MOTILAL OSWAL MOSt DISCOVERY

12 Dec 2018

Initiating Coverage

Central Depository Services (India) Ltd

BSE SENSEX	S&P CNX NIFTY
35,779	10,737

CMP: INR224 TP: INR290 (+29%) Buy

Value play on the Indian capital market

Central Depository Services (CDSL) is one of two depositories in India and the only one to be listed. The BSE initially promoted CDSL, but subsequently diluted its stake to leading banks, which became CDSL's 'Sponsors'.

Part of duopolistic industry with high entry barriers: NSDL (promoted by the NSE) and CDSL (promoted by the BSE) are the only two depositories operating in the country. Given their strong parental lineage, these depositories will enjoy a clear advantage over any new entrant, in our view.

CDSL's strategy of consolidating its position among retail investors has helped it expand its share in incremental beneficial owner (BO) accounts (63% in FY18) and depository participants (594 v/s 276 for NSDL). We believe this strategy enables CDSL to spread its risk and not depend on a few large institutions.

Diversified revenue mix; growth avenues beyond capital markets: Around 70% of CDSL's revenue comes from market-linked activities (such as transaction, IPO charges and annual issuer charges) and the rest from online data charges/KYC and other such value-added services. Moreover, opportunities such as digitization of academic records, depository services to unlisted companies, insurance and commodity repositories provide further room for diversification beyond the capital market.

Asset light business model, operating leverage drive robust cash flows: A robust EBITDA margin of ~60% (major costs being employee and technology), coupled with a negative working capital cycle and minimal capex requirements, makes the business cash-rich. Given the inherent strengths, CDSL is likely to maintain healthy free cash flows, dividend payout (~40%) and return ratios of ~17%. We expect revenue/PAT CAGR (FY18-20) of 8.1%/8.2% to INR2.2bn/1.2bn led by steady growth across segments.

Valuation: We believe CDSL is an attractive play on the capital markets growth story and the financial inclusion theme. The duopolistic nature of the business, plenty of opportunities to scale up, low capex requirement and cash-rich balance sheet, makes CDSL a long-term steady compounder.

The stock has corrected ~40% from its peak, in tandem with the fall in the equity markets, especially midcaps. However, current valuations of 19.4x FY20E EPS appear attractive, given the inherent strengths of the business and the relative discount to NSDL's valuation (post the recent stake sale announcement, Exhibit 25). Further, the company has net liquid investments of INR5.6bn, which is ~24% of current market cap. We value CDSL at 25x FY20E EPS to arrive at a target price of INR290, implying 29% upside. We initiate coverage with a Buy rating.

CDSL

Stock Info

M.Cap. (INR b)	23
Avg. Turnover, INR m	47
Equity Shares (m)	105
Face value	10
52-Week Range (INR)	382 / 205
1, 6, 12m Rel. Per* (%)	-9 / -21 / -42

Data as on 12th Dec, 2018
*relative to BSE Sensex

Financials Snapshot (INR bn)

Y/E Mar	2018	2019E	2020E
Net Sales	1.9	2.1	2.2
Growth (%)	30.8	7.7	8.4
EBITDA	1.1	1.2	1.3
PAT	1.0	1.1	1.2
EPS (INR)	9.9	10.5	11.6
Gr. (%)	20.3	6.0	10.4
BV/sh. (INR)	57.3	63.1	69.3
Div. Yield (%)	1.6	1.7	2.0
P/E (x)	22.7	21.4	19.4
P/BV (x)	3.9	3.6	3.2
EV/EBITDA (x)	15.7	14.1	12.6
RoE (%)	18.2	17.4	17.5
RoCE (%)	18.3	17.5	17.5

Shareholding pattern (%)

As On	Mar-18	Jun-18	Sept-18
Promoter	24.0	24.0	24.0
MFs	4.7	3.9	4.0
FPIs	2.2	1.6	1.6
Others	69.1	70.5	70.4

Investors are advised to refer through disclosures made at the end of the Research Report.

Initiating coverage

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Company Background

Incorporated in 1999, Central Depository Services (India) Limited (CDSL) is one of the two depositories in India and the only one to be listed. The BSE initially promoted CDSL, but subsequently diluted its stake to leading banks, which became CDSL's 'Sponsors' (Exhibit 6). CDSL is the leading securities depository in India in terms of incremental beneficial owner (BO) accounts.

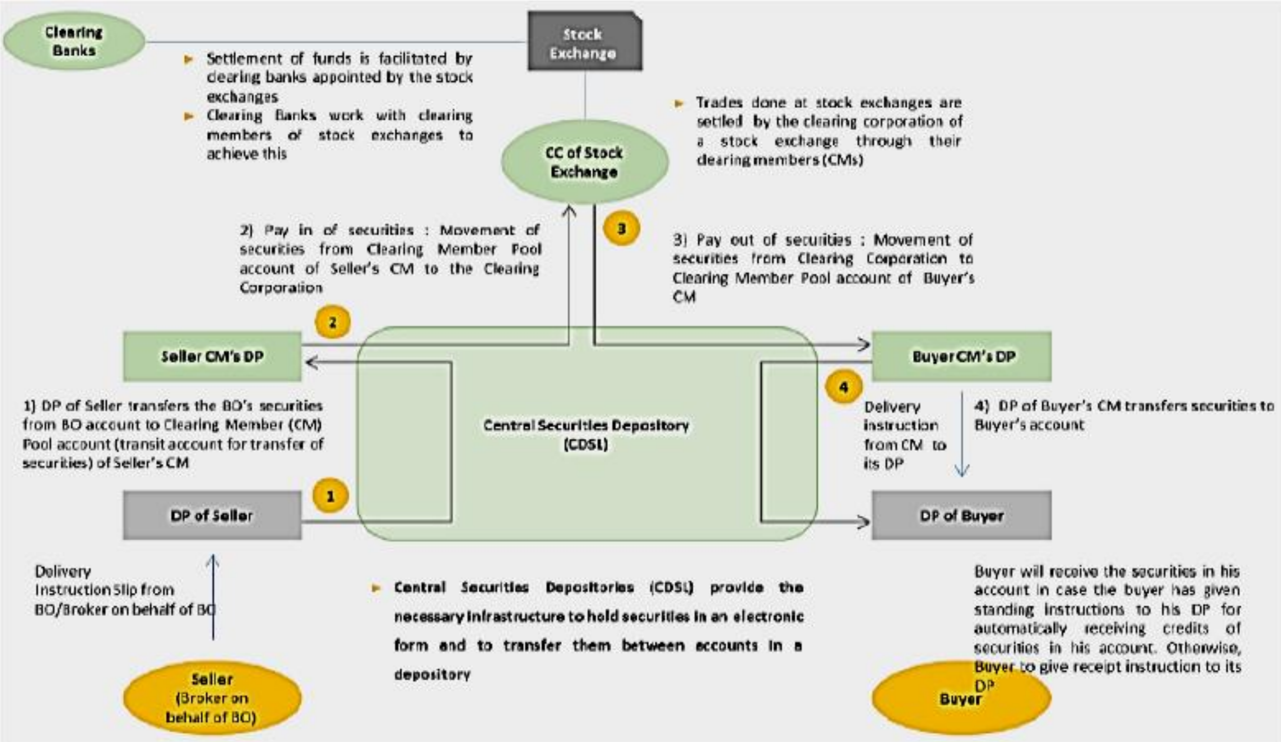
CDSL earns revenue by charging annual issuer fee to corporates and account maintenance charges, user facility charges and transaction fees to depository participants (DPs). It also facilitates a range of non-cash corporate actions, digitization of academic records, insurance policies, e-warehouse receipts etc. In addition to securities depository services, CDSL Ventures (CVL) is registered with the SEBI and the Unique Identification Authority of India (UIDAI). It undertakes common Know Your Client (KYC) services for investors in the capital markets, including the mutual fund industry.

