

January 16, 2024

RESULT REPORT Q3 FY24 | Sector: Asset Managers

Angel One Limited

Weak quarter not due to any concerning factors

Result Highlights (See "Our View" below for elaboration and insight)

- **Revenue:** Net Revenue at Rs. 8,258mn was up 1.4%/46.4% QoQ/YoY, where the net fees and commission income has de-grown/grown by -1.6%/43.8% QoQ/YoY
- **Client Base:** The total client base stood at 19.5mn up by 14%/56% QoQ/YoY and the NSE active client base was at 5.3mn up by 8.2%/26.2% QoQ/YoY
- **Volume:** The total order volume was 350mn, up by 3.6%/54.9% QoQ/YoY where the F&O volume was at 262mn, down/up by -0.8%/52.3% QoQ and YoY
- **Client Funding Book:** The average client funding book stood at Rs. 18,590mn, and have grown by 32.1% QoQ and 31.3% YoY
- **Operating profit margin:** Operating profit margin for the quarter, at 43.9%, was down -733 bps QoQ and -912 bps YoY

Our view - Broking revenue subdued due to non-structural factors, while expenses spike due to client acquisition and other investments

Reasons for sequential decline in gross broking revenue were rise in share of Cash segment and subdued Derivatives segment: Gross broking revenue was down -2.6% QoQ to Rs 7,084 mn. The cash segment orders have grown by ~20% QoQ, to 74mn. Furthermore, the share of delivery within the cash segment has increased during the quarter. Also, in Q2FY24 the company has revised its tariff for intra-day cash segment from 0.25% or Rs 20 per order, whichever is lower to 0.03% or Rs 20 per order, whichever is lower. The company stated that they regard themselves as market makers and aim to attract new types of customers. F&O orders have declined -0.8% QoQ to 262mn. The third quarter of the financial year is seasonally a bit subdued for the industry due to festivals and other factors. The derivatives revenue has also been impacted due to the number of trading days being lesser by 3 days, translating to an impact of 3-4%. The revenue per order has also declined due to the share of flat fee clients moving up compared with traditional clients.

Other opex at Rs 3.2bn is up 21% QoQ due to the highest ever client acquisition which led to one-time client acquisition and onboarding cost: Importantly, the cost of acquisition has not increased and the CAC to LTV has remained steady in a range of 75-80%. Employee cost at Rs 1.4bn was up 6.5% QoQ due to addition of head count in asset management business, data and analytics, technology and operations functions, etc. Finance cost was higher by 35% QoQ to Rs 356mn due to higher average borrowings.

We maintain 'BUY' rating on Angel One with a revised price target of Rs 4200: We value the broker at 28x FY25 P/E for an FY23-26E EPS CAGR of 19%.

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

Exhibit 1: Result table

(Rs mn)	Q3FY24	Q2FY24	% qoq	Q3FY23	% yoy
Revenue from operations	10,590	10,479	1.1	7,486	41.5
Less: Fees and commission	1,976	2,071	(4.6)	1,592	24.1
Less: Finance Cost	356	264	34.8	254	39.9
Net Revenue	8,258	8,144	1.4	5,639	46.4
Operating Expenses					
Employee Cost	1,416	1,329	6.5	1,114	27.1
Other Expenses	3,219	2,645	21.7	1,537	109.4
Total Operating Expense	4,635	3,974	16.6	2,651	74.8
Operating Profit (Ex. Other Inc.)	3,623	4,170	(13.1)	2,988	21.2
Operating Profit Margin	43.9	51.2	-733bps	53.0	-912bps
Other Income	18	14	28.6	111	(83.7)
Depreciation	131	112	17.0	80	64.2
PBT	3,510	4,072	(13.8)	3,019	16.3
Tax	907	1,027	(11.7)	739	22.8
PAT	2,603	3,045	(14.5)	2,281	14.1

