ANANDRATHI

National Securities Depository Limited

28-July-25

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Issue Details

Issue Details	
Issue Size (Value in ₹ million, Upper Band)	4,011
Fresh Issue (No. of Shares in Lakhs)	NIL
Offer for Sale (No. of Shares in Lakhs)	501
Bid/Issue opens on	30-July-25
Bid/Issue closes on	01-August-25
Face Value	₹ 2
Price Band	760-800
Minimum Lot	18

Objects of the Issue

- **Fresh Issue: NIL**
- **Offer for sale: 4,011 million**

Book Running Lead Managers
ICICI Securities Limited
Axis Capital Limited
HSBC Securities and Capital Markets (India) Private Limited
IDBI Capital Markets & Securities Limited
Motilal Oswal Investment Advisors Limited
SBI Capital Markets Limited
Registrar to the Offer
MUFG Intime India Private Limited

Capital Structure (₹ million)	Aggregate Value
Authorized share capital	1,000
Subscribed paid up capital (Pre-Offer)	400
Paid up capital (Post - Offer)	400

Share Holding Pattern %	Pre-Issue	Post Issue
Promoters & Promoter group	0	0
Public	100	100
Total	**100**	**100**

Financials

Particulars (₹ In million)	FY25	FY24	FY23
Revenue from operations	**14,201**	**12,682**	**10,220**
Operating expenses	10,446	9,637	7,664
EBITDA	**3,755**	**3,046**	**2,556**
Other Income	1,150	975	778
Depreciation	354	436	217
EBIT	**4,551**	**3,584**	**3,118**
Interest	41	21	19
Profit before tax and Exceptional Item	**4,510**	**3,563**	**3,099**
Exceptional Item	**24**	**(14)**	**(48)**
Profit before Tax	**4,534**	**3,550**	**3,050**
Tax	1,103	795	702
Consolidated PAT	**3,431**	**2,754**	**2,348**
EPS	**17.2**	**13.8**	**11.7**
Ratios	**FY25**	**FY24**	**FY23**
EBITDAM	26.4%	24.0%	25.0%
PATM	24.2%	21.7%	22.9%
Sales growth	11.9%	24.1%	-

Sector- Depository and Clearing House **Company Description**

National Securities Depository Ltd is a SEBI-registered market infrastructure institution ("MII") offering a wide range of products and services to the financial and securities markets in India. Following the introduction of the Depositories Act in 1996, through their company, they pioneered the dematerialization of securities in India in November 1996. As of March 31, 2025, they are the largest depository in India in terms of number of issuers, number of active instruments, market share in demat value of settlement volume, and value of assets held under custody. Further, as of March 31, 2025, they have a network of 65,391 depository participants' service centres as compared to 18,918 such centers with CDSL. As a depository, they provide a robust depository framework that enables market participants to participate in the financial and securities markets in India.

Company also play a central role in developing products and services that continue to address the growing needs of the financial services industry in India. Using innovative and flexible technology systems, NSDL works to support investors, brokers, issuers, and other market participants in the Indian capital markets and aims to ensure the safety and soundness of the Indian securities market by developing settlement solutions that increase efficiency, minimize risk, and reduce costs. Their depository facilitates securities to be held in digital form by investors through accounts known as "Demat Accounts" held with them through depository participants. This includes securities held in dematerialized form across various asset classes namely equities (listed equity and unlisted equity), preference shares, warrants, funds (mutual funds, REITs, InvITs, and AIFs), debt instruments (corporate debt, commercial paper, certificate of deposit, pass-through certificate, security receipts, government securities, sovereign gold bonds, municipal debt, treasury bill), and electronic gold receipts.

As part of their depository business, they operate a centralized digital book-keeping system that facilitates the holders of securities to hold and transfer their securities in electronic form and enables settlement solutions in an efficient and cost-effective manner. They also facilitate and maintain complete records of the ownership of securities held in dematerialized form with them on behalf of the issuer entity. They provide depository services to investors, issuers, depository participants, financial institutions, stockbrokers, custodians, clearing corporations, and other market intermediaries and have established an ecosystem for these entities to integrate with their systems. Their core depository services provide them with a steady source of recurring revenue, primarily through annual custody fees charged to issuers of securities and annual maintenance fees charged to depository participants in relation to corporate accounts serviced through their depository platform.

Valuation

National Securities Depository Limited will maintain its focus on unlocking growth opportunities and deepening market reach by utilizing its core competencies. The company plans to strengthen and modernize its IT infrastructure to improve operational efficiency, elevate service standards, and bolster resilience. Additionally, it aims to broaden its range of services, enhance its database management capabilities, and expand the market share of its payments bank division.

At the upper price band company is valuing at P/E of 46.6x to its FY25 earnings, and market cap of ₹ 1,60,000 million with Return on net worth of 17.1% post issue of equity shares.

We believe that the IPO is fairly priced and recommend a **"Subscribe"** rating to the IPO.

Description of Business

Products and Service Offering of their Depository Business

Company commenced operations in November 1996 as the first depository in India and have since introduced a wide range of products and services to the financial and securities market in India. They commenced their core depository business to facilitate the trading of securities in digital form and have since leveraged their technological infrastructure to cater to the diverse needs of the securities market in India through the expansion of their portfolio of additional products and ancillary value-added services.

A summary of their core depository services is set out below:

- **Maintaining Allotment and Transfer of Ownership Records:** Through their depository services, they maintain details of allotment and transfer of ownership records of securities assets held with them through electronic book entries and provide a safe and secure environment for the storage of such securities.

- **Account Opening and Management:** As a depository, their core depository function includes the opening of demat accounts for demat holders through depository participants and providing various services including updating KYC details, nomination facility, and updating demographic details.

- **Settlement of Market and Off-Market Transfers:** Through their depository system, they facilitate the transfer of securities by investors by providing a mechanism to clearing members to settle trades carried out on stock exchanges. All clearing corporations registered with them can receive securities delivered for clearance in electronic form. Their network of depository participants also assists their clients with carrying out off-market transfers of securities for transfers not settled through clearing corporations.

- **Dematerialisation of Securities:** NSDL provide dematerialization services to investors, listed and unlisted issuers, and registrar and transfer agents and charge onboarding and service fees to issuers for providing these services.

- **Corporate Actions:** NSDL assist issuers with carrying out corporate actions relating to the disbursement of monetary benefits such as dividends and non-monetary benefits such as bonus payments to investors. The number of corporate actions undertaken on their platform was 624,832 during the Financial Year 2024 and 787,809 during the Financial Year 2025.