Exhibit 1: CDSL offers services through four entities

Name of the entity	Year of commencement	Entity Type	Holding (%)	Business
CDSL	1999	Parent	-	Depository services
CDSL Ventures Ltd.	2006	Subsidiary	100%	KYC for Mutual funds and National Academic Depository (NAD)
CDSL Insurance Repository Ltd.	2011	Subsidiary	51% (Direct) & 3.25% (through Subsidiaries)	Storage of e-insurance policies
CDSL Commodity Repository Ltd.	2017	Subsidiary	100%	Commodity Warehouses, Repository Participants (RPs)

Source: Company, MOSL

Exhibit 2: Overview of securities trade and settlement process

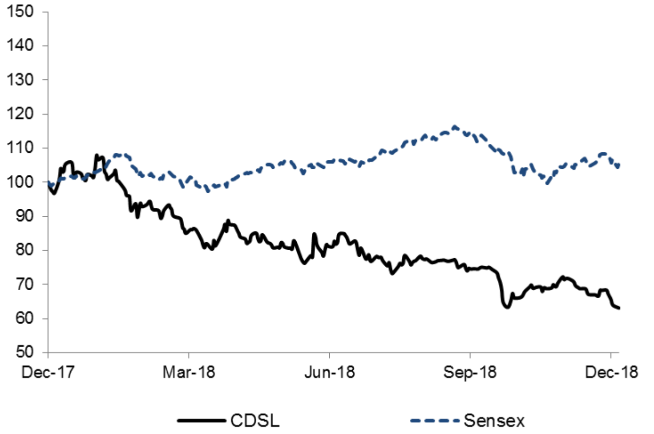


Source: Company, MOSL

Exhibit 3: Auditors as of Mar'18

Name	Type
M/s. Deloitte Haskins & Sells	Statutory Auditor
M/s. Pramod Shah & Associates	Secretarial Auditor
M/s. Mittal & Associates	Internal Auditor

Exhibit 4: One-year stock performance rebased to 100



Source: Company, Bloomberg, MOSL

Exhibit 5: Management Overview

Name	Designation	Professional details
Mr. Taruvai Subbayya Krishna Murthy	Chairman and Former Chief Election Commissioner of India	He holds master's degree in Fiscal Studies. He was former Chief Election Commissioner of India and Secretary of the MCA. He was an advisor to the IMF and has several years of experience in the securities market.
Mr. Padala Subbi Reddy	MD and CEO	Has more than 30 years of experience, joined BSE in 1988 and served as Chief GM of BSE Ltd. until Nov'06. Has been Director in CDSL since 2009. He holds master's degree in Arts (Economics); and is the member of various SEBI committees including the Secondary Market Advisory Committee and Corporate Bond and Securitization Advisory Committee.
Mr. Joydeep Dutta	ED & Group CTO	He has over 34 years of diverse work experience and has done BE in Electrical Engineering & MS in Computer Science from Tuskegee university.
Mr. Bharat Sheth	CFO	He completed his Bachelors in Science from Mumbai University and is a Charted Accountant by profession. He has played various roles in the finance department of CDSL.

Source: Company, MOSL

Exhibit 6: Shareholding pattern as on Mar'18

Top shareholders	Shareholding (%)	Category
Bombay Stock Exchange	24.0%	Promoter & Sponsor
HDFC Bank	7.2%	Sponsors
Standard Chartered Bank	7.2%	
Canara Bank	6.5%	
Bank of India	5.6%	
State Bank of India	5.0%	
Bank of Baroda	3.0%	
Life Insurance Corporation of India	4.2%	Public Institutions
L&T Mutual Fund	2.0%	
Bank of Maharashtra	1.9%	
Union Bank of India	1.9%	
IDFC Focused Equity Fund	1.3%	

Source: Annual Report, MOSL

Note: If the shareholding of any person exceeds 2% of the paid up equity share capital of a depository, approval of the SEBI is required to be sought within 15 days of such acquisition. Failure to obtain such approval requires immediate divestment of the excess shareholding.

Investment Argument

Depository business is a proxy play on capital market growth story

Penetration of per-capita demat accounts in India stands at 0.03, which is ~19x lower than bank accounts. Only 40% of savings are in financial assets, while the balance 60% are still in physical assets. In fact, only 5% of financial savings are in equities in India, which is much lower than 15-40% in regions such as China, Brazil, Western Europe and the US.

We believe there is significant scope for growth in Indian capital market based on the gradual shift of money from physical assets (real estate & gold) to financial assets, increasing retail participation, greater financial literacy, growing penetration of capital markets products, regulatory initiatives, ease of technological access, expected surge in IPOs, capital requirements for SMEs and mid-corporates, and strong investor confidence.

Hence, this shift will help CDSL grow at a healthy rate through:

- Addition of new instruments in the capital markets, leading to higher annual issuer, IPO and corporate action charges
- Greater retail participation, leading to higher transaction charges
- Increasing mutual fund penetration, leading to higher online data KYC charges

Duopolistic industry structure with high entry barriers

The depository industry in India comprises of two players: NSDL (promoted by NSE) and CDSL (promoted by BSE). NSDL was the first depository established in India (in 1996), followed by CDSL (in 1999).

Even globally, the depository services are owned by exchanges and they avoid sharing data with any third party for security reasons. Countries such as Canada, Germany, Europe, Singapore, the UK and the US operate under a single depository mechanism, while India has dual-depositories.

Given that industry is largely regulated by the SEBI, we believe that the chances of a successful third depository in India are very thin. Moreover, with the strong parental lineage, these existing two depositories have a clear advantage over any new entrant, in our view.

Exhibit 7: Globally too depository services are owned by exchanges

Country	Name of depository	Promoted by
Australia	ASX Settlement & Transfer Corporation Pty Ltd.	ASX (Australian Stock Exchange)
Canada	Canadian Depository for Securities	TMX group (Toronto Stock Exchange)
Germany	Clearstream	Deutsche Börse Group (Frankfurt Stock Exchange)

Source: NSDL, MOSL

CDSL gaining market share from NSDL

CDSL has focused more on acquiring non-institutional investors, harboring the view that the volume and not value of transactions will be a bigger driver of revenue for depositories.

Despite being a late entrant in depository business, CDSL has consistently gained market share in the number of absolute BO accounts (from 39.6% in FY13 to 46.5% in FY18). In terms of growth in BO accounts, CDSL has been growing at a higher rate (12.2% CAGR over FY13-18) compared to NSDL (6.1% CAGR). We believe CDSL has primarily benefited from:

1. **Relaxed DP registration requirement:** CDSL asks for interest-free deposit of INR0.5mn v/s NSDL's INR1mn and requires brokers applying as DPs to have a minimum net worth of INR20mn vs. NSDL's INR30mn. This helps in more retail penetration, as small brokers can also act as CDSL DPs.

2. **Lower set-up cost:** DPs have to pay lower set-up costs (i.e. 1/3rd of NSDL), as CDSL has a centralized server, enabling DPs to start only by linking their workstation to the server. On the other hand, DPs registered with NSDL have to invest in an on-premise server to interact with NSDL's IT systems, which requires an upfront investment.

