

ICICI Securities Limited
is the author and
distributor of this report

Q1FY24 results review
and reco change

Financial Services

Target price: Rs1,622

Earnings revision

(%)	FY24E	FY25E
Sales	0.0%	0.0%
EBITDA	0.0%	1.9%
PAT	0.0%	2.0%

Target price revision

Rs1,622 from Rs1,590

Shareholding pattern

	Dec '22	Mar '23	Jun '23
Promoters	43.7	38.5	38.3
Institutional investors	26.5	26.4	27.3
MFs and others	7.7	8.0	8.3
Insurance	0.5	0.6	0.4
FII	18.3	17.8	18.6
Others	29.8	35.1	34.4

Source: BSE

ESG disclosure score

Year	2020	2021	Chg
ESG score	NA	NA	NA
Environment	NA	NA	NA
Social	NA	NA	NA
Governance	NA	NA	NA

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: Bloomberg, I-sec research

Research Analysts:

Ansuman Deb

ansuman.deb@icicisecurities.com
+91 22 6807 7312

Ravin Kurwa

ravin.kurwa@icicisecurities.com
+91 22 6807 7653

Sanil Desai

Sanil.Desai@icicisecurities.com
+91 22 6807 7230

Angel One

HOLD

Downgrade from BUY

Upping the ante on cross-sell may bolster fintech proposition; core earnings growth to be cyclical

Rs1,707

Angel One (Angel) is gradually focusing on its business strategy to expand product portfolio beyond broking and increasing the reach through improved digital collaboration with offline partners, while continually augmenting its core digital capability through SuperApp. The company is also open to suitable inorganic opportunity. While the degree of success in an aggressive fintech strategy remains to be seen, we remain positive on more than 15% earnings CAGR potential driven by core business growth while cross-sell optionalities are likely to become more tangible in FY24-25E. However, post 35% rally in stock price over past three months, we downgrade the stock to HOLD from BUY as core broking earnings will remain dependent on capital market momentum. We expect revenue/opex/PAT CAGR of 16/17.5/17% between FY23-25E. Our revised target price stands at Rs1,622 (earlier: Rs1,590) based on 12x (unchanged) FY25E EPS of Rs135 (earlier Rs133). Risks include capital market volatility, higher costs in new initiatives and restriction on client onboarding in the Authorised Partner (AP) channel as per recent NSE order (details below).

► **Angel One's strategy spans across growth, retention and cross sell in varying degrees beyond broking to the entire fintech landscape now.** Key elements include: 1) Achieving market leadership (Q1FY24 derivatives market share improved 175bps QoQ to 24.5% (based on company monthly disclosures), 2) augmentation of tech and product capabilities (SuperApp ranks amongst top 15 apps on Play store and App store) for better retention and customer satisfaction which is also measurable through improved NPS, 3) increasing customer lifecycle value (SuperApp will be key here) as revenue vintage of 1-2yrs/2-3yrs/3-5yrs has increased from 9/8/18% in Q1FY22 to 12/22/29% in Q1FY24 and 3-year revenue/CoA for clients acquired in FY22 remains robust at 7.8x, (4) expanding multi-product relationships that include distribution of MF products (direct MF schemes and SIPs) and consumer credit, (5) exploring inorganic growth opportunities by investing in manufacturing platforms in consumer financial services landscape, distribution platforms, WealthTech, broking adjacencies, content engagement/learning platforms and talent/IP acquisition.

► **Key operating highlights:** a) Gross client acquisition is largely driven by tier 2-3 cities (89% of gross client acquisition was from tier 2-3 cities), b) median age of client base remains at 29 years; c) launched direct MF investment product on all platforms (IOS, Android and Web) due to which new monthly SIP registrations have quadrupled between Mar'23 and Jun'23; d) Angel's NSE active client addition stood at 0.04mn/0.13mn as against industry 'decline' of 2.66mn/1.77mn clients in Q4FY23/Q1FY24, respectively; e) as of FY23, variable mix of cost stood at 78%.

