

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.dolatinvest.com, E-mail: post@dolatinvest.com or grievances@dolatinvest.com

Corporate Identity Number: L67100GJ1983PLC126089

Date: February 10, 2023

To,
Listing Compliance
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai 400 001.
BSE Code: 505526

Dear Sir/Madam,

Sub: Investor Presentation in connection with the Unaudited Consolidated Financial Results for the quarter and Nine months ended December 31, 2022

Please find enclosed a copy of Investor Presentation in connection with the Unaudited Consolidated Financial Results of the Company for the quarter and Nine months ended December 31, 2022.

The aforesaid information is being uploaded on the Company's website (<http://www.dolatinvest.com>).

Please take the above on record and oblige.

Thanking you,

Yours Faithfully,

For **DOLAT ALGOTECH LIMITED**

Sandeepkumar G. Bhanushali
Company Secretary & Compliance Officer

Place : Mumbai

Encl: As Above

DOLAT

A L G O T E C H

Dolat Algotech Ltd.

February '23 Investor Presentation



A division of Dolat Group

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INTRODUCTION TO ALGOTRADING



Evolution of trading



The advancement of technology has evolved the way stock markets work. From the days of the trading floor (depicted on the left) to the advancement in digital trading platform and sophisticated algorithmic trading, our markets have witnessed tremendous change.

There is the use of computers, software when it comes to algo trading to automate and develop trading strategies. This trading system allows faster trading than human traders when it comes to putting in orders or responding to market moves. Also, trading systems can let you earn more by removing human errors and flaws.



In general, it is difficult for humans to glance at numbers and past data. It is also difficult to tell what kinds of trades are forthcoming. The algo trading systems have been designed with features to make sure that you can't miss anything. Since there is a vast array of variables and numbers to take into account, the algorithm system is developed to follow these markets and watch over trends based on timing, quantity and cost. They feature to crunch more data in comparison to humans. So, it enables traders to trade more.

Evolution of Dolat Group



Stock trading in India began in the year 1855, when five stockbrokers gathered under a banyan tree in Horniman Circle, Mumbai, and started trading in stocks by investing princely sum of Rs.1 each, thus laying the foundation of what is today the world's 11th largest stock exchange.



1980 was a big year in the history of Bombay Stock Exchange, when it moved to Dalal Street in Mumbai. This building was called Phiroze Jeejeebhoy Towers and **Dolat Investments Ltd** was incorporated in 1983. They started their trading with “*Open Outcry*” method and were market makers in that decade.



1995 was another watershed year for BSE. From a traditional open floor trading system, it upgraded to a sophisticated electronic based trading system. Given the eagerness of the brokers to embrace the new system, this transition took place in just fifty days and Dolat Group was a part of this evolution. It was a screen-based stock trading platform called BSE On-Line Trading or BOLT.



Algorithmic trading is the use of rules-based algorithms to employ strategies for executing trades at a high speed. As the adoption of technology is key in **Dolat Algotech Ltd's** vision of growth, it adopted the Algo trading used by institutions and implemented their strategies for years and developed a proprietary system to deliver high returns with hedged strategies.

What is Algo Trading ?

Computer programs are strongly suggested for gaining the highest insight and understanding of financial systems and trading. These online trading systems can crunch past data and numbers to let you have better understanding of what type of result to expect in the future. Traders across the globe are getting success and making money by using these computer suggestions.



Algo trading is a fully automated trading system which can be auto-executed by multiple registered brokers. These systems can be easily installed and loaded on to the Trade Station platform. The development of front end and back end of algo technology and quantitative investing based on computer formulas and trading by machines to minimize emotion and human error has left the traditional stock traders in the dust..



Benefits of different Algo Trading System

- ❑ Multiple Algorithmic Trading Systems
- ❑ Multiple Trading Algorithms Working Together
- ❑ Trades During Bear & Bull Markets
- ❑ Fully Automated Trading Systems

Rules to trade Options

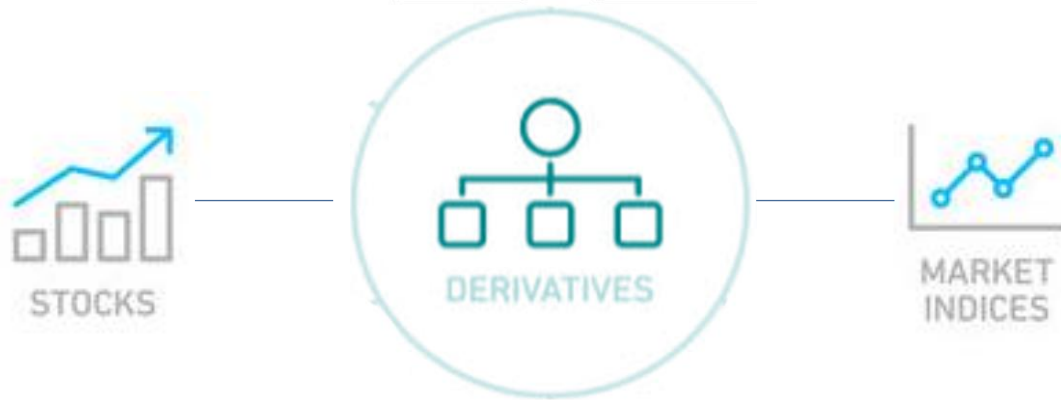


ABOUT DOLAT ALGOTECH LTD.



Business Segments

Dolat Algotech Ltd. is involved in the business of derivative trading in the Option segment for Stocks and Market Indices.



The company has been in the business of trading derivatives for many years in the Indian markets. No directional biases are ever taken while trading in the assets as all positions are always hedged. The hedging is primarily done by taking positions in Futures & Options contract.

The company along with the other group companies is one of the pioneers in algo strategies and has considerable market volume as a group in derivatives segment at National Stock Exchange which is the only exchange most active in India in derivatives segment.





Volume Growth

- ❑ The derivative volume includes all positions in Futures and Options for stocks and indices.
- ❑ As the traded volume goes higher, the company enjoys more retail participation and in turn profitability increases.
- ❑ This volume growth happens when more participation is received from the retail segment, and there are continuous financial events which contribute to the liquidity.
- ❑ For e.g. : More FII participation in the market is a positive signal and would cause better volumes as it shows a positive sentiment.



Increased Volatility

- ❑ Volatility in Derivative segment is key.
- ❑ It is the driver of any movement as it indicates the historical price movement of the stock.
- ❑ This volatility is denominated by “Vega” and is different for all stocks over multiple time frames.
- ❑ An increase or decrease in “Vega” causes the automated hedged system to initiate positions and hence is a very important factor which contributes to the profitability of the company.

