

Angel One(formerly known as Angel Broking) has reported extremely strong numbers in Q2'22, beat our expectations on revenue from operations front and net profit was in line with our estimates

Performance matches stellar Q1'22 performance. Highest ever gross client addition of 1.3 Mn in the quarter

- Revenue from operations came in at INR 5273 Mn, 70.0% YoY/14.0%QoQ vs our expectation of INR 4700 Mn.
- Other Income came in at INR 108 Mn, 34.2% YoY/ (8.4%) QoQ
- Total Income came in at INR 5,382 Mn, 69.3% YoY/13.4%QoQ vs our expectation of INR 4810 Mn.
- EBDAT came in at INR 1,839 Mn, 76.0% YoY/11.0% QoQ vs our expectation of INR 1,712 Mn .
- PAT came in at INR 1,343 Mn, 80.0% YoY/ 10.6% QoQ vs our expectation of INR 1,325Mn. .
- EPS stood at INR 16.2 vs INR 10.3 / INR 14.8 in YoY / QoQ respectively.

Financial and Operational Highlights

- Gross Broking Income saw a strong growth at INR 3,598 Mn (62.0% YoY/11.4% QoQ), interest income too showed stellar growth at INR 896 Mn (64.0% YoY growth,24.6%QoQ) and other operating income came in at INR 888 Mn(116.1% YoY/10.0% QoQ).
- 12,77,000 (136.0% YoY/6.1% QoQ) clients added in this quarter, taking total client base to 6.5Mn(141.6% YoY/22.6% QoQ).

Financial Summary

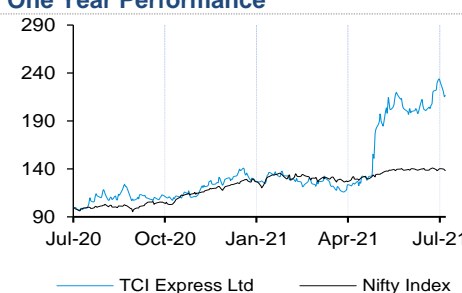
Y/E Mar(Rs Mn)	FY19	FY20	FY21	FY22E	FY23E
Income from Operations	7,580	7,246	12,637	17,150	26,921
Total Income	7,841	7,547	12,990	17,481	27,269
Operating Profit	1,433	1,565	4,458	7,463	14,089
Net Profit	834	868	2,981	4,693	9,598
Net Worth	5,314	5,914	11,309	14,828	22,027
EPS(Rs)	12	12	37	58	117
growth(%)	(24.0)	4.1	208.0	56.0	101.0
P/E(X)	113.0	108.0	35.0	22.6	11.2
P/BV(x)	17.7	15.9	9.4	7.2	4.8
ROA(%)	3.6	3.9	8.5	9.7	16.2
ROE(%)	16.6	15.5	34.6	35.9	52.1

Source: Dalal & Broacha Research

Rating	TP (Rs)	Up/Dn (%)
BUY	1,508	15
Market data		
Current price	Rs	1,313
Market Cap (Rs.Bn)	(Rs Bn)	108
Market Cap (US\$ Mn)	(US\$ Mn)	1,446
Face Value	Rs	10
52 Weeks High/Low	Rs	8
Average Daily Volume	('000)	1,252
BSE Code		543235
Bloomberg		ANGELBRK.IN

Source: Bloomberg

One Year Performance



Source: Bloomberg

% Shareholding	Sep-21	Jun-21
Promoters	43.77	44.26
Public	56.23	55.74
Others		
Total	100	100

Source: Bloomberg

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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 5790 bn (352.0% YoY/27.3% QoQ), cash ADTO came in at INR 50 bn ((27.5%) YoY/(16.7%) QoQ) and F&O ADTO came in at INR 5642 bn (399.7% YoY/28.4% QoQ). No of trades which determines Angel's revenue has seen excellent growth and came in at 288Mn (+81.1% YoY/+15.6% QoQ) trades for the quarter Q2
- Market share maintained in retail F&O turnover, commodity and retail equity turnover. F&O market share at 21.3% (920 bps YoY/ (160) bps QoQ), overall equity market share at 21.2% (890 bps YoY/ (150) bps QoQ). Dip of market share on a YoY basis was seen in cash market share due to implementation of peak margin norms but QoQ was stable and came in at 14.0% ((430) bps YoY/ 20 bps QoQ) and commodity market share at 27.7% ((70) bps YoY/ +190 bps QoQ)

Client addition numbers continues to be strong, on a high base which is a big positive. Client addition translating into strong revenue growth the bigger positive

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. Company hiring sought after talent in both mid and senior management is in line with their ambition to become a world class fintech company.

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 Q1'22 on both revenue and profitability front. For FY22 we have increased our estimates on closing client base to 8.23 million clients from 7.2 million earlier.

Stock has already achieved our target price of INR 1,360 and has rallied 269% from our in initiation levels of INR 357. Although a lot of positives are in the price, this set of numbers gives us confidence about the growth trajectory of the company and we remain positive both from short term and long term perspective.

We have maintained a 'BUY' rating on Angel Broking and increased the price target to Rs 1,508 from earlier target price of Rs 1,360 which it has already achieved, valuing the stock at 26.0x 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 70 Mn as on September'21

Super App

- Company had made this announcement in Q4'21, progress in line, app will be launched by the end of financial year
- Distribution income and other income from marketing financial products will start flowing in from Q4'22.

Employee Expenses and Other Expenses rise

- Employee expenses rose this quarter because of hires in mid and senior levels mainly in tech domain to improve the platform.
- New CTO appointed, Mr Jyotishwarup Raiturkar who has 20+ years in building high scale tech products and global teams.
- Tech & Product Hub being set up in Bengaluru
- Other expenses saw a rise due to advertisement and promotion of new brand Angel One, higher tech spend and depository charges.