Market Cap	Rs143bn/US\$1.7bn
Reuters/Bloomberg	ANGB.BO/ANGELBRK IN
Shares Outstanding (mn)	83.8
52-week Range (Rs)	1798/1003
Free Float (%)	61.7
FII (%)	18.6
Daily Volume (US\$'000)	7,806
Absolute Return 3m (%)	35.5
Absolute Return 12m (%)	34.1
Sensex Return 3m (%)	10.0
OSensex Return 12m (%)	25.2

Year to Mar	FY22	FY23	FY24E	FY25E
Revenue (Rs mn)	17,174	22,926	26,694	30,743
Net Income (Rs mn)	6,598	8,900	10,168	11,719
EPS (Rs)	79.6	101.6	119.1	135.2
% Chg YoY	115%	30%	19%	15%
CEPS (Rs)	81.9	105.2	122.8	139.2
EBITDA Margin (%)	51.8	53.3	52.0	51.9
P/E	17.4	13.6	14.3	12.6
Dividend Yield	2.0	2.9	2.8	3.2
RoCE (%)	30.9	40.4	31.3	29.0
RoE (%)	48.6	45.7	40.8	36.6

- **NSE has barred Angel from on-boarding new authorized persons over F&O violations ([LINK](#)):** There has been an alleged failure to monitor the operations of its Authorized Persons (“APs”) thereby resulting in alleged violation of the Capital Market Segment Regulations and Futures and Options Segment Regulations of the Exchange. NSE has issued following directions to the Company in the aforementioned Order
- Monetary penalty of Rs17mn.
 - Prohibition from onboarding new APs for a period of 6 (six) months from the date of the Order.
 - Direction to conduct inspection of all its APs and submit the report within 6 months.
 - Direction to submit a detailed report on its investor grievance redressal mechanism.

As per the company, this order does not affect the existing business or the activities of the APs affiliated with the Company. The Company mentioned it is evaluating various options available including filing an appeal against the Order.

Conference call highlights

Angel reported 7% lower PAT QoQ at Rs2.2bn in Q1FY24 (adjusting Rs300mn reversal of ESOP cost in Q4FY23). Q1FY24 witnessed 2% QoQ dip in revenue due to weak Apr’23. However, May/Jun’23 has been progressively better for the company. Number of orders per day increased from 4mn in Apr’23 to 4.1/4.3mn in May/Jun’23. Q1FY24 broking revenue (number of orders declined) was down 5% QoQ. Net interest income increased 8% QoQ (despite 20% dip in MTF book) driven by 6% QoQ rise in interest income and 8% QoQ decline in finance cost. Other operating income (depository charges, distribution and others) declined 4% QoQ. Total operating cost grew sharply by 18% QoQ mainly because of an increase of 63% in employee expenses as Q4FY23 employee cost was low due to one-time provision reversals of ESOPs of Rs300mn. Q1FY24 EBITDA margin was 48.6%, flat YoY.

Focus remains on improvement in performance driven by investment in technology and product leading to seamless experience for customers, both new and old. Super App is being maintained and enhanced regularly.

- Angel’s NPS is at a historical high.
- Angel features among top 15 free finance apps in Play store and App store.

New features to be introduced in the app this year include:

- Always on order: This will enable clients to place orders at any time of the day including even when they are out of network. This is likely to increase the engagement.

- Advanced Conditional Order Platform: This will translate a statement into an order via a large language code.
- Smart Store enhancement with market place offerings and educational resources.

Upping the ante on diversification and expanding distribution

- Angel One commissioned direct mutual fund journey on Super App. This has led to 4x growth in SIP in Q1FY24 (430k) on a sequential basis. Angel One is one of the top 2 players in incremental registered SIP in Jun'23.
- Angel's AMC is in the process of creating the infrastructure for setting up the business. In 3 weeks, Angel will file application for final approval of AMC launch which as per company can take 2 quarters to receive SEBI approval. MF distribution has increased retention and engagement with a good portion of inactive clients having started SIP with Angel.
- Angel One is building partnerships to operationalize distribution of consumer credit products which would go live in FY24. It will start distribution of personal loans and would help partners in soft collection, but hard collection in case of default will be left to NBFCs and banks. Angel is also interested in credit cards.
- Angel plans to launch a formidable ad campaign in FY24 to enhance awareness of its full stack fintech platform.
- Angel One's network of authorized partners (AP) is one of the largest in the country with more than 21k APs and is one of the important growth drivers for the company. Towards that end, it plans to engage with APs to improve compliance, governance as well as help them in their digital capabilities through NXT platform. It strategically realizes the large untapped potential of this huge network of IFAs, MFDs and insurance agents in order to increase penetration of financial services when complimented with the digital capabilities of Angel. It plans to hire a chief business officer –affiliate channel to harness this opportunity in FY24.
- To enhance data capability with large customer base and huge data lake, company has centralized data sources over the last 9 months to an integrated data repository for client personalized data.
- In Q1FY24, it collaborated with US-based service provider for GPT driven chat bot for customer support service based on large language model.
- Angel One has expanded management band by hiring Mr. Deepak Chandani as its new Chief Data Officer having AI/ML background with companies like BP, UBS, Apple and Infosys.
- Angel One is exploring inorganic acquisitions and partnership opportunities in consumer financial products and services including core tech, wealth tech, distribution and learning platforms.