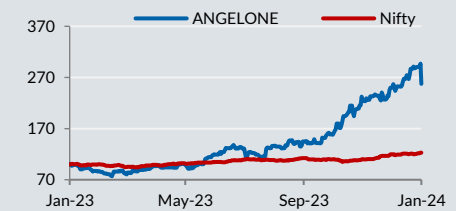
Source: Company, YES Sec-Research

Recommendation	: BUY
Current Price	: Rs 3316
Target Price	: Rs 4200
Potential Return	: +27%

Stock data (as on January 16, 2024)

Nifty	22,020
52 Week h/l (Rs)	3896 / 999
Market cap (Rs/USD mn)	325367 / 3922
Outstanding Shares (mn)	84
6m Avg t/o (Rs mn):	1,534
Div yield (%):	1.0
Bloomberg code:	ANGELONE IN
NSE code:	ANGELONE

Stock performance



Shareholding pattern (As of Sept'23 end)

Promoter	38.2%
FII+DII	28.4%
Others	33.3%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	4200	4400

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Net Revenue	29,283	35,343	42,682
YoY Growth	29%	21%	21%
Op. Profit	12,821	16,689	20,297
Op. Pft. Mgn.	43.8%	47.2%	47.6%
PAT	9,420	12,322	15,004
YoY Growth	6%	31%	22%
ROE, %	38.4	39.3	37.6
EPS, Rs.	112.9	147.7	179.9
P/E, x	29.4	22.4	18.4
BV, Rs.	329.7	422.0	534.4
P/BV, x	10.1	7.9	6.2

Δ in earnings estimates

Rs.	FY24E	FY25E	FY26E
EPS (New)	112.9	147.7	179.9
EPS (Old)	133.7	162.8	197.9
% change	-15.5%	-9.3%	-9.1%

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COMPREHENSIVE CON-CALL TAKEAWAYS

Revenue aspects

- **Gross broking revenue**
 - Gross broking revenue was down -2.6% QoQ to Rs 7,084 mn.
- **Reasons for sequential decline in gross broking revenue**
 - **Rise in share of cash segment**
 - The cash segment orders have grown by ~20% QoQ, to 74mn.
 - Furthermore, the share of delivery within the cash segment has increased during the quarter.
 - In Q2FY24 the company has revised its tariff for intra-day cash segment from 0.25% or Rs 20 per order, whichever is lower to 0.03% or Rs 20 per order, whichever is lower.
 - **Reason for change in cash segment tariff**
 - The company stated that they regard themselves as market makers and aim to attract new types of customers.
 - While doing so, they look at the lifetime value of customers.
 - If the company sees pockets where clients want to start their journey in the cash segment, they acquire those clients.
 - The lifetime value of these customers is sound and passed the operating margin threshold of 50%.
 - **Subdued Derivatives segment**
 - The third quarter of the financial year is seasonally a bit subdued for the industry due to festivals and other factors.
 - While the contracts per order has risen and the premium has reduced, this has not translated into higher number of orders at the exchanges.
 - However, the company's market share in F&O has risen from 26.2% to 26.9% on sequential basis.
 - The derivatives revenue has also been impacted due to the number of trading days being lesser by 3 days, translating to an impact of 3-4%.
 - The revenue per order has also declined due to the share of flat fee clients moving up compared with traditional clients.
- **Revenue breakup aspects**
 - Gross broking revenue share was 67% in total gross revenue.
 - The share of F&O was 84% in gross broking revenue.
 - The share of direct channel in net broking revenue was 76%.
 - The share of clients with the company for more than 2 years was at 48% of net broking revenue in Q3FY24, up from 25% in Q2FY22.
- **Client funding book**
 - The average client funding book was at Rs. 18.59bn, up by 32% QoQ.
 - The improvement in cash delivery volumes has led to higher client funding book, which in turn has led to improved interest income.
- **Cash position**
 - Cash and cash equivalents stood at Rs. 90.6bn.
- **Ancillary income**
 - Ancillary transaction income accounted for 8% of total gross revenue.

