

DOLAT ALGOTECH LIMITED

(FORMERLY KNOWN AS DOLAT INVESTMENTS LIMITED)

Corporate Office: 301-308, Bhagwati House, Plot, A/19, Veera Desai, Andheri (West), Mumbai - 400 058
TEL.: 91-22-2673 2602/03/04/65704167/68/69/70/71 FAX: 91-22-26732642,
Website: www.dolatalgotech.in ; E-mail: investor@dolatalgotech.in
Corporate Identity Number: L67100GJ1983PLC126089

20th March '24

BSE Limited

Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai 400 001.

Scrip code : 505526

National Stock Exchange Of India Limited

Exchange Plaza, 5th Floor,
Plot No.C/1, G Block,
Bandra-Kurla Complex,
Bandra (E), Mumbai - 400 051

Symbol : DOLATALGO

Dear Sir / Madam,

Sub.: Intimation regarding Credit Rating under Regulation 30 of SEBI Listing Regulations

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), please note that CRISIL Ratings ("CRISIL") has assigned CRISIL A1+ (pronounced as CRISIL A one plus rating) for the Commercial Paper.

The rating letter dated 19th March, '24 received from CRISIL is attached as Annexure.

The above information will also be available on the website of the Company at <http://www.dolatalgotech.in/>

We request you to kindly take the above information on record and oblige.

Thanking you,

Yours Faithfully,

For **DOLAT ALGOTECH LIMITED**

Sandeepkumar G. Bhanushali
Company Secretary & Compliance Officer

Place : Mumbai
Encl: As Above

RL/DOLINLT/339527/CP/0324/81958
March 19, 2024

Mr. Pankaj Shah
Managing Director
Dolat Algotech Limited
301-308 Bhagwati House, Off Veera Desai Road
Next to Hard Rock Cafe,
Near Cinepolies (Fun Republic) Cinema,
Andheri West, Mumbai City - 400058
9820769233



Dear Mr. Pankaj Shah,

Re: CRISIL Rating on the Rs.350 Crore Commercial Paper of Dolat Algotech Limited

We refer to your request for a rating for the captioned Debt Programme.

CRISIL Ratings has, after due consideration, assigned a CRISIL A1+ (pronounced as CRISIL A one plus rating) rating to the captioned Debt Programme. Securities with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations. Such securities carry lowest credit risk.

For the purpose of issuance of captioned commercial paper programme, this letter is valid for 30 calendar days from the date of the letter. In the event of your company not placing the above programme within this period, or in the event of any change in the size/structure of your proposed issue, the rating shall have to be reviewed and a letter of revalidation shall have to be issued to you. Once the instrument is issued, the above rating is valid (unless revised) throughout the life of the captioned Commercial Paper Programme with a maximum maturity of one year.

As per our Rating Agreement, CRISIL Ratings would disseminate the rating through its publications and other media, and keep the rating under surveillance for the life of the instrument. CRISIL Ratings reserves the right to withdraw or revise the ratings assigned to the captioned instrument at any time, on the basis of new information, or unavailability of information or other circumstances, which CRISIL Ratings believes, may have an impact on the rating. Please visit www.crisilratings.com and search with the name of the rated entity to access the latest rating/s.

Should you require any clarification, please feel free to get in touch with us.

With warm regards,

Yours sincerely,

Aesha Maru
Associate Director - CRISIL Ratings

Nivedita Shibu
Associate Director - CRISIL Ratings



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CRISIL Ratings Limited

A subsidiary of CRISIL Limited, an S&P Global Company
Corporate Identity Number: U67100MH2019PLC326247

Rating Rationale

March 19, 2024 | Mumbai

Dolat Algotech Limited

'CRISIL A1+' assigned to Commercial Paper

Rating Action

Rs.350 Crore Commercial Paper	CRISIL A1+ (Assigned)
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Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its '**CRISIL A1+**' rating to the Commercial Paper of Dolat Algotech Limited (DAL).

The rating takes into account established track record in the capital markets business supported by strong risk management systems and adequate capitalisation.

