

# Equity Research

April 21, 2022  
BSE Sensex: 57038

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is the author and  
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Q4FY22 result review  
and earnings revision

## Financial Services

Target price: Rs2,230

### Earnings revision

(%)	FY23E	FY24E
Revenue	↑ 0.2	↑ 3.8
EBITDA	↑ 1.6	↑ 3.8
PAT	↑ 1.9	↑ 4.2

Target price revision  
Rs2,230 from Rs1,900

### Shareholding pattern

	Sep '21	Dec '21	Mar '21
Promoters	43.8	43.7	44.0
Institutional investors	12.8	14.0	19.3
MFs and others	7.6	7.9	9.1
Insurance	0.4	0.5	0.8
FII	4.8	5.6	9.4
Others	43.4	42.3	36.7

Source: BSE

### Price chart



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INDIA



# Angel One

**BUY**  
Maintain

Strong earnings growth continues, benefiting from increasing retail footprint in capital markets

**Rs1,624**

**Angel One (Angel) successfully maintained its business momentum in Q4FY22 with 101%/24% YoY/QoQ PAT growth. We estimate PAT CAGR of 15% over FY22-FY24E and value the stock at 22x FY24E EPS of Rs101 (earlier: FY23E EPS of Rs86.5). Maintain BUY with a revised target price of Rs2,230 (earlier: Rs1,900).**

► **Incrementally noteworthy business parameters** include: 1) gross client addition was 1.5mn in Q4FY22 and 5.3mn in FY22 with 94% adds from tier-2/3 cities; (2) client vintage remains new with less than 2-year-old clients contributing 76% of brokerage revenue in Q4FY22; 3) continued growth in the number of orders (17% QoQ, 83% YoY) and app installs (21.8mn in Q4FY22 vs 12.6mn/15.4mn/18.3mn in Q1/Q2/Q3FY22); 4) low median age of clients acquired (29 years); and 5) digital-focused talent pool stands at 610 as of Q4FY22 (18.5% of total employees) vs 496 in Q4FY21.

► **Updates on technology, product and business efficiency:** The company underlined initiatives towards “surgical fixes”, “major re-writes” and “ruggedisation” of current live apps and key backend services as well as steps taken to build upcoming Super App. The minimum viable product of the modernised back end will go live in Super App. The improving client experience is being illustrated by the company through lower contact ratio, improved net promoter score (80% QoQ) and maintaining Google Playstore rating QoQ. Some key achievements include 2x growth in conversion rate for Insta-Trade, 50% reduction in rejection for delivery orders, 90% reduction in latency of key modules like MF, reports, passwords, advisory, IPO, etc. Wealth management solutions have also been introduced on Angel BEE mobile App.

► **Upgrade FY23E/FY24E earnings by 2%/4.2%; recommend BUY:** We find comfort in 1) strong traction in brokerage revenue as seen from monthly trends (average monthly brokerage in Q1FY22/Q2FY22/Q3FY22/Q4FY22 was Rs651mn/771mn/915mn/1,073mn); 2) strong client acquisition momentum (gross clients added in Q4FY22 were 1.5mn vs 1.2mn / 1.27mn / 1.3mn in Q1/Q2/Q3FY22; NSE active clients stood at 3.7mn in Q4FY22 vs 2mn in Q1FY22, 2.5mn in Q2FY22 and 3.1mn in Q3FY22); (3) significantly higher valuation multiples for capital market players like CAMS, CDSL, AMCs and (4) available optionalities in terms of distribution / AMC business under the umbrella brand *Angel One*. We factor in FY23/FY24E earnings growth of 15% each to Rs7.2bn/8.3bn.

► **We believe increased retail footprint in capital markets provides enough levers for countering apparent cyclicity in retail volumes.** This can make earnings trajectory of capital market plays less sensitive to market volatility and potentially lead to increase in valuation multiples, in our view. **Please see our sector thematic on the same ([link](#)).**

Market Cap	Rs135bn/US\$1.8bn
Bloomberg	ANGELBRK IN
Shares Outstanding (mn)	82.9
52-week Range (Rs)	1719/333
Free Float (%)	66.0
FII (%)	9.4
Daily Volume (US\$'000)	12,691
Absolute Return 3m (%)	10.3
Absolute Return 12m (%)	396.0
Sensex Return 3m (%)	(3.9)
Sensex Return 12m (%)	20.8

