

National Securities Depository Limited – IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
30 July 2025	01 August 2025	₹760-800	SUBSCRIBE

Company Overview

National Securities Depository Limited (NSDL) is a SEBI-registered Market Infrastructure Institution and a pioneer in India's financial ecosystem, having introduced the dematerialization of securities following the Depositories Act of 1996. As of March 31, 2025, NSDL is India's largest depository in terms of number of issuers, active instruments, demat market share by value, and total assets held under custody. It operates a vast network of 65,391 depository participant service centres—significantly higher than CDSL's 18,918—offering wide access across the country.

NSDL plays a crucial role in enabling digital securities holding and transactions through Demat Accounts, which include a wide array of asset classes such as equities (listed and unlisted), preference shares, mutual funds, REITs, InvITs, AIFs, debt instruments, government securities, and even electronic gold receipts. The company also maintains a centralized, secure, and efficient digital book-keeping system that supports seamless ownership records and settlement of securities.

NSDL also plays 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.

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. It also facilitates and maintains complete records of the ownership of securities held in dematerialized form with them on behalf of the issuer entity. Its primary revenue streams come from recurring fees such as annual custody charges from issuers and maintenance fees from depository participants, making its business model stable and scalable within the rapidly evolving Indian capital markets.

Business Model

NSDL, India's first and largest depository, offers a robust suite of technology-driven services that support the secure and efficient functioning of the securities market. Its core business includes maintaining electronic records of securities ownership, facilitating dematerialization, and settling both market and off-market transactions. Investors access these services through depository participants who assist with demat account operations, KYC updates, pledging, and margin funding. NSDL also enables issuers to manage corporate actions like dividends and bonuses. The company generates recurring revenue through custody fees from issuers and annual maintenance charges from depository participants. It also earns transaction and onboarding fees, along with income from digital solutions like APIs and CAS. Additionally, NSDL offers ancillary services via its subsidiaries, NDML and NPBL. Its diversified revenue model and critical infrastructure status ensure high entry barriers, strong market relevance, and long-term sustainability.

Financial Snapshot

Metric	INR CR		
	FY23	FY24	FY25
Revenue (₹ Cr)	1,022.0	1,268.2	1,420.1
EBITDA (₹ Cr)	255.6	284.6	375.5
Net Profit (₹ Cr)	234.8	275.4	343.1
EBITDA Margin (%)	25.0%	22.4%	26.4%
PAT Margin (%)	22.9%	21.7%	24.2%
EPS (₹)	11.7	13.8	17.2

