

July 16, 2024

RESULT REPORT Q1 FY25 | Sector: Broking

Angel One Limited

Regulations take centerstage but Angel One will manage and mitigate

Our view – Angel One possesses pricing and other levers

Regulatory aspects - Angel One is currently grappling with multiple regulatory headwinds but seems to be in a position to manage or possesses mitigating levers: Regarding the “True to Label” regulations, the company has enough levers to offset its impact and is not ruling out changes in pricing. Secondly, if the expiry period were to be expanded for certain indices, these would still be available to trade across the month and the impact would not be much. Thirdly, regarding lot size change, the company believes that traders have a certain risk appetite and will choose the lot size accordingly and hence, there will not be much impact on volume.

Wealth management – Angel One now seems to be suggesting that it does not intend to leave any money on the table in terms of target customers: Management has stated that the intention is to service all individual needs when it comes to capital markets. The intention is to target all categories of HNI customers including emerging HNI, HNI as well as Ultra-HNI customers with ticket size in excess of Rs 250mn.

Client funding – Interest income from client funding book seems to have a healthy outlook: There is good traction from both the direct and assisted business and the company expects this book to grow at a decent pace. The capital raise has allowed the company to expand the user base, including larger customers. The MTF book could rise 50% in 6-12 months’ time.

We maintain ‘BUY’ rating on Angel One with a revised price target of Rs 3000: We value the broker at 20x FY26 P/E for an FY24-26E EPS CAGR of 7%.

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

Result Highlights (See “Our View” above for elaboration and insight)

- **Revenue:** Net Revenue at Rs. 11,088mn was up 4.6%/77.4% QoQ/YoY, where the net fees and commission income is flat QoQ but has grown by 75% YoY
- **Client Base:** The total client base stood at 24.7mn up by 11.3%/63.6% QoQ/YoY and the NSE active client base was at 6.7mn up by 9.8%/52.3% QoQ/YoY
- **Volume:** The total order volume was 462mn, down/up by -1.9%/85.5% QoQ/YoY where the F&O volume was at 348mn, down/up by -2%/74.9% QoQ/YoY
- **Client Funding Book:** The average client funding book stood at Rs. 26,247mn, and have grown by 29.4% QoQ and 140.6% YoY
- **Operating profit margin:** Operating profit margin for the quarter, at 37.4%, was down -733 bps QoQ and -1091 bps YoY

Exhibit 1: Result table

(Rs mn)	Q1FY25	Q4FY24	% qoq	Q1FY24	% yoy
Revenue from operations	14,055	13,573	3.5	8,075	74.1
Less: Fees and commission	2,411	2,418	(0.3)	1,642	46.8
Less: Finance Cost	556	556	(0.1)	183	203.7
Net Revenue	11,088	10,599	4.6	6,250	77.4
Operating Expenses					
Employee Cost	2,010	1,587	26.6	1,232	63.1
Other Expenses	4,930	4,269	15.5	1,998	146.7
Total Operating Expense	6,940	5,856	18.5	3,230	114.8
Operating Profit (Ex. Other Inc.)	4,148	4,742	(12.5)	3,020	37.4
Operating Profit Margin	37.4	44.7	-733bps	48.3	-1091bps
Other Income	46	13	265.9	36	28.2
Depreciation	226	167	35.5	89	154.1
PBT	3,968	4,588	(13.5)	2,967	33.7
Tax	1,041	1,188	(12.4)	759	37.1
PAT	2,927	3,400	(13.9)	2,208	32.6

Source: Company, YES Sec-Research

Recommendation	: BUY
Current Price	: Rs 2219
Target Price	: Rs 3000
Potential Return	: +35%

Stock data (as on July 15, 2024)

Nifty	24,587
52 Week h/l (Rs)	3896 / 1452
Market cap (Rs/USD mn)	202144 / 2419
Outstanding Shares (mn)	90
6m Avg t/o (Rs mn):	1,870
Div yield (%):	-
Bloomberg code:	ANGELONE IN
NSE code:	ANGELONE