Revenue breakup in Q1FY24: Broking revenue was 69% of total revenue. 84% of broking revenue came from FO segment. Cash contributed 10% to broking revenue whereas commodity contributed 5%. 78% of net broking revenue is from direct channels while 22% is from affiliated channels.

MTF book focus may remain only on retail segment which will not always grow in a linear fashion.

Active client ratio remains weak but better than peers. Instead of active ratio, Angel professes higher focus on LTV/CAC (Life Time Value/Cot of Acquiring clients) which is at 8x for the company. It is gaining market share in NSE active clients despite a decline in activation ratio. Industry average for overall active clients is 25% vs Angel's active clients at 30%.

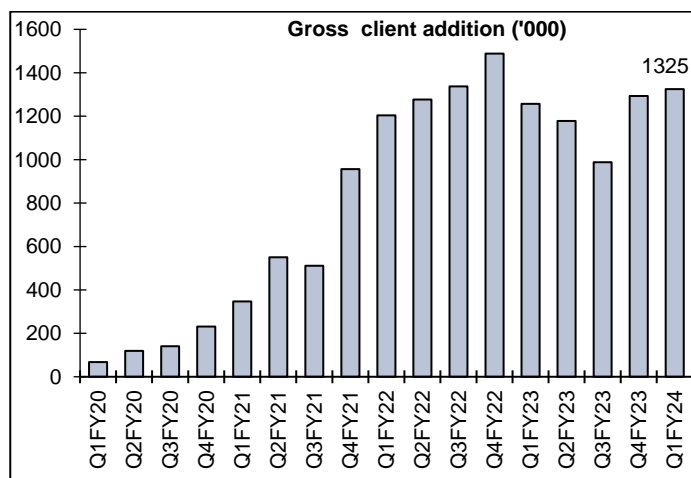
Table 1: Q1FY24 result review

(Rs mn)

	Q1FY24	Q1FY23	YoY	Q4FY23	QoQ
Net Interest income	1,265	890	12%	1,172	8%
Net brokerage income	3,952	3,216	20%	4,159	-5%
Other Operating income	1,069	1,046	3%	1,110	-4%
Total Income	6,286	5,151	15%	6,441	-2.4%
Total Expenses					
Employee benefits	1,232	1,016	17%	755	63%
Impairment expenses	18	36	-58%	14	26%
Others expenses	1,980	1,609	-1%	1,967	1%
Total Expenses	3,230	2,660	6%	2,736	18%
EBITDA	3,056	2,491	26%	3,704	-17%
margins	48.6	48.4		57.5	
Depreciation	89	65	38%	89	0%
PBT	2,967	2,426	26%	3,615	-18%
Taxes	759	611	26%	946	-20%
Reported PAT	2,208	1,816	26%	2,669	-17%
Extraordinary	0	-		0	
Adjusted PAT	2,208	1,816	25.6%	2,669	-17%

