

Price: 1,221

Recommendation: Buy

Industry: Capital Markets

Sector: Financial Services

Report Date: 02-Apr-2025

Central Depository Services (India) Limited (CDSL) has shown robust growth and strategic foresight, focusing on enhancing the capital market ecosystem. With over 18.5 crore demat accounts, 79% registered with CDSL, the company holds a strong market position. Recognized for innovation, CDSL won the Market Infrastructure of the Year Award. Despite a 20% price reduction, it aims to increase investor participation and sustain growth through technology and infrastructure investments.

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	53.3	Sales Growth	53.7 %	Sales Growth	-10.89 %
PEG Ratio	1.57	PAT Growth	33.46 %	Sales Growth QYoY	30.0 %
EV/EBITDA	38.8	EPS Growth	31.61 %	PAT Growth	-38.6 %
P/B	21.2	Dividend Yield	0.78	PAT Growth QYoY	22.52 %
Capital Allocation		Holdings		Leverage	
RoE	34.2 %	Promoter	15.0 %	Debt/Equity	0.00
RoA	28.5 %	FII	17.2 %	Debt	0.25 Cr
RoCE	44.5 %	DII	19.1 %	Market Cap	25528 Cr
RoIC	144 %	Public	48.7 %	Enterprise value	25379 Cr
		No of Shares	20.9 Cr	Cash Equivalents	149 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

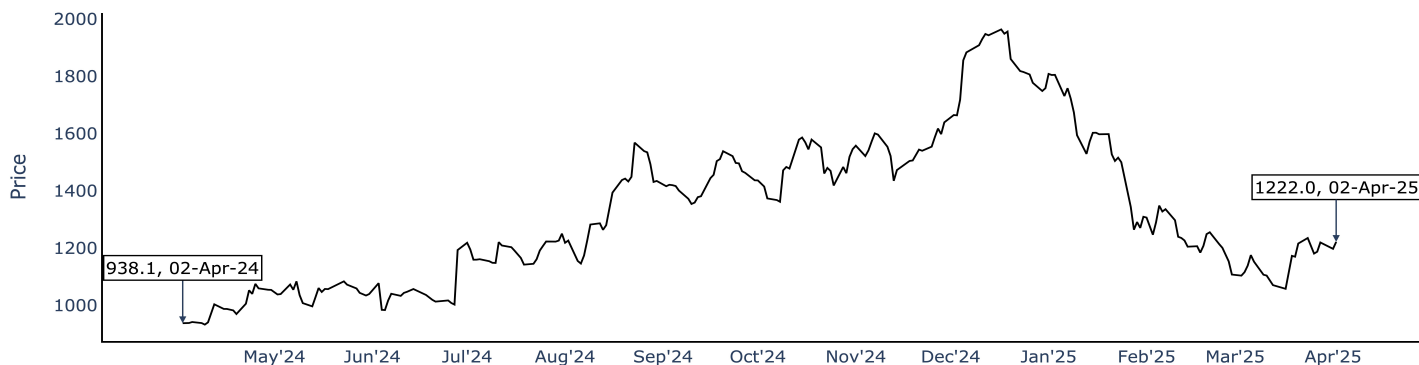
Central Depository Services (India) Limited (CDSL) has demonstrated robust growth and strategic foresight in its recent initiatives and business strategies. The company has focused on enhancing the capital market ecosystem by improving efficiency, trust, and transparency. A significant highlight is the increase in the total number of demat accounts in India, which surpassed 18.5 crores, with approximately 79% registered with CDSL. This marks a 40% increase from the previous year, showcasing CDSL's strong market position. The company has also been recognized for its innovative contributions, winning the Market Infrastructure of the Year Award at the 7th Regulation Asia Awards for Excellence 2024. This award acknowledges CDSL's efforts in modernizing market access and infrastructure, including initiatives like eKYC, eDIS, and eAGM for investors.

CDSL's business strategies are centered around long-term sustainability and growth. The company has not only focused on increasing its market share but also on creating a value proposition for stakeholders. This approach is evident in their commitment to investing in technology and infrastructure, ensuring they remain a preferred depository for investors. Despite a 20% price reduction in some segments due to market conditions, CDSL continues to build its value proposition, aiming to increase investor participation in the securities market from the current 7% to a higher percentage. The company's proactive investment in technology has allowed it to withstand increased demand, particularly during the COVID-19 pandemic, highlighting its preparedness for future growth.

Looking ahead, CDSL is poised for further growth and scaling. The company is committed to its Atmanirbhar investor-focused approach, striving for innovation that results in consistent and sustainable financial and business performance. The focus on technology and infrastructure investment is expected to continue, with the company aiming to provide the best-in-class services to the Indian capital markets and investors. This strategy is supported by a strong financial performance, with a 26% increase in total income for the December 2024 quarter and a 21% increase in net profit on a consolidated basis. The company's long-term vision includes increasing the percentage of the Indian population participating in the securities market, thereby driving growth and inclusion.

