

October 15, 2024

RESULT REPORT Q2 FY25 | Sector: Broking

Angel One Limited

Regulatory changes seem manageable

Our view – Business traction remains sound as well

Regulatory aspects – Management commentary seems to suggest that the impact from various regulatory changes will be well contained: In terms of the impact of the SEBI Circular on Equity Index Derivatives, management stated that it is very difficult to quantify the impact but they estimate that revenue from broking and related activity would erode by 13-14% on an immediate term basis. This erosion should be viewed in the context of a 50-60% run rate for customer addition, which means that the impact would be negated in a quarter or two. The company had previously announced measures to mitigate the impact of True-to-label norms.

Traditional businesses – Underlying business traction was healthy on sequential basis even as the company awaits the impact of various changes: 3.0mn clients were acquired during the quarter, taking the client base to 27.5mn. The number of orders executed amounted to 489mn during the quarter, up 44.7% YoY and 5.8% QoQ. Gross broking revenue at Rs 9.36bn was 61.8% of total revenue and was up 28.7% YoY. Average client funding book was up 48% QoQ to Rs 38.89bn. Interest from client funding and other sources rose 22% QoQ and formed 24% of total gross revenue.

New businesses – New businesses remained in investment phase, while holding the promise of revenue payback: The overall impact of incubating the wealth and asset management businesses has been 1.8% of operating profit margin. The reported EBDAT margin of the consolidated business was 49.9%, which would otherwise have been 51.5%.

We maintain 'BUY' rating on Angel One with a revised price target of Rs 3875: We value the broker at 25x FY26 P/E for an FY24-27E EPS CAGR of 11.5%.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Other Highlights (See "Our View" above for elaboration and insight)

- **Revenue:** Net Revenue at Rs. 11,971mn was up 8.0%/47.0% QoQ/YoY, where the net fees and commission income has grown by 4.7% QoQ and 37.9% YoY
- **Client Base:** The total client base stood at 27.5mn up by 11.3%/60.8% QoQ/YoY and the NSE active client base was at 7.4mn up by 9.7%/50.1% QoQ/YoY
- **Volume:** The total order volume was 489.2mn, up by 5.9%/44.7% QoQ/YoY where the F&O volume was at 349mn, up by 0.3%/32.2% QoQ/YoY
- **Client Funding Book:** The average client funding book stood at Rs. 38,890mn, and have grown by 48.2% QoQ and 176.4% YoY
- **Operating profit margin:** Operating profit margin for the quarter, at 49.8%, was up by 1241 bps QoQ but down -138 bps YoY

Exhibit 1: Result table

(Rs mn)	Q2FY25	Q1FY25	% qoq	Q2FY24	% yoy
Revenue from operations	15,147	14,055	7.8	10,479	44.5
Less: Fees and commission	2,422	2,411	0.5	2,071	16.9
Less: Finance Cost	754	556	35.7	264	185.7
Net Revenue	11,971	11,088	8.0	8,144	47.0
Operating Expenses					
Employee Cost	2,302	2,010	14.6	1,329	73.2
Other Expenses	3,704	4,930	(24.9)	2,645	40.1
Total Operating Expense	6,007	6,940	(13.4)	3,974	51.2
Operating Profit (Ex. Other Inc.)	5,964	4,148	43.8	4,170	43.0
Operating Profit Margin	49.8	37.4	1241bps	51.2	-138bps
Other Income	13	46	(72.7)	14	(10.1)
Depreciation	256	226	13.2	112	128.5
PBT	5,721	3,968	44.2	4,072	40.5
Tax	1,487	1,041	42.9	1,027	44.8
PAT	4,234	2,927	44.6	3,045	39.0

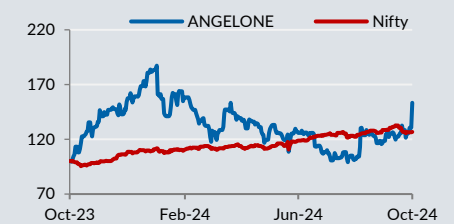
Source: Company, YES Sec-Research

Recommendation	: BUY
Current Price	: Rs 3,225
Target Price	: Rs 3,875
Potential Return	: +20%

Stock data (as on Oct 15, 2024)