3. **Slab-based fee structure:** In order to reduce operational costs for DPs, CDSL follows a slab-based structure (i.e. it charges between INR4.25 and INR5.50/debit transaction based on the total monthly billing). On the other hand, NSDL charges are fixed at INR4.50/debit transaction. Apart from this, CDSL offers zero custodian fees to DPs and lower settlement fees.

Exhibit 8: CDSL and NSDL's transaction charges structure

Transaction Charges	CDSL	NSDL
Transaction fees (INR per debit instruction)	INR 4.25 – 5.50	INR 4.50
Slab structure based on nominal value of security		
Up to INR 0.1mn	INR 5.50	-
INR 0.1 - 0.4mn	INR 5.00	-
INR 0.4 - 1.5mn	INR 4.50	-
More than INR 1.5mn	INR 4.25	-

Source: Company, NSDL, MOSL

Exhibit 9: No. of BO A/c (in mn)

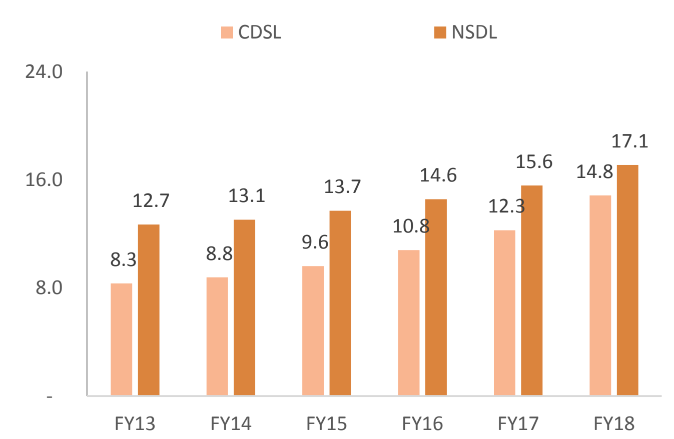
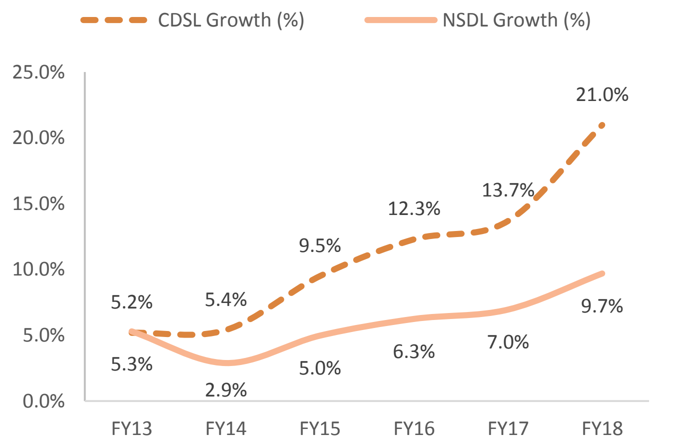


Exhibit 10: Growth in BO A/c



Source: Company, NSDL, MOSL

Exhibit 11: CDSL gaining market share in BO A/c

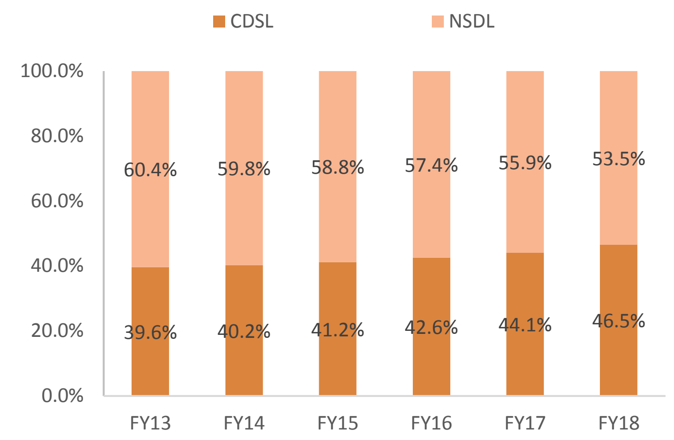
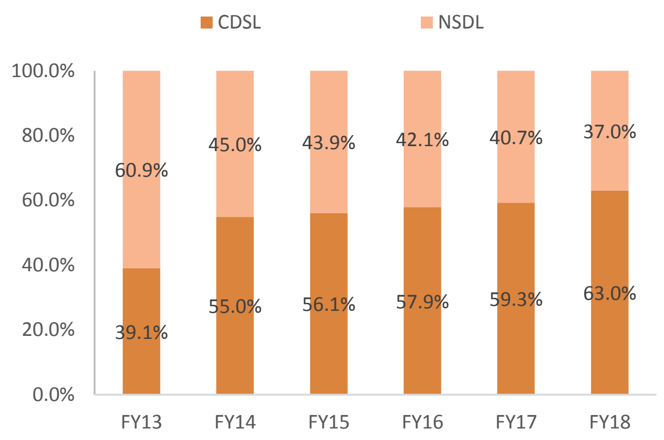


Exhibit 12: Incremental market share gain in BO A/c



Source: Company, NSDL, MOSL

Exhibit 13: NSDL & CDSL's BO A/c CAGR

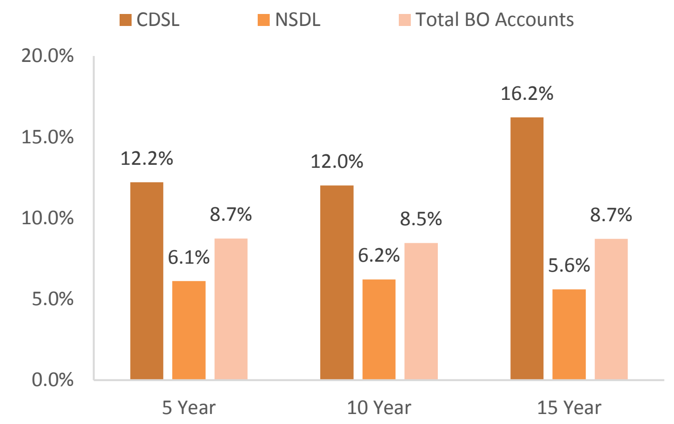
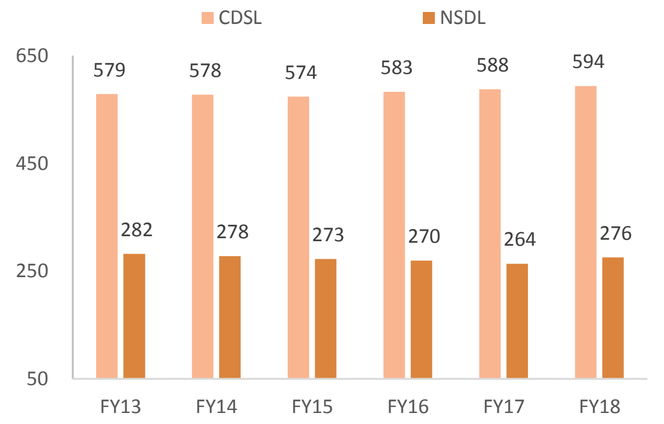


Exhibit 14: No. of DPs with NSDL and CDSL



Source: Company, NSDL, MOSL

Non-market-linked activities guard CDSL against market volatility

CDSL has multiple streams of operating revenues, ranging from non-market linked activities (KYC) to market-linked activities (annual issuer charges, transaction, IPO and corporate action charges). Non-market linked activities contribute ~15% of the revenue pie, up from ~3% in FY10. We see its contribution increasing to 19% by FY20.