We are

Neutral

CE

Call Option



Stock Price Movement



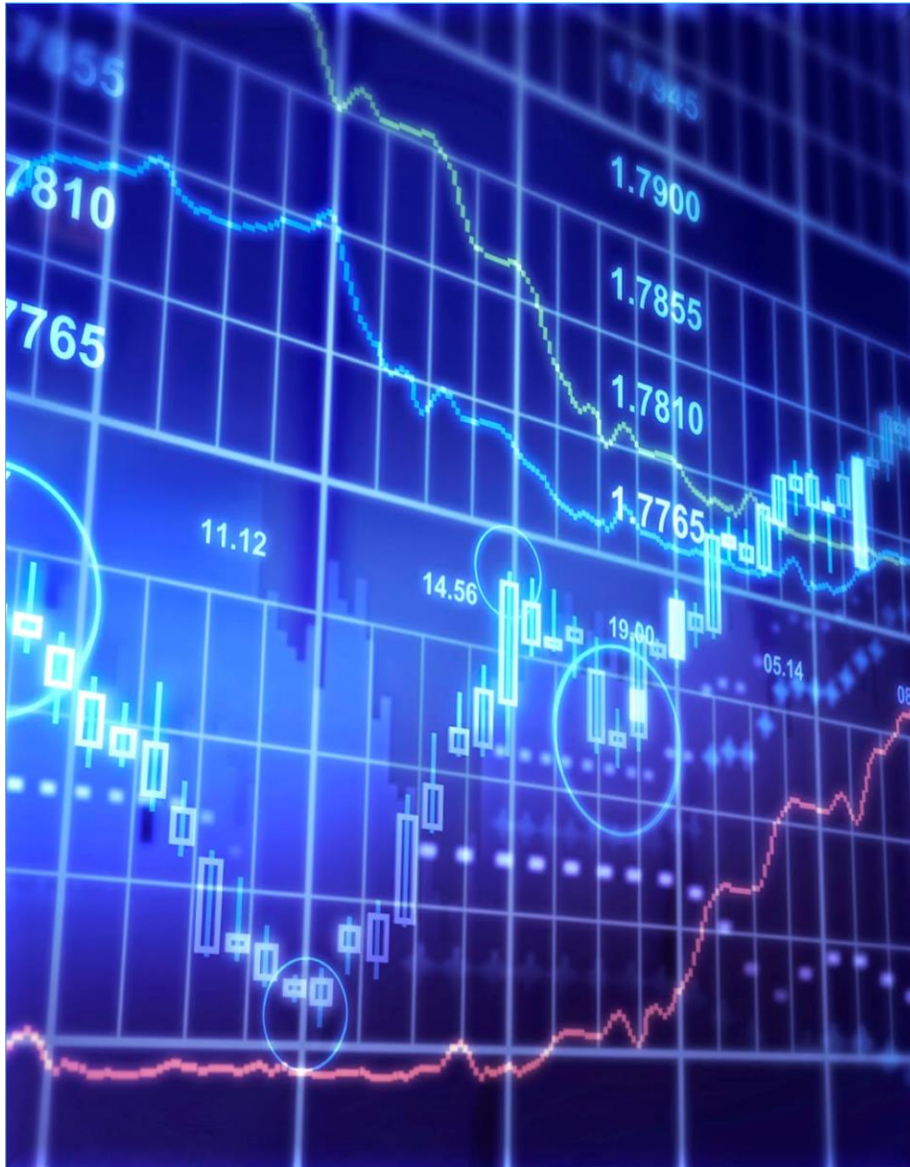
PE

Put Option

For every 1 rupee movement in the stock, the movement caused in the price of the Call or Put option is referred to as the “Delta”

Delta hedging is an options trading strategy that aims to reduce, or hedge, the directional risk associated with price movements in the underlying asset. The approach uses options to offset the risk to either a single other option holding or an entire portfolio of holdings. The investor tries to reach a delta neutral state and not have a directional bias on the hedge.

Key Strengths



Experience

Experience of
4 Decades of management

Track Record

No-Loss month since inception
in derivatives trading at Group
level and within the company

Strategy

Fully hedged multiple strategies

Approach

Delta neutral hedge with no
directional bias

Collocation

Servers located at NSE
collocation facility

Technology

High speed computing machines
along with latest servers



Mr. Pankaj Dolatrai Shah started out his career making markets on the trading floor for hundreds of different listed equities. He has transitioned into electronic trading and runs various class of hedge fund strategies in the proprietary book of the firm. His specialty lies in running a large risk neutral portfolio in equity options. Having witnessed multiple cycles of the capital markets spanning over 5 decades, Mr. Pankaj Dolatrai Shah is a specialist in the “Options” segment of Derivative Trading and has been generating substantial returns annually. He is pivotal in leading various trading teams within the firm and has trained hundreds of individuals under him.

Pankaj Dolatrai Shah
Managing Director



With more than 4 decades of trading experience in the Indian capital markets across different asset classes, Mr. Shailesh Dolatrai Shah started his career as a floor-based specialist market maker. A firm believer in adapting newer technology along with his keen interest in understanding microstructure patterns of codes for derivative trading, he was instrumental in configuring electronic algorithmic trading across various asset classes.. He also plays a key role in the execution of risk neutral strategies for a portfolio of futures and options. His strategies have given consistently very high significant returns always outperforming benchmarks.

Shailesh Dolatrai Shah
Non-Executive Director



Harendra D. Shah
Non-Executive Director



Vaibhav Pankaj Shah
CFO

Independent Non-Executive Directors

Mr. Sunil Shah

Mr. Sailesh Nayak

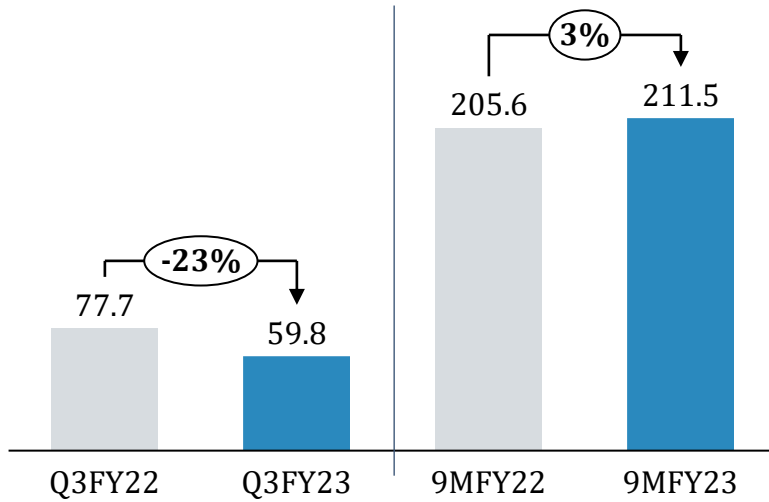
Mrs. Monika A Singhania

Financials

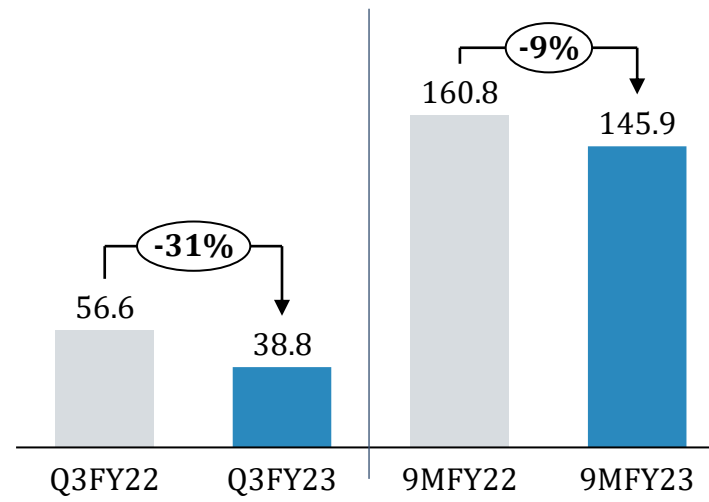


Quarterly Highlights

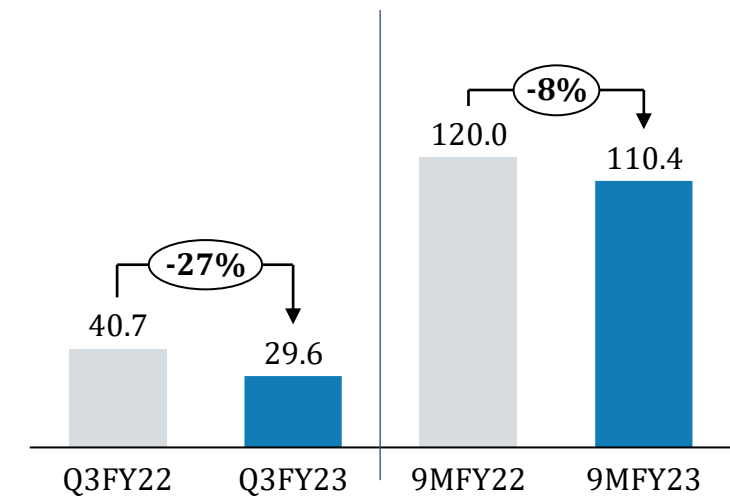
Revenue (Rs. Crs.)