Year to Mar	FY21	FY22E	FY23E	FY24E
Revenue (Rs mn)	8,971	16,828	19,513	22,522
Net Income (Rs mn)	3,066	6,252	7,209	8,289
EPS (Rs)	37.5	75.5	88.1	101.3
% Chg YoY	254%	104%	15%	15%
CEPS (Rs)	39.7	77.7	90.6	103.9
EBITDA Margin (%)	47.9	50.8	50.2	50.0
P/E	43.6	21.7	18.5	16.1
Dividend Yield	0.8	1.7	2.0	2.4
RoCE (%)	17.9	29.4	25.8	25.5
RoE (%)	35.6	46.0	39.8	36.1

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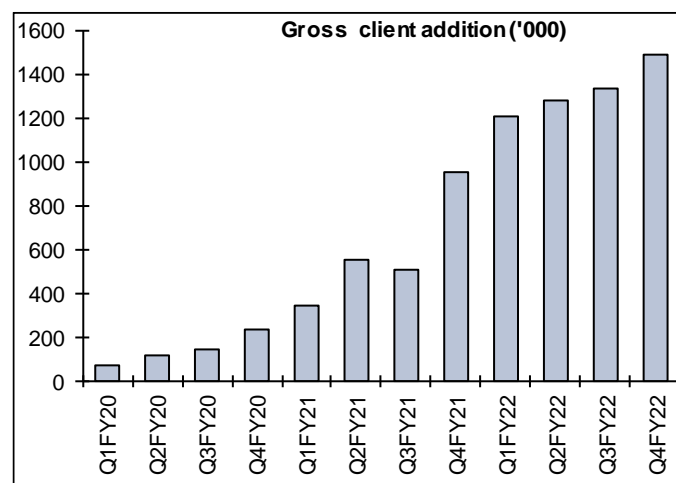
**Q4FY22 earnings up 24% QoQ.** Flat fee revenue grew 20% QoQ to Rs2.7bn, driven by 17% growth in the number of orders. Traditional brokerage revenue grew 4% QoQ. Overall, net brokerage revenue rose 17% QoQ. Interest income (including MTF) increased 6% QoQ.

Overall operating costs grew 5% QoQ with employee / other expenses rising (-)4% / 10%, respectively. EBITDA margin improved 416bps QoQ to 54.9% during the quarter.

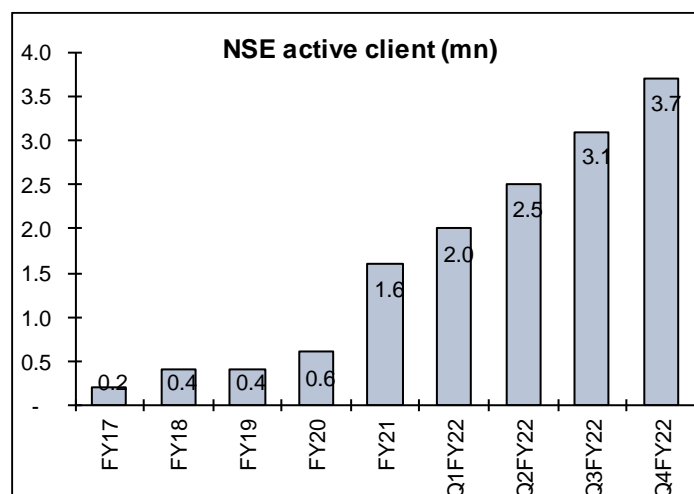
**Table 1: Q4FY22 result review***(Rs mn)*

