

Angel Broking has reported extremely strong numbers in Q1'22, beat our expectations on all parameters. Client addition numbers continues to be strong, on a high base which is a big positive.

Performance matches stellar Q4'21 performance. Highest ever gross client addition of 1.2 Mn in the quarter.

- **Revenue from operations came in at INR 4627 Mn, 94.0% YoY/13.0%QoQ vs our expectation of INR 4500 Mn.**
- **Other Income came in at INR 118 Mn, 44.6% YoY/ 15.3% QoQ**
- **Total Income came in at INR 4745 Mn, 92.4% YoY/13.3%QoQ vs our expectation of INR 4600 Mn.**
- **EBDAT came in at INR 1,663 Mn, 139.0% YoY/14.0% QoQ vs our expectation of INR 1,900 Mn**
- **PAT came in at INR 1,214 Mn, 152.0% YoY/ 19.2% QoQ vs our expectation of INR 1,200Mn.**
- **EPS stood at INR 14.8 vs INR 6.5 / INR 12.4 in YoY / QoQ respectively.**

Financial and Operational Highlights

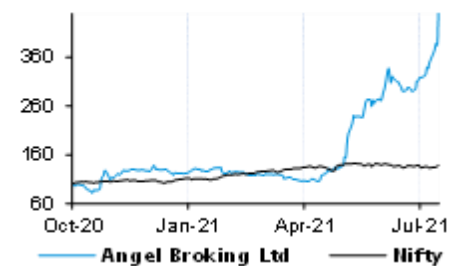
- Gross Broking Income saw a strong growth at INR 3,229 Mn (81.0% YoY/13.2% QoQ), interest income too showed stellar growth at INR 709Mn (79.0% YoY growth, 15.3%QoQ) and other operating income came in at INR 807 Mn(178.3% YoY/11.9% QoQ).
- 12,04,000 (254.0% YoY/25.0% QoQ) clients added in this quarter, taking total client base to 5.3Mn(146.5% YoY/28.6% QoQ).
- Market share in incremental demat accounts saw a small dip on a QoQ basis due to increased competition at 16.6%(190 bps YoY/(100)bps QoQ). Total app downloads for the quarter at 12.6Mn vs 10.3Mn in Q4'21.

Rating	TP (Rs)	Up/Dn (%)
BUY	1360	7

Market data

Current price	Rs	1274
Market Cap (Rs.Bn)	(Rs Bn)	105
Market Cap (US\$ Mn)	(US\$ Mn)	1407
Face Value	Rs	10
52 Weeks High/Low	Rs	1274/223
Average Daily Volume	('000)	1312
BSE Code		543235
Bloomberg		ANGELBRK:IN
Source: Bloomberg		

One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-20
Promoters	44.26	44.55
Public	55.74	55.45
Others	0.00	0.00
Total	100	100

Source: BSE

Financial Summary

Y/E Mar(Rs Mn)	FY19	FY20	FY21	FY22E	FY23E
Income from Operations	7580	7246	12637	18688	26767
Total Income	7841	7547	12990	19020	27115
Operating Profit	1433	1565	4458	8560	13979
Net Profit	834	868	2981	5514	9515
Net Worth	5314	5914	11309	15445	22581
EPS(Rs)	12	12	37	68	116
growth(%)	(24.0)	4.1	208.0	83.0	71.0
P/E(x)	109.0	105.0	34.0	19.0	11.0
P/BV(x)	17.2	15.5	9.2	6.7	4.6
ROA(%)	3.6	3.9	8.5	11.1	15.7
ROE(%)	16.6	15.5	34.6	41.2	50.0