Nifty	25,042
52 Week h/l (Rs)	3896 / 2025
Market cap (Rs/USD mn)	245486 / 2921
Outstanding Shares (mn)	90
6m Avg t/o (Rs mn):	2,220
Div yield (%):	1.3
Bloomberg code:	ANGELONE IN
NSE code:	ANGELONE

Stock performance



	1M	3M	1Y
Absolute return	29.5%	39.4%	53.4%

Shareholding pattern (As of June'24 end)

Promoter	35.6%
FII+DII	29.4%
Others	35.0%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	3875	3200

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Net Revenue	42,279	50,000	59,657
YoY Growth	27%	18%	19%
Op. Profit	16,196	19,306	22,907
Op. Pft. Mgn.	38.3%	38.6%	38.4%
PAT	11,630	13,985	16,709
YoY Growth	3%	20%	19%
ROE, %	27.2	23.1	23.2
EPS, Rs.	129.4	155.6	185.9
P/E, x	24.9	20.7	17.3
BV, Rs.	615.0	731.7	871.1
P/BV, x	5.2	4.4	3.7

Δ in earnings estimates

Rs.	FY25E	FY26E	FY27E
EPS (New)	129.4	155.6	185.9
EPS (Old)	127.2	152.2	180.7
% change	1.7%	2.2%	2.9%

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COMPREHENSIVE CON-CALL TAKEAWAYS

Measures to mitigate impact of True-to-label norms

- From 1st November the Company will levy Cash Delivery Brokerage of Lower of Rs 20 per order or 0.1% of order value (minimum brokerage of Rs 2).
- Charge Interest of 12.5% PA on Cash-Collateral Margin shortfall on margin shortfall of more than Rs 50,000.

Impact of SEBI Circular on Equity Index Derivatives

- Management stated that it is very difficult to quantify the impact but they estimate that revenue from broking and related activity would erode by 13-14% on an immediate term basis.
- This erosion should be viewed in the context of a 50-60% run rate for customer addition, which means that the impact would be negated in a quarter or two.
- Furthermore, the Circular serves to reduce customer losses, which will tend to have a positive impact on customer lifetime value.
- Also, Angel One now sells multiple products to the same customer and greater customer stickiness implies that it will gain greater wallet share of the customer.
- The 13-14% revenue erosion would persist for a couple of quarters and by the second year, the revenue would revert back to normal.
- The impact due to certain indexes going away would be temporary and trades would revert to similar volumes with other indexes in 1 year.
- The Company would take mitigating measures in future if there would be any need.

Impact of introduction of charges for cash delivery trades

- Management would wait for a quarter or two to observe the impact on volumes.
- The average realization in cash delivery is expected to be similar to that for F&O.
- In general, customers have not been very price sensitive and, in the past, it has been seen that other brokers have offered Rs 10 per F&O trade but have not gained any material market share.
- The cash turnover has been about Rs 100bn for the quarter.

Impact of UPI block mechanism

- Management stated that there would not be a significant impact from this due to the ticket sizes of their clients.

Distribution business

- The company aims to be a leader in the distribution of loan products, insurance and other products.
- The take rate of the company is at par or slightly better than market standards.
- The distribution of insurance products will be started in a few quarters.
- **Lending distribution business**
 - **Business model**
 - Each time a customer takes a repeat loan, the company earns a one-time charge again.

(Con call takeaways continue on the next page)

- The company is a pure distributor and the credit risk is completely with the lender partners.
- **Recent traction**
 - For its lending business, the company has tied-up with 3 NBFCs and 3 more, including Banks, are in pipeline.
 - The cumulative disbursement till September 2024 was Rs 3.6bn.
- **Fixed Income Products**
 - The company has partnered with 6 entities including Banks, SFBs and NBFCs for this product offering.

Wealth management business

- The company has started to publish content containing macro views across asset classes and on the economy.
- Third party distribution of mutual funds and AIFs has been initiated.
- The relationship management team is being hired and will be built out over the next quarter.
- The wealth management business will start to give good revenue in a few quarters.
- The wealth management business is a 100% subsidiary for which an ESOP pool has been created.

Assisted business

- The assisted business consists of about 9000-10000 authorised persons.
- The share of the assisted business is 22-23% of broking business.

