Educational Equity Research Report (as of August 2025)

Central Depository Services (India) Ltd

Pee Aar The Financial People

Target: N/A	Holding Period: N/A	Educational Report

I Shaurya Sharma am initiating a research report on Central Depository Services (India) The primary business of Central Depository Services (India) Limited (CDSL) is to provide secure and efficient electronic depository services for holding, transferring, and settling securities in dematerialized form, facilitating smooth securities transactions for investors, exchanges, and market participants

CDSL
Convenient • Dependable • Secure

About the Business

- Central Depository Services Limited is a Market Infrastructure Institution (MII), part of the capital market structure, providing services to all market participants - exchanges, clearing corporations, depository participants (DPs), issuers and investors.
- It is a facilitator for holding of securities in the dematerialised form and an enabler for securities transactions.

Company Snapshot

Mkt Cap	₹ 30,838 Cr
High/Low	₹ 1,990 / 1,047
Div Yield	0.85 %
P/E	62.3X
Face Value	₹ 10.0
ROE	32.7 %

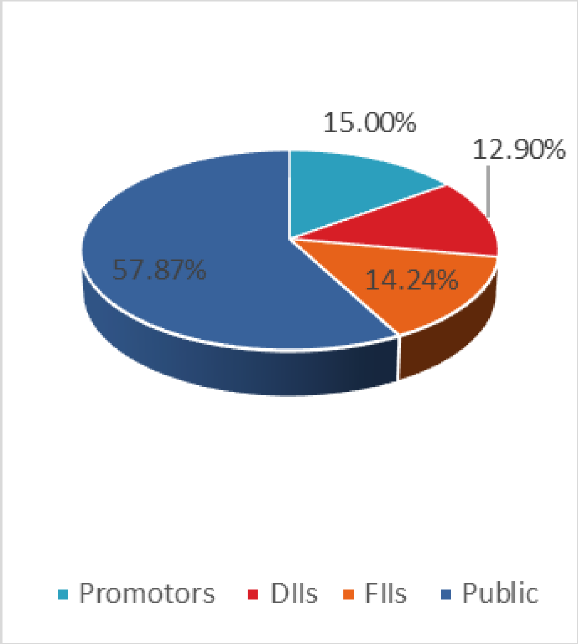
	Mar'22	Mar'23	Mar'24	Mar'25
Sales	**343.72**	**551.33**	**555.09**	**812.26**
Expenses	131.90	185.88	236.18	323.95
Other Income	56.92	54.57	65.85	95.05
EBITDA	**267.81**	**419.39**	**384.74**	**582.90**
EBITDA Margin	**77.92**	**76.07**	**69.31**	**71.76**

Shareholding Pattern

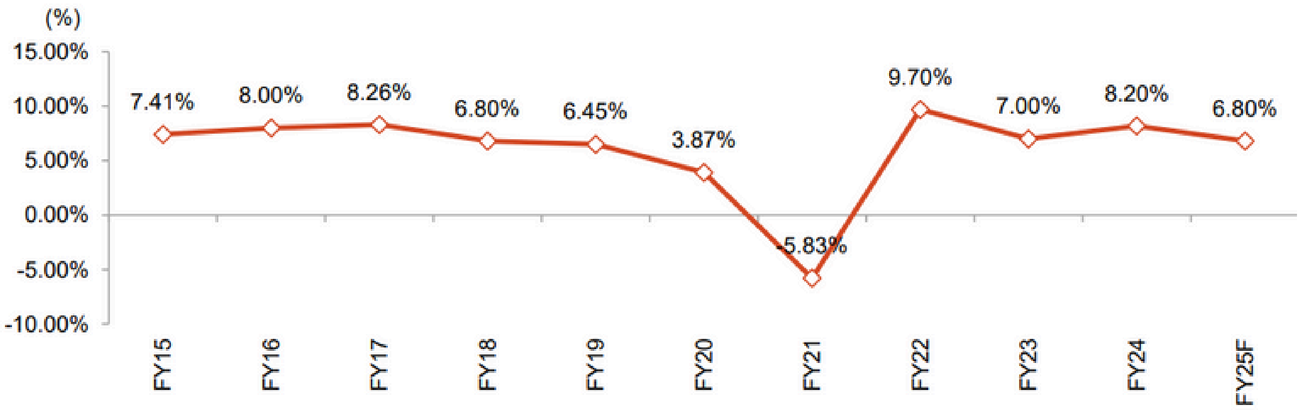
Promotors	15.00%
FIIs	12.90%
DIIs	14.24.
Public	57.87%