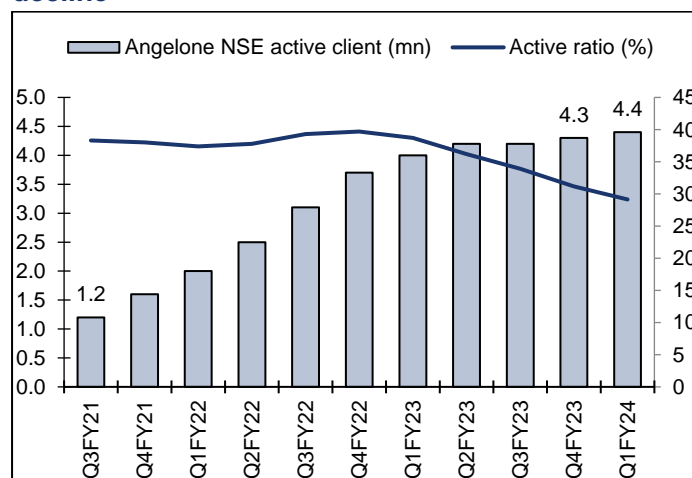
Source: Company data, I-Sec research

Chart 1: Client addition was stable for Angel One in Q1FY24

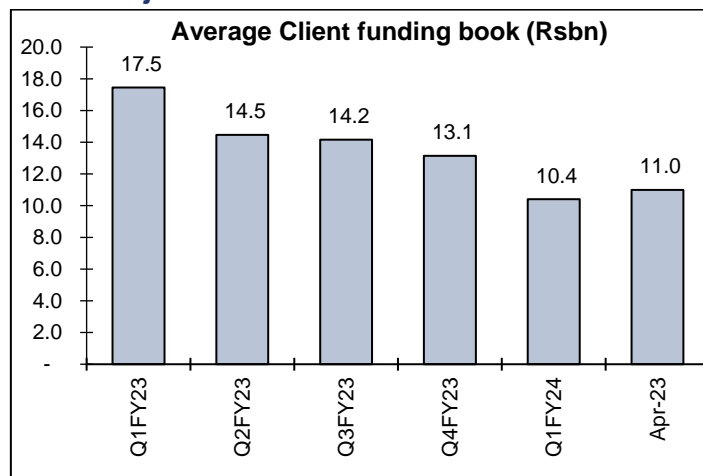


Source: Company data, I-Sec research

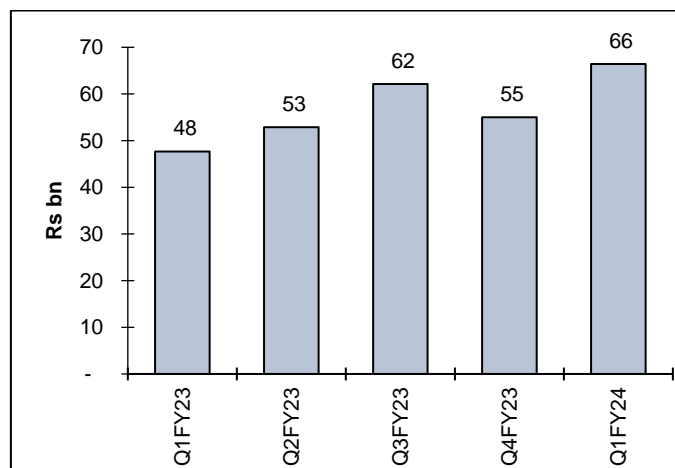
Chart 2: Angel's active client base (on NSE) has been stable, while active ratio has continued to decline



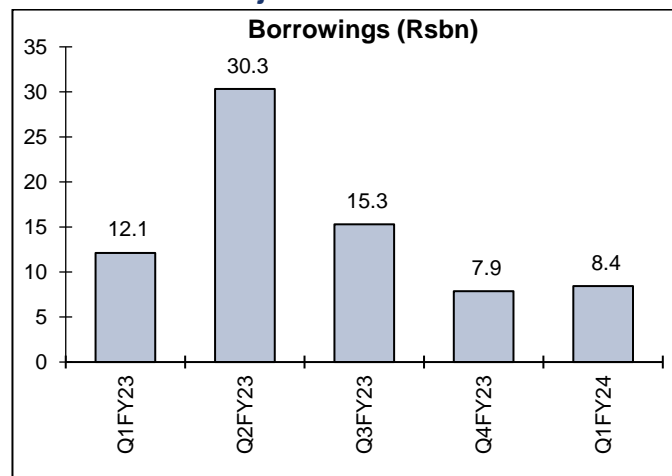
Source: Company data, I-Sec research

Chart 3: MTF book increased slightly in Q1FY24 after a major decline in Q4FY23

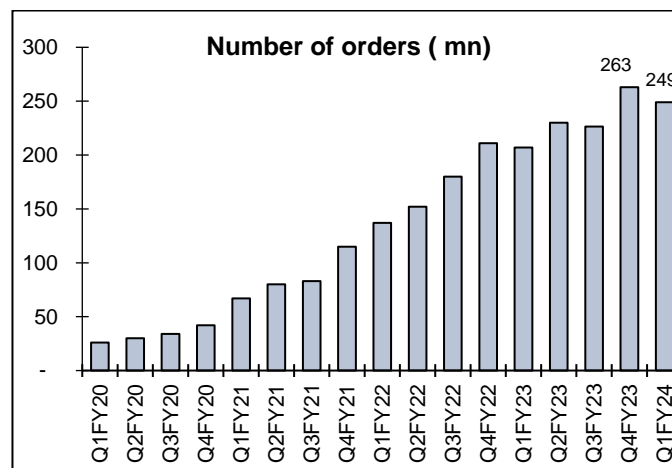
Source: Company data, I-Sec research

Chart 5: Cash balance has largely remained stable...