Over the last five years, CDSL recorded revenue CAGR of 16.1% to INR1.9bn. Despite weaker market sentiments, we expect it to deliver revenue CAGR of 8.1% to INR2.2bn over FY18-20. This will be supported by KYC business (20.0% CAGR over FY18-20E), followed by market linked annual issuer charges (11.3% CAGR), transaction charges (2.5% CAGR) and other charges (10.0% CAGR).

Exhibit 15: Segment-wise revenue mix, growth and contribution

Segment (INR mn)	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Annual Issuer Charges	390	382	355	481	517	556	656	689
Growth (%)	8.7%	-1.9%	-7.3%	35.8%	7.4%	7.6%	18.0%	5.0%
Contribution (%)	42.9%	43.0%	33.6%	39.2%	35.4%	29.1%	31.9%	30.9%
Transaction Charges	218	199	283	258	312	440	440	462
Growth (%)	-12.7%	-9.0%	42.4%	-8.8%	20.9%	40.9%	0.0%	5.0%
Contribution (%)	24.1%	22.4%	26.9%	21.0%	21.4%	23.0%	21.4%	20.7%
IPO & Corporate Action Charges	-	55	62	107	165	295	251	263
Growth (%)	-	-	13.4%	72.8%	54.3%	78.5%	-15.0%	5.0%
Contribution (%)	0.0%	6.1%	5.9%	8.7%	11.3%	15.4%	12.2%	11.8%
Online Data/ KYC Charges	116	89	147	154	187	292	350	420
Growth (%)	-28.1%	-23.0%	64.1%	4.8%	21.9%	55.8%	20.0%	20.0%
Contribution (%)	12.8%	10.0%	13.9%	12.5%	12.8%	15.3%	17.0%	18.8%
Others	183	164	208	228	278	327	360	396
Growth (%)	-4.5%	-10.5%	26.6%	9.8%	21.9%	17.7%	10.0%	10.0%
Contribution (%)	20.2%	18.5%	19.7%	18.6%	19.0%	17.1%	17.5%	17.7%
Total Revenue	907	889	1,054	1,229	1,460	1,910	2,057	2,231
Growth (%)	-5.7%	-2.0%	18.5%	16.5%	18.8%	30.8%	7.7%	8.4%
Contribution (%)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company, MOSL

Annual issuer charges: CDSL charges annual issuer fee to the companies at the rate of INR11/folio in the depository (was last increased in FY16 from INR8/folio), subject to minimum slab-based fees depending on the nominal value of admitted securities. These annual issuer charges are set and periodically revised by the SEBI and remain same for both the depositories. In FY18, 58% of annual issuer charges came from folio-based structure and the balance from slab structure (Exhibit 16).

For every financial year, CDSL determines the annual issuer charges in April (based on the average number of folios in the previous financial year), collects 75% of the dues by May, and books the revenues every quarter on a pro-rata basis. For example, in 1Q and 2QFY19, revenues from annual issuer charges grew ~18% each, based on the higher number of folios in FY18 (supported by buoyant capital markets). Thus, we expect this business segment to continue growing at 18% YoY in 2HFY19.

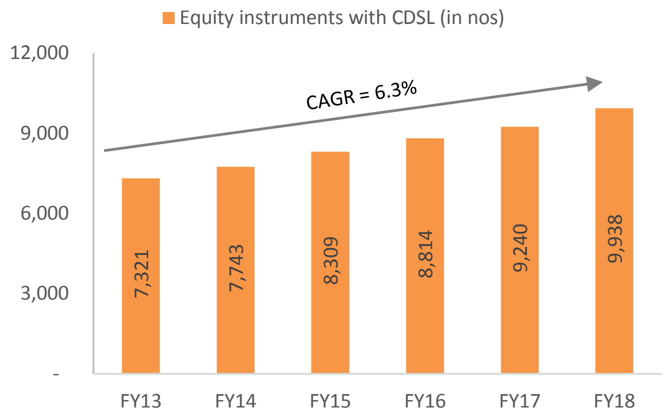
Over FY13-18, annual issuer charges increased at 7.4% CAGR to INR556mn. Over the same period, the number of equity instruments increased at a similar rate of 6.3% to 9,938 instruments. Thus, in the long term, we expect a steady CAGR of 5-6% for this business, supported by the increasing number of companies entering the primary market.

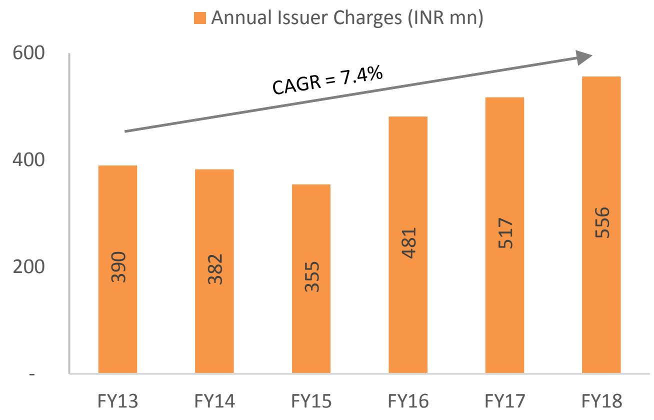
Exhibit 16: Annual issuer fee charged by CDSL

Annual issuer fees (Per Folio) subject to minimum annual charges as mentioned below	INR 11 per folio
Slab structure based on nominal value of security	
Up to INR 50mn	INR 9,000 annually
INR 50- 100mn	INR 22,500 annually
INR 100-200mn	INR 45,000 annually
More than 200mn	INR 75,000 annually

Source: Comapny, MOSL

Exhibit 17: Annual issuer charges correlated to equity instruments growth





Source: Company, MOSL

Transaction charges: CDSL charges the DPs slab-wise fees of INR4.25-5.50/debit transaction based on the monthly transaction bill. Transaction fee depends on the volumes in the secondary market and the number of DPs. In 1HFY19, revenue from transaction charges grew ~5.0% due to weak capital market sentiment. We expect this revenue stream to report flat 2.5% CAGR to INR462mn over FY18-20.

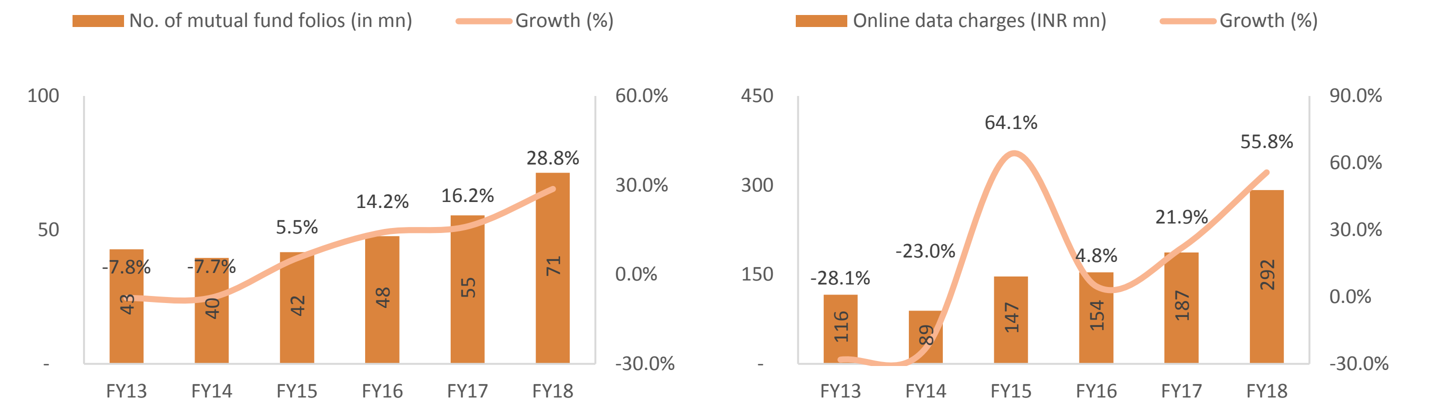
Initial public offering and corporate action charges: During an initial public offering (IPO), CDSL charges INR2/folio for verification of subscriptions and INR10/folio for allotment to the issuing company. Additionally, for any corporate action (bonus, split, etc.), CDSL charges INR10/folio to the company.

