

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	ANGELONE IN
Equity Shares (m)	83
M.Cap.(INRb)/(USDb)	159.1 / 2.1
52-Week Range (INR)	1950 / 339
1, 6, 12 Rel. Per (%)	16/51/444
12M Avg Val (INR M)	897

Financial & Valuation (INR b)

Y/E March	2022	2023E	2024E
Revenues	16.8	21.4	25.6
Opex	8.3	10.8	12.7
PBT	8.4	10.4	12.7
PAT	6.3	7.8	9.5
EPS (INR)	75.5	93.8	114.7
EPS Gr. (%)	109.8	24.3	22.3
BV/Sh. (INR)	191.2	252.2	326.7

Ratios (%)

C/I ratio	49.2	50.5	49.7
PAT margin	37.2	36.4	37.1
RoE	46.1	42.3	39.6
Div. Payout	35.9	35.0	35.0

Valuations

P/E (x)	25.4	20.5	16.7
P/BV (x)	10.0	7.6	5.9
Div. Yield (%)	1.4	1.7	2.1

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	44.0	43.7	44.6
DII	10.3	8.6	12.0
FII	9.0	5.4	5.0
Others	36.7	42.3	38.5

CMP: INR1,919

TP: INR2,300 (+20%)

Buy

Robust performance in a volatile equity market

- Angel One (Angel)'s PAT grew 24% QoQ and 101% YoY to INR2b (17% beat) in 4QFY22. The beat on profitability was driven by an 11% beat on operating revenue, which rose 16% QoQ and 77% YoY to INR4.1b. Key contributors were a 13% beat on net revenue from the Broking segment and a 6% beat on net interest income.
- The active client ratio improved substantially in 4QFY22 to 40.2% from 39.7% in 3Q. Number of orders rose to 221m in 4QFY22 from 180m in 3Q.
- Angel's operating expense stood in line at INR2.3b. CIR improved substantially to 45.1% (est. 49.3%) v/s 49% in 3QFY22 and 51% in 4QFY21.
- For FY22, Angel reported revenue of INR16.8b (+87.6% YoY), while its PAT more than doubled (+109.8% YoY) to INR6.3b. The cost-to-income ratio stood at 49.2% v/s 52.1% in FY21.
- We raise our earnings estimates for Angel by 7%/11% in FY23/FY24, respectively, backed by a higher-than-expected revenue and strong margin performance in 4QFY22. We maintain our **BUY rating** with a revised TP of INR2,300 (premised on 20x FY24E EPS).

Beat led by Broking and interest revenue; F&O share continues to rise

- Angel's operating revenue grew by a strong 16% QoQ and 77% YoY to INR4.1b (11% ahead of our estimate), driven by healthy Broking revenue and interest income. Growth in the Broking business was propelled by the F&O segment, which rose strongly to INR3.7b (up 117% YoY and 21% QoQ), whereas revenue from Cash Broking fell 9% YoY and 6% QoQ to INR857m. The share of the F&O segment in gross Broking revenue further increased to 78% in 4QFY22 from 74% in 3Q.
- Although the share of flat fees in total net income rose 2x to 83% in 4QFY22 (from 43% in 4QFY20), average revenue per client (ARPC) dipped 0.2x, demonstrating the robustness of the business. On a quarterly basis, the ARPC declined to INR513 in 4QFY22 from INR528 in 3Q.
- Angel's other income rose in line by 10% QoQ and 43% YoY to INR1b.

Lower admin costs drive improvement in the CI ratio

- Total OPEX grew in line by 5% QoQ and 48% YoY to INR2.3b. Operating efficiencies have started to play out, with CIR down 45.1% v/s 51.5% YoY.
- Employee costs escalated 49% YoY, but fell 4% QoQ to INR749m (16% below our estimate). In 4QFY22, Angel hired one more member in its digital team, taking its digital talent pool to 610. Employee cost, as a percentage of operating revenue, contracted sequentially and stood at 15% for 4QFY22.
- Administration costs rose 10% QoQ to INR1.5b (11% above our estimate).

Highlights from the management commentary

- Angel's FY22 ESOP cost stood at INR160m. Further, from FY23 the ESOP cost is expected to be around INR0.60b p.a. for a period of four years. In addition, the employee costs will include regular salary increments.