Source: Company data, I-Sec research

Chart 4: Borrowings also increased slightly in Q1FY24 after a major decline in H2FY23

Source: Company data, I-Sec research

Chart 6: ...while total number of orders declined in Q1FY24

Source: Company data, I-Sec research

Financial summary

Table 2: Profit and loss statement

(Rs mn, year ending Mar 31)

	FY22	FY23	FY24E	FY25E
Operating Income (Sales)	17,174	22,926	26,694	30,743
Operating Expenses	8,273	10,707	12,826	14,778
EBITDA	8,901	12,219	13,868	15,965
% margins	51.8	53.3	52.0	51.9
Depreciation & Amortisation	186	303	320	350
Recurring PBT	8,715	11,916	13,548	15,615
Add: Extraordinary	-	-350	-	-
Less: Taxes	2,117	3,016	3,380	3,896
Net Income (Reported)	6,598	8,900	10,168	11,719
Recurring Net Income	6,598	8,550	10,168	11,719

Source: Company data, I-Sec research

Table 3: Balance sheet

(Rs mn, year ending Mar 31)

	FY22	FY23	FY24E	FY25E
Assets				
Cash and cash equivalents	48,750	54,911	57,297	65,472
Trade Receivables	5,653	3,749	7,775	10,712
Loans	13,576	10,052	9,733	10,219
Investments	2,136	2,949	9,845	10,283
Fixed Assets	1,581	2,537	3,037	3,537
Other assets	503	579	579	579
Total Assets	72,199	74,777	88,265	1,00,802
Liabilities				
Equity share capital	829	841	854	867
Reserves and surplus	15,015	20,774	27,415	34,986
Networth	15,844	21,615	28,269	35,853
Borrowings	12,332	7,872	14,986	17,917
Other Liabilities	44,023	45,289	45,010	47,032
Total Liabilities	72,199	74,777	88,265	1,00,802

Source: Company data, I-Sec research

Table 4: Cashflow statement

(Rs mn, year ending Mar 31)

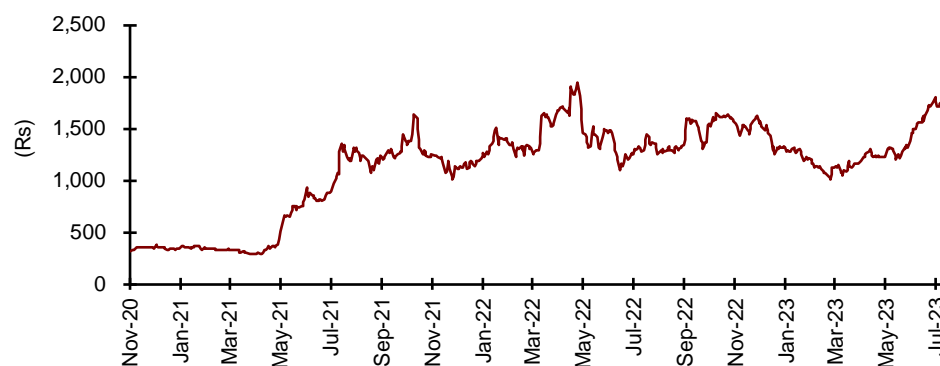
	FY22	FY23	FY24E	FY25E
Operating Cashflow	9,135	12,621	14,258	16,342
Working Capital Changes	25,584	6,789	-10,881	-1,839
Taxes paid	-2,117	-3,016	-3,380	-3,896
Capital Commitments	-520	-956	-500	-500
Free Cashflow	32,081	15,438	-504	10,107
Cashflow from Investing Activities	-652	-1,864	-500	-500
Dividend paid	-2,245	-3,353	-4,067	-4,688
Extraordinary Items				
Chg. in Cash & Bank balance	30,321	6,718	2,543	8,350