Operating profit margin

- The burn rate for new initiatives is about 2-2.5% of revenue.
- The breakeven for new businesses may take 1.5-2 years.
- For the wealth business, breakeven may take 2.5-3 years.
- The overall impact of incubating the wealth and asset management businesses has been 1.8% of operating profit margin.
- The reported EBDAT margin of the consolidated business was 49.9%, which would otherwise have been 51.5%.
- The EBDAT margin for the direct business for the quarter was 46% compared with normalized margin of 42% in 1QFY25 (adjusted for one-off expenses in 1Q).

Asset management business

- The company is in the final stages of obtaining the final licence, which can be received any time now.
- Getting on the ground after receiving the licence will be the immediate next step.

Key revenue aspects

- **Key client traction metrics**
 - 3.0mn clients were acquired during the quarter, taking the client base to 27.5mn.
 - 90% of the new client acquisition was from Tier II and beyond.
 - The number of orders executed amounted to 489mn during the quarter, up 44.7% YoY and 5.8% QoQ.

(Con call takeaways continue on the next page)

- There was a 53% YoY rise in ADTO (average daily turnover) to Rs 45.4 trn.
- Average daily orders were at 7.64mn.
- **Total gross revenue**
 - Highest ever total gross revenue was registered at Rs 15.15bn, up 7.8% QoQ.
- **Broking revenue**
 - Gross broking revenue at Rs 9.36bn was 61.8% of total revenue and was up 28.7% YoY.
 - **Gross broking revenue split by product**
 - F&O – 81%
 - Cash – 13%
 - Commodity – 6%
 - **Net broking revenue split by channel**
 - Direct – 77.5%
 - Assisted – 22.5%
- **Client funding / MTF**
 - Average client funding book was up 48% QoQ to Rs 38.89bn.
 - Period-end client funding book stood at Rs 42.63bn as of September 2024 up 25% QoQ.
 - Interest from client funding and other sources rose 22% QoQ and formed 24% of total gross revenue.
 - The Company has reduced interest on MTF from 18% P.A. earlier to 14.99% P.A. effective from 1st November 2024
- **Ancillary transaction income**
 - Ancillary transaction income linked to turnover was Rs 1.1bn for the quarter and constituted 8% of total gross revenue.
- **SIPs**
 - The unique SIPs registered in 2QFY25 was 2.3bn, up 55% QoQ

Operating expenses

- **Finance cost**
 - The finance cost was up 36% QoQ at Rs 754mn due to higher borrowings to fund the client funding book.
- **Employee Expense**
 - Total employee expense including ESOPs was at Rs 2.3bn, up by 14.6% QoQ and 73% YoY
 - The key reason for increase in employee expense was onboarding of talent in wealth management business, tech, product and data analytics.
 - **New Addition**
 - The Company has onboarded Mr. Arief Mohamad as Chief Business Officer - Direct Business.
 - He was earlier the Vice President and Head of Fashion at Flipkart.
- **Other operating expenses**
 - Other operating expenses were down -24.2% QoQ to Rs 3.7bn.
 - The reason for the sequential decline is absence of IPL sponsorship and related digital and media spend which was Rs 1.1bn in 1QFY25.
 - On like-to-like basis, the other opex is down by -2.1% QoQ.

(Con call takeaways continue on the next page)

- **Depreciation and amortization**

- Depreciation and amortization was up 13% QoQ as this is the first full quarter post capitalization of the data center and disaster recovery sites and incremental assets were capitalized in Q2.

- **Return on equity**

- The networth was at Rs 52.8bn as of September 2024.
- The return on average equity amounted to 34% for 1HFY25.
- **Guidance**
 - The management expects ROE to come back to historic levels over the coming few quarters.

Exhibit 2: Key Business Parameters

Particulars	Q2FY25	Q1FY25	% qoq	Q2FY24	% yoy
Total Client Base, mn	27.5	24.7	11.3	17.1	60.8
Gross Client Acquisition, mn	3.0	2.6	15.4	2.1	42.9
NSE Active Client Base, mn	7.4	6.7	9.7	4.9	50.1
Share in NSE Active Client, %	15.4	15.2	20bps	14.6	80bps
Order Volume, mn	489	462	5.9	338	44.7
Average Daily Turnover, Rs. tn	45.4	43.8	3.6	29.6	53.4
Share in Retail Equity Turnover, %	19.3	18.9	40bps	NA	NA
Client Funding Book Size, Rs mn	42,628	34,094	25.0	19,459	119.1
Avg. Client Funding Book Size, Rs mn	38,890	26,247	48.2	14,070	176.4
Unique SIPs Registered, '000	2,314	1,493	55.0	725	219.2