Stock performance



	1M	3M	1Y
Absolute return	-12.5%	-20.1%	33.3%

Shareholding pattern (As of Feb'24 end)

Promoter	35.7%
FII+DII	31.6%
Others	32.7%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	3000	3200

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Net Revenue	33,185	41,751	49,167
YoY Growth	46%	26%	18%
Op. Profit	15,490	15,932	18,893
Op. Pft. Mgn.	46.7%	38.2%	38.4%
PAT	11,257	11,432	13,677
YoY Growth	26%	2%	20%
ROE, %	43.3	26.7	22.7
EPS, Rs.	134.0	127.2	152.2
P/E, x	16.6	17.4	14.6
BV, Rs.	361.7	613.1	727.2
P/BV, x	6.1	3.6	3.1

Δ in earnings estimates

Rs.	FY24E	FY25E	FY26E
EPS (New)	NA	127.2	152.2
EPS (Old)	NA	130.1	169.1
% change	NA	-2.2%	-10.0%

SHIVAJI THAPLIYAL

Head of Research (Overall)
& Lead Sector Research Analyst
shivaji.thapliyal@ysil.in



SIDDHARTH RAJPUROHIT, Analyst

SURAJ SINGHANIA, Associate

COMPREHENSIVE CON-CALL TAKEAWAYS

Discussion on Regulations

- **“True to Label” regulations**
 - The company has enough levers to offset its impact and is not ruling out changes in pricing.
- **Expiry period**
 - It may be noted that SEBI has not yet come out with any new regulations in this regard.
 - If the expiry period were to be expanded for certain indices, these would still be available to trade across the month and the impact would not be much.
- **Trading lot size**
 - This is currently under discussion and the company is awaiting an announcement from SEBI in this regard.
 - It may be noted that the lot size had been changed recently for Nifty but the impact from the same was not much.
 - The company believes that traders have a certain risk appetite and will choose the lot size accordingly and hence, there will not be much impact on volume.
- **Share pledge**
 - 1000 scrips have been removed from being collateral and will continue to be removed in a staggered manner till October.
 - The company will take an appropriate call in terms of passing on the cost to the customer and there is enough elasticity in pricing.

AMC licence

- The final approval for the AMC licence has been pending since some time.
- The company stated that there is a process for an MF licence, which is in the final stages.
- There are no further comments from anybody that are yet to be addressed by the company.
- The process had slowed down during the elections but has picked up again and final approval should be received.

Credit sourcing business

- The company is current in beta testing phase and has integrated with a lender in this regard and is seeing positive traction.
- The company will be integrating with 3-4 more lenders soon.

Fixed income business

- This business (which offers fixed deposits and corporate bonds) is also in beta testing phase and has been rolled out to a select audience.
- The company will roll out this offering to all customers by 2Q.

Wealth management business

- The intention is to service all individual needs when it comes to capital markets.
- The intention is to combine domain knowledge and tech expertise, which the co-founders who have been hired for the business possess.

(Con call takeaways continue on the next page)

- While the tech platform will be used to reach out to customers, there will be an omni-channel approach wherein relationship managers will also pursue customers.
- The intention is to target all categories of HNI customers including emerging HNI, HNI and Ultra-HNI customers with ticket size in excess of Rs 250mn.
- The hiring for this business is mainly for 3 departments, investment solutions, tech and relationship management.

Operating profit margin

- **New businesses**
 - The incubation of new businesses will have a negative impact of 100-150 bps on operating profit margin.
 - In 1Q, the negative impact from new businesses has been 60 bps.
- **Desired operating profit margin**
 - The company wishes to operate at an operating profit margin of 47-48%.
 - It has levers available including pricing to revert back to this level.

