

CENTRAL DEPOSITORY SERVICES (INDIA) LTD.**Buy at CMP: Rs 1282 | Target: Rs 1510 (18%) | SL: Rs 1150**

Sector

Sep 11, 2023

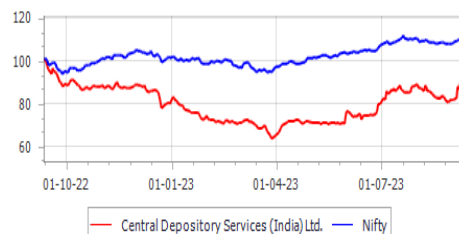
Finance

**Script Details**

BSE Group	
BSE Code	2147483647
NSE Code	CDSL
Bloomberg Code	CDSL IN
Market Cap (INR Cr.)	11,897
Free Float (%)	85.0%
52wk Low/High	0/0
Beta (1yr Nifty 50)	0.73
Face Value (INR)/ D. Yield (%)	10/1.4
Total paid Up Shares (Mn.)	104.5

Share Holding Pattern (%)

Promoters	Public	Others
15.0%	85.0%	-

Share Price Relative Performance

Central Depository Services Limited (CDSL) was found in 1999 to fulfill Convenient, Dependable and secured depository services. It is a Market Infrastructure Institution (MII) and a crucial part of the Capital market structure, providing services to all Market participants - Exchanges, Clearing Corporations, Depository Participants (DPs), Issuers and Investors.

Investment Rationale

- ◆ **Beneficiary of Capital Market Momentum:** Depositories in India's capital markets offer potential due to rising retail investor participation, with CDSL holding a dominant market share. However, a new cost structure linked to revenue may limit profit growth. Risks include reduced market volumes and competition from alternative methods. Upside potential lies in revised issuer charges and increased market trading volumes as seen in FY21/FY22.
- ◆ **Leadership in Active Demat Account:** CDSL has achieved a significant milestone by exceeding 90 million active demat accounts on its platform. This accomplishment reinforces CDSL's status as not only the first and only listed depository in Asia but also the largest depository in India in terms of active demat accounts. The company serves as a depository for major rapidly growing discount brokers in India, providing exposure to high-growth opportunities.
- ◆ **Revenue from Issuer Charges Increasing:** Q1FY24 witnessed a strong 34% QoQ revenue rise driven by more demat accounts and positive market sentiment. Projections show INR 2.5 billion issuer charges for FY24 and INR 3 billion for FY25. Discussions with regulators regarding rate hikes are ongoing, a rerating in the issuer charges to increase opportunity size for company.
- ◆ **Outlook and Valuations:** We estimate CDSL to report PAT of INR 844 Cr of PAT by FY26E. Which implies forward PE of 28.2 (x) for FY26E. We value it with a Price to Earnings of 33.2x to FY25E EPS which results per share value of INR 1510. We recommend BUY on CDSL at CMP of INR 1282 with Target price of INR 1510 (18%).

Financial Snapshot

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY23	555	323	276	43.1	28.6
FY24E	638	102	319	37.3	115.9
FY25E	734	117	367	32.4	100.8
FY26E	844	135	422	28.2	87.6

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- Recently, CDSL's stock has surpassed the significant threshold of 1250, an area previously marked by robust selling activity in October 2022.
- Over the past week, it showcased a notable breakout from the Cup & Handle pattern, indicating the start of an upward trend. This movement has been paralleled by a marked increase in trading volumes, indicating a strong long position buildup.
- Throughout this period, the stock price has consistently stayed above the 12-Week Exponential Moving Average (EMA), serving as a reliable dynamic support.
- Complementing this optimistic trend, the Relative Strength Index (RSI) on a weekly scale has also broken out, mirroring the enhanced price momentum.



Inference & Expectations

- Considering these factors, it can be inferred that CDSL stock is set to begin uptrend.
- Going ahead we expect the prices to move higher till 1580 level.
- The stop loss must be at 1150 level, strictly on the closing basis.

Source: Tradingview.in, GEPL Research



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