

19 April 2024

India | Equity Research | Q4FY24 result review

Angel One

Exchanges

Capital market outlook and execution track record make risk reward favourable

Angel One is driving a very optimum balanced growth model between earnings and business investment. This is well illustrated by a margin decline (a combination of client acquisition and investments) of 616bps and earnings growth of 46% YoY in FY24. The recent fund raise of INR 15bn may enable growth in broking business while there is steady capacity build-up in AMC, wealth and lending businesses. We upgrade the stock to **BUY** (from Hold) with an unchanged target price of INR 3,469 based on 15x FY26E EPS of INR 231. Risk: Any regulatory move against rising exchange volumes. Recently, RBI decided to form a regulatory panel to weigh risks in derivatives market ([link](#)) which has made us cut the valuation multiple from 20x to 15x. We, however, believe that risk reward is favourable basis the track record of the company and current valuations.

Robust order growth leads to increase in broking revenue in Q4 and upgrade in estimates

After a strong Dec'23 (28% MoM increase in orders to 137mn), order growth momentum continued for Angel One in Jan/Feb'24 (166/172mn orders, respectively). Even though Mar'24 witnessed a decline in orders to 132mn, overall Q4FY24 witnessed a robust 34.5% QoQ growth in total orders. Both F&O and cash orders witnessed ~36% growth QoQ in Q4FY24. Average daily orders increased from 5.8mn in Q3FY24 to 7.6mn in Q4FY24. Driven by this strong order growth, gross broking revenue witnessed 30% QoQ growth to INR 9.3bn. Gross broking revenue accounted for 68% of total gross revenue for Angel One with F&O contributing 85% of the same in Q4FY24 while share of cash and commodity segments remains stable at 11% and 4%, respectively. Net broking revenue stood at INR 6.8bn in Q4FY24 vs INR 5.2bn in Q3FY24. Blended rate on net revenue declined marginally to INR 14.56 per order in Q4FY24 vs INR 14.7 in Q3FY24.

We estimate average daily orders to increase to 9mn/11mn in FY25/26E, respectively (7.3mn in Mar'24 and already touching highs of 8.2mn in Q4FY24). Net blended rate per order has witnessed a decline because of increase in cash orders and we estimate it to be INR 13.93/13.67 in FY25/26E (INR 14.56 per order in Q4FY24).

Financial Summary

| Y/E March (INR mn) | FY23A | FY24A | FY25E | FY26E |
|------------------------------|--------|--------|--------|--------|
| Gross Revenue (INR mn) | 30,016 | 42,716 | 62,956 | 76,453 |
| Net Income (INR mn) | 8,707 | 11,255 | 16,005 | 20,786 |
| EPS (INR) | 102.8 | 134.0 | 178.1 | 231.3 |
| % Chg YoY | 40.6 | 26.4 | 42.2 | 29.9 |
| CEPS (INR) | 106.4 | 139.9 | 184.8 | 240.2 |
| EBITDA Margin (%) | 52.9 | 46.8 | 43.0 | 46.7 |
| P/E (x) | 26.5 | 20.8 | 15.7 | 12.1 |
| Dividend Yield (%) | 1.2 | 1.3 | - | 2.9 |
| RoCE (%) | 39.8 | 27.0 | 24.6 | 27.4 |
| RoE basis average equity (%) | 46.5 | 43.3 | 34.5 | 29.8 |

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Market Data

| | |
|---------------------|--------------|
| Market Cap (INR) | 251bn |
| Market Cap (USD) | 3,006mn |
| Bloomberg Code | ANGELONE IN |
| Reuters Code | ANGB BO |
| 52-week Range (INR) | 3,900 /1,181 |
| Free Float (%) | 56.0 |
| ADTV-3M (mn) (USD) | 18.6 |

| Price Performance (%) | 3m | 6m | 12m |
|-----------------------|--------|------|-------|
| Absolute | (15.2) | 29.2 | 115.3 |
| Relative to Sensex | (16.4) | 18.8 | 93.6 |

Previous Reports

18-01-2024: [Q3FY24 results review](#)
15-10-2023: [Q2FY24 results review](#)

Growth in MTF book leads to higher interest income in Q4 and an upgrade in estimates

Average MTF book for Angel One increased 9.1% QoQ to INR 20.3bn. Jan'24 and Feb'24 reported average MTF book of INR 22.4bn and INR 20.4bn, respectively, but in Mar'24, Angel One capped its deployment of MTF book due to increase in margin requirements leading to MTF book dropping to INR 18bn. Total interest income grew 16.6% QoQ to INR 2.4bn in Q4FY24 vs INR 2.1bn in Q4FY23. However, with fund infusion taking care of the regulatory capital, MTF growth may be strong in FY25/26E.