- **Pledge:** Their depository services offer the flexibility for securities held in a depository account to be pledged or hypothecated, enabling clients to avail themselves of loan or credit facilities. The pledging of securities with them requires both the borrower (pledgor) and the lender (pledgee) to hold an account with their depository.

- **Margin Pledge:** NSDL have introduced a transaction in the depository system that allows clients to utilize their securities as margin with their trading members. Through the process of marking a pledge of securities, clients can provide their securities as collateral to their trading members. These pledged securities can then be repledged by the trading members to the clearing members and subsequently repledged by the clearing members to the clearing corporation. This facilitates the posting of client collateral and ensures the segregation of client collateral at the clearing corporation level, thereby enhancing the safety and security of clients' securities.

- **Non-Disposal Undertakings (NDUs):** This is a specialised service that allows Demat Account holders to record NDUs in the depository system. In relation to loan obligations undertaken by corporate debtors, NDUs are typically issued in favour of a lender as an undertaking by the promoter(s) of the corporate debtor not to transfer or otherwise alienate the security. Operating as a negative lien in favour of the lender, NDUs help ensure that the promoter(s) of the corporate debtor do not transfer the shares held by them by way of outside arrangements resulting in the creditor losing access to significant assets of the promoter(s).

- **Consolidated Account Statement (CAS):** CAS is a unique offering from NSDL that provides information of all securities held in dematerialized form in a client's portfolio in a single statement. This includes investments in equity shares, preference shares, mutual funds, bonds, debentures, securitized instruments, money market instruments and government securities held in demat form. CAS also includes details of insurance policies held in electronic form through the National Insurance Repository of NDML. They also offer the facility to view and download CAS through IDeAS on their e-services portal. Further, they have enhanced CAS to include details of investments in the National Pension System based on opt-ins by their customers. During the Financial Year 2025, NSDL dispatched 110 million CAS to investors as compared to 94 million CAS during the Financial Year 2024.

- **Providing a Comprehensive Suite of APIs:** NSDL provide a comprehensive suite of APIs for seamless processing of data between the depository participants and NSDL. Such APIs include services relating to account opening, e-DIS, early pay-in margin pledge, digital LAS and verification of DP ID, Client ID and PAN. Cash Benefit Services: They process interest payments on government bonds and sovereign gold bonds to investors holding these securities in demat accounts with depository participants registered with them.

Products and Services offered by NPBL

Through their subsidiary, NPBL, they provide digital banking services through innovative and technology-driven measures. In line with the Government of India's vision of 'financial inclusion', they have launched multiple products to facilitate ease of banking and have adopted scalable steps to enable the financial inclusion of disadvantaged and low-income populations in various unbanked and underbanked areas in India. As of March 31, 2025, they witnessed an increase in the total number of users of their mobile application, NSDL Jiffy, to more than 1,060,000 users, out of which more than 278,000 users had opened their accounts directly through the Jiffy mobile application. From Financial Year 2022 to Financial Year 2025, the payments business (considering only UPI and IMPS) grew by over 278% in terms of the number of transactions processed and by more than 163% in terms of transaction value. As on March 31, 2025, there were 2,419,830 active users on the NPBL system.

The graphic below lists some of the key products and services provided by NPBL:

A brief summary of the key products and services provided by NPBL is below:

- **NSDL Jiffy:** Built with a focus on delivering a simplified banking experience to their customers, NSDL Jiffy offers a number of banking services through a mobile-based application. These services include digital zero-balance savings accounts, classic savings accounts, and premium savings accounts. Through NSDL Jiffy, customers are also able to avail additional facilities such as access to a basic savings bank deposit account (for customer groups covered under the Pradhan Mantri Jan Dhan Yojana), along with a digital bill payment facility and current account. Additional services include access to their corporate internet banking portal and a virtual debit card to effectuate the vision of financial inclusion. During the Financial Year 2025, they opened more than 1,609,000 new user accounts, of which more than 278,000 were opened directly through the Jiffy mobile application. NPBL witnessed an increase in monthly user base from more than 86,900 as of March 31, 2024, to more than 139,600 as of March 31, 2025.

- **Domestic Money Transfer:** NPBL provide a domestic money transfer service that facilitates fund transfers by non-account holders to any bank account in India. These services are provided through their network of business correspondents and are subject to applicable transfer limits, with a transaction limit of ₹5,000 and a monthly transaction limit of ₹25,000 per customer. For the Financial Year 2025, they recorded domestic money transfers aggregating to ₹166,192 million through this service.

- **Aadhaar-Enabled Payment System (AePS):** AePS is a bank-led model that uses Aadhaar authentication to allow interoperable transactions at POS terminals. They provide AePS services to offline banking customers for carrying out banking transactions such as cash withdrawals, subject to applicable transaction limits and a maximum transaction amount of ₹10,000 per transaction and ₹50,000 per month. These services are delivered through a network of over 50 business correspondents. As of March 31, 2025, they recorded cash withdrawals aggregating to ₹511,715 million through AePS.

- **Micro-ATMs:** In furtherance of the Government of India's vision of 'financial inclusion', they have established an extended network of banking and remittance facilities through 4,382 customer service points across India, as of March 31, 2025. As part of their micro-ATM facility initiative, they offer essential banking services such as cash withdrawal and balance enquiry through banking correspondents. During the Financial Year 2025, they recorded transactions amounting to ₹130,185 million through the micro-ATM facility. These services are offered through a network of more than 50 corporate business correspondents.

- **Cash Management Services:** Through their platform, they facilitate the collection of loan EMIs and cash payments whereby transactions are processed through agents. They collaborate with micro-finance institutions and NBFCs to streamline cash collection processes and leverage their extensive agent network, through business correspondents, to enhance reach and efficiency. For the Financial Year 2025, they recorded transaction values aggregating to ₹283,921 million.

- **Customer Service Points (CSPs):** These act as mini banks for carrying out withdrawals, deposits, and money transfers, and assist with sourcing new business by facilitating the opening of new customer accounts. As of March 31, 2025, they had 4,382 customer service points across the country.

- **Mutual Fund Investment and Linked Trading Accounts:** Through their digital platform, customers can invest in mutual funds and benefit from curated investment solutions provided by fund houses.

- **Prepaid Cards:** Through their prepaid card offering, they provide corporate gift cards, student cards, meal cards, and payroll cards. During the Financial Year 2025, they recorded transactions aggregating to ₹89,530 million through prepaid cards issued by NPBL.

