

ANGEL One

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	ANGELONE IN
Equity Shares (m)	83
M.Cap.(INRb)/(USDb)	108.3 / 1.3
52-Week Range (INR)	2022 / 1000
1, 6, 12 Rel. Per (%)	15/-20/-24
12M Avg Val (INR M)	995
Free float (%)	56.3

Financial & Valuation (INR b)

Y/E March	2023	2024E	2025E
Revenues	22.9	26.2	29.7
Opex	10.7	12.6	14.1
PBT	11.9	13.3	15.2
PAT	8.9	10.0	11.4
EPS (INR)	107.5	120.2	137.3
EPS Gr. (%)	42.5	11.8	14.2
BV/Sh. (INR)	260.9	335.4	417.8

Ratios (%)

C/I ratio	46.7	48.0	47.5
PAT margin	38.8	38.0	38.3
RoE	47.6	40.3	36.5
Div. Payout	37.3	38.0	40.0

Valuations

P/E (x)	12.1	10.8	9.5
P/BV (x)	5.0	3.9	3.1
Div. Yield (%)	3.1	3.5	4.2

Shareholding pattern (%)

As On	Dec-22	Sep-22	Dec-21
Promoter	43.7	43.7	43.7
DII	12.6	9.7	8.6
FII	14.0	11.3	5.4
Others	29.8	35.3	42.3

CMP: INR1,298
TP: INR1,800 (+39%)
Buy

Reversal of ESOP expense drives 11% earnings beat

- ANGELONE's 4QFY23 PAT surged 30% YoY to INR2.7b (11% beat led by reversal of ESOP expense). Net revenue was 4% higher than our estimates at INR5.3b (+31% YoY), mainly due to 16% beat in net interest income.
- Overall operating expenses (opex) grew 19% YoY to INR2.73b (7% below our expectations). ESOP costs declined 32% QoQ, which had largely offset the impact of 28% sequential increase in other expenses to INR1.97b (11% above our estimates).
- CIR declined substantially to 42.5% (better than our estimate of 47.1%) from 46.0% in 3QFY23; CIR improved 264bp YoY. Ex-ESOP reversal, CIR would be in line with our expectations.
- The number of orders spiked to 263m in 4Q from 226m in 3QFY23.
- The Board recommended a final dividend of INR4 per share; this was in addition to INR35.9 per share interim dividend declared in FY23.
- For FY23, ANGELONE reported 41%/48% growth in total income/PAT to INR16.5b/INR6.2b.
- We raise our FY24/FY25 earnings estimates by 6.1%/7.0% to factor in higher revenue. **We reiterate our BUY rating on the stock with a revised TP of INR1,800 (premised on 13x Mar'25E EPS).**

Interest income higher than estimate; F&O share improves sharply

- ANGELONE's operating revenue growth was healthy at 15% QoQ and 30% YoY to INR5.3b (4% ahead of our estimate), driven by strong interest income. Gross broking business grew 14% QoQ due to a 21% rise in F&O broking revenue, whereas cash and commodity segments declined 24% and 9% QoQ, respectively. The share of the F&O segment in gross broking revenue increased to 87% in 4QFY23 from 82% in 3QFY23.
- On a quarterly basis, the average revenue per user (ARPU) grew to INR427 in 4QFY23 from INR414 in 3Q (first rise in ARPU since going digital).

Lower opex and ESOP expense reversal led to improvement in C/I ratio

- Total opex increased 3% QoQ and 19% YoY to INR2.73b (7% below our estimates). A sharp decline in expenses led to a contraction in CIR to 42.5% from 45.1% as of 4QFY22.
- Employee costs declined 32% YoY to INR0.8b (38% below our estimate due to reversal of ESOP costs to the tune of INR300m). Ex-reversal, the employee costs reduced 7% owing to lower outgo on variable pay.
- Administration costs increased 28% QoQ to INR1.97b (11% above our estimate) due to client additions and higher marketing spends for promoting the super app.

Highlights from the management commentary

- The current broking revenue progression of ANGELONE's acquired cohort shows that in pre-digital era if the broking revenue was INR100, it tended towards INR47 in year 2 and INR32 in year 3. However, in post-digital era the same revenue tends towards INR86 in year 2 and INR77 in year 3.
- SIP flows in mutual funds have doubled post-launch of the super app. The other products that the company focuses to undertake in FY24 are unsecured retail lending and insurance distribution. ANGELONE, through its super app strategy, is well positioned to partner and offer multiple products.
- The company has received the in-principal approval from SEBI in Feb'23 to launch its mutual fund. Technically, it would take about six quarters more for the mutual fund business to go live.

