



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Company reported yet another steady quarter, and continued its business performance in Q4FY22, growing PAT by 100 percent/24 percent YoY/QoQ.
- Highest Gross customer additions were 1.5 million in Q4FY22 and 5.3 million in FY22, with tiers-3/4 cities accounting for more than 94% of the additions.

2. MANAGEMENT COMMENTARY:

- During the quarter, the lead conversion ratio for direct clients improved significantly.
- In Q4FY22, 80% of the clientele added were new to the market.
- For the next three to four years, management plans to concentrate on increasing market share through client acquisitions.
- In Q4FY22, client vintage remained new, with less than 2-year-old clients accounting for 75% of brokerage revenue.

3. BUSINESS OVERVIEW:

- Angel One has been in the business of broking for over three decades. The firm recently rebranded from 'Angel Broking' to 'Angel One,' and is now a technology-driven financial services firm that offers broking and consulting services, margin funding, loans against shares, and the distribution of third-party financial products to its clients.

4. MANAGEMENT GUIDANCE

- Company is confident that by continuing enhancing technology capabilities and introducing best-in-class features to improve client experience, they will be better positioned to capture a larger portion of this burgeoning and under-served market. Artificial intelligence, machine learning, and data science skills will be scaled up and used in our Super App.
- Following the implementation of the new flat charge structure, the company has seen a significant increase in customer acquisition. The market share of the F&O market, which charges a fixed Rs.20 each deal done, has exploded. It increased from 5.6 percent in Q3FY20 to 21.2 percent in Q4FY22.

5. BROKING INDUSTRY

- In the last decade, the Indian stock exchange has grown at an exponential rate. In comparison to the rest of the world, it is still underpenetrated. Only 90 million (NSDL+ CDSL) Indians had demat accounts as of March 31, 2022, accounting for around 6.4% of the country's population. In comparison, nearly 32% of Americans own equities (as of 2018). Even in China, 14 percent of the population is invested in the stock market (Mar- 22). This means that the stock market still has a lot of room to grow.
- In India's young population is often more tech-savvy, and increased use of wireless broadband internet should promote internet and mobile trading. Fintech firms have aided the growth of the brokerage sector, which has been aided by low-cost and high-speed internet. Client acquisition, operations, and client servicing have all shifted to digital platforms, allowing for scalability and, as a result, operating leverage.

6. VALUATION AND OUTLOOK:

- Demand for financial products is likely to rise, particularly in tier 2-3 cities, as financial literacy, cellphone penetration, increased awareness, and the creation of Jan Dhan bank accounts increase.
- In reality, the change is obvious in the last 2-3 years, as evidenced by the increase in demat accounts. Total demat accounts were 41 million in FY20, 55 million in FY21, and 90 million in FY22. Work from home culture, excellent equity market returns, record number of IPOs, and lower interest rates attracted a big number of new investors to the stock market as a result of the pandemic-driven lockdown.
- We value the company at 21.7x FY23 EPS to arrive at the target of 1945.

RECOMMENDATION - BUY

CMP - 1690

TARGET - 1945 (15%)

Industry	Finance - Stock Broking
NSE CODE	ANGELONE
BSE CODE	543235
Market Cap (₹ Cr)	10796
Shares Outstanding (in Cr)	8.29
52 wk High/Low (₹)	2022 / 371
P/E	24.3
P/BV	9.58
Face Value (₹)	10.00
Book Value (₹)	191
EPS (FY22) (₹)	75.4
Dividend Yield (%)	1.42

SHAREHOLDING PATTERN

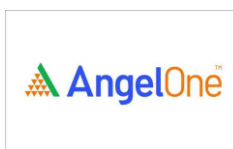
	Mar'22	Dec'21	Sep'21
Promoters	44	43.68	43.77
Mutual Funds	9.08	7.84	7.59
FII/FPI	8.96	5.44	4.66
Retail & Others	36.72	42.31	43.40
Promoter Pledging	0.00	0.00	0.00

FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2021A	2022A	2023E
Core			
Sales	1264	2259	2649
Sales Gr. (%)	74.4	75	20
EBITDA	436	881	1033
EBITDA Mrg. (%)	37.3	39	39
Adj. PAT	297	625	742
Adj. EPS (₹)	36.3	75.4	89.4
EPS Gr. (%)	0.00	107.8	25
Ratios			
ROE (%)	34.62	46	38.7
ROCE (%)	26.73	26.3	27.4
Payout (%)	35.45	34.5	35
Valuation			
P/E (x)	8.02	24.3	18.3
P/BV (x)	2.11	9.6	7.18
EV/EBITDA (x)	3.56	12.1	10.7

Historical & Industrial Val Ratios

Historical P/E	24.29
Industry P/E	19.04
Historical P/B	9.58
Industry P/B	4.82



Retail ADTO market share	Q4FY22	Q3FY22	Q2FY22	Q1FY22	Q4FY21	Q3FY21	Q2FY21
Overall Equity Market	20.9	20.9	21.2	22.7	20.8	16.1	12.3
F&O Market	21.2	20.9	21.3	22.9	20.9	16.1	12.1
Cash Market	13.7	14.2	14.0	13.8	16.3	17.6	18.3
Commodity Market	42.4	36.4	27.7	25.8	25.5	26.8	28.4

QUARTERLY PERFORMANCE (CONSOLIDATED)

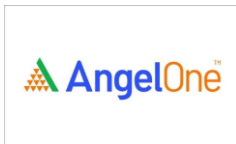
(₹ Cr)

Y/E March	FY21				FY22				FY23E*
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Net sales	238	310	307	409	463	527	597	671	2649
YoY change (%)		80.34	71.64	111.99	94.05	70.19	94.70	64.0	20
Expenditure	169	199	201	262	292	336	363	386	1616
EBITDA	70	111	106	147	171	191	234	285	1033
YoY growth (%)		196	132	179	146	73	121	93	22.1
Depreciation	5	5	5	4	4	5	5	5	12
Interest	8	14	6	11	16	18	18	20	43
Other income	8	8	9	10	12	11	10	14	12
PBT	65	100	105	142	162	179	221	274	990
Tax	16	25	31	40	41	45	56	69	247.5
Adjusted PAT	48	75	73	102	121	134	165	205	742
YoY change (%)		268	162	213	152	80	125	100	

Source: Company, Hem Securities Research.

EWS*Insights into the assumptions:

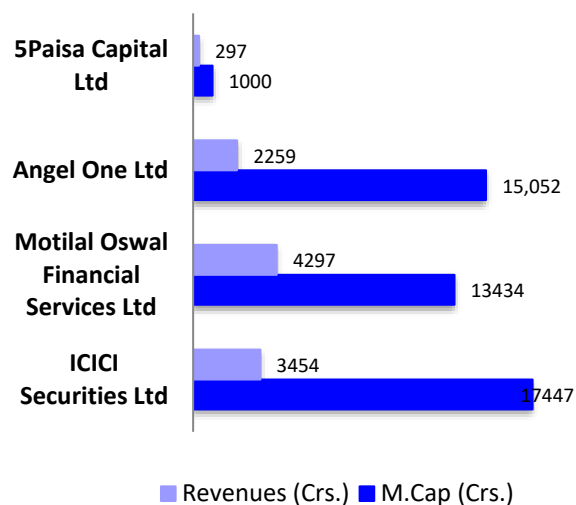
- 1> Revenue has shown an increasing trend.
- 2> The number of orders is also increasing.
- 3> Company has started focusing on distribution of third-party financial products.
- 4> Consistently investing in the development of digital platforms.
- 5> The company has employed numerous top to mid-level personnel with new-age consumer-tech backgrounds in the recent year.
- 6> The debut of the company's refined super-app, according to management, will aid in better understanding client behavior and, as a result, increased activity levels.
- 7> For both the BSE and the NSE, the share of below-Tier I cities in cash trading has been increasing, and the company has taken advantage of this trend.



INDUSTRY OVERVIEW

- Indian exchanges have seen robust growth across all areas, with derivatives leading the way. Cash segment turnover increased by 16 percent, stock derivatives by 44 percent, currency derivatives by 9 percent, and commodity derivatives by 2 percent between FY11 and FY20, all in CAGR terms.
- Another significant change is the advent of bargain brokers, who place technology at the center of their company development and operate on a flat fee basis. The usage of technology allows them to reach out to India's underserved tier 2-3 cities, lowering costs for businesses.
- The low yields from traditional investment assets such as gold and real estate, combined with the falling interest rate cycle, has shifted retail investor attention to the capital markets.
- In comparison to the rest of the globe, the Indian stock exchange is still underdeveloped. Only 90 million (NSDL+ CDSL) Indians had demat accounts as of March 31, 2022, accounting for around 6.4% of the country's population. In comparison, nearly 32% of Americans own equities (as of 2018). Even in China, 14 percent of the population is involved in the stock market. This means that the stock market still has a lot of room to grow.

