Central Depository Services | REDUCE

Weak CM activity to weigh on earnings

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CDSL reported consol. PAT of INR1.4bn, higher than JMfe of INR1.25bn driven by lower eff. tax rate and higher sales. The company delivered a 23% QoQ revenue growth driven by a) ~195% QoQ growth in IPO / corporate action charges and b) ~48% QoQ growth in online data charges partially offset by lower transaction charges (-5% QoQ). Annual issuer charges, accounting for 36% of total revenue remained flat QoQ at INR1,150mn. Consol EBITDA came in at INR1.8bn, up 36% QoQ led lower jump in employee costs and technology costs vis-à-vis sales. Key takeaways from the call – a) income from annual issuer charges was flat QoQ given 1Q is a seasonally strong quarter (charges levied in 1Q for the companies which were admitted till 31st March of previous financial year) - incremental revenue accrues from the newly admitted companies which stood at 3,593 in 2Q b) LIC integration for the Insurance repository expected to be completed by Nov'25 – company witnessed 30% YoY growth in number of policies issued against a decline in industry numbers and c) income from unlisted issuer charges stood at INR35.3mn while processing charges (unlisted) stood at INR53.9mn leading to total unlisted income of INR89.2mn. Other income for the quarter stood at ~INR590mn consisting of INR120mn from e-CAS, INR200mn from e-voting and INR214.6mn from investment income. With its dominant position in depository business, CDSL is poised for growth, capitalizing on rising capital market activity. However, continued reduction in turnover volumes (combined ADTO across BSE and NSE down 18% YoY in 2QFY26) might weigh on the company's earnings going ahead. Given its dominant market share in demat accounts, we peg P/E multiple to long-term average of ~40x. However, we believe the name trades at expensive valuations and in line with our new rating system, we downgrade the stock from HOLD to REDUCE with an unchanged TP of INR1,500/sh.

- **Net Sales grow driven by higher IPO / corporate action charges:** CDSL's consolidated revenue increased ~23% QoQ, reaching INR3.2bn. This was primarily driven by a 195% sequential increase in IPO / corporate action charges. Annual issuer charges, accounting for 36% of total revenue remained flat QoQ at INR1,150mn. Transaction charges, which comprises ~19% of the total revenue, decreased sequentially by ~5% to INR590mn. CDSL added 6.6mn demat accounts during the quarter, taking its total demat accounts to 165.7mn (+4% QoQ). Employee costs and technology costs witnessed growth in 2QFY26 to the tune of ~6% QoQ and ~9% QoQ respectively. Consol EBITDA came in at INR1.8bn, up 36% QoQ led lower jump in employee costs and technology costs vis-à-vis sales. Consequently, EBITDA margin increased by ~530bps QoQ to 55.7% in 2Q. Consol Adj PAT for 2Q stood at INR1.4bn, higher than JMfe of INR1.25bn driven by lower eff. tax rate and higher sales.
- **Insurance remains a key business opportunity:** Annually, India churns out ~300mn policies and with a significant portion of market share being untapped – company plans to target this going forward. Integration with LIC remains on track and is expected be completed in Nov'25 – to lead to higher market share. Company witnessed 30% YoY growth in number of policies issued against an overall decline as evident from the IRDAI numbers. Company opened a direct portal for the end policyholders 6 months ago which is expected to aid to these increasing volumes.
- **Revenue growth driven by buoyant market; annual issuer charges remain flat:** CDSL's demat account additions continues to increase (+6.6mn accounts in 2Q). income from annual issuer charges was flat QoQ given 1Q is a seasonally strong quarter (charged in 1Q for the companies which were admitted till 31st March of previous financial year) - incremental revenue accrues from the newly admitted companies which stood at 3,593 in 2Q.

