

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	ANGELONE IN
Equity Shares (m)	83
M.Cap.(INRb)/(USDb)	114.6 / 1.5
52-Week Range (INR)	1689 / 282
1, 6, 12 Rel. Per (%)	19/-6/275
12M Avg Val (INR M)	591

Financial & Valuation (INR b)

Y/E March	2021	2022E	2023E
Revenues	9.0	16.4	19.5
Opex	4.7	8.3	9.6
PBT	4.1	7.9	9.6
PAT	3.0	6.0	7.2
EPS (INR)	36.1	72.2	87.5
EPS Gr. (%)	237.3	100.0	21.3
BV/Sh. (INR)	136.9	183.9	240.8

Ratios (%)

C/I ratio	52.1	50.5	49.5
PAT margin	33.2	36.3	37.1
RoE	34.1	45.0	41.2
Div. Payout	35.4	35.0	35.0

Valuations

P/E (x)	38.8	19.4	16.0
P/BV (x)	10.2	7.6	5.8
Div. Yield (%)	0.9	1.8	2.2

Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	43.7	43.8	44.6
DII	8.6	8.2	12.5
FII	5.4	4.7	4.7
Others	42.3	43.4	38.2

CMP: INR1,384
TP: INR1,900 (+37%)
Buy

Stellar performance amid volatile equity markets

- PAT grew 23% QoQ and 125% YoY to INR1.65b (9% beat) in 3QFY22. The beat on profitability was driven by a) a 2% beat on operating revenue (up 17% QoQ and 105% YoY to INR3.5b) owing to a 5% beat on interest income, whereas net brokerage revenue was in line with our expectation; b) a 4% beat on other income (growth of 5% QoQ and 85% YoY); and c) admin costs coming in 6% below our expectation (growth of 5% QoQ and 103% YoY).
- CIR stood at 49.3% (est. 52.5%). The management has guided for a stable cost-to-income ratio of 49% in the coming quarters.
- The lead conversion ratio for direct clients improved substantially during the quarter, which translated into the activation ratio improving to 39% (from 38% in 2QFY22). The new onboarding journey improved the conversion ratio to 40.5% v/s 30.7%.
- We upgrade our earnings estimates by 8%/7%/7% for FY22E/FY23E/FY24E on the back of a strong margin performance in 3QFY22.

Marginal beat on revenue; F&O share continues to rise

- Operating revenue came in at INR3.5b (2% better than est), indicating strong growth of 17% QoQ and 105% YoY. This was driven by a healthy performance across broking and interest income. Growth in the Broking business was driven by the F&O segment, which saw strong growth of 148% YoY / 24% QoQ to INR3.1b; cash broking revenue grew 124% YoY / 4% QoQ to INR973m. The share of the F&O segment in net broking revenue further increased to 74% in 3QFY22 v/s 69% in 2QFY22. Brokerage as a percentage of broking revenue further declined to 35% (from 37% in the previous quarter) on account of the faster pace of revenue growth from flat fee based plans.
- Although the share of flat fees in the total net income rose 6x to 81% in 3QFY22 (from 14% in 1QFY20), average revenue per client (ARPC) fell 0.3x, demonstrating the robustness of the business.
- Other income came in at INR936m (4% ahead of expectation), growing 5% QoQ / 85% YoY. Growth in other income was led by 13% sequential growth in depository, distribution, and other income.

Lower admin costs drive improvement in CI ratio

- Total opex grew 7% QoQ and 95% YoY to INR2.2b (4% below our estimate). Operating efficiencies have started to play out, with CIR down 49.3% v/s 50.7% a year ago.
- Employee costs stood at INR780m (in line with est), growing 75% YoY and 13% QoQ. During the quarter, the company hired six more members for its digital team, taking the digital talent pool to 609. Employee costs as a percentage of operating revenue remained stable sequentially at 18%.
- Admin costs came in at INR1.4b, up 5% sequentially (6% below our est). This was on account of higher spending on client acquisitions and CSR.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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Other highlights

- Trade volumes have improved consistently despite market volatility over the last 15 years – in spite of negative returns from the equity markets in 4 of the past 15 years. The impact on the number of trades has been limited.
- Angel's average daily order count increased in 13 of 16 instances, where either the Nifty index or Nifty Midcap 150 index have corrected by >5% over the last 33 months.
- The no. of orders increased to 180m in 3QFY22, from 152m in 2QFY22, despite market volatility.