We estimate Angel's average MTF book for FY25/26E to be INR 30/40bn, respectively. We estimate total interest income to be INR 12.7/16.7bn in FY25/26E, respectively. We expect NIM to be 6.5%/6.5% in FY25/26E vs 9.2% in Q4FY24.

EBITDA increases 31% QoQ in Q4; EBITDA margin to decline in FY25E due to elevated opex cost

Angel One witnessed 31% QoQ increase in EBITDA to INR 4.75bn. EBITDA margin also increased from 44% in Q3FY24 to 44.8% in Q4FY24. Operating expenses for Angel One increased 26% QoQ due additional IPL sponsorship cost which was recorded in Q4FY24 apportioned based on the number of matches (INR 227mn) and higher spends on cloud infrastructure. The company's employee cost also increased led by the on boarding in AMC and wealth management businesses.

Angel One has IPL sponsorship mandate for 5 years with estimated annual cost of INR 1.4- 1.5bn (for the next 5 years). We estimate EBITDA to grow at a CAGR of 35.9% between FY24-26E to INR 22.1bn in FY24E and INR 28.7bn in FY25E. Our cost estimates factor: (1) Increase in overall opex, (2) client acquisition of 14/18mn in FY25/26E and (3) cost for new businesses.

We estimate EBITDA margin of 43% in FY25E and 45.7% in FY26E. We estimate PAT of INR 16bn/21bn in FY25/26E, respectively.

Angel One is witnessing the journey of clients from trading to long-term investing

Among the customers Angel One acquired in FY21, close to 54% of those became active over the next four years and of the customers acquired in FY22, close to 50% of those became active over the next 3 years. Also, customers who started only with F&O during this period after having understood the market well, began to carry out long-term equity investment as well. Only a very small portion of F&O clients have not ventured in equities. Out of the 2.4mn clients acquired in FY21, ~54% of clients i.e 1.28mn clients became active (repetitive from first sentence in this para). Out of 1.28mn, only 0.06mn clients transacted F&O exclusively whereas 0.62mn clients transacted equities exclusively. 0.6mn clients transacted in both F&O and cash segments. On Angel One platform, these clients have an unrealised gain of INR 24bn as of Mar'24. This shows clients on Angel One platform are moving towards long-term investments and would continue to stick to this platform. (Refer Exhibit - 13)

Q4FY24 key conference call updates

- Overall ADTO increased 23.3% QoQ to INR 44.3trn. Cash ADTO increased 36.9% QoQ to INR 76bn.
- Angel added a record 2.88mn clients in Q4FY24. New client acquisition is largely driven by tier-2/3 cities (89% of gross client acquisition was from tier-2/3 cities).
- 1.39k unique SIPs were registered by Angel in Q4FY24 and was amongst the top-2 players in terms of incremental SIPs.
- Angel has on boarded Mr. Srikanth Subramanian from Kotak Cherry as the co-founder of its wealth management business. Mr. Srikanth has extensive experience from Kotak Mahindra Bank in life insurance, private bank, including global wealth management and investment advisory, and more prominently in the wealth tech initiatives at Kotak Cherry. Angel One also on boarded Mrs. Meenal Maheshwari Shah as its Group General Counsel. With a career spanning over 14 years, Mrs. Maheshwari's expertise extends to working on diverse legal transactions, navigating complex legal landscapes, and providing insightful counsel on legal policy and regulatory matters.
- Upgrades in Super App for Angel One –
 - Angel One introduced a dedicated option expiry section which simplifies trading options on expiry days.
 - For cash segment – widgets like list of popular stocks, most traded stocks on home page, a pre-defined watch list augmented to pre-defined personas.
 - In mutual fund segment – clients can now customise SIP amount and dates and compare up to three mutual funds across available parameters and track portfolio against indices.
- Angel One's wealth management business is at an early stage. The company wants to create two large verticals in its wealth management business. First vertical is UHNI clients with net worth of USD 5mn+. Management believes there are huge opportunities in this segment in terms of cost overheads that can be brought down using technology. The second vertical is emerging HNI segment where Angel One would try to get traction with the help of right domain and technology.