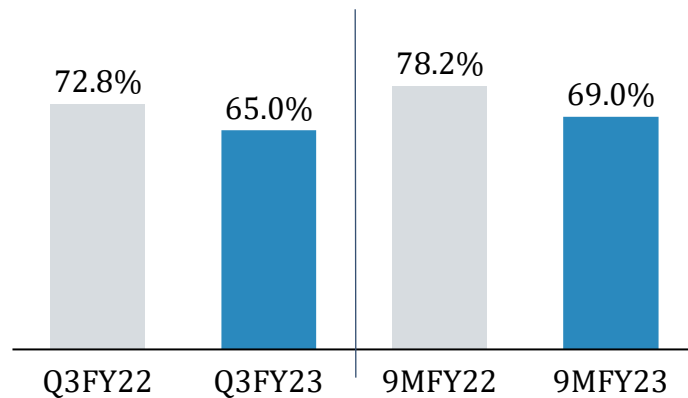
EBITDA (Rs. Crs.)



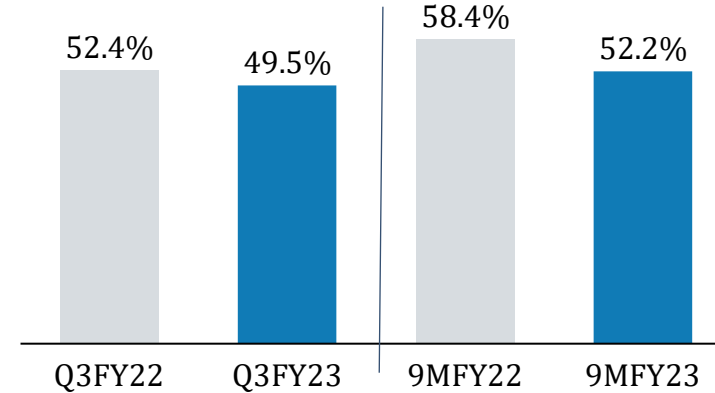
PAT (Rs. Crs.)



EBIDTA Margins (%)



PAT Margins (%)



Quarterly Highlights

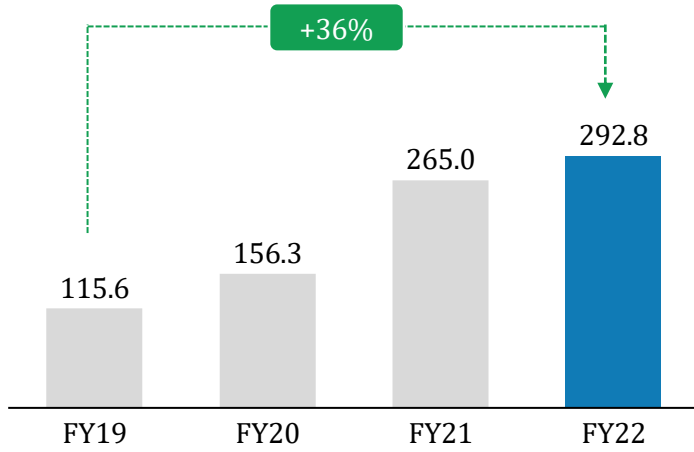
Particulars (Rs.Crs)	Q3 FY23	Q3FY22	Y-o-Y	Q2FY23	Q-o-Q	9MFY23	9MFY22	Y-o-Y
Revenue from Operations	59.8	77.7	-23.1%	78.4	-23.8%	211.5	205.6	2.9%
Securities Transaction Tax	11.7	11.7		14.1		38.27	20.6	
Transaction Charges	4.7	5.0		5.4		14.77	13.3	
Total Transaction Expense	16.4	16.6		19.5		53.0	33.9	
Value Addition	43.3	61.1	-29.1%	58.9	-26.3%	158.4	171.7	-7.7%
Employee Expenses	1.8	2.3		1.5		4.4	4.3	
Other Expenses	2.7	2.3		2.8		8.1	6.6	
EBITDA	38.8	56.6	-31.4%	54.5	-28.8%	145.9	160.8	-9.2%
EBITDA %	65.0%	72.8%		69.5%		69.0%	78.2%	
Other Income	10.0	7.0		9.3		27.3	21.6	
Depreciation	0.2	0.1		0.2		0.5	0.2	
EBIT	48.6	63.5	-23.5%	63.7	-23.7%	172.7	182.2	-5.2%
EBIT Margin (%)	81.3%	81.6%		81.2%		81.7%	88.6%	
Finance Cost	7.2	5.2		5.5		20.2	19.0	
PBT	41.4	58.3	-29.1%	58.2	-29.0%	152.6	163.2	-6.5%
PBT Margin	69.2%	75.0%		74.2%		72.1%	79.4%	
Tax Expenses	11.8	17.6		16.1		42.2	43.2	
PAT	29.6	40.7	-27.4%	42.1	-29.7%	110.4	120.0	-8.0%
PAT %	49.5%	52.4%		53.7%		52.2%	58.4%	
EPS (₹)	1.68	2.31		2.39		6.25	6.81	

Historical P&L

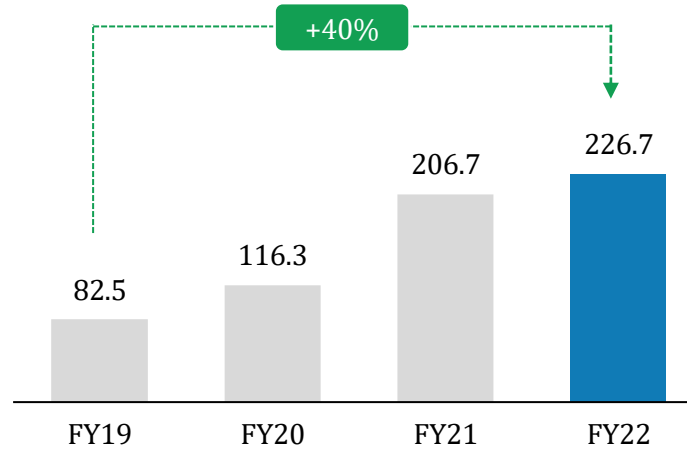
Particulars (Rs.Crs)	FY22	FY21	FY20	FY19
Revenue from Operations	292.80	265.02	156.28	115.63
Total Revenue	292.80	265.02	156.28	115.63
Securities Transaction Tax	33.38	30.08	0	0
Transaction charges	18.42	12.66	0	0
Total Transaction Expense	51.80	42.74	0.00	0.00
Value Addition	241.00	222.28	156.28	115.63
Value Addition (%)	82.3%	83.9%	100.0%	100.0%
Employee Expenses	5.15	3.82	3.26	2.13
Other Expenses	9.13	11.80	36.77	30.99
EBITDA	226.73	206.65	116.25	82.51
EBITDA Margin (%)	77.4%	78.0%	74.4%	71.4%
Other Income	29.31	20.34	1.47	0.14
Depreciation	0.34	0.29	0.02	0.00
EBIT	255.70	226.71	117.71	82.65
EBIT Margin (%)	87.3%	85.5%	75.3%	71.5%
Finance Cost	25.25	25.37	16.20	5.15
Exceptional Items/Share from Associates	0.00	0.00	0.00	0.00
Profit before Tax	230.45	201.34	101.51	77.50
Profit before Tax(%)	78.7%	76.0%	65.0%	67.0%
Tax	62.75	54.34	30.17	26.92
Profit After Tax	167.70	147.00	71.34	50.58
PAT Margin (%)	57.3%	55.5%	45.7%	43.7%
EPS (As per Profit after Tax)	9.53	8.35	4.05	2.87