Global Outlook

- Global growth was 3.3% in 2024, only slightly below the 3.5% of 2023, despite high inflation, geopolitical issues, and trade fragmentation.
- Global inflation dropped significantly from 6.6% in 2023 to 5.7% in 2024, aided by tight monetary policy and fewer supply chain issues.
- The United States led developed economies with 2.8% GDP growth, fueled by strong consumer and government spending.
- Growth was weaker in Europe and Asia. China's recovery was hesitant due to sluggish consumer demand and ongoing property sector stress.
- Investment stagnated, productivity gains stalled, and public debt remained a growing concern globally.
- Central banks in advanced economies began to move away from strictly restrictive policies, making financial conditions more supportive



India's Economic Performance and Outlook



E: Estimate, F: Forecast
Source: RBI, NSO, CRISIL MI&A Research

- India's real gross domestic product (GDP) growth stood at 8.2% on-year for fiscal 2024, higher than the 7.0% in fiscal 2023.

MANAGEMENT OVERVIEW

Chairperson - Shri Balkrishna V.chaubal-(2019-
Shri. Balkrishna V. Chaubal, former Deputy Managing Director of State Bank of India, served the bank for over 38 years. He oversaw global markets operations including investments, forex, liquidity, and regulatory compliance. He also contributed to policy formulation, ALM, and market risk management. A visiting professor at NIBM Pune, he specializes in banking, governance, and strategy. He holds a Master's in Physics from IIT Bombay and is a Fellow of the Indian Institute of Banking & Finance.

Chief Financial Officer - Shri Girish Amesara(2019- Present) Girish Amesara, a Chartered Accountant, is the Chief Financial Officer at Central Depository Services. With a strong background in financial governance and regulatory compliance, he previously held key roles at BSE Limited, including Financial Controller and General Manager. He has extensive experience in internal audits, regulatory inspections, and risk management. Earlier, at The Bombay Store,
he managed financial reporting, taxation, audits, and compliance-related activities.

MD & CEO - Shri Nehal Vora-(2019- present) Shri Vora, MD & CEO of CDSL, has led the organization to become India's leading depository with over 2 crore accounts and the first to establish a branch at IFSC, GIFT City. With over 20 years of experience, he previously served as Chief Regulatory Officer at BSE and began his career at SEBI, contributing to policy and innovation in derivatives and regulatory functions.

MANAGEMENT OVERVIEW

Independent Director - Prof. Umesh Bellur Prof. Umesh Bellur is currently a faculty at Department of Computer
Prof. Umesh Bellur is currently a faculty at Department of Computer Science & Engineering, IIT Bombay, Mumbai. He has completed his PhD, Department of Computer Science and Engineering from Syracuse University, Syracuse, NY USA and B.E., Electronics and Communication Engineering from Bangalore University

Independent Director- Shri Sidhartha Pradhan Shri Sidhartha Pradhan, a 1977 batch IRS officer, has held key roles in both the Central and Odisha governments, including Income Tax Commissioner, Secretary (Public Enterprises), and Special Secretary (Commerce). He also served as Vice- Chairman of the Income Tax Settlement Commission and Joint Secretary in the Ministry of Finance. He was part of high-level committees on tax reforms and oil sector restructuring. He holds degrees in Political Science, Law, and an MBA from the University of Hull, UK.

Independent Director- Smt.Rajeshree Sabnavis Rajeshree Sabnavis, Founder of Rajeshree Sabnavis & Associates, is a Chartered Accountant and Company Secretary with over 27 years of experience in tax,
transfer pricing, and transaction advisory. She has advised Fortune
500 companies, Indian ITES firms, and institutional investors on cross-border strategies, compliance, and litigation. Rajeshree serves on the Direct Taxation and Diversity & Inclusion Committees of the Bombay Chamber of Commerce, mentors' entrepreneurs, and advocates on tax matters before the CBDT. She is also a certified IICA Mediator

MANAGEMENT OVERVIEW

Independent Director - Gurumoorthy Mahalingam
Gurumoorthy Mahalingam has over 40 years of experience across RBI and SEBI, with expertise in financial market regulation, forex reserves management, and banking supervision. As Executive Director at RBI, he led forex market operations and rupee liquidity management, contributing to key regulatory policies. He played a vital role during major global financial events, including the 2008 crisis, European debt crisis, and taper tantrum, shaping India's monetary and foreign exchange policy frameworks.

Non Independent Director -Shri. Masil Jeya Mohan P. Shri Masil Jeya Mohan P. joined LIC in 1986 and has held diverse roles across IT, HR, actuarial, investments, and pension fund management. He currently serves as Executive Director (Investment) and is also a Nominee (Non-Executive) Director on the Board of Centrico Insurance Repository Ltd. He holds a Science degree and an MBA.