Exhibit 1: Q4FY24 result review

| INR (mn) | Q4FY24 | Q4FY23 | YoY | Q3FY24 | QoQ |
|----------------------------------|---------------|--------------|-------------|--------------|--------------|
| Net Interest income | 1,919 | 1,172 | 64% | 1,767 | 9% |
| Net brokerage income | 6,856 | 4,159 | 65% | 5,144 | 33% |
| Net Broking Revenue Blended Rate | 14.56 | 15.81 | -8% | 14.94 | -3% |
| Number of Orders | 471 | 263 | 79% | 350 | 35% |
| Other Operating income | 1,835 | 1,110 | 65% | 1,365 | 34% |
| Total Income | 10,611 | 6,441 | 65% | 8,276 | 28.2% |
| Total Expenses | | | | | |
| Employee benefits | 1,587 | 755 | 110% | 1,416 | 12% |
| Impairment expenses | 31 | 14 | 117% | 21 | 47% |
| Others expenses | 4,238 | 1,967 | 115% | 3,198 | 33% |
| Total Expenses | 5,856 | 2,736 | 114% | 4,635 | 26% |
| EBITDA | 4,754 | 3,704 | 28% | 3,641 | 31% |
| margins | 44.8 | 57.5 | | 44.0 | |
| Depreciation | 167 | 89 | 87% | 131 | 27% |
| PBT | 4,587 | 3,615 | 27% | 3,510 | 31% |
| Taxes | 1,188 | 946 | 26% | 907 | 31% |
| Reported PAT | 3,399 | 2,669 | 27% | 2,603 | 31% |
| Extraordinary | 0 | - | | 0 | |
| Adjusted PAT | 3,399 | 2,669 | 27.4% | 2,603 | 31% |

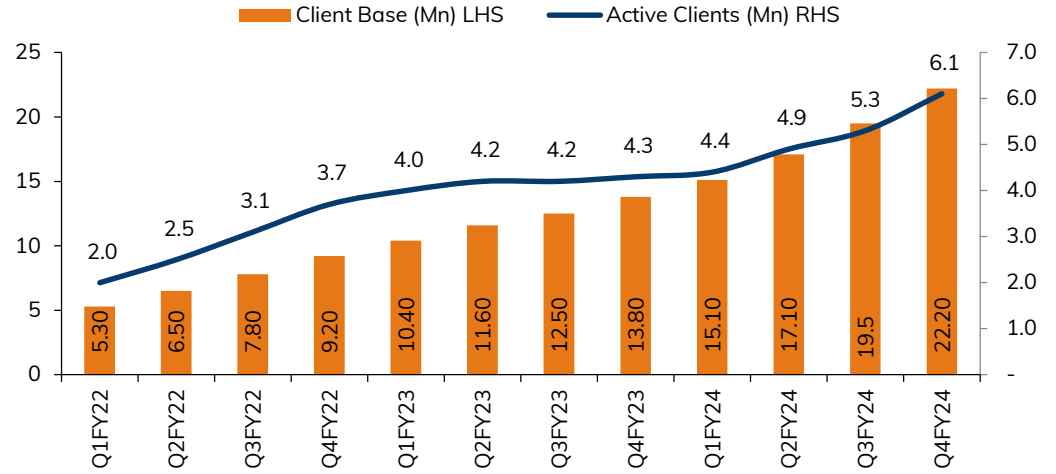
Source: Company data, I-Sec Research

Exhibit 2: FY24 Result Review

| INR (mn) | FY23 | FY24 | Growth |
|-------------------------|---------------|---------------|---------------|
| Net Interest income | 3,591 | 6,499 | 81.00% |
| Net brokerage income | 14,487 | 21,184 | 46.20% |
| Other income | 4,850 | 5,648 | 16.50% |
| Total Net Income | 22,927 | 33,331 | 45.40% |
| Total Expenses | 10,708 | 17,695 | 65.20% |
| EBITDA | 12,219 | 15,636 | 28.00% |
| Margin | 53.30% | 46.90% | |
| Depreciation | 303 | 499 | 64.80% |
| PBT | 11,917 | 15,137 | 27.00% |
| Taxes | 3,016 | 3,881 | 28.70% |
| Reported PAT | 8,900 | 11,256 | 26.50% |

