



Angel Broking has reported strong overall performance in Q3'21. Its operating performance remained strong and continued to gain market share.

Performance almost matches Q2'21 performance. Gross client addition continued to pass 5 lakh mark for second consecutive quarter indicating a strong momentum to business.

- Revenue from operations came in at INR 3068 Mn, 72.0% YoY/(1%)QoQ vs our expectation of INR 2875 Mn.
- Other Income came in at INR 88 Mn, 31.1% YoY/ 9.3% QoQ
- EBDAT came in at INR 1,093 Mn, 160.0% YoY/5.0% QoQ vs our expectation of INR 800 Mn
- PAT came in at INR 732 Mn, 162.0% YoY/ (1.8%) QoQ vs our expectation of INR 680Mn. Lower PAT on a QoQ basis due to higher tax outgo.
- EPS stood at INR 8.99 vs INR 3.65 / INR 10.33 in YoY / QoQ respectively.

Financial and Operational Highlights

- Gross Broking Income saw a strong growth at INR 2,210 Mn (+74.0% YoY/ (0.5%) QoQ), interest income came in at INR 441Mn (11% YoY growth, (19.2%) QoQ) and other operating income came in at INR 505 Mn(+173% YoY/+22.9% QoQ).
- 4,92,000 (+287% YoY/(8.8%) QoQ) net clients added in this quarter, taking total client base to 3.19Mn(+100.6% YoY/+18.6% QoQ).
- Market share in incremental demat accounts at 15.2%(+650bps YoY/(60bps) QoQ)
- Market share of Angel in NSE active client base at 7.6%(+50bps QoQ). Active NSE client number of Angel stands at 1.2Mn as on Q3'21 which comes to 38% client activation rate compared to industry average of 32.1%.

Financial Summary

Y/E Mar(Rs Mn)	FY 19	FY 20	FY 21E	FY 22E	FY 23E
Income from Operations	7580	7246	11233	13076	17407
Total Income	7841	7547	11549	13407	17755
Operating Profit	1433	1565	4009	5036	7743
Net Profit	834	868	2588	3328	5323
Net Worth	5314	5914	10698	13194	17187
EPS(Rs)	12	12	32	41	65
growth(%)	(24.0)	4.1	162.4	28.6	59.9
P/E(X)	29.5	28.3	10.8	8.4	5.3
P/BV(x)	4.6	4.2	2.6	2.1	1.6
ROA(%)	3.5	3.7	9.3	9.2	12.0
ROE(%)	15.9	14.7	31.0	27.9	35.0

Source: Dalal & Broacha Research

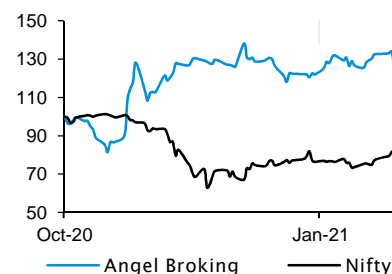
Rating	TP (Rs)	Up/Dn (%)
BUY	528	54

Market data

Current price	Rs	343
Market Cap (Rs.Bn)	(Rs Bn)	28
Market Cap (US\$ Mn)	(US\$ Mn)	384
Face Value	Rs	10
52 Weeks High/Low	Rs	407/223
Average Daily Volume ('000)		123
BSE Code		543235
Bloomberg		ANGELBRK:IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Dec-20	Sep-20
Promoters	44.56	44.56
Public	55.44	55.44
Others	0.00	0.00
Total	100	100

Source: BSE

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- Strong growth in ADTO (average daily turnover). Overall ADTO came in at INR 2,261 bn (+402.4% YoY/+76.5% QoQ), cash ADTO came in at INR 61 bn (+90.6% YoY/(11.6%) QoQ) and F&O ADTO came in at INR 2,120 bn (+474.5% YoY/+87.8% QoQ).
- Market share gains in retail F&O turnover and retail equity turnover. F&O market share at 16.1% (+1,050 bps YoY/ +400 bps QoQ), overall equity market share at 16.1% (+1,020 bps YoY/ +380 bps QoQ). Slight dip of market share on a QoQ basis was seen in cash market share at 17.6% (+330 bps YoY/ (70 bps) QoQ) and commodity market share at 26.8% (+770 bps YoY/ (160 bps) QoQ).

Cash ADTO was marginally soft due to implementation of new margin rule and 6% lesser trading days on a QoQ basis, company expects it to recover.

Valuation and outlook

Capital market participation is extremely low in India. Angel Broking is a well-established player and is highly nimble. 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 ~32% between FY21-23E. Company has posted a strong set of numbers in Q3'21 and almost matched the strong results posted in Q2'21 which is an achievement. We have maintained a 'Buy' rating on Angel Broking with a price target of Rs 528, valuing the stock at 13.0x FY22E EPS.

Highlights of the Conference Call

Angel Bee

- Angel Bee is a platform that company has built to sell mutual funds and other financial products to customer and also provide wealth management.
- Angel Bee will be used through lifetime of customer and he can monitor his wealth.
- Angel Bee is in testing phase and will be introduced by next financial year

Other Digital Products

- Increase in other expenses due to technology spends in developing new products that will be introduced next financial year.