Highlights from management commentary

- In 9MFY22, the total technology costs stood at INR1.06b, of which INR1b was opex and INR60m was capitalized.
- 80% of the clients acquired in 3QFY22 are new to market.
- For the next 3–4 years, the management intends to focus on (1) improving wallet share with existing clients and (2) growing market share in client acquisitions. Thereafter, it would focus on improving margins.
- Despite the continued spending on technology and customer acquisitions, the management has guided for a stable CI ratio.

Valuation and view

Angel is a perfect play on 1) the financialization of savings and 2) digitization. The company demonstrated strong performance across key operating parameters in 3QFY22. As guided, the management continues to invest in technology and strengthen its position. We believe the client addition trajectory for the industry as well as Angel would continue, led by 1) under penetration and 2) the ensuing LIC IPO, which has a separate allocation for policyholders. Furthermore, the cyclicity of revenues is much lower for discount brokers v/s traditional brokers due to the shift towards the flat fee revenue model. We upgrade our PAT estimates by 8.0%/7.3%/6.9% for FY22E/FY23E/FY24E on the back of a better-than-expected CI ratio and the management guidance of the same sustaining. We maintain our BUY rating with revised Target Price of INR1,900 (20x Sep'23E EPS).

Quarterly Performance

(INR m)

Y/E March	FY21				FY22				FY21	FY22E	3QFY22E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Revenue from Operations	1,329	1,706	1,714	2,295	2,600	2,992	3,512	3,650	6,816	12,754	3,452	1.8
Other Income	290	411	505	721	807	888	936	1,032	2,155	3,662	898	4.3
Total Income	1,619	2,117	2,219	3,016	3,407	3,880	4,448	4,682	8,971	16,416	4,349	2.3
Change YoY (%)	37.7	85.9	94.3	136.5	110.4	83.3	100.5	55.2	90.0	83.0	96.0	4.5
Operating Expenses	795	1,074	1,126	1,553	1,744	2,040	2,191	2,309	4,675	8,284	2,282	-4.0
Change YoY (%)		34.4	48.4	96.1	119.3	89.9	94.6	48.7	48.8	77.2	102.7	-8.1
Depreciation	50.0	46.0	47.0	40.0	41.0	45.3	48.3	49.3	183.6	183.9	47.0	2.7
PBT	774	997	1,046	1,423	1,622	1,795	2,209	2,323	4,112	7,948	2,020	9.3
Change YoY (%)	6.2	251.9	215.0	230.1	109.5	80.1	111.2	63.2	200.2	93.3	93.2	18.0
Tax Provisions	164	251	313	404	408	451	562	566	1,131	1,987	508	10.6
Net Profit	610	746	733	1,019	1,214	1,343	1,647	1,757	2,981	5,961	1,512	8.9
Change YoY (%)	-16.3	268.5	204.1	228.6	99.0	80.2	124.7	72.4	184.0	100.0	106.4	18.4
Key Operating Parameters (%)												
Cost to Income Ratio	49.1	50.7	50.7	51.5	51.2	52.6	49.3	49.3	52.1	50.5	52.5	-3.2
PBT Margin	47.8	47.1	47.1	47.2	47.6	46.3	49.7	49.6	45.8	48.4	46.5	3.2
Tax Rate	21.2	25.2	29.9	28.4	25.2	25.1	25.4	24.4	27.5	25.0	25.1	0.3
PAT Margins	37.7	35.2	33.0	33.8	35.6	34.6	37.0	37.5	33.2	36.3	34.8	2.3
Revenue from Operations (INR m)												
Gross Broking Revenue	1,781	2,222	2,210	2,853	3,229	3,598	4,150	4,324	9,065	15,301	4,268	-2.8
F&O	730	1,000	1,238	1,712	2,034	2,483	3,071	3,192	4,676	10,780	3,095	-0.8
Cash	891	978	774	941	1,001	935	913	987	3,580	3,837	973	-6.2
Commodity	142	222	177	171	129	144	125	133	712	530	161	-22.8
Currency	18	22	22	29	32	36	42	44	91	154	40	4.9
Net Broking Revenue	1,016	1,303	1,329	1,788	2,055	2,275	2,709	2,830	5,436	9,869	2,699	0.4
Net Interest Income	313	403	385	507	545	717	803	820	1,380	2,885	752	6.8
Revenue from Operations Mix (%)												
As % of Gross Broking Revenue												
F&O	41.0	45.0	56.0	60.0	63.0	69.0	74.0	73.8	51.6	70.5	72.5	1.5
Cash	50.0	44.0	35.0	33.0	31.0	26.0	22.0	22.8	39.5	25.1	22.8	-0.8
Commodity	8.0	10.0	8.0	6.0	4.0	4.0	3.0	3.1	7.9	3.5	3.8	-0.8
Currency	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.9	0.1
Net Broking (As % Total Revenue)	76.4	76.4	77.6	77.9	79.0	76.0	77.1	77.5	79.8	77.4	78.2	-1.1
Net Interest Income (As % Total Revenue)	23.6	23.6	22.4	22.1	21.0	24.0	22.9	22.5	20.2	22.6	21.8	1.1
Expense Mix (%)												
Employee Expenses	44.1	35.4	37.9	31.6	33.2	33.0	34.8	37.9	35.4	34.9	33.1	1.7
Admin Cost	49.9	60.4	58.1	65.9	62.9	63.2	61.8	58.5	60.9	61.5	63.4	-1.7
Depreciation	5.9	4.1	4.0	2.5	2.3	2.2	2.2	2.1	3.8	2.2	2.0	0.1