Source: Company data, I-Sec Research

Exhibit 3: Q4FY24 had A record 2.8mn-plus client acquisition



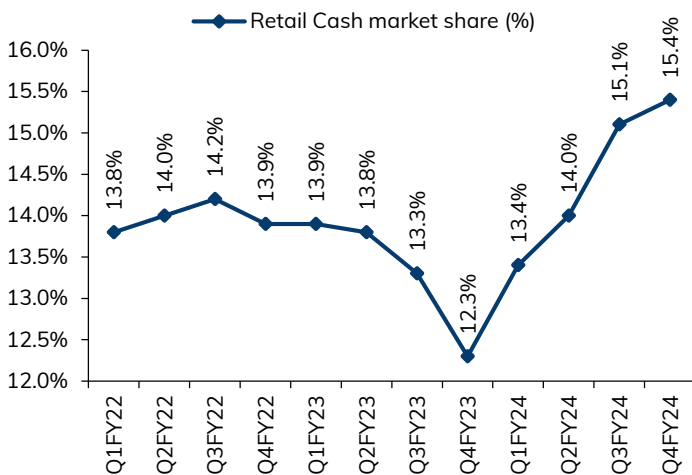
Source: Company data, I-Sec Research

Exhibit 4: Nse active clients' market share

| Market share (%) | FY23 | Apr-23 | May-23 | Jun-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-23 | Feb-23 | Mar-23 |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| NEXTBILLION TECHNOLOGY | 16.5 | 17.2 | 17.4 | 18.7 | 19.8 | 20.4 | 20.6 | 20.8 | 21.5 | 22.6 | 23.4 | 23.8 |
| Zerodha Broking | 19.6 | 20.2 | 19.9 | 20.6 | 20.2 | 19.9 | 19.8 | 19.4 | 19.1 | 18.8 | 18.4 | 18.2 |
| Angel Broking | 13.1 | 13.7 | 13.8 | 14.6 | 14.8 | 14.9 | 15.0 | 15.0 | 15.1 | 15.2 | 15.2 | 15.3 |
| RKSV Securities India Private | 8.8 | 7.1 | 6.8 | 7.0 | 6.8 | 6.7 | 6.7 | 6.6 | 6.5 | 6.4 | 6.4 | 6.3 |
| ICICI Securities | 7.1 | 7.2 | 6.8 | 6.8 | 6.2 | 5.9 | 5.7 | 5.5 | 5.3 | 5.0 | 4.8 | 4.6 |
| HDFC Securities | 3.3 | 3.4 | 3.3 | 3.4 | 3.2 | 3.1 | 3.0 | 3.0 | 2.9 | 2.8 | 2.8 | 2.7 |
| Kotak Securities | 2.8 | 2.9 | 2.9 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.1 | 3.0 | 3.0 | 3.0 |
| Motilal Oswal Financial Services | 2.47 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.42 | 2.4 | 2.3 | 2.3 | 2.2 | 2.2 |
| SBICAP Securities | 1.6 | 1.7 | 1.7 | 1.9 | 2.0 | 2.1 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 | 2.2 |
| 5Paisa Capital | 2.0 | 2.0 | 1.7 | 1.7 | 1.6 | 1.5 | 1.5 | 1.5 | 1.4 | 1.4 | 1.4 | 1.4 |
| IIFL SECURITIES | 1.5 | 1.5 | 1.5 | 1.5 | 1.4 | 1.3 | 1.3 | 1.2 | 1.2 | 1.1 | 1.1 | 1.1 |
| Axis Securities | 1.0 | 1.0 | 1.0 | 1.1 | 1.0 | 1.0 | 1.0 | 1.0 | 0.9 | 0.9 | 0.9 | 0.9 |
| Reliance Securities | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Aditya Birla Money | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| JM Financial service | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Geojit | | | | | | | | | | 0.6 | 0.6 | 0.6 |
| Others | 19.6 | 19.0 | 20.0 | 16.5 | 16.8 | 17.0 | 17.1 | 17.7 | 17.6 | 16.8 | 16.9 | 17.0 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