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- With the right product suite, Angel will now start investing more towards brand visibility. Therefore, on a YoY basis, the company's investment cost for FY23E shall be on a higher side.

Higher revenue and improved CI ratio provide strong earnings visibility; BUY

- Angel is a perfect play on: 1) the financialization of savings and 2) digitization. The company demonstrated strong performance across key operating parameters in 4QFY22. 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 for Angel would continue, led by sharp under-penetration. Further, the cyclicity of revenue is much lower for discount brokers than traditional brokers due to the shift towards the flat fee revenue model. We raise our earnings estimates for Angel by 7%/11% in FY23/FY24, respectively, backed by higher revenue and better-than-expected CI ratio that the management expects to sustain. We maintain our **BUY rating** with a revised TP of INR2,300 (premised on 20x FY24E EPS), implying 20% potential upside.

Quarterly Performance

Y/E March	FY21				FY22				FY21	FY22	4Q FY22E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue from Operations	1,329	1,706	1,714	2,295	2,600	2,992	3,512	4,064	6,816	13,167	3,650	11.3
Other Income	290	411	505	721	807	888	936	1,031	2,155	3,662	1,032	-0.1
Total Income	1,619	2,117	2,219	3,016	3,407	3,880	4,448	5,095	8,971	16,829	4,682	8.8
Change YoY (%)	37.7	85.9	94.3	136.5	110.4	83.3	100.5	68.9	90.0	87.6	55.2	13.7
Operating Expenses	795	1,074	1,126	1,553	1,744	2,040	2,191	2,298	4,675	8,273	2,309	-0.5
Change YoY (%)		34.4	48.4	96.1	119.3	89.9	94.6	48.0	48.8	76.9	48.7	-0.7
Depreciation	50.0	46.0	47.0	40.0	41.0	45.3	48.3	52.3	183.6	186.8	49.3	5.9
PBT	774	997	1,046	1,423	1,622	1,795	2,209	2,744	4,112	8,369	2,323	18.1
Change YoY (%)	6.2	251.9	215.0	230.1	109.5	80.1	111.2	92.8	200.2	103.6	63.2	29.6
Tax Provisions	164	251	313	404	408	451	562	696	1,131	2,117	566	22.9
Net Profit	610	746	733	1,019	1,214	1,343	1,647	2,048	2,981	6,253	1,757	16.6
Change YoY (%)	-16.3	268.5	204.1	228.6	99.0	80.2	124.7	101.0	184.0	109.8	72.4	28.6
Key Operating Parameters (%)												
Cost to Income Ratio	49.1	50.7	50.7	51.5	51.2	52.6	49.3	45.1	52.1	49.2	49.3	-421bps
PBT Margin	47.8	47.1	47.1	47.2	47.6	46.3	49.7	53.9	45.8	49.7	49.6	424bps
Tax Rate	21.2	25.2	29.9	28.4	25.2	25.1	25.4	25.4	27.5	25.3	24.4	98bps
PAT Margins	37.7	35.2	33.0	33.8	35.6	34.6	37.0	40.2	33.2	37.2	37.5	268bps
Revenue from Operations (INR m)												
Gross Broking Revenue	1,781	2,222	2,210	2,853	3,229	3,598	4,150	4,760	9,065	15,737	4,324	10.1
F&O	730	1,000	1,238	1,712	2,034	2,483	3,071	3,713	4,676	11,301	3,192	16.3
Cash	891	978	774	941	1,001	935	913	857	3,580	3,706	987	-13.2
Commodity	142	222	177	171	129	144	125	190	712	588	133	43.7
Currency	18	22	22	29	32	36	42	48	91	157	44	7.6
Net Broking Revenue	1,016	1,303	1,329	1,788	2,055	2,275	2,709	3,196	5,436	10,235	2,830	12.9
Net Interest Income	313	403	385	507	545	717	803	868	1,380	2,933	820	5.9
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	78.0	51.6	71.8	73.8	4.2
Cash	50.0	44.0	35.0	33.0	31.0	26.0	22.0	18.0	39.5	23.6	22.8	-4.8
Commodity	8.0	10.0	8.0	6.0	4.0	4.0	3.0	4.0	7.9	3.7	3.1	0.9
Currency	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0
Net Broking (As % Total Revenue)	76.4	76.4	77.6	77.9	79.0	76.0	77.1	78.6	79.8	77.7	77.5	1.1
Net Interest Income (As % Total Revenue)	23.6	23.6	22.4	22.1	21.0	24.0	22.9	21.4	20.2	22.3	22.5	-1.1
Expense Mix (%)												
Employee Expenses	44.1	35.4	37.9	31.6	33.2	33.0	34.8	31.9	35.4	33.2	37.9	-6.1
Admin Cost	49.9	60.4	58.1	65.9	62.9	63.2	61.8	64.9	60.9	63.2	58.5	6.4
Depreciation	5.9	4.1	4.0	2.5	2.3	2.2	2.2	2.2	3.8	2.2	2.1	0.1