Products and Services offered by NDML

NDML is a technology solutions and product services company focused on developing e-Governance solutions, payment solutions, regulatory support systems, market infrastructure services, industry solutions, and digital customer onboarding products. NDML also offers end-to-end business automation, process transformation, and other managed services such as SEZ Online for the Government of India and National Skills Registry on behalf of NASSCOM, the industry association. A list of approvals and registrations obtained by NDML is set out below:

- **IRDAI:** NDML had obtained approval from the Insurance Regulatory and Development Authority of India (IRDAI) to act as an insurance repository for digitization, collation, storage, and management of insurance policies issued across India. On February 23, 2024, and May 13, 2025, IRDAI advised NDML to operate its insurance repository business via a separate company. NDML is in the process of preparing its proposal for submission to IRDAI. The setting up of a separate company, which will be a new subsidiary, and investment into such company will be subject to approval by the parent company and SEBI.

- **SEBI:** NDML is registered with the Securities and Exchange Board of India (SEBI) to provide services as a KYC Registration Agency (KRA) for the collection, validation, storage, and dissemination of KYC information of investors in capital markets. NDML is also registered with SEBI for providing services as a Registrar and Transfer Agent (RTA) and as an Accreditation Agency for providing accreditation services to investors.

- **RBI:** NDML has received authorization from the Reserve Bank of India (RBI) to operate as an Online Payment Aggregator for facilitating the online collection of payments.

- **UIDAI:** NDML is registered with the Unique Identification Authority of India (UIDAI) as a KYC User Agency for facilitating online Aadhaar-based e-KYC of clients of SEBI-registered intermediaries.

- **Ministry of Commerce and Industry:** NDML was appointed by the Ministry of Commerce and Industry to establish and operate an online platform for supporting approvals and transactions in Special Economic Zones (SEZs) across the country. SEZ Online is a fully integrated solution offered by NDML for the administration of SEZs to facilitate speedy processing of various transactions that SEZ developers/units have with SEZ administration. Their services are aimed at improving efficiency and transparency in the manner transactions are processed within SEZs, reducing operational and compliance costs, and serving as a repository of all transactions with the Development Commissioner's office.

Revenue Model

NSDL derive their revenue from a number of sources, including transaction fees charged to depository participants and issuers of securities, custody fees charged to issuers, and annual fees charged to depository participants and issuers. They also earn fees from various ancillary services provided to market participants through the Company and its subsidiaries, NDML and NPBL. A list of revenue sources is set out below:

- **Annual Fees:** NSDL charge annual fees to depository participants for all corporate demat accounts registered with them, as well as for DMS software provided to depository participants. Annual fees are also charged to issuers of securities for monitoring foreign investment limits, to mutual funds for downloading facilities related to beneficial owners' statements and transfer feeds, to SEZ units for system usage, and to insurance companies for crediting policies in dematerialized format. Additionally, they charge annual usage fees for generating IT professional identification numbers for registrations with NSR, fees for STeAdy, usage of Cloud DPM, and for value-added services such as DPM Plus, STP Navigator, E-signer. Issuers are also charged annual fees for RTA services. These fees are generally charged at the beginning of each financial year or annually on the date of registration.

- **Custody Fees:** NSDL charge issuers and other corporate clients custody fees for admitting their securities to the platform and for offering demat facilities to shareholders. The fee is calculated at ₹11 per folio, subject to a minimum amount based on the nominal value slab of admitted securities.

- **Registration Fees:** NSDL charge registration fees to issuers and RTAs for registering on the platform and for availing associated services.

- **Transaction Fees:** NSDL charge transaction fees to corporate clients and depository participants for transactions such as securities settlements and corporate actions carried out through the depository system. Transaction fees also include charges related to e-voting, CAS facilities, pledge fees, margin pledge fees, non-disposal undertaking fees, fees for digital contract notes, SEZ transaction fees, KRA upload/download, and insurance policy credits.

- **Software License Fees:** Depository participants registered with them are required to implement the necessary technology infrastructure, and are charged annual software license fees for the software provided to ensure operational efficiency.

- **Communication Fees:** NSDL charge annual communication fees to depository participants based on connectivity and bandwidth utilization related to their operations.

- **Income from Banking Services:** This includes revenue generated by their subsidiary, NPBL, from banking services such as interchange fees for transactions via AePS, micro-ATMs, and domestic money transfers, issuance of prepaid cards, account opening fees, and commissions on cash management services.

- **Other Operating Income:** This includes fees for executing changes in RTAs and training fees charged to depository participants for training on their depository participant management software.

Strengths:

- **India's first and leading depository operating a wide range of technology-driven businesses.**

  NSDL is India's first and leading depository and are the largest depository in India in terms of number of issuers, number of active instruments, market share in demat value of settlement volume, and value of assets held under custody as of March 31, 2025. As the first and leading depository in the country, they introduced the concept of dematerialization of securities, revolutionizing the securities landscape in India. They were also one of the initial few depositories globally to directly implement dematerialization, bypassing the traditional two-step process of immobilization and subsequent dematerialization. The introduction of the depository system brought about a notable transformation in trade settlement practices on stock exchanges and played a pivotal role in the implementation of rolling settlements in India. Prior to their incorporation, trades were settled on a weekly basis under the account period settlement framework. Their scripless book entry system played a pivotal role in enabling the gradual reduction of settlement cycles and the subsequent implementation of rolling settlements in India.

  In 1998, SEBI introduced the concept of rolling settlements based on a T+5 timeline, which was further reduced over time following SEBI's decision to implement a T+1 settlement for all traded securities in January 2023. With effect from March 28, 2024, they implemented a beta version of T+0 settlement with 25 scrips and, since January 31, 2025, implemented an option of T+0 settlement in a phased manner to cover additional top 500 scrips based on market capitalization as on December 31, 2024, for all brokers. This places India among the select countries to achieve such an efficient settlement system, and their contributions have been instrumental in realizing this achievement. Company have also implemented the UPI block in the secondary market and a direct payout facility in accordance with SEBI's decision. The success of their depository business can be attributed to its widespread acceptance of securities regulations in recent years requiring compulsory dematerialization of securities for transfer. The system's emphasis on safety, security, and seamless transactions has led to the widespread opening of depository accounts across India and from various international locations. As of March 31, 2025, they had an aggregate of 79,773 issuers registered on their system with an extensive network of 294 Depository Participants operating through 65,391 service centers across India. These service centers serve over 39.4 million active demat accounts. As of December 31, 2024, the number of accounts common between their company and CDSL was 2.3 million. Their account holders were located in more than 99.3% of pin codes in India and 194 countries across the world as of March 31, 2025. In June 2014, they achieved the milestone of having assets of over ₹100,000 billion under their custody after 18 years of operations, with the next ₹100,000 billion of assets under custody being achieved in November 2020, and thereafter added another ₹100,000 billion in December 2021. In September 2024, they had assets of over ₹500,000 billion under their custody.