Independent Director -Prof. Varsha Apte Prof. Varsha Apte is a Professor and Head of the Computer Science and Engineering Department at IIT Bombay. She holds an M.Sc. from Pune University and a Ph.D. from Duke University. She has worked at AT&T Bell Labs and joined IIT Bombay in 2002. From 2009–2011, she was a Visiting Faculty at IISc Bangalore

Independent Director - Shri Bharat Vasani
Shri Bharat Vasani, Senior Advisor – Corporate Laws at Cyril Amarchand Mangaldas, is a veteran legal expert with over 40 years of experience. He formerly served as Chief Legal & Group General Counsel of the Tata Group and has led major M&A and joint venture deals globally. His expertise spans corporate, commercial, and securities law, and he has served on the boards of several Tata Group companies.

MANAGEMENT OVERVIEW

Chief Regulatory Officer-Smt. Nayana Ovalekar Smt. Nayana Ovalekar, Shareholder Director nominated by CDSL, serves as the Chief Regulatory Officer at CDSL. She oversees regulatory functions including audit, surveillance, legal, and compliance. With over two decades at CDSL, she has contributed to key policy reforms in the depository sector. She previously worked with Stock Holding Corporation of India Ltd and holds a Commerce degree and is a qualified Company Secretary.

Non independent Director - Sushri Kamala Kantharaj Sushri Kamala Kantharaj, Chief Regulatory Officer at BSE Limited, has over 33 years of experience in financial markets, governance, and regulatory affairs. She has contributed to capital market reforms through roles at NSE, Edelweiss, IIM-B, and more. She was the first woman to functionally head a stock exchange, serving as Executive Director of the Bangalore Stock Exchange.

Chief Technical Officer - Shri Amit Mahajan Amit Mahajan is the Chief Technology Officer at CDSL, overseeing IT integration and systems across the CDSL Group, including its subsidiaries CVL, the largest KYC Registration Agency in India. He ensures seamless tech operations for over 1.95 crore Demat accounts and services provided through 599 DPs. Prior to CDSL, he led Information Products and Procurement at BSE.

Chief Data and Operations Officer -Shri Rajesh Saraf Rajesh Saraf, Chief Data and Operations Officer at CDSL, has nearly 30 years of experience in Indian capital markets. He has held leadership roles at NSE, BSE, and TCS, and consulted for the Hong Kong Stock Exchange. At CDSL, he leads settlement operations, data management, and automation initiatives. He holds an Electrical Engineering degree and a Master's in Finance from the University of Mumbai.

MANAGEMENT OVERVIEW

Chief Risk Officer -Shri Vinay Madan

Vinay Madan is a seasoned risk management professional with over 18 years of experience across India and international markets. A Chartered Accountant, he has led risk functions in firms like KPMG, American Express, Barclays, and BNP Paribas. Before joining CDSL, he was the Chief Risk Officer at Share khan by BNP Paribas.

Chief of business development & New projects – Shri Nilesh Lodaya Shri Nilesh Lodaya is 52 years of age. He has completed Masters in Financial Management and has around 30 years of work experience. He brings gravitas and has the executive presence required for a senior leadership position. He is currently Executive Director and Head, Direct Custody and Clearing, JP Morgan Chase Bank wherein he has been associated for 17 years. He has also worked earlier with reputable companies such as Kotak Mahindra Bank Ltd., Citigroup Global Services Ltd., and Tata Share Registry Ltd.

Commentary

The overall management of the company is experienced in terms of their knowledge & age , some of the members are also director in other companies as well , the background of all the members are solid coming from diverse fields and a lot of working experience and most of them had worked earlier with SEBI,BSE or NSE which makes them a good choice as they already have knowledge about this sector. As per research done by us there is no major political background or connection of anyone in the board member. Their contribution to the company is also immense as they helped in policy formation which led to better service delivery and enhanced customer experience , which resulted in companies growth.

HISTORY

- **Incorporation:** CDSL was incorporated in 1997, promoted by the Bombay Stock Exchange (BSE), to provide depository services for the Indian securities market.
- **Commencement of Operations:** CDSL began its operations in 1999, becoming the second depository in India after NSDL (National Securities Depository Limited).
- **Growth in Demat Accounts:** Over the years, CDSL steadily increased its market share, surpassing NSDL in the number of demat accounts by 2021.
- **IPO and Public Listing:** CDSL launched its initial public offering (IPO) in June 2017 and was subsequently listed on the Bombay Stock Exchange.
- **Technological Advancement:** CDSL has implemented several technology-driven innovations, including e-voting, electronic KYC (Know Your Customer), and online demat services to improve customer experience.
- **Current Position:** As of 2025, CDSL is recognized as India’s largest depository in terms of investor accounts and plays a vital role in the nation's capital markets infrastructure

KEY MILESTONES

Incorporated as a public limited company in Mumbai:**1997**

Received the certificate of commencement of business from SEBI: **1999**

Listed on the NSE: **2017**

Investor Accounts-**15,46,98,198**

Depository Participants-**579**

Number of Securities in Demat Custody-**8,45,685**

Mn Value of Securities in Demat Custody-**7,24,22,627 Mn**

Market share-**79%**

About the Company (CDSL)

- **Essential Market Infrastructure:** Central Depository Services (India) Limited (CDSL) is India's only listed depository and a crucial Market Infrastructure Institution (MII). It provides the core technology platform necessary for holding and transferring securities in dematerialized form, a role essential for maintaining the integrity, efficiency, and security of the country's capital markets.

