

Price: 1,488

Recommendation: Buy

Industry: Capital Markets

Sector: Financial Services

Report Date: 22-Jan-2025

Central Depository Services (India) Limited (CDSL), established in 1997 and based in Mumbai, offers comprehensive depository services in India. It operates through Depository, Data Entry and Storage, and Repository segments, providing services like dematerialisation, e-voting, and electronic insurance accounts. CDSL's recent growth is marked by a 56% rise in income and a 49% increase in net profit, driven by digital innovation and market expansion, reflecting strong investor trust.

Sales		Profit & Loss		Profitability Matrix	
Current Year	1035 Cr	Operating Profit(Year)	633 Cr	Operating Profit Margin	61.1 %
Previous Year	555 Cr	Operating Profit(Quarter)	200 Cr	EBITDA Margin	56.33 %
Current Quarter	322 Cr	PAT (Year)	419 Cr	Net Profit Margin	51.6 %
Previous Quarter	257 Cr	PAT (Quarter)	162 Cr	EPS	25.5
Revenue (QYoY)	207 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	58.4	Sales Growth	66.1 %	Sales Growth	25.29 %
PEG Ratio	1.95	PAT Growth	52.92 %	Sales Growth QYoY	55.56 %
EV/EBITDA	41.3	EPS Growth	51.52 %	PAT Growth	20.9 %
P/B	20.4	Dividend Yield	0.64	PAT Growth QYoY	48.62 %
Capital Allocation		Holdings		Leverage	
RoE	31.3 %	Promoter	15.0 %	Debt/Equity	0.00
RoA	25.9 %	FII	17.2 %	Debt	1.04 Cr
RoCE	40.2 %	DII	19.1 %	Market Cap	31099 Cr
RoIC	121 %	Public	48.7 %	Enterprise value	30924 Cr
		No of Shares	20.9 Cr	Cash Equivalents	177 Cr

Company's Overview Based on Recent Concall and Performance:

Central Depository Services (India) Limited (CDSL) has demonstrated robust growth in the second quarter of FY '24-'25, with a significant increase in both income and net profit. The company's total income for the quarter rose by 56% to INR 359 crores, while the net profit increased by 49% to INR 162 crores. This growth is attributed to the addition of 2 crore Demat accounts in the first half of the fiscal year, reflecting strong market trust. CDSL's focus on digital innovation, such as ASBA, has enhanced market accessibility and investor confidence, aligning with their commitment to empowering investors. The company remains dedicated to leveraging technology to drive a more inclusive and technologically advanced securities market.

CDSL is actively pursuing new initiatives and business strategies to enhance its market position. The company has opened a portal for end policyholders to directly open accounts and add policies, aiming to increase policy numbers. This strategic shift towards direct engagement with policyholders is expected to drive growth. Additionally, CDSL is continuously upgrading its core application to improve user experience, although no separate application launch is planned. The company is also exploring tie-ups with insurance agents to expand its reach, although specific details remain undisclosed. These efforts reflect CDSL's intent to bring best-in-class technology across its products and subsidiaries.

Looking ahead, CDSL's future growth and scaling perspectives are promising, driven by its commitment to technology and market expansion. The company plans to maintain its competitive edge by ensuring compliance and offering services at reasonable costs. While specific growth numbers are not disclosed, CDSL's strategy focuses on creating a secure and efficient infrastructure to meet market demands. The company's emphasis on technology as a core input highlights its long-term vision for sustained growth. However, the impact of pricing cuts on transaction charges will be realized from October, indicating a cautious approach to future pricing strategies.

From a positive perspective, CDSL's strong financial performance and strategic initiatives position it well for future growth. The company's focus on technology and market expansion is commendable, ensuring it remains competitive. However, there is room for improvement in terms of transparency and communication regarding future plans and growth projections. Providing more detailed guidance and updates on strategic initiatives could enhance investor confidence. Additionally, exploring opportunities for further shareholder rewards, such as interim dividends, could strengthen shareholder relations. Overall, CDSL's proactive approach and strategic focus bode well for its future prospects.