

**Stellar Quarter, On Its Way To Become one of India's Best Fintech company.**



**Angel Broking has reported extremely strong numbers in Q4'21, beat our expectations on all parameters. Client addition numbers continues to be strong, but it translating to strong revenue growth is a very positive surprise.**

**Performance betters Q3'21 performance. Highest ever gross client addition of .96mn in the quarter.**

- **Revenue from operations came in at INR 4086 Mn, 112.0% YoY/33%QoQ vs our expectation of INR 3200 Mn.**
- **Other Income came in at INR 102 Mn, 48.5% YoY/ 16.3%QoQ**
- **EBDAT came in at INR 1,463 Mn, 197.0% YoY/34.0% QoQ vs our expectation of INR 1,150 Mn**
- **PAT came in at INR 1,019 Mn, 215.0% YoY/ 39.2% QoQ vs our expectation of INR 1,150Mn.**
- **EPS stood at INR 12.46 vs INR 4.4 / INR 8.99 in YoY / QoQ respectively.**

### Financial and Operational Highlights

- Gross Broking Income saw a strong growth at INR 2,853 Mn (+106% YoY/+29.1% QoQ), interest income too showed stellar growth at INR 615Mn (55% YoY growth,+39.5%QoQ) and other operating income came in at INR 721 Mn(+232.3% YoY/+42.8% QoQ).
- 9,60,000 (+313% YoY/+86% QoQ) clients added in this quarter, taking total client base to 4.12Mn(+126.4% YoY/+29.2% QoQ).
- Market share in incremental demat accounts at 17.6%(+650bps YoY/+260bps QoQ). Total app downloads for the quarter at 10.3Mn vs 8.4Mn in Q3'21.
- Strong growth in ADTO (average daily turnover). Overall ADTO came in at INR 3,753bn (+544.8% YoY/+66% QoQ), cash ADTO came in at INR 69 bn (+109.1% YoY/+13.1% QoQ) and F&O ADTO came in at INR 3,599 bn (+631.5% YoY/+69.8% QoQ).

Rating	TP (Rs)	Up/Dn (%)
<b>BUY</b>	<b>706</b>	<b>39</b>

### Market data

<b>Current price</b>	<b>Rs</b>	<b>508</b>
Market Cap (Rs.Bn)	(Rs Bn)	42
Market Cap (US\$ Mn)	(US\$ Mn)	569
Face Value	Rs	10
52 Weeks High/Low	Rs	508/223
Average Daily Volume	('000)	3179
BSE Code		543235
Bloomberg		ANGELBRK:IN

Source: Bloomberg

### One Year Performance



Source: Bloomberg

% Shareholding	Mar-21	Dec-20
Promoters	44.55	44.56
Public	55.45	55.44
Others	0.00	0.00
<b>Total</b>	<b>100</b>	<b>100</b>

Source: BSE

### Financial Summary

Y/E Mar(Rs Mn)	FY19	FY20	FY21	FY22E	FY23E
Income from Operations	7580	7246	12637	16113	23041
Total Income	7841	7547	12990	16445	23389
Operating Profit	1433	1565	4458	7604	12294
Net Profit	834	868	2588	3328	5323
Net Worth	5314	5914	11310	15248	21797
EPS(Rs)	12	12	37	64	107
growth(%)	(24.0)	4.1	208.0	73.0	67.0
P/E(X)	44.0	42.3	13.8	8.0	4.8
P/BV(x)	6.9	6.2	3.7	2.7	1.9
ROA(%)	3.6	3.9	8.5	11.7	17.8
ROE(%)	16.6	15.5	34.6	39.5	47.1

Source: Dalal & Broacha Research

**Akshay Ashok**  
(022) 67141486  
[akshay.ashok@dalal-broacha.com](mailto:akshay.ashok@dalal-broacha.com)

- Market share gains in retail F&O turnover and retail equity turnover. F&O market share at 20.9% (+1,420 bps YoY/ +480 bps QoQ), overall equity market share at 20.8% (+1,390 bps YoY/ +470 bps QoQ). Slight dip of market share on a QoQ basis was seen in cash market share at 16.3% (+230 bps YoY/ -130 bps QoQ) and commodity market share at 25.5% (+460 bps YoY/ -130 bps QoQ).
- Market share gains across segments a positive, Market share in incremental demat accounts at 17.6%, 1 out of every 6 demat accounts opened in the industry is being opened with Angel.