Highlights from management commentary

Industry overview

- The demat count increased to 81m in Dec'21 (the highest addition ever).
- In the past 15 years, despite four major market downturns witnessed in India, demat accounts and turnover have continued to grow.

Business commentary

- By adoption of data science, client activation has improved over the period.
- Discoverability is a new concept that goes hand in hand with the super app. The customer uses only 5–10% of the features; hence, AI and ML are being used to identify the top features relevant to customers.
- It has had a leadership position in the Commodity market since the start and is confident of maintaining market share.
- 80% of the clients acquired in 3QFY22 are new to market.
- Digitally acquired clients are more active vis-à-vis physically acquired customers.
- The breakeven point has remained stable at 4–5 months.
- The share of F&O in overall revenue would remain high on account of huge opportunity. In a weak equity market, the share of commodity revenue would increase.
- For the next 3–4 years, the company would continue to focus on (1) increasing wallet share from existing clients and (2) improving market share in new client acquisitions. Thereafter, it would focus on improving margins.

Super app

- It is building a new mobile app wherein the emphasis is on a customized client experience. The app is currently in beta mode.
- The app is aimed at providing a tailored experience as per the investment journey of the client.
- This is expected to benefit the onboarding journey, improve client activation, and enable the company to tap the big opportunity in cross-selling in MF, insurance, and lending products, among others.
- It plans to add other products in stages to understand the customer before the launch.

Financials

- Higher operating costs were attributable to higher spending on client acquisitions and CSR.
- The CI ratio is sustainable. In the digital model, all costs are upfront, and operating leverage would come on later on. Technology and customer acquisition spending shall continue to gain incremental market share.
- In 9MFY22, the total technology costs stood at INR1.06b, of which INR1b was opex and INR60m was capitalized.
- It does not mind being in the business space with lower ARPU as the EBDAT margin has improved to 50% from 12% since 1QFY20. The focus is on business opportunity, profitability, and client acquisitions.

Others

- It is undertaking conscious efforts to acquire a younger population; the median age has remained stable at 29 over the past three quarters.
- The management believes if a customer does not become active within 15 days, the customer is lost.
- Client stickiness is higher in the digital model v/s physical. The journey of a digital customer must be five years and beyond.
- Month-on-month revenue from new customers is better than in the physical model of business.