Market share improves in F&O and commodities but declines in cash

- Gross client additions stood at 1.3m, +31% QoQ, taking the total count to 13.8m with a market share of 12%.
- Volatility in the equity market led to a decline in the active client ratio to 31.2% in 4QFY23 from 33.6% in 3Q.
- Total ADTO stood at INR18.5t, up 28% QoQ, and more than doubled YoY. The market share rose to 22.8% in 4QFY23 from 21.5% in 3Q, whereas the number of orders spiked to 263m in 4QFY23 from 226m in 3Q.
- ANGELONE's F&O market share inched up to 22.8% from 21.6% in 3QFY23. F&O ADTO grew 28% QoQ and 116% YoY to INR18.1t. The number of orders rose to 215m in 4Q from 172m in 3QFY23. While revenue per order declined marginally to INR23.5 in 4Q from INR24.3 in 3QFY23.
- Cash ADTO market share declined to 12.3% from 13.3% in 3QFY23. Cash ADTO has also declined 25% QoQ to INR27b (down 41% YoY). The number of orders fell 16% QoQ to 37m. Revenue per order also declined 10% QoQ to INR12.6.
- ANGELONE continued to strengthen its position in the Commodity segment as its market share expanded to 55.2% in 4QFY23 from 52.4% in 3Q.

Valuations attractive; reiterate BUY

ANGELONE is a perfect play on: 1) the financialization of savings and 2) digitization. It demonstrated a strong operating performance in 4QFY23 even during challenging market conditions. As guided, management continues to invest in technology to strengthen its position. We raise our FY24/FY25 earnings estimates by 6.1%/7.0% to factor in higher revenue. In the cash segment, we have assumed a flat trajectory in the number of orders, while in the derivatives segment we have assumed 20%/16% growth for FY24/FY25. In terms of costs, we have built in the incremental working capital costs for upstreaming of funds to clearing corporation. **We reiterate our BUY rating on the stock with a revised TP of INR1,800 (premised on 13x Mar'25E EPS).**

Quarterly performance

(INR m)

Y/E March	FY22				FY23				FY22	FY23	4QFY23E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Revenue from Operations	2,600	2,992	3,512	4,064	4,203	4,559	4,625	5,313	13,167	18,700	5,099	4.2
Other Income	807	888	936	1,031	948	1,029	1,126	1,129	3,662	4,232	1,147	-1.5
Total Income	3,407	3,880	4,448	5,095	5,151	5,588	5,751	6,442	16,829	22,932	6,246	3.1
Change YoY (%)	110.4	83.3	100.5	68.9	51.2	44.0	29.3	26.4	87.6	36.3	22.6	17.0
Operating Expenses	1,744	2,040	2,191	2,298	2,660	2,662	2,648	2,736	8,273	10,705	2,944	-7.1
Change YoY (%)	88.9	89.9	94.6	48.0	52.5	30.5	20.9	19.0	76.9	29.4	28.1	-32.2
Depreciation	41	45	48	52	65	69	80	89	187	303	89	0.8
PBT	1,622	1,795	2,209	2,744	2,427	2,857	3,023	3,616	8,369	11,924	3,213	12.5
Change YoY (%)	151.1	80.1	111.2	92.8	49.6	59.2	36.9	31.8	103.5	42.5	17.1	85.8
Tax Provisions	408	451	562	696	611	721	739	946	2,117	3,016	810	16.8
Net Profit	1,214	1,343	1,647	2,048	1,816	2,137	2,284	2,670	6,253	8,907	2,403	11.1
Change YoY (%)	151.8	80.2	124.7	101.0	49.6	59.0	38.7	30.3	109.7	42.5	17.3	75.2
Key operating parameters (%)												
Cost to Income Ratio	51.2	52.6	49.3	45.1	51.6	47.6	46.0	42.5	49.2	46.7	47.1	-466bps
PBT Margin	47.6	46.3	49.7	53.9	47.1	51.1	52.6	56.1	49.7	52.0	51.4	469bps
Tax Rate	25.2	25.1	25.4	25.4	25.2	25.2	24.4	26.2	25.3	25.3	25.2	95bps
PAT Margins	35.6	34.6	37.0	40.2	35.3	38.2	39.7	41.4	37.2	38.8	38.5	297bps
Revenue from operations (INR m)												
Gross Broking Revenue	3,229	3,598	4,150	4,760	4,707	5,187	5,100	5,812	15,737	20,806	5,952	-2.3
F&O	2,034	2,483	3,071	3,713	3,813	4,253	4,182	5,056	11,301	17,304	5,080	-0.5
Cash	1,001	935	913	857	659	674	612	465	3,706	2,410	575	-19.1
Commodity	129	144	125	190	188	207	255	232	588	883	265	-12.4
Currency	32	36	42	48	47	52	51	58	157	208	31	87.3
Net Broking Revenue	2,055	2,275	2,709	3,196	3,191	3,560	3,508	4,140	10,235	14,399	4,089	1.3
Net Interest Income	545	717	803	868	1,012	999	1,117	1,172	2,933	4,300	1,010	16.0
Revenue from operations mix (%)												
As % of Gross Broking Revenue												
F&O	63.0	69.0	74.0	78.0	81.0	82.0	82.0	87.0	71.8	83.2	85.4	1.9
Cash	31.0	26.0	22.0	18.0	14.0	13.0	12.0	8.0	23.6	11.6	9.7	-17.2
Commodity	4.0	4.0	3.0	4.0	4.0	4.0	5.0	4.0	3.7	4.2	4.5	-10.3
Currency	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	0.5	91.8
Net Broking (As % Total Revenue)	79.0	76.0	77.1	78.6	75.9	78.1	75.8	77.9	77.7	77.0	80.2	-2.8
Net Interest Income (As % Total Revenue)	21.0	24.0	22.9	21.4	24.1	21.9	24.2	22.1	22.3	23.0	19.8	11.4
Expense mix (%)												
Employee Expenses	33.2	33.0	34.8	31.9	37.3	40.1	40.8	26.7	33.2	36.1	39.9	-33.0
Admin Cost	62.9	63.2	61.8	64.9	59.1	57.2	56.2	69.6	63.2	60.6	58.5	19.0
Depreciation	2.3	2.2	2.2	2.2	2.4	2.5	2.9	3.2	2.2	2.7	2.9	8.2



