

BSE SENSEX
57,621

S&P CNX
17,214



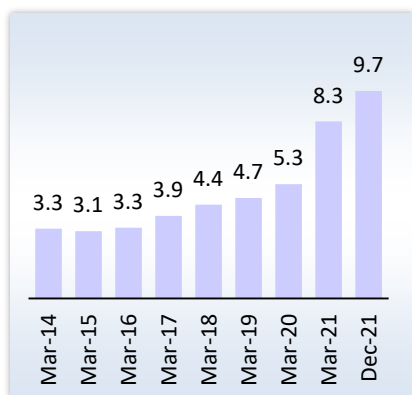
Stock Info

Bloomberg	ANGELONE IN
Equity Shares (m)	83
M.Cap.(INRb)/(USDb)	111.3 / 1.5
52-Week Range (INR)	1689 / 282
1, 6, 12 Rel. Per (%)	13/-2/283
12M Avg Val (INR M)	671

Our initiation coverage dated 9th November 2021 (Leaner, stronger, faster – A transformed broker!)



Improving market share in NSE active clients



CMP: INR1345 TP: INR1900 (+42%) Buy

ONE up on the competition

Angel One ('Angel' or 'the company') is our top pick for 2022 in the capital market domain. Our investment idea is premised on our structurally positive view on digitalization and financialization of savings in India. Our initiation coverage dated 9th November 2021 (Leaner, stronger, faster – A transformed broker!), enumerated our detailed thesis. In this report, we expound Angel's competitive strength vis-à-vis other discount players such as Zerodha, Upstox and Groww.

- **Weathering competition on client acquisition:** Angel has been at the forefront in terms of client acquisitions with ~12.2% of incremental NSE active clients recorded over the past six quarters. Its share in the incremental demat accounts has averaged 15% for the past seven quarters.
- **Steady trend in incremental market share of NSE active clients:** Angel has witnessed a relatively stable trend since April '20 in customer acquisition compared with Upstox and Groww that experienced major volatility in acquisition trends.
- **Garnering higher share of its clients in lower tier cities:** Since FY18, the share of below-Tier I cities in cash trading has been rising for both BSE and NSE. Angel has capitalized on this trend with a relatively higher share of customer acquisition (share rose to 95% in 3QFY22 from 85% in 1QFY20) from Tier II and Tier III towns (v/s 80% for Upstox and 70% for Groww).
- **To benefit from the surge in demat accounts:** The number of Demat accounts in India has more than doubled to 77m in Nov'21 from 32m in FY18. LIC IPO is likely to bolster the demat account traction further as it is predicted that a separate allocation for policyholders will be carved out. Even if 5% of the policyholders open a demat account, ~15m new accounts would get added (~20% of the existing demat base). Angel, with its stronger presence in lower tier cities, is likely to leverage on this opportunity.
- **Outperforming Upstox and Groww in Google searches in the past one year:** According to Google Analytics, out of 19 regions with urbanization rate at less than 34%, the search of "Angel One" was higher than the combined search for "Upstox" and "Groww" in 13 regions (68%) over the last one year. On a one-to-one basis, Angel enjoyed higher search interest than Upstox and Groww in 14 (out of 19) regions.
- **Improving market share in Average Daily Turnover (ADTO):** Until 1QFY22, Angel saw sustained improvement in ADTO market share. Its F&O market share jumped to 23.8% in 1QFY22 from 3.3% in 1QFY20. In Sep'21, Angel's share dropped to 20.3% and since then has recovered to ~21% over the past three months. In cash segment, its market share rose to 18.4% in 2QFY21 from 13.7% in 1QFY20 before declining to 13.6% in 2QFY22. However, the share has improved to 14.8% in Dec'21; the recovery is likely to continue.

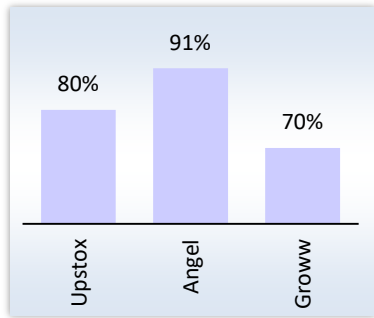
Prayesh Jain - Research Analyst (Prayesh.Jain@MotilalOswal.com)

Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) / Urmila Bohra (Urmila.Bohra@MotilalOswal.com)

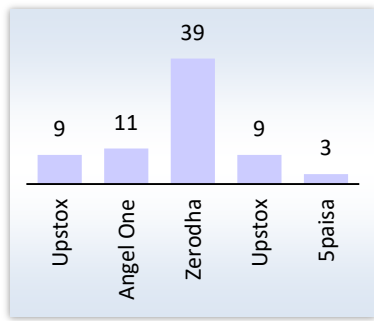
Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

91% of Angel's new clients acquired from Tier II and Tier III cities



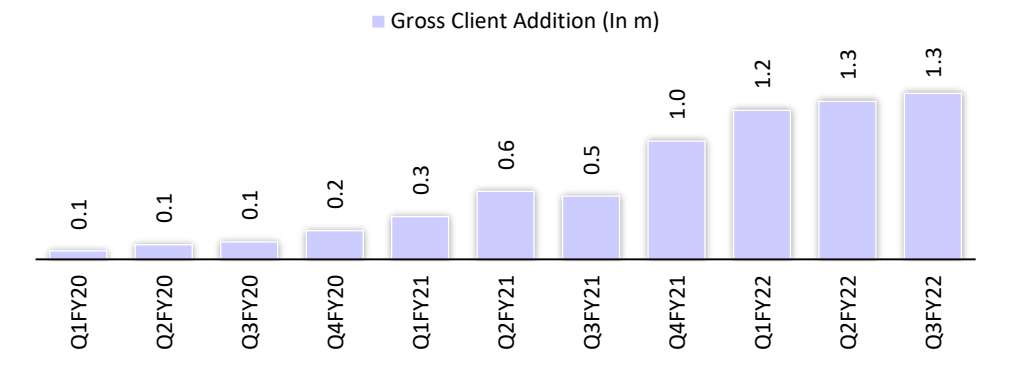
Angel ranks second after Zerodha in five-year average search interest score