New Margin Rule

- Cash ADTO soft due to new margin rule, customers starting to get used to it, company sees ADTO in cash segment to bounce back.

ADTO and Revenue Relation

- Although ADTO has seen an exponential rise in F&O on a QoQ basis, its mainly because of option trading and that does not contribute as much as revenue as Cash ADTO which has dropped.
- Income slightly dropped on a QoQ basis on account of lower cash ADTO mainly due to 6% lesser trading days on a QoQ basis.

Revenue per operational client

- Slight decline in revenue per operational client because of incremental addition of clients, new clients added take a month or two to start trading and company believes they can activate them with nudges and offers.
- 69% of broking income comes from clients who have been with them for less than two years.

Cost of Acquisition of Client

- Cost of acquisition remained constant on a QoQ basis although the number was not disclosed

Pricing Pressure and Competition

- Company believes pricing competition will always be there, but it is their digital capabilities that will help them grow and acquire clients at a faster pace than the industry.
- The technology spends they have already incurred in transforming into a digital company has given them a lot of operating leverage to work with.
- 64% of broking income comes from customers who have taken the flat fee plan compared to 54% last quarter and the number is expected to rise going forward as more customers are acquired on flat fee basis.

Strategy Going Forward

- Company's main aim is to increase market share across segments and introduce more digital products and improve customer activation rate.

Financials

P&L Rs Mn	Q1FY 20	Q2FY 20	Q3FY 20	Q4FY 20	Q1FY 21	Q2FY 21	Q3FY 21
Revenue from Operations	1813	1718	1788	1927	2384	3099	3068
Other Income	77	87	67	69	82	81	88
Total Income	1890	1805	1855	1996	2466	3179	3156
Total Expenses	1799	1522	1486	1553	1820	2183	2111
EBDAT	144	340	421	492	696	1043	1093
PBT	91	284	370	443	646	996	1045
Tax	31	81	91	119	164	251	313
PAT	60	203	279	324	483	746	732
EPS	1	3	4	4	7	10	9
Market Share							
Retail F&O Turnover Market Share	3%	4%	6%	7%	8%	12%	16%
Retail Cash Turnover Market Share	13%	14%	14%	14%	17%	18%	18%
Retail Commodity Turnover Market Share	12%	15%	19%	21%	25%	28%	27%
Retail Equity Turnover Market Share	4%	5%	6%	7%	8%	12%	16%
Incremental Demat Accounts	7%	10%	9%	15%	15%	16%	15%
Other Parameters							
Net Client Addition(Number)	59,000	1,10,000	1,27,000	2,27,000	3,39,573	5,39,567	4,92,000
Total Client Base(Mn)	1.35	1.46	1.59	1.82	2.15	2.69	3.19
EBDAT Margin(%)	8%	19%	23%	25%	28%	33%	35%
PAT Margin(%)	3%	11%	15%	16%	20%	23%	23%
Cost to Income(%)	95%	84%	80%	78%	74%	69%	67%
Overall ADTO (bn rupees)	253	358	450	582	619	1281	2261
Cash ADTO (bn rupees)	26	27	32	33	58	69	61
F&O ADTO (bn rupees)	198	290	369	492	511	1129	2120

Source: Dalal & Broacha Research, Company

Exhibit 1:

P&L (Rs Mn)	FY 20	FY 21	FY 22	FY 23
Income from operations	7246	11233	13076	17407
Other Income	301	316	332	348
Total Income	7547	11549	13407	17755
Opex	5982	7541	8371	10012
Operating Profit	1565	4009	5036	7743
Provisions	377	554	593	636
PBT	1188	3455	4444	7107
Tax	319.8	867.2	1115.4	1783.8
PAT	868	2588	3328	5323

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	9880	12376	16369
Borrowings	4909	6136	7056	8115
Trade Payables	9395	11233	13076	17407
Provisions	67	112	131	174
Tax Liabilities	0	1	1	2
Other Liabilities	1616	5247	5839	6476
Total	21902	33428	39298	49359
Cash	6132	14047	18879	27599
Balances with Banks	8003	9434	10371	11403
Trade Receivables	390	562	654	870
Investments	353	50	50	50
Loans	2806	5539	5927	6362
Fixed Assets	1039	935	841	757
Other Assets	3179	2861	2575	2317
Total	21902	33428	39298	49359

Source: Dalal & Broacha Research, Company

Exhibit 3:

Ratios (%)	FY 20	FY 21	FY 22	FY 23
Growth				
Income	(4.0)	53	16	32
Operating profit	9	156	26	54
Net profit	4	198	29	60
Operational Client Base	41	110	30	35
Returns				
ROA	3.7	9.3	9.2	12.0
ROE	14.7	31.0	27.9	35.0

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	3.82	4.95
Gross Adds	0.56	2.03	1.15	1.73
Churn	0.03	0.03	0.01	0.01
Closing Balance	1.82	3.82	4.95	6.67
Brokerage Income (millions)	5039	10572	12381	16678
Brokerage Income per Operational Client (actual Rs.)	2769	2769	2500	2500

Source: Dalal & Broacha Research, Company

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