Client funding book

- **Extent of leverage**
 - The client funding book as well as the exposure per client has ramped up.
 - However, it is difficult to say whether the market is over-heated and, as such, the market is still on sound footing from a fundamental perspective.
 - While the average exposure per client is Rs 180,000, 84% of the client funding book is derived from clients with exposure less than Rs 100,000.
- **Outlook**
 - There is good traction from both the direct and assisted business and the company expects this book to grow at a decent pace.
 - The capital raise has allowed the company to expand the user base, including larger customers.
 - The MTF book could rise 50% in 6-12 months' time.
- **MTF coverage**
 - Any stock that is part of Group 1 can be offered under MTF.
 - Those who want to take leverage in the cash segment can do so using MTF.
 - The company competes in this segment with bank-led brokerage, which has significant amount of capital.

Cash delivery pricing

- Customers are okay to pay for cash delivery.
- The company had cut pricing for intra-day product, which is different.
- Cash delivery charges have been kept zero by the company on its own (the implication being that charging for cash delivery is not off the table).

Assisted business for non-broking products

- The company has taken live the DIY journey for mutual fund distributors, which is a very potent platform for distributors to grow their business.
- The company expects to attract a decent size of mutual fund distributors.
- The company plans to use this funnel to sell broking products later to mutual fund-first customers.

(Con call takeaways continue on the next page)

SIP sourcing

- The SIP sourcing continues to be healthy.
- There has been a consistent increase in the average value per SIP to Rs 1500.

Key revenue aspects

- **Key client traction metrics**
 - 2.6mn clients were acquired during the quarter, taking the client base to 24.7mn.
 - The number of orders executed amounted to 462mn during the quarter, up 86% YoY but down -1.9% QoQ.
 - There was a 93% YoY rise in ADTO (average daily turnover) to Rs 43.8 trn.
 - Average daily orders were at 7.7mn.
- **Total gross revenue**
 - Highest ever total gross revenue was registered at Rs 14.1bn, up 3.8% QoQ.
- **Broking revenue**
 - Gross broking revenue at Rs 9.17bn was 65% of total revenue and was up 64.5% YoY.
 - **Gross broking revenue split by product**
 - F&O – 84%
 - Cash – 11%
 - Commodity – 5%
 - **Net broking revenue split by channel**
 - Direct – 77.6%
 - Assisted – 22.4%
- **Client funding / MTF**
 - Average client funding book was up 29% QoQ to Rs 26.3bn.
 - Period-end client funding book stood at Rs 34.09bn as of June 2024 compared with Rs 17.77bn as of March 2024.
 - Interest from client funding and other sources rose 19% QoQ and formed 21% of total gross revenue.
- **Ancillary transaction income**
 - Ancillary transaction income linked to turnover was Rs 1.1bn for the quarter and constituted 8% of total gross revenue.
 - Ancillary transaction income was Rs 3.5bn in FY24.
- **SIPs**
 - The company is amongst top 2 players in terms of incremental SIPs in 1QFY25.
 - The unique SIPs registered in 1QFY25 was 1.5bn, up 7% QoQ.

Operating expenses

- **Finance cost**
 - The finance cost has flat QoQ at Rs 556mn due to utilization of QIP funds.
- **Employee Expense**
 - Total employee expense including ESOPs was at Rs 2bn, up by 27% QoQ and 63% YoY
 - The key reason for increase in employee expense were headcount increase in broking and wealth management businesses, increments and variable pay.

(Con call takeaways continue on the next page)

- **Other operating expenses**
 - Other operating expenses were up 15.5% QoQ to Rs 4.9bn.
 - **IPL sponsorship and related cost**
 - Other expenses for the quarter also contained Rs 1.1bn pertaining to IPL sponsorship and related digital and media spend.
 - The entire cost of IPL for season 2024 has now been accounted.
- **Depreciation and amortization**
 - Depreciation and amortization was up 36% QoQ as this is the first full quarter post capitalization of the data center and disaster recovery sites in Q4.

EBITDA margin

- The consolidated EBITDA margin for the quarter was 37.4% compared with 44.7% in 4Q.