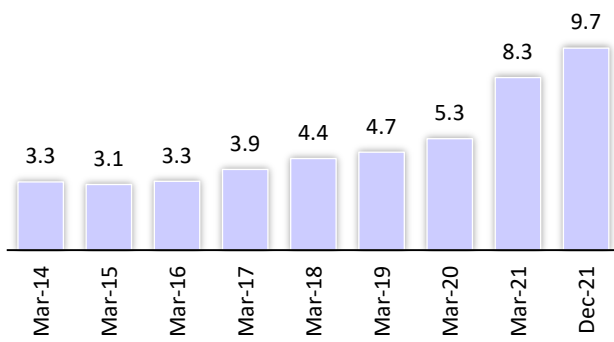
- **Upping the ante on digitalization:** Angel appointed Mr. Narayan Gangadhar as the CEO in Apr'21, who has over 20 years of rich experience in executive leadership roles with tech edge companies such as Microsoft, Google, Uber and Amazon. Further in 2QFY22, Angel added 11 members to its digital tech team at the mid-management level, all of whom have vast experience in the technology and digital fields. These appointments are aimed at bolstering Angel's digital capabilities, especially for the ensuing launch of its Super App.
- **Valuation & view – attractive valuations; maintain BUY:** We project an 18%/20% revenue/PAT CAGR over FY22-24E premised on significant industry opportunity, strong competitive positioning among discount brokers, and operating leverage. We find the stock valuations attractive at FY24E P/E of 13.0x. We maintain our BUY rating with a one-year target price of INR1,900, implying 42% potential upside from current level.

Strong traction in client acquisition despite competition

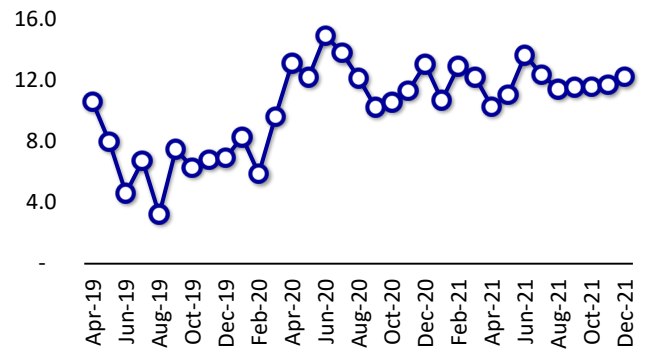
- Since the onset of discount brokerage during the past three years, every discount broker is in the fray to acquire as many clients as possible. The strategy has been boosted by buoyant equity markets, rapid growth in internet penetration, low interest rate regime and development of easy-to-use apps.
- In this phase, Angel has been at the forefront in terms of client acquisitions with ~12.2% of incremental NSE active clients recorded over the past six quarters. Its share in the incremental demat accounts has averaged 15% for the past seven quarters.
- The company's quarterly gross client additions rose to 1.3m in 3QFY22 from 68,000 in 1QFY20. Its active user client base with the NSE has surged multifold to 3.1m in Dec'21 from 0.4m in 1QFY20.
- The company acquires customers primarily through: 1) performance marketing, 2) referrals and 3) digital referral associates or digital influencers. Angel's focus has been on acquiring millennial and Gen Z clients in the tier II and tier III cities.
- The share of tier II and tier III cities in the company's gross client additions has increased to 95% in 3QFY22 from 85% in 1QFY20. The median age of new customer acquisitions has declined to 29 years in 3QFY22 from 34 years in 1QFY20. The trajectory is likely to sustain over the medium term, as Angel continues to invest incremental cash flows towards client acquisitions.
- Angel's activation rate has seen a steady increase over the past few quarters and stood strong at 39.3% in Dec'21.
- One of the key factors that boosts customer acquisition is nil account opening charges:
 - **To trade/invest** – which consist of 39.3% of the active customers
 - **To experience the app** – To evaluate the features, compare it with other apps, and look at the knowledge content. These customers are targeted by the company as they can be activated in the future.
 - **For products other than broking** – MFs, Insurance, Loans, which are currently unavailable on Angel's app
- Angel at times gives offers such as one-month interest-free MTF (cap of INR500), and one-month brokerage free (cap of INR1,000) to attract new clients.
- The company also runs referral programs wherein it gives vouchers (of INR500) to customers for referrals. Part of the voucher gets credited on client onboarding and reset only after the new client becomes active.