Highlights from the management commentary

Super app and new initiatives

- The fundamental principle at ANGELONE has been to stay focused on unit economics and run a profitable business, keeping clients at the center while enhancing their experience and “wow” quotient with the ANGELONE app.
- The company has fully transitioned to super app successfully in 4QFY23. The super app currently enjoys 4.1 rating. The total capex for building the super-app has been capitalized (~INR300m).
- ANGELONE, through its super app strategy, is well positioned to partner and offer multiple products. The business model is robust to deliver profitable unit economics across all cohorts.
- SIP flows in mutual funds have doubled post-launch of the super app. The other products that the company focuses to undertake in FY24 are unsecured retail lending and insurance distribution.

Financials

- Of the total cash and cash equivalents, INR40b has been from client’s funds.
- The Board has declared an aggregate dividend of INR3.3b in FY23, translating into a payout of 37% of PAT.
- Ancillary transaction charges will rise in line with ADTO increase. Interest income has been re-classified that includes income from MTF book and income generated from its own proprietary book.
- Employee expenses have come down due to reversal in variable cost that the company has provided during FY23. Of the total employee cost, 30-35% would be variable and the rest was fixed in nature. The entire ESOP reversal was on account of the CEO’s exit. ESOP cost for FY24 is estimated to be INR1.1b.
- Other expenses, being elastic in nature, included customer acquisition cost and cloud cost that were linked to overall turnover. The CAC is expected to breakeven within two quarters.

Business

- ANGELONE’s market share in FY23 rose 366bp to 18.4%. The company enhanced its client base by 3.6x in last three years to 13.8m with continued focus on underpenetrated tier 2 and 3 cities.
- The cash segment helps to grow MTF book and the company is working towards developing new products in this segment.
- MCX has been introducing various innovative products on options side. ANGELONE has gained market share in commodities segment as it had the first mover advantage in introducing these products to the clients over smartphones.
- SEBI Board meeting held on Mar’23 has allowed up-streaming of client funds. Cash, earmarked deposits or units of MFs are allowed; however, bank guarantees have been kept outside the purview. The company would require additional working capital of INR8b on annualized basis and the cost of the same will be about INR500-550m.
- The robustness of ANGELONE’s fintech model demonstrates a very healthy LTV:CoA of 7.8x based on the first three years of aggregate client revenue. As clients increase their engagement on the platform, the LTV:CoA will have a long runway of growth.

- Investments in augmenting technology and talent pool will continue, thus enabling the business to reach its aspiration by leveraging the power of data and technology.
- The business model is geared towards on-boarding young cohorts, who have limited access to capital markets. These young digital natives have a long runway in their careers with sustainable revenue potential.
- The current broking revenue progression of ANGELONE's acquired cohort shows that in pre-digital era if the broking revenue was INR100, it tended towards INR47 in year 2 and INR32 in year 3. However, in post-digital era the same revenue tends towards INR86 in year 2 and INR77 in year 3.
- All regulatory changes introduced helps in strengthening broking industry and will enhance confidence among retail participation. Small- and medium-sized brokers would get hit as compliance cost increases with more regulations being introduced. This shall ensure consolidation in the broking industry with scale players gaining market share.
- ANGELONE believes that implementation of ASBA for the secondary market is still far away. This shall definitely have an impact on the float income. However, as smaller brokers may not be able to implement the same, this will help digital brokers to gain market share.
- The Board has appointed Mr. Amit Majumdar as an Executive Director for strategic initiatives. He has been associated with ANGELONE in the past.
- The company has received the in-principal approval from SEBI in Feb'23 to launch its mutual fund. Technically, it would take about six quarters more for the mutual fund business to go live.