KEY PLAYERS



PEER PERFORMANCE

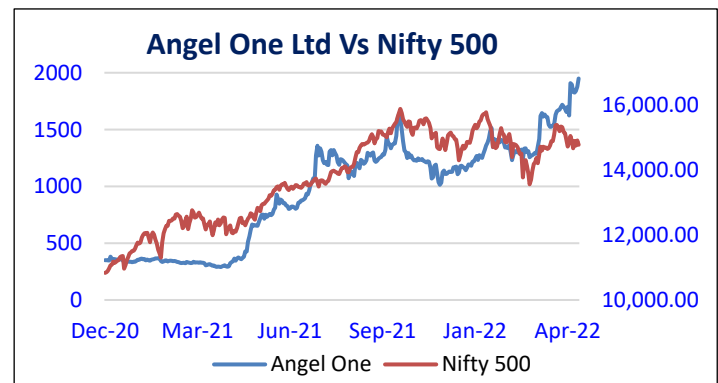
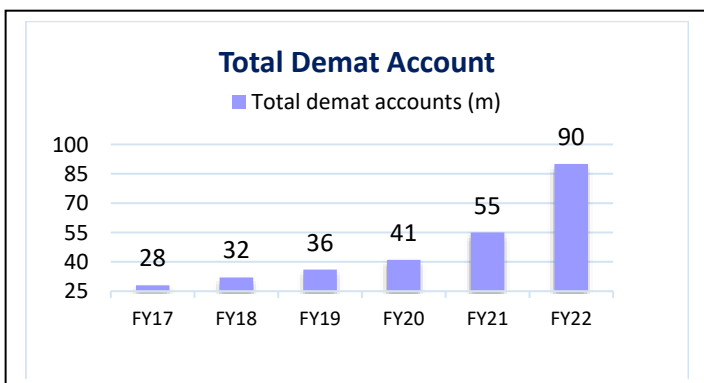
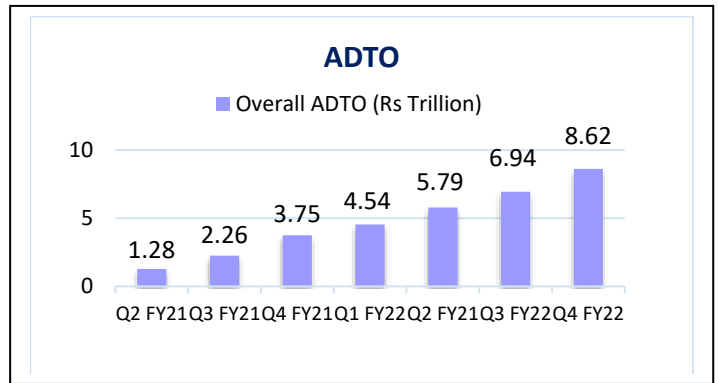
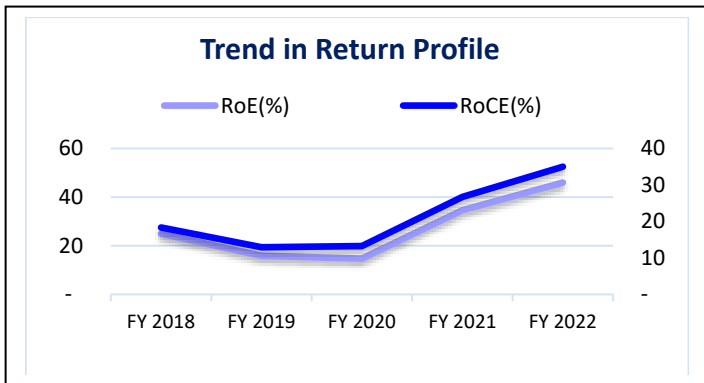