Exhibit 1: Continued traction in gross client additions

Source: MOFSL, Company

Exhibit 2: Improving market share in NSE active clients (%)

Source: MOFSL, NSE

Exhibit 3:as well as market share gains in incremental active client additions (%)

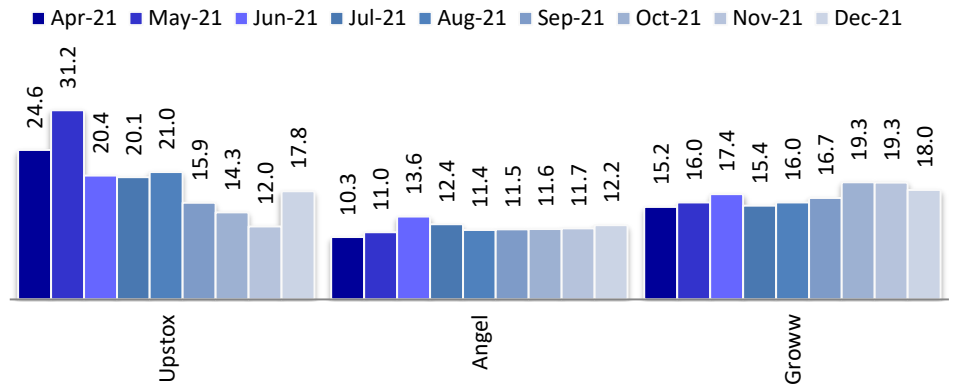
Source: MOFSL, NSE

Competitive positioning in client acquisition: Angel well placed among emerging discount brokers

Angel taking on competitors flushed with funds

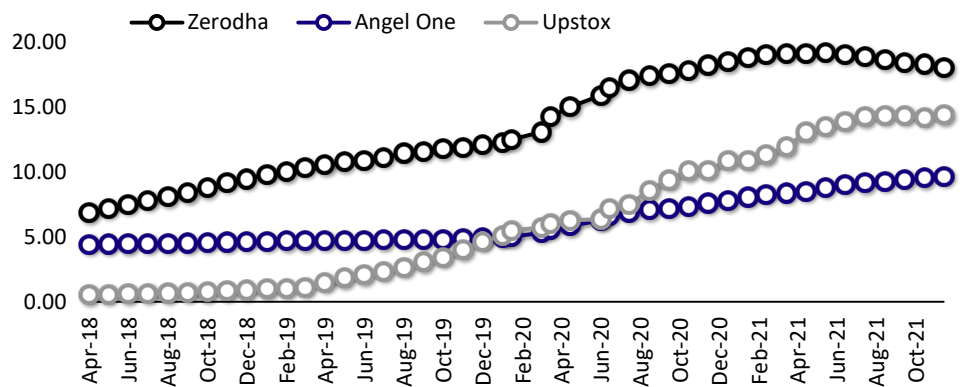
- Increased traction in the broking industry since Mar'20 has further intensified the competitive pressure especially among the discount brokers.
- Angel has seen an improvement of ~200bp from Apr'21 in its incremental active client market share to 12.2% in Dec'21. During the same period, Upstox has lost 680bp while the market share for Groww expanded 280bp.
- Incremental market share for Angel has remained stable over 9MFY22 whereas, Upstox and Groww have seen higher volatility (refer to Exhibit 4), attributable to fund raisings that translate into subsequent aggressive marketing spends.
- For instance, Upstox saw a continuous incremental market share decline from Aug'21 to Nov'21, followed by a sharp recovery in Dec'21 aided by USD25m raised from the Tiger Global affiliate in Nov'21.
- Similarly, Groww completed its fund raising in Oct'21 and has ramped up its incremental market share.
- Thus, we believe Angel has more sustainable growth trajectory and is well placed to maintain its position amid intensifying competition.

Exhibit 4: Consistent market share in incremental active clients for Angel implies higher stability (%)



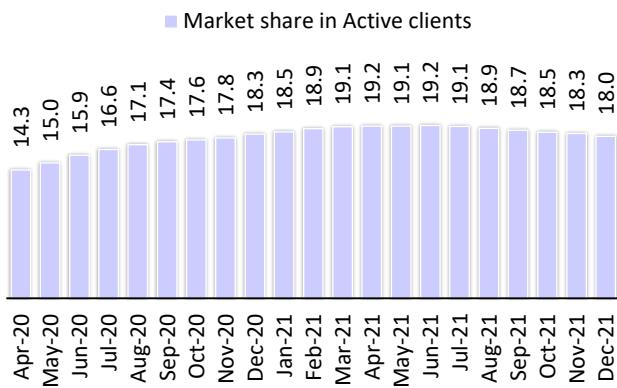
Source: MOFSL, NSE

Exhibit 5: Market share in NSE active clients (%)



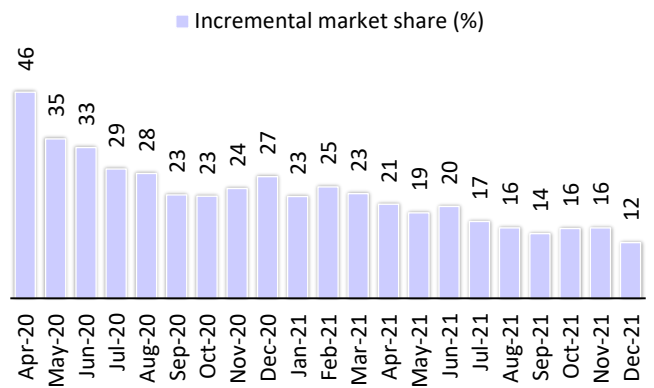
Source: MOFSL, NSE

Exhibit 6: Zerodha facing trouble in growing its market share further in NSE active clients (%)...



