

DALALBYTES RESEARCH

CDSL

India's Retail Market Plumbing

The depository behind 18.6 crore demat accounts, a two-thirds recurring annuity, and the FY26 reset

NSE: CDSL · BSE: 541996

October 8, 2026

Reference: Rs 1,258, NSE close of October 8, 2026.

Founding story, business model, subsidiaries, financials, competition, management, valuation, risks, and FY2029 scenarios.

01 BLUNT VERDICT FIRST

75 / 100 : Positive

CDSL is the cleanest toll road on India's retail financialization: the second of exactly two depositories, holding 18.6 crore demat accounts (about 80 percent of every new account opened in the country), with roughly two-thirds of revenue recurring, zero debt, Rs 1,487 crore of cash and investments, and a dividend that has grown to Rs 12.75 a share. FY26 was the year the cycle reminded everyone that a toll road still needs traffic: transaction income went flat for five straight quarters as SEBI's October 2024 tariff reset and softer cash-market volumes arrived together, and consolidated PAT fell 14 percent. The stock, down 26 percent from its 52-week high, has already priced that softness.

The risks are regulatory by nature and should be stated plainly. SEBI can rewrite the tariff book again, as it did with the uniform Rs 3.50 debit charge; NSDL listed in August 2025 and is pushing hard into retail account additions; and the July 2026 Rs 1 crore SEBI penalty for the November 2022 ransomware lapse is a permanent reminder that market infrastructure is a cyber target. But the annuity base (annual issuer charges, about 40 percent of revenue) kept compounding through the cycle, the KYC subsidiary crossed 10.6 crore records, and Q1 FY27 growth came back at 15.4 percent. At Rs 1,258, about 55 times trailing earnings, the price assumes the FY26 flatness was cyclical, not structural. This report argues it was cyclical.

Rs 1,258

Reference price
NSE close, Oct 8 2026

**Rs 26,292
cr**

Market cap

18.59 cr

Demat accounts
(Jun 2026)

~65%

Revenue recurring
(IPO-time comparison)

Rs 1,120

FY2029 bear

Rs 1,750

FY2029 base

Rs 2,350

FY2029 bull

55x

P/E (TTM)
priced for recovery

02 SNAPSHOT: WHAT CDSL IS

Item	Detail
Founded	Incorporated Dec 12, 1997; depository business from 1999; promoted by BSE
Listed	NSE, Jun 30 2017; IPO price Rs 149; subscribed ~170x (100% offer for sale)

Item	Detail
Business	Market Infrastructure Institution: securities depository + KYC, insurance repository, commodity repository
Scale	18.59 cr demat accounts (Jun 2026); 49,684 issuers; Rs 77 lakh cr custody
Economics	Annual issuer charges ~40% (annuity); transaction ~27% at Rs 3.50/debit since Oct 2024
Financials	FY26 revenue Rs 1,145 cr (+5.8%); PAT Rs 455 cr (-14%); Q1 FY27 total income +15.4%
Balance sheet	Zero debt; ~Rs 1,487 cr cash and investments; 58% dividend payout
Ownership	BSE Ltd 15.00% (Jun 2026); LIC 4.4%; 15.23 lakh shareholders

03 FOUNDING STORY: THE SECOND DEPOSITORY

India's dematerialization story starts with a problem: in the 1990s, physical share certificates meant bad deliveries, forgery, and settlement cycles that punished retail investors. NSDL pioneered the answer in 1996, but a single depository was a single point of failure, and BSE wanted its own. Central Depository Services (India) was incorporated on December 12, 1997 and commenced depository business in 1999, promoted by BSE with stakes from the country's biggest banks: SBI, HDFC Bank, Standard Chartered, Canara Bank, Bank of India, Bank of Baroda, LIC, and others. India now has exactly two depositories, and it will almost certainly stay that way: no regulator grants a third license to a utility that needs network scale to function.

The listing came in June 2017: a 100 percent offer for sale (BSE sold 2.72 crore shares along with SBI, Bank of Baroda, and Calcutta Stock Exchange) at Rs 145-149, raising Rs 524 crore, subscribed about 170 times, the most-subscribed IPO in nearly 12 years at the time. It made CDSL the first listed depository in Asia. BSE's stake has since been cut from 24 percent to 15 percent (March 2024) under SEBI's cross-shareholding norms: the promoter is a regulator-approved anchor, not a controller.

