

**Price:** 1,238

**Recommendation:** Buy

**Industry:** Capital Markets

**Sector:** Financial Services

**Report Date:** 03-Apr-2025

Central Depository Services (India) Limited (CDSL) is committed to enhancing market efficiency and regulatory compliance through innovation and modernization. Celebrating its 25th anniversary, CDSL focuses on technology and infrastructure development, investing significantly to maintain its competitive edge. With a 40% increase in registered investor demat accounts, CDSL holds 79% of India's demat accounts, underscoring its strong market position and leadership in the industry.

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	54.1	Sales Growth	53.7 %	Sales Growth	-10.89 %
PEG Ratio	1.59	PAT Growth	33.46 %	Sales Growth QYoY	30.0 %
EV/EBITDA	39.3	EPS Growth	31.61 %	PAT Growth	-38.6 %
P/B	21.4	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	25880 Cr
RoIC	144 %	Public	48.7 %	Enterprise value	25732 Cr
		No of Shares	20.9 Cr	Cash Equivalents	149 Cr

source : Company filings

## Company's Overview Based on Recent Concall and Performance:

In the recent conference call, Central Depository Services (India) Limited (CDSL) highlighted several new initiatives and business strategies aimed at enhancing their market position and operational efficiency. The company emphasized its commitment to innovation and modernization, particularly through initiatives like eKYC, eDIS, and eAGM, which have been recognized for enhancing market efficiency and regulatory compliance. CDSL's focus on an "Atmanirbhar investor-focused approach" underscores its strategy to foster a self-reliant investor ecosystem, aiming for consistent and sustainable financial performance. The company also celebrated its 25th anniversary, marking a significant milestone in its journey towards enhancing the capital market ecosystem with a focus on efficiency, trust, and transparency.

CDSL's business strategies include a strong emphasis on technology and infrastructure development. The company reported a significant increase in technology costs, up by 85% over nine months, reflecting its investment in technological advancements to maintain its competitive edge. This investment is seen as a long-term strategy to ensure sustainable growth and to keep pace with the rapidly evolving technological landscape. The company also noted a 20% price reduction in response to declining volumes, indicating a strategic move to remain competitive in a challenging market environment. Despite these challenges, CDSL continues to build its value proposition, aiming to be the preferred depository for investors.

Looking ahead, CDSL is optimistic about its growth and scaling prospects. The company reported a 40% increase in registered investor demat accounts, reaching 14.65 crores by the end of December 2024. This growth is a testament to CDSL's strong market position, with approximately 79% of India's demat accounts registered with the company. The management highlighted the potential for further growth, driven by increased retail participation in the capital market and the company's ongoing efforts to enhance its service offerings. CDSL's recognition as the Market Infrastructure of the Year at the 7th Regulation Asia Awards for Excellence 2024 further underscores its leadership in the industry.

While the company has demonstrated strong financial performance, with a 47% increase in consolidated net profit over nine months, there are areas for improvement. The decline in online data revenue and the impact of geopolitical and market conditions on transaction volumes are challenges that CDSL needs to address. The company could benefit from exploring new revenue streams and enhancing its pricing strategies to mitigate these impacts. Additionally, maintaining a balance between technological investments and cost management will be crucial for sustaining profitability. Overall, CDSL's strategic initiatives and market position provide a solid foundation for future growth, but careful navigation of market challenges will be essential for continued success.

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
<b>BSE</b>	76093.03	81.34	15.20%	2.27%	95.20%	-36.78%	105.69%
<b>Multi Comm. Exc.</b>	27200.23	53.06	5.82%	5.53%	57.35%	4.18%	3091.40%
<b>C D S L</b>	25880.47	54.06	34.18%	-10.83%	30.31%	-38.69%	22.41%
<b>Cams Services</b>	18888.64	43.73	40.47%	1.65%	29.26%	2.26%	37.72%
<b>KFin Technolog.</b>	18281.27	56.70	24.47%	3.40%	32.60%	0.96%	34.94%