- **Investor Account Dominance:** CDSL is the largest securities depository in India by volume of investor accounts, holding a market share of 79.5% with a base exceeding 15.30 Crore accounts as of March 31, 2025 This volume leadership creates a significant long-term competitive moat.

- **Revenue Stability and Leverage:** The revenue structure is inherently stable, blending mandatory annual fees (charged to issuers and account holders) with variable, high-margin transaction-based revenue (from trading, corporate actions, and IPO activity). This balanced model provides a resilient revenue floor complemented by exponential leverage to market activity.

- **Technology-First Strategy:** The company's vision is centered on the "Dematerialisation and digitisation of all key assets" . Strategic investments focus on bolstering cybersecurity, operational resilience (T+0 capability), and investor empowerment through multilingual digital tools like the MyEasi App and e-CAS

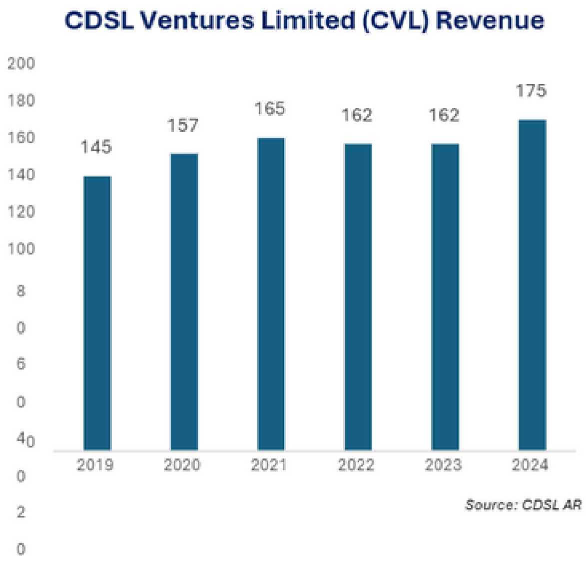
- **Financial Robustness:** CDSL operates with negligible financial risk, maintaining a debt-to-equity ratio of 0.00 and comfortably exceeding the regulatory minimum net worth requirement of ₹10,000 Lakhs . The high capital efficiency is reflected in strong profitability ratios

CDSL subsidiaries overview

1.CDSL Ventures Limited (CVL)

CVL designed and implemented the KYC Registration Agency (KRA) system for the mutual fund industry in 2006, becoming the first and largest KRA in the country. In November 2018, CVL expanded its service offerings by registering with SEBI as a Registrar & Transfer Agent (RTA) to cater to unlisted corporates.
Additionally, CVL manages refund processing for PACL investor claims and oversees deduplication activities for insurance claims under the Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY).

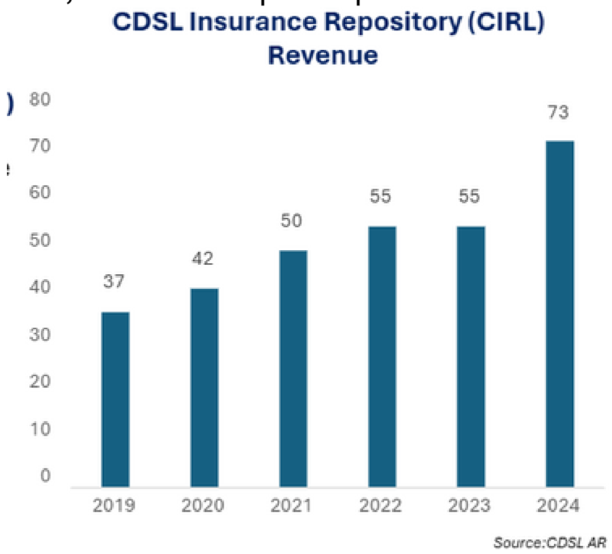
Key Services: Aadhaar-based eKYC, RTA services for unlisted companies, and GST compliance solutions.



2. CDSL Commodity Repository Limited (CCRL)

The subsidiary was established in 2017 under the regulatory framework of the Warehousing Development and Regulatory Authority (WDRA). CCRL facilitates clients in obtaining electronic credits for commodities deposited in WDRA-registered warehouses through the issuance of electronic Negotiable Warehouse Receipts (eNWRs). These eNWRs streamline the process of securing bank loans and enable seamless ownership transfers.

