

CDSL

Revenue moderates; market share gain continues

CDSL delivered a muted performance on revenue but margin came in above estimate. Revenue declined 3.4% QoQ due to a drop in transaction charges, IPO/corporate action, and e-voting. The transaction revenue run-rate, which almost tripled YoY, declined 6.9% QoQ (ex-Pledge) due to moderation in retail activity. Revenue from pledge (~INR 10mn monthly) will provide some cushion to transaction charges (market-linked). The annual issuer revenue (annuity) was stable, the rate hike is pending and the unlisted opportunity is unfolding, albeit at a slower pace. BO accounts are the building blocks for a depository business. CDSL continued to gain BO account market share from NSDL (stood at 58.1% in Dec-20 vs. 50.1% in Dec-19). Its incremental market share stood at 86% due to exclusive arrangements with discount brokers. Margin expanded 409bps QoQ to 65% (above expectation) due to lower provisions and overall cost savings. We cut our revenue estimates for FY22/23 by 6.0/5.9% due to moderation in growth (high base). FY22/23E EPS gets cut by 3.2/1.7%. We value CDSL on SoTP basis by assigning 30x to Dec-22E core profit and adding net cash to arrive at a target price of Rs 580. The stock trades at a P/E of 27.2/26.2x FY21/22E EPS. Maintain BUY.

- 3QFY21 highlights:** CDSL revenue stood at INR 0.86bn (-3.4/+59.2% QoQ/YoY), lower than our estimate of INR 0.92bn. Annual Issuer/Transaction/IPO/KYC revenue was up +0.5/+1.3/-10.9/+0.8% QoQ. Revenue from others was down 17.3% QoQ due to lower e-voting revenue (seasonality). Other income increased 42.7% QoQ due to M2M gains. On the cost front, Employee/Technology/Other cost was down 10.2/23.1/12.5%, leading to EBITDA margin expansion. Provisions for the quarter declined 76.5% QoQ as collections improved. Net cash stood at Rs 8.1bn (~15% of Mcap).
- Outlook:** We expect revenue growth of +45.8/+8.5/+11.8 and EBITDA margin of 62.3/62.2/63.3% in FY21/22/23E. The revenue CAGR of 10% over FY21-23E assumes +15/8/8/10/8% revenue CAGR in Issuer/Transaction/IPO/KYC/ others. Revenue/core PAT CAGR over FY20-23E is at +21/35%.

Quarterly Financial summary

YE March (Rs mn)	3Q FY21	3Q FY20	YoY (%)	2Q FY21	QoQ (%)	FY19	FY20	FY21E	FY22E	FY23E
Net Revenues	861	541	59.2	892	-3.4	1,947	2,251	3,281	3,560	3,981
EBITDA	560	266	110.3	544	3.0	1,089	1,084	2,043	2,215	2,519
APAT	537	314	71.1	487	10.1	1,135	1,255	1,995	2,075	2,341
Diluted EPS (Rs)	5.1	3.0	71.1	4.7	10.1	10.9	12.0	19.1	19.9	22.4
P/E (x)						47.8	43.2	27.2	26.2	23.2
EV / EBITDA (x)						43.8	43.4	22.6	20.3	17.3
RoE (%)						17.0	17.3	23.9	21.9	21.7
Cash/Mcap (%)						10.7	11.5	12.9	14.9	17.0

Source: Company, HSIE Research, Consolidated Financials

Change in Estimates

YE March (Rs mn)	FY21E Old	FY21E Revised	Change %	FY22E Old	FY22E Revised	Change %	FY23E Old	FY23E Revised	Change %
Revenue	3,375	3,281	-2.8	3,787	3,560	-6.0	4,231	3,981	-5.9
EBITDA	2,003	2,043	2.0	2,296	2,215	-3.5	2,611	2,519	-3.5
EBITDA margin (%)	59.4	62.3	293bps	60.6	62.2	160bps	61.7	63.3	159bps
APAT	1,917	1,995	4.0	2,144	2,075	-3.2	2,381	2,341	-1.7
EPS (Rs)	18.3	19.1	4.0	20.5	19.9	-3.2	22.8	22.4	-1.7

Source: Company, HSIE Research

BUY

CMP (as on 3 Feb 2021)	Rs 519
Target Price	Rs 580
NIFTY	14,790

KEY CHANGES	OLD	NEW
Rating	BUY	BUY
Price Target	Rs 600	Rs 580
EPS %	FY21E	FY22E
	+4.0	-3.2

KEY STOCK DATA

Bloomberg code	CDSL IN
No. of Shares (mn)	105
MCap (Rs bn) / (\$ mn)	54/744
6m avg traded value (Rs mn)	687
52 Week high / low	Rs 566/180

STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	12.1	53.4	104.1
Relative (%)	(12.7)	17.3	78.0

SHAREHOLDING PATTERN (%)

	Sep-20	Dec-20
Promoters	20.00	20.00
FIs & Local MFs	31.83	29.42
FPIs	2.85	6.13
Public & Others	45.32	44.45
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

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Disclosure:

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