Return on equity

- The networth was at Rs 48.3bn which includes Rs 15bn raised via QIP in April 2024.
- The return on average equity amounted to 29.8% for 1QFY25, impacted due to fund raise in April 2024 and softer margins due to IPL related spends.
- **Guidance**
 - The management expects ROE to come back to historic levels over the coming few quarters.

Exhibit 2: Key Business Parameters

Particulars	Q1FY25	Q4FY24	% qoq	Q1FY24	% yoy
Total Client Base, mn	24.7	22.2	11.3	15.1	63.6
Gross Client Acquisition, mn	2.6	2.9	(10.3)	1.3	100.0
NSE Active Client Base, mn	6.7	6.1	9.8	4.4	52.3
Share in NSE Active Client, %	15.2	15.0	20bps	14.3	90bps
Order Volume, mn	462	471	(1.9)	249	85.5
Average Daily Turnover, Rs. tn	43.8	44.4	(1.4)	22.7	92.7
Share in Retail Equity Turnover, %	18.9	18.1	80bps	NA	NA
Client Funding Book Size, Rs mn	34,094	17,771	91.9	11,393	199.3
Avg. Client Funding Book Size, Rs mn	26,247	20,290	29.4	10,910	140.6
Unique SIPs Registered, '000	1,493	1,393	7.2	431	246.4

Source: Company, YES Sec – Research

Exhibit 3: Revenue and Channel Mix

%	Q1FY25	Q4FY24	Qoq	Q1FY24	yoy
Gross Revenue Mix					
Gross Broking	65.0	68.0	-300bps	69.0	-400bps
Interest	21.0	18.0	300bps	18.0	300bps
Depository	4.0	4.0	0bps	3.0	100bps
Distribution	1.0	1.0	0bps	1.0	0bps
Ancillary Transaction Charges	8.0	8.0	0bps	8.0	0bps
Other Income	1.0	1.0	0bps	1.0	0bps
Gross Broking Revenue Mix					
F&O	84.0	85.0	-100bps	84.0	0bps
Cash	11.0	11.0	0bps	10.0	100bps
Commodity	5.0	4.0	100bps	5.0	0bps
Currency	0.0	0.0	0bps	0.0	0bps
Net Broking Revenue Channel Mix					
Direct Channel	77.6	77.3	33bps	78.2	-54bps
Assisted Business	22.4	22.7	-33bps	21.8	54bps

Source: Company, YES Sec – Research

Exhibit 4: Quarterly Actuals Vs Estimates

Q1FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Net Revenue	11,088	10,810	2.6
Operating Profit	4,148	3,862	7.4
Profit After Tax	2,927	2,755	6.3

Source: Company, YES Sec – Research

Exhibit 5: Order Volume Break-up

mn	Q1FY25	Q4FY24	% qoq	Q1FY24	% yoy
F&O	348	355	(2.0)	199	74.9
Cash	97	102	(4.9)	38	155.3
Commodity	17	14	21.4	11	54.5
Total	462	471	(1.9)	249	85.5

Source: Company, YES Sec – Research

Exhibit 6: Revenue from Operation Break-up

(Rs mn)	Q1FY25	Q4FY24	% qoq	Q1FY24	% yoy
Interest Income	2,944	2,476	18.9	1,448	103.3
Fees and commission income	11,080	11,089	(0.1)	6,607	67.7
Net gain on fair value changes	30	8	287.1	20	50.6
Revenue from operations	14,055	13,573	3.5	8,075	74.1