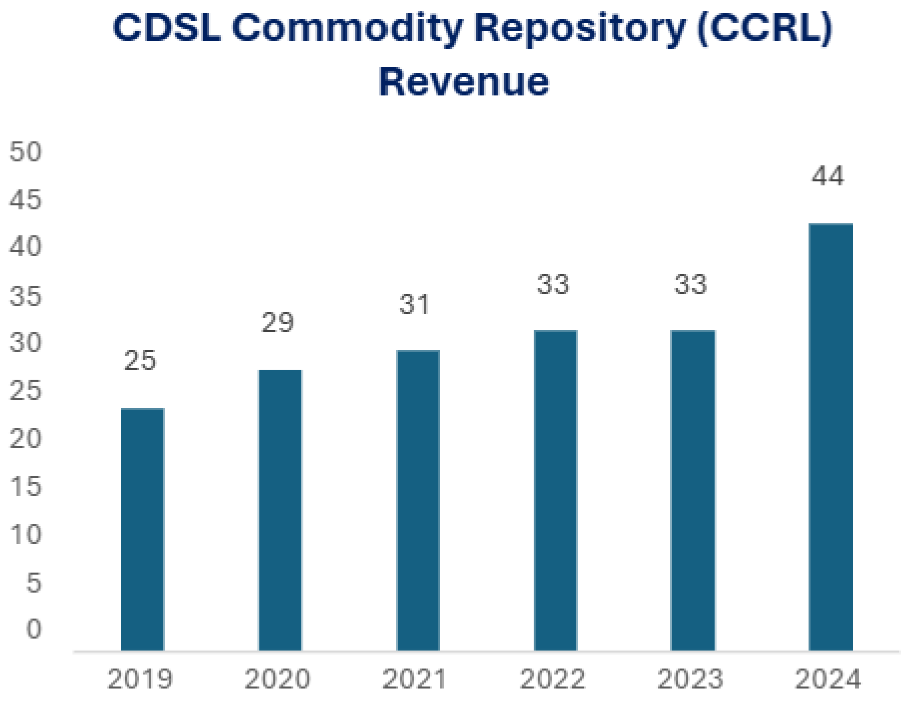
Key Services: Provides electronic Negotiable Warehouse Receipts (eNWRs) to farmers, traders, and market participants.



3. CDSL Insurance Repository Limited (CIRL)

Central Insurance Repository Limited (CIRL), a registered insurance intermediary under the Insurance Regulatory and Development Authority of India (IRDAI), serves as a pivotal platform for managing insurance policies digitally.

Key Services: Holds over 15 lakh e-insurance policies and collaborates with 42 insurance companies. Helps in simplifying policy management for customers by offering a consolidated view of all insurance holdings.



Source: CDSL AR

BUSINESS SEGMENTS AND PRODUCT PORTFOLIO

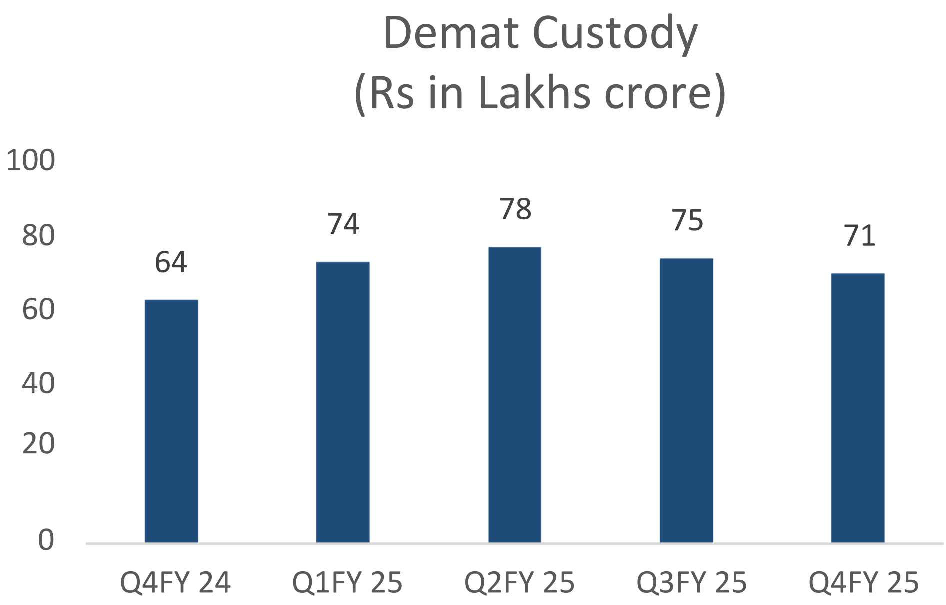
CDSL's operational structure spans three primary segments: Depository Activity, Data Entry and Storage, and Repository services, positioning the company as a key MII across multiple regulated financial ecosystems