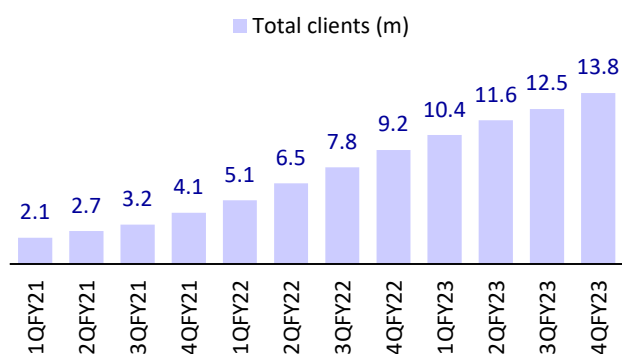
Exhibit 1: Upgraded estimates on strong revenue traction

INR b	Old Est.		New Est.		Change (%)	
	FY24	FY25	FY24	FY25	FY24	FY25
Net Brokerage Income	16.1	18.3	16.6	18.8	2.6	2.7
Net Interest Income	4.2	4.4	4.9	5.3	16.7	21.4
Other Income	5.2	6.1	4.8	5.5	-7.4	-9.7
Total Income	25.5	28.8	26.2	29.7	2.9	2.9
Operating Expenses	12.2	13.7	12.6	14.1	2.9	2.9
EBITDA	13.3	15.1	13.6	15.6	2.9	2.9
PBT	12.9	14.8	13.3	15.2	3.1	2.8
Tax	3.2	3.7	3.3	3.8	3.1	2.8
PAT	9.7	11.1	10.0	11.4	3.1	2.8
C/I ratio	48.0	47.5	48.0	47.5	0.0	0.0
RoE	39.3	36.3	40.3	36.5	-1.1	-0.2