Source: Dalal & Broacha Research

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- Strong growth in ADTO other than cash due to peak margin norms (average daily turnover). Overall ADTO came in at INR 4,547bn (634.6% YoY/21.2% QoQ), cash ADTO came in at INR 60 bn (3.4% YoY/(13.0)% QoQ) and F&O ADTO came in at INR 4,394 bn (759.9% YoY/22.1% QoQ).
- Market share gains in retail F&O turnover, commodity and retail equity turnover. F&O market share at 22.9% (1,510 bps YoY/ 200 bps QoQ), overall equity market share at 22.7% (1,450 bps YoY/ 190 bps QoQ). Dip of market share on a QoQ and YoY basis was seen in cash market share due to phase 2 implementation of peak margin norms and came in at 13.8% ((350) bps YoY/ (250) bps QoQ) and commodity market share at 25.8% (120 bps YoY/ 30 bps QoQ).

Dip in market share in cash segment due to peak margin norms and incremental demat accounts minor concern point, but management believes this is temporary

Valuation and outlook

Capital market participation is extremely low in India. Angel Broking is a well-established player and is on the path to become a leading Intech company. Although the company will continue to face competition, it's used technology in an impressive way to achieve scale and have a lot of operating leverage. We have also taken a conservative growth rate of its operational client base at CAGR ~42% between FY22-24E. Angel Broking has reported an extremely strong set of numbers, showing strong YoY growth and also managing to better the growth shown in Q4 on both revenue and profitability front. For FY22 we have increased our client acquisition growth rate to 75% from 50% earlier on strong commentary from management as well as on seeing the performance of Q1'22. We will keep a close watch on the declining cash market share and see if it stabilizes in the coming quarters. Stock has rallied 256% from our initiation price of INR 357 in 6 months, but it is showing no signs of slowing down and can still be looked at as company is expected to have a very strong FY22.

We have maintained a 'Buy' rating on Angel Broking and increased the price target to Rs 1,360 from earlier target price of Rs 706 which it has already achieved, valuing the stock at 20.0x FY22E EPS.

Highlights of the Conference Call

Performance for the quarter

- Angel Broking performance because of digital capability, able to penetrate tier 2 and tier 3 cities because of the app.
- See lot of potential for further growth as equity penetration is a low.
- Steady growth in demat accounts in India has reached 62 Mn as on June'21

Super App

- Company had made this announcement last quarter, progress in line, app will be launched by the end of the year.
- Distribution income and other income from marketing financial products will start flowing in from Q4'22.

Employee Expenses

- Employee expenses rose this quarter annual revision in payroll.
- Will be elevated in coming quarters as they are making hires with digital expertise and people with expertise in artificial intelligence and machine learning to give better experience to customer.

Drop in Cash Market Share and Impact of Peak Margin Norms

- Drop in cash market share temporary and should bounce back, peak margin norms will impact volumes which will have a small impact of 2-3% on revenues.
- Not a major impact on revenue seen as Angel's revenue depends not on Turnover but on no of trades which has seen a strong growth in both F&O and cash segment.
- F&O contribution in broking revenue stands at 63%, followed by cash at 31% and commodities at 6%.

Client Mix

- Millennials and young generation form a major chunk, median age reduced to 29 in Q1'22 from 30 in Q4'21.
- 93% of gross client added under flat fee tariff plan up from 90% in Q4'21 and 7% under traditional plan. <2 year old clients contribute 74% of net broking income, lifecycle of customer improving, older customers are trading more.

Dividend Policy

- Company last quarter had stated that it is confident of generating cash flows and since it is an asset light business models, company plans to give 35% of the profit each year as dividend spread over 4 quarters as a reward to shareholders, has done it this quarter and approved a 1st interim dividend of ₹ 5.15 per equity share.

Strategy Going Forward

- Company's main aim is to increase market share across segments in broking in next 2-3 years and eventually become a full-fledged platform based fintech company.