Recommendation and Price Target	
Current Reco.	REDUCE
Previous Reco.	HOLD
Current Price Target (12M)	1,500
Upside/(Downside)	-5.5%
Previous Price Target	1,500
Change	0.0%

Key Data – CDSL IN	
Current Market Price	INR1,587
Market cap (bn)	INR331.7/US$3.7
Free Float	85%
Shares in issue (mn)	209.0
Diluted share (mn)	209.0
3-mon avg daily val (mn)	INR3,092.6/US$34.8
52-week range	1,990/1,047
Sensex/Nifty	83,939/25,722
INR/US$	88.8

Price Performance

%	1M	6M	12M
Absolute	7.6	19.5	1.9
Relative*	4.1	14.6	-3.2

** To the BSE Sensex*

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	8,123	10,822	11,999	14,070	16,729
Sales Growth (%)	46.3	33.2	10.9	17.3	18.9
EBITDA	4,894	6,243	6,358	7,785	9,601
EBITDA Margin (%)	60.3	57.7	53.0	55.3	57.4
Adjusted Net Profit	4,191	5,266	5,314	6,383	7,819
Diluted EPS (INR)	20.1	25.2	25.4	30.5	37.4
Diluted EPS Growth (%)	51.9	25.7	0.9	20.1	22.5
ROIC (%)	139.0	149.2	207.8	474.1	1,128.7
ROE (%)	31.3	32.7	30.5	37.1	45.8
P/E (x)	79.1	63.0	62.4	52.0	42.4
P/B (x)	22.7	18.8	19.2	19.4	19.4
EV/EBITDA (x)	65.5	50.8	49.7	40.6	32.9
Dividend Yield (%)	0.7	0.8	1.7	2.0	2.4

Source: Company data, JM Financial. Note: Valuations as of 31/Oct/2025

Key Conference Call takeaways:

- Company witnessed reduction in combined ADTO across BSE and BSE to the tune of ~18% YoY in 2QFY26.
- One of the company's competitor in the KYC segment (KFintech) has recently started KYC operations but CDSL has not witnessed any significant impact from this.
- Income from annual issuer charges was flat QoQ as it is charged in 1Q of each year for the companies which have been admitted till the 31st March of the previous financial year (hence, annual issuer charges are generally higher in 1Q). Post this, the incremental revenue accrues from the newly admitted companies which stood at 3,593 in 2Q.
- Income from unlisted issuer charges stood at INR35.3mn while processing charges (unlisted) stood at INR53.9mn leading to total unlisted income of INR89.2mn.
- Other income for the quarter stood at ~INR590mn including INR120mn from e-CAS, INR200mn from e-voting and INR214.6mn from investment income.
- Insurance repository:
  - LIC integration to go live in Nov'25.
  - Company witnessed 30% YoY growth in number of policies issued against an overall decline as evident from the IRDAI numbers.
  - Company opened a direct portal for the end policyholders 6 months ago which is expected to aid to these increasing volumes.

Exhibit 1. Financial summary – consolidated (INR mn)

(INR mn)	2QFY26	2QFY26E	Var.%	2QFY25	YoY %	1QFY26	QoQ %	1HFY26	1HFY25	YOY
Net Sales	**3,189**	**2,770**	**15.1**	**3,223**	**-1.0**	**2,588**	**23.2**	**5,777**	**5,797**	0%
Annual issuer charges	1,150	1,250	(8.0)	800	43.8	1,140	0.9	2,290	1,560	47%
Transaction charges	590	640	(7.8)	830	-28.9	620	-4.8	1,210	1,580	-23%
IPO/corporate action charges	620	250	148.0	520	19.2	210	195.2	830	790	5%
Online data charges	460	320	43.8	660	-30.3	310	48.4	770	1,190	-35%
Others	369	310		413	-10.6	308	19.7	677	677	0%
Total expenditure	**1,413**	**1,302**	**8.5**	**1,225**	**15.4**	**1,284**	**10.1**	**2,696**	**2,254**	20%
Employee Expenses	414	402	3.0	314	31.7	390	6.1	804	582	38%
Technology cost	378	350	7.9	241	56.6	346	9.1	724	499	45%
Other expenses	621	550	13.0	669	-7.1	547	13.5	1,169	1,173	0%
EBITDA	**1,776**	**1,468**	**21.0**	**1,998**	**-11.1**	**1,305**	**36.2**	**3,081**	**3,543**	-13%
EBITDA (%)	*55.7*	*53.0*		*62.0*		*50.4*		*53.3*	*61.1*	-13%
Depreciation	161	150	7.3	119	34.9	152	5.9	313	217	44%
EBIT	**1,615**	**1,318**	**22.5**	**1,879**	**-14.0**	**1,152**	**40.1**	**2,768**	**3,325**	-17%
Interest	0	0	-	0	-25.1	0	729.7	-	-	
Other income	225	350	(35.8)	362	-38.0	364	-38.1	588	658	-11%
PBT	**1,840**	**1,668**	**10.3**	**2,241**	**-17.9**	**1,516**	**21.4**	**3,356**	**3,983**	-16%
Tax	427	417		627		488		915	1,032	-11%
Eff. Tax rate (%)	*23.2*	*25.0*		*28.0*		*32.2*		*27.3*	*25.9*	5%
XO income / (expenses)	-	-		-		-		-	-	
PAT before MI/Assoc.	**1,413**	**1,251**	**12.9**	**1,614**	**-12.5**	**1,028**		**2,441**	**2,951**	-17%
Minority Interest	10	0		(7)		4		14	(12)	-220%
PAT- Reported	**1,402**	**1,251**	**12.1**	**1,620**	**-13.5**	**1,024**	**37.0**	**2,426**	**2,962**	-18%
PAT- Adjusted	**1,402**	**1,251**	**12.1**	**1,620**	**-13.5**	**1,024**	**37.0**	**2,426**	**2,962**	-18%
Diluted EPS (INR)	**13.4**	**12.0**	**12.1**	**15.5**	**-13.5**	**9.8**	**37.0**	**23.2**	**28.3**	-18%