Source: MOFSL, NSE

Exhibit 7: ...it is also losing market share in incremental active clients

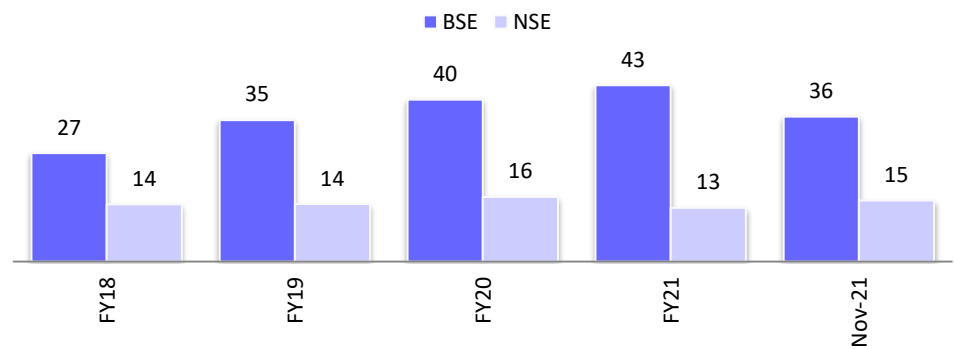


Source: MOFSL, NSE

Capitalizing on the rising participation of lower tier cities

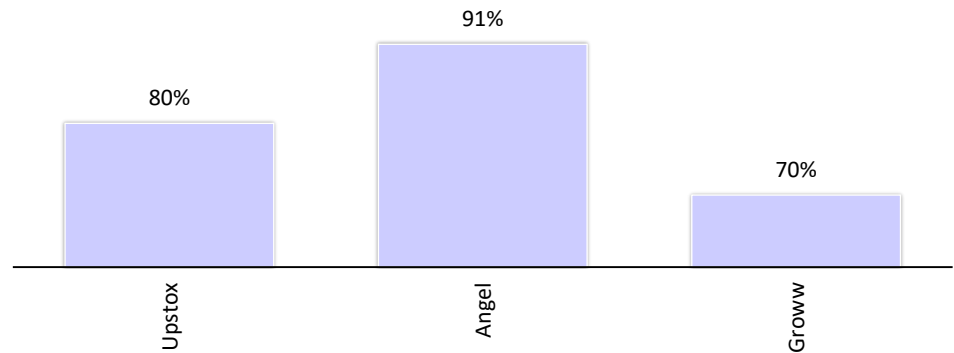
- Since FY18, the share of lower tier cities in trading volumes has been rising steadily. Industry participants believe that it is just the beginning of a long-term high growth story.
- Resultantly, all brokers are increasingly focusing on penetrating these cities. Angel enjoyed the highest share of customers acquired from Tier II and Tier III cities (v/s Upstox and Groww), demonstrating its strength in riding the new wave of first-time investors from these newer geographies.

Exhibit 8: Inching up share of below-Tier I cities in cash segment turnover (%)



Source: MOFSL, SEBI

Exhibit 9: Angel capitalized on the changing industry mix by acquiring 91% of its FY21 new clients from Tier II and Tier III cities, which further increased to 95% by 3QFY22



Source: MOFSL, Company, Media reports

Surge in Demat accounts to continue

- The number of Demat accounts in India has more than doubled to 77m in Nov'21 from 32m in FY18, driven by rapid financialization of savings and deeper penetration of mobile connectivity in India.
- The momentum gathered stronger traction since the pandemic-induced lockdown led by: 1) strong market performance, 2) emergence of discount brokers (ease of investing and low cost) and 3) low interest rate regime.
- LIC IPO is likely to bolster the demat account traction further as it is predicted that a separate allocation for policyholders will be carved out. As per media reports, the government is likely to reserve 10% for LIC policyholders in the public issue. They will have to open demat accounts to apply in the IPO.
- Media reports suggest LIC has 300m+ policyholders. Of this, even if 5% open a demat account, ~15m new accounts would get added (~20% of the existing demat base in India).

Exhibit 10: LIC Ad in newspapers asking policyholders to ensure having an active demat account

**PUBLIC NOTICE TO ALL THE ESTEEMED POLICYHOLDERS OF LIC OF INDIA
NOT FOR DISTRIBUTION TO ANY ADDRESS LOCATED OUTSIDE OF INDIA**

1. You may have noted from press reports that the Government of India is very keen and desirous to make a public offering of equity shares of the Life Insurance Corporation of India ("LIC" or the "Corporation") and list the equity shares on the Indian stock exchanges.
2. As you may be aware by now, the Government of India, in the interest of the policyholders of LIC, has passed an amendment to the LIC Act, 1956 permitting the Corporation to make a reservation on a competitive basis, in favour of its policyholders, at any time during the period of five years of the commencement of Section 131 of the Finance Act, 2021, i.e., five years from June 30, 2021, as one of the reserved categories in any public offering that the Corporation may undertake in the future, subject to necessary approvals.
3. In order to participate in any such public offering, policyholders will need to ensure that their PAN details are updated in the Corporation's records. Further, subscribing to any public offering in India is only possible if you have a valid DEMAT account – accordingly, policyholders should ensure that they have an active DEMAT account in place.
4. In the interests of our policyholders, we have in the past been running advertisements calling upon you to update your PAN in our records. If you have not yet provided this information to the Corporation, please do it at the earliest. This is very important from a KYC perspective, as well as your ability to participate in the proposed public offering by the LIC, as and when it takes place, subject to receipt of requisite regulatory and other approvals, in respect of such public offering. This will be used to help you participate in the proposed offering.
5. The process for updating your PAN details with the Corporation is as set out below:
 - 5.1 You may visit the Corporation website www.licindia.in OR <https://licindia.in/Home/Online-PAN-Registration>. Keep ready your Policy number, PAN, date of birth and e-mail ID, which needs to be filled in while updating your PAN.
 - 5.2 You may update the records for all of your LIC policies using the above link.
 - 5.3 You can also check whether your PAN is registered in your Policy or not by visiting the Corporation's website - www.licindia.in OR <https://linkpan.licindia.in/UIDSeedingWebApp/getPolicyPANStatus?>
 - 5.4 Alternately, you may contact LIC Agent for assistance.
 - 5.5 In case you do not have PAN allotted to you, we suggest that you may apply for the same as soon as possible. You may apply for PAN, for which procedure is as given at <https://www.incometaxindia.gov.in/Pages/tax-services/apply-for-pan.aspx> Once received by you, please do not forget to update PAN in your records with the Corporation.
 - 5.6 In relation to DEMAT accounts, if you currently do not hold a valid DEMAT account, you should consider taking the following steps at your sole discretion and at your own cost, if any:

Contact a Depository Participant (DP) who can assist you with the opening of a DEMAT account for your benefit. You can refer to the following link to select the relevant DP to open the DEMAT account –


- (i) DP registered with NSDL – <https://sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmid=19>
- (ii) DP registered with CDSL – <https://sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmid=18>
- (iii) If your KYC by a KRA (KYC Registration Agency) is not verified, then you need to provide the following key documents to the DP to open the DEMAT account:
 - Recent photograph
 - PAN card
 - Address proof
 - Cancelled cheque
- (iv) The respective DP might also ask for some more relevant documents, basis their internal requirements.
- (v) In case you require any assistance, you may please consider contacting your banker or broker in this regard.

6. We once again reiterate that this notice or any information being shared with our policyholders is not an offering of equity shares of the Corporation, and that there will be no public offering of equity shares in the United States. Additionally, you would have to approach the Depository Participant yourself and you would be solely responsible for your DEMAT account and its functioning.

7. This communication is not an offer or an invitation to subscribe to equity shares of the Corporation in a public offering or otherwise. The timeline and details of any such proposed public offering are presently unknown. The structure (including whether a reservation will be made for the policyholders on a competitive basis) has also not yet been approved by its shareholder(s) and the Corporation. There is also no assurance that all policyholders will be allotted any or all of the equity shares they apply for in the proposed offering if a reservation is made for the policyholders in such public offering as such reservation is on a competitive basis. The Corporation does not guarantee the performance of its equity shares and anyone who does apply in any proposed offering would need to be aware of the risks associated with investing in equity shares and resultant volatility.

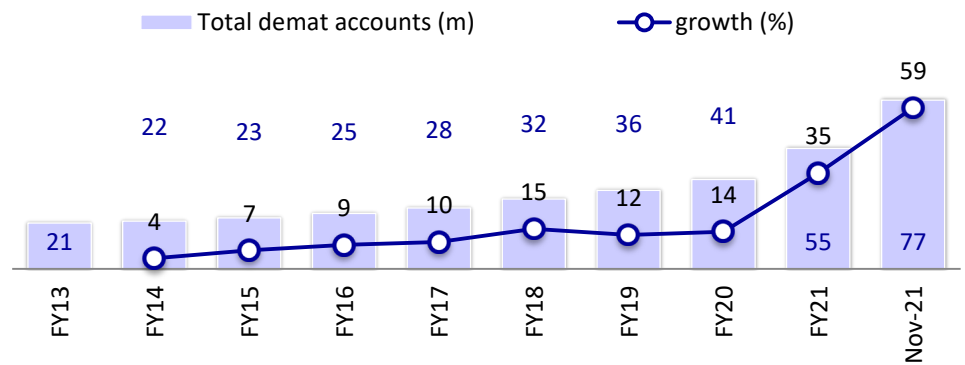
You would incur costs towards opening of a DEMAT account and/or PAN issuance and maintaining the DEMAT account or other ancillary costs. All such costs would have to be solely borne by you. No costs would be borne by the Corporation.

Regards,
Team LIC

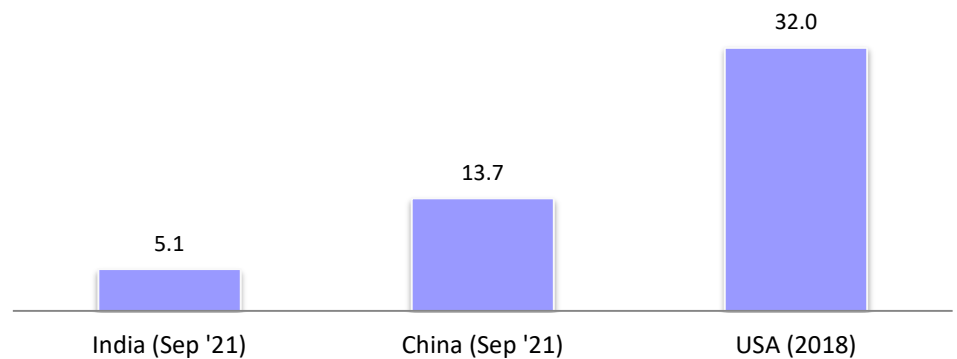


भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA
Har Pal Aapke Saath

Source: MOFSL, Media Article

Exhibit 11: Surging count of Demat accounts in India

Source: MOFSL, SEBI

Exhibit 12: Penetration in India still continues to remain low (%)