Financial Performance in Charts

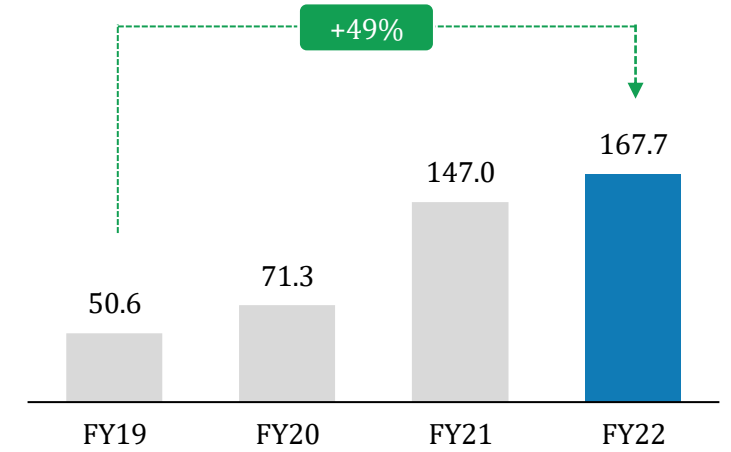
Revenues (Rs. Crs)



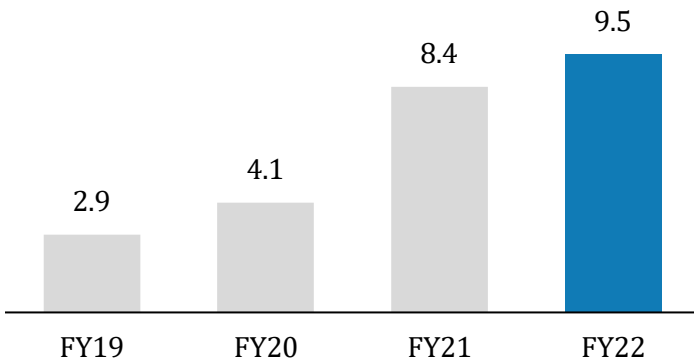
EBITDA (Rs. Crs)



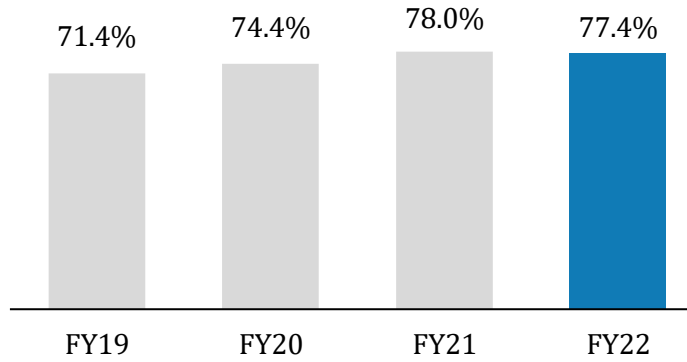
PAT (Rs. Crs)



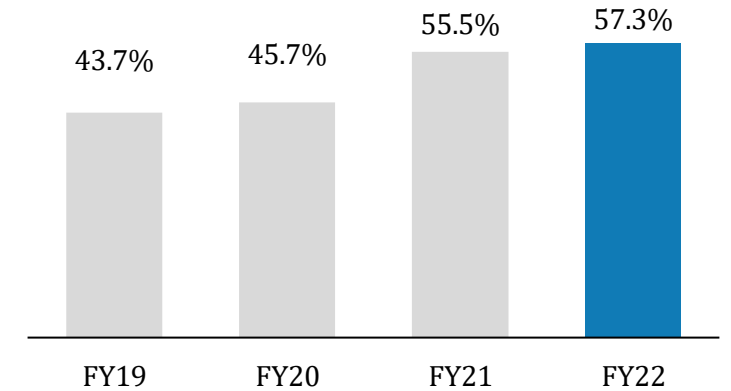
Earnings Per Share (in Rs)



EBITDA Margins (%)



PAT Margins (%)



Growth Drivers





1

Growth in traded Volume

The growth in the traded volume comes with the increase in the participation from the retail investors. As the data suggests, we are at an inflection point of seeing an augmented growth of these set of investors due to social media awareness, ease of access and connectivity, and the discount brokers.



2

Growth in Volatility

Volatility is the degree of variation of a trading price series over time, usually measured by the standard deviation of logarithmic returns. Historic volatility measures a time series of past market prices. Implied volatility looks forward in time, being derived from the market price of a market-traded derivative. More the volatility, better the returns.

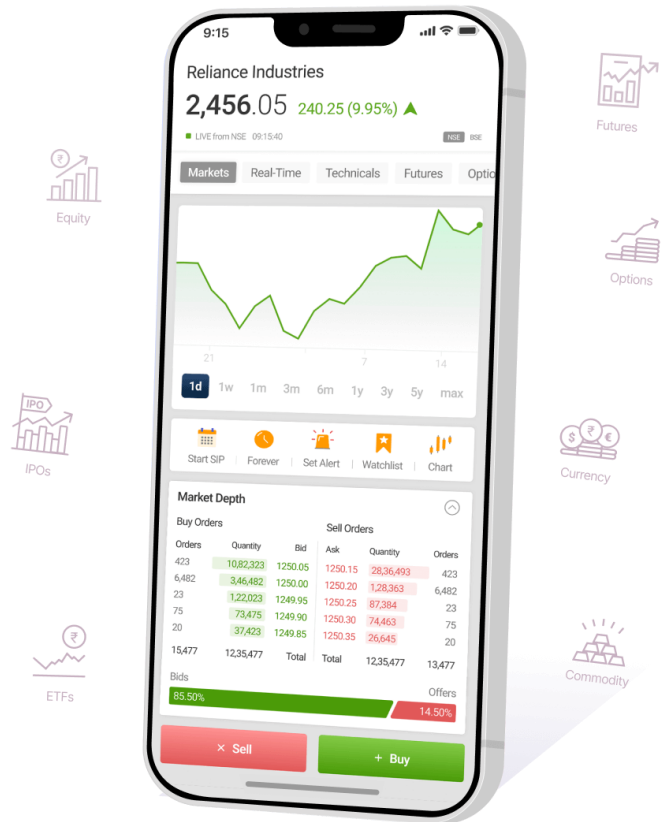


3

Increase in no. of F&O stocks

Today the NSE offers approximately 200 stocks to be traded in the derivative segment, which include the top blue-chip stocks. With the increase and awareness in the financial education, SEBI (the regulatory body) shall be looking at increasing this as it will be highly beneficial.

New age broking and their benefits



The Demat accounts have increased drastically over the past few years and is accelerating at a fast pace owing to the spike in the discount brokers along with faster and better connectivity.