Investment Rationale

- 1. Market Dominance with Strong Network and Scale Advantage:** NSDL is India's first and largest depository, commanding a dominant market share in terms of issuers, active instruments, settlement value, and assets under custody. Its first-mover advantage has enabled it to shape the evolution of the Indian securities market, including driving the adoption of dematerialization and rolling settlements. With 79,773 registered issuers and over 39.4 million active demat accounts serviced via 65,391 service centres, NSDL benefits from massive network effects. Its presence in over 99% of Indian PIN codes and 194 countries provides strong entry barriers and long-term stickiness in client relationships. These scale efficiencies support recurring revenues and make NSDL a critical market infrastructure institution.
- 2. Structural Wealth Shift & Institutional Dominance Support NSDL's Premium Positioning:** India's capital market is witnessing a structural transition, with affluent investors increasingly allocating funds to alternative assets like PMS, AIFs, and ETFs. With AUM from AIFs and PMS crossing ₹18.9 lakh crore and growing at 25–30% CAGR, NSDL stands to directly benefit from the rise in asset value under custody, translating into higher annuity-based fee income. Unlike CDSL, which thrives on volume-led retail growth, NSDL's business scales with quality and size of assets, not just account numbers. Its dominance in institutional and HNI segments, with average AUM per account at ₹1.25 crore (vs CDSL's ₹1.2 lakh), makes NSDL the depository of choice for FPIs, PMS managers, and large AMCs. This positions NSDL as a high-margin, high-stickiness platform with long-term monetization potential.
- 3. Growth of Alternate Investment Products Supporting NSDL:** India is witnessing robust growth in alternative investment products such as Alternate Investment Funds (AIFs), Portfolio Management Services (PMS), Sovereign Gold Bonds, and unlisted securities, driven by rising HNI and institutional participation. NSDL, being the preferred depository for such instruments, is poised to benefit significantly from this trend. Its institutionally dominant platform and established relationships with asset managers make it the default choice for custody and settlement of such assets. With the increasing financialization of wealth and deeper penetration of non-retail products, NSDL stands to gain higher annuity revenue due to larger average asset size per account compared to retail-focused counterparts.
- 4. Robust IT Infrastructure and Risk Management Framework:** NSDL operates a highly secure and scalable technology backbone, critical for the integrity of India's securities ecosystem. It has implemented leading cybersecurity frameworks like MITRE ATT&CK, EDR technologies, privileged identity management, and real-time SOC (Security Operations Centre) monitoring. Infrastructure upgrades—including full-stack observability, patch management, air-gapped backup systems, and data encryption—enhance resilience and regulatory compliance. Such systems not only instil trust among institutional clients and regulators but also enable the platform to seamlessly scale with growing transaction volumes. This digital resilience is a strategic moat in an increasingly interconnected financial world.
- 5. High Entry Barriers with Sticky, Recurring Revenue Streams:** NSDL benefits from a high-quality, stable revenue model primarily derived from custody fees, annual maintenance charges, transaction fees, and digital services. Its infrastructure role makes it a systemic player, with regulatory oversight and high switching costs for participants. The business model is further enhanced by the stickiness of demat accounts and long-term institutional relationships. With 85.1% of total securities (by volume) and 86.8% by value held in its system as of March 2025, NSDL enjoys strong client retention and cross-sell opportunities across asset classes and services. This leads to predictable cash flows and strong operating leverage over time.
- 6. Regulatory Tailwinds and Policy Support:** NSDL stands to benefit from ongoing regulatory reforms promoting digitalization and transparency in financial markets. SEBI and MCA mandates now require dematerialization of securities for private and unlisted companies, significantly expanding NSDL's addressable market. Additionally, initiatives like T+0 settlements, UPI block systems, and financial inclusion efforts enhance the relevance and demand for NSDL's infrastructure and services. These regulatory tailwinds provide long-term growth visibility and reinforce NSDL's systemic role.

IPO Details and Use of Proceeds

Parameter	Details
Issuer	National Securities Depository Limited (NSDL)
IPO Structure	Pure Offer for Sale (OFS) by existing shareholders
Issue Size	₹4,011.60 crore (5.01 crore shares)
Price Band	₹760 – ₹800 per share
Face Value	₹2 per share
Post-Issue Market Cap	Approximately ₹16,000 crore (at upper band)
IPO Opening Date	30 July 2025
IPO Closing Date	1 August 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	-
Book Running Lead Managers	ICICI Securities, Axis Capital, HSBC, IDBI Capital, Motilal Oswal, SBI Capital
Use of Proceeds	None to the company – proceeds go entirely to selling shareholders to facilitate listing and liquidity

Valuation and Outlook

NSDL, as a critical pillar of India’s capital market infrastructure, combines regulatory significance with strong market penetration and a stable, annuity-like revenue model. Its leadership in depository operations, supported by diversified services and ongoing tech modernization, enhances scalability and operational resilience. The IPO is priced at a P/E of 46.6x and P/B of 7.98x, appearing attractive relative to CDSL’s 60.4x and 18.08x, especially given NSDL’s superior assets under custody and broader service reach. With a RoNW of 17.1% post-issue and rising demat penetration in India, NSDL is well-positioned to capture growth from financialization and expand its role across payments and data services.

Recommendation

We recommend a **“Subscribe”** rating for the IPO of National Securities Depository Limited (NSDL) for investors with medium to long term investment horizon, given its dominant market position, strong annuity-based revenue model, and critical role in India’s capital market infrastructure. The company offers a diversified and scalable business model with high entry barriers, robust tech systems, and regulatory tailwinds supporting long-term growth. At a P/E of 46.6x, the valuation appears reasonable compared to CDSL, considering NSDL’s broader service footprint and higher assets under custody. With increasing demat penetration and formalization of financial assets, NSDL is well-placed to benefit from ongoing financialization trends.

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