	Enterprise value	27284 Cr
		No of Shares	20.9 Cr	Cash Equivalents	149 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 accounts.

CDSL's business strategies revolve around long-term sustainability and scalability. Despite muted market conditions and geopolitical challenges, the company remains focused on building a robust infrastructure to support future growth. Investments in technology and skilled personnel are prioritized to ensure scalability during market spurts. The management highlighted its proactive approach to technology upgrades, emphasizing the importance of staying ahead in terms of security, network, and application sophistication. While transaction charges were reduced to encourage broader participation, the company maintained profitability and continued to invest in innovation, reflecting its commitment to long-term growth rather than short-term gains.

Diversification efforts were evident in the performance of subsidiaries like CDSL Ventures Limited (CVL), which reported a 61% YoY increase in total income for the nine months ending December 2024. The private company dematerialization initiative also contributed INR 7.47 crore in Q3, showcasing the potential of new revenue streams. Additionally, the company's focus on corporate actions and IPO-related services remains strong, with revenues from these segments growing despite fluctuations in market activity. CDSL's ability to adapt to changing market dynamics while maintaining its leadership position underscores its strategic foresight and operational resilience.

Looking ahead, CDSL aims to further strengthen its position as a trusted market infrastructure provider. The management reiterated its focus on financial inclusion, aiming to bring more investors into the securities market fold. While regulatory pricing constraints exist, the company remains optimistic about future adjustments to align with evolving market conditions. With a clear vision for innovation, scalability, and inclusivity, CDSL is well-positioned to capitalize on India's growing capital market ecosystem, 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	84495.17	90.28	15.20%	2.27%	95.20%	-36.78%	105.69%
Multi Comm. Exc.	30452.64	59.42	5.82%	5.53%	57.35%	4.18%	3091.40%
C D S L	27433.34	57.33	34.18%	-10.83%	30.31%	-38.69%	22.41%
KFin Technolog.	22116.95	68.72	24.47%	3.40%	32.60%	0.96%	34.94%
Cams Services	19771.91	45.81	40.47%	1.65%	29.26%	2.26%	37.72%

Aspect	Commentary
Revenue	CDSL's revenue grew significantly YoY by 53.7%, driven by increased demat accounts and diversification efforts. However, QoQ revenue declined by 10.89%, reflecting muted market activity. The company's focus on innovation and financial inclusion supports long-term revenue growth despite short-term fluctuations.
Profit & Loss	Operating profit margin of 61.3% and PAT growth of 33.46% YoY highlight strong profitability. However, QoQ PAT declined by 38.6%, indicating challenges in sustaining quarterly performance. Strategic cost management and diversification efforts are key to maintaining profitability.
Profitability Matrix	CDSL's profitability metrics are robust, with a net profit margin of 56.7% and RoCE at 44.5%. High RoIC of 144% reflects efficient capital utilization. EBITDA margin of 57.98% underscores operational efficiency, supporting long-term financial stability despite quarterly fluctuations.
Valuation Matrix	Trailing P/E of 57.3 and PEG ratio of 1.69 indicate high growth expectations. EV/EBITDA of 41.7 suggests premium valuation, supported by strong fundamentals. Dividend yield of 0.71% reflects moderate shareholder returns, aligning with reinvestment-focused strategies.
Growth (YoY)	Sales growth of 53.7% and EPS growth of 31.61% YoY highlight strong operational performance. PAT growth of 33.46% reflects effective cost management and revenue diversification. The company's focus on innovation and market expansion drives sustainable growth.
Growth (QoQ)	QoQ sales declined by 10.89%, reflecting market challenges, while PAT dropped by 38.6%. However, QYoY sales growth of 30% and PAT growth of 22.52% indicate resilience. Strategic initiatives like eKYC and eAGM support recovery and long-term growth potential.
Capital Allocation	CDSL's RoE of 34.2% and RoA of 28.5% reflect strong returns on equity and assets. Cash equivalents of INR 149 Cr ensure liquidity for innovation and expansion. Debt-free status highlights financial prudence, supporting sustainable growth and shareholder value.
Holdings	Promoter holding at 15% and public holding at 58.2% reflect diversified ownership. FII and DII holdings at 11.3% and 15.4% respectively indicate institutional confidence. Market cap of INR 27,433 Cr underscores strong market positioning and investor trust.
Leverage	CDSL's debt/equity ratio of 0.00 and minimal debt of INR 0.25 Cr highlight a virtually debt-free structure. Enterprise value of INR 27,284 Cr reflects strong market valuation. This financial prudence ensures stability and supports long-term scalability and innovation.

Analyst viewpoint: CDSL has demonstrated strong growth and operational resilience, making it a compelling investment opportunity in the short to mid-term. The company reported a 53.7% YoY increase in revenue, driven by its expanding demat account base and diversification into innovative services like eKYC and eAGM. Despite a 10.89% QoQ revenue decline due to muted market activity, its profitability remains robust, with an operating profit margin of 61.3% and a net profit margin of 56.7%. The management's focus on financial inclusion and technology upgrades positions CDSL to capitalize on India's growing capital market ecosystem. Additionally, its debt-free status and efficient capital utilization, reflected in a RoIC of 144%, underscore its financial stability and ability to sustain long-term growth.

While CDSL's premium valuation metrics, such as a trailing P/E of 57.3 and EV/EBITDA of 41.7, suggest high growth expectations, they are supported by strong fundamentals and strategic initiatives. The company's diversification efforts, including subsidiary performance and private company dematerialization, provide new revenue streams and mitigate market fluctuations. However, the QoQ PAT decline of 38.6% highlights challenges in sustaining quarterly performance amid market volatility. Overall, CDSL's leadership position, innovative strategies, and commitment to scalability make it a strong buy recommendation, with mild caution around short-term market dynamics.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
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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