Revenue from IPO and corporate action charges grew robustly by 68.2% CAGR to INR295mn over FY15-18 due to increased activity in the primary issue market as well as a rise in corporate activity. However, in 1HFY19, given weak market sentiment and withdrawal of IPOs, this segment de-grew by 6.7%. We expect this revenue stream to de-grow by 5.5% to INR263mn over FY18-20 due to a fall in issues/subscriptions in the primary market and corporate activity.

Online data charges/KYC: This revenue is mainly derived from CDSL Ventures Ltd. (CVL is 100% subsidiary of CDSL). It provides KYC services for investors in the capital markets, including the mutual fund industry. It charges one-time revenue of ~INR20 for creation of KYC and additional charges for data fetching. As on FY18, CVL had ~67% market share with ~17.5mn investor records, followed by NMDL (NSDL Database Management Ltd: ~7mn), CAMS (Computer Age Management Services: ~6mn) and two other players.

CDSL's focus is more on maintaining its market share by charging lower KYC creation charges and compensating it by higher data fetching related queries. It reported revenue CAGR of 20.3% to INR292mn over FY13-18. We expect revenue CAGR of 20.0% to INR420mn over FY18-20 on the back of increasing investor interest in mutual funds and CSDL's dominant market share.

Exhibit 18: Growth in online data charges linked to growth in mutual fund folios



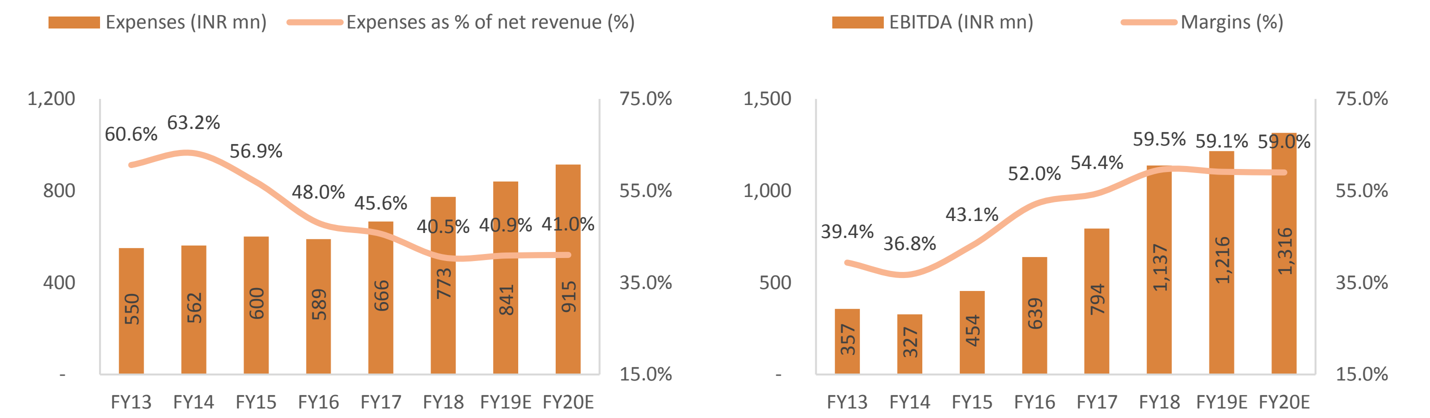
Source: AMFI India, Company, MOSL

Others revenue streams: Other revenue (17.1% contribution in FY18) include user facility charges, account maintenance, E-CAS, settlement charges, e-voting, document storage, inter-KRA charges, etc. We expect revenue CAGR of 10.0% to INR396m from these streams over FY18-20.

Asset light business and operating leverage drive robust cash flows

Fixed cost model coupled with high scalability drives EBITDA margin expansion: CDSL operates in a largely fixed-cost environment, with employees and technology infrastructure comprising ~50% of overall costs. Any incremental revenue largely percolates to EBITDA, leading to margin expansion. CDSL's operating margins improved more than 20 percentage points (pp) over FY13-18 from 39.4% to 59.5%. Apart from operating leverage, SEBI lowered the contribution to Investor Protection Fund (IPF) to 5% from 25% of profit before tax (excluding other income) in FY16 with retrospective effect, which also supported margin expansion. We do not expect the margins to expand further but remain stable at 59% over FY18-20.

Exhibit 19: Fixed cost environment leading to EBITDA margin expansion



Source: Company, MOSL

Strong cash flows: CDSL's asset-light model, coupled with strong cash flows (cash collection on the 25th of every month for transaction charges and advance receipt of annual issuer charges), makes the business cash-rich. Given the inherent strengths of the business, CDSL is likely to maintain healthy free cash flows, dividend payout (~40%) and return ratios (~17%).

Exhibit 20: Asset light model...

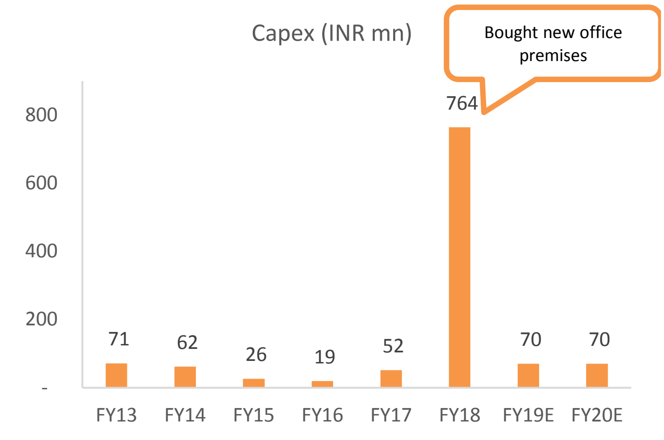
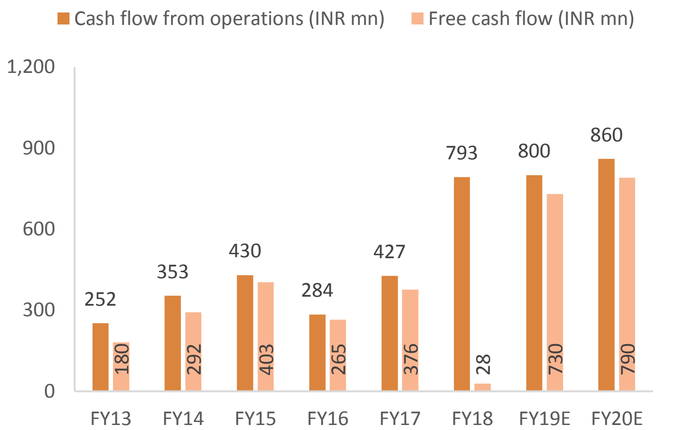


Exhibit 21: ...leading to high cash flow generation



Source: Company, MOSL

Healthy balance sheet: CDSL has a strong balance sheet, with net cash of INR5.6bn v/s total capital employed of INR6.1bn (as of FY18). This is partially due to the regulatory requirement that mandates CDSL to maintain INR2.2bn in cash equivalents for its various businesses. This cash is deployed in various debt instruments. Although these investments drag down the return ratios, they also provide a cushion against business vagaries.