Source: Company, JM Financial

Exhibit 2. Financial summary – standalone (INR mn)

(INR mn)	2QFY26	2QFY26E	Var.%	2QFY25	YoY %	1QFY26	QoQ %	1HFY26	1HFY25	YOY
Net Sales	**3,189**	**2,770**	**15.1**	**3,223**	**-1.0**	**2,588**	**23.2**	**5,777**	**5,797**	0%
Annual issuer charges	1,150	1,250	(8.0)	800	43.8	1,140	0.9	2,290	1,560	47%
Transaction charges	590	640	(7.8)	830	-28.9	620	-4.8	1,210	1,580	-23%
IPO/corporate action charges	620	250	148.0	520	19.2	210	195.2	830	790	5%
Online data charges	460	320	43.8	660	-30.3	310	48.4	770	1,190	-35%
Others	369	310		413	-10.6	308	19.7	677	677	0%
Total expenditure	**1,413**	**1,302**	**8.5**	**1,225**	**15.4**	**1,284**	**10.1**	**2,696**	**2,254**	20%
Employee Expenses	414	402	3.0	314	31.7	390	6.1	804	582	38%
Technology cost	378	350	7.9	241	56.6	346	9.1	724	499	45%
Other expenses	621	550	13.0	669	-7.1	547	13.5	1,169	1,173	0%
EBITDA	**1,776**	**1,468**	**21.0**	**1,998**	**-11.1**	**1,305**	**36.2**	**3,081**	**3,543**	-13%
EBITDA (%)	*55.7*	*53.0*		*62.0*		*50.4*		*53.3*	*61.1*	-13%
Depreciation	161	150	7.3	119	34.9	152	5.9	313	217	44%
EBIT	**1,615**	**1,318**	**22.5**	**1,879**	**-14.0**	**1,152**	**40.1**	**2,768**	**3,325**	-17%
Interest	0	0	-	0	-25.1	0	729.7	-	-	
Other income	225	350	(35.8)	362	-38.0	364	-38.1	588	658	-11%
PBT	**1,840**	**1,668**	**10.3**	**2,241**	**-17.9**	**1,516**	**21.4**	**3,356**	**3,983**	-16%
Tax	427	417		627		488		915	1,032	-11%
Eff. Tax rate (%)	*23.2*	*25.0*		*28.0*		*32.2*		*27.3*	*25.9*	5%
XO income / (expenses)	-	-		-		-		-	-	
PAT before MI/Assoc.	**1,413**	**1,251**	**12.9**	**1,614**	**-12.5**	**1,028**		**2,441**	**2,951**	-17%
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PAT- Reported	**1,402**	**1,251**	**12.1**	**1,620**	**-13.5**	**1,024**	**37.0**	**2,426**	**2,962**	-18%
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Diluted EPS (INR)	**13.4**	**12.0**	**12.1**	**15.5**	**-13.5**	**9.8**	**37.0**	**23.2**	**28.3**	-18%

Source: Company, JM Financial

Exhibit 3. Target Price

Valuation (P/E)	**FY28E**
EPS (INR)	37.4
PE Multiple (x)	40
Fair value per share (INR)	**1,500**