One caution: this report's revenue-split detail uses the FY24 company-data cut and broker models (JM Financial), because the FY26 annual-report segment split was not yet verified in this pass. Where broker figures are estimates, they are labeled as such.

04 THE BUSINESS: FEES ON EVERY ACCOUNT, TRANSACTION, ISSUER

CDSL is a Market Infrastructure Institution. It takes no trading risk and holds no proprietary positions; it earns fees on accounts, transactions, issuer services, and value-added digital services. The FY24 company-data cut (Rs 812 cr total) and JM Financial's FY25 model tell the same story:

Revenue line	FY24 (cr)	Share	Nature
Annual issuer charges	254	31.2%	Annuity, recurring
Transaction charges	222	27.3%	Market-linked, Rs 3.50/debit
Online data charges	159	19.6%	Scales with usage
IPO / corporate action	93	11.4%	Primary-market linked
e-CAS and BO statements	34	4.2%	Scales with accounts
e-voting services	26	3.2%	Scales with issuers

The important cut is recurring vs market-linked. Annual issuer charges are annuity: charged per issuer and folio, recurring every year, compounding as the issuer base (49,684 issuers, 1,33,364 active ISINs) grows. HDFC Securities puts the annuity at about 40 percent of revenue. IPO-time comparisons (from NSDL's August 2025 RHP coverage) put CDSL's recurring-revenue share at about 65 percent versus NSDL's 42 percent: CDSL is the more annuity-heavy of the two depositories. Transaction charges are the cyclical engine: the uniform Rs 3.50 per debit tariff since October 1, 2024 under SEBI's True-to-Label circular, applied to debit volumes that track market activity.

The structural point: every demat account CDSL opens is a small recurring revenue stream that lasts for the account's life, plus optionality on every corporate action, IPO, pledge, and e-vote that touches it. Accounts are the installed base; everything else is attach.

05 THE SUBSIDIARIES: KYC, INSURANCE, COMMODITIES

CDSL Ventures (CVL), 100% owned: the second engine. The first and largest KYC Registration Agency in India, registered with SEBI and with IFSCA at GIFT City. Crossed 10 crore KYC records on January 8, 2026; 10.33 crore on March 31, 2026; past 10.62 crore in the latest investor presentation. Also does RTA services for about 3,508 companies, Aadhaar eKYC, eSign, CKYC support, and GST Suvidha Provider services. The headwind is industry-wide: a KRA pricing reset dented blended realizations 8 to 10 percent in FY26, and CKYC 2.0 could compress further. Even so, CVL monetizes the same retail account base through a different regulator and a different fee schedule.

Centrico Insurance Repository (CIRL): the decade option. IRDAI-registered, CDSL holding 51 percent directly plus 3.25 percent through CVL, alongside 10 insurance companies (LIC holds 8.3 percent of CIRL). Partners with 43 insurers including 23 life insurers; more than 23.94 lakh policies in 24.42 lakh e-insurance accounts. Free for policyholders; revenue from insurers. Industry-wide policy additions are subdued, so the growth lever is insurer onboarding, the online portal, and a broking channel. Small today, strategic tomorrow: insurance dematerialization is a decade-long regulatory project.

CDSL Commodity Repository and CDSL IFSC: early-stage options. CCRL operates electronic warehouse receipts since 2017 under WDRA; CDSL IFSC is approved as a Foreign Depository and bullion depository at GIFT City. The reported segments are Depository Activity, Data Entry and Storage (KYC), and Repository (insurance/commodity).

06 THE FLYWHEEL: ACCOUNTS COMPOUND THE ANNUITY

The flywheel has four turns. Rising retail participation (under 10 percent of India's population is in securities markets) drives demat account additions. Accounts drive the annuity (annual issuer charges) and the transaction engine (debit volumes). A growing issuer base compounds the annuity from the other side. Subsidiaries monetize the same base through KYC, insurance, and commodities, each regulated separately, each a revenue line that does not depend on market volumes.

- **CDSL takes about 80 percent of incremental industry accounts** (58 lakh of the industry's additions in Q1 FY27): the flywheel is visibly winning the retail land grab.
- **Digital services attach at near-zero marginal cost:** e-voting, e-CAS, online data charges, the Myeasi app, e-Locker.
- **Regulatory tailwinds are one-way:** SEBI's demat mandate for transfers of listed securities, the ongoing dematerialization push, and the account-aggregator ecosystem (CDSL took a 2 percent stake in Sahamati Foundation in Q1 FY27).