- **Strong focus on technology-led product innovation.**

  Technology serves as the foundation of their ecosystem. Company have consistently invested in technology, enabling the development of a state-of-the-art depository system catering to diverse user groups such as depository participants, issuers, registrars, transfer agents, and clearing corporations. In August 2007, they were the first depository to introduce instant messaging alerts (over SMS) to investors. Their comprehensive suite of value-added services includes Speed-e, which facilitates the electronic submission of depository transactions, STeADY (as defined below) for trade information exchange and institutional client contract notes, and IDeAS (as defined below), an online platform for convenient access to depository accounts. Their other introductions to the market include the launch of a block chain-based distributed ledger technology platform for security and covenant monitoring, including the monitoring of asset coverage relating to the issuance of debentures on a real-time basis; the launch of a tax service that addresses the documentation requirements for companies during dividend payments; and the launch of their digital commercial paper issuance mechanism in 2021. This platform has received a positive response from the industry, with numerous issuers and securities on boarded since its launch. They have also implemented a data processing framework that acts as a centralized repository for multiple data types, including master data, transactional data, documentation data, historical data, and archive data. Their strong focus on technology-led product innovation has helped them expand their service capabilities, enhance user experience, and continue to remain relevant in the financial and securities market in India.

- **Robust IT infrastructure, risk management frameworks and cyber-security measures focused on ensuring the safety and integrity of the depository system.**

  To meet the demands of a fast-growing market, they have endeavored to actively introduce initiatives to augment their IT infrastructure. They have implemented a comprehensive risk management system that incorporates the principles prescribed by the Committee on Payments and Market Infrastructure and the Technical Committee of the International Organization of Securities Commissions (CPMI – IOSCO) and seek to develop appropriate risk-management tools to address the material risks that they may face. They have established a security operations center ("SOC") with round-the-clock operations to monitor, detect, analyze, contain, eradicate, and respond to any adverse cyber security events. Their SOC is staffed with a team of security analysts and engineers who aim to ensure real-time monitoring and response to cyber-security events. Their SOC is based on an analytical platform and conducts a correlation of logs from network, security, and server infrastructure. With an ever-changing risk landscape, they continue to update their depository system and associated infrastructure to improve correlation, analytics, detection, and response capabilities. Company have adopted the MITRE ATT&CK® framework, which is a detailed knowledge base and model for cyber adversary behavior, covering the various phases of an adversary's attack lifecycle. Further, NDML has obtained the PCI-DSS (Payment Card Industry – Data Security Standard) certification for carrying out its secure payment card transactions. Between January 2024 and February 2025, they executed several IT upgrades to bolster both their infrastructure and security.

  Key infrastructure improvements include (i) upgrading all databases to the latest supported version, (ii) implementing patch management solutions in accordance with SEBI guidelines, (iii) augmentation of backup solutions, and (iv) observability and application performance monitoring (APM) solution implemented with full-stack monitoring for IT environments, which has enabled them to detect, diagnose, and optimize application performance, infrastructure, and security on a real-time basis. In addition, they implemented measures such as introducing airgap solutions with vault and clean room setup, implemented multi-homing internet links in their data center and disaster recovery site, data encryption at rest for offline Hadoop systems, and completed the replacement of end-of-support perimeter firewalls.

They also introduced a privileged identity manager with multifactor authentication to further enhance production system security. Their IT security framework was also strengthened by implementing the Extended Detection and Response (EDR) technology, which integrates and correlates data from multiple security tools to enhance threat detection and response, a secure web gateway, a data leakage prevention solution, and a privilege identity and access management system.

- **Diversified Asset Classes held in Demat Accounts and Well-diversified Business Verticals.**

NSDL hold a strong position in the depository market with regard to the diversified asset classes held in demat accounts with them. These accounts hold various asset classes, including equities (listed and unlisted), preference shares, warrants, funds (mutual funds, REITs, InvITs, and AIFs), debt instruments (corporate debt, commercial paper, certificates of deposit, pass-through certificates, structured obligations, government securities, sovereign gold bonds, municipal debt, treasury bills, state development loans), and electronic gold receipts. As of March 31, 2025, NSDL held approximately 85.1% and 86.8% of total securities in terms of numbers and values, respectively. Their demat account holders benefit from the ability to hold a wide variety of securities within their demat accounts, providing them with a comprehensive investment portfolio. Over the years, their depository participants have witnessed a significant increase in new demat accounts, with a substantial portion of these accounts being held by first-time demat account holders (in terms of PAN) across all their DPs.

The table below sets forth the average value of assets held in Demat Accounts with them as compared to the overall, as of March 31, 2025:

Particulars	Holding per Demat Account (₹ in million)	Holding per Demat Account (held by individuals, including NRIs, and HUFs) (₹ in million)
Average Value of Assets (held in Demat Accounts with NSDL)	11.8	1.8
Overall market average value of assets	2.8	0.5

Furthermore, as of March 31, 2025, they held assets in custody in relation to individuals and HUFs aggregating to ₹70,167 billion, constituting 67.9% of the total value of such assets under custody in dematerialized form. These figures indicate the substantial holdings and confidence that their demat account holders have in their system. The higher custody value allows them to leverage a range of additional services, including pledges, margin pledges, and loan against security (LAS). The table below sets forth the revenue generated from pledges / margin pledges and from annual fees for LAS/Digital LAS for the Financial Years 2025, 2024, and 2023. Let me know if you need this version adapted for a presentation or financial summary.

Revenues	For the Financial Year		
	2025	2024	2023
	(₹ in million/ %)		
Pledge/ Margin Pledge Revenue	523	400	184
As a % of their total Depository Revenue	8.46%	8.46%	4.52%
Annual Fees LAS/ Digital LAS Revenue	5.1	5.4	1.9
As a % of their total Depository Revenue	0.1%	0.1%	0.1%

Key Strategies:

- **Continue to focus on their growth potential and increase market penetration by leveraging their strengths.**

The Demat Accounts in India have grown at a 21.9% CAGR from 21.7 million in Financial Year 2014 to 192.4 million in Financial Year 2025. Further, the Demat Account penetration in India is 13.4% in Financial Year 2025 and 10.6% in Financial Year 2024, and presents a huge opportunity to depositories for growth in the overall business considering India's population is more than 1.44 billion as of calendar year 2024. The number of companies having their securities in demat form has increased from 17,835 in Financial Year 2017 to 79,773 in Financial Year 2025, reflecting a growth of 20.6% CAGR for NSDL, and from 9,887 to 35,922 for CDSL during the same period, growing at approximately 17.5% CAGR. Additionally, as per the MCA notification in September 2018 (effective October 2, 2018), issuance and transfer of all securities by unlisted public companies shall be in dematerialised form only. On October 27, 2023, the MCA mandated compulsory dematerialisation of securities by private companies (other than small companies). Therefore, there is immense scope for depositories to increase the number of companies on their platforms for dematerialization. As part of their commitment to the capital markets community in India, they have leveraged their technological infrastructure to cater to the diverse needs of the securities market in India and introduced several additional products, e-services, and ancillary value-added services and initiatives directly and through their subsidiaries, NDML and NPBL, thereby emerging as a key enabler for the financial market in India. They offer multiple services providing core depository functions and, through their subsidiaries, offer a range of IT-enabled solutions through multiple verticals such as e-governance, payment solutions, collaborative industry solutions, regulatory platforms, KYC solutions, insurance repository services, and digital banking solutions, among others.