	Q4FY22	Q4FY21	YoY	Q3FY22	QoQ
<b>Net Interest income</b>	<b>772</b>	<b>438</b>	<b>76%</b>	<b>730</b>	<b>6%</b>
<b>Net brokerage income</b>	<b>3,218</b>	<b>1,784</b>	<b>80%</b>	<b>2,745</b>	<b>17.2%</b>
<b>Other income</b>	<b>1,103</b>	<b>795</b>	<b>39%</b>	<b>971</b>	<b>14%</b>
<b>Total Income</b>	<b>5,094</b>	<b>3,016</b>	<b>69%</b>	<b>4,446</b>	<b>15%</b>
<b>Total Expenses</b>					
Employee benefits	749	503	49%	780	-4%
Impairment expenses	24	42	-43%	28	-16%
Others expenses	1,526	1,008	51%	1,383	10%
<b>Total Expenses</b>	<b>2,298</b>	<b>1,553</b>	<b>48%</b>	<b>2,191</b>	<b>5%</b>
EBITDA	2,795	1,464	91%	2,255	24%
margins	54.9	48.5		50.7	
Depreciation	52	40	31%	48	9%
PBT	2,743	1,424	93%	2,207	24%
Taxes	696	404	72%	562	24%
Reported PAT	2,048	1,020	101%	1,645	24%
<b>Adjusted PAT</b>	<b>2,048</b>	<b>1,020</b>	<b>101%</b>	<b>1,645</b>	<b>24%</b>

Source: Company data, I-Sec research

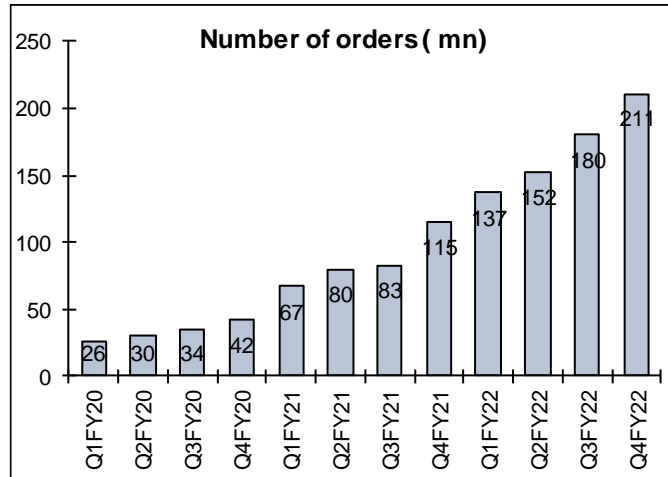
**Chart 1: Robust client acquisition FY22-TD**

Source: Company data, I-Sec research

**Chart 2: Angel's NSE clients increased sharply in FY22-TD**

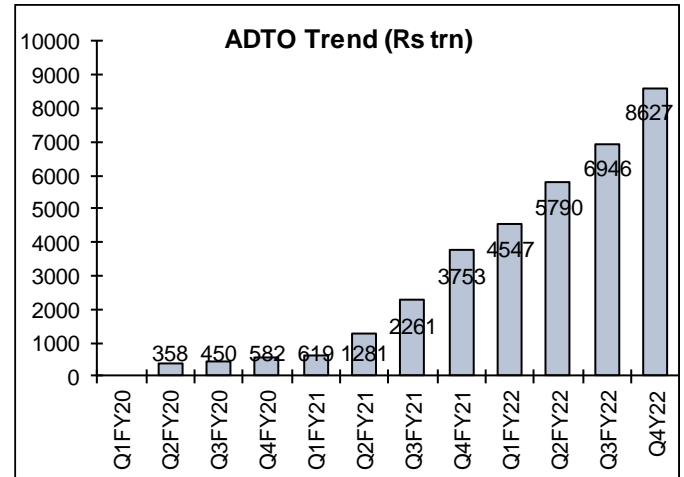
Source: Company data, I-Sec research

**Chart 3: Angel's orders have grown at robust pace**



Source: Company data, I-Sec research

**Chart 4: Angel's ADTO trend**



Source: Company data, I-Sec research

## Financial summary

**Table 2: Profit and loss statement**

(Rs mn, year ending Mar 31)

Year to March	FY21	FY22	FY23E	FY24E
<b>Operating Income (Sales)</b>	<b>8,971</b>	<b>16,828</b>	<b>19,513</b>	<b>22,522</b>
<b>Operating Expenses</b>	<b>4,675</b>	<b>8,273</b>	<b>9,710</b>	<b>11,268</b>
<b>EBITDA</b>	<b>4,296</b>	<b>8,555</b>	<b>9,804</b>	<b>11,254</b>
% margins	47.9	50.8	50.2	50.0
Depreciation & Amortisation	184	186	198	210
<b>Recurring PBT</b>	<b>4,112</b>	<b>8,369</b>	<b>9,606</b>	<b>11,044</b>
Add: Extraordinaries	-	-	-	-
Less: Taxes	1,046	2,117	2,397	2,755
<b>Net Income (Reported)</b>	<b>3,066</b>	<b>6,252</b>	<b>7,209</b>	<b>8,289</b>
<b>Recurring Net Income</b>	<b>3,066</b>	<b>6,252</b>	<b>7,209</b>	<b>8,289</b>