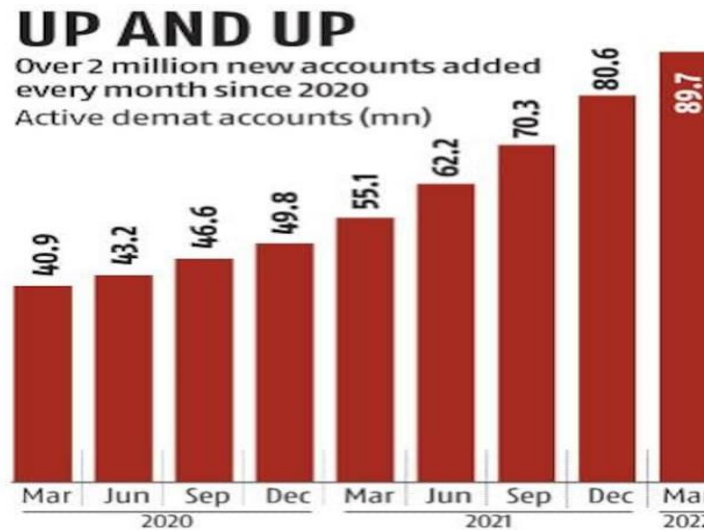
DIGITAL TECHNOLOGY DRIVING THE INCREASE IN RETAIL PARTICIPATION

F&O SEGMENT FORMS THE BIGGEST CHUNK OF REVENUE FOR BROKERS

As Dolat Algotech Ltd. is in the business of trading derivatives, it needs more retail participation in this segment.

With the new age discount brokers at the helm of it all, we have seen that easy access and connectivity gives the consumer the comfort to trade from anywhere and anytime.

As data from various brokerage house shows that the F&O participation and the brokerage from this segment has increased drastically and the growth was rapid after COVID-19. We can be confident that there is still more room left as the curve for financial literacy is just seeing an uptick with increased usage of social media apps and influencers.

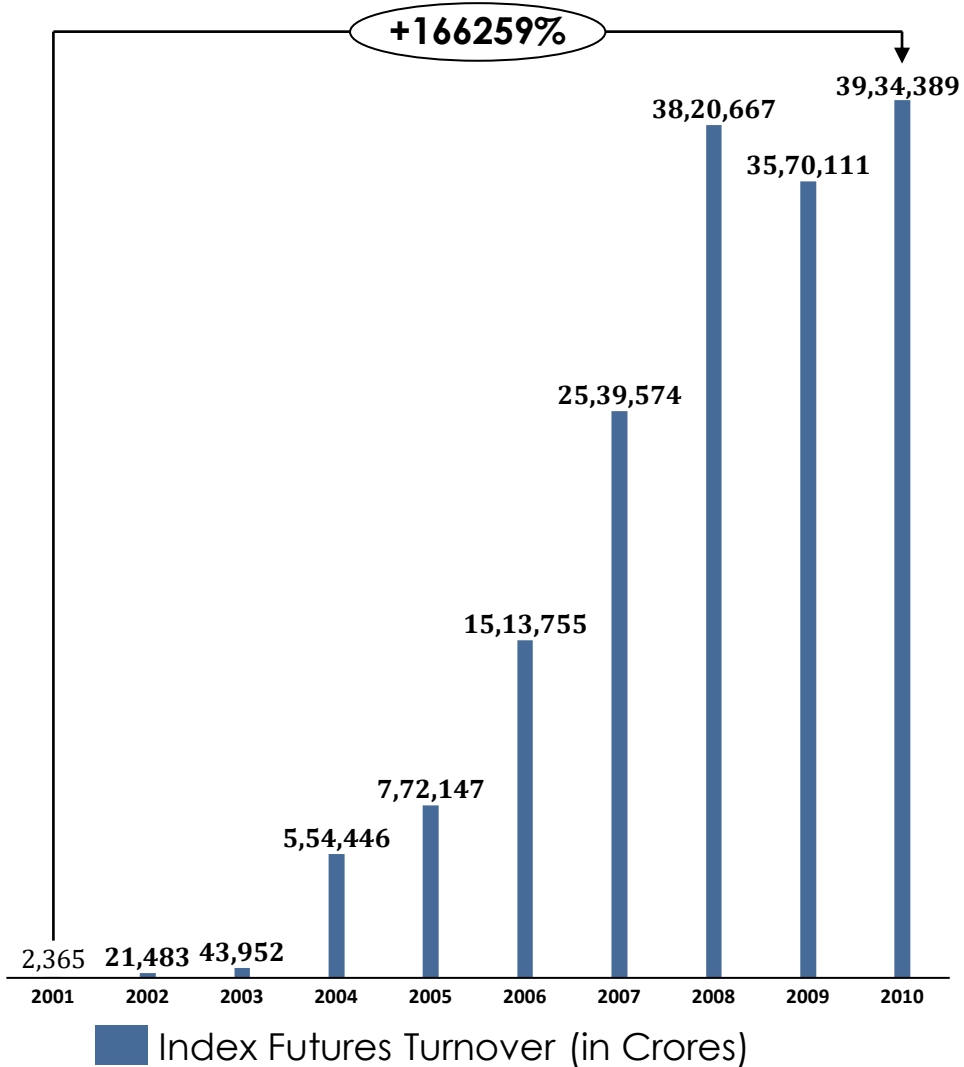


Source: CDSL, NSDL

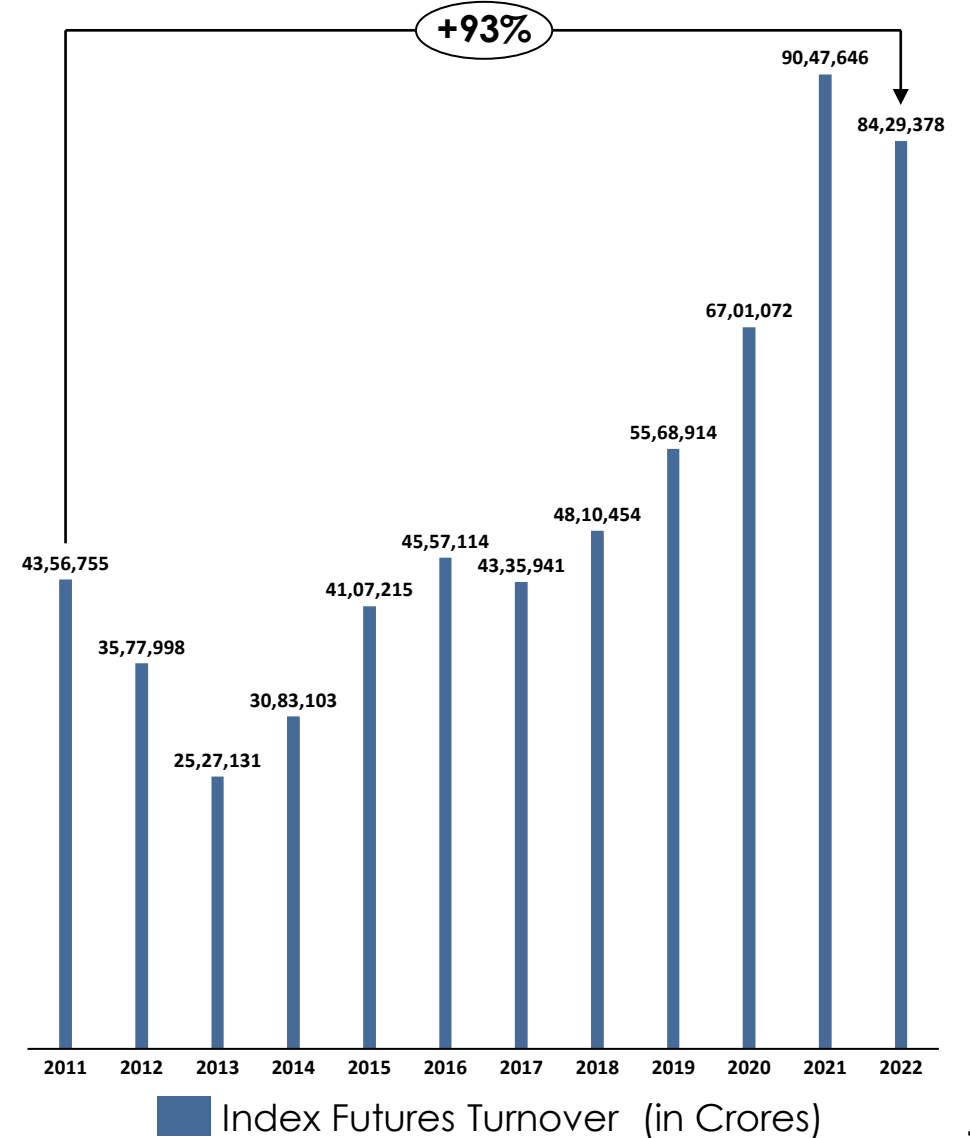
As and when this participation increases, it increases the overall volume in the markets, which is a key factor for driving the profitability.