India is one of the fastest-growing major economies, with expected real GDP growth in the range of 6.3% to 6.5% each year during 2025 to 2028. As a depository, they play a central role in developing products and services, and their focus is to continue leveraging product development and differentiation to address the growing needs of the financial services industry in India. Using innovative and flexible technology systems, they aim to support investors, brokers, issuers, and other market participants in the Indian capital markets, ensuring the safety and soundness of the Indian securities market by developing settlement solutions that increase efficiency, minimize risk, and reduce costs.

- **Continue to invest in and upgrade their IT infrastructure systems for the enhancement of operational efficiency, service quality and operational resilience.**

  As a securities depository, enhancement of their IT infrastructure is a critical aspect of their business as it serves as the foundation for future growth and expansion plans, while ensuring the safety and reliability of India's securities market ecosystem. They place a strong emphasis on operational resilience, robust information security systems, and strengthening their IT infrastructure to withstand and promptly recover from unforeseen disruptions. Their primary objective is to mitigate the impact of any potential issues, ensuring uninterrupted operations and business continuity, even in the event of unforeseen circumstances. Since their inception, they have allocated significant resources towards their information technology systems. To keep their systems and processes current, they constantly strive to enhance their technology stack, augment technology infrastructure to manage increasing transaction volumes, adopt a mobile-first approach in relevant areas, transform applications to enhance operational efficiency, and improve system performance, resiliency, and scalability. They are also focused on enhancing efficiency by digitizing operational processes, enabling do-it-yourself (DIY) journeys across various depository functions such as client onboarding and centralized servicing, and re-evaluating process flows to enable seamless journeys with minimal manual intervention and first-time resolution.

- **Diversify offerings and enhance their database management business.**

  As part of their growth strategy for NDML, they aim to continue diversifying their offerings through the introduction of new products and services, thereby serving the evolving needs of their customers. Some of the proposed strategic initiatives for their existing business verticals under NDML are set out below:

  - **KYC Registration Agency:** As a regulated KYC registration agency, they seek to meet the needs of market participants to efficiently complete their KYC verification processes through them with a reduced turnaround time. They also aim to increase their market share as a KYC registration agency by leveraging their existing association with their wide network of depository participants. They are also in continued discussions with stock brokers and other intermediaries in relation to their product and service offerings for their KYC processing and customer onboarding requirements.

  - **Insurance Repository:** In light of the proposed regulatory proposition providing for all insurance policies to be mandatorily held in dematerialised form, they anticipate an opportunity to leverage their existing leadership position in this business. They expect this to further increase their market share as an insurance repository along with acting as an enabler of efficiency, cost reduction, and improved accessibility.

  - **Payment Aggregator Business:** NDML has received authorisation from the RBI to operate as a payment aggregator. They seek to build upon their relationships to expand their product and service offerings to newer segments and increase their market share. They are also exploring potential synergies for cost efficiency and customisation through a unified, well-leveraged aggregator service for merchants.

  - **Registrar and Transfer Agent:** As a registrar and transfer agent registered with SEBI, they provide robust, compliant, and efficient registrar and transfer agency services from the stage of onboarding new issuers to providing related services. They seek to expand their capabilities on the strength of their efficient and transparent service model and extend their range of services from debt instruments to equity securities and to alternative investment funds and unlisted issuers. Given the concentrated nature of this market, they believe that there is a significant growth opportunity to further develop this business. They have also undertaken and completed the development of an IPO application software and are in the process of engaging with market participants and issuers for utilizing their services for proposed initial public offerings in India.

  - **National Skills Registry:** They offer a collaborative industry solution for the IT / ITeS industry in association with The National Association of Software and Service Companies (“nasscom”). Through this product, they aim to prospectively build digitally integrated solutions for employee-verification processes and expedite hiring processes.

- **Increase the market share of their payments bank business.**

  Company continue to scale their payments bank business to include a number of ancillary products and services such as zero-balance accounts, digital payment cards, online bill payments and recharges, mutual funds and other investment services, and insurance products. Some of their proposed initiatives for the growth of this business are set out below:

  - **Financial Inclusion:** In line with the Government of India’s ‘financial inclusion’ vision, they are focused on extending the reach of their banking services to remote regions in India by further developing and growing their network of inclusive banking partners and business correspondents. As of March 31, 2025, NPBL had 4,382 customer service points across India. This network typically operates through neighbourhood shops, local stores, and pharmacies that are easily accessible to their customers and includes basic banking services offered through AEPS, micro-ATMs, and other remittance products offered through NPBL. They also offer account opening services through customer service points to achieve equitable and inclusive banking across the country.

  - **Digital Banking:** Their NSDL Jiffy mobile application has been built with a focus on personalization, consumer intuition, and simplicity, and aims to deliver a superior user experience to their consumers. To scale the user base for this application, they aim to acquire new customers through business partnerships, a 3-in-1 account service, and by generating new users directly through the NSDL Jiffy mobile application. They also aim to introduce new products and services such as co-branded credit cards, subject to approval from the RBI. In addition to introducing new products, they actively seek to grow the market share of their prepaid cards business by onboarding additional partners and exploring alternate product initiatives such as transit cards, multi-wallet cards, fuel cards, fleet management cards, and transit cards.

- **Merchant Acquisition:** Company offer a digital payment collection mechanism for merchants to process and receive online payments from customers through a number of different channels, thereby helping merchants increase their sales. They have identified this model as an emerging line of business and are focused on further developing this business to enable merchants to process transaction payments received through payment cards, net banking, and UPI transactions.

- **Cash Management Services:** In July 2023, they launched their Cash Management Services ("CMS"). Through their platform, they facilitate the collection of loan EMIs and cash payments whereby transactions are processed through agents. Company collaborate with micro-finance institutions and NBFCs to streamline cash collection processes and leverage their extensive network of agents, through business correspondents, to enhance reach and efficiency. For the Financial Year 2025, they recorded transactions through CMS at a value aggregating to ₹283,921 million.