Market Share in turnover will improve across segments as peak margin implementation completed

- Drop in market share temporary and should bounce back across segments, peak margin norms implementation complete.
- 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 and Client Addition Run Rate

- Millennials and young generation form a major chunk, median age reduced to 29 in Q2'22 from 30 in Q4'21.
- 92% of gross client added under flat fee tariff plan up from 90% in Q4'21 and 8% under traditional plan. <2 year old clients contribute 75% of net broking income up from 74% in Q1'22, lifecycle of customer improving, older customers are trading more.
- Company is confident of maintaining client addition run rate of 1 million clients per quarter.

Dividend Policy

- Company in Q4'21 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 2nd interim dividend of ₹ 5.70 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. AMC business should be up and running in next 7-8 quarters.

Quarterly Financials

P&L Rs Mn	Q4FY20	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
Revenue from Operations	1,927	2,384	3,099	3,068	4,086	4,627	5,273
Other Income	69	82	81	88	102	118	108
Total Income	1,996	2,466	3,179	3,156	4,188	4,745	5,382
Total Expenses	1,553	1,820	2,183	2,111	2,765	3,123	3,588
EBDAT	492	696	1,043	1,093	1,463	1,663	1,839
PBT	443	646	996	1,045	1,423	1,622	1,794
Tax	119	164	251	313	404	408	451
PAT	324	483	746	732	1,019	1,214	1,343
EPS	4	7	10	9	12	15	16
Market Share(%)							
Retail F&O Turnover Market Share	7	8	12	16	21	23	21
Retail Cash Turnover Market Share	14	17	18	18	16	14	14
Retail Commodity Turnover Market Share	21	25	28	27	26	26	28
Retail Equity Turnover Market Share	7	8	12	16	21	23	21
Incremental Demat Accounts	15	15	16	15	18	17	15
Other Parameters							
Net Client Addition(Number)	227,000	339,573	539,567	492,000	960,000	1,204,000	1,277,000
Total Client Base(Mn)	1.82	2.15	2.69	3.19	4.12	5.3	6.5
EBDAT Margin(%)	25	28	33	35	35	35	34
PAT Margin(%)	16	20	23	23	24	26	25
Cost to Income(%)	78	74	69	67	66	66	67
Overall ADTO (bn rupees)	582	619	1281	2261	3753	4547	5790
Cash ADTO (bn rupees)	33	58	69	61	69	60	50
F&O ADTO (bn rupees)	492	511	1,129	2,120	3,599	4,394	5,642

Source: Dalal & Broacha Research, Company

Financials

P&L (Rs Mn)	FY20	FY21	FY22	FY23
Income from operations	7,246	12,637	17,150	26,921
Other Income	301	353	332	348
Total Income	7,547	12,990	17,481	27,269
Opex	6,559	8,878	11,216	14,455
Operating Profit	1,565	4,458	7,463	14,089
Provisions	377	346	1,198	1,275
PBT	1,188	4,112	6,265	12,814
Tax	320	1,131	1,572	3,216
PAT	868	2,981	4,693	9,598

Ratios (%)	FY20	FY21	FY22	FY23
Growth				
Income	(4.0)	72	35	56
Operating profit	9	185	67	89
Net profit	4	243	57	104
Client Base	41	126	99	45
Returns				
ROA	3.9	8.5	11.7	17.8
ROE	15.5	34.6	39.5	47.1

BS (Rs Mn)	FY20	FY21	FY22	FY23
Capital	720	818	818	818
Other Equity	5,194	10,492	14,010	21,209
Borrowings	4,909	11,715	13,472	15,493
Trade Payables	9,395	22,762	17,150	26,921
Provisions	67	91	171	269
Tax Liabilities	0	121	2	3
Other Liabilities	1,616	2,138	3,336	4,611
Total	21,902	48,138	48,959	69,323
Cash	6,132	5,878	7,721	26,846
Balances with Banks	8,003	12,897	14,171	15,574
Trade Receivables	390	2,277	857	1,346
Investments	353	55	55	55
Loans	2,806	11,285	11,982	12,748
Fixed Assets	1,039	1,004	904	814
Other Assets	3,179	14,742	13,268	11,941
Total	21,902	48,138	48,959	69,323

Operational Data	FY20	FY21	FY22	FY23
Operational Client Base(millions)				
Opening Balance	1.29	1.82	4.12	8.23
Gross Adds	0.56	2.35	4.12	3.7
Churn	0.03	0.05	0.01	0.02
Closing Balance	1.82	4.12	8.23	11.9
Brokerage Income (millions)	5,039	11,407	16,455	26,192
Brokerage Income per Operational Client (2,769	2,769	2,000	2,200

BS (Rs Mn)	FY20	FY21	FY22	FY23
Capital	720	818	818	818
Other Equity	5,194	9,880	12,376	16,369
Borrowings	4,909	6,136	7,056	8,115
Trade Payables	9,395	11,233	13,076	17,407
Provisions	67	112	131	174
Tax Liabilities	0	1	1	2
Other Liabilities	1,616	5,247	5,839	6,476
Total	21,902	33,428	39,298	49,359
Cash	6,132	14,047	18,879	27,599
Balances with Banks	8,003	9,434	10,371	11,403
Trade Receivables	390	562	654	870
Investments	353	50	50	50
Loans	2,806	5,539	5,927	6,362
Fixed Assets	1,039	935	841	757
Other Assets	3,179	2,861	2,575	2,317
Total	21,902	33,428	39,298	49,359

Operational Data	FY20	FY21	FY22	FY23
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)	5,039	10,572	12,381	16,678
Brokerage Income per Operational Client (2,769	2,769	2,500	2,500

Source: Dalal & Broacha Research, Company

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