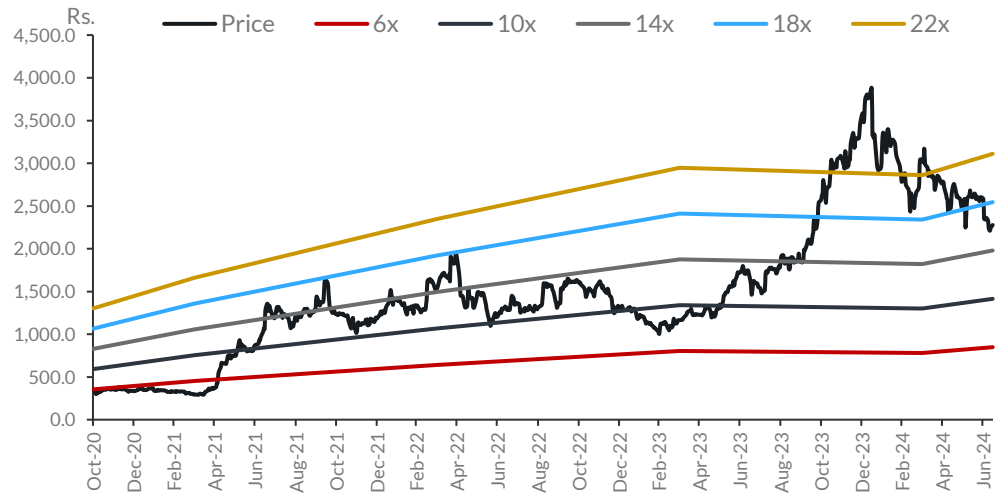
Source: Company, YES Sec – Research

Exhibit 7: Net Broking Revenue by Business Channel

(Rs mn)	Q1FY25	Q4FY24	% qoq	Q1FY24	% yoy
Direct Channel	5,279	5,298	(0.4)	3,089	70.9
Assisted Business	1,522	1,557	(2.2)	863	76.4
Net Broking Revenue	6,801	6,855	(0.8)	3,952	72.1

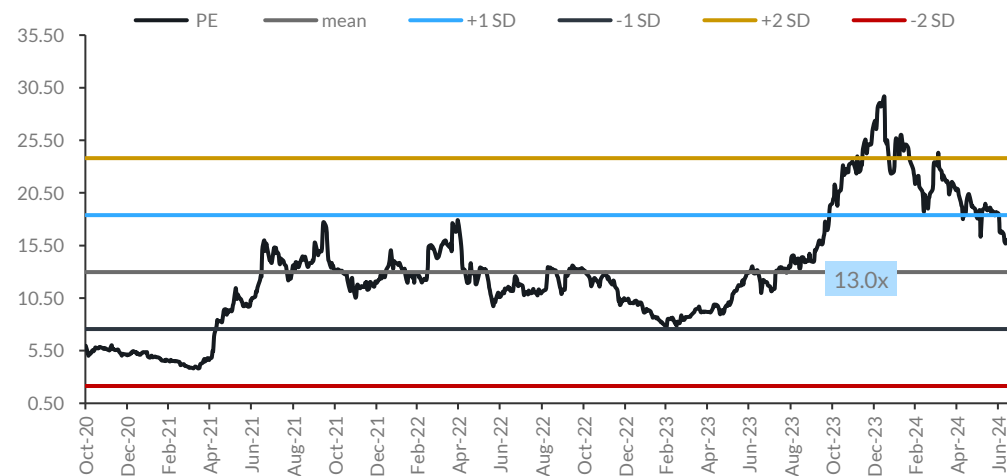
Source: Company, YES Sec – Research

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	FY22	FY23	FY24	FY25E	FY26E
Net Brokerage Revenue	10,234	14,398	21,062	27,749	33,299
Net Interest Income	2,932	4,300	6,499	9,292	12,586
Other Operating Revenue	3,224	3,955	5,623	4,710	3,282
Net Operating Revenue	16,390	22,653	33,185	41,751	49,167
Operating Expenses					
Employee Expense	2,809	3,979	5,565	7,868	9,675
Other Operating Expense	5,349	6,673	12,130	17,951	20,598
Total Operating Expense	8,158	10,652	17,695	25,819	30,273
Operating Profit	8,232	12,001	15,490	15,932	18,893
Depreciation	186	303	499	797	778
Other Income	321	220	147	169	195
Profit Before Tax	8,367	11,918	15,138	15,304	18,310
Tax	2,117	3,016	3,881	3,872	4,632
Profit After Tax	6,251	8,902	11,257	11,432	13,677