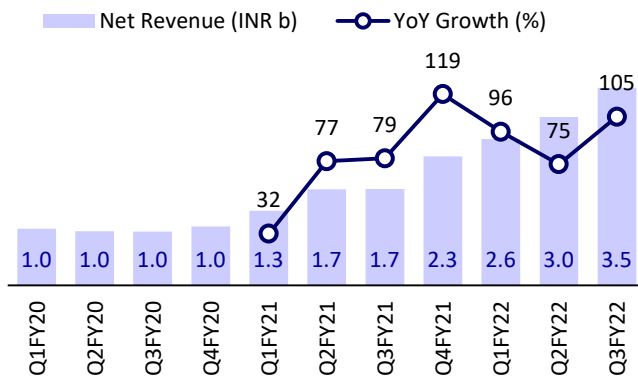
Exhibit 1: Upgrade our FY22E/FY23E estimate to factor in a better-than-expected CI ratio

INR b	Old Est.			New Est.			Change (%)		
	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY23E
Net Brokerage Income	9.6	11.5	13.5	9.9	11.9	14.0	3.1	3.3	3.5
Net Interest Income	2.9	3.3	3.8	2.9	3.3	3.8	-0.2	-0.3	-0.4
Other Income	3.5	4.1	4.7	3.7	4.2	4.9	4.1	4.3	4.2
Total Income	16.0	18.9	22.1	16.4	19.5	22.7	2.7	2.9	3.0
Operating Expenses	8.4	9.8	11.2	8.3	9.6	11.1	-1.8	-1.1	-0.7
EBITDA	7.5	9.2	10.9	8.1	9.8	11.6	7.8	7.1	6.7
PBT	7.4	9.0	10.6	7.9	9.6	11.4	8.0	7.3	6.9
Tax	1.8	2.2	2.7	2.0	2.4	2.8	8.0	7.3	6.9
PAT	5.5	6.7	8.0	6.0	7.2	8.5	8.0	7.3	6.9
C/I ratio	52.8	51.5	50.8	50.5	49.5	49.0			
RoE	42.1	39.4	36.5	45.0	41.2	37.6			
Dividend payout ratio	35.0	35.0	35.0	35.0	35.0	35.0			

Source: MOFSL, Company

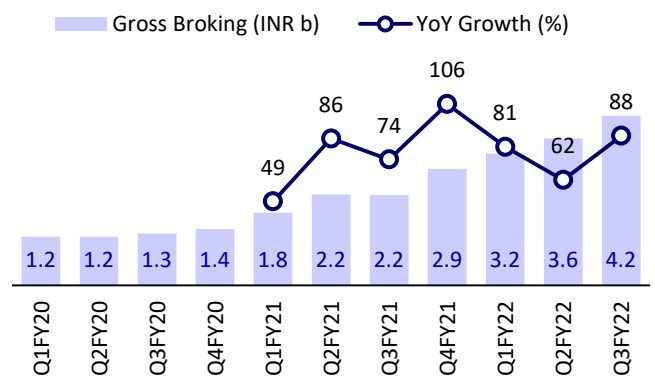
Key exhibits

Exhibit 2: Net revenues remain strong with 17% QoQ growth



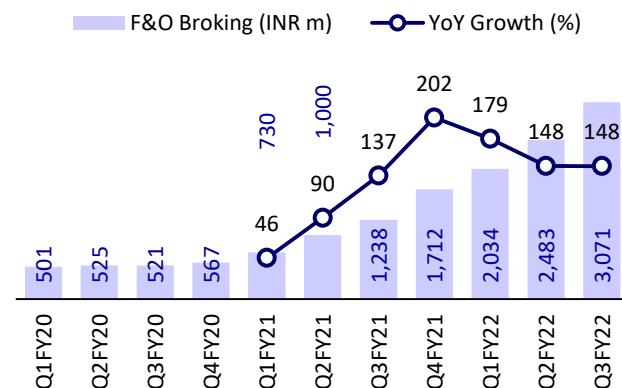
Source: MOFSL, Company

Exhibit 3: Healthy gross broking revenue at INR4.2b...