Adjusted networth on a consolidated basis for the Dolat group stood at Rs 2462 crore as on September 30, 2023 (Rs 2,319 crore as on March 31, 2023, Rs 2,081 crore as on March 31, 2022 and Rs 1,696 crore as on March 31, 2021). Networth is supported by internal cash accruals; gearing has remained low historically.

The group, with an established track record of performance, is supported by strong promoters with experience of more than four-decades in the capital market business. This has also helped to build a sound risk management framework.

These strengths are partially offset by the group's high reliance on a single revenue stream and vulnerability to regulatory changes, with volatility inherent in the capital markets business.

Analytical Approach

CRISIL Ratings has considered the combined business and financial profiles of Dolat group entities to arrive at the rating. This approach has been taken on account of high degree of management, business and financial integration of the companies.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

- Established track record in capital market supported by strong risk management systems:** The group has emerged as the leading company engaged in proprietary trading and broking activities in the stock market for more than 4 decades. The company's in-house developed algorithm software with a team of experienced and professional software developers, provides them an edge in terms of low system latency and minimal human intervention.

The promoters, Mr. Pankaj Shah (Managing Director of DAL), Mr. Shailesh Shah, Mr. Harendra Shah and Mr. Rajendra Shah have been associated with the capital market industry for more than three decades. They are now supported by the second generation, who have also built requisite understanding and knowledge of the industry.

The company has a strong risk management system and a risk-averse approach to trading, as there are no directional trades executed. The management is conservative in its approach, and maintains sufficient liquidity required for placing margins. The trades are executed through automated algorithmic software which calculates the hedge ratio considering market volatility and volume and the position is hedged automatically. Trades are executed as per the set parameters in the algorithmic software and the traders can trade only within these parameters. Also, the group has a real-time risk monitoring system which ensures there are no errors. Human intervention is mitigated as the final execution of trades is done post the risk management checks. The Group has a dedicated risk management team of 5 individuals headed by the promoter, Mr. Pankaj Shah.

- Adequate capitalization:** Capitalisation is adequate for the current scale of operations, with consolidated networth of the group (net of inter company investments) at Rs 2462 crore as on September 30, 2023 (Rs 2319 crore as on March 31, 2023). The group has been able to build up the networth (Rs 2081 crore and Rs 1696 crore as on March 31, 2022 and March 31, 2021, respectively) relying on internal accruals with no external funding as on date. The group predominantly utilises non-fund-based limits in the form of bank guarantees and overdraft facilities for margin purposes. With majority of the borrowings being non fund based, gearing remains negligible at 0.1 times as on March 31, 2023. On a standalone basis, DAL had a networth of Rs 726 crore as on December 31, 2023.

Weaknesses:

- **High reliance on a single revenue stream:** With proprietary trading being the mainstay of the group, it remains exposed to income volatility as any adverse change may materially impact the earnings profile of the company. Nevertheless, a hedged strategy due to a fairly conservative approach by the promoters have led to stable profitability. However, proprietary trading activities have seen significantly intense competition in the past few years with significant investments in physical infrastructure and hardware. Thus, increased market participation may lead to challenges in improving profitability metrics. Therefore, the ability of the group to sustain its position, maintain best in class trading systems and capitalize on opportunities will remain a key monitorable.
- **Susceptibility to regulatory changes and volatility inherent in capital market businesses:** Over the last couple of years, the broking industry has witnessed continuous regulatory revisions. With the objective of further enhancing transparency levels and limiting the misuse of funds, the Securities and Exchange Board of India (SEBI) has introduced several regulations in the last one or two years. Some of these include upfront margin collection for intraday positions and limiting the usage of power of attorney. The industry has been undergoing changes pertaining to margin collection and pledging practices effective September 1, 2020. The newer margin collection practices will change the vintage business model of various small to mid-sized broking companies that relied on relationships by offering differential leverage and margin payment avenues to clients. This is likely to lead to decline in the overall competitiveness in favour of larger digital and bank-based brokers.

CRISIL Ratings understands that most top and few mid-sized brokers have already streamlined their systems in accordance with the revised regulations. However, this may impact small and mid-sized brokers given their not-so-advanced IT infrastructure and risk management systems. Nevertheless, most of these regulations pertains to the client business (pure broking business). As far as Dolat group is concerned, the business is primarily confined to proprietary/arbitrage/delta hedged business. Hence, these revised regulations did not have any visible impact on the group thus far. CRISIL Ratings, nevertheless, will continue to monitor it on an ongoing basis. These regulations will benefit the industry with increased transparency and de-risk the broking platform for retail customers.

