CDSL

Firing on all cylinders

CDSL delivered a robust performance, driven by traction in transaction charges (34% of revenue, +48.2% QoQ). The transaction charges surged due to high retail activity, an increase in delivery volume, and strong addition of new accounts (+35% YoY). Increase in pledge activity due to change in regulations will further boost transaction revenue in 2H. Online data charges (+32% QoQ) revived, led by a strong increase in KRA records (+26% YoY). The pandemic has led to increased demand for Digital services (virtual AGMs, e-voting, Aadhaar based e-KYC, etc.) and CDSL is the prime beneficiary._CDSL continued to gain BO account market share from NSDL (stood at 56.1% in Sep-20 vs. 51.8% in FY20). Its incremental market share stood at 87% due to exclusive arrangements with discount brokers. BO accounts are the building blocks for a depository and have a high correlation to revenue growth. Margin expanded 264bps QoQ to 60.9% and was in line with expectation. We increase the FY22/23E EPS estimate by +9.1/+8.2% due to a surge in transaction revenue. We value CDSL on SoTP basis by assigning 30x to Sep-22E core profit and adding net cash to arrive at a target price of Rs 565. The stock trades at a P/E of 25.6/23.4x FY21/22E EPS. Maintain BUY.

- **2QFY21 highlights**: CDSL revenue was up 36.7/69.4% QoQ/YoY to Rs 0.89bn, higher than our estimate of Rs 0.72bn. Annual Issuer/Transaction/IPO/KYC revenue was up 3.9/48.6/54.2/32.0% QoQ. Net cash stood at Rs 8.1bn (16% of Mcap) and cash conversion (FCF/PAT at 98%) improved. Technology cost was up 42.3% QoQ due investment in IT infrastructure and other expenses increased 43.3% QoQ, driven by higher provisions (+243% QoQ). Investments in technology will continue, and further margin expansion will be a function of growth; we have assumed EBITDA margin of 59.4/60.1/60.7% in FY21/22/23E.

Quarterly Financial summary

YE March (Rs mn)	2Q FY21	2Q FY20	*YoY (%)*	1Q FY21	*QoQ (%)*	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	892	527	*69.4*	653	*36.7*	1,947	2,251	3,380	3,734	4,121
EBITDA	544	245	*121.7*	380	*42.9*	1,089	1,084	2,008	2,243	2,501
APAT	487	293	*66.3*	444	*9.8*	1,135	1,255	1,921	2,103	2,297
Diluted EPS (Rs)	4.7	2.8	*66.3*	4.3	*9.8*	10.9	12.0	18.4	20.1	22.0
P/E (x)						43.4	39.2	25.6	23.4	21.4
EV / EBITDA (x)						39.2	38.8	20.5	17.9	15.5
RoE (%)						17.0	17.3	23.2	22.3	21.4
Cash/Mcap (%)						11.8	12.7	14.1	16.2	18.5

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

Rs Mn	FY21E Old	FY21E Revised	*Change %*	FY22E Old	FY22E Revised	*Change %*	FY23E Old	FY23E Revised	*Change %*
Revenue	2907	3380	*16.3*	3299	3734	*13.2*	3681	4121	*12.0*
EBITDA	1750	2008	*14.8*	2032	2243	*10.4*	2292	2501	*9.1*
EBITDA margin (%)	60.2	59.4	*-78bps*	61.6	60.1	*-152bps*	62.3	60.7	*-160bps*
APAT	1709	1921	*12.4*	1927	2103	*9.1*	2123	2297	*8.2*
EPS (Rs)	16.4	18.4	*12.4*	18.4	20.1	*9.1*	20.3	22.0	*8.2*

Source: Company, HSIE Research

BUY

CMP ***(as on 27 Oct 2020)***	**Rs 471**
Target Price	**Rs 565**
NIFTY	**11,889**

KEY CHANGES	**OLD**	**NEW**
Rating	BUY	BUY
Price Target	Rs 515	Rs 565
EPS %	FY21E	FY22E
	+12.4	+9.1

KEY STOCK DATA	
Bloomberg code	CDSL IN
No. of Shares (mn)	105
MCap (Rs bn) / ($ mn)	49/668
6m avg traded value (Rs mn)	521
52 Week high / low	Rs 514/180

STOCK PERFORMANCE (%)

	3M	**6M**	**12M**
Absolute (%)	34.4	112.1	122.0
Relative (%)	27.6	84.4	118.7

SHAREHOLDING PATTERN (%)

	Jun-20	**Sep-20**
Promoters	20.00	20.00
FIs & Local MFs	35.46	31.83
FPIs	1.51	2.85
Public & Others	43.03	45.32
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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