Index Futures Turnover Growth

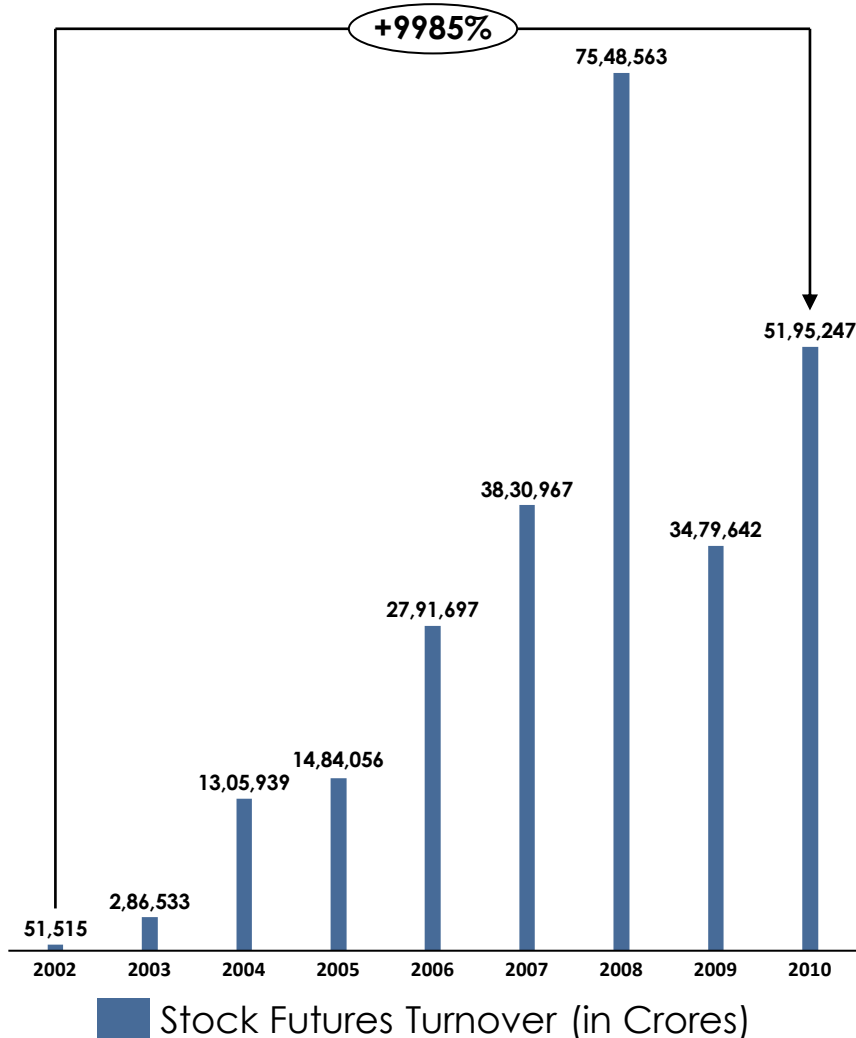
First Decade Growth Chart



Second Decade Growth



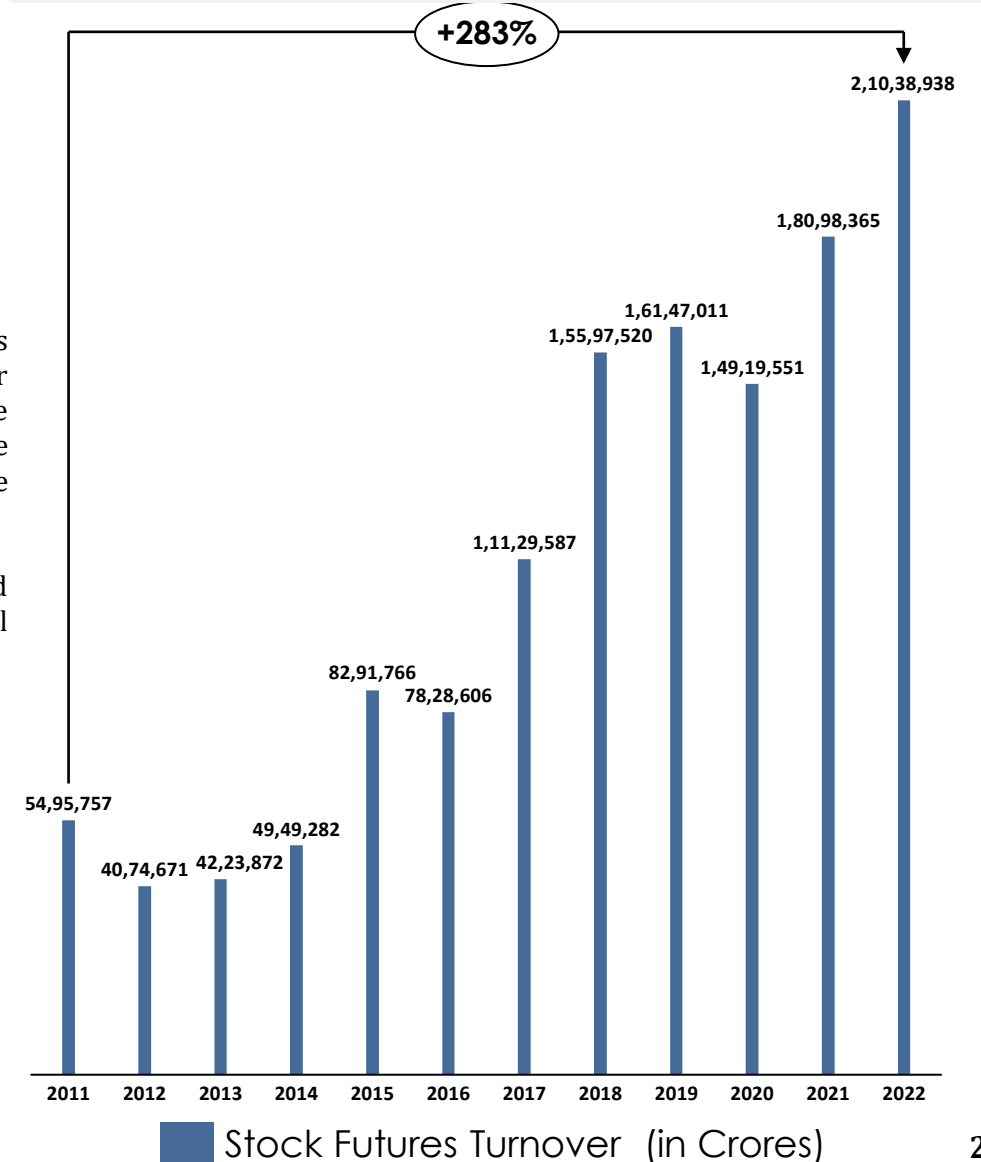
First Decade Growth Chart



In comparison to Index Futures turnover, the stocks Futures turnover growth has been far higher as the amount of new scripts which were added in the derivative segment were far more than Index.