Highlights from the management commentary

Broking business

- **Increasing market share in the Commodity segment** – commodity option volumes have started gaining traction recently. Angel, being one of the initial players in commodity option, has managed to gain higher market share.
- **Nature of trades** – in retail F&O, most of the clients are buying options with strike price near the current price.
- **ARPC and the number of orders – most of the clients acquired are new to the market**, therefore, it will take time before the company can start generating revenue from them. ARPC is beginning to stabilize. However, the lifecycle value of the customer is increasing. Revenue per order too shall stabilize over time; though, it is difficult to provide the timeline for the same. Number of orders shall continue to grow despite of market cyclicity.
- **Breakeven** – it takes around six months to breakeven.

Other business

- Launched the direct MF to cater to the customer needs.
- Expects to receive AMC in-principal approval in the next few months.

Client acquisition

- Client acquisition trajectory for Angel continues to be strong. The management is confident of improving the activation rate with the use of data science. Launch of super app will further help in improving the experience of first time customers. Doubling the client acquisition number in FY23E is highly achievable.
- Angel One as a brand has seen 84% awareness in just two quarters post the re-branding.

Technological initiatives

- Three versions of Super app have been released during the quarter with a small group of people.
- The company is expanding its tech pool by hiring people from major tech companies such as Amazon, Uber, etc.
- Organic traffic is possible only with availability of a common platform. Therefore, the launch of Super app will help the company generate higher organic growth.
- Today's customers are expecting a better personalized journey. Super app intends to address this need. Post the transition of Super app, it can help acquisition rate to see a double-digit growth.
- Super app will also help to take the revenue growth trajectory to the next level by way of client acquisition, higher activation and providing with ancillary revenue stream.

Financials

- Distribution income declined sequentially due to lower number of IPOs during the quarter.

- Angel's FY22 ESOP cost stood at INR160m. Further, from FY23 the ESOP cost is expected to be around INR0.60b p.a. for a period of four years. In addition, the employee costs will include regular salary increments.
- Sharp jump in cash & cash equivalent is largely due to the increase in client money.
- Post the launch of the Super app, there will be investment required to onboard clients. Cost with relation to building super app has already been factored in.
- With the right product suite, the company will now start investing more towards brand visibility. Therefore, the investment cost for FY23E will be on a higher side on a YoY basis.
- Although, some quarters might see higher operational expenses, overall, the management remains optimistic to further improve the CI ratio.

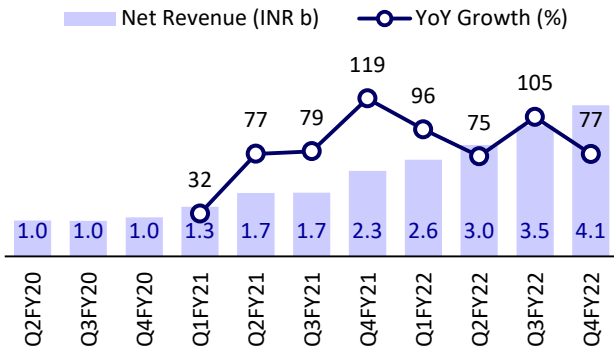
Exhibit 1: Upgrade our FY23/FY24 estimates to factor in a higher revenue growth and better-than-expected CI ratio