(Con call takeaways continue on the next page)

Expenses

- **Finance cost**
 - Finance cost was higher by 35% QoQ to Rs 356mn due to higher average borrowings.
 - **Bank guarantee considerations**
 - Of the Rs 400mn estimated increase in net finance cost due to the impact of higher borrowing for substituting the underlying collateral for bank guarantees, the company has incurred Rs 160mn between July'23 to Dec'23 and estimated to incur Rs 150mn in Q4FY24.
- **Employee cost**
 - Employee cost at Rs 1.4bn was up 6.5 qoq due to addition of head count in asset management business, data and analytics, technology and operations functions, etc.
 - The employee cost has increased by Rs 56mn due to CTC cost and 30mn due to ESOP cost.
 - The company has added 107 overall employees across the group with this the cost has gone up by Rs 90mn, including the ESOP cost.
- **Other opex**
 - Other opex at Rs 3.2bn is up 21% QoQ due to the highest ever client acquisition which led to one time client acquisition and onboarding cost.
 - The cost of acquisition has not increased and the cost to LTV has remained steady in a range of 75-80%.
 - The breakeven period for new customers is 6 months.

Loan distribution business

- The RBI guidelines do not impact the company since they are in beta testing phase.
- Also, the intention was not to get into small-ticket lending and the ticket size being targeted will be north of Rs 100,000.

Authorised persons / Assisted channel

- The company is hiring authorized persons in areas where it does not have adequate representation.
- In phase 2, mutual fund distributors, POSPs and DSAs would also be acquired.

Exhibit 2: Key Business Parameters

Particulars	Q3FY24	Q2FY24	% qoq	Q3FY23	% yoy
Total Client Base, mn	19.5	17.1	14.0	12.5	56.0
Gross Client Acquisition, mn	2.5	2.1	19.0	1.0	150.0
NSE Active Client Base, mn	5.3	4.9	8.2	4.2	26.2
Share in NSE Active Client, %	14.8	14.6	20bps	12.0	280bps
Order Volume, mn	350	338	3.6	226	54.9
Average Daily Turnover, Rs. tn	36.0	29.6	21.6	14.5	148.7
Share in Retail Equity Turnover, %	26.8	26.2	60bps	21.5	530bps
Share of Flat fee in overall ADTO, %	99.0	98.0	100bps	97.0	200bps
Client Funding Book Size, Rs mn	19,742	19,459	1.5	13,773	43.3
Avg. Client Funding Book Size, Rs mn	18,590	14,070	32.1	14,160	31.3
Unique SIPs Registered, '000	955	725	31.8	57	1,575.8

Source: Company, YES Sec – Research

Exhibit 3: Revenue and Channel Mix

%	Q3FY24	Q2FY24	qoq	Q3FY23	yoy
Gross Revenue Mix					
Gross Broking	67.0	69.0	-200bps	67.0	0bps
Interest	20.0	17.0	300bps	18.0	200bps
Depository	4.0	3.0	100bps	4.0	0bps
Distribution	1.0	1.0	0bps	1.0	0bps
Ancillary Transaction Charges	8.0	9.0	-100bps	8.0	0bps
Other Income	1.0	0.0	100bps	2.0	-100bps
Gross Broking Revenue Mix					
F&O	84.0	85.0	-100bps	82.0	200bps
Cash	11.0	11.0	0bps	12.0	-100bps
Commodity	5.0	4.0	100bps	5.0	0bps
Currency	0.0	0.0	0bps	1.0	-100bps
Net Broking Revenue Channel Mix					
Direct Channel	76.4	78.0	-166bps	76.5	-12bps
Assisted Business	23.6	22.0	166bps	23.5	12bps

Source: Company, YES Sec – Research

Exhibit 4: Quarterly Actuals Vs Estimates

Q3FY24 (Rs. mn)	Actuals	Estimates	Diff, %
Net Revenue	8,258	8,710	(5.2)
Operating Profit	3,623	4,617	(21.5)
Profit After Tax	2,603	3,372	(22.8)

