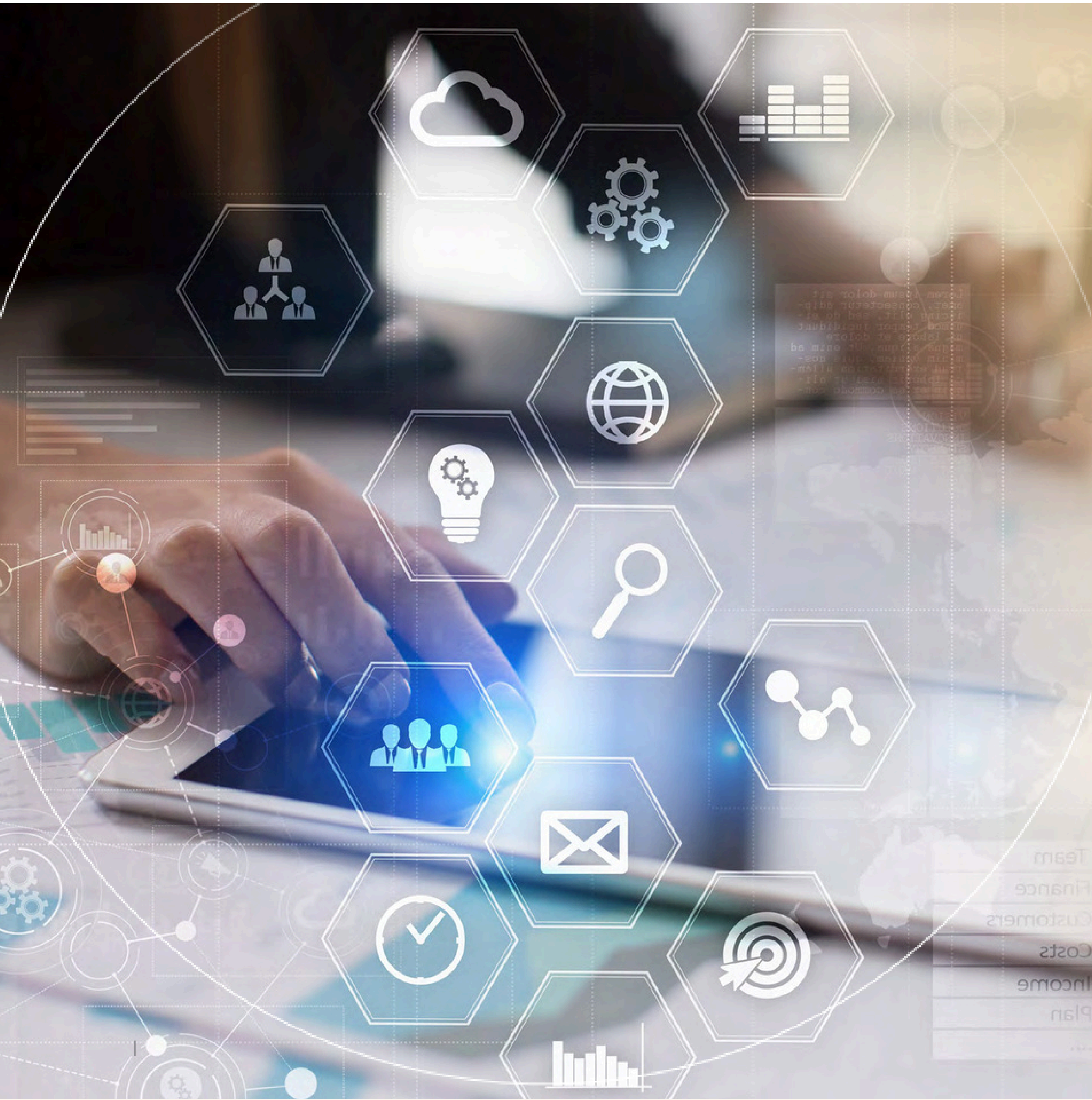
Pee Aar™ The Financial People | Pee Aar Securities Ltd

NSDL Technology, Trust & Reach
National Securities Depository Limited

Powering India's capital markets with scale, trust, and technology



Company Overview

- National Securities Depository Limited (NSDL) is a Market Infrastructure Institution (MII) and India's first and leading securities depository. Incorporated following the enactment of the Depositories Act in 1996, NSDL pioneered the concept of dematerialisation of securities in India in November 1996.
- NSDL serves as a secure, dependable ecosystem at the core of India's financial progress, providing robust technology-driven infrastructure for the financial and securities markets.