INR b	Old Est.		New Est.		Change (%)	
	FY23E	FY24E	FY23E	FY24E	FY23E	FY24E
Net Brokerage Income	11.9	14.0	14.1	17.2	18.3	23.2
Net Interest Income	3.3	3.8	3.2	3.3	-3.7	-12.5
Other Income	4.2	4.9	4.1	5.1	-3.9	3.2
Total Income	19.5	22.7	21.4	25.6	9.7	12.9
Operating Expenses	9.6	11.1	10.8	12.7	11.9	14.5
EBITDA	9.8	11.6	10.6	12.9	7.5	11.3
PBT	9.6	11.4	10.4	12.7	7.4	11.4
Tax	2.4	2.8	2.6	3.2	7.4	11.4
PAT	7.2	8.5	7.8	9.5	7.4	11.4
C/I ratio	49.5	49.0	50.5	49.7		
RoE	41.2	37.6	42.3	39.6		
Dividend payout ratio	35.0	35.0	35.0	35.0		

Source: MOFSL, Company

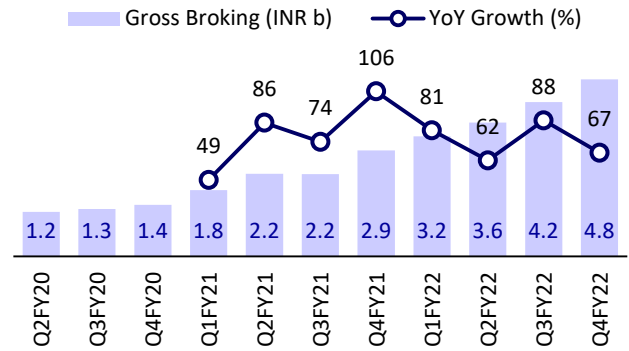
Key exhibits

Exhibit 2: Net revenue was strong with 16% QoQ growth



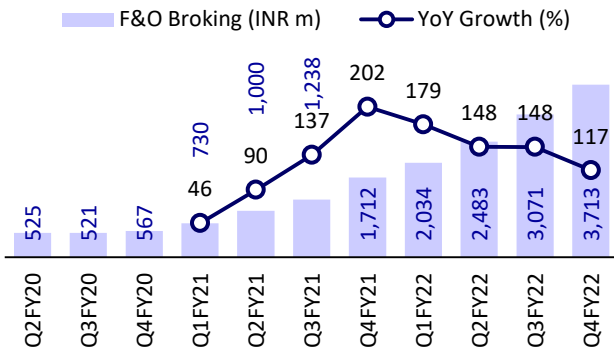
Source: MOFSL, Company

Exhibit 3: Healthy gross broking revenue at INR4.8b...