Source: Company, YES Sec – Research

Exhibit 5: Order Volume Break-up

mn	Q3FY24	Q2FY24	% qoq	Q3FY23	% yoy
F&O	262	264	(0.8)	172	52.3
Cash	74	62	19.4	44	68.2
Commodity	14	12	16.7	9	55.6
Total	350	338	3.6	226	54.9

Source: Company, YES Sec – Research

Exhibit 6: Revenue from Operation Break-up

(Rs mn)	Q3FY24	Q2FY24	% qoq	Q3FY23	% yoy
Interest Income	2,123	1,812	17.2	1,371	54.9
Fees and commission income	8,447	8,649	(2.3)	6,093	38.6
Net gain on fair value changes	20	18	11.1	23	(12.7)
Revenue from operations	10,590	10,479	1.1	7,486	41.5

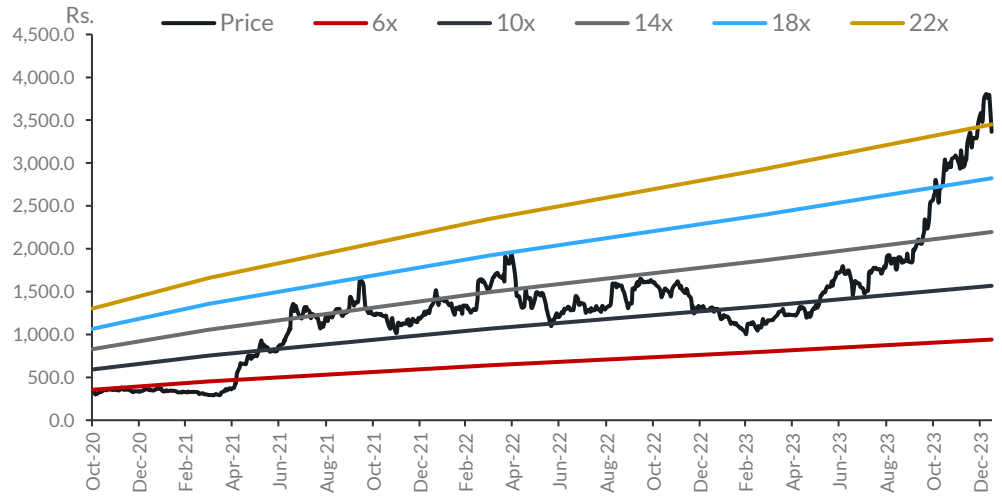
Source: Company, YES Sec – Research

Exhibit 7: Net Broking Revenue by Business Channel

(Rs mn)	Q3FY24	Q2FY24	% qoq	Q3FY23	% yoy
Direct Channel	3,930	4,084	(3.8)	2,703	45.4
Assisted Business	1,215	1,149	5.7	830	46.4
Net Broking Revenue	5,145	5,233	(1.7)	3,533	45.6