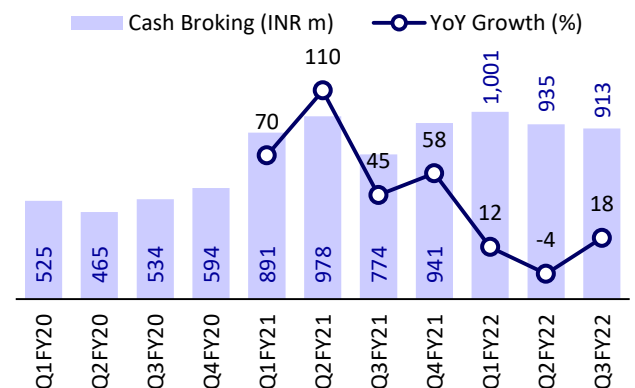
Source: MOFSL, Company

Exhibit 4: ...led by continued momentum in F&O segment



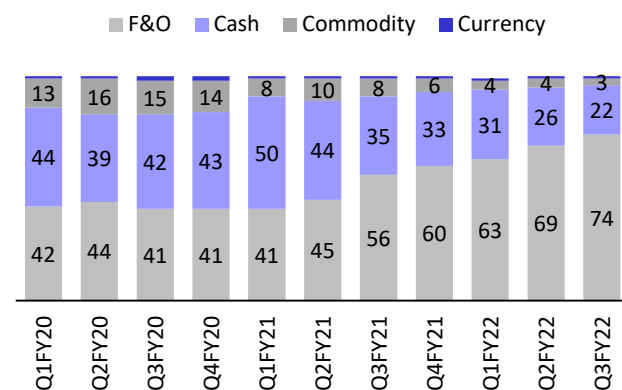
Source: MOFSL, Company

Exhibit 5: Cash broking revenue starting to gradually recover



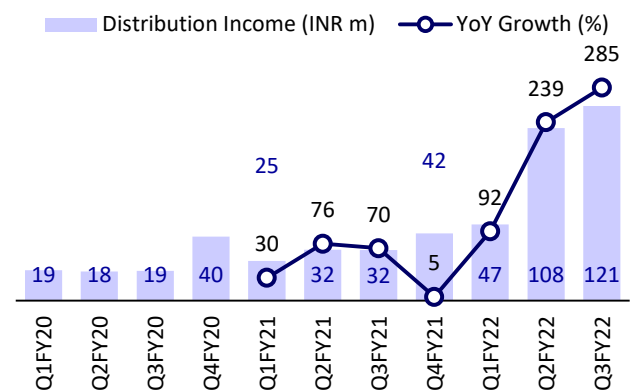
Source: MOFSL, Company

Exhibit 6: F&O share in net broking revenue inches up

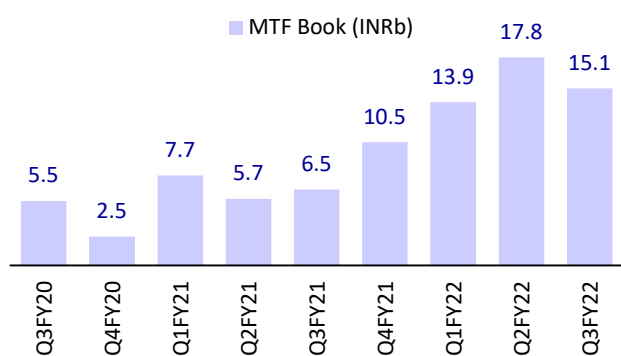


Source: MOFSL, Company

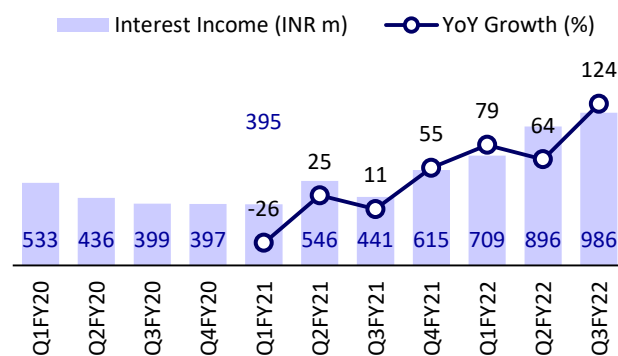
Exhibit 7: Healthy growth in distribution income