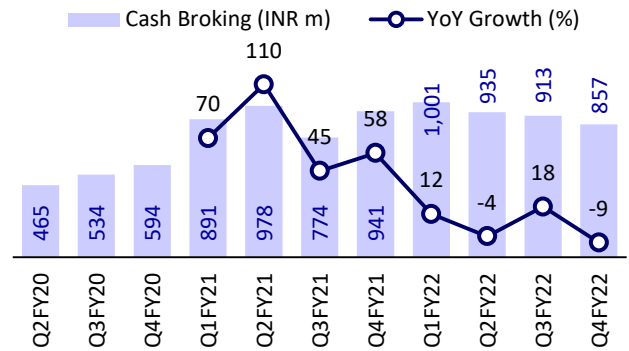
Source: MOFSL, Company

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



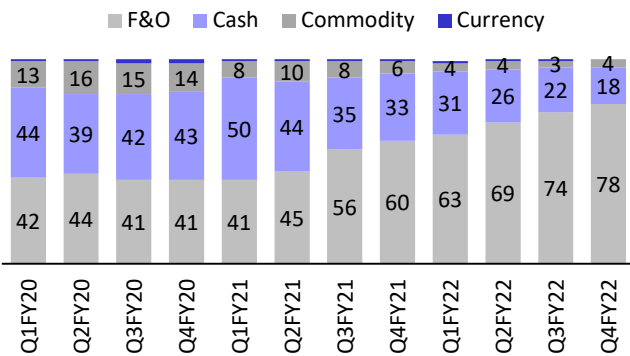
Source: MOFSL, Company

Exhibit 5: Cash broking revenue remained muted



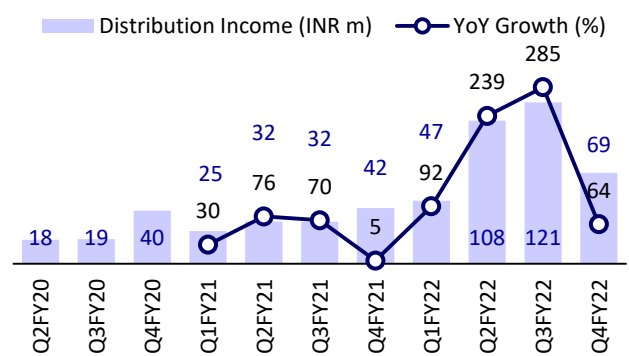
Source: MOFSL, Company

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



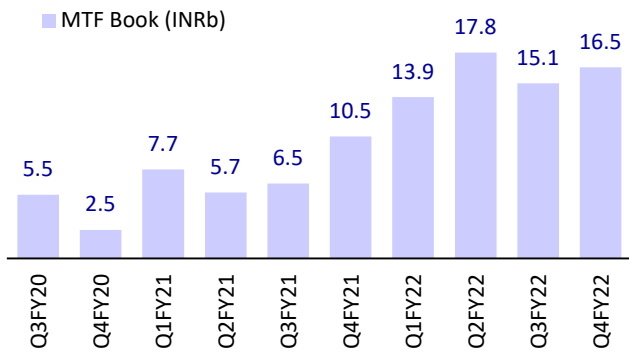
Source: MOFSL, Company

Exhibit 7: Sharp decline in distribution income



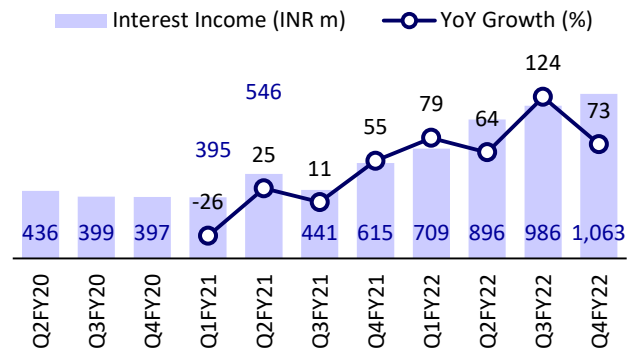
Source: MOFSL, Company

Exhibit 8: Recovery in MTF book at INR16.5b



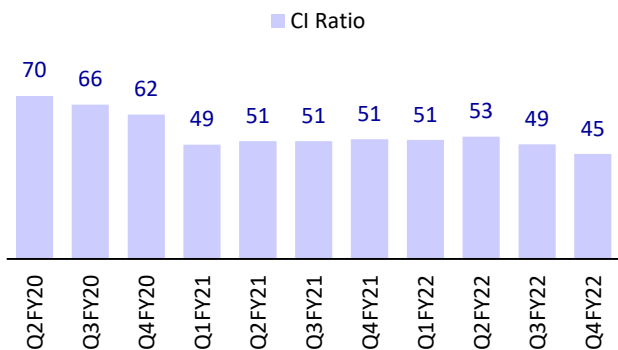
Source: MOFSL, Company

Exhibit 9: Interest income continued to remain strong



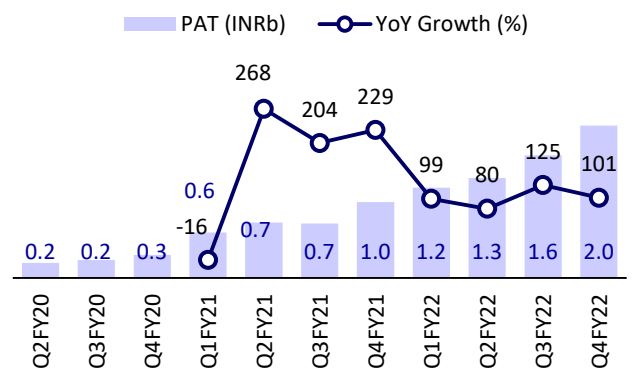
Source: MOFSL, Company

Exhibit 10: Operating leverage started to kick in



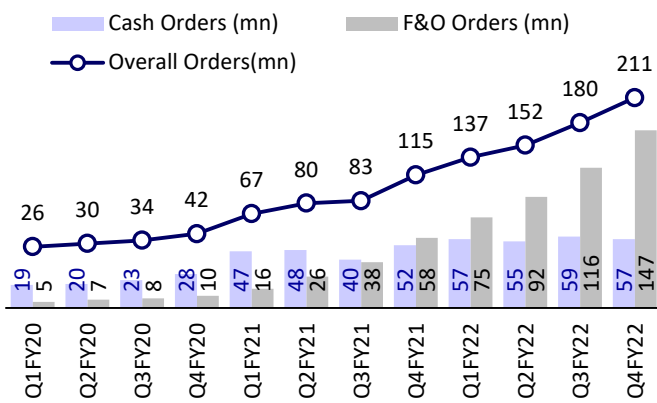
Source: MOFSL, Company

Exhibit 11: Trend in PAT growth



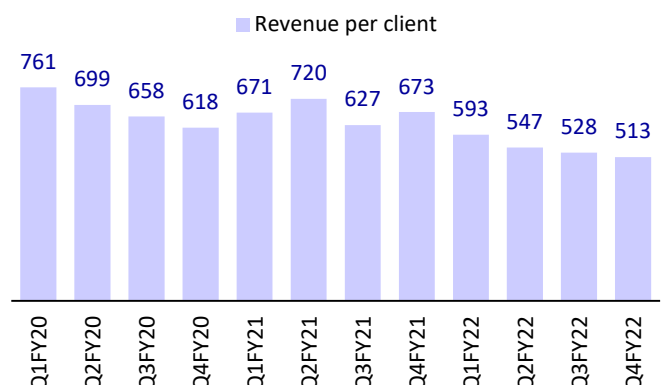
Source: MOFSL, Company

Exhibit 12: No. of orders continued to grow driven by F&O



Source: MOFSL, Company

Exhibit 13: Lower decline in ARPC even with the increase in share of flat fee-based revenue



Source: MOFSL, Company

Exhibit 14: No. of trades for Angel continued to grow despite market correction of more than 5%; thus, strongly weathering market volatility in 16 of the 19 instances

Period	# of Trading Days	Fall In Nifty50	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%
13 Jan - 24 Jan, 2022	8	-5.8%	-7.1%	-4.6%	14.8%
03 Feb - 24 Feb, 2022	16	-8.6%	-13.1%	-10.4%	4.7%
28 Feb - 07 Mar, 2022	5	-4.8%	-3.9%	-9.8%	2.1%

Source: MOFSL, Company

Exhibit 15: Trade volumes remained resilient even in a falling market

Year	Index		% Change		NSE Total Trades (# of Cash Trades + F&O Contracts) (Bn)	% Change In NSE Total Trades	Incremental Demat Accounts(Mn)
	NIFTY50	NIFTY MIDCAP 150	NIFTY50	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
FY22	17,464.8	11,131.1	19%	24%	24.2	84%	34.6