Source: Company, YES Sec – Research

Exhibit 11: Balance sheet

Rs. mn	FY22	FY23	FY24	FY25E	FY26E
ASSETS					
Financial Assets					
(a) Cash and Bank balance	48,750	54,911	98,443	135,485	155,623
(b) Trade receivables	5,653	3,749	4,869	6,639	7,967
(c) Loans	13,575	10,052	14,841	28,023	33,628
(d) Investments	187	1,095	0	500	1,000
(e) Other financial assets	1,947	1,855	8,510	10,943	12,663
Non-financial Assets					
(a) Fixed Assets	1,605	2,449	4,062	3,964	3,886
(b) Other non-financial assets	483	667	1,813	2,059	2,450
Total Assets	72,199	74,777	132,537	187,614	217,217
LIABILITIES AND EQUITY					
LIABILITIES					
Financial Liabilities					
(a) Trade payables	40,668	40,715	71,970	99,032	116,117
(b) Debt securities	246	278	1,331	1,381	1,431
(c) Borrowings	12,332	7,594	24,023	25,023	26,023
(d) Other financial liabilities	2,534	3,879	4,063	5,945	7,020
Non-Financial Liabilities					
(a) Current & Deff. tax liabilities (Net)	10	115	228	228	228
(b) Provisions	121	163	160	160	160
(c) Other non-financial liabilities	445	417	377	743	877
EQUITY					
(a) Equity share capital	829	834	840	899	899
(b) Other equity	15,015	20,781	29,546	54,204	64,462
Net Worth	15,844	21,616	30,386	55,103	65,361
Total Liabilities and Equity	72,199	74,777	132,537	187,614	217,217

Source: Company, YES Sec – Research

Exhibit 12: Cashflow statement

Rs. mn	FY22	FY23	FY24	FY25E	FY26E
A. FROM OPERATING ACTIVITIES					
Profit before tax	8,364	11,915	15,137	15,304	18,310
Depreciation expense	189	305	500	797	778
Others	568	1,086	1,730	0	0
Profit before WC changes	9,121	13,307	17,366	16,101	19,088
Working Capital Changes	(1,331)	(2,385)	(16,788)	11,678	9,252
Cash generated from operations	7,790	10,922	578	27,779	28,340
Income tax paid	(2,215)	(2,889)	(3,877)	(3,872)	(4,632)
Net cash from operating activities (A)	5,575	8,032	(3,299)	23,907	23,708
B. FROM INVESTING ACTIVITIES					
Purchase/sale of assets	(690)	(1,004)	(2,071)	(700)	(700)
Others	0	0	0	0	0
Purchase/Sale of investments	166	(848)	1,161	(500)	(500)
Net cash from investing activities (B)	(524)	(1,851)	(910)	(1,200)	(1,200)
C. FROM FINANCING ACTIVITIES					
Increase/Decrease in Borrowings	239	(5,411)	16,434	1,050	1,050
Proceeds from issue of equity shares	229	114	144	15,000	0
Share issue expenses	0	0	(3)	0	0
Dividend Paid	(2,089)	(3,756)	(3,242)	(1,715)	(3,419)
Others	(30)	(19)	(24)	0	0
Net cash from financing activities (C)	(1,651)	(9,072)	13,309	14,335	(2,369)
Net change in cash and equivalents (A+B+C)	3,401	(2,890)	9,099	37,042	20,138

Source: Company, YES Sec – Research

Exhibit 13: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Net Revenue	NA	41,751	49,167	NA	39,327	47,122	NA	6.2	4.3
Operating Profit	NA	15,932	18,893	NA	16,277	20,926	NA	(2.1)	(9.7)
Profit After Tax	NA	11,432	13,677	NA	11,690	15,196	NA	(2.2)	(10.0)