Source: MOFSL, Company

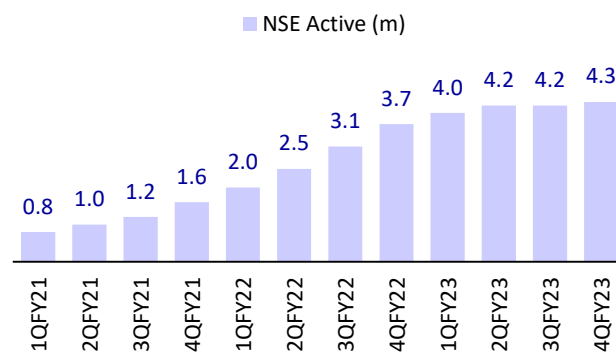
Key exhibits

Exhibit 2: Total clients continued to rise



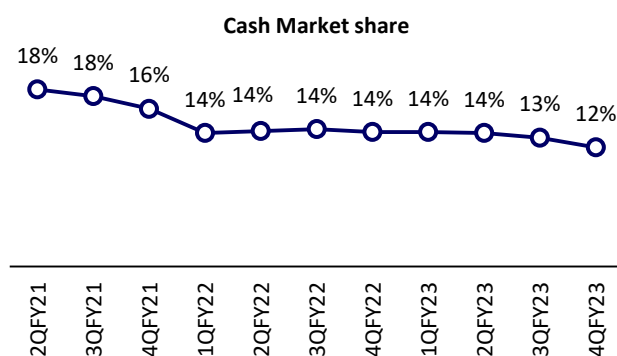
Source: MOFSL, Company

Exhibit 3: NSE active clients increased QoQ



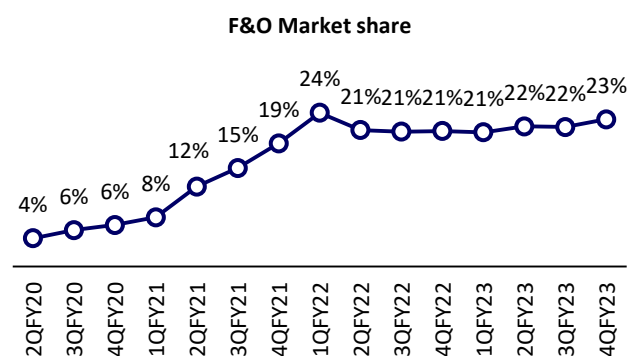
Source: MOFSL, Company

Exhibit 4: Cash segment market share declined



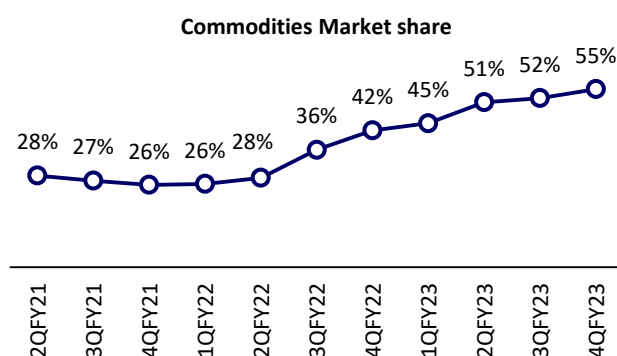
Source: MOFSL, Company

Exhibit 5: F&O market share improved



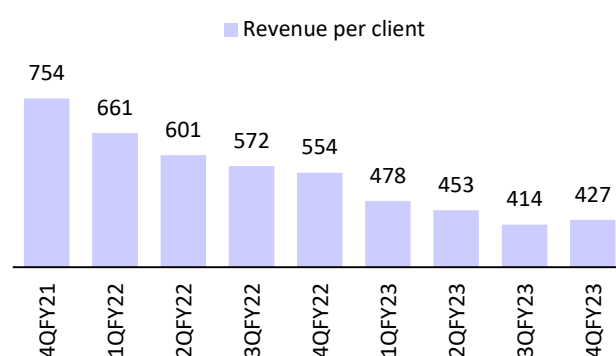
Source: MOFSL, Company

Exhibit 6: Commodities market share improved further

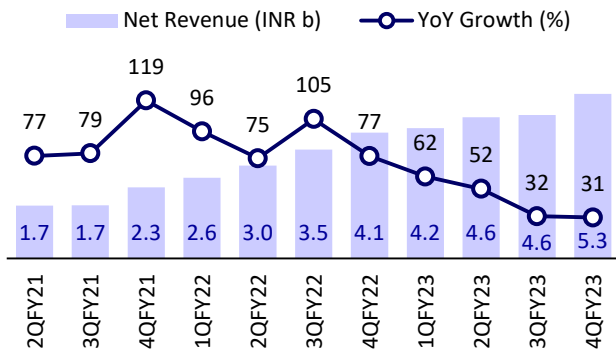


Source: MOFSL, Company

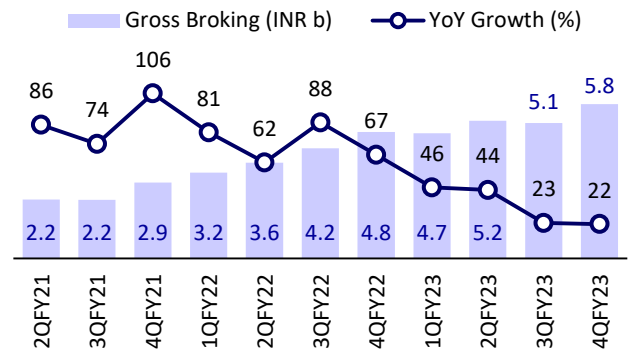
Exhibit 7: Revenue per client improved sequentially



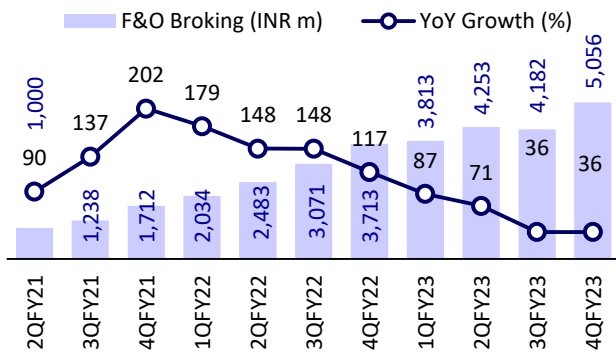
Source: MOFSL, Company

Exhibit 8: Net revenue improved QoQ...