Source: Company, YES Sec – Research

Exhibit 3: Revenue and Channel Mix

%	Q2FY25	Q1FY25	Qoq	Q1FY24	yoy
Gross Revenue Mix					
Gross Broking	62.0	65.0	-300bps	69.0	-700bps
Interest	24.0	21.0	300bps	17.0	700bps
Depository	5.0	4.0	100bps	3.0	200bps
Distribution	2.0	1.0	100bps	1.0	100bps
Ancillary Transaction Charges	8.0	8.0	0bps	9.0	-100bps
Other Income	1.0	1.0	0bps	0.0	100bps
Gross Broking Revenue Mix					
F&O	81.0	84.0	-300bps	85.0	-400bps
Cash	13.0	11.0	200bps	11.0	200bps
Commodity	6.0	5.0	100bps	4.0	200bps
Currency	0.0	0.0	0bps	0.0	0bps
Net Broking Revenue Channel Mix					
Direct Channel	77.5	77.6	-16bps	78.0	-58bps
Assisted Business	22.5	22.4	16bps	22.0	58bps

Source: Company, YES Sec – Research

Exhibit 4: Quarterly Actuals Vs Estimates

Q2FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Net Revenue	11,971	12,173	(1.7)
Operating Profit	5,964	5,615	6.2
Profit After Tax	4,234	3,997	5.9

Source: Company, YES Sec – Research

Exhibit 5: Order Volume Break-up

mn	Q2FY25	Q1FY25	% qoq	Q2FY24	% yoy
F&O	349	348	0.3	264	32.2
Cash	117	97	20.6	62	88.7
Commodity	23	17	35.3	12	91.7
Total	489	462	5.8	338	44.7

Source: Company, YES Sec – Research

Exhibit 6: Revenue from Operation Break-up

(Rs mn)	Q2FY25	Q1FY25	% qoq	Q2FY24	% yoy
Interest Income	3,594	2,944	22.1	1,812	98.3
Fees and commission income	11,496	11,080	3.8	8,649	32.9
Net gain on fair value changes	57	30	89.4	18	217.0
Revenue from operations	15,147	14,055	7.8	10,479	44.5

Source: Company, YES Sec – Research

Exhibit 7: Net Broking Revenue by Business Channel

(Rs mn)	Q2FY25	Q1FY25	% qoq	Q2FY24	% yoy
Direct Channel	5,409	5,279	2.5	4,084	32.4
Assisted Business	1,574	1,522	3.4	1,149	37.0
Net Broking Revenue	6,983	6,801	2.7	5,233	33.4