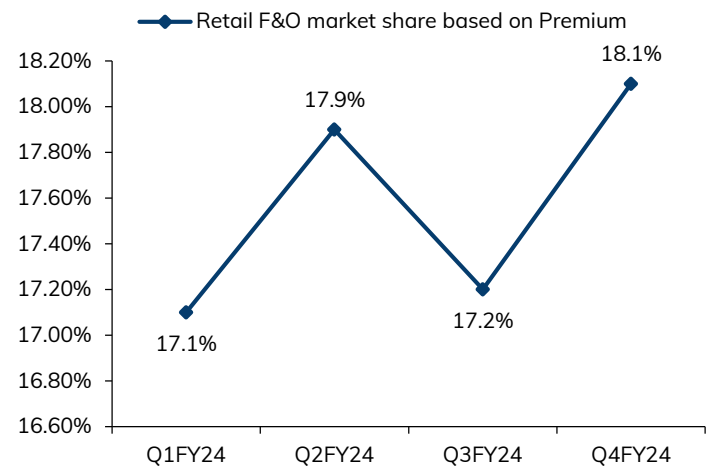
Source: Company data, I-Sec Research

Exhibit 5: Retail cash market share increased for Angel



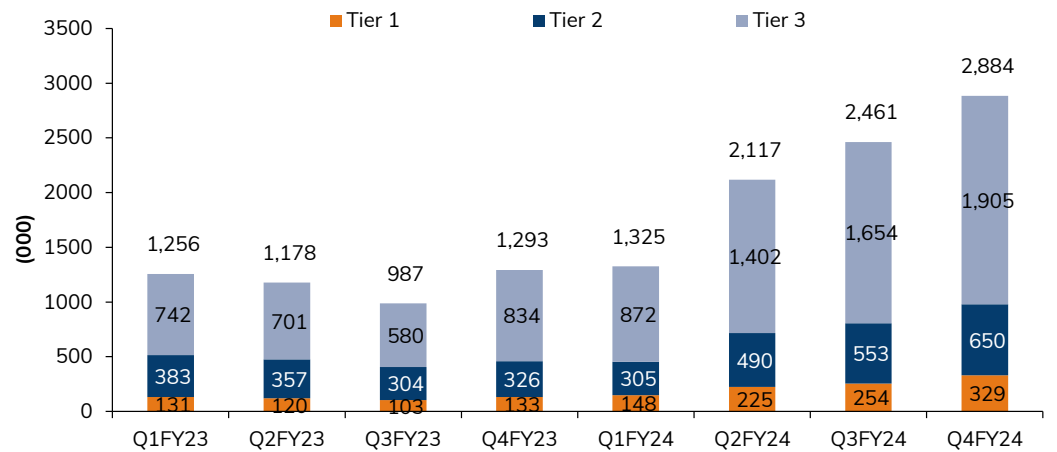
Source: I-Sec research, Company data

Exhibit 6: Retail F&O market share based on premium increased for Angel



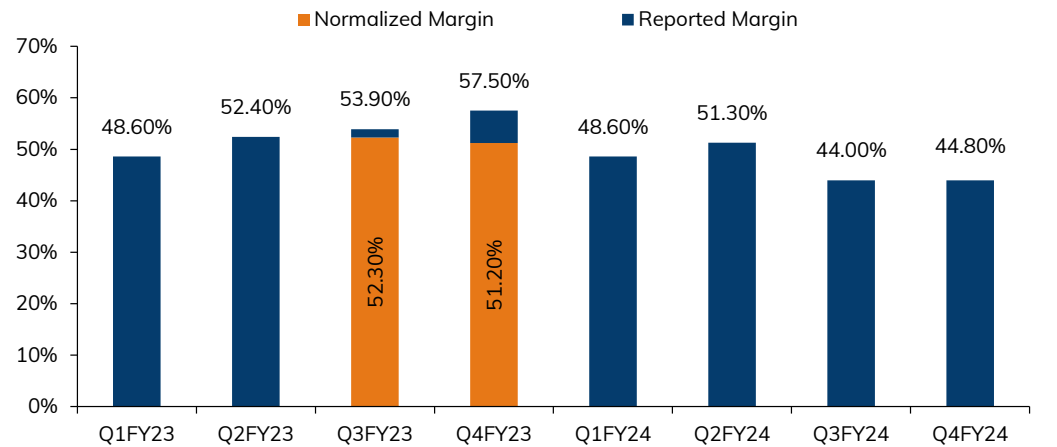
Source: I-Sec research, Company data

Exhibit 7: 89% of gross client addition contributed by tier-2/3 and cities beyond in Q4FY24