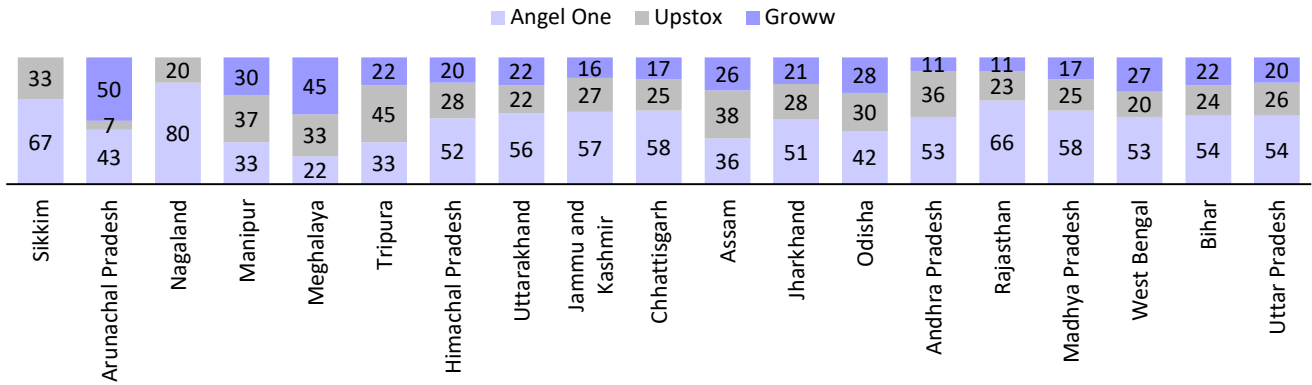
Source: MOFSL, SEBI, New articles

We believe the trajectory would sustain over a longer term given the still low penetration level in India (at <6%) compared with ~14% in China and 32% in the US.

Google Analytics suggesting higher searches for Angel

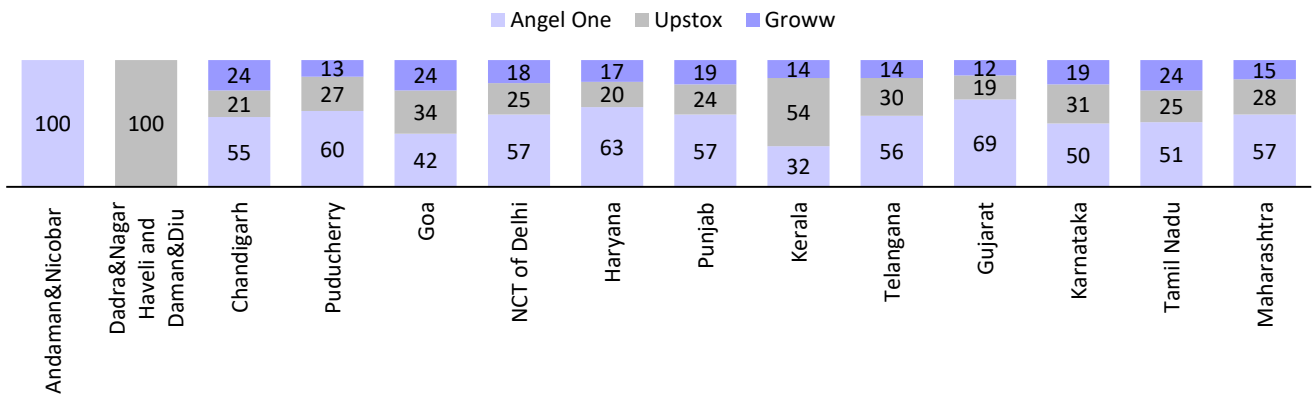
- To further substantiate our analysis, we have compared the Google Analytics results on region wise search interest generated for the term “Angel One”, “Upstox” and “Groww” over the past year.
- Out of 19 states/regions with urbanization rate at less than 34%, the search of “Angel One” was higher than the combined search for “Upstox” and “Groww” in 13 states/regions (68%). On a one-to-one basis, Angel enjoyed higher search interest than Upstox and Groww in 14 (out of 19) regions.
- Similar trend was observed for regions having urbanization greater than 34%. Out of 14 states/regions, the search of “Angel One” was higher than the combined search for “Upstox” and “Groww” in 10 regions (71%). On a one-to-one basis, Angel enjoyed higher search interest in 12 regions.

Exhibit 13: Share of search interest in regions with urbanization rate less than 34%



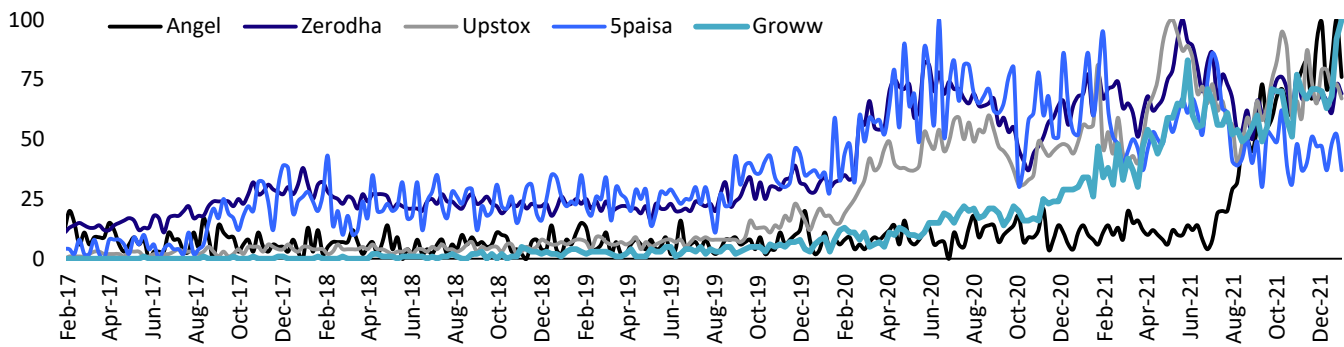
Source: Company, Google Analytics

Exhibit 14: Share of search interest in regions with urbanization rate more than 34%