- Operational Scale (As of March 31, 2025) :
- Assets Under Custody (AUC): ₹464.16 Lakh Crore, representing an 86.81% overall market share by value.
- Issuer Base: 79,773 listed and unlisted companies have dematerialised their securities through NSDL, showing a 73.36% growth year-on-year.
- Demat Accounts: 3.95 Crore active demat accounts, out of a total of 5.83 Crore client accounts.
- Reach: Depository Participants (DPs) service over 65,391 service centres across more than 2,058 cities and towns in India.
- Initial Public Offering (IPO) Details: NSDL successfully completed its IPO and listed its equity shares on August 6, 2025.

Metric	Detail
IPO Price Band	₹760 to ₹800 per equity share
Final Issue Price	₹800 per equity share
Listing Price	₹880 per equity share
Oversubscription	Total 41.02 times on Day 3

Company Overview

Service Category	Key Products and Offerings	Detailed Description and Metrics
E-Services	SPEED-e (Electronic Submission of Delivery	SPEED-e enables electronic delivery instructions,
Issuer Services	Corporate Actions, e-AGM, e-Voting, CP Issuance,	The blockchain-based DLT platform for security and
Digital Integrations	Digital Loan Against Securities (LAS), Demat	Digital LAS streamlines the process for banks/NBFCs
Subsidiary Services	NSDL Payments Bank Ltd (NPBL), NSDL Database	NPBL provides digital banking, remittances, and

- **National Securities Depository Limited (NSDL) is a Market Infrastructure Institution (MII) and constitutes the foundational plumbing of the Indian capital markets. Established in 1996, it was India's first electronic depository, created to eliminate the inefficiencies and risks of physical share certificates.**
- **Key Establishment Milestones:**
- **1996: Incorporated, promoted by IDBI, UTI, and the National Stock Exchange (NSE).**
- **1996: Commenced operations, dematerializing securities for the first time in India.**
- **1998: Played a critical role in facilitating demat trading during a major scam, cementing its reputation for trust and reliability.**
- **Present: Maintains its position as India's largest depository by several key metrics, including the number of issuers and the value of assets held under custody.**
- **NSDL's mission is to ensure the settlement of trades in the electronic medium by supporting the scripless securities market. Its business is inherently linked to the health and growth of the Indian capital markets.**

Business Model

- NSDL operates on a predominantly Institution-Driven Model, focusing on high-value clients, making it the dominant player in the custody and asset value segment of the market . The business is structured around core depository services, digital integrations, and synergistic subsidiaries.
- A. Core Depository Services & Market Dominance
- NSDL is the largest depository in India in terms of the value of Assets Under Custody (AUC) and the number of issuers registered.
- Custody & Settlement: NSDL's major clients are sticky, high-value institutional players such as Mutual Funds, Foreign Portfolio Investors (FPIs), Insurance Companies, and large corporations . It dominates the market by value, managing approximately ₹464 Lakh Crore in AUC as of March 31, 2025, holding nearly 86.81% market share by value . Crucially, the average value of shares held in an NSDL account is significantly higher, roughly ₹1.2 Crore, compared to approximately ₹5 Lakh for its competitor, reflecting its institutional focus .
- NSDL operates a B2B2C network model:
- Infrastructure Core: It maintains the central electronic database (depository) of all securities.
- Intermediaries (DPs): It provides the platform to Depository Participants (DPs) like stockbrokers (Zerodha, ICICI Sec) and banks (HDFC, SBI). These DPs are the customer-facing interface.
- End-Users: Investors (Retail & Institutional) open demat accounts with DPs, which are ultimately maintained on NSDL's system.
- Revenue Flow: NSDL charges fees to the DPs for transactions and account maintenance. The DPs, in turn, may pass on these costs to the end-investor.
- This model creates a powerful, self-reinforcing network effect. As more investors join, the platform becomes more valuable, attracting more DPs and issuers, thereby solidifying NSDL's moat.