Source: MOFSL, Company

Financials and valuation

Income Statement							(INR m)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Total Income	4,433	4,723	4,721	8,971	16,829	21,371	25,641
Change (%)	37.9	6.5	0.0	90.0	87.6	27.0	20.0
Gross Brokerage Income	4,785	5,014	5,039	9,065	15,737	21,657	26,505
Less - Brokerage / direct expenses	2,464	2,420	2,304	3,630	5,502	7,572	9,267
Net Brokerage Income	2,321	2,595	2,735	5,436	10,235	14,085	17,237
Interest income	2,038	1,696	1,254	1,769	3,654	3,837	4,029
Less - Finance costs	947	666	489	389	721	629	679
Net Interest income	1,091	1,031	765	1,380	2,933	3,208	3,350
Other Income	1,021	1,098	1,221	2,155	3,662	4,078	5,054
Operating Expenses	2,701	3,245	3,142	4,675	8,273	10,792	12,744
Change (%)	3.9	20.2	-3.2	48.8	76.9	30.5	18.1
Employee expenses	1,245	1,593	1,598	1,718	2,809	3,847	4,487
Admin expense	1,456	1,652	1,544	2,957	5,464	6,945	8,256
Operating Margin	1,732	1,478	1,578	4,295	8,556	10,578	12,897
Depreciation	145	188	209	184	187	220	227
Exception	0	0	166	0	0	0	0
Profit Before Tax	1,587	1,290	1,204	4,112	8,369	10,359	12,670
Change (%)	231.3	-18.7	-6.7	241.5	103.6	23.8	22.3
Tax	508	448	320	1,131	2,117	2,590	3,168
Tax Rate (%)	32.0	34.7	26.6	27.5	25.3	25.0	25.0
PAT	1,079	842	884	2,981	6,253	7,769	9,503
Change (%)	248.0	-22.0	5.0	237.3	109.8	24.3	22.3
Dividend	235	234	227	1,056	2,245	2,719	3,326

Balance Sheet							(INR m)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E
Equity Share Capital	720	720	720	818	829	829	829
Reserves & Surplus	4,029	4,765	5,427	10,492	15,015	20,065	26,242
Net Worth	4,749	5,485	6,147	11,310	15,844	20,894	27,070
Borrowings	11,223	8,666	4,880	11,715	12,577	13,577	14,577
Other Liabilities	7,702	8,018	11,043	25,114	43,778	65,739	80,211
Total Liabilities	23,674	22,168	22,070	48,138	72,199	1,00,210	1,21,859
Cash and Investments	9,330	10,134	14,607	18,830	48,936	75,489	95,447
Change (%)	39.9	8.6	44.1	28.9	159.9	54.3	26.4
Loans	11,309	7,617	2,806	11,285	13,575	19,078	20,032
Change (%)	748.3	-32.6	-63.2	302.2	20.3	40.5	5.0
Net Fixed Assets	1,158	1,181	1,104	1,150	1,638	1,693	1,748
Current Assets	1,877	3,236	3,553	16,873	8,050	3,949	4,632
Total Assets	23,674	22,168	22,070	48,138	72,199	1,00,210	1,21,859

E: MOFSL Estimates

Financials and valuation

Ratios								(%)
Y/E March	2018	2019	2020	2021	2022	2023E	2024E	
As a percentage of Revenues								
Net Brokerage Income	52.3	54.9	57.9	60.6	60.8	65.9	67.2	
Net Interest Income	24.6	21.8	16.2	15.4	17.4	15.0	13.1	
Other Income	23.0	23.2	25.9	24.0	21.8	19.1	19.7	
Total cost	60.9	68.7	66.6	52.1	49.2	50.5	49.7	
Employee Cost	28.1	33.7	33.9	19.2	16.7	18.0	17.5	
Opex (ex emp) Cost	32.8	35.0	32.7	33.0	32.5	32.5	32.2	
PBT	35.8	27.3	25.5	45.8	49.7	48.5	49.4	
PAT	24.3	17.8	18.7	33.2	37.2	36.4	37.1	
Profitability Ratios (%)								
RoE	25.0	16.5	15.2	34.1	46.1	42.3	39.6	
Dividend Payout Ratio	21.8	27.8	25.7	35.4	35.9	35.0	35.0	
Valuations								
BVPS (INR)	57.5	66.4	74.4	136.9	191.2	252.2	326.7	
Change (%)	22.0	15.5	12.1	84.0	40.1	31.9	29.6	
Price-BV (x)	24.4	21.1	18.8	10.2	10.0	7.6	5.9	
EPS (INR)	13.1	10.2	10.7	36.1	75.5	93.8	114.7	
Change (%)	248.0	-22.0	5.0	237.3	109.8	24.3	22.3	
Price-Earnings (x)	107.2	137.4	130.9	38.8	25.4	20.5	16.7	
DPS (INR)	3.3	3.3	3.2	12.9	27.1	32.8	40.1	
Dividend Yield (%)	0.2	0.2	0.2	0.9	1.4	1.7	2.1	

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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