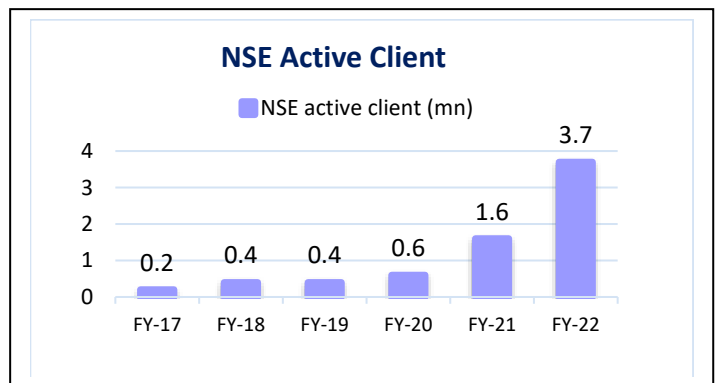
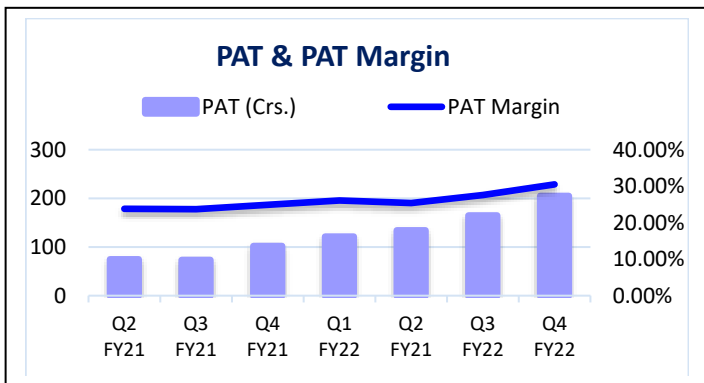
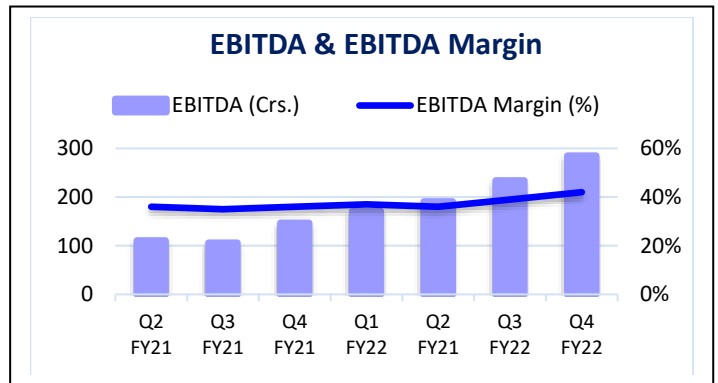
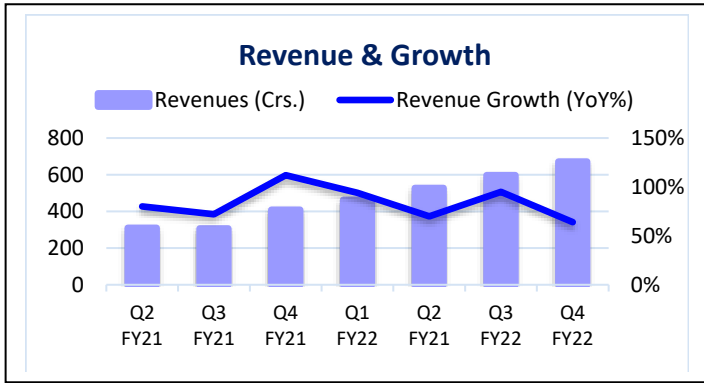
(₹ Cr)