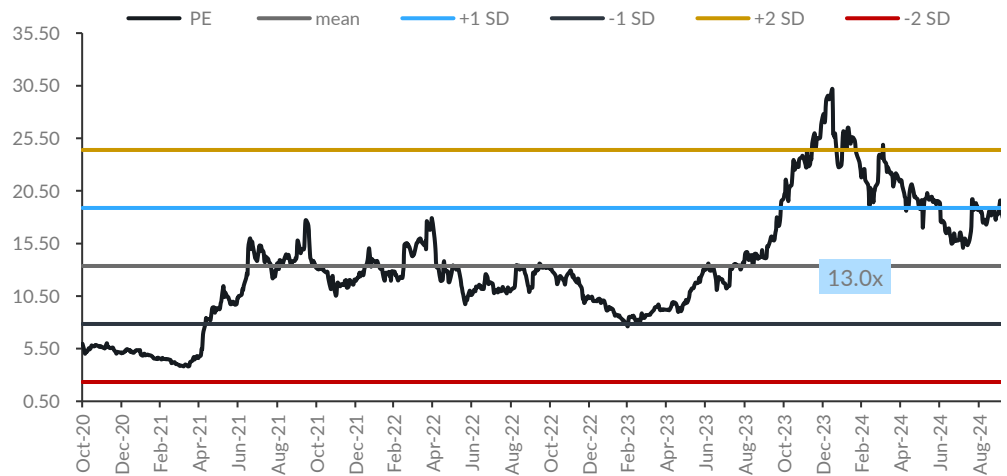
Source: Company, YES Sec – Research

Exhibit 8: 1-year rolling P/E band



Source: Company, YES Sec - Research

Exhibit 9: 1-yr rolling P/E vis-a-vis the mean and standard deviations



Source: Company, YES Sec - Research

ANNUAL CONSOLIDATED FINANCIALS

Exhibit 10: Income statement

Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Net Brokerage Revenue	14,398	21,062	27,750	33,300	39,960
Net Interest Income	4,300	6,499	9,739	13,325	15,825
Other Operating Revenue	3,955	5,623	4,791	3,375	3,872
Net Operating Revenue	22,653	33,185	42,279	50,000	59,657
Operating Expenses					
Employee Expense	3,979	5,565	7,977	9,840	11,781
Other Operating Expense	6,673	12,130	18,106	20,855	24,969
Total Operating Expense	10,652	17,695	26,083	30,695	36,749
Operating Profit	12,001	15,490	16,196	19,306	22,907
Depreciation	303	499	797	778	763
Other Income	220	147	169	195	224
Profit Before Tax	11,918	15,138	15,568	18,722	22,368
Tax	3,016	3,881	3,939	4,737	5,659
Profit After Tax	8,902	11,257	11,630	13,985	16,709

Source: Company, YES Sec - Research

Exhibit 11: Balance sheet

Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
ASSETS					
Financial Assets					
(a) Cash and Bank balance	54,911	98,443	132,708	152,910	178,575
(b) Trade receivables	3,749	4,869	6,639	7,967	9,560
(c) Loans	10,052	14,841	32,027	38,432	46,118
(d) Investments	1,095	0	500	1,000	1,500
(e) Other financial assets	1,855	8,510	10,944	12,663	15,196
Non-financial Assets					
(a) Fixed Assets	2,449	4,062	3,964	3,886	3,823
(b) Other non-financial assets	667	1,813	2,059	2,450	2,919
Total Assets	74,777	132,537	188,841	219,308	257,692
LIABILITIES AND EQUITY					
LIABILITIES					
Financial Liabilities					
(a) Trade payables	40,715	71,970	100,044	117,733	140,956
(b) Debt securities	278	1,331	1,381	1,431	1,481
(c) Borrowings	7,594	24,023	25,023	26,023	27,023
(d) Other financial liabilities	3,879	4,063	5,987	7,087	8,491
Non-Financial Liabilities					
(a) Current & Deff. tax liabilities (Net)	115	228	228	228	228
(b) Provisions	163	160	160	160	160
(c) Other non-financial liabilities	417	377	748	886	1,061
EQUITY					
(a) Equity share capital	834	840	899	899	899
(b) Other equity	20,781	29,546	54,372	64,861	77,393
Net Worth	21,616	30,386	55,271	65,760	78,292
Total Liabilities and Equity	74,777	132,537	188,841	219,308	257,692

Source: Company, YES Sec - Research

Exhibit 12: Cashflow statement

Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
A. FROM OPERATING ACTIVITIES					
Profit before tax	11,915	15,137	15,568	18,722	22,368
Depreciation expense	305	500	797	778	763
Others	1,086	1,730	0	0	0
Profit before WC changes	13,307	17,366	16,365	19,500	23,131
Working Capital Changes	(2,385)	(16,788)	8,733	9,084	12,521
Cash generated from operations	10,922	578	25,099	28,584	35,652
Income tax paid	(2,889)	(3,877)	(3,939)	(4,737)	(5,659)
Net cash from operating activities (A)	8,032	(3,299)	21,160	23,847	29,993
B. FROM INVESTING ACTIVITIES					
Purchase/sale of assets	(1,004)	(2,071)	(700)	(700)	(700)
Others	0	0	0	0	0
Purchase/Sale of investments	(848)	1,161	(500)	(500)	(500)
Net cash from investing activities (B)	(1,851)	(910)	(1,200)	(1,200)	(1,200)
C. FROM FINANCING ACTIVITIES					
Increase/Decrease in Borrowings	(5,411)	16,434	1,050	1,050	1,050
Proceeds from issue of equity shares	114	144	15,000	0	0
Share issue expenses	0	(3)	0	0	0
Dividend Paid	(3,756)	(3,242)	(1,744)	(3,496)	(4,177)
Others	(19)	(24)	0	0	0
Net cash from financing activities (C)	(9,072)	13,309	14,306	(2,446)	(3,127)
Net change in cash and equivalents (A+B+C)	(2,890)	9,099	34,266	20,201	25,666