Liquidity: Adequate

The liquidity of the group remains adequate for the current scale of operations. Majority of the bank facilities are non-fund based. At a group level, the management has the policy to maintain Rs. 150 crores as the minimum liquidity. Unencumbered cash and bank balance of the group as on February 29, 2024, was about Rs 90 crore. The group also has funds parked in the form of unutilized fixed deposits, with overdraft limits against these deposits, of Rs. 318 crores which can be used whenever required.

Rating Sensitivity Factors

Downward factors

- Weakening of the earnings profile or sustained increase in cost-to-income to over 75%.
- Impact on business risk profile, indicated by drop in market share impacting revenues from core operations.
- Any sustained impact on business or financial risk profile due to changing regulations.

About the Company

Dolat Group was established in the year 1971 by late Shri Dolatrai A. Shah, a first-generation broker with the first group company - Dolat Capital. The growth of the Dolat group has been directly linked to the growth of stock trading in India.

The Group is in the business of trading and broking activities for more than 40 years. The group's lines of business include arbitrage trading in equities, institutional broking, forex broking, commodity trading, algo-trading in derivatives, etc. Each company has a different core trading strategy, as such there is no revenue interlinkages between the group companies.

Dolat Algotech Limited is engaged in the risk neutral delta hedged derivatives trading in futures and options through its proprietary trading desk. The company deploys strategies to earn on the market inefficiencies using highly complex and accurate algo-trading model developed in-house.

Key Financial Indicators: (Consolidated group)

As On/For the year ended March 31	Unit	FY23	FY22	FY21
Total assets	Rs crore	2993	2721	2189
Total income	Rs crore	979	972	848
Profit after tax	Rs crore	281	384	337
Cost to income	%	61	45	44
Return on networth	%	12.8	20.3	22.0
Gearing	Times	0.1	0.1	0.1

Key Financial Indicators: DAL (Standalone)

As On/For the year/period ended	Unit	9MFY24	FY23	FY22
Total assets	Rs crore	1052	801	759
Total income	Rs crore	188.3	227.7	289.2
Profit after tax	Rs crore	89.3	116.0	167.4
Cost to income	%	34	29	19
Return on networth	%	17.4	19.9	37.6
Gearing	Times	NA	0.2	0.3

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of the instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue size (Rs.Crore)	Complexity Level	Rating assigned with outlook
NA	Commercial Paper	NA	NA	7-365 days	350	Simple	CRISIL A1+

Annexure - List of Entities Consolidated

Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
DOLAT CAPITAL MARKET PRIVATE LIMITED	Full	Synergies and common management
DOLAT CAPITAL IFSC PRIVATE LIMITED	Full	Synergies and common management
DOLAT FINSERV PRIVATE LIMITED	Full	Synergies and common management
Vaibhav Stock & Derivatives Private Limited	Full	Synergies and common management
SHAILESH SHAH SECURITIES PRIVATE LIMITED	Full	Synergies and common management
PURVAG COMMODITIES & DERIVATIVES PRIVATE LIMITED	Full	Synergies and common management
Nirshilp Commodities and Trading Private Limited	Full	Synergies and common management
NIRPAN SECURITIES PRIVATE LIMITED	Full	Synergies and common management
L.C. RAHEJA FOREX PRIVATE LIMITED	Full	Synergies and common management
JIGAR COMMODITIES & DERIVATIVES PRIVATE LIMITED	Full	Synergies and common management
CHURCHGATE INVESTMENTS AND TRADING COMPANY PRIVATE LIMITED	Full	Synergies and common management

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Commercial Paper	ST	350.0	CRISIL A1+		--		--		--		--	--

All amounts are in Rs.Cr.

Criteria Details**Links to related criteria**

[Rating Criteria for Securities Companies](#)

[CRISILs Criteria for Consolidation](#)

[CRISILs Criteria for rating short term debt](#)

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