The flywheel's brake is also regulatory: tariffs are set in the open, and SEBI's True-to-Label reset showed how quickly a circular can reprice the transaction engine. The flywheel compounds accounts; it does not control prices.

07 FINANCIALS: THE FY26 RESET AND THE Q1 FY27 TURN

Year	Revenue (cr)	YoY	OPM	PAT (cr)	EPS (Rs)
FY22	551	-	66%	312	14.89
FY23	555	+0.7%	57%	276	13.20
FY24	812	+46.3%	60%	420	20.05
FY25	1,082	+33.3%	58%	526	25.20
FY26	1,145	+5.8%	51%	455	21.82
TTM	1,179	-	50%	470	22.55

EPS figures restated for the 1:1 bonus issue in FY25. Consolidated FY26 total income Rs 1,239 cr (+3% YoY); standalone PAT Rs 468 cr (+1%) vs consolidated Rs 455 cr (-14%), the gap being subsidiary dividends.

The arc: FY24-FY25 was the retail-boom harvest (revenue up 46% then 33%, PAT up to Rs 526 cr), and FY26 was the reset. The tariff cut plus softer cash-market volumes flattened transaction income for five straight quarters, IPO/corporate action income softened, and IT spending surged. The turn is visible in Q1 FY27 (June 2026 quarter): total income Rs 340.5 cr, up 15.4 percent YoY; consolidated PAT about Rs 118 cr, up about 15 percent; EPS Rs 5.62. Q4 FY26 had been the trough: PAT Rs 80 cr, down about 20 percent YoY, at a 44 percent operating margin. The compounding record underneath: 10-year sales CAGR 25 percent, 5-year profit CAGR 18 percent.

08 UNIT ECONOMICS AND MARGINS

A depository is a software-and-trust business with near-zero marginal cost per account and per transaction, so margins are structurally high and the swing factor is volume leverage against a fixed-plus-tech cost base. Operating margin fell from 66 percent (FY22) to 51 percent (FY26), and to 44 percent in Q4 FY26, on three pressures: the tariff reset repriced the transaction engine, KRA pricing compressed CVL realizations, and the company is investing through the cycle (IT/computer technology expenses up 37.6 percent YoY to Rs 47.6 cr in Q1 FY27; employee cost-to-sales 15.93 percent vs 13.64 percent in Q4 FY26).

The honest read: the compression is partly cyclical (volume leverage lost) and partly structural (IT spend is permanently higher after the 2022 attack, and SEBI supervision will keep it that way). Q1 FY27's 47 percent margin is the recovery path, not the destination; the FY22 66 percent peak was a boom-year print and should not be the base case. ROE tells the cleaner story: 24.5 percent currently, 29.9 percent in FY25, 3-year average 29.2 percent, on a zero-debt balance sheet. That is a compounding machine with a temporary margin dent, not a broken one.

09 BALANCE SHEET, CASH FLOW, CAPITAL ALLOCATION

Fortress balance sheet

Zero debt, nil interest expense in every reported year, and Rs 1,487 crore of cash and investments on the March 2026 consolidated balance sheet. Free cash flow positive every year (Rs 258 cr FY22, Rs 44 cr FY23, Rs 313 cr FY24, Rs 388 cr FY25, Rs 346 cr FY26); operating cash flow consistently exceeds operating profit. The business converts, because receivables are tiny and capex is light outside build years.

Capital allocation is shareholder-first by design. The dividend for FY26 is Rs 12.75 a share (record date July 17, 2026), a ~58 percent payout on EPS of Rs 21.82, following Rs 12.50 in FY25. There is no acquisition spree, no leverage, no vanity capex: the surplus goes to the treasury and then to shareholders. Promoter BSE holds a stable 15 percent; the float is 85 percent with 15.23 lakh shareholders, the widest retail base of any Indian market-infrastructure stock.

10 COMPETITION: NSDL, FINALLY LISTED

The duopoly is real and regulated: exactly two depositories, with entry barriers that are legal, not just economic. NSDL listed on BSE on August 6, 2025 at Rs 880 (10 percent over the Rs 800 IPO price), a Rs 4,012 crore 100 percent offer for sale subscribed 41 times. At listing, NSDL traded at about 47x earnings versus CDSL's 63x: the market paid up for the retail annuity.

