

**Price:** 1,216

**Recommendation:** Buy

**Industry:** Capital Markets

**Sector:** Financial Services

**Report Date:** 22-Mar-2025

Central Depository Services (India) Limited (CDSL) is enhancing the capital market ecosystem by focusing on efficiency, trust, and transparency. Recognized for innovations like eKYC and eDIS, CDSL aims to expand its market share, with 79% of India's 18.5 crore demat accounts. The company invests heavily in technology, ensuring infrastructure supports growth. Financially, CDSL saw a 26% income rise in Q4 2024, maintaining profitability despite challenges.

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	53.1	Sales Growth	53.7 %	Sales Growth	-10.89 %
PEG Ratio	1.56	PAT Growth	33.46 %	Sales Growth QYoY	30.0 %
EV/EBITDA	38.6	EPS Growth	31.61 %	PAT Growth	-38.6 %
P/B	21.1	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	25421 Cr
RoIC	144 %	Public	48.7 %	Enterprise value	25272 Cr
		No of Shares	20.9 Cr	Cash Equivalents	149 Cr

source : Company filings

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

The recent conference call of Central Depository Services (India) Limited (CDSL) highlighted several key initiatives and strategies. CDSL is focusing on enhancing the capital market ecosystem by improving efficiency, trust, and transparency. They are committed to an Atmanirbhar investor-focused approach, striving for innovation that results in consistent and sustainable financial and business performance. The company has been recognized for its innovative contributions to modernizing market access and infrastructure, with initiatives like eKYC, eDIS, and eAGM for investors. This recognition underscores CDSL's role in enhancing market efficiency, regulatory compliance, and customer-focused growth.

In terms of business strategies, CDSL is concentrating on expanding its market share by increasing the number of demat accounts. As of December 2024, the total number of demat accounts in India surpassed 18.5 crores, with approximately 79% registered with CDSL. This marks a 40% increase from the previous year. The company is also focusing on technology investments, with technology costs up by 85% over nine months, following a 65% increase in the previous fiscal year. This investment is seen as crucial for maintaining a competitive edge and ensuring the infrastructure can handle future growth.

Looking ahead, CDSL is optimistic about future growth and scaling opportunities. The company is committed to long-term sustainability and aims to increase the percentage of the Indian population participating in the securities market from the current 7% to 20-30%. This involves a focus on social and financial inclusion, which is seen as essential for the long-term sustainability of the depository. The company is also exploring opportunities in the dematerialization of shares for private companies, which could provide additional revenue streams.

From a financial perspective, CDSL reported a 26% increase in total income for the December 2024 quarter, with net profit rising by 21%. For the nine months ending December 2024, consolidated income increased by 47%, and net profit rose by 47%. Despite challenges such as a decline in transaction volumes and pricing cuts, CDSL remains profitable and continues to invest in technology and human resources. The company is focused on providing the right infrastructure for the market, emphasizing long-term growth over short-term gains. This approach is expected to position CDSL as a preferred depository for investors, ensuring continued growth 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
<b>BSE</b>	64706.52	69.16	15.20%	2.27%	95.20%	-36.78%	105.69%
<b>Multi Comm. Exc.</b>	27866.02	54.38	5.82%	5.53%	57.35%	4.18%	3091.40%
<b>C D S L</b>	25420.67	53.10	34.18%	-10.83%	30.31%	-38.69%	22.41%
<b>KFin Technolog.</b>	18936.91	58.80	24.47%	3.40%	32.60%	0.96%	34.94%
<b>Cams Services</b>	18860.95	43.67	40.47%	1.65%	29.26%	2.26%	37.72%

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. However, there was a decline in quarterly revenue from 248 Cr to 221 Cr, indicating potential seasonal or operational challenges affecting short-term performance.
<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, and 105 Cr for the quarter, reflecting strong profitability despite a quarterly decline, suggesting effective cost management and operational efficiency.
<b>Profitability Matrix</b>	The company maintains robust profitability with an operating profit margin of 61.3%, EBITDA margin of 57.98%, and net profit margin of 56.7%. EPS is 22.9, indicating strong earnings performance and efficient cost control, supporting shareholder value.
<b>Valuation Matrix</b>	The trailing P/E ratio is 53.1, with a PEG ratio of 1.56, suggesting growth potential. EV/EBITDA is 38.6, and P/B is 21.1, indicating high market valuation. These metrics reflect investor confidence and expectations of future growth.
<b>Growth (YoY)</b>	Year-over-year growth is strong, with sales growth at 53.7%, PAT growth at 33.46%, and EPS growth at 31.61%. The dividend yield is 0.78, indicating a focus on reinvestment and growth, while still providing returns to shareholders.
<b>Growth (QoQ)</b>	Quarter-over-quarter growth shows a sales decline of 10.89%, but a QYoY sales growth of 30.0%. PAT declined by 38.6% QoQ, but QYoY growth is 22.52%, indicating volatility but overall positive annual growth trends.
<b>Capital Allocation</b>	The company demonstrates efficient capital allocation with RoE at 34.2%, RoA at 28.5%, RoCE at 44.5%, and RoIC at 144%. These metrics highlight strong returns on investment and effective use of capital resources.
<b>Holdings</b>	Promoter holding is 15.0%, FII at 17.2%, DII at 19.1%, and public holding at 48.7%. The distribution suggests a balanced ownership structure, with significant institutional investor confidence and public participation.
<b>Leverage</b>	The company has a debt/equity ratio of 0.00, with minimal debt at 0.25 Cr, indicating a strong balance sheet and low financial risk. Market cap is 25421 Cr, and enterprise value is 25272 Cr, reflecting robust market positioning.

**Analyst viewpoint:** Central Depository Services (India) Limited (CDSL) demonstrates strong growth potential underpinned by notable year-over-year improvements. With a YoY sales growth of 53.7% and PAT growth of 33.46%, CDSL exhibits robust financial performance, supported by a focused strategy on market expansion through innovative technologies such as eKYC and eDIS. The company's commitment to enhancing the capital market ecosystem and its strategic investments in technology infrastructure underscore its capability to sustain growth. CDSL's commanding presence with 79% of India's demat accounts and its plan to increase Indian participation in the securities market to 20-30% further solidify its market leadership.

Despite a QoQ decline in sales and PAT, the overall growth narrative remains strong, bolstered by a high Return on Capital Employed (RoCE) of 44.5% and a debt-free balance sheet enhancing financial stability. Compared to its peers, CDSL's trailing P/E ratio of 53.1 reflects growth opportunities valued by investors. However, the company faces mild challenges like short-term declines in transaction volumes which require strategic adjustment. In conclusion, while the short-term metrics suggest some volatility, CDSL's forward-looking strategies and strong market fundamentals present compelling reasons for a bullish short-to-mid-term outlook.

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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