Source: Company, YES Sec – Research

Exhibit 13: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Net Revenue	42,279	50,000	59,657	41,745	49,165	58,273	1.3	1.7	2.4
Operating Profit	16,196	19,306	22,907	15,935	18,896	22,282	1.6	2.2	2.8
Profit After Tax	11,630	13,985	16,709	11,434	13,680	16,242	1.7	2.2	2.9

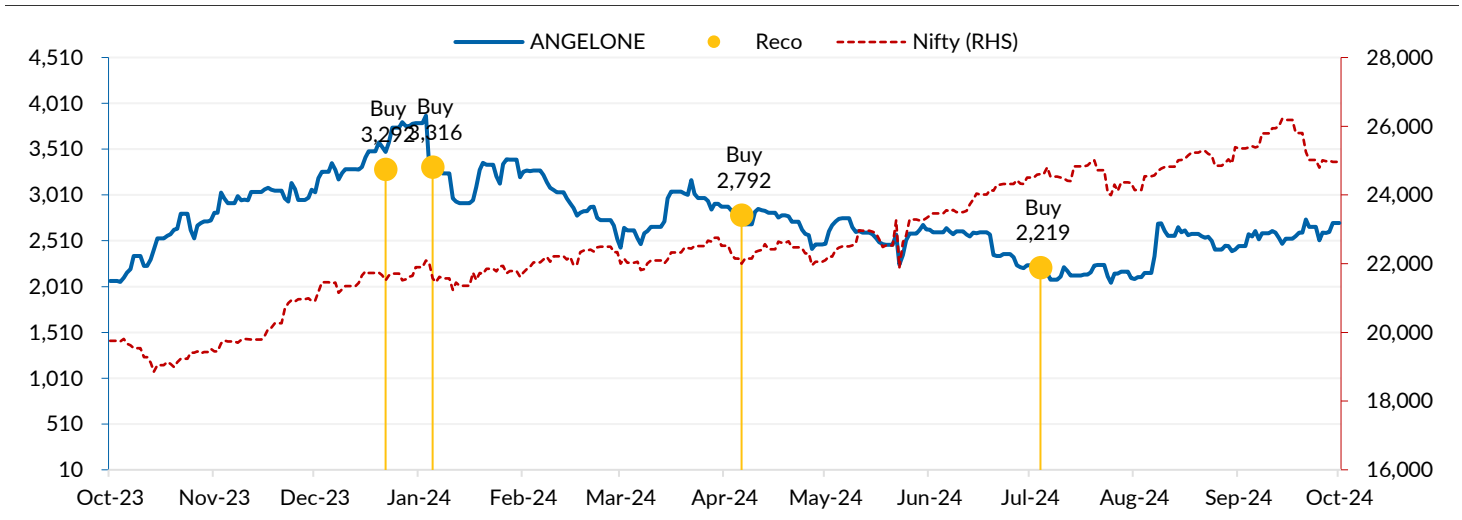
Source: Company, YES Sec – Research

Exhibit 14: Ratio analysis

Y/e 31 Mar	FY23	FY24	FY25E	FY26E	FY27E
Growth ratios (%)					
Revenue	38.2	46.5	27.4	18.3	19.3
Operating Profit	45.8	29.1	4.6	19.2	18.7
Net profit	42.4	26.5	3.3	20.3	19.5
Operating Ratios, %					
Operating Profit Margin	53.0	46.7	38.3	38.6	38.4
PBT Margin	52.6	45.6	36.8	37.4	37.5
PAT Margin	39.3	33.9	27.5	28.0	28.0
ROE	47.5	43.3	27.2	23.1	23.2
Dividend Payout Ratio	37.3	25.9	15.0	25.0	25.0
Per share, Rs.					
EPS	106.7	134.0	129.4	155.6	185.9
Book Value	259.1	361.7	615.0	731.7	871.1
Valuation Ratios, x					
PE	30.2	24.1	24.9	20.7	17.3
P/BV	12.4	8.9	5.2	4.4	3.7

Source: Company, YES Sec – Research

Recommendation Tracker



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