Exhibit 22: Consistent dividend payout

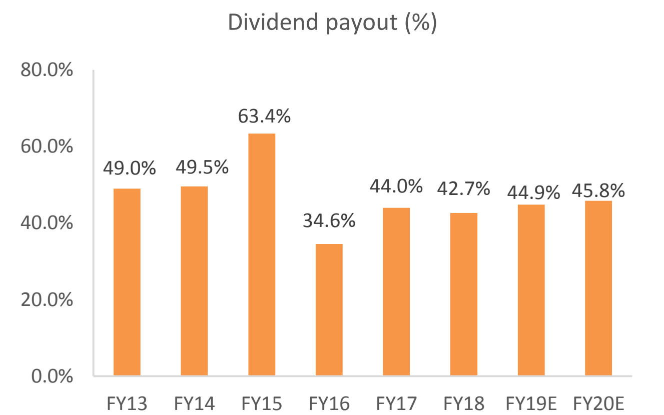
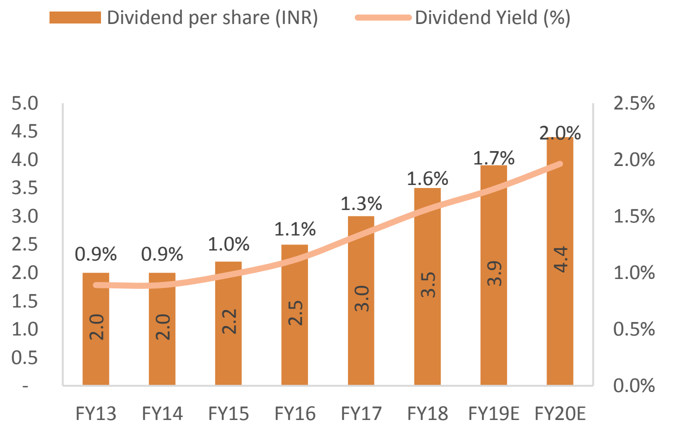


Exhibit 23: Dividend per share and yield



Source: Company, MOSL

Long-term growth opportunities beyond capital market

Through various regulatory initiatives, CDSL is looking to further diversify beyond the capital markets. The company is venturing into segments such as digitization of academic records, depository services to unlisted companies, insurance companies, and commodity repositories. While these businesses are in a very nascent stage at the moment and will require 2-5 years to scale meaningfully, they do offer long-term growth opportunities for CDSL beyond the capital market.

Exhibit 24: Opportunities beyond capital market

Revenue stream	Proposed activity	Latest developments	Benefits to CDSL
Dematerialization of unlisted companies	In the first phase, GoI proposes to demat the shareholdings of ~75,000 companies. In the second phase, GoI proposes to demat ~0.7mn private limited companies.	The regulation/mandate is likely to come in October 2018. However, pricing of the same is unknown.	We believe with the right pricing, this segment can substantially add to the company's annual issuer charges apart from one-time admission fee.
National Academic Depository Services (NAD)	Storage of authenticated copies of academic certificates online.	Out of 850 academic institutions, 400 have already signed with CVL. No charges are to be paid by academic institutions until Sept'19.	NAD will take 3-4 years to take off and the source of revenue will be academic institutions, higher education universities, employers, etc. which will come for data verification.
CDSL Commodity Repository Ltd. (CCRL)	Government has launched the Electronic Negotiable Warehouse Receipt (e-NWR) in Sept'17 to help farmers get better prices for their produce. These receipts can be stored on CCRL and can be traded. CDSL is looking at it as the pledge by or the loan against these commodities by pledging the stock or otherwise ENWR in favor of banks. ENAM to integrate with repositories for seamless transfer of ENWR.	72 repository participants have registered with CDSL. CDSL is conducting awareness programs with the warehouses, banks and commodity traders. MCX has issued a circular stating CCRL held ENWR as valid for delivery.	CCRL is at a very nascent stage, and will take a couple of years to scale up. Difficult to quantify the opportunity.
CDSL Insurance Repository	Provides depository services for e-insurance policies issued by insurance companies.	Recently, an MoU with LIC was signed to provide group insurance coverage to all eligible demat account holders.	It is at a very nascent stage and will take time to scale up.

Source: Company, MOSL

Valuation

We believe CDSL is an attractive way to play the capital markets growth story and the financial inclusion theme. Given the duopolistic nature of the business, opportunities to scale up are plenty and capex requirement to fund growth is low. This, along with its cash-rich balance sheet, makes CDSL a long-term steady compounder. We expect revenues/EBITDA/adj. PAT CAGR of 8.1%/7.6%/8.2% to INR2.2bn/1.3bn/1.2bn over FY18-20.

We expect return ratios to remain stable at ~17% over FY18-20. The stock has corrected ~40% from its peak, in tandem with the fall in equity markets, especially midcaps. However, the current valuations of 19.4x FY20E EPS appear attractive, given the inherent strengths of the business. Further, the company has net liquid investments of INR5.6bn, which is ~24% of current market cap. We value CDSL at 25x FY20E EPS to arrive at a target price of INR290, implying 29% upside. We initiate coverage with a Buy rating.

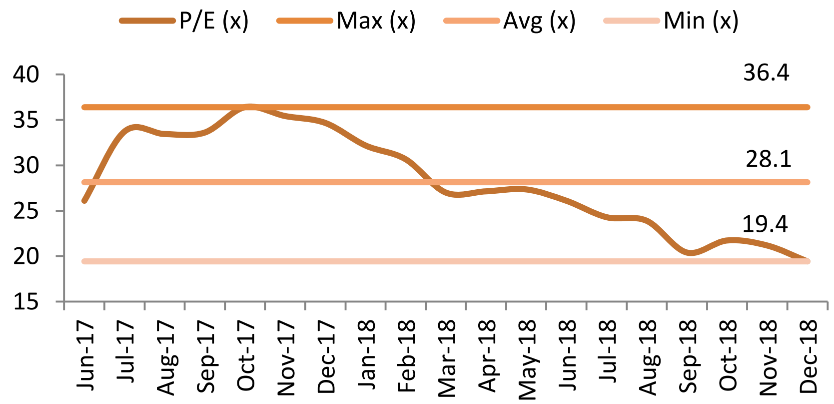
Note: According to various newspaper articles, Axis Bank announced to sell 1.9mn equity shares of NSDL at INR825 per share to HDFC Bank, resulting in a total cash consideration of INR1.6bn (to sell 4.95% stake in NSDL). According to the below calculation (Exhibit 25), CDSL is available at a significant discount to NSDL, along with better growth, margins and return ratios.