While CDSL's performance and strategies are commendable, there are areas for potential improvement. The company could explore opportunities to further diversify its revenue streams and reduce dependency on specific income sources. Additionally, while the focus on technology is crucial, balancing technology investments with cost management could enhance profitability. The company should also consider strategies to mitigate the impact of market fluctuations on its financial performance. Overall, CDSL's strategic initiatives and growth prospects are promising, with a clear focus on innovation, sustainability, and market leadership.

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	76553.30	81.83	15.20%	2.27%	95.20%	-36.78%	105.69%
Multi Comm. Exc.	27449.47	53.56	5.82%	5.53%	57.35%	4.18%	3091.40%
C D S L	25528.31	53.32	34.18%	-10.83%	30.31%	-38.69%	22.41%
Cams Services	18663.83	43.21	40.47%	1.65%	29.26%	2.26%	37.72%
KFin Technolog.	17948.19	55.73	24.47%	3.40%	32.60%	0.96%	34.94%

Aspect	Commentary
Revenue	The company experienced a significant increase in revenue, with a year-over-year growth of 53.7%. This indicates strong sales performance and market demand, contributing to overall financial health. However, quarter-over-quarter sales declined by 10.89%, suggesting potential seasonal fluctuations or market challenges.
Profit & Loss	Operating profit margins are robust at 61.3%, reflecting efficient cost management and strong operational performance. The net profit margin of 56.7% further underscores profitability. However, quarter-over-quarter PAT declined by 38.6%, indicating potential short-term challenges.
Profitability Matrix	The company maintains high profitability with an EBITDA margin of 57.98% and a net profit margin of 56.7%. These figures highlight effective cost control and strong revenue generation. The EPS of 22.9 suggests solid earnings performance, supporting investor confidence.
Valuation Matrix	The trailing P/E ratio of 53.3 indicates high market expectations for future growth. The PEG ratio of 1.57 suggests that the stock is fairly valued relative to its growth prospects. The EV/EBITDA of 38.8 reflects a premium valuation, possibly due to strong market positioning.
Growth (YoY)	Year-over-year growth is impressive, with sales increasing by 53.7% and PAT by 33.46%. This growth trajectory highlights the company's ability to expand its market presence and enhance profitability. The dividend yield of 0.78% provides additional value to shareholders.
Growth (QoQ)	Quarter-over-quarter growth shows a decline in sales by 10.89% and PAT by 38.6%, indicating potential short-term market challenges. However, the QYoY sales growth of 30% and PAT growth of 22.52% suggest underlying strength and resilience in the business model.
Capital Allocation	The company demonstrates strong capital efficiency with a RoE of 34.2% and RoCE of 44.5%. The RoIC of 144% indicates exceptional return on invested capital, reflecting strategic capital allocation and investment decisions that drive shareholder value.
Holdings	The promoter holding is at 15%, with significant institutional interest from FIIs at 17.2% and DIIs at 19.1%. Public holding stands at 48.7%, indicating a well-diversified ownership structure that supports market stability and investor confidence.
Leverage	The company maintains a conservative leverage position with a debt/equity ratio of 0.00, indicating financial prudence and low financial risk. The minimal debt of 0.25 Cr and substantial market cap of 25528 Cr reflect strong financial health and market confidence.

Analyst viewpoint: CDSL has established itself as a formidable player in the capital markets, showcasing strong financial performance and strategic initiatives that position it well for short to mid-term growth. The company reported an impressive year-over-year revenue growth of 53.7%, indicating robust sales performance and substantial market demand. This positive momentum is further amplified by the increase in the number of demat accounts, with CDSL holding a substantial 79% market share among its peers. Its strategic focus on technology and infrastructure investment has not only fortified its market presence but also driven a 21% increase in net profit, highlighting effective cost management and operational excellence. Coupled with a strong return on equity of 34.2% and impressive operating profit margins, CDSL's valuation metrics, including a trailing P/E of 53.3 and a PEG ratio of 1.57, underscore its growth potential and market confidence.

In the competitive landscape, CDSL stands out with innovative contributions that have won industry accolades, such as the Market Infrastructure of the Year Award. The company is aligned with its Atmanirbhar vision, aiming to not only increase investor participation but also enhance shareholder value through efficient capital allocation. However, it's important to remain vigilant about the company's short-term challenges as quarter-on-quarter sales and profits show slight declines, potentially reflecting market fluctuations. Despite this, the overall trajectory and strategic foresight make CDSL a compelling consideration for investors seeking growth in the financial services sector.

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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