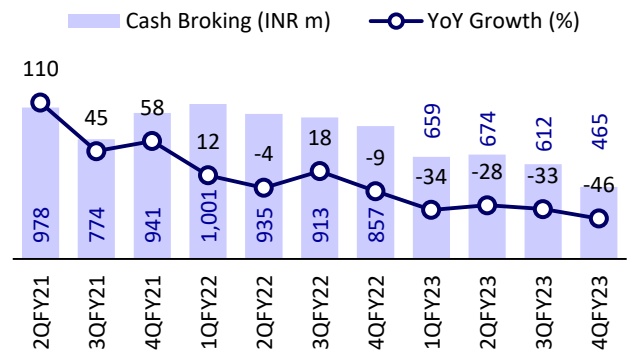
Source: MOFSL, Company

Exhibit 9: ...with healthy growth in gross broking revenue

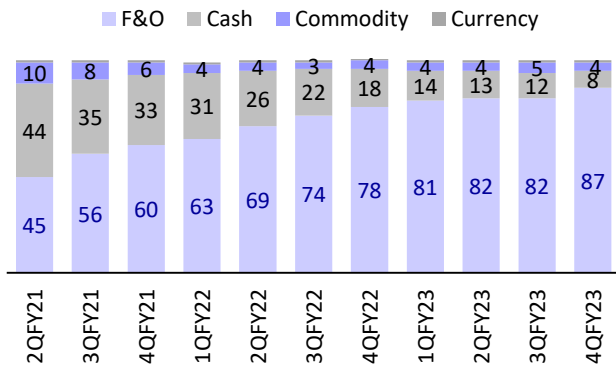
Source: MOFSL, Company

Exhibit 10: F&O growth momentum was strong

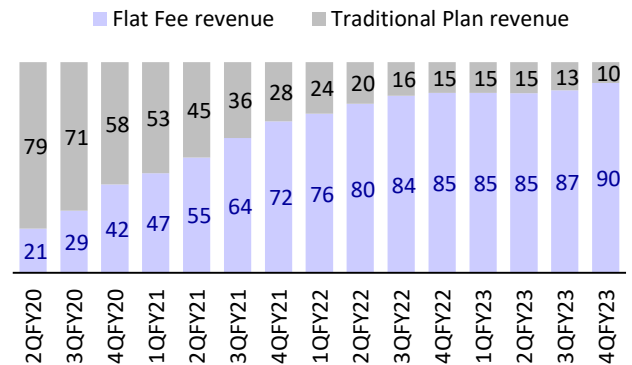
Source: MOFSL, Company

Exhibit 11: Cash broking revenue declined

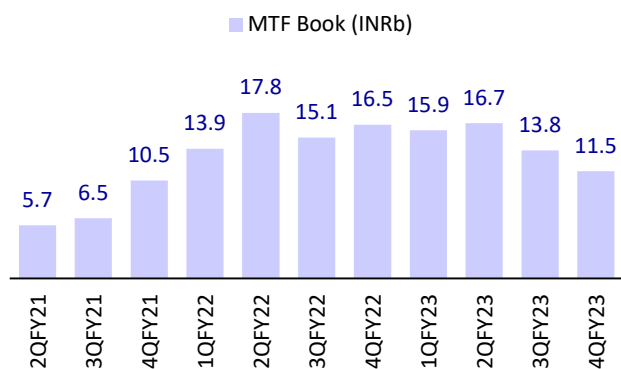
Source: MOFSL, Company

Exhibit 12: Share of F&O in gross broking revenue spiked

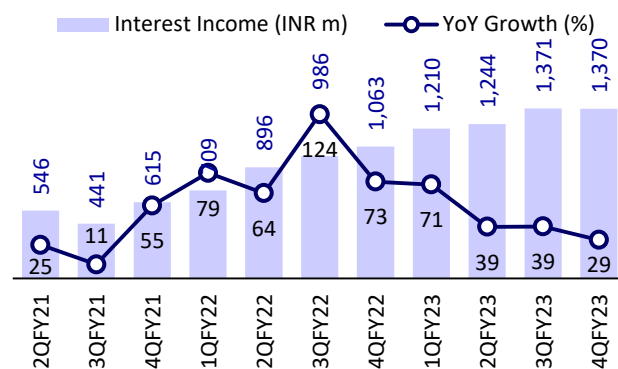
Source: MOFSL, Company

Exhibit 13: Share of flat fee model continued to rise

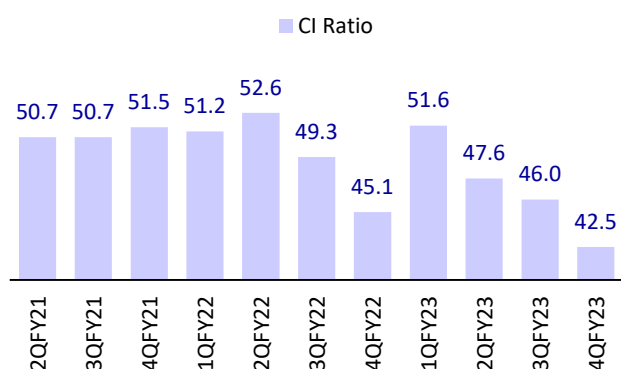
Source: MOFSL, Company

Exhibit 14: MTF book declined to INR11.5b

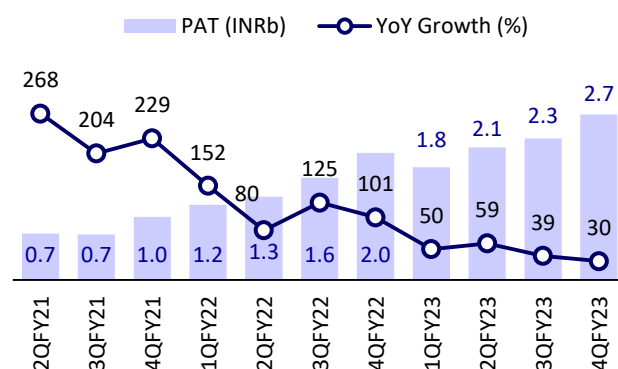
Source: MOFSL, Company

Exhibit 15: Interest income remained flat

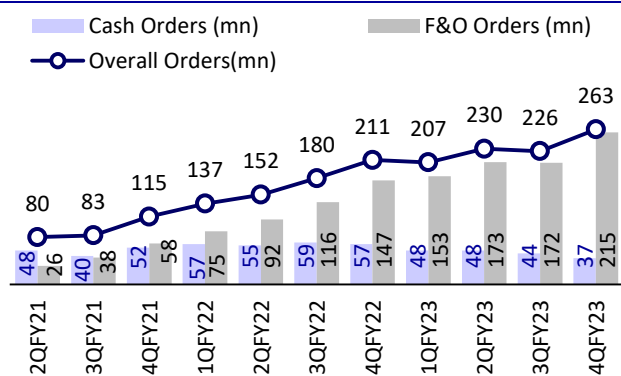