Exhibit 25: Peer analysis (FY18)

Particulars (INR mn)	CDSL	NSDL
Net Revenue	1,910	2,633
YoY Growth	30.8%	4.4%
EBITDA	1,137	1,098
Margins	59.5%	41.7%
Adj. PAT	1,032	1,058
YoY Growth	20.3%	5.9%
EPS (INR)	9.9	26.5
CMP (INR)	224	825
PE (x)	22.7	31.2
ROE	18.2%	16.6%

Source: NSDL, Businessline, Company, MOSL

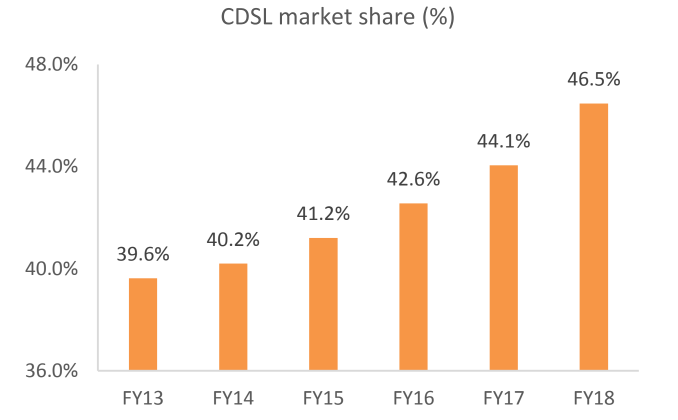
Exhibit 26: CDSL one-year forward P/E (x)



Source: Capitaline, Company, MOSL

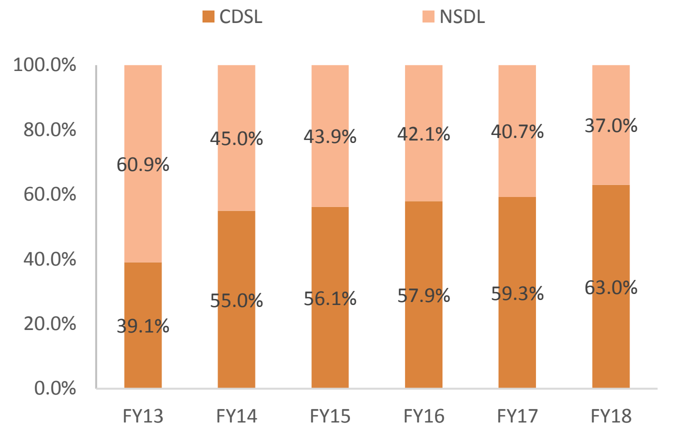
Story in Charts

Exhibit 27: CDSL's absolute markets share



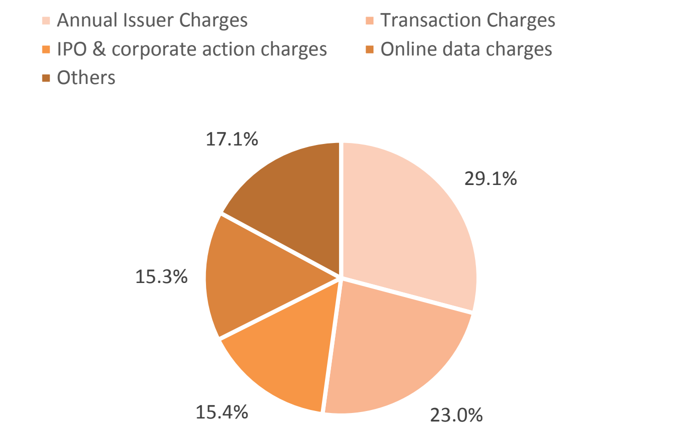
Source: Company, MOSL

Exhibit 28: Incremental market share in BO A/c



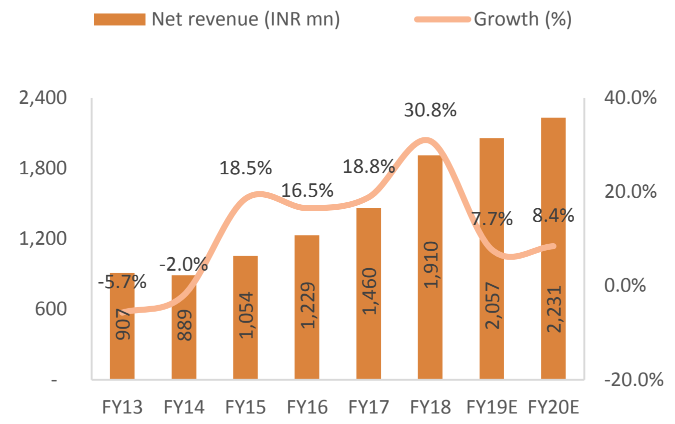
Source: Company, MOSL

Exhibit 29: Diversified revenue mix in FY18



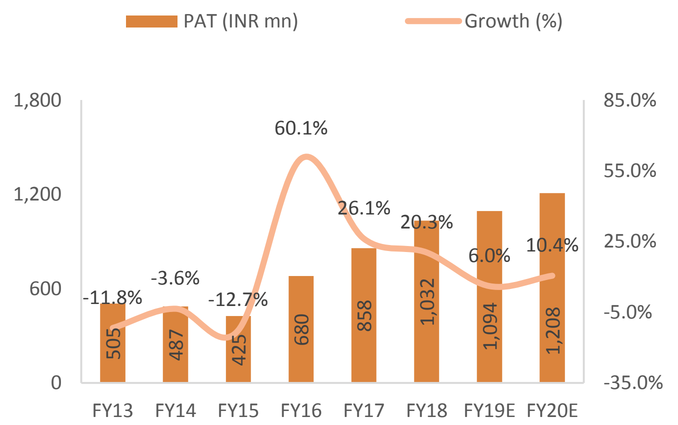
Source: Company, MOSL

Exhibit 30: Expect 8.1% revenue CAGR over FY18-20



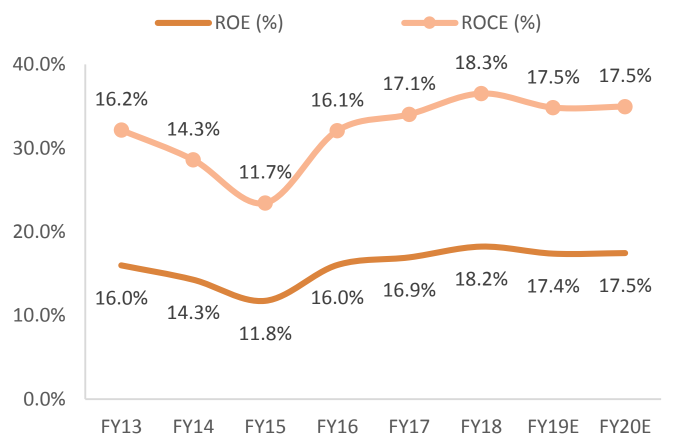
Source: Company, MOSL

Exhibit 31: Expect 8.2% adj. PAT CAGR over FY18-20



Source: Company, MOSL

Exhibit 32: Healthy return ratios



Source: Company, MOSL

Key Risks

- The Government of India has authorized the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI) to perform the functions of a central KYC records registry. Hence, CDSL may lose a substantial part of its KYC business, which is conducted through its subsidiary CVL.

- CDSL is a debt-free company and has high investment and cash generated from accumulated profits. Any change in the market interest rate may adversely impact the value of its other income.

- SEBI regulates the pricing of annual issuer charges and oversees the pricing of other services. As a result, depositories have limited pricing flexibility.

- According to the recommendations of the panel setup by the SEBI under the guidance of former RBI Deputy Governor R Gandhi, the board has allowed corporates to enter into the depository business. This could increase competition for CDSL.

- Many fin-tech companies and global exchanges are investing in the Block-chain technology, which can potentially disrupt a few key businesses of depositories.