Financials

P&L Rs Mn	Q3FY 20	Q4FY 20	Q1FY 21	Q2FY 21	Q3FY 21	Q4FY 21	Q1FY 22
Revenue from Operations	1788	1927	2384	3099	3068	4086	4627
Other Income	67	69	82	81	88	102	118
Total Income	1855	1996	2466	3179	3156	4188	4745
Total Expenses	1486	1553	1820	2183	2111	2765	3123
EBDAT	421	492	696	1043	1093	1463	1663
PBT	370	443	646	996	1045	1423	1622
Tax	91	119	164	251	313	404	408
PAT	279	324	483	746	732	1019	1214
EPS	4	4	7	10	9	12	15
Market Share							
Retail F&O Turnover Market Share	6%	7%	8%	12%	16%	21%	23%
Retail Cash Turnover Market Share	14%	14%	17%	18%	18%	16%	14%
Retail Commodity Turnover Market Share	19%	21%	25%	28%	27%	26%	26%
Retail Equity Turnover Market Share	6%	7%	8%	12%	16%	21%	23%
Incremental Demat Accounts	9%	15%	15%	16%	15%	18%	17%
Other Parameters							
Net Client Addition(Number)	1,27,000	2,27,000	3,39,573	5,39,567	4,92,000	9,60,000	12,04,000
Total Client Base(Mn)	1.59	1.82	2.15	2.69	3.19	4.12	5.3
EBDAT Margin(%)	23%	25%	28%	33%	35%	35%	35%
PAT Margin(%)	15%	16%	20%	23%	23%	24%	26%
Cost to Income(%)	80%	78%	74%	69%	67%	66%	66%
Overall ADTO (bn rupees)	450	582	619	1281	2261	3753	4547
Cash ADTO (bn rupees)	32	33	58	69	61	69	60
F&O ADTO (bn rupees)	369	492	511	1129	2120	3599	4394

Source: Dalal & Broacha Research, Company

Exhibit 1:

P&L (Rs Mn)	FY 20	FY 21	FY 22	FY 23
Income from operations	7246	12637	18688	26767
Other Income	301	353	332	348
Total Income	7547	12990	19020	27115
Opex	5982	7541	10460	13136
Operating Profit	1565	5449	8560	13979
Provisions	377	346	1198	1275
PBT	1188	4112	7362	12704
Tax	319.8	1131	1847	3188
PAT	868	2981	5514	9515

Source: Dalal & Broacha Research, Company

Exhibit 2:

BS (Rs Mn)	FY 20	FY 21	FY 22	FY 23
Capital	720	818	818	818
Other Equity	5194	10491	14627	21763
Borrowings	4909	11715	13472	15493
Trade Payables	9395	22764	18688	26761
Provisions	67	91	187	268
Tax Liabilities	0	121	2	3
Other Liabilities	1616	2138	3336	4611
Total	21902	48138	51130	69722
Cash	6132	5878	9815	27252
Balances with Banks	8003	12897	14171	15574
Trade Receivables	390	2277	934	1338
Investments	353	55	55	55
Loans	2806	11285	11982	12748
Fixed Assets	1039	1004	904	814
Other Assets	3179	14742	13268	11941
Total	21902	48138	51130	69722

Source: Dalal & Broacha Research, Company

Exhibit 3:

Ratios (%)	FY 20	FY 21	FY 22	FY 23
Growth				
Income	(4.0)	72	46	43
Operating profit	9	185	92	63
Net profit	4	243	85	72
Operational Client Base	41	126	74	45
Returns				
ROA	3.9	8.5	11.1	15.7
ROE	15.5	34.6	41.2	50.0

Source: Dalal & Broacha Research, Company

Exhibit 4:

Operational Data	FY 20	FY 21	FY 22	FY 23
Operational Client Base (millions)				
Opening Balance	1.29	1.82	4.12	7.2
Gross Adds	0.56	2.35	3.09	3.24
Churn	0.03	0.03	0.01	0.02
Closing Balance	1.82	4.12	7.2	10.41
Brokerage Income (millions)				
	5039	11407	17994	26037
Brokerage Income per Operational Client (actual Rs.)	2769	2769	2500	2500

Source: Dalal & Broacha Research, Company

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