- **Third Party Product Distribution:** Company also aim to expand their third-party product distribution capabilities by facilitating the sale and distribution of insurance policies and mutual fund schemes through their platforms, including NSDL Jiffy and their business correspondents. As on March 31, 2025, they had entered into online distribution agreements with 28 asset management companies and 13 insurance companies.

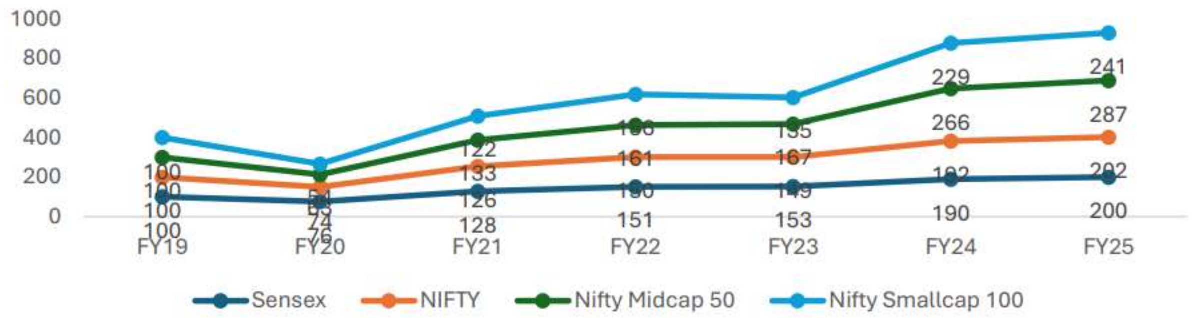
Industry Snapshot:

Current scenario of the capital markets in India

Overview of capital markets in India Capital markets clocked strong growth with NIFTY 50 clocking 10.5% CAGR from Financial Years 2011 to Financial Year 2025

The Indian Capital Market is one of the most dynamic and high growth organised markets in the world. It witnessed strong performance during the period Financial Years 2011 to 2025. The market capitalization of National Stock Exchange ("NSE") grew at 13.8% CAGR during Financial Year 2011 to Financial Year 2025. The NIFTY 50 index has grown at a CAGR of 10.5% over this period. BSE Sensex has followed a similar growth trajectory to Nifty 50. In case of NSE, the number of companies traded rose from 856 to 3,784 between Financial Year 2005 and Financial Year 2025. Indian equities continued to see strong gains in calendar year 2025. Both domestic and global factors were supportive of foreign capital inflows.

BSE and NSE performance, Financial Year 2019 to Financial Year 2025



Type of asset classes available for dematerialization

Depository Statistics for NSDL and CDSL witness a steady growth trajectory

Securities such as common equity shares, preferential shares, mutual fund units, debt instruments, government securities, certificates of deposit, commercial papers and others are available to be held in electronic or dematerialized (demat) form by the investors. The number of companies having their securities in demat form have seen an increase from 17,835 in Financial Year 2017 to 79,773 in Financial Year 2025 seeing a growth at 20.6% CAGR for NSDL and 9,887 to 35,922 from Financial Year 2017 to Financial Year 2025 growing at a ~17.5% CAGR for CDSL.

Amongst the depositories, NSDL holds a dominant market share in terms of progress in dematerialisation

NSDL holds a higher share compared to CDSL amongst the two depositories across the number of companies available for demat, the quantity and value of securities held in demat form.

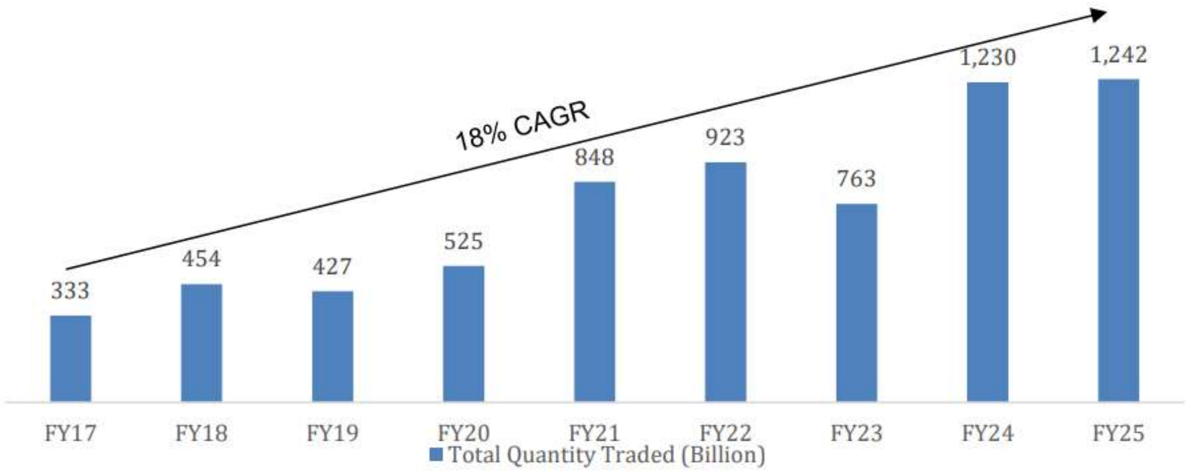
Trend of number of companies signed up and available for demat (listed and unlisted)

Free float market capitalization as a percentage of total market capitalization seeing a marginal decrease

Equities traded in the secondary market have seen a robust growth

A key trend that had emerged post the Covid-19 pandemic was the substantial rise in secondary market participation. The volume of equity traded in the secondary market saw a meaningful increase reaching record high levels as of Financial Year 2022 at 923 billion traded quantities. It has further increased in Financial Year 2024 and Financial Year 2025 to 1,230 billion and 1,242 billion traded quantities. respectively. The increase in participation was propelled by a multitude of factors including increasing retail investor participation driven by digitalization with higher adoption of mobile and digital investing, financial awareness, increasing participation in IPO subscriptions and the need to invest capital in an asset class yielding high returns amidst a low-interest environment.