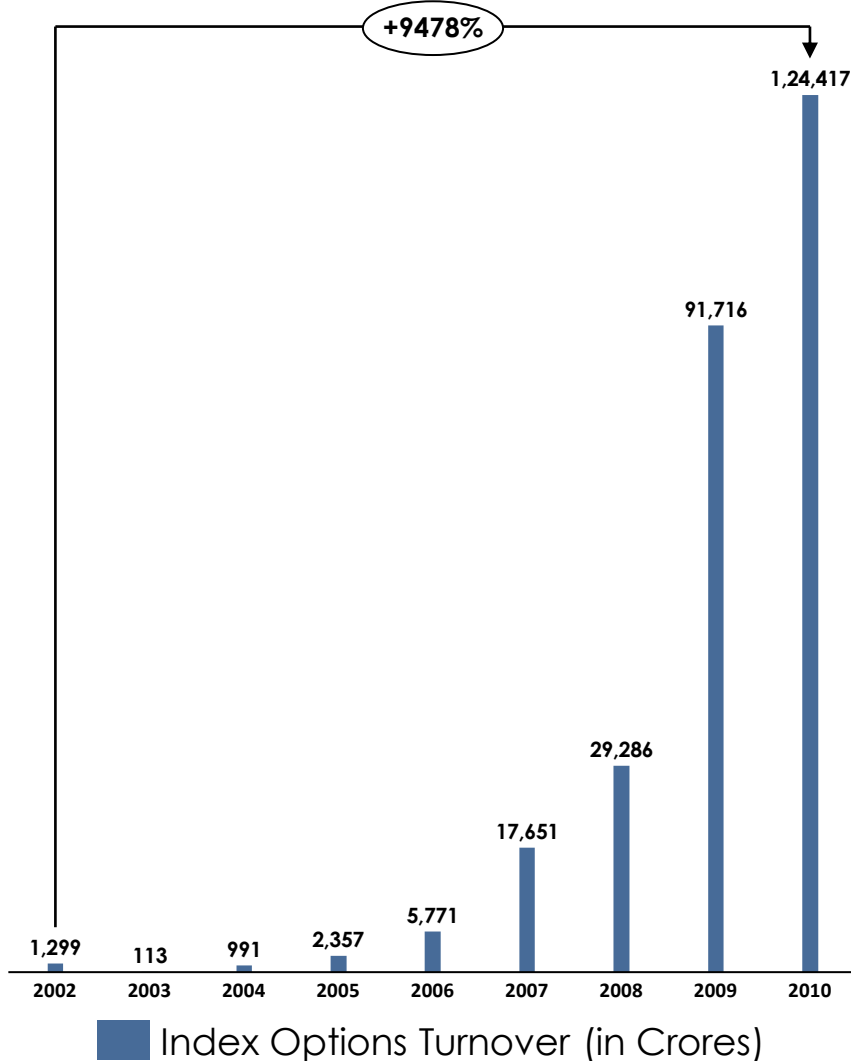
With more stocks to come, this would be a higher growth curve which will be witnessed by the Indian markets.

Second Decade Growth



Index Options Premium Turnover Growth

First Decade Growth Chart



Index Options have seen tremendous participation from retail as well as multiple institutions since its inception.

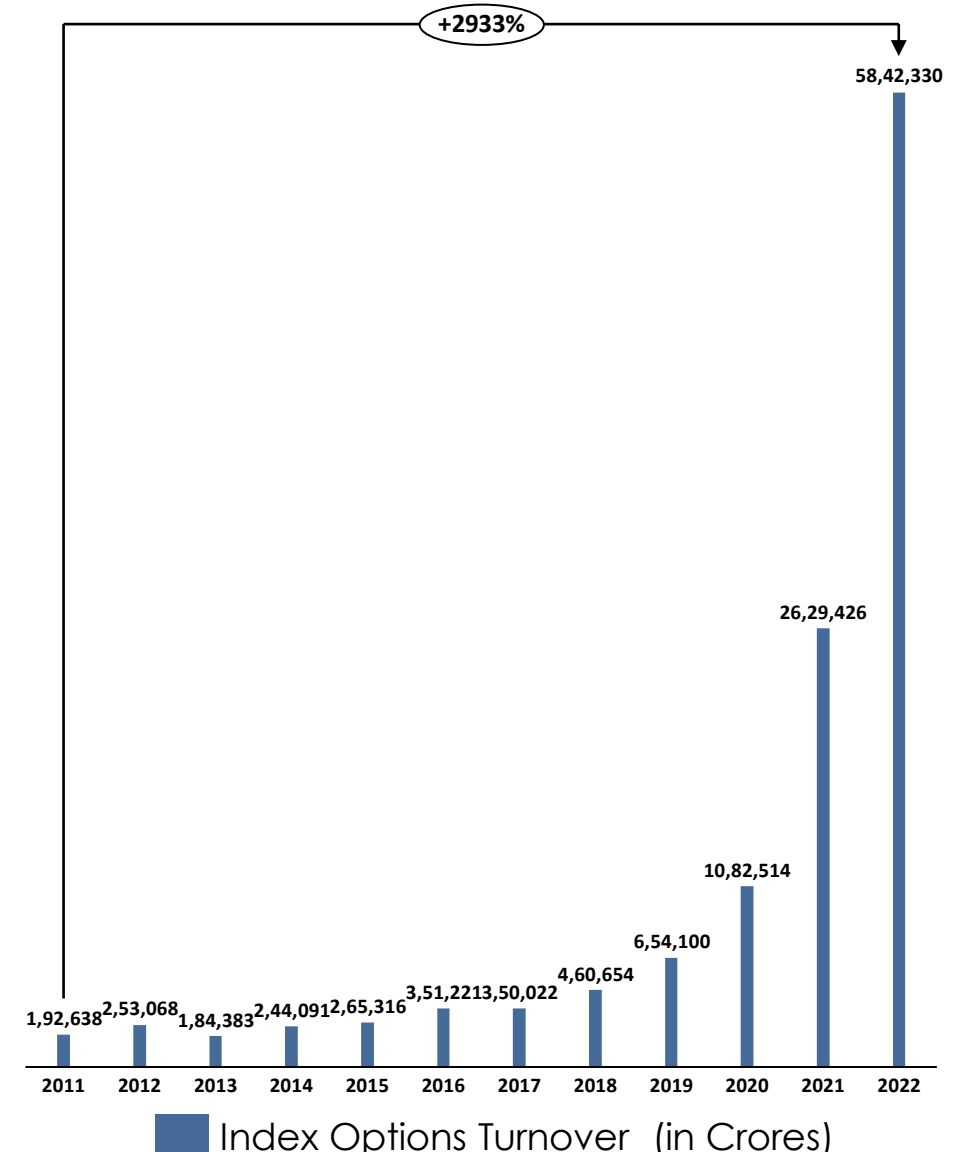
The participation for Index options has drastically increased in the last few years due to ease of access provided by various discount brokers and their mobile based applications giving the customer immense comfort of trading.

These volumes should increase furthermore as there are now 4 indexes which are being traded in the Indian markets.