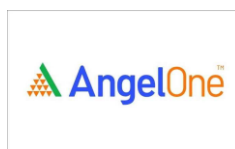
Particulars	Angel One Ltd.	ICICI Securities Ltd	5Paisa Capital Ltd	Motilal Oswal Financial Services Ltd
Market Cap	15,052.8	17,447.4	1,000.6	13,434.3
Net Sales	2,259	3,435	297	4,297
EBITDA	881	2,185	44	2,119
PAT	625	1,383	14	1,310
EPS(Rs)	75.4	42.85	4.67	87.8
EBITDA MARGIN %	39	64	15	49
PAT MARGIN %	27.6	40.2	5.0	30.5
ROCE %	35.3	27	7.7	29.1
ROE %	46	65	5.1	25.9
P/E	24.3	12.6	72.4	10.3
P/B	9.6	7.2	2.7	2.4
EV/EBITDA	12.1	8.8	2.1	6.7
Dividend Yield %	1.0	3.2	-	1.1
MCap/ Sales	6.7	5.1	3.4	3.2

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

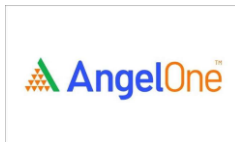
- The market share of the F&O market, which charges a fixed Rs.20 each deal done, has exploded. It increased from 5.6 percent in Q3FY20 to 21.2 percent in Q4FY22.
- The company has been working on AI/ML capabilities to streamline and improve customer onboarding as well as promote customer activity by pushing them with investment ideas produced by its proprietary ARQ Prime system.
- From 32 million in FY18 to 90 million in Mar'22, the number of Demat accounts in India has more than tripled. The LIC IPO is expected to boost demat account growth even further, as a distinct allocation for policyholders is expected. Angel is more likely to take advantage of this opportunity because of its bigger presence in lower-tier locations.
- Quarterly gross client acquisitions increased to 1.5 million in 4QFY22, up from 68,000 in 1QFY20. The number of active users on the NSE has increased dramatically, from 0.4 million in 1QFY20 to 3.7 million in Mar'22.
- Angel's activation rate has been steadily increasing over the last three quarters, peaking at 39.7 percent of this year.
- While stock market trading has grown in popularity in India in recent years, overall penetration remains low: about 90 million Indians (based on the number of demat accounts as of March 22) invest in stock markets, accounting for around 6.4% of the country's population. In comparison, more than half of all Americans hold shares. Even in China's 13.5 percent of the population invests in the stock market. India's 6.4% statistic implies that there is still plenty of space for India's stock market penetration to increase.

RISK FACTORS:

- Volatility is an inherent risk in the capital markets. The growth of volumes in the broking business is highly correlated with market volatility (particularly negatively). As a result, any sustained period of negative equity market returns can be devastating to a company's revenues.
- IT systems play a crucial role in the company's operations. As a result, any disruptive new discovery in the field or system failure could have a greater influence on the firm. Furthermore, any data loss or security breach involving consumer data could be detrimental to the organization.
- The competition in the brokerage profession has risen dramatically in recent years, particularly since bargain brokers entered the picture. The company is up against stiff competition not only from other discount brokers, but also from established traditional brokers who are branching out into discount broking. This fierce rivalry may have an impact on the yield and present rate of growth.
- The company is subject to a variety of legislative and regulatory obligations and oversight, all of which have a significant impact on and impact on its business activities.

COMPANY RECAP

- Angel One is a technology-driven financial services firm that offers clients broking and advisory services, margin funding, share loans, and the distribution of third-party financial products. In terms of active clients on the NSE, Angel One Limited (previously known as Angel Broking Limited) is India's largest listed retail stock broking business. Broking and related services are provided via (i) online and digital platforms, as well as (ii) a network of Authorized Persons. The company had 9.2 million overall clients as of Q4FY22, including 3.7 million NSE Active clients. Angel One has the largest sub-broker network (15k+) in the business, accounting for 24% of net broking revenues. It has a presence in 98 percent of India's pin codes.
- Angel Broking has been in business for three decades and is run by capital market expert Mr Dinesh Thakkar (MD and Chairman). The company just changed its name from 'Angel Broking' to 'Angel One.' The once-single-product business is now a one-stop shop for wealth generation throughout one's life. It has evolved from a typical broking firm to a cutting-edge digital broker (in-line with the changing environment within broking industry). Trading through mobile applications, e-KYC, and a flat-fee pricing scheme are all available through this new 'Angel One' organization.
- Angel One intends to launch a technology-based asset management (AMC) company. The shift in India toward more financial savings bodes well for this strategy.
- The firm has developed a plug-and-play or open architecture that allows its customers to use services provided by third-party vendors. Smallcase, sensibull, streak, market mojo, and Vested have all been integrated into the company's platform. These solutions broaden the company's digital offering to clients, allowing them to invest not just in India but also internationally.



