# Press Release
## DHANI STOCKS LIMITED
## November 28, 2024
## Rating Assigned

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|---|---|---|
| **Bank Loan Ratings** | 200.00 | ACUITE BBB- \| Stable \| Assigned | - |
| **Total Outstanding Quantum (Rs. Cr)** | 200.00 | - | - |
| **Total Withdrawn Quantum (Rs. Cr)** | 0.00 | - | - |

## Rating Rationale

Acuité has assigned the long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs. 200.00 Cr. bank loan facilities of Dhani Stocks Limited (DSL). The outlook is '**Stable**'.

**Rationale for the rating**

The rating is on account of experienced management team along with a long track record of the company in the broking industry. The rating also factors in comfortable earnings profile and adequate capitalization levels. These rating strengths are however partially offset by the inherent market risk and competitive pressures that DSL is exposed in its core broking business and like other brokerage firms, it is also susceptible to industry-wide regulatory changes, if any. The company's ability to diversify its income profile will continue to remain the key monitorable.

## About the Company

Incorporated in 2003, Dhani Stocks Limited provides financial services of equity, Derivative, currency broking and distribution of financials products. The Directors of the company are Mr. Divyesh Bharatkumar Shah, Mr. Prem Singh Gahlawat, Mr. Prasenjeet Mukherjee, Mr. Ashu Khanna and Mr. Raj Kumar Gupta. The registered office is located at New Delhi.

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuité has taken Standalone approach to assess the DSL.

## Key Rating Drivers

### Strength

**Comfortable earnings profile**

Dhani Stocks reported a Profit After Tax (PAT) of Rs16.08 crore for FY24 and Rs 16.50 crore for FY23(Rs 9.47 Crore for FY2022). The PAT was primarily driven by higher broking income and interest income from fixed deposits. Dhani Stocks, a digitally-focused brokerage firm, derives its revenue mainly from brokerage (54%), interest income (35-40%), and depository services (5-10%).

According to management, the company's PAT margin improved from FY22 to FY24 due to a strategic focus on customer acquisition and a reorganization of the sales team. Initially, redundant costs were cut, and efficiency was achieved through restructuring, reducing operating expenses. However, this was balanced by a planned increase in employee expenses to build a strong sales team. This approach kept total expenses nearly stable while driving long-term growth.

Dhani Stocks' core business is supported by Capital Markets and Mutual Fund Distribution. They cater to both equity and currency derivatives on NSE and BSE, as well as commodity derivatives on MCX, with an Assets Under Management (AUM) of ₹15,500 crore. Given the scale of operations and market volatility, the earnings profile of Dhani Stocks Limited (DSL) will remain a key area to monitor.

**Adequate capitalization**

The net worth of the company stood at Rs.333.22 crore as on March 31,2024, as against Rs.406.36 crore as on March 31,2023. Strategic investments in cutting-edge technology are being leveraged to enhance the F&O trading experience and scale their proprietary API and algorithmic trading platforms. A borrowing of ₹143 Cr. from the group's company has been allocated for margin requirements related to the expanding Margin Trading Facility (MTF), in line with the strategy of scaling capital-light, high-return products. Dhani Stocks does not have any active bank borrowings and does not plan to take on any fund-based facilities in the future.

## Weakness

**Exposure to regulatory fluctuations**

The capital market industry has experienced ongoing regulatory changes. To further enhance transparency and prevent fund misuse, the Securities and Exchange Board of India (SEBI) has implemented several new regulations in recent years. In May 2023, SEBI banned stockbrokers from using clients' funds for bank guarantees (BGs), requiring brokers to use their own funds instead. This change will increase funding requirements and finance costs for brokers, as well as raise their on-book gearing. In June 2023, SEBI mandated that stockbrokers must transfer clients' funds to the clearing corporation at the end of each day. These funds cannot be retained by stockbrokers or clearing members overnight and must be transferred in the form of cash, lien on fixed deposit receipts, or pledged units of mutual fund overnight schemes. Similarly, funds received from the clearing corporation must be transferred back to clients' accounts. This regulation is expected to raise operational and compliance costs for brokers. However, the company's ability to adopt new technology, systems, and risk management processes in response to the evolving regulatory environment without negatively impacting its overall business profile will be a critical factor to monitor.

**High-risk and competitive brokerage industry**

Approximately 54% of DSL's revenue comes from brokerage fees, which are heavily reliant on capital market activities, making the company's earnings susceptible to fluctuations in stock markets and trading volumes. Additionally, DSL faces intense competition in the brokerage industry, especially with the emergence of fully digital and zero-commission firms, which has driven brokerage rates to competitive levels across the sector. Despite DSL's success in acquiring new clients, the company's ability to sustain its market share amid these competitive pressures will be a critical factor to monitor.

## Rating Sensitivity

- Sustained scale up in business volumes
- Continued funding support from promoters/investors as well as capital raising ability
- Movement in earning profile
- Changes in regulatory environment

## Liquidity Position

**Adequate**

Liquidity of the company is adequate as the company has no near term debt obligation. The company has maintained cash of Rs. 60.07 Cr. and bank balances of Rs 341.21 Crore as on March 31,2024.

## Outlook:Stable

## Other Factors affecting Rating

None

## Key Financials - Standalone / Originator

| Particulars | Unit | FY24 (Actual) | FY23 (Actual) |
|---|---|---|---|
| Total Assets | Rs. Cr. | 621.14 | 522.90 |
| Total Income* | Rs. Cr. | 109.60 | 89.76 |
| PAT | Rs. Cr. | 16.08 | 16.50 |
| Net Worth | Rs. Cr. | 333.22 | 406.36 |
| Return on Average Assets (RoAA) | (%) | 2.81 | 3.08 |
| Return on Average Net Worth (RoNW) | (%) | 4.35 | 4.14 |
| Debt/Equity | Times | 0.43 | 0.00 |
| Gross NPA | (%) | - | - |
| Net NPA | (%) | - | - |

**Total income equals to Net Interest Income plus other income*

## Status of non-cooperation with previous CRA (if applicable):

None

## Any other information

None

### Applicable Criteria

- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
- Commercial Paper: https://www.acuite.in/view-rating-criteria-54.htm
- Complexity Level Of Financial Instruments: https://www.acuite.in/view-rating-criteria-55.htm
- Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

### Rating History :

Not Applicable

**Annexure - Details of instruments rated**

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Quantum (Rs. Cr.) | Complexity Level | Rating |
|---|---|---|---|---|---|---|---|---|
| Not Applicable | Not avl. / Not appl. | Proposed Bank Guarantee | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 200.00 | Simple | ACUITE BBB- \| Stable \| Assigned |

**Contacts**

| | |
|---|---|
| Mohit Jain<br>Senior Vice President-Rating Operations<br><br>Ramesh Metri<br>Associate Analyst-Rating Operations | **Contact details exclusively for investors and lenders**<br><br>Mob: +91 8591310146<br>Email ID: analyticalsupport@acuite.in |

**About Acuité Ratings & Research**

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.



**Note:** None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.