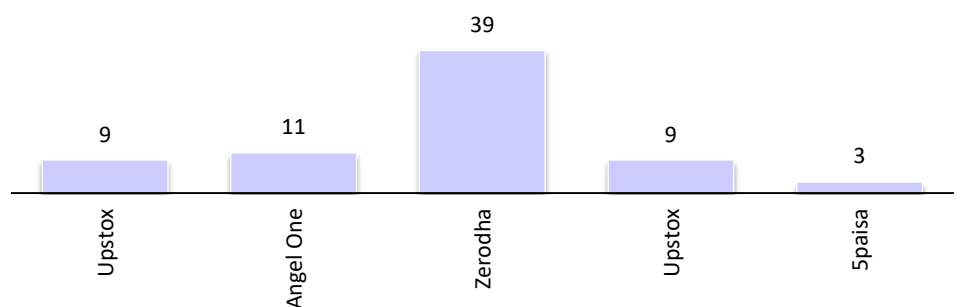
Source: Company, Google Analytics

Exhibit 15: Angel and Groww witnessing a surge in Google search, while other brokers saw some slowdown



Source: MOFSL, Google trends (Measured as search interest relative to the highest point on the chart)

Exhibit 16: Angel ranks second after Zerodha in five-year average search interest score

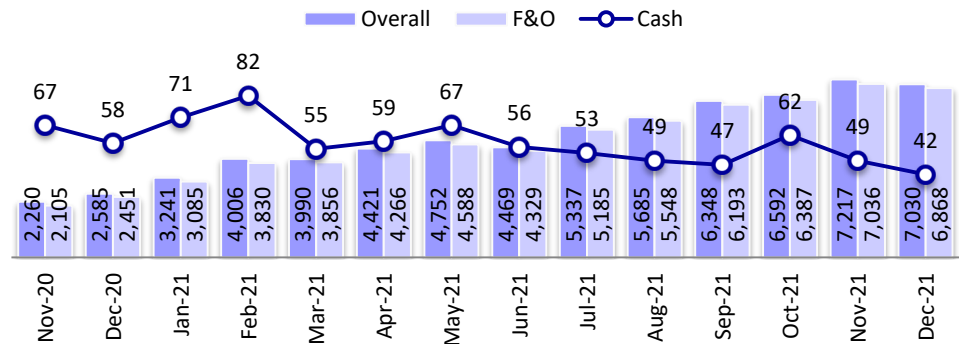


Source: MOFSL, Google trends

Strengthening position in the ADTO market share

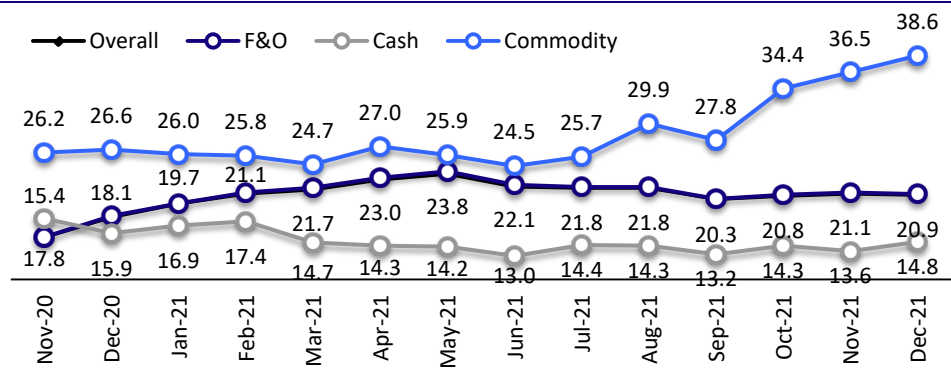
- Angel's market share in the F&O ADTO segment jumped to 23.8% in 1QFY22 from 3.3% in 1QFY20. In Sep'21, Angel's share dropped to 20.3% and since then has recovered to ~21% over the past three months. The company is confident of recovering a large portion of the market share loss in due course.
- In cash segment, its market share rose to 18.4% in 2QFY21 from 13.7% in 1QFY20 before declining to 13.6% in 2QFY22. The decline can be attributed to the impact of margin norms that led to a reduction in speculative volumes on the bourses. However, the share has improved to 14.8% in Dec'21.
- Angel has been a beneficiary of the industry trend, wherein volumes shifted from cash to F&O owing to its attractive pricing as well as the platform's capabilities. We expect a steady increase in Angel's overall ADTO market share.

Exhibit 17: ADTO continues to inch upwards (INR b)



Source: MOFSL, Company

Exhibit 18: Continuous market share gains across segments



Source: MOFSL, Company

Robust business model to withstand market volatility

Though there has always been an active argument that Angel's business model is adversely impacted by high market volatility, Exhibit 19 clearly illustrates that over the past 15 years, NSE's trade volumes have continued to surge despite market volatility. In addition, Angel's ADTO had seen an increase in 13 out of 18 instances even when market corrected by more than 5% over the last 33 months. To further substantiate this, we have analyzed the data for Jan '22 where the volatility surged significantly (9% difference between intraday high NIFTY50 at 18,351 and intraday low of 16,837). During the month, out of 20 trading days, intraday movement was higher than 1% for 12 trading days. Despite such high market volatility, Angel added 0.54m clients with the number of orders increasing to 67m in Jan'22 from 64m in Dec '21. It is also worth noting that per day orders grew 19% MoM to 3.4m and overall ADTO saw a healthy growth of 16% MoM to INR8.1t. These clearly demonstrate the strength of Angel's business to weather difficult market cycles.