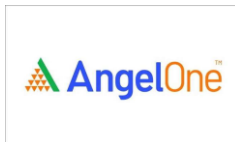
ANNUAL PERFORMANCE

Financials & Valuations						
Income Statement	(₹ Cr)					
Y/E March	2018	2019	2020	2021	2022	2023E
Revenue from operations	765	763	725	1264	2259	2649
Growth YoY (%)	77.5	-0.3	-5.0	74.4	75	20
Total Expenditure	517	575	569	828	1378	1616
(%) of sales	67.5	75.4	78.5	65.5	61	61
EBITDA	248	188	156	436	881	1033
EBITA Growth (%)	8176.3	-24.4	-17.1	179.8	90.6	22.1
EBITA Margin (%)	35.0	28.1	25.6	37.3	39	39
Depreciation	15	20	21	18	19	12
Finance Cost	95	70	50	42	72	43
Other Income	14	11	2	8	46	12
Profit Before Tax	159	124	114	410	836	990
Rate of tax (%)	37.33	35.48	25.62	26	25	25
Net Profit	108	80	82	297	625	742
PAT Growth (%)	248	-26	3.1	260.5	110.4	24.9
PAT Margin (%)	14.1	10.5	11.4	23.5	27.6	28
EPS				36.28	75.41	89.4
EPS Growth (%)	52.3	13.4	50.9	21.2	107.8	25

Source: Company, Hem Securities Research.

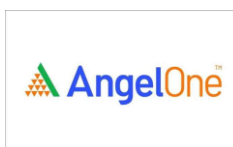
Balance Sheet					
	(₹ Cr)				
Y/E March	2018	2019	2020	2021	2022
Share Capital	72	72	72	82	83
Reserves	403	459	519	1,049	1,502
Borrowings	1,125	872	491	1,171	1,258
Other Liabilities	767	805	1,108	2,511	4,378
Total Liabilities & Equity	2,367	2,209	2,190	4,814	7,220
Fixed Assets	116	134	124	115	164
CWIP	0	1	2	0	0
Investments	6	15	35	6	19
Other Assets	2,246	2,059	2,029	4,693	7,037
Total Assets	2,367	2,209	2,190	4,814	7,220

Source: Company, Hem Securities Research.



Ratios					
Y/E March (Basic (INR)	2018	2019	2020	2021	2022
Profitability and return ratios					
Net profit margin (%)	13.8	10.4	12.2	23.2	27.6
EBITDA margin (%)	32.2	25.2	23.5	35.3	39
ROE (%)	26.7	16.1	16.2	34.9	46
ROCE (%)	18.8	12.8	13.7	26.5	25.3
ROA (%)	5.1	3.2	3.7	6.5	10.4
Key Performance Indicator					
Growth In Demat Accounts in India (Mn)	32	36	41	55	90
Rising Penetration of Demat Accounts in India (%)	2.4	2.7	3.1	4.1	6.4
NSE Active Client Base (Mn)	-	-	0.6	1.6	3.7
Share of Active Client Base in Total (%)	-	-	31.8	38	39.7
Market Share in NSE Active Client Base (%)	-	-	5.3	8.3	10.1
Gross Client Added under Flat Fee Plan (%)	-	-	81	90	92
Overall ADTO (Bn)	-	-	1643	7914	25910
Total No of Orders (Mn)	-	-	132	345	680
Total No of Order in F&O (Mn)	-	-	30	138	430
Growing Trend of Mobile App Installs (Mn)	-	-	4.5	10.3	21.8
Digital Focused Talent Pool	-	-	343	496	610
Cost to Income Ratio	-	-	62	54.2	50.3
Valuations Ratios					
EV/sales (x)	0.4	-0.01	-1.1	1.4	4.98
EV/EBITDA (x)	1	-0.05	-4.4	3.7	12.1
P/E (x)	-	-	-	8.2	23.8
P/BV (x)	-	-	-	2.2	9.4
Dividend Yield (%)	-	-	-	4.4	1.4

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
04-May-2022	BUY	1945

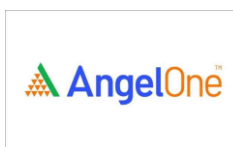
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Name of the Research Analyst: Madhur Mandhana

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SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

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