Source: Company data, I-Sec research

**Table 3: Balance sheet**

(Rs mn, year ending Mar 31)

	FY21	FY22	FY23E	FY24E
<b>Assets</b>				
Cash and cash equivalents	18,774	48,750	30,142	25,396
Trade Receivables	2,277	2,711	7,704	9,631
Loans	11,285	16,518	9,482	20,518
Investments	14,345	2,136	29,365	36,659
Fixed Assets	1,061	1,581	1,681	1,781
Other assets	395	503	503	503
<b>Total Assets</b>	<b>48,138</b>	<b>72,199</b>	<b>78,878</b>	<b>94,488</b>
<b>Liabilities</b>				
Equity share capital	818	829	829	829
Reserves and surplus	10,492	15,015	19,557	24,696
Networth	11,310	15,844	20,386	25,525
<b>Borrowings</b>	<b>11,715</b>	<b>12,577</b>	<b>16,870</b>	<b>17,713</b>
Other Liabilities	25,113	43,778	41,622	51,250
<b>Total Liabilities</b>	<b>48,138</b>	<b>72,199</b>	<b>78,878</b>	<b>94,488</b>

Source: Company data, I-Sec research

**Table 4: Cashflow statement**

(Rs mn, year ending Mar 31)

	FY21	FY22	FY23E	FY24E
<b>Operating Cashflow</b>	<b>4,900</b>	<b>8,353</b>	<b>9,583</b>	<b>11,015</b>
Working Capital Changes	-13,372	25,339	-27,342	-10,628
Taxes paid	-972	-2,117	-2,397	-2,755
Capital Commitments	-140	-520	-100	-100
<b>Free Cashflow</b>	<b>-9,584</b>	<b>31,055</b>	<b>-20,256</b>	<b>-2,469</b>
<b>Cashflow from Investing Activities</b>	<b>248</b>	<b>-652</b>	<b>-100</b>	<b>-100</b>
Dividend paid	-427	-2,245	-2,667	-3,150
Extraordinary Items				
<b>Chg. in Cash &amp; Bank balance</b>	<b>-255</b>	<b>29,540</b>	<b>-18,630</b>	<b>-4,775</b>

Source: Company data, I-Sec research

**Table 5: Key ratios***(Year ending Mar 31)*

	FY21	FY22	FY23E	FY24E
<b>Per Share Data (in Rs)</b>				
EPS(Basic Recurring)	37.5	75.5	88.1	101.3
Recurring Cash EPS	39.7	77.7	90.6	103.9
Dividend per share (DPS)	13.1	27.1	32.6	38.5
Book Value per share (BV)	138.3	191.2	249.2	312.1
<b>Growth Ratios (%)</b>				
Operating Income	88.7%	87.6%	16.0%	15.4%
EBITDA	207.8%	99.1%	14.6%	14.8%
Recurring Net Income	253.8%	103.9%	15.3%	15.0%
Recurring CEPS	165.3%	95.5%	16.6%	14.7%
<b>Operating Ratio (%)</b>				
Employee expenses/Sales	19.2%	16.7%	16.0%	15.5%
Opex & Other exps /Sales	33.0%	32.5%	33.8%	34.5%
Effective Tax Rate	25%	25%	25%	25%
D/E Ratio (x)	1.04	0.79	0.83	0.69
<b>Valuation</b>				
P/E	43.6	21.7	18.5	16.1
P/B	11.8	8.6	6.6	5.2
Dividend Yield	0.80	1.66	1.99	2.36
<b>Return/Profitability Ratios (%)</b>				
Recurring Net Income Margins	34.2%	37.2%	36.9%	36.8%
RoCE	17.9%	29.4%	25.8%	25.5%
RoNW	35.6%	46.0%	39.8%	36.1%
Dividend Payout Ratio	35.0%	35.9%	37.0%	38.0%
EBITDA Margins	47.9%	50.8%	50.2%	50.0%

Source: Company data, I-Sec research

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