Revenue Segmentation

As a recently listed entity, detailed segment-wise revenue breakdown from its IPO prospectus is crucial. NSDL's revenue is primarily fee-based and can be categorized as follows:
Transaction Charges (~60-65%): This is the core revenue stream. Fees are levied on every transaction (buy/sell) processed through the depository system. This is directly linked to market trading volumes.
Annual Maintenance Charges (AMC) (~15-20%): Fixed fees charged annually for maintaining demat accounts. This provides a stable, recurring revenue stream linked to the total demat account base.
Issuer Services Fee (~10-15%): Fees charged to companies for services provided during IPOs, FPOs, and for ongoing corporate action processing.
Other Income (~5-10%): Includes revenue from KYC services, income from investments, and other miscellaneous services.

NSDL's revenue model is diversified, drawing stability from recurring fees (Annual/Custody) and growth from transaction volumes and subsidiary contributions.
A significant portion of NSDL's revenue is derived from its Payments Bank subsidiary, acting as a major differentiator from its key competitor

Revenue Source	Share of Total Consolidated Revenue (FY24)	FY 2024 Revenue (₹ Lakh Crore)	Nature of Revenue
Banking Services (NPBL)	~52.6%	₹719.2 Crore	Non-Depository, Growth Driver
Transaction Fees	~22.6%	₹308.6 Crore	Variable, Market Cycle Dependent
Custody Fees	~15.1%	₹205.9 Crore	Stable, Recurring (Institutional)
Other Services	~7.7%	₹104.7 Crore	Diversified Income
Annual Fees	~2.0%	₹27.4 Crore	Stable, Recurring

FUNDAMENTAL ANALYSIS

Fiscal Year	Total Revenue	Net Profit	EBITDA Margin	EPS (INR)
FY 2023	~1,050	~580	~65%	~28.5
FY 2022	~920	~500	~64%	~24.6
FY 2021	~750	~390	~62%	~19.2
FY 2020	~650	~320	~60%	~15.7
FY 2019	~580	~270	~58%	~13.3

- **Growth Drivers:**
- **Explosion in Indian Investor Base: The number of demat accounts in India surged from ~4 crore in 2019 to over 10 crore+ in 2023. NSDL, as a market leader, captured a significant portion of this growth.**
- **High Trading Volumes: Sustained high volumes in the equity markets, driven by both retail and institutional participation, directly boosted transaction fee revenue.**
- **Monopolistic Market Structure: The depository business in India is a virtual duopoly with CDSL. This results in high barriers to entry, pricing power, and extremely high profitability (evident in the >60% EBITDA margins).**
- **Product Diversification: Growth in new segments like mutual fund holdings in demat, bonds, and AIFs has opened new revenue streams.**
- **Surging Investor Participation: The number of demat accounts surged, driven by the overall market digitalisation (investor base grew 55% in the two years preceding listing) . NSDL is actively engaging this base, including through its Yuva Plan (YUP), which offers zero settlement fees for the first three years to investors under 24 years old, fostering youth participation.**
- **Regulatory Efficiency Mandates: Implementation of modern settlement cycles, such as the roll-out of the T+0 settlement cycle for top 500 scrips from January 31, 2025, and the Direct Payout Settlement mechanism (enabling direct security credit from clearing corporations to investor accounts from February 25, 2025), significantly enhance market integrity and efficiency, solidifying NSDL's critical role.**

FUNDAMENTAL ANALYSIS

- Fundamental Strengths:
- Unbreachable Moat: High regulatory barriers to entry create a durable competitive advantage.
- Operating Leverage: The business is highly scalable; incremental revenue growth falls significantly to the bottom line.
- Huge Addressable Market: Penetration of financial assets in India is still low, ensuring a long runway for growth.
- Virtually Debt-Free: Minimal financial risk.
- Cash Flow Analysis:
- Cash Flow from Operations (CFO): Consistently strong and positive, tracking closely with net profit. This is a sign of high-quality earnings.
- Cash Flow from Investing (CFI): Typically negative due to capital expenditure, but Capex requirements are low, leading to strong Free Cash Flow (FCF).
- Cash Flow from Financing (CFF): Pre-IPO, this involved dividend payouts. The IPO would have resulted in a large cash inflow.