## 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 Q3 on both revenue and profitability front. For FY22 we have increased our client acquisition growth rate to 50% from 30% earlier on strong commentary from management. We like the appointment of Silicon Valley veteran Mr Narayan Gangadhar as the new CEO after the unfortunate demise of Mr Vinay Agarwal. We believe the vacuum in leadership is filled and appointing a tech expert is a breath of fresh air and a step in the right direction.

**We have maintained a 'Buy' rating on Angel Broking and increased the price target to Rs 706 from earlier target price of Rs 528 which it has almost achieved, valuing the stock at 11.0x FY22E EPS.**

## Highlights of the Conference Call

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### 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 4% in India compared to China and USA with penetration levels of 11.4 and 32% respectively.
- Industry at inflection point, growth will be driven by digital brokers.
- Management believes can maintain this client addition run rate even for FY22.

### Super App

- Company in the next 2 quarters plans to launch a super app, where a customer can do all functions like brokerage, financial planning in a single app.
- The app will also be used to distribute mutual funds and insurance products as well as other financial services.

### Foray into AMC business

- Company plans to foray into asset management business, aims to float a mutual fund, will focus on tech based passive investment product.
- Will take two years for approval and another year for it to start contributing to top line.

### Tech Expense and Advertisement Strategy

- Tech expense is normally 14% of opex, advertisement by tie ups with Google , Facebook and Youtube for acquiring client no mass media being used .Using social media platform that customers use to get good visibility.

### Client Mix

- Millennials and young generation form a major chunk, median age reduce to 30 in Q4'21 from 34 in Q4'20.
- 90% of gross client added under flat fee tariff plan and 10% under traditional plan. <2 year old clients contribute 75% of net broking income

### Dividend Policy

- Company is confident of generating cash flows, and since it's 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

### 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	Q2FY 20	Q3FY 20	Q4FY 20	Q1FY 21	Q2FY 21	Q3FY 21	Q4FY 21
Revenue from Operations	1718	1788	1927	2384	3099	3068	4086
Other Income	87	67	69	82	81	88	102
<b>Total Income</b>	<b>1805</b>	<b>1855</b>	<b>1996</b>	<b>2466</b>	<b>3179</b>	<b>3156</b>	<b>4188</b>
Total Expenses	1522	1486	1553	1820	2183	2111	2765
<b>EBDAT</b>	<b>340</b>	<b>421</b>	<b>492</b>	<b>696</b>	<b>1043</b>	<b>1093</b>	<b>1463</b>
<b>PBT</b>	<b>284</b>	<b>370</b>	<b>443</b>	<b>646</b>	<b>996</b>	<b>1045</b>	<b>1423</b>
Tax	81	91	119	164	251	313	404
<b>PAT</b>	<b>203</b>	<b>279</b>	<b>324</b>	<b>483</b>	<b>746</b>	<b>732</b>	<b>1019</b>
<b>EPS</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>7</b>	<b>10</b>	<b>9</b>	<b>12</b>
<b>Market Share</b>							
Retail F&O Turnover Market Share	4%	6%	7%	8%	12%	16%	21%
Retail Cash Turnover Market Share	14%	14%	14%	17%	18%	18%	16%
Retail Commodity Turnover Market Share	15%	19%	21%	25%	28%	27%	26%
Retail Equity Turnover Market Share	5%	6%	7%	8%	12%	16%	21%
Incremental Demat Accounts	10%	9%	15%	15%	16%	15%	18%
<b>Other Parameters</b>							
Net Client Addition(Number)	1,10,000	1,27,000	2,27,000	3,39,573	5,39,567	4,92,000	9,60,000
Total Client Base(Mn)	1.46	1.59	1.82	2.15	2.69	3.19	4.12
EBDAT Margin(%)	19%	23%	25%	28%	33%	35%	35%
PAT Margin(%)	11%	15%	16%	20%	23%	23%	24%
Cost to Income(%)	84%	80%	78%	74%	69%	67%	66%
Overall ADTO (bn rupees)	358	450	582	619	1281	2261	3753
Cash ADTO (bn rupees)	27	32	33	58	69	61	69
F&O ADTO (bn rupees)	290	369	492	511	1129	2120	3599