Quantity of equities traded in the secondary market reached record high in Financial Year 2025



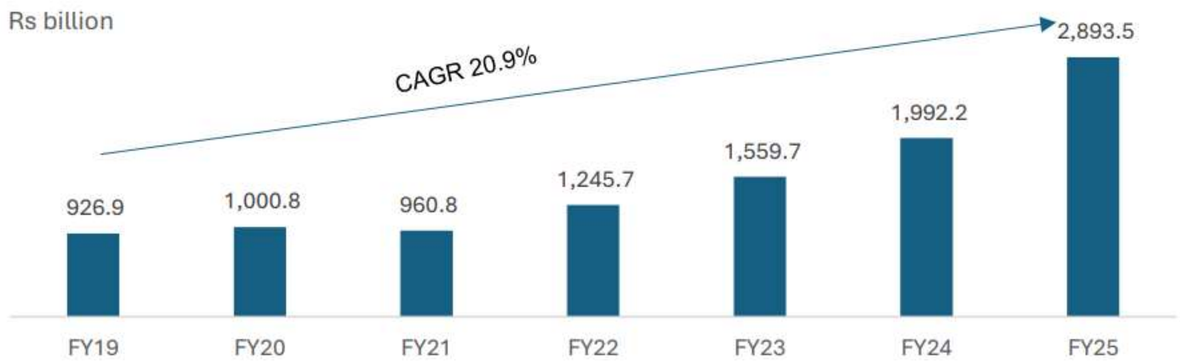
Capital raised in primary markets showed strong performance in Financial Year 2025

Funds raised through equity and debt have seen a steady growth over the years. Equity capital saw a strong 13.8% CAGR from Financial Year 2017 to Financial Year 2025 in terms of volume. The total volume of equity capital issuances as of Financial Year 2025 stood at 1,543 issuances and value at ₹4,299 billion. Volume of debt issuances was seeing a downward trend over the years de-growing at ~8% CAGR from Financial Year 2017 till Financial Year 2025. Since the value and volume of debt capital contributed to the lion's share in the capital market, the muted performance of the debt market is reflected in growth of the overall market as well.

Mutual fund penetration is upward bound

In recent years, mutual fund assets in India have seen robust growth, largely driven by a growing investor base. This is due to increasing financial awareness, strong performance of capital markets, technological progress, and regulatory efforts aimed at making mutual fund products more transparent and investor friendly. Moreover, the rising awareness among the population about different capital-market related instruments including ELSS, SIPs, ETFs, theme-based investing building customized bucket of stocks as per clients' requirement, etc. have been a key driver in increasing mutual fund penetration in the market. SIPs are preferred by individuals who like to invest in equity with a long-term investing horizon. SIP contribution in Financial Year 2025 stood at ₹2,893.5 billion.

SIP Contribution witnessing a growth over the years (in ₹ billion)



Overall mutual fund AUM increased from around ₹24.46 trillion in Financial Year 2019 to ₹64.42 trillion at end of Financial Year 2025 logging CAGR of 18.4% between the Financial Year 2019 and 2025. SIP amount (monthly average) has also increased from ₹77.2 bn in Financial Year 2019 to ₹241.1 bn in Financial Year 2025 with the CAGR of ~20.9%. Total SIP amount has increased from ₹927 billion in Financial Year 2019 to ₹2,893.5 billion in Financial Year 2025 registering CAGR of 20.9%.

FPI investments in capital markets

Sustained capital inflows - portfolio and direct - are a prerequisite for any economy. In particular, the challenge is to create favourable conditions for continuous inflow of foreign capital, to retain and utilise it for productive purposes like infrastructure and other investment needs. The foreign portfolio investor (FPI) regime commenced with effect from June 1, 2014, wherein the existing FIIs, sub-accounts, and qualified foreign investors (QFIs) were merged to form a new investor class termed as FPI. Foreign investments in the country can take the form of investments in listed companies (FII investments), investments in listed/unlisted companies other than through stock exchanges (through the foreign direct investment or private equity (PE)/foreign venture capital investment route), investments through American depository receipts/global depository receipts, or investments by non-resident Indians and persons of Indian origin in various forms. As on March 31, 2025, NSDL serviced almost 100.00% (99.99)% of the value of equity, debt and other securities held by foreign portfolio investors in dematerialized form in India.

Growth drivers for players in the capital market industry

Number of companies incorporated is on the rise

In Financial Year 2025, the Ministry of Corporate Affairs (MCA) registered the highest ever number of company incorporations at 0.19 million companies as compared to 0.17 million companies in Financial Year 2022. Government initiatives including Ease of Doing Business, make in India and Start up India have accentuated this trend by building a conducive environment for incorporating businesses and is expected to further improve the start-up climate in the country.

Increasing participation of domestic players in investments

With strong participation in Indian capital markets, both FIIs and DIIs maintained record level of inflows in Indian equities due to robust macroeconomic fundamentals and significant return delivered by Indian market in recent years. DIIs remained strong buyers of Indian equities for the third year in a row, with net inflows of approximately ₹6.08 trillion in Financial Year 2025, aggregating to total net buying of more than ₹10.5 trillion in the last three years. FIIs turned aggressive buyers of Indian equities in Financial Year 2024 with net inflow of 2.1 trillion. This trend is indicative of the prominence that DIIs are gaining, thus acting as a driving force in the Indian capital market. Increase in participation from domestic players in the market would further improve growth of other stakeholders in the ecosystem including depositories, depository participants, RTAs, investors etc wherein, the increase in volume of transaction would lead to higher transaction charges, improved market sentiment and would encourage more businesses to get listed on Indian exchanges thereby resulting in higher custodial fees as well.

Depository System in India

Emergence of depository system in India

Till early 1990s, ownership of equity shares in Indian companies was represented through share certificates in the physical mode, wherein transactions in securities markets were settled based on physical movement of paper. Clearing and settlement of sale of securities were only on 'accounting period basis'. It used to take roughly 10 to 14 days for a seller to receive payment and for a buyer to receive deliver of securities. Such a longer settlement cycle involved higher market and credit risk and therefore higher transaction cost. In 1970s and 1980s, the Indian capital market grew rapidly with more and more companies accessing capital markets through public issue, rights and bonus issue, private placement, etc. and hence, the supply of share certificates increased greatly. Till early 1990s, retail and small investors were dominant. In the early 1990s, the market opened with entry of private MFs and foreign institutional investors (FIIs) and the turnover in primary and secondary markets grew manifold. This caused disturbances in clearing and settlement, owing to large movement of paper which made trading a prolonged process. This process used to increase market and credit risk and affected smooth functioning of stock exchanges. Along with this, there were multiple problems in dealing with physical shares such as theft, fake or wrong transfer, delay in transfer of shares due to mismatch in signatures, a lot of paperwork requirements in buying, selling and transfer leading to costs of handling, storage and transportation. Hence, there was an urgent need to shift to electronic method of settlements.