Source: MOFSL, Company

Exhibit 16: C-I ratio declined sequentially

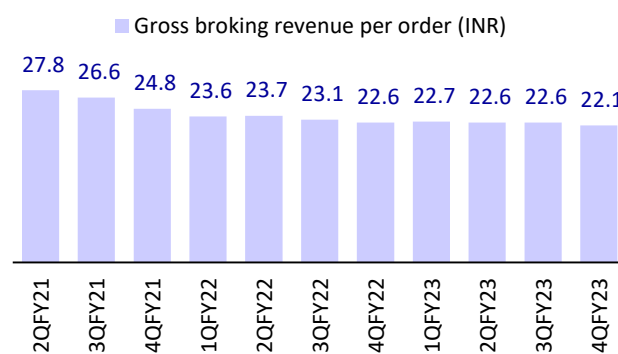
Source: MOFSL, Company

Exhibit 17: Trend in PAT growth

Source: MOFSL, Company

Exhibit 18: No. of orders increased...

Source: MOFSL, Company

Exhibit 19: ...whereas gross broking revenue per order declined marginally

Source: MOFSL, Company

Exhibit 20: Broking revenue progression of acquired cohorts

	Year 1	Year 2	Year 3	Year 4	Year 5	Beyond Year 5
Pre Digital						
FY15 – 17	100%	47%	32%	26%	26%	26%
FY18	100%	42%	36%	36%	38%	
FY19	100%	49%	45%	44%		
Post Digital						
H1 '20	100%	69%	63%	Strong revenue visibility of digitally acquired cohorts for multiple years		
H2 '20	100%	82%	77%			
H1 '21	100%	85%				
H2 '21	100%	86%				
H1 '22	100%					
H2 '22	100%					
H1 '23	100%					
H2 '23	100%					