Exhibit 19: Trade volumes continue to improve despite market volatility

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

Exhibit 20: ADTO increased in most of the instances wherein market corrected >5% over the last 33 months

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

Upping the ante on digitalization

- Angel intensified its technological focus to cater to the evolving customer needs and digital transformation of the domestic brokerage industry that accelerated post 2020 with the onset of the pandemic.
- In line with its focus, Angel appointed Mr. Narayan Gangadhar as the CEO in Apr'21, who has over 20 years of rich experience in executive leadership roles with tech edge companies such as Microsoft, Google, Uber and Amazon.
- Further in 2QFY22, Angel added 11 members to its digital tech team at the mid-management level and in 3QFY22 added 5, all of whom have vast experience in the technology and digital fields.
- The company has further increased the share of digital-focused talent pool in its overall employee base to 18% from 12%, during the past 10 quarters. These efforts are expected to go a long way in strengthening its technological capabilities, especially towards developing the ensuing Super App. The Super App is likely to resolve the glitches in the current app and add on new features.



KEY ADDITIONS TO ANGEL'S DIGITAL TEAM OVER THE PAST SIX MONTHS

POSITION DETAILS OF NEW HIRES	
CEO	❖ Uber, Google, Microsoft and Amazon
CTO	❖ Wal-Mart Labs, Microsoft, Goibibo, Intuit, Samsung Research and DevFactory (Trilogy)
Principal Architect	❖ Wal-Mart Global, JP Morgan, Bank of America and start-ups in the mobile banking domain
SVP of Engineering	❖ Wal-Mart Global Tech, Microsoft and Yahoo
SVP Data Platform	❖ Co-Founder/CTO of Yelo worked at Rupeek, Amazon and Adobe
Head of Talent Acquisition – Product & Engineering	❖ Rippling, Google, Wal-Mart and LinkedIn

Exhibit 21: Overview of the domestic discount brokers

	Zerodha	Angel	Upstox	5Paisa	Groww
Equity Delivery	❖ NIL	❖ NIL	❖ NIL		❖ INR20 or 0.05% (whichever is lower) per executed order
Intraday	❖ INR20 or 0.03% (whichever is lower) per executed order		❖ INR20 or 0.05% (whichever is lower) per executed order	❖ INR20	❖ INR20 or 0.05% (whichever is lower) per executed order
Futures		❖ INR20			
Options			❖ INR20		❖ INR20
Account Opening - Equity	❖ INR200				
Account Opening - Commodity	❖ INR100	❖ NIL	❖ INR299	❖ NIL	❖ NIL
AMC	❖ INR300	❖ INR240 (INR20 Per Month)	❖ INR 300	❖ INR45 per month (only for months when you trade)	❖ NIL
Services Offered	❖ Trading and investment services in equity, derivatives, currency, mutual funds & commodities	❖ Offers its services in Equity, Commodity, Currency, PMS, Life Insurance, ETFs, IPOs & Mutual Funds	❖ Offers trading services in equity, currency, and commodity	❖ Trading in equity, currency, commodity, mutual funds, Insurances, Personal loans.	❖ Mutual Funds, Demat Services, Trading Services, Intraday Services, IPO Services, and Trading Exposure.
Trading Platforms	❖ Kite 3.0, Kite Mobile, Console, Pi, Sentinel, Coin	❖ Angel iTrade, Angel Broking Mobile App, Angel BEE	❖ Upstox Pro Web Trading Platform, Bridge for AmiBroker, Developer Console, Option Chain Tool, Upstox MF Platform	❖ Investor terminal web platform, trader terminal, 5Paisa share trading mobile app	❖ Groww Trading app, Groww Online platform

Source: MOFSL, Company Websites

Attractive absolute and relative valuations

Angel's transformation into a discount broker from a traditional one has been impressive and we expect its business momentum to sustain going ahead. We project an 18%/20% revenue/PAT CAGR over FY22-24E premised on significant industry opportunity, strong competitive positioning among discount brokers, and operating leverage. The stock currently trades at FY24E P/E of 13.7x and per active customer valuation of USD54. Comparing with its unlisted peers, we find the valuations attractive.

- Groww has raised funding at USD3b valuation compared to its valuation at USD1b in April 2021 and USD250m in September 2020 (as per media sources). On a USD3b valuation, Groww is valued at USD101 per active customer.
- Upstox raised USD25m with the total valuation of USD3b in November 2021. At these valuations, Upstox's per active customer valuation stands at USD74.1

We maintain our BUY rating with a one-year target price of INR1,900, implying 42% potential upside from the current level.

Exhibit 22: Angel has the lowest valuation per active customer

Company	Valuation (USD b)	NSE Active users	USD Valuation Per customer
Upstox	3.4	45.5	74.7
Groww	3.0	29.6	101.2
Angel	1.7	30.6	54.2

Source: MOFSL, NSE, Media article

Key Risk

Market correction impacting retail cash ADTO

Retail customers are highly sensitive to market returns, and a shorter-than-expected Bull Run or sharp market correction can have a material impact on the number of trades, thereby impacting the company's revenue growth.

Complete dependence on retail brokerage business

Angel derives its entire revenue from retail customers. Any reduction in retail participation in direct equities can materially impact its revenue and profitability.

High competition among discount brokers

The past few years have witnessed formidable competition among discount brokers. Continued competition from other discount brokers could slowdown Angel's pace of customer acquisition.

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								
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)	23.3	20.2	18.0	9.8	7.3	5.6	4.4	
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)	102.7	131.7	125.4	37.2	18.6	15.3	13.0	
DPS (INR)	3.3	3.3	3.2	12.9	25.3	30.6	36.2	
Dividend Yield (%)	0.2	0.2	0.2	1.0	1.9	2.3	2.7	

E: MOFSL Estimates

NOTES

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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