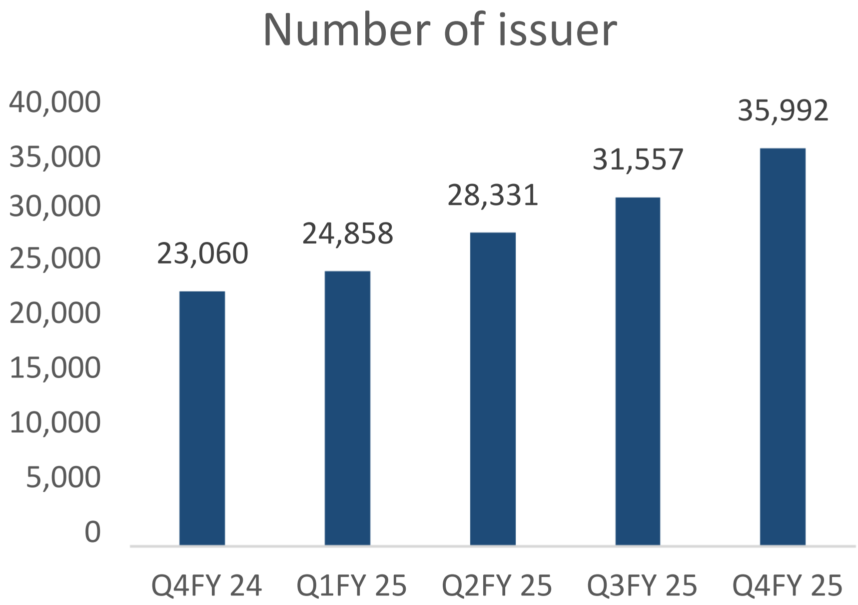
Depository Services: Core Offerings

1.The core business functions focus on facilitating the safe custody and seamless transfer of dematerialized securities. Key offerings translate directly into revenue components :

- **Annual Issuer Charges**: Recurring fees levied on companies (issuers) whose securities are admitted into the CDSL system. This is a foundational source of recurring revenue.
- **Transaction Charges:** Fees charged to Depository Participants (DPs) based on the volume and value of transactions processed, showing direct correlation to trading activity in the secondary market.
- I**PO/Corporate Action Charges**: Fees derived from processing primary market events such as Initial Public Offerings, rights issues, bonuses, and stock splits. This component exhibits high elasticity to bullish market sentiment and capital raising activity.
- **E-Voting and E-CAS**: Services providing electronic shareholder voting platforms and Consolidated Account Statements, fulfilling regulatory disclosure needs and enhancing investor convenience
- **Digital Infrastructure Tools**: The provision of key digital investor tools such as the MyEasi mobile app and e-DIS (Electronic Delivery Instruction Slip) streamlines investor access and transaction management, supporting the move toward fully paperless transactions