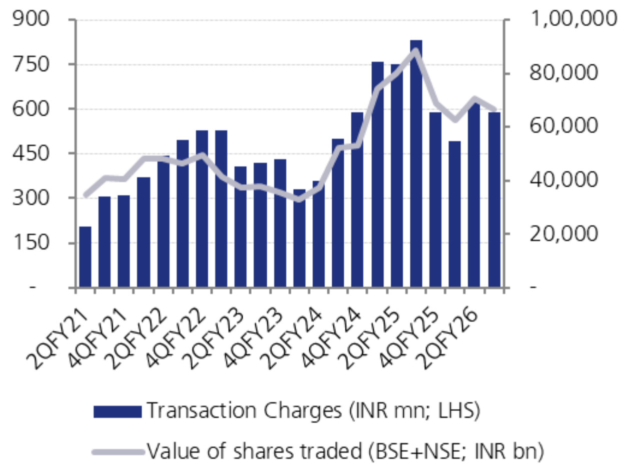
Source: Company, JM Financial

Exhibit 4. Key Assumptions table

Consolidated (INR mn)	FY23	FY24	FY25E	FY26E	FY27E	FY28E
Revenue	5,551	8,123	10,822	11,999	14,070	16,729
EBITDA	3,233	4,894	6,243	6,358	7,785	9,601
PAT	2,759	4,191	5,266	5,314	6,383	7,819
Annual Issuer Charges	1,832	2,538	3,256	3,802	4,188	4,610
Transaction Charges	1,586	2,216	2,659	2,738	3,285	4,106
Users Facility charges	34	38	41	39	39	39
Settlement charges	14	14	14	19	19	19
Account Maintenance Charges	39	42	45	36	36	36
E-Voting Charges	239	258	338	389	447	514
ECAS Charges	229	342	469	563	675	810
IPO/Corporate Action Charges	498	926	1,618	1,620	2,119	2,775
Others	243	269	307	334	362	393

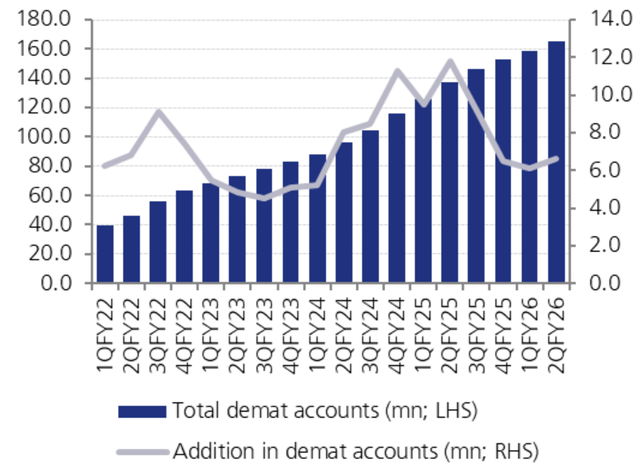
Source: Company, JM Financial

Exhibit 5. CDSL transaction charges and value of shares traded



Source: Company, JM Financial

Exhibit 6. Total and new demat accounts for CDSL (mn)



Source: SEBI monthly bulletin, Company, JM Financial

Exhibit 7. CDSL: 1yr forward EV/EBITDA valuation

Source: Bloomberg, JM Financial

Exhibit 8. CDSL: 1yr forward P/E valuation

Source: Bloomberg, JM Financial

Exhibit 9. Change in estimates

		OLD			NEW			% Change		
	Unit	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E
Net Sales	INR mn	11,999	14,070	16,729	11,999	14,070	16,729	0.0%	0.0%	0%
EBITDA	INR mn	6,358	7,785	9,601	6,358	7,785	9,601	0.0%	0.0%	0%
PAT	INR mn	5,314	6,383	7,819	5,314	6,383	7,819	0.0%	0.0%	0%
EPS		25.4	30.5	37	25.4	30.5	37.4	0.0%	0.0%	0%
Target Price	**INR**			1,500			1,500			-0.00
Rating				HOLD			REDUCE			