Depository	Accounts	Custody share	Margin signal
CDSL	18.59 cr	~13% (Rs 77 lakh cr)	OPM 51%, PAT mgn ~40%
NSDL	4.56 cr	~87% (Rs 520+ lakh cr)	PAT mgn 24.2% (FY25)

The two businesses are mirror images. NSDL is institutional-heavy: average custody Rs 11.7 lakh per account vs CDSL's Rs 46,000, and banking services are half its revenue. CDSL is the retail network: 80 percent of new accounts, higher margins, higher recurring revenue (about 65 percent vs 42 percent at IPO time). NSDL's risk to CDSL is directional: its best-ever 59 lakh account additions in FY26 show it is pushing into CDSL's retail turf with listed-company currency to spend. Custody value is the wrong scoreboard for CDSL: the retail annuity compounds on account counts, where CDSL leads 4-to-1.

CAMS and KFintech are registrars, not depositories, and not direct competitors; CVL's RTA services (3,508 companies) are a toe in their pond, not a foot. KRA competition for CVL comes from NSDL's NDML, CAMS KRA, and the CERSAI central registry, and the whole KRA industry just took a pricing reset together.

11 STRENGTHS

- **Regulated duopoly with 80 percent of incremental demat accounts:** the retail network effect is measurable and widening.
- **Annuity base:** annual issuer charges about 40 percent of revenue, ~65 percent recurring overall, compounding with 49,684 issuers.
- **Fortress balance sheet:** zero debt, Rs 1,487 cr cash and investments, FCF-positive every year.
- **Shareholder-first capital allocation:** 58 percent dividend payout, no leverage, no empire-building.
- **CVL is a genuine second engine:** 10.6 cr+ KYC records, first and largest KRA, IFSCA-registered at GIFT City.
- **Operating leverage is turning:** Q1 FY27 growth back at 15.4 percent after the FY26 reset.

12 WEAKNESSES AND RISKS

- **Transaction and IPO/corporate action income (roughly 35-40% of revenue) track market volumes;** transaction revenue was flat for five quarters through Q1 FY27.

- **Regulatory pricing risk is permanent:** SEBI's True-to-Label forced the Rs 3.50 uniform debit tariff (Oct 2024); KRA pricing was reset industry-wide; CKYC 2.0 could compress CVL further.
- **Demat growth is normalizing:** industry-wide new additions fell about 22 percent in FY26 (secondary estimate); CDSL's pace troughed at ~70K/day in March 2026 before recovering.
- **NSDL is now listed and pushing retail** (best-ever 59 lakh additions in FY26); the duopoly competes at the margin.
- **Cyber risk is proven, not theoretical:** the November 2022 ransomware attack halted settlement ~46 hours; SEBI's Rs 1 crore penalty landed July 2026.
- **Margin trajectory:** OPM 58 percent to 51 percent to 44 percent at the Q4 FY26 trough; recovery depends on volume leverage, and IT spend is structurally higher.
- **Promoter overhang:** BSE at 15 percent is stable, but any further SEBI-mandated cross-holding sell-down is an overhang.

13 MANAGEMENT AND GOVERNANCE

Nehal Naleen Vora has been MD and CEO since September 24, 2019, reappointed for a second five-year term running to September 17, 2029, with SEBI approval. He spent a decade at SEBI before joining, sits on SEBI committees (MDAC working group chair, FPI advisory, CoBoSAC, SMAC) and an IFSCA expert committee, and under his tenure demat accounts roughly tripled, CVL crossed 10 crore KYC records, and the company won 30+ awards including CSD of the Year 2025. Chairman Balkrishna Vinayak Chaubal is a Public Interest Director, as the MII framework requires; the auditor is S R Batliboi (EY).

The November 2022 ransomware attack

On November 18, 2022, a LockBit 3.0 ransomware attack hit 135 of 547 servers (unauthorized access had begun in November 2021; an internet-facing ADFS server was excluded from VAPT), halting settlement about 46 hours. SEBI's July 20, 2026 order imposed a Rs 1 crore penalty for the lapses. Proceedings against the former CISO and CTO were dropped (an institutional failure, not an individual one); the stock fell about 1.4 percent the next day. The CTO changed on September 22, 2026. The honest read: the failure was real, the penalty is absorbed, and the permanently higher IT spend is the cost of the lesson.