Highlights on depository market in India

The growth of depository market is linked to several factors such as rising participation from investors, rising digital services which are being provided by brokers and depositories, reducing cost of transactions, rising awareness about capital markets, etc. The depository market in India is a duopoly with high barriers to entry as each of the current depositories are promoted by large institutions. As the first and leading depository in the country, NSDL introduced the concept of dematerialization of securities, revolutionizing the securities landscape in India. NSDL is the largest depository in India in terms of number of issuers, number of active instruments, market share in demat value of settlement volume and value of assets held under custody as of March 31, 2025. CDSL is the largest depository in terms of the demat accounts as of March 31, 2025. The depository market in India grew at rapid pace in past 3 years. Total client accounts grew at ~27.4% CAGR between Financial Year 2017 to Financial Year 2025 and is expected to grow at 11-12% CAGR between Financial Year 2025 to Financial Year 2027. Standalone income of depositories in India is around ₹17.16 Bn in Financial Year 2025 and grew at CAGR ~22.4% between Financial Year 2018 to Financial Year 2025 and is expected to grow at CAGR of 11% to 12% from Financial Year 2025 to Financial Year 2027 to reach ₹21 Bn to ₹22 Bn by Financial Year 2027 assuming there will not be any regulatory impact on pricing of products and services.

Growth drivers for depositories in India

Depositories to benefit from rising capital market participation

India's inherent strengths such as large population, growing middle-income households, initiatives taken by the government and SEBI to push for financial literacy, increasing awareness, millennials entering the space for better returns, etc. are benefitting capital markets in India and hence depositories. Details are provided below:

Favourable demographics, increasing per capita GDP and household financial savings

As discussed in the earlier section detailing 'Macro-economic scenario in India', as of calendar year 2020, India has one of the largest young populations in the world, with a median age of 28 years and as per IMF's estimates, India's nominal GDP per capita (at constant prices) was ₹0.134 million in Financial Year 2025 and is projected to grow further. Both these factors could contribute to increase in financial savings and therefore there shall be an increase in demand for depositories.

Household savings expected to increase

In 2023, India's gross domestic savings as a percentage of GDP rose to 29.2%, reflecting an upward trend from 2022 when it reached 28.4%, highlighting the economy's recovery and improved income levels. However, in 2020, this percentage had declined to 27.3% due to the economic disruptions caused by the pandemic. India remains favorable in terms of gross domestic savings rate compared with most other emerging market peers at 29% in 2023, greater than the world average of 26% in 2022.

- **Accounting ratios**

S.no	KPI	Units	Fiscal 2025	Fiscal 2024	Fiscal 2023
1	Demat custody value	₹ (in billion)	4,64,164	4,23,442	3,02,189
	Individuals & HUF		70,168	65,110	43,061
	Non-Individuals		3,93,996	3,58,332	2,59,128
2	Issuers	Number	79,773	46,015	40,987
	Listed		6,287	5,942	5,804
	Unlisted		73,486	40,073	35,183
3	Total quantity of securities held in demat	in billion	4,759	3,773	3,224
4	e-Voting				
	e-voting Revenue	₹ (in million)	444	356	329
	e-voting events	Number	4,988	4,304	3,951
5	Depository Participants	Number	294	281	283
6	DP Service Centres	Number	65,391	61,665	59,401
7	Demat Accounts (excluding closed accounts)	in million	39	36	31
	Individuals & HUF		39	36	31
	Non-Individuals		0.18	0.16	0.15
8	Demat custody value per demat account	₹ (in million)	12	12	10
	Individuals & HUF		1.79	1.83	1.38
	Non-Individuals		2,192	2,240	1,728
9	Consolidated Operating Revenue	₹ (in million)			
	Revenue		14,201	12,682	10,220
	Recurring Revenue		2,795	2,418	2,250
	Transaction Revenue		11,406	10,264	7,970
10	Standalone Operating Revenue	₹ (in million)			
	Revenue		6,186	4,731	4,092
	Recurring revenue		2,613	2,297	2,118
	Transaction revenue		3,574	2,434	1,974
11	Consolidated EBITDA	₹ (in million)	4,929	3,811	3,286
12	Consolidated PAT	₹ (in million)	3,431	2,754	2,348

Comparison with listed entity

Name of the company	Face Value (₹ per share)	Total income (in ₹ million)	Basic EPS	Diluted EPS	NAV (per share ₹)	P/E	RONW (%)
National Securities Depository Limited	2	15,352	17*	17*	100	46**	17.1%
Listed Peers							
Central Depository Services (India) Limited	10	11,993	25	25	84	68	29.9%

Note: 1) P/E Ratio has been computed based on the closing market price of equity shares on NSE on July 22, 2025.
2) */** P/E and EPS of company is calculated on basis FY25 earnings and post issue no. of equity shares issued.

Key Risk:

- If there is a shift in investor preferences away from investing and trading in securities to other avenues, it could reduce demand for their services and adversely affect their business, financial condition, and results of operations.
- Failure to expand their service offerings and market reach through continued innovation and development of new products and services through technology-based solutions or the failure of these new service offerings may have an adverse impact on their business.
- A large proportion of their Company's business is transaction-based, in particular, delivery-based, and dependent on trading activity in the securities market. External factors beyond their control may affect the trading volumes which could adversely affect their business, cash flows, results of operation and financial condition.

- Company rely on complex information technology networks and systems to operate their business. Any significant system or network disruption due to a technical glitch, breach in the security of their IT systems or otherwise, could have a negative impact on their business, reputation, results of operation and financial condition including levy of financial disincentive by SEBI.

- Company operate under a stringent regulatory regime and their inability to comply with their legal and regulatory obligations may expose them to regulatory proceedings and legal actions by the Securities and Exchange Board of India.

- Company closely compete with their competitors across their businesses in a highly regulated environment. Any failure to compete successfully could have an adverse effect on their business, financial condition, cash flows and results of operations.

- Company depend on their network of depository participants and the service centres owned, operated and maintained by such depository participants for a large portion of their business. Any inability to effectively manage and increase this network could adversely impact their growth, cash flows, results of operation, and financial condition.

Valuation:

National Securities Depository Limited will maintain its focus on unlocking growth opportunities and deepening market reach by utilizing its core competencies. The company plans to strengthen and modernize its IT infrastructure to improve operational efficiency, elevate service standards, and bolster resilience. Additionally, it aims to broaden its range of services, enhance its database management capabilities, and expand the market share of its payments bank division.

At the upper price band company is valuing at P/E of 46.6x to its FY25 earnings, and market cap of ₹ 1,60,000 million with Return on net worth of 17.1% post issue of equity shares.

We believe that the IPO is fairly priced and recommend a **“Subscribe”** rating to the IPO.

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Additional information on recommended securities/instruments is available on request.

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