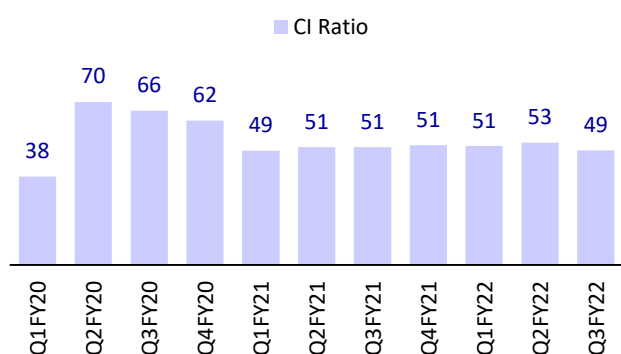
Source: MOFSL, Company

Exhibit 8: MTF book stands at INR15.1b

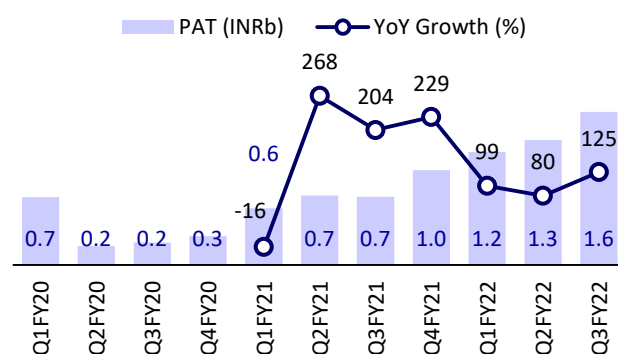
Source: MOFSL, Company

Exhibit 9: Strong interest income at INR986m

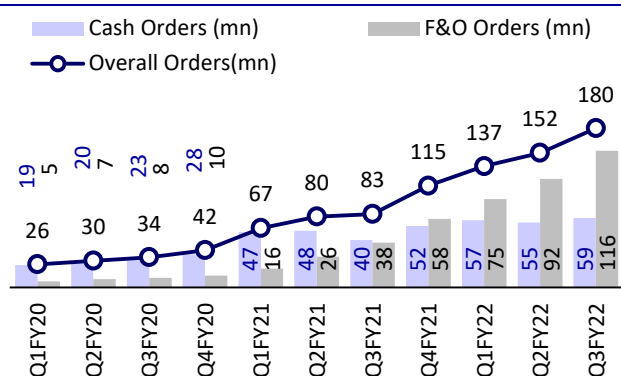
Source: MOFSL, Company

Exhibit 10: Operating leverage starting to kick in

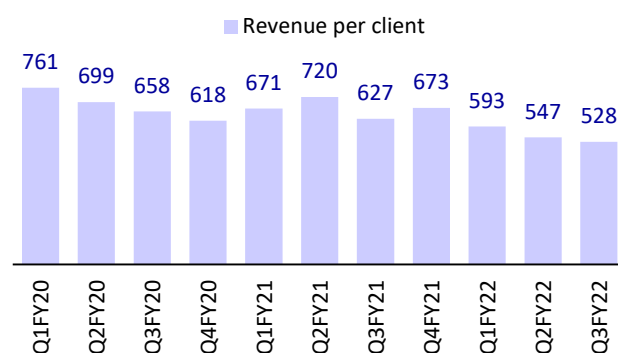
Source: MOFSL, Company

Exhibit 11: Trend in PAT growth

Source: MOFSL, Company

Exhibit 12: No of orders continues to grow despite market volatility

Source: MOFSL, Company

Exhibit 13: Lower decline in average revenue per client even with increase in share of flat fee based revenue

Source: MOFSL, Company

Exhibit 14: No of trades for Angel continues to grow despite market correcting more than 5%, strongly weathering market volatility in 13 of 18 instances