14 VALUATION VS PEERS

At Rs 1,258 (Oct 8, 2026): TTM P/E ~55-56x, P/B ~12.8x, dividend yield ~1.0%.

Company	P/E (TTM)	Business
CDSL	~55-56x	Depository duopoly, retail annuity

Company	P/E (TTM)	Business
BSE	~44x	Exchange; CDSL's 15% promoter
MCX	~55x	Commodity exchange
CAMS	~35x	Mutual fund RTA
KFintech	~44-45x	RTA + issuer services
NSDL	~47x (Aug 2025 listing)	Depository duopoly, institutional

CDSL trades at a premium to every market-infrastructure peer except MCX, and at a premium to NSDL's listing multiple. The premium buys the highest retail annuity share, the highest margins, and the highest recurring revenue in the set. HDFC Securities notes CDSL traded at 45-55x one-year forward P/E in previous growth-recovery phases against a 5-year average forward multiple of 45x: at ~55x trailing, the stock is priced for the recovery to arrive, not for it to be doubted. Street: HDFC Securities Buy, target Rs 1,620 (45x Sep-28E EPS, upgraded September 2026); JM Financial Reduce, target Rs 1,270 (February 2026, on weak cash-market activity). The street is split; the two calls are six months apart and the newer one is the upgrade.

15 FY2029 SCENARIOS (INR)

Built off FY26 revenue of Rs 1,145 cr; 20.9 cr shares; assumptions explicit.

	Bear: Rs 1,120	Base: Rs 1,750	Bull: Rs 2,350
Revenue CAGR FY26-29	9%	15%	21%
FY29 revenue	Rs 1,483 cr	Rs 1,741 cr	Rs 2,028 cr
Operating margin	46%	54%	58%
Exit P/E	44x	48x	52x

Bear: demat growth normalizes, transaction stays soft; margin stays pressured; de-rating toward infrastructure utilities. **Base:** account additions recover toward 1 cr+/quarter, the annuity compounds, CVL grows; volume leverage returns; exit between the 45x historical forward average and today's 55x trailing. **Bull:** retail boom second leg, IPO pipeline including large listings, CIRL scales; growth multiple sustained. Base-case FY29 implies Rs 36.6 EPS, close to JM Financial's FY28E estimate of Rs 37.4: the base case is the street's earnings path with a slightly lower exit multiple than today's trailing print. At Rs 1,258, the base case is ~39% upside over three years (~11.6% CAGR) plus a ~1% yield. HDFC Securities' Rs 1,620 target (45x Sep-28E EPS) sits just above the base path.

16 WHY IT MATTERS

CDSL is the purest listed expression of a one-line thesis: under 10 percent of India is in the securities market, and every new investor needs a demat account. The company turns that account into a recurring fee, a transaction stream, a KYC record, and eventually an insurance policy, each regulated separately, each compounding. The duopoly means the economics are protected; the 80 percent share of new accounts means the protection is being used. FY26 proved the toll road still needs traffic, and the price (26 percent below its high, at the bottom of its historical forward-multiple band) is the entry the cycle created. At 75/100 Positive, the verdict is: back the annuity compounding, monitor SEBI's pen, and let the accounts do the work.

17 SOURCES

Company filings and disclosures (NSE archives): Q1 FY26-Q1 FY27 results and investor presentations; FY26 results (May 2, 2026); SEBI penalty disclosure (Jul 20, 2026); CTO change filing (Sep 22, 2026); Sahamati stake disclosure. Screener.in financials, shareholding, and market data (Oct 8, 2026); 5paisa, Kotak Neo, Univest, Finnhub (price and multiples, Oct 2026). JM Financial (Nov 2025, Feb 2026) and HDFC Securities (Sep 2026, target Rs 1,620) research notes. Trade Brains (FY24 revenue split, from company data); BusinessLine (May 2026 results; Jan 2026 CVL milestone); Livemint (IPO, June 2017); Angel One/Arihant Capital IPO notes (June 2017); Outlook Money (Jun 2026 custody); NSDL RHP coverage (Aug 2025). Reuters and Angel One (Jul 2026 SEBI penalty); moneyworks4me (CIRL shareholding); Univest Q2 FY27 preview (Oct 2026). The ~65% recurring-revenue figure is an IPO-time comparison from NSDL RHP coverage (Aug 2025), labeled as such. FY2029 scenarios are DalalBytes estimates; see Section 15.