Source: Dalal & Broacha Research, Company

### Exhibit 1:

P&L (Rs Mn)	FY 20	FY 21	FY 22	FY 23
Income from operations	7246	12637	16113	23041
Other Income	301	353	332	348
<b>Total Income</b>	<b>7547</b>	<b>12990</b>	<b>16455</b>	<b>23389</b>
Opex	5982	8532	8841	11094
<b>Operating Profit</b>	<b>1565</b>	<b>4458</b>	<b>7604</b>	<b>12294</b>
Provisions	377	346	593	636
<b>PBT</b>	<b>1188</b>	<b>4112</b>	<b>7011</b>	<b>11658</b>
Tax	319.8	1131.1	1759.8	2926.2
<b>PAT</b>	<b>824</b>	<b>2970</b>	<b>5251</b>	<b>8732</b>

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	10492	14430	20979
Borrowings	4909	11715	7056	8115
Trade Payables	9395	22762	16113	23041
Provisions	67	91	161	230
Tax Liabilities	0	121	2	2
Other Liabilities	1616	2140	2733	3369
<b>Total</b>	<b>21902</b>	<b>48138</b>	<b>41314</b>	<b>56554</b>
Cash	6132	5878	9988	24833
Balances with Banks	8003	12897	10371	11403
Trade Receivables	390	2277	806	1152
Investments	353	55	50	50
Loans	2806	11285	5927	6362
Fixed Assets	1039	1004	904	814
Other Assets	3179	14742	13268	11941
<b>Total</b>	<b>21902</b>	<b>48138</b>	<b>41314</b>	<b>56554</b>

Source: Dalal &amp; BroachaResearch, Company

## Exhibit 3:

Ratios (%)	FY 20	FY 21	FY 22	FY 23
<b>Growth</b>				
Income	(4.0)	72	27	42
Operating profit	9	185	71	62
Net profit	4	243	76	66
Operational Client Base	41	126	50	44
<b>Returns</b>				
ROA	3.9	8.5	11.7	17.8
ROE	15.5	34.6	39.5	47.1

Source: Dalal &amp; BroachaResearch, Company

## Exhibit 4:

Operational Data	FY 20	FY 21	FY 22	FY 23
<b>Operational Client Base(millions)</b>				
Opening Balance	1.29	1.82	4.12	6.17
Gross Adds	0.56	2.35	2.06	2.78
Churn	0.03	0.05	0.01	0.02
<b>Closing Balance</b>	<b>1.82</b>	<b>4.12</b>	<b>6.17</b>	<b>8.92</b>
<b>Brokerage Income (millions)</b>				
Brokerage Income (millions)	5039	12637	15419	22311
<b>Brokerage Income per Operational Client (actual Rs.)</b>	<b>2769</b>	<b>3067</b>	<b>2499</b>	<b>2500</b>

Source: Dalal &amp; BroachaResearch, Company

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Name	Designation	Email	Phone	Sector
Mr. Kunal Bhatia	HOR	kunal.bhatia@dalal-broacha.com	022 67141442	Auto   Auto Ancillary   FMCG
Mrs.Charulata Gaidhani	Sr. Analyst	charulata.gaidhani@dalal-broacha.com	022 67141446	Pharma   Healthcare
Mr. Mayank Babla	Sr. Analyst	mayank.babla@dalal-broacha.com	022 67141412	IT   Telecom   Media
Mr. Avinash Tanawade	Sr. Analyst	avinash.tanawade@dalal-broacha.com	022 67141449	BFSI
Mr. Akshay Ashok	Analyst	akshay.ashok@dalal-broacha.com	022 67141486	BFSI
Mr. Suraj Nandu	Analyst	suraj.nandu@dalal-broacha.com	022 67141438	FMCG   Retail
Ms. Timshar Dhamodiwala	Associate	timshar.dhamodiwala@dalal-broacha.com	022 67141441	IT   Telecom   Media

Address: - 508, Maker Chambers V, 221 Nariman Point, Mumbai 400021.

Tel: 91-22- 2282 2992, 2287 6173, Fax: 91-22-2287 0092

E-mail: [equity.research@dalal-broacha.com](mailto:equity.research@dalal-broacha.com)