Source: JM Financial

Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E March	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Net Sales	8,123	10,822	11,999	14,070	16,729
Sales Growth	*46.3%*	*33.2%*	*10.9%*	*17.3%*	*18.9%*
Other Operating Income	0	0	0	0	0
Total Revenue	**8,123**	**10,822**	**11,999**	**14,070**	**16,729**
Cost of Goods Sold/Op. Exp	0	0	0	0	0
Personnel Cost	964	1,219	1,434	1,552	1,786
Other Expenses	2,264	3,360	4,207	4,732	5,341
EBITDA	**4,894**	**6,243**	**6,358**	**7,785**	**9,601**
EBITDA Margin	*60.3%*	*57.7%*	*53.0%*	*55.3%*	*57.4%*
EBITDA Growth	*51.4%*	*27.6%*	*1.8%*	*22.5%*	*23.3%*
Depn. & Amort.	272	490	567	602	638
EBIT	4,622	5,753	5,791	7,183	8,964
Other Income	950	1,171	1,302	1,400	1,516
Finance Cost	1	1	0	0	0
PBT before Excep. & Forex	5,571	6,923	7,092	8,582	10,479
Excep. & Forex Inc./Loss(-)	0	0	0	0	0
PBT	5,571	6,923	7,092	8,582	10,479
Taxes	1,365	1,686	1,778	2,199	2,660
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	4	-3	0	0	0
Reported Net Profit	4,202	5,240	5,314	6,383	7,819
Adjusted Net Profit	**4,191**	**5,266**	**5,314**	**6,383**	**7,819**
Net Margin	*51.6%*	*48.7%*	*44.3%*	*45.4%*	*46.7%*
Diluted Share Cap. (mn)	209.0	209.0	209.0	209.0	209.0
Diluted EPS (INR)	**20.1**	**25.2**	**25.4**	**30.5**	**37.4**
Diluted EPS Growth	*51.9%*	*25.7%*	*0.9%*	*20.1%*	*22.5%*
Total Dividend + Tax	2,299	2,613	5,637	6,559	7,852
Dividend Per Share (INR)	11.0	12.5	27.0	31.4	37.6

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E March	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Profit before Tax	5,556	6,952	7,092	8,582	10,479
Depn. & Amort.	272	490	567	602	638
Net Interest Exp. / Inc. (-)	0	0	0	0	0
Inc (-) / Dec in WCap.	-755	1,280	207	172	138
Others	0	0	0	0	0
Taxes Paid	-1,365	-1,686	-1,778	-2,199	-2,660
Operating Cash Flow	**3,709**	**7,036**	**6,088**	**7,157**	**8,595**
Capex	-737	-1,571	648	-241	-241
Free Cash Flow	*2,972*	*5,465*	*6,736*	*6,916*	*8,354*
Inc (-) / Dec in Investments	-2,126	-2,022	-200	-200	-200
Others	747	-662	-33	-1	-1
Investing Cash Flow	**-2,116**	**-4,255**	**415**	**-442**	**-442**
Inc / Dec (-) in Capital	0	1,045	0	0	0
Dividend + Tax thereon	-2,299	-2,613	-5,637	-6,559	-7,852
Inc / Dec (-) in Loans	0	0	0	0	0
Others	0	0	0	0	0
Financing Cash Flow	**-2,299**	**-1,568**	**-5,637**	**-6,559**	**-7,852**
Inc / Dec (-) in Cash	**-706**	**1,213**	**866**	**156**	**301**
Opening Cash Balance	1,235	529	1,742	2,608	2,764
Closing Cash Balance	529	1,742	2,608	2,764	3,064

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E March	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Shareholders' Fund	14,633	17,604	17,281	17,103	17,069
Share Capital	1,045	2,090	2,090	2,090	2,090
Reserves & Surplus	13,588	15,514	15,191	15,013	14,979
Preference Share Capital	0	0	0	0	0
Minority Interest	439	435	435	435	435
Total Loans	0	0	0	0	0
Def. Tax Liab. / Assets (-)	184	254	222	222	222
Total - Equity & Liab.	**15,256**	**18,292**	**17,937**	**17,760**	**17,726**
Net Fixed Assets	3,454	4,535	3,320	2,958	2,562
Gross Fixed Assets	4,433	5,972	5,323	5,564	5,805
Intangible Assets	0	0	0	0	0
Less: Depn. & Amort.	1,018	1,508	2,075	2,677	3,315
Capital WIP	38	71	71	71	71
Investments	11,493	13,515	13,715	13,915	14,115
Current Assets	1,792	3,571	4,440	4,900	5,574
Inventories	0	0	1	1	1
Sundry Debtors	668	528	823	969	1,152
Cash & Bank Balances	529	1,742	2,608	2,764	3,064
Loans & Advances	1	0	1	1	1
Other Current Assets	595	1,301	1,007	1,166	1,355
Current Liab. & Prov.	1,483	3,329	3,537	4,013	4,524
Current Liabilities	280	369	480	544	628
Provisions & Others	1,202	2,960	3,057	3,469	3,896
Net Current Assets	309	243	903	887	1,050
Total – Assets	**15,256**	**18,292**	**17,937**	**17,760**	**17,726**