Period	# of Trading Days	Fall In Nifty 50	Fall In Nifty MidCap 150	Fall In Nifty Bank	Change In Angel's Avg Orders
18 Apr - 15 May, 2019	17	-5.3%	-8.2%	-6.3%	0.8%
04 Jun - 19 Jun, 2019	11	-3.3%	-5.1%	-4.1%	-2.8%
05 Jul - 05 Aug, 2019	22	-9.1%	-11.7%	-12.1%	3.5%
24 Sep - 07 Oct, 2019	9	-4.1%	-6.1%	-9.2%	3.4%
03 Jan - 01 Feb, 2020	22	-5.1%	1.3%	-8.1%	11.2%
12 Feb - 23 Mar, 2020	27	-37.1%	-38.3%	-46.0%	18.8%
30 Mar - 03 Apr, 2020	4	-6.7%	-3.0%	-13.6%	5.5%
04 May - 18 May, 2020	11	-10.5%	-7.7%	-18.4%	2.8%
08 Jul - 15 Jul, 2020	6	-1.7%	-2.7%	-5.7%	2.5%
24 Jul - 03 Aug, 2020	7	-2.9%	-0.4%	-8.7%	1.1%
31 Aug - 24 Sep, 2020	19	-7.2%	-6.8%	-16.6%	-3.1%
15 Jan - 29 Jan, 2021	10	-6.6%	-5.4%	-6.0%	10.9%
16 Feb - 26 Feb, 2021	9	-5.1%	0.8%	-6.7%	7.8%
04 Mar - 12 Apr, 2021	25	-6.1%	-5.1%	-15.3%	2.1%
19 Oct - 30 Nov, 2021	29	-8.1%	-8.1%	-10.1%	10.1%
09 Dec - 20 Dec, 2021	8	-4.9%	-5.6%	-7.6%	-1.2%

Source: MOFSL, Company

Exhibit 15: Trade volumes remain resilient even in falling market

Year	Index		% Change		NSE Total Trades (# of Cash Trades + F&O Contracts) (Bn)	% Change In NSE Total Trades	Incremental Demat Accounts (Mn)
	NIFTY 50	NIFTY MIDCAP 150	NIFTY 50	NIFTY MIDCAP 150			
FY07	3,821.6	1,679.0	12%	-2%	1.0	31%	1.2
FY08	4,734.5	2,021.4	24%	20%	1.6	60%	3.9
FY09	3,021.0	1,022.7	-36%	-49%	2.0	27%	1.0
FY10	5,249.1	2,375.4	74%	132%	2.4	17%	2.0
FY11	5,833.8	2,457.3	11%	3%	2.6	9%	1.9
FY12	5,295.6	2,307.4	-9%	-6%	2.6	2%	0.9
FY13	5,682.6	2,370.5	7%	3%	2.5	-6%	1.0
FY14	6,704.2	2,744.5	18%	16%	2.7	9%	0.8
FY15	8,491.0	4,326.2	27%	58%	3.7	35%	1.5
FY16	7,738.4	4,187.9	-9%	-3%	4.0	8%	2.0
FY17	9,173.8	5,699.4	19%	36%	3.4	-15%	2.5
FY18	10,113.7	6,598.5	10%	16%	4.4	30%	4.1
FY19	11,623.9	6,504.0	15%	-1%	6.0	37%	4.0
FY20	8,597.8	4,493.3	-26%	-31%	8.3	38%	5.0
FY21	14,690.7	8,988.9	71%	100%	13.2	59%	14.3
9M FY22	17,354.1	11,543.6	18%	28%	16.3	24%	25.5