Source: Company data, I-Sec research

Table 5: Key ratios*(Year ending Mar 31)*

	FY22	FY23	FY24E	FY25E
Per Share Data (in Rs)				
EPS(Basic Recurring)	79.6	101.6	119.1	135.2
Recurring Cash EPS	81.9	105.2	122.8	139.2
Dividend per share (DPS)	27.1	39.9	47.6	54.1
Book Value per share (BV)	191.2	256.9	331.0	413.6
Growth Ratios (%)				
Operating Income	91.4%	33.5%	16.4%	15.2%
EBITDA	107.2%	37.3%	13.5%	15.1%
Recurring Net Income	115.2%	29.6%	18.9%	15.3%
Recurring CEPS	106.0%	28.5%	16.7%	13.4%
Operating Ratio (%)				
Employee expenses/Sales	16.4%	17.4%	16.5%	15.7%
Opex & Other exps /Sales	31.8%	29.3%	31.5%	32.4%
Effective Tax Rate	24%	25%	25%	25%
D/E Ratio (x)	0.78	0.36	0.53	0.50
Valuation				
P/E	17.4	13.6	14.3	12.6
P/B	7.2	5.4	5.2	4.1
Dividend Yield	1.96	2.88	2.79	3.17
Return/Profitability Ratios (%)				
Recurring Net Income Margins	38.4%	37.3%	38.1%	38.1%
RoCE	30.9%	40.4%	31.3%	29.0%
RoNW	48.6%	45.7%	40.8%	36.6%
Dividend Payout Ratio	34.0%	39.2%	40.0%	40.0%
EBITDA Margins	51.8%	53.3%	52.0%	51.9%

Source: Company data, I-Sec research

Price chart

Source: Bloomberg

This report may be distributed in Singapore by ICICI Securities, Inc. (Singapore branch). Any recipients of this report in Singapore should contact ICICI Securities, Inc. (Singapore branch) in respect of any matters arising from, or in connection with, this report. The contact details of ICICI Securities, Inc. (Singapore branch) are as follows: Address: 10 Collyer Quay, #40-92 Ocean Financial Tower, Singapore - 049315, Tel: +65 6232 2451 and email: navneet_babbar@icicisecuritiesinc.com, Rishi_agrawal@icicisecuritiesinc.com.

"In case of eligible investors based in Japan, charges for brokerage services on execution of transactions do not in substance constitute charge for research reports and no charges are levied for providing research reports to such investors."

New I-Sec investment ratings (all ratings based on absolute return; All ratings and target price refers to 12-month performance horizon, unless mentioned otherwise)
BUY: >15% return; ADD: 5% to 15% return; HOLD: Negative 5% to Positive 5% return; REDUCE: Negative 5% to Negative 15% return; SELL: < negative 15% return

ANALYST CERTIFICATION

I/We, Ansuman Deb, MBA, BE; Ravin Kurwa, CA; Sanil Desai, MBA; authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of the ICICI Securities Inc. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report.

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. Registered Office Address: ICICI Venture House, Appasaheb Marathe Marg, Prabhadevi, Mumbai - 400 025. CIN: L67120MH1995PLC086241, Tel: (91 22) 6807 7100. ICICI Securities is Sebi registered stock broker, merchant banker, investment adviser, portfolio manager, Research Analyst and Alternative Investment Fund. ICICI Securities is registered with Insurance Regulatory Development Authority of India Limited (IRDAI) as a composite corporate agent and with PFRDA as a Point of Presence. ICICI Securities Limited Research Analyst SEBI Registration Number – INH000000990. ICICI Securities Limited SEBI Registration is INZ000183631 for stock broker. ICICI Securities AIF Trust's SEBI Registration number is IN/AIF/3/23-24/1292 ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com.

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities and its analysts, persons reporting to analysts and their relatives are generally prohibited from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Institutional Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, and target price of the Retail Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the companies mentioned in the report in the past twelve months.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities and ICICI Securities as a entity are engaged in various financial service businesses, they might have financial interests or actual/ beneficial ownership of one percent or more or other material conflict of interest in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

This report has not been prepared by ICICI Securities, Inc. However, ICICI Securities, Inc. has reviewed the report and, in so far as it includes current or historical information, it is believed to be reliable, although its accuracy and completeness cannot be guaranteed.

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. None of the research recommendations promise or guarantee any assured, minimum or risk free return to the investors.

Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : complianceofficer@icicisecurities.com

For any queries or grievances: [Mr. Prabodh Avadhoot](mailto:Mr.Prabodh.Avadhoot) Email address: headservicequality@icicidirect.com Contact Number: 18601231122