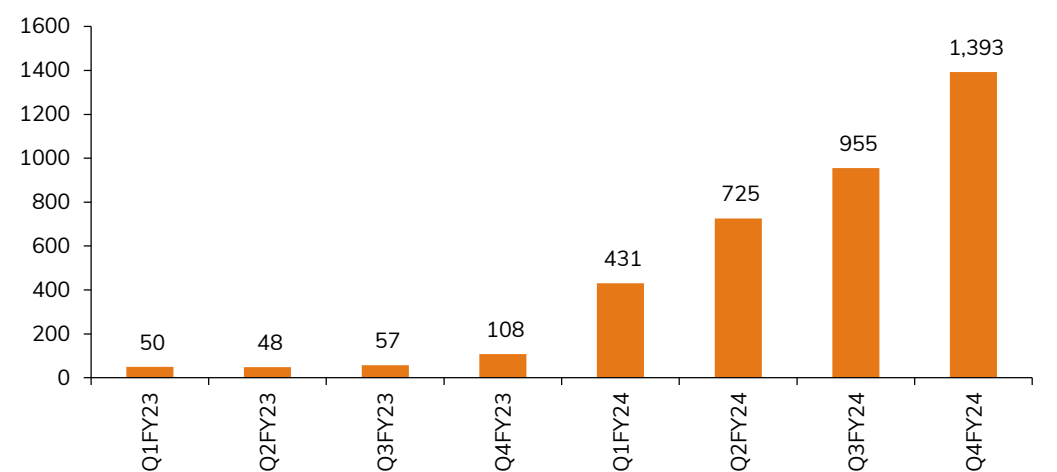
Source: Company data, I-Sec Research

Exhibit 8: Consolidated EBITDA Margin



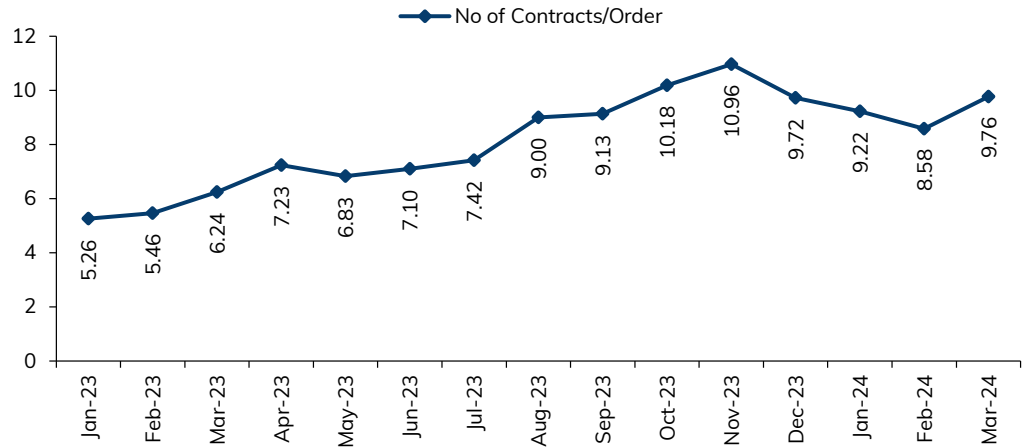
Source: Company data, I-Sec Research

Exhibit 9: Angel registered more than 1mn new unique SIP in Q4FY24



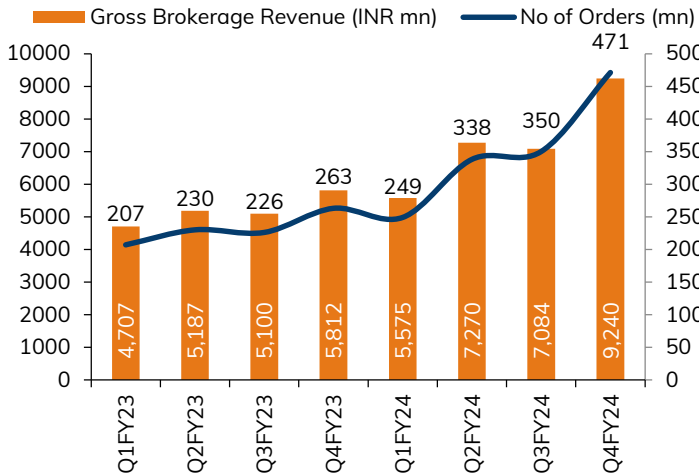
Source: Company data, I-Sec Research

Exhibit 10: Number of contracts per order is increasing for Angel



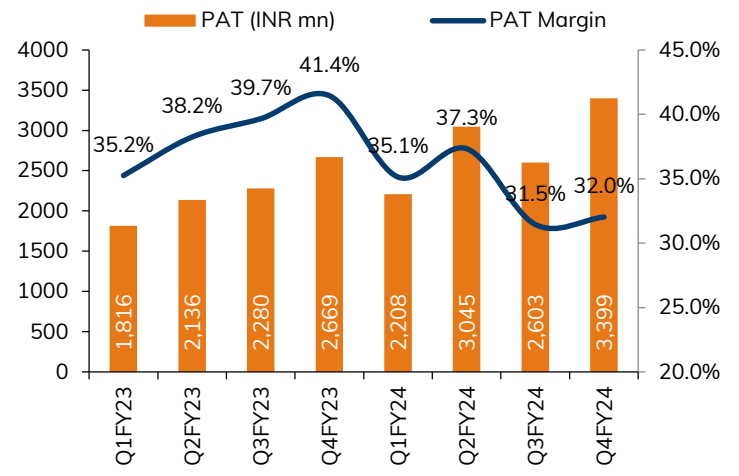
Source: Company data, I-Sec Research

Exhibit 11: Angel's gross brokerage revenue and number of orders trend



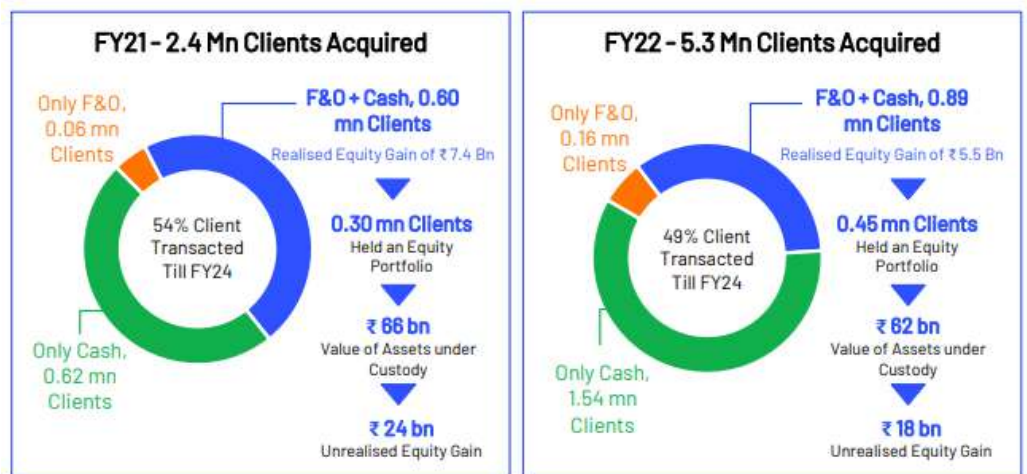
Source: I-Sec research, Company data

Exhibit 12: Angel's PAT and PAT margin trend



Source: I-Sec research, Company data

Exhibit 13: F&O Clients Building Long Term Equity Portfolio



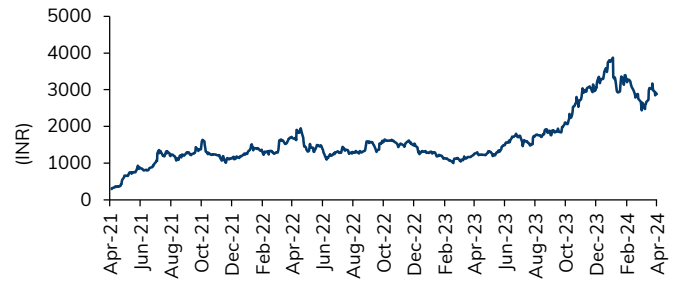
Source: Company data, I-Sec Research

Exhibit 14: Shareholding pattern

| % | Sep'23 | Dec'23 | Mar'24 |
|-------------------------|--------|--------|--------|
| Promoters | 38.3 | 38.2 | 38.2 |
| Institutional investors | 27.2 | 28.4 | 26.8 |
| MFs and other | 8.2 | 7.3 | 7.0 |
| Banks/ FIs | 0.0 | 0.0 | 0.0 |