% in each year is benchmarked to Year 1 revenue

Source: MOFSL, Company

Financials and valuation

Income Statement							(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Total Income	4,433	4,723	4,721	8,971	16,827	22,931	26,226	29,676
Change (%)	37.9	6.5	0.0	90.0	87.6	36.3	14.4	13.2
Gross Brokerage Income	4,785	5,014	5,039	9,065	15,737	20,806	23,924	27,197
Less - Brokerage / direct expenses	2,464	2,420	2,304	3,630	5,502	6,407	7,367	8,375
Net Brokerage Income	2,321	2,595	2,735	5,436	10,235	14,399	16,557	18,822
Interest income	2,038	1,696	1,254	1,998	3,653	5,195	5,711	6,220
Less - Finance costs	947	666	489	389	721	895	831	901
Net Interest income	1,091	1,031	765	1,609	2,932	4,300	4,880	5,319
Other Income	1,021	1,098	1,221	1,927	3,661	4,232	4,789	5,534
Operating Expenses	2,701	3,245	3,142	4,675	8,273	10,705	12,589	14,096
Change (%)	3.9	20.2	-3.2	48.8	76.9	29.4	17.6	12.0
Employee expenses	1,245	1,593	1,598	1,718	2,809	3,979	4,983	5,490
Admin expense	1,456	1,652	1,544	2,957	5,464	6,726	7,606	8,606
Operating Margin	1,732	1,478	1,578	4,296	8,554	12,226	13,638	15,580
Depreciation	145	188	209	184	187	303	355	409
Exception	0	0	166	0	0	0	0	0
Profit Before Tax	1,587	1,290	1,204	4,112	8,367	11,923	13,282	15,171
Change (%)	231.3	-18.7	-6.7	241.6	103.5	42.5	11.4	14.2
Tax	508	448	320	1,131	2,117	3,016	3,321	3,793
Tax Rate (%)	32.0	34.7	26.6	27.5	25.3	25.3	25.0	25.0
PAT	1,079	842	884	2,981	6,251	8,907	9,962	11,378
Change (%)	248.0	-22.0	5.0	237.3	109.7	42.5	11.8	14.2
Dividend	235	234	227	1,056	2,245	3,324	3,785	4,551

Balance Sheet							(INR m)	
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
Equity Share Capital	720	720	720	818	829	834	834	834
Reserves & Surplus	4,029	4,765	5,427	10,492	15,015	20,781	26,958	33,785
Net Worth	4,749	5,485	6,147	11,310	15,844	21,616	27,792	34,619
Borrowings	11,223	8,666	4,880	11,715	12,577	7,872	11,872	12,872
Other Liabilities	7,702	8,018	11,043	25,114	43,777	45,175	53,773	64,728
Total Liabilities	23,674	22,168	22,070	48,138	72,198	74,663	93,437	1,12,219
Cash and Investments	9,330	10,134	14,607	18,830	48,936	56,006	68,650	84,905
Change (%)	39.9	8.6	44.1	28.9	159.9	14.4	22.6	23.7
Loans	11,309	7,617	2,806	11,285	13,575	11,533	13,947	15,190
Change (%)	748.3	-32.6	-63.2	302.2	20.3	-15.0	20.9	8.9
Net Fixed Assets	1,158	1,181	1,104	1,150	1,638	2,482	2,787	3,092
Current Assets	1,877	3,236	3,553	16,873	8,050	4,642	8,053	9,032
Total Assets	23,674	22,168	22,070	48,138	72,199	74,663	93,437	1,12,219

E: MOFSL Estimates

Financials and valuation

Ratios	(%)							
Y/E March	2018	2019	2020	2021	2022	2023	2024E	2025E
As a percentage of Revenues								
Net Brokerage Income	52.3	54.9	57.9	60.6	60.8	62.8	63.1	63.4
Net Interest Income	24.6	21.8	16.2	17.9	17.4	18.8	18.6	17.9
Other Income	23.0	23.2	25.9	21.5	21.8	18.5	18.3	18.6
Total cost	60.9	68.7	66.6	52.1	49.2	46.7	48.0	47.5
Employee Cost	28.1	33.7	33.9	19.2	16.7	17.4	19.0	18.5
Opex (ex emp) Cost	32.8	35.0	32.7	33.0	32.5	29.3	29.0	29.0
PBT	35.8	27.3	25.5	45.8	49.7	52.0	50.6	51.1
PAT	24.3	17.8	18.7	33.2	37.1	38.8	38.0	38.3
Profitability Ratios (%)								
RoE	25.0	16.5	15.2	34.2	46.0	47.6	40.3	36.5
Dividend Payout Ratio	21.8	27.8	25.7	35.4	35.9	37.3	38.0	40.0
Valuations	2018	2019	2020	2021	2022	2023	2024E	2025E
BVPS (INR)	57.3	66.2	74.2	136.5	191.2	260.9	335.4	417.8
Change (%)	22.0	15.5	12.1	84.0	40.1	36.4	28.6	24.6
Price-BV (x)	22.6	19.6	17.5	9.5	6.8	5.0	3.9	3.1
EPS (INR)	13.0	10.2	10.7	36.0	75.4	107.5	120.2	137.3
Change (%)	248.0	-22.0	5.0	237.3	109.7	42.5	11.8	14.2
Price-Earnings (x)	99.6	127.8	121.7	36.1	17.2	12.1	10.8	9.5
DPS (INR)	3.3	3.3	3.2	12.9	27.1	39.9	45.4	54.6
Dividend Yield (%)	0.3	0.3	0.2	1.0	2.1	3.1	3.5	4.2
E: MOFSL Estimates								

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
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NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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