Source: Company, JM Financial

Dupont Analysis					
Y/E March	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
Net Margin	51.6%	48.7%	44.3%	45.4%	46.7%
Asset Turnover (x)	0.6	0.6	0.7	0.8	0.9
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0
RoE	31.3%	32.7%	30.5%	37.1%	45.8%

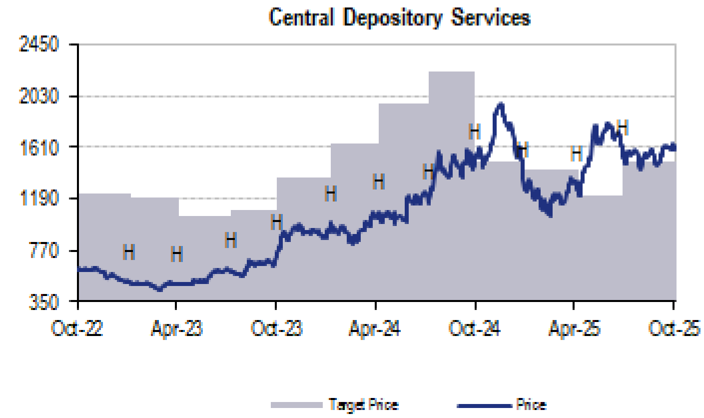
Key Ratios					
Y/E March	**FY24A**	**FY25A**	**FY26E**	**FY27E**	**FY28E**
BV/Share (INR)	70.0	84.2	82.7	81.8	81.7
ROIC	139.0%	149.2%	207.8%	474.1%	1,128.7%
ROE	31.3%	32.7%	30.5%	37.1%	45.8%
Net Debt/Equity (x)	-0.8	-0.8	-0.9	-0.9	-1.0
P/E (x)	79.1	63.0	62.4	52.0	42.4
P/B (x)	22.7	18.8	19.2	19.4	19.4
EV/EBITDA (x)	65.5	50.8	49.7	40.6	32.9
EV/Sales (x)	39.4	29.3	26.4	22.5	18.9
Debtor days	30	18	25	25	25
Inventory days	0	0	0	0	0
Creditor days	32	29	31	32	32

Source: Company, JM Financial

History of Recommendation and Target Price

Date	Recommendation	Target Price	% Chg.
12-Sep-20	Buy	580	
27-Oct-20	Buy	580	0.0
5-May-21	Buy	875	50.9
4-Aug-21	Buy	1,400	60.0
3-Nov-21	Buy	1,400	0.0
9-Feb-22	Hold	1,400	0.0
2-May-22	Hold	1,230	-12.1
1-Aug-22	Hold	1,230	0.0
28-Oct-22	Hold	1,230	0.0
3-Feb-23	Hold	1,200	-2.4
3-May-23	Hold	1,050	-12.5
10-Aug-23	Hold	1,100	4.8
1-Nov-23	Hold	1,360	23.7
7-Feb-24	Hold	1,640	20.6
6-May-24	Hold	1,970	20.2
5-Aug-24	Hold	2,230	13.2
28-Oct-24	Hold	1,485	-33.4
27-Jan-25	Hold	1,420	-4.3
5-May-25	Hold	1,220	-14.1
28-Jul-25	Hold	1,500	23.0

Recommendation History



APPENDIX I

JM Financial Institutional Securities Limited

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New Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

Previous Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Total expected returns of more than 10% for stocks with market capitalisation in excess of INR 200 billion and REITs* and more than 15% for all other stocks, over the next twelve months. Total expected return includes dividend yields.
HOLD	Price expected to move in the range of 10% downside to 10% upside from the current market price for stocks with market capitalisation in excess of INR 200 billion and REITs* and in the range of 10% downside to 15% upside from the current market price for all other stocks, over the next twelve months.
SELL	Price expected to move downwards by more than 10% from the current market price over the next twelve months.

* REITs refers to Real Estate Investment Trusts.

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