Source: MOFSL, Company

Financials and valuation

Income Statement					(INR m)		
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
Total Income	4,433	4,723	4,721	8,971	16,416	19,486	22,717
Change (%)	37.9	6.5	0.0	90.0	83.0	18.7	16.6
Gross Brokerage Income	4,785	5,014	5,039	9,065	15,301	18,465	21,690
Less - Brokerage / direct expenses	2,464	2,420	2,304	3,630	5,432	6,555	7,700
Net Brokerage Income	2,321	2,595	2,735	5,436	9,869	11,910	13,990
Interest income	2,038	1,696	1,254	1,769	3,470	3,956	4,504
Less - Finance costs	947	666	489	389	586	625	675
Net Interest income	1,091	1,031	765	1,380	2,885	3,331	3,829
Other Income	1,021	1,098	1,221	2,155	3,662	4,245	4,898
Operating Expenses	2,701	3,245	3,142	4,675	8,284	9,645	11,131
Change (%)	3.9	20.2	-3.2	48.8	77.2	16.4	15.4
Employee expenses	1,245	1,593	1,598	1,718	2,955	3,507	4,044
Admin expense	1,456	1,652	1,544	2,957	5,329	6,138	7,088
Operating Margin	1,732	1,478	1,578	4,295	8,132	9,840	11,585
Depreciation	145	188	209	184	184	200	208
Exception	0	0	166	0	0	0	0
Profit Before Tax	1,587	1,290	1,204	4,112	7,948	9,641	11,378
Change (%)	231.3	-18.7	-6.7	241.5	93.3	21.3	18.0
Tax	508	448	320	1,131	1,987	2,410	2,844
Tax Rate (%)	32.0	34.7	26.6	27.5	25.0	25.0	25.0
PAT	1,079	842	884	2,981	5,961	7,230	8,533
Change (%)	248.0	-22.0	5.0	237.3	100.0	21.3	18.0
Dividend	235	234	227	1,056	2,086	2,531	2,987

Balance Sheet					(INR m)		
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
Equity Share Capital	720	720	720	818	826	826	826
Reserves & Surplus	4,029	4,765	5,427	10,492	14,367	19,066	24,613
Net Worth	4,749	5,485	6,147	11,310	15,193	19,892	25,439
Borrowings	11,223	8,666	4,880	11,715	12,500	13,500	14,500
Other Liabilities	7,702	8,018	11,043	25,114	47,222	59,697	72,716
Total Liabilities	23,674	22,168	22,070	48,138	74,915	93,089	1,12,655
Cash and Investments	9,330	10,134	14,607	18,830	52,508	67,557	83,665
Change (%)	39.9	8.6	44.1	28.9	178.9	28.7	23.8
Loans	11,309	7,617	2,806	11,285	18,179	20,721	23,590
Change (%)	748.3	-32.6	-63.2	302.2	61.1	14.0	13.8
Net Fixed Assets	1,158	1,181	1,104	1,150	1,318	1,373	1,428
Current Assets	1,877	3,236	3,553	16,873	2,910	3,438	3,971
Total Assets	23,674	22,168	22,070	48,138	74,915	93,089	1,12,655

E: MOFSL Estimates

Financials and valuation

Ratios								(%)
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E	
As a percentage of Revenues								
Net Brokerage Income	52.3	54.9	57.9	60.6	60.1	61.1	61.6	
Net Interest Income	24.6	21.8	16.2	15.4	17.6	17.1	16.9	
Other Income	23.0	23.2	25.9	24.0	22.3	21.8	21.6	
Total cost	60.9	68.7	66.6	52.1	50.5	49.5	49.0	
Employee Cost	28.1	33.7	33.9	19.2	18.0	18.0	17.8	
Opex (ex emp) Cost	32.8	35.0	32.7	33.0	32.5	31.5	31.2	
PBT	35.8	27.3	25.5	45.8	48.4	49.5	50.1	
PAT	24.3	17.8	18.7	33.2	36.3	37.1	37.6	
Profitability Ratios (%)								
RoE	25.0	16.5	15.2	34.1	45.0	41.2	37.6	
Dividend Payout Ratio	21.8	27.8	25.7	35.4	35.0	35.0	35.0	
Valuations	2018	2019	2020	2021	2022E	2023E	2024E	
BVPS (INR)	57.5	66.4	74.4	136.9	183.9	240.8	307.9	
Change (%)	22.0	15.5	12.1	84.0	34.3	30.9	27.9	
Price-BV (x)	24.4	21.1	18.8	10.2	7.6	5.8	4.5	
EPS (INR)	13.1	10.2	10.7	36.1	72.2	87.5	103.3	
Change (%)	248.0	-22.0	5.0	237.3	100.0	21.3	18.0	
Price-Earnings (x)	107.2	137.4	130.9	38.8	19.4	16.0	13.6	
DPS (INR)	3.3	3.3	3.2	12.9	25.3	30.6	36.2	
Dividend Yield (%)	0.2	0.2	0.2	0.9	1.8	2.2	2.6	
E: MOFSL Estimates								

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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