Aspect	Commentary
<b>Revenue</b>	The company experienced a significant revenue increase, with current year sales at 852 Cr compared to 451 Cr the previous year, indicating robust growth. However, a decline in quarterly revenue from 248 Cr to 221 Cr suggests potential seasonal or market-related challenges that need addressing to sustain momentum.
<b>Profit &amp; Loss</b>	Operating profit for the year stands at 522 Cr, with a quarterly figure of 131 Cr. The PAT for the year is 363 Cr, reflecting strong profitability. However, the quarterly PAT of 105 Cr indicates a need for strategic adjustments to maintain consistent profit levels amid fluctuating market conditions.
<b>Profitability Matrix</b>	The company exhibits strong profitability with an operating profit margin of 61.3% and a net profit margin of 56.7%. The EBITDA margin is 57.98%, showcasing efficient cost management. An EPS of 22.9 further highlights the company's ability to generate earnings for shareholders.
<b>Valuation Matrix</b>	The valuation metrics indicate a trailing P/E of 54.1 and a PEG ratio of 1.59, suggesting high growth expectations. An EV/EBITDA of 39.3 and P/B of 21.4 reflect a premium valuation, possibly due to strong market positioning and growth prospects, warranting careful investment consideration.
<b>Growth (YoY)</b>	Year-over-year growth is robust, with sales increasing by 53.7% and PAT by 33.46%. EPS growth of 31.61% and a dividend yield of 0.78% indicate strong shareholder returns. This growth trajectory underscores the company's effective strategic initiatives and market expansion efforts.
<b>Growth (QoQ)</b>	Quarter-over-quarter growth shows a sales decline of 10.89%, with PAT decreasing by 38.6%. However, sales growth QYoQ is 30.0%, and PAT growth QYoY is 22.52%, indicating potential recovery and resilience in the face of short-term market fluctuations, requiring strategic focus.
<b>Capital Allocation</b>	The company demonstrates efficient capital allocation with RoE at 34.2%, RoA at 28.5%, and RoCE at 44.5%. A remarkable RoIC of 144% highlights exceptional investment returns, reflecting strategic capital deployment and operational efficiency, supporting long-term value creation.
<b>Holdings</b>	Promoter holdings are at 15.0%, with FII at 17.2% and DII at 19.1%. Public holdings constitute 48.7%, indicating a diverse shareholder base. The number of shares stands at 20.9 Cr, reflecting a balanced ownership structure that supports market stability and investor confidence.
<b>Leverage</b>	The company maintains a strong financial position with a debt/equity ratio of 0.00 and minimal debt of 0.25 Cr. A market cap of 25880 Cr and enterprise value of 25732 Cr, along with cash equivalents of 149 Cr, underscore financial stability and capacity for strategic investments.

**Analyst viewpoint:** Central Depository Services (India) Limited (CDSL) showcases a robust growth trajectory, making it a promising investment from a short to mid-term perspective. The company's significant sales increase to 852 crore year-over-year underscores its growth potential despite a recent quarterly dip, which appears to be more of a temporary blip rather than a trend. With an outstanding operating profit margin of 61.3% and a strong net profit margin of 56.7%, alongside a solid EPS of 22.9, CDSL demonstrates exceptional profitability and cost management. The competitive edge is further cemented by strategic initiatives in technology and infrastructure, focusing on modernizing services which position CDSL as a resilient leader in its sector. The management's strategic foresight is evident in the company's commitment to innovation and modernization in an evolving market landscape.

Valuation metrics remain favorable with a trailing P/E of 54.1 and an EV/EBITDA of 39.3, reflecting positive investor sentiment towards CDSL's growth prospects. The company's impressive return on capital alongside peer-leading metrics like RoE at 34.2% and RoCE at 44.5% showcases efficient capital allocation practices that promise sustainable value creation. Despite a minor challenge in revenue growth due to seasonal factors or potential external market variances, these are expected to be manageable against the backdrop of a strong balance sheet, highlighted by a zero debt-to-equity ratio. As CDSL continues to fortify its market position, a prudent focus on countering declining online data revenue streams could enhance this investment's attractiveness.

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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