| Insurance Cos. | 0.7 | 0.5 | 0.7 |
| FII's | 18.4 | 20.6 | 19.1 |

Source: Bloomberg, I-Sec research

Exhibit 15: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 16: Profit & Loss

(INR mn, year ending March)

| | FY23A | FY24A | FY25E | FY26E |
|--|---------------|---------------|---------------|---------------|
| Net Sales | 22,714 | 33,250 | 51,595 | 62,849 |
| Operating Expenses | 10,689 | 17,695 | 29,411 | 34,135 |
| EBITDA | 12,025 | 15,555 | 22,184 | 28,714 |
| EBITDA Margin (%) | 52.9 | 46.8 | 43.0 | 45.7 |
| Depreciation & Amortization | 303 | 499 | 600 | 800 |
| EBIT | 11,723 | 15,056 | 21,584 | 27,914 |
| Interest expenditure | - | - | - | - |
| Other Non-operating Income | - | - | - | - |
| Recurring PBT | 11,918 | 15,137 | 21,584 | 27,914 |
| Profit / (Loss) from Associates | - | - | - | - |
| Less: Taxes | 3,016 | 3,881 | 5,579 | 7,128 |
| PAT | 8,902 | 11,255 | 16,005 | 20,786 |
| Less: Minority Interest | - | - | - | - |
| Extraordinaries (Net) | - | - | - | - |
| Net Income (Reported) | 8,902 | 11,255 | 16,005 | 20,786 |
| Net Income (Adjusted) | 8,902 | 11,255 | 16,005 | 20,786 |