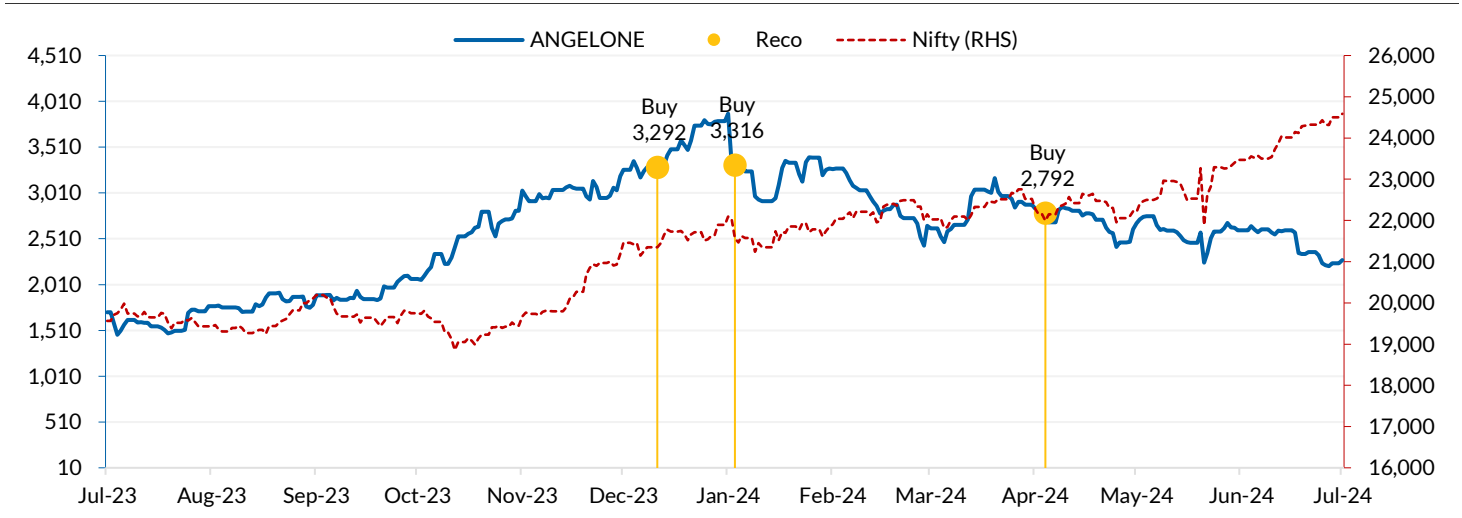
Source: Company, YES Sec – Research

Exhibit 14: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
Growth ratios (%)					
Revenue	92.2	38.2	46.5	25.8	17.8
Operating Profit	96.0	45.8	29.1	2.9	18.6
Net profit	109.7	42.4	26.5	1.6	19.6
Operating Ratios, %					
Operating Profit Margin	50.2	53.0	46.7	38.2	38.4
PBT Margin	51.0	52.6	45.6	36.7	37.2
PAT Margin	38.1	39.3	33.9	27.4	27.8
ROE	46.0	47.5	43.3	26.7	22.7
Dividend Payout Ratio	35.9	37.3	25.9	15.0	25.0
Per share, Rs.					
EPS	75.4	106.7	134.0	127.2	152.2
Book Value	191.2	259.1	361.7	613.1	727.2
Valuation Ratios, x					
PE	29.4	20.8	16.6	17.4	14.6
P/BV	11.6	8.6	6.1	3.6	3.1

Source: Company, YES Sec – Research

Recommendation Tracker



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YES Securities (India) Limited

Registered Address: 2nd Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 7th Floor, Urmi Estate Tower A, Ganpatrao Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West), Mumbai - 400 013, Maharashtra, India.

✉ research@ysil.in | Website: www.yesinvest.in

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Details of Compliance Officer: Name: Aditya Goenka, **Email id:** compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

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