BUSINESS SEGMENTS AND PRODUCT PORTFOLIO



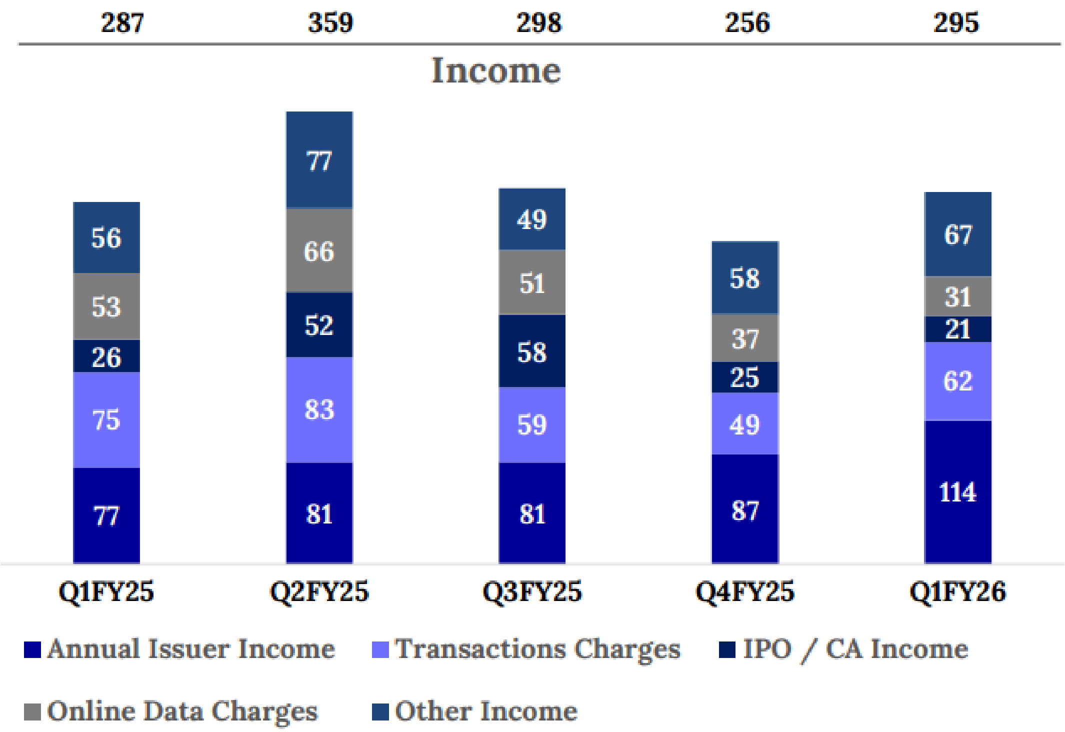


The decline in Q4 FY25 in demat custody was mainly driven by slowdown in investor activity ,reduced transaction charges and decrease in new account opening .

BUSINESS SEGMENT PERFOMANCE ANALYSIS

- **Highest Segment: Annual Issuer Income**
- Annual Issuer Income saw a sharp rise to ₹114 Crore in Q1 FY26, marking it as the dominant revenue source.
- This segment's robust growth comes from rising issuer registrations and a larger number of securities under maintenance, highlighting strong structural reliability and non-cyclical nature.
- The predictability and high margins in this segment help insulate CDSL's earnings from trading volatility, reflecting its central role in custody and maintenance services.

- **Lowest Segment: IPO / CA Income**
- IPO/CA Income was just ₹21 Crore in Q1 FY26, positioning it as the smallest among reported segments.
- This income depends on corporate action event fees and IPO-related activity, which fluctuate more based on market cycles, making it inherently more volatile and less structurally reliable.



- **Other Segments Overview**
- Transaction Charges (₹62 Crore): Substantial but below Annual Issuer Income, representing fees from transaction volume and settlement activity.
- Online Data Charges (₹31 Crore): Represents growing business in data and digital services, yet much lower than core issuer and transaction segments.
- Other Income (₹67 Crore): Comprises investment and miscellaneous income, showing a notable but variable contribution to total income

S Strengths

Market Leadership: CDSL is India’s largest depository by number of demat accounts, holding a 79% market share with over 115.6 million accounts as of FY24. Asset-Light, Scalable Model: The company operates with minimal fixed costs, enabling high operating margins (62%) and significant operating leverage. Diverse Revenue Streams: CDSL earns from annual issuer charges (24% of revenue), transaction fees

IPO processing, and corporate actions, (28.5%), providing stability and growth potential. Robust Technology Infrastructure: With centralized databases, disaster recovery systems, and ISO 27001 certification, CDSL ensures secure and efficient services. Strong Promoter and Management: Backed by BSE Ltd. and led by experienced professionals like MD & CEO Nehal Vora, CDSL benefits from seasoned leadership

Weaknesses W

Regulatory Dependence: SEBI controls pricing for certain services, limiting CDSL's pricing power and affecting profitability. Market Concentration: Operating in a duopoly with NSDL, CDSL's market expansion opportunities are limited within the domestic depository space. Cyclical Revenue Streams: Income from transaction and IPO charges is tied to market activity, making it susceptible to market downturns. Technological

Risks: Reliance on IT infrastructure exposes CDSL to cybersecurity threats and the need for continuous technological upgrades

O Opportunity

Expanding Retail Participation: With demat account penetration in India at just 12%, there's significant room for growth as more individuals enter the financial markets. Digital Transformation: The rise of online trading platforms and fintech integration offers avenues for CDSL to enhance service offerings and reach. New Asset Classes: Expanding services to include emerging financial instruments can diversify revenue and attract a broader client base. International Expansion: Venturing into underserved international markets can open new growth channels for CDSL.

Threat T

SEBI Regulatory Changes: Alterations in guidelines or government policies can impact CDSL's operations and revenue models. Technological Disruption: Rapid advancements in technology and potential cybersecurity breaches pose risks to CDSL's operations. Market Volatility: Economic downturns or reduced trading volumes can adversely affect transaction-based revenues. Competition from NSDL: As the other major depository in India, NSDL's strategies and market moves can influence CDSL's market share and profitability.