Source Company data, I-Sec research

Exhibit 17: Balance sheet

(INR mn, year ending March)

| | FY23A | FY24A | FY25E | FY26E |
|--|---------------|---------------|---------------|-----------------|
| Total Current Assets | 60,515 | 1,11,822 | 2,52,626 | 2,94,778 |
| of which cash & cash eqv. | 54,911 | 98,443 | 2,18,842 | 2,39,442 |
| Total Current Liabilities & Provisions | 44,594 | 76,033 | 1,84,312 | 2,12,703 |
| Net Current Assets | 15,921 | 35,789 | 68,314 | 82,075 |
| Investments | 1,095 | - | - | - |
| Net Fixed Assets | 2,111 | 3,546 | 4,546 | 4,846 |
| ROU Assets | 38 | 56 | 56 | 56 |
| Capital Work-in-Progress | - | - | - | - |
| Total Intangible Assets | 331 | 493 | 493 | 493 |
| Other assets | 617 | 1,708 | 1,708 | 1,708 |
| Deferred Tax assets | 17 | 73 | 73 | 73 |
| Total Assets | 30,183 | 56,504 | 88,510 | 1,02,667 |
| Liabilities | | | | |
| Borrowings | 7,872 | 25,353 | 25,353 | 25,000 |
| Deferred Tax Liability | 115 | 162 | 162 | 162 |
| provisions | 163 | 226 | 226 | 226 |
| other Liabilities | 417 | 377 | 377 | 377 |
| Equity Share Capital | 834 | 840 | 15,840 | 15,840 |
| Reserves & Surplus | 20,781 | 29,546 | 46,551 | 61,062 |
| Total Net Worth | 21,616 | 30,386 | 62,391 | 76,902 |
| Minority Interest | - | - | - | - |
| Total Liabilities | 30,183 | 56,504 | 88,510 | 1,02,667 |

Source Company data, I-Sec research

Exhibit 18: Cashflow statement

(INR mn, year ending March)

| | FY23A | FY24A | FY25E | FY26E |
|--|---------------|---------------|-----------------|---------------|
| Operating Cashflow | 15,795 | 29,548 | 1,28,637 | 83,726 |
| Working Capital Changes | 6,788 | 18,945 | 1,12,332 | 63,020 |
| Capital Commitments | (862) | (1,596) | (1,000) | (300) |
| Free Cashflow | 14,934 | 27,953 | 1,27,637 | 83,426 |
| Other investing cashflow | (908) | 1,095 | - | - |
| Cashflow from Investing Activities | (1,770) | (501) | (1,000) | (300) |
| Issue of Share Capital | - | - | 15,000 | - |
| Interest Cost | - | - | - | - |
| Inc (Dec) in Borrowings | (4,460) | 17,481 | - | (353) |
| Dividend paid | (3,374) | (2,997) | - | (7,275) |
| Others | - | - | - | - |
| Cash flow from Financing Activities | (7,834) | 14,485 | 15,000 | (7,627) |
| Chg. in Cash & Bank balance | 6,191 | 43,532 | 1,42,637 | 75,798 |
| Closing cash & balance | 54,911 | 98,443 | 2,18,312 | 2,39,442x |

Source Company data, I-Sec research

Exhibit 19: Key ratios

(Year ending March)

| | FY23A | FY24A | FY25E | FY26E |
|---------------------------------------|-------|-------|-------|-------|
| Per Share Data (INR) | | | | |
| EPS(Basic Recurring) | 102.8 | 134.0 | 178.1 | 231.3 |
| Recurring Cash EPS | 106.4 | 139.9 | 184.8 | 240.2 |
| Dividend per share (DPS) | 39.8 | 35.7 | - | 80.9 |
| Book Value per share (BV) | 255.3 | 361.7 | 694.2 | 855.6 |
| Growth Ratios (%) | | | | |
| Operating Income | 31.0 | 42.3 | 47.4 | 21.4 |
| EBITDA | 41.6 | 29.4 | 42.6 | 29.4 |
| Recurring Net Income | 40.6 | 26.4 | 42.2 | 29.9 |
| Recurring CEPS | 40.0 | 28.7 | 32.0 | 30.0 |
| Operating Ratio (%) | | | | |
| Employee expenses/Sales | 13.3 | 13.0 | 10.7 | 9.9 |
| Opex & Other exps /Sales | 22.4 | 28.4 | 33.4 | 31.9 |
| Effective Tax Rate | 25.7 | 25.6 | 25.8 | 25.5 |
| D/E Ratio (x) | 36.4 | 83.4 | 40.6 | 32.5 |
| Valuation | | | | |
| P/E | 26.5 | 20.8 | 15.7 | 12.1 |
| P/B | 10.9 | 7.7 | 4.0 | 3.3 |
| Dividend Yield | 1.43 | 1.3 | - | 2.9 |
| Return/Profitability Ratio (%) | | | | |
| Recurring Net Income Margins | 29.0 | 26.3 | 25.4 | 27.2 |
| RoCE | 39.8 | 27.0 | 24.6 | 27.4 |
| RoNW | 46.5 | 43.3 | 34.5 | 29.8 |
| Dividend Payout Ratio | 38.8 | 26.6 | - | 35.0 |

Source Company data, I-Sec research

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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

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