Financials and Valuations

Consolidated - Income Statement								(INR Million)
Y/E March	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19E**	**FY20E**
Net Sales	**907**	**889**	**1,054**	**1,229**	**1,460**	**1,910**	**2,057**	**2,231**
Change (%)	-5.7	-2.0	18.5	16.5	18.8	30.8	7.7	8.4
Total Expenditure	**550**	**562**	**600**	**589**	**666**	**773**	**841**	**915**
% of Sales	60.6	63.2	56.9	48.0	45.6	40.5	40.9	41.0
EBITDA	**357**	**327**	**454**	**639**	**794**	**1,137**	**1,216**	**1,316**
Margin (%)	39.4	36.8	43.1	52.0	54.4	59.5	59.1	59.0
Depreciation	26	50	62	42	37	69	102	108
EBIT	**331**	**277**	**392**	**597**	**757**	**1,068**	**1,114**	**1,207**
Int. and Finance Charges	0	0	0	0	0	0	0	0
Other Income	333	339	218	385	408	347	380	442
PBT bef. EO Exp.	**664**	**616**	**609**	**982**	**1,166**	**1,414**	**1,494**	**1,649**
Extraordinary Items	-7	9	17	331	0	0	0	0
PBT	**657**	**625**	**626**	**1,313**	**1,166**	**1,414**	**1,494**	**1,649**
Tax	152	129	192	402	300	378	396	437
Tax Rate (%)	23.1	20.7	30.7	30.6	25.7	26.7	26.5	26.5
Min. Int. & Assoc. Share	6	2	-2	1	8	5	5	5
Reported PAT	**499**	**494**	**437**	**910**	**858**	**1,032**	**1,094**	**1,208**
Adjusted PAT	**505**	**487**	**425**	**680**	**858**	**1,032**	**1,094**	**1,208**
Change (%)	-11.8	-3.6	-12.7	60.1	26.1	20.3	6.0	10.4
Margin (%)	55.6	54.7	40.3	55.4	58.8	54.0	53.2	54.1

Consolidated - Balance Sheet								(INR Million)
Y/E March	**FY13**	**FY14**	**FY15**	**FY16**	**FY17**	**FY18**	**FY19E**	**FY20E**
Share Capital	1,045	1,045	1,045	1,045	1,045	1,045	1,045	1,045
Reserves	2,240	2,489	2,649	3,748	4,288	4,943	5,546	6,200
Net Worth	**3,285**	**3,534**	**3,694**	**4,793**	**5,333**	**5,988**	**6,591**	**7,245**
Debt	0	0	0	0	0	0	0	0
Deferred Tax (Net)	-46	-39	-54	29	-15	-19	-19	-19
Total Capital Employed	**3,363**	**3,631**	**3,783**	**4,969**	**5,473**	**6,128**	**6,735**	**7,394**
Gross Fixed Assets	531	544	557	562	106	871	906	976
Less: Accumulated Depreciation	446	448	490	526	54	110	212	320
Net Fixed Assets	**85**	**96**	**67**	**37**	**52**	**761**	**694**	**656**
Capital WIP	13	2	0	0	3	0	35	35
Investments	3,420	3,754	3,893	4,575	5,029	5,175	5,775	6,375
Current Assets	**592**	**658**	**898**	**918**	**966**	**964**	**983**	**1,107**
Inventory	0	0	0	0	0	0	0	0
Debtors	85	62	69	130	133	189	158	171
Cash and Bank Balance	353	410	656	404	483	411	430	509
Loans and Advances & OCA	154	186	173	385	350	365	395	428
Current Liability & Provisions	**747**	**879**	**1,075**	**561**	**577**	**773**	**751**	**779**
Account Payables	29	56	74	73	90	130	119	129
Current Liabilities	212	338	482	203	173	223	213	231
Other Long Term Liability & Provisions	506	484	519	285	314	419	419	419
Net Current Assets	**-155**	**-221**	**-176**	**358**	**389**	**192**	**232**	**329**
Appl. of Funds	**3,363**	**3,631**	**3,783**	**4,969**	**5,473**	**6,128**	**6,735**	**7,394**

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Basic (INR)								
EPS	**4.8**	**4.7**	**4.1**	**6.5**	**8.2**	**9.9**	**10.5**	**11.6**
Cash EPS	5.1	5.1	4.7	6.9	8.6	10.5	11.4	12.6
BV/Share	31.4	33.8	35.3	45.9	51.0	57.3	63.1	69.3
DPS	2.0	2.0	2.2	2.5	3.0	3.5	3.9	4.4
Payout (%)	49.0	49.5	63.4	34.6	44.0	42.7	44.9	45.8
Valuation (x)								
P/E	46.4	48.1	55.1	34.4	27.3	22.7	21.4	19.4
Cash P/E	44.1	43.6	48.0	32.4	26.2	21.3	19.6	17.8
P/BV	7.1	6.6	6.3	4.9	4.4	3.9	3.6	3.2
EV/Sales	21.6	21.6	17.9	15.0	12.3	9.3	8.4	7.4
EV/EBITDA	54.9	58.8	41.5	28.8	22.5	15.7	14.1	12.6
Dividend Yield (%)	0.9	0.9	1.0	1.1	1.3	1.6	1.7	2.0
FCF per share	1.7	2.8	3.9	2.5	3.6	0.3	7.0	7.6
Return Ratios (%)								
RoE	16.0	14.3	11.8	16.0	16.9	18.2	17.4	17.5
RoCE	16.2	14.3	11.7	16.1	17.1	18.3	17.5	17.5
Working Capital Ratios								
Asset Turnover (x)	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.3
Debtor (Days)	30	30	23	30	33	31	31	27
Creditor (Days)	20	18	23	22	20	21	22	20
Leverage Ratio (x)								
Net Debt/Equity	-1.1	-1.2	-1.2	-1.0	-1.0	-0.9	-0.9	-1.0

Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
OP/(Loss) before Tax	657	625	626	1,313	1,166	1,414	1,494	1,649
Depreciation	26	50	62	42	37	69	102	108
Interest & Dividend Income	-143	-129	-112	-154	-180	-152	-380	-442
Direct Taxes Paid	-226	-149	-204	-366	-321	-390	-396	-437
(Inc)/Dec in WC	101	171	125	-360	-95	9	-20	-19
CF from Operations	**416**	**568**	**497**	**475**	**607**	**950**	**800**	**860**
Others	-165	-215	-68	-191	-180	-157	0	0
CF from Operating incl. EO	**252**	**353**	**430**	**284**	**427**	**793**	**800**	**860**
(Inc.)/Dec in FA	-71	-62	-26	-19	-52	-764	-70	-70
Free Cash Flow	**180**	**292**	**403**	**265**	**376**	**28**	**730**	**790**
(Purchase)/Sale of Investments	-160	-129	-38	-214	48	-64	-649	-650
Interest & Dividend Income and Others	144	65	-130	236	186	158	380	442
CF from Investments	**-86**	**-125**	**-194**	**3**	**182**	**-671**	**-338**	**-278**
Issue of Shares	15	10	10	0	0	0	0	0
Inc./(Dec) in Debt	0	0	0	0	0	0	0	0
Interest Paid	0	0	0	0	0	0	0	0
Dividend Paid	-182	-245	-245	-277	-314	-377	-491	-553
Others	0	0	0	0	0	0	0	0
CF from Fin. Activity	**-167**	**-235**	**-235**	**-277**	**-314**	**-377**	**-491**	**-553**
Inc./Dec of Cash	**-2**	**-7**	**0**	**10**	**295**	**-255**	**-29**	**28**

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