INCOME STATEMENT

Narration	Mar-21	Mar-22	Mar-23	Mar-24
Sales	**343.72**	**551.33**	**555.09**	**812.26**
Expenses	131.90	185.88	236.18	323.95
Other Income	56.92	54.57	65.85	95.05
EBITDA	**267.81**	**419.39**	**384.74**	**582.90**
EBITDA Margin	**77.92**	**76.07**	**69.31**	**71.76**
Depreciation	9.20	11.46	19.48	27.23
Interest	0.02	0.01	0.13	0.11
Profit before tax	259.52	408.55	365.15	556.02
Tax	58.25	96.74	89.19	136.45
Net profit	**200.34**	**311.18**	**275.94**	**419.11**
EPS	9.59	14.89	13.20	20.05
Price to earning	34.22	49.71	34.42	42.69
Price	**328.03**	**740.18**	**454.38**	**855.98**
Operating Profit	**211.82**	**365.45**	**318.91**	**488.31**

- CDSL's fees from transaction processing and value-added services have driven robust revenue growth, particularly in 2024 when volumes surged post-pandemic
- EBITDA margins remained high (64–76%), reflecting low variable costs.
- Operating margin peaked in 2022 (92.6%) due to one-time income or lower expenses, then normalized around 60% thereafter.
- Revenue and net income both nearly doubled from 2021 to 2024.
- Margins indicate a scalable business model with high fixed-cost leverage.
- Year-to-year margin fluctuations suggest occasional one-offs (e.g., non-operational income in 2022) and periodic investment in technology or personnel

RATIO ANALYSIS

Market Cap	₹ 30,838 Cr.	Current Price	₹ 1,476	High / Low	₹ 1,990 / 1,047
Stock P/E	62.3	Book Value	₹ 84.2	Dividend Yield	0.85 %
ROCE	42.0 %	ROE	32.7 %	Face Value	₹ 10.0
Sales	₹ 1,084 Cr.	Profit after tax	₹ 495 Cr.	Mar Cap	₹ 30,838 Cr.
Sales Qtr	₹ 259 Cr.	PAT Qtr	₹ 102 Cr.	Qtr Sales Var	0.55 %
Qtr Profit Var	-23.7 %	Price to Earning	62.3	Price to book value	17.5
ROCE	42.0 %	Return on assets	26.7 %	Debt to equity	0.00
EPS	₹ 23.7	Return on equity	32.7 %	Debt	₹ 2.98 Cr.
Promoter holding	15.0 %	Change in Prom Hold	0.00 %	Pledged percentage	0.00 %

- ROCE of 42.0 % demonstrates highly efficient capital deployment.
- ROE of 32.7 % indicates strong earnings generation on equity.
- Return on Assets of 26.7 % reflects effective utilization of the asset base.

These return ratios significantly outperform typical industry benchmarks and indicate a business with high free-cash-flow potential and strong competitive positioning.

The company’s debt-to-equity ratio of 0.00 underscores a pristine balance sheet and zero reliance on external borrowings. With only ₹ 2.98 Cr. of nominal debt, the business is essentially self-funded and insulated from interest-rate risk. This positions it well to weather macroeconomic headwinds and pursue growth without financing constraints.

The cash-flow buffer implied by zero debt provides strategic flexibility for:

- Accelerated capex or strategic acquisitions
- Enhanced dividend payouts or share buybacks
- Weathering cyclical downturns

The stock trades at a PE multiple of 62.3, which is high relative to historical averages and most peer valuations. On a Price-to-Book basis, the company commands 17.5 × book value, reflecting a premium rating by the market.

INVESTMENT THESIS

Thesis-1: CDSL has a strong growth prospect and monopoly-like Status

Young and Growing Workforce: Over 100 million individuals are expected to enter the workforce over the next decade, boosting domestic savings and investments.

Thesis-2:

CDSL's Asset-Light model benefits from Market Expansion and Scalability.

Digital Infrastructure: Initiatives like UPI, e-KYC, and account aggregation have simplified market access and onboarding, enhancing investor convenience.
Discount Brokers and Paperless Investing have lowered the cost of investing, contributing to a rise in retail investor participation

Thesis-3:

High Margins, Diversified Revenue Streams, and Operational Efficiency.

Increasing Market Penetration:

Initiatives like **"Mutual Funds Sahi Hai"** have improved retail investor awareness, driving a surge in SIP (Systematic Investment Plan) adoption.
India’s MF AUM ratio is only 17%, against a global average of 65%, indicating a substantial growth potential.
Demat account penetration remains low at 12%, providing significant headroom for growth compared to global benchmarks (62% in the U.S.).

Conclusion

- The investment recommendation for CDSL is HOLD with a positive long-term outlook

REASONS

1. World-Class Business Model:
   - Near-monopoly fee-based depository services ensure highly predictable, recurring revenues.
   - Low variable costs and high operating leverage drive sustainable margins.
2. Pristine Balance Sheet:
   - Zero debt eliminates interest risk and enhances financial flexibility.
   - Strong cash reserves support dividends, buybacks, or strategic investments.
3. Robust Profitability Metrics:
   - ROE ~33% and ROCE ~42% highlight superior capital efficiency.