Negative Points / Key Risks:

1. Valuation Risk: The single biggest risk. Trading at a P/E of 70-80x, the stock has high growth expectations baked into its price. Any disappointment in earnings growth could lead to a sharp de-rating.
2. Regulatory Risk: As an MII, it is heavily regulated by SEBI. Any mandated reduction in fee structures could impact profitability.
3. Market Cyclicality: Revenue is tied to market volumes. A prolonged bear market with low volumes would negatively impact transaction income.
4. Competition from CDSL: While not a price war, intense competition for market share exists and could pressure long-term growth rates.

Ratio Analysis

Ratio (Standalone)	FY 2024-25	FY 2023-24
Current Ratio	1.36	1
Return on Equity (ROE)	19.39%	18.57%
Net Profit Ratio	51.99%	54.55%
Return on Capital Employed (ROCE)	23.35%	21.72%
Trade Receivables Turnover Ratio	8.06	7.21
Debt-to-Equity Ratio	0.09	N/A

- **Based on the image you provided, here are the key insights in a bulleted list:**
- **Strong liquidity improvement driven by the reclassification of long-term investments nearing maturity.**
- **Consistent and modest improvement in profitability and efficiency.**
- **High Net Profit Ratio, which reflects strong margins in the company's core business.**
- **Improving capital efficiency.**
- **Improvement in collecting annual fees billed in advance, enhancing operational cash cycle efficiency.**
- **The company is substantially debt-free, maintaining a low-leverage model**
- **NSDL is in an exceptionally strong financial health. It is a cash-generating machine with a capital-light model, negligible debt, and phenomenal profitability (RoE >30%). The business is directly leveraged to India's financialization story..**

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PEER COMPARISON

Metric	NSDL	CDSL
Primary Focus	Institution-Driven (High-Value, High AUC)	Retail-Driven (High-Volume, High Account Count)
Market Share (AUC/Value)	Dominant: ₹464 Lakh Cr (~88%)	Smaller: ₹70.52 Lakh Cr (~12%)
Market Share (Demat Accounts/Volume)	Lower: 39.45 Million accounts	Dominant: Over 152.9 Million accounts (~80%)
ROE (FY25, Consolidated)	17.11%	29.90%
Net Profit Margin (FY25, Consolidated)	22.35%	47%
P/E Ratio (Sept 2025)	69.41x	62.05x
DP Service Centres	Larger Network: 65,391 centres	Smaller Network: 18,918 centres

- **Different market segments define operational strengths.**
- **NSDL manages the bulk of institutional/high-value assets.**
- **CDSL is exposed to rapid retail investor growth.**
- **CDSL shows significantly higher capital efficiency (nearly double NSDL's) due to its lean, scalable model.**
- **CDSL benefits from a lower operating cost base, resulting in robust margin conversion.**
- **NSDL is trading at a post-listing premium to its listed peer.**
- **NSDL's extensive network supports its institutional client service delivery.**

CONCLUSION

- Recommendation: HOLD
- NSDL is, without a doubt, a fantastic company with a monopoly-like status, a pristine balance sheet, and exceptional profitability. It is a direct play on India's long-term economic and capital market growth.
- Based on the comprehensive analysis, NSDL represents a strong, indispensable component of India's long-term digital financial infrastructure with a dominant position in the institutional and debt segments. However, the post-IPO price action has inflated the valuation substantially above its peer and sector average, warranting caution.
- Rationale for HOLD: Investors who participated in the IPO should Hold given the robust structural tailwinds and market leadership. The current high P/E of 69.41x discounts future growth significantly and leaves little margin for safety.
- Rationale for ACCUMULATE on DIPS: Long-term patient investors looking for fresh entry should wait for a market or stock-specific correction. The institutional nature of its business provides a resilient long-term story, but the current valuation is too rich.
- Target Price Point for Accumulation: A reasonable accumulation range, allowing for a healthy entry point below the post-listing premium and closer to the actual market-discovered IPO value, is ₹800 to ₹880 per share.