Earlier the two indexes were NIFTY and BANKNIFTY, and the new ones are FINNIFTY and MIDCPNIFTY.

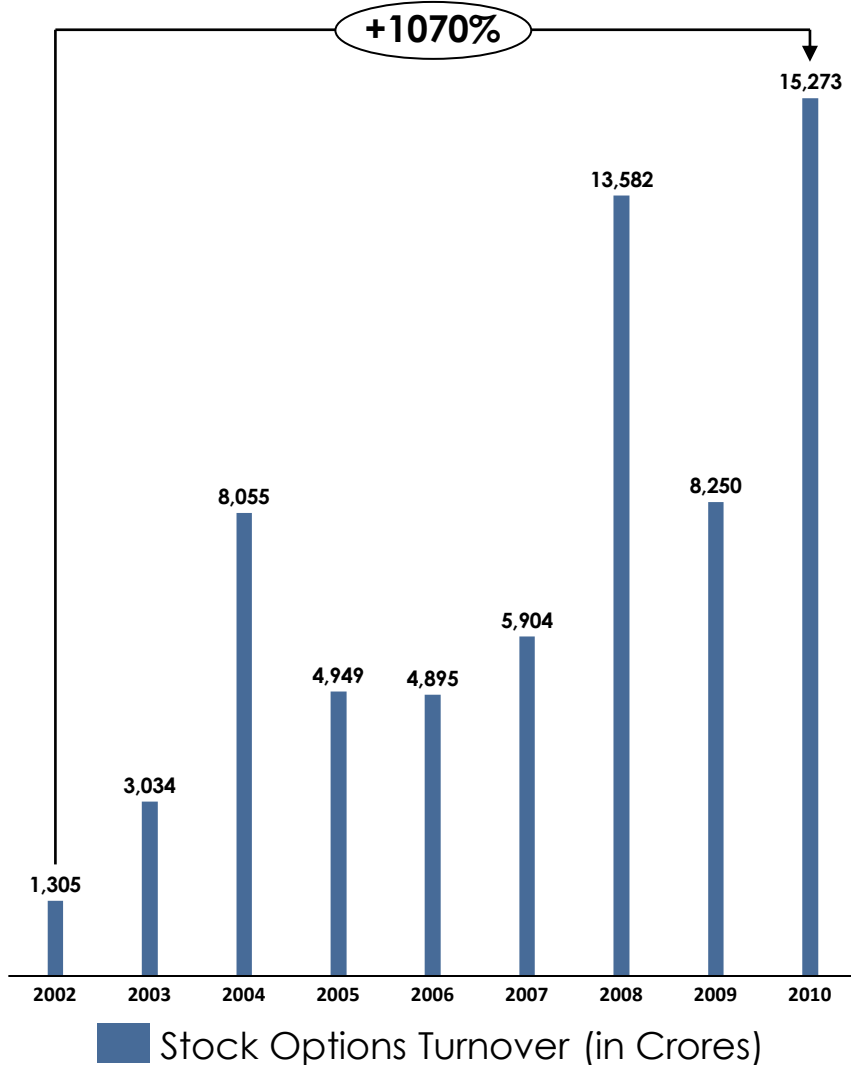
With increased volume, we could witness more growth in the Index Options Premium turnover in the third decade.

Second Decade Growth



Stock Options Premium Turnover Growth

First Decade Growth Chart

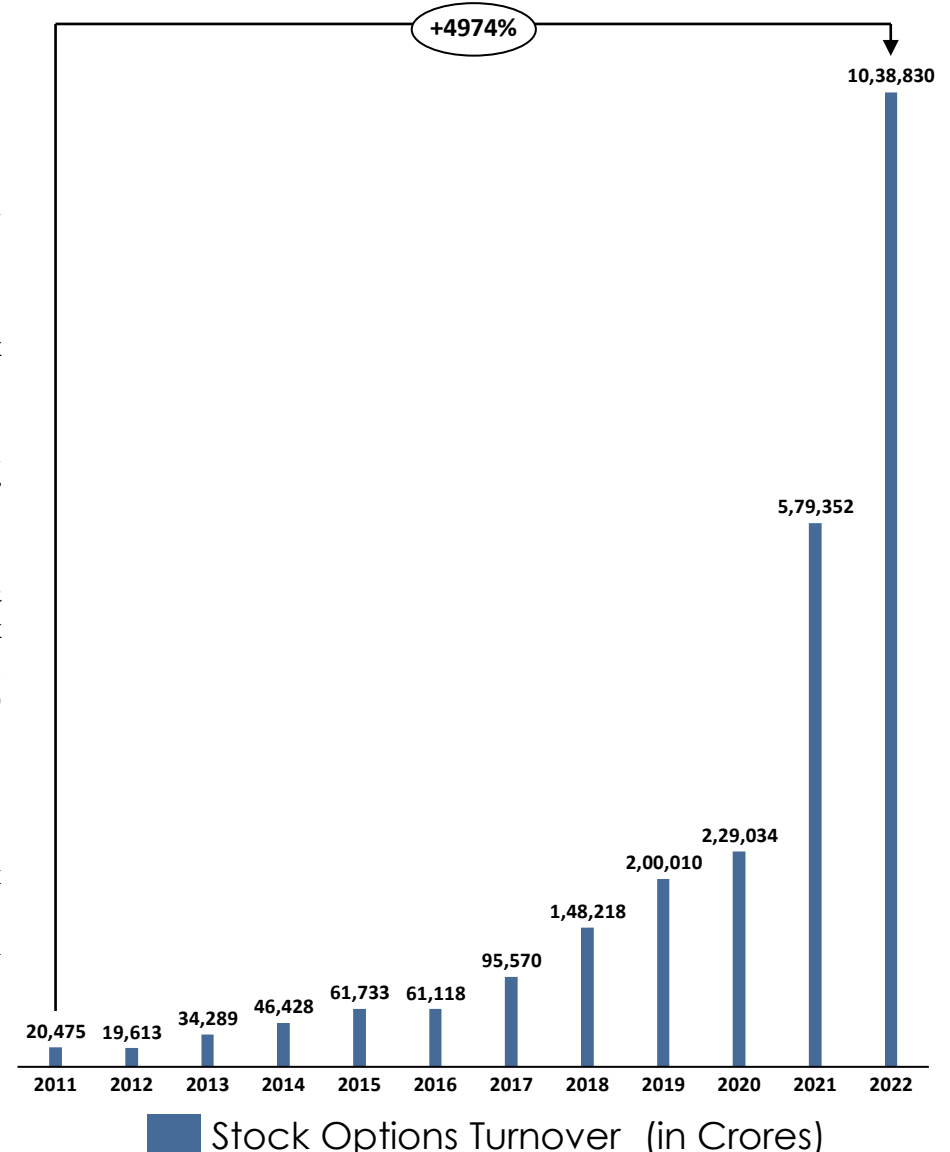


The Indian markets has seen a staggering growth in terms of the option premium turnover. This shows how the participation has increased much more in Stock Options in comparison to the Index.

The reason of the extreme growth in the first decade and an ever higher growth for the second decade is due to the increase in the number of the Stocks being listed for Futures & Options on the Indian stock exchanges. The number of stocks will further be increasing in the years to come owing to more growth from the Options segments for Stocks.

In comparison, the Indexes have had volume and volatility for only Bank Nifty and Nifty50, whereas the recently introduced FINNIFTY and MIDCPNIFTY are yet to grow.

Second Decade Growth



THANK YOU

Dolat Algotech Limited



Mr. Sandeep Bhanushali
Company Secretary

CIN : L67100GJ1983PLC126089

Investor Relations : Orient Capital



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