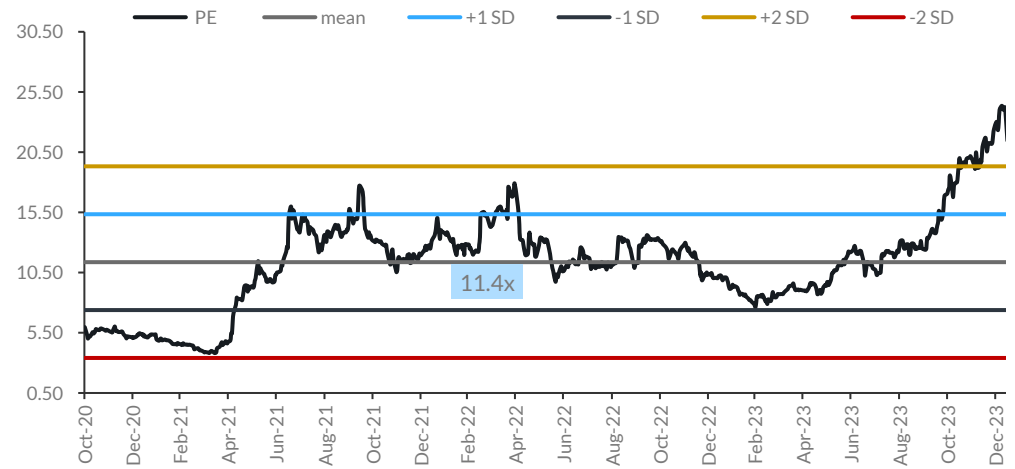
Source: Company, YES Sec – Research

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 1: Income statement

Rs. mn	FY22	FY23	FY24E	FY25E	FY26E
Net Brokerage Revenue	10,234	14,398	19,004	22,804	27,365
Net Interest Income	2,932	4,300	5,238	6,511	8,108
Other Operating Revenue	3,224	3,955	5,041	6,028	7,209
Net Operating Revenue	16,390	22,653	29,283	35,343	42,682
Operating Expenses					
Employee Expense	2,809	3,979	5,451	6,542	7,850
Other Operating Expense	5,349	6,673	11,011	12,112	14,535
Total Operating Expense	8,158	10,652	16,462	18,654	22,384
Operating Profit	8,232	12,001	12,821	16,689	20,297
Depreciation	186	303	364	371	416
Other Income	321	220	154	177	204
Profit Before Tax	8,367	11,918	12,611	16,495	20,085
Tax	2,117	3,016	3,191	4,173	5,082
Profit After Tax	6,251	8,902	9,420	12,322	15,004

Source: Company, YES Sec – Research

Exhibit 2: Balance sheet

Rs. mn	FY22	FY23	FY24E	FY25E	FY26E
ASSETS					
Financial Assets					
(a) Cash and Bank balance	48,750	54,911	78,061	90,112	109,218
(b) Trade receivables	5,653	3,749	4,767	5,720	6,864
(c) Loans	13,575	10,052	12,714	15,256	18,308
(d) Investments	187	1,095	1,595	2,095	2,595
(e) Other financial assets	1,947	1,855	2,275	2,730	3,276
Non-financial Assets					
(a) Fixed Assets	1,605	2,449	2,485	2,714	2,899
(b) Other non-financial assets	483	667	853	1,013	1,206
Total Assets	72,199	74,777	102,748	119,640	144,365
LIABILITIES AND EQUITY					
LIABILITIES					
Financial Liabilities					
(a) Trade payables	40,668	40,715	60,888	68,993	82,792
(b) Debt securities	246	278	328	378	428
(c) Borrowings	12,332	7,594	7,694	7,794	7,894
(d) Other financial liabilities	2,534	3,879	5,450	6,293	7,551
Non-Financial Liabilities					
(a) Current & Deff. tax liabilities (Net)	10	115	115	115	115
(b) Provisions	121	163	163	163	163
(c) Other non-financial liabilities	445	417	606	699	839
EQUITY					
(a) Equity share capital	829	834	834	834	834
(b) Other equity	15,015	20,781	26,669	34,370	43,748
Net Worth	15,844	21,616	27,503	35,205	44,582
Total Liabilities and Equity	72,199	74,777	102,748	119,640	144,365

Source: Company, YES Sec – Research

Exhibit 3: Cashflow statement

Rs. mn	FY22	FY23	FY24E	FY25E	FY26E
A. FROM OPERATING ACTIVITIES					
Profit before tax	8,364	11,915	12,611	16,495	20,085
Depreciation expense	189	305	364	371	416
Others	568	1,086	0	0	0
Profit before WC changes	9,121	13,307	12,975	16,866	20,501
Working Capital Changes	(1,331)	(2,385)	17,648	4,929	10,263
Cash generated from operations	7,790	10,922	30,623	21,795	30,764
Income tax paid	(2,215)	(2,889)	(3,191)	(4,173)	(5,082)
Net cash from operating activities (A)	5,575	8,032	27,432	17,622	25,682
B. FROM INVESTING ACTIVITIES					
Purchase/sale of assets	(690)	(1,004)	(400)	(600)	(600)
Others	0	0	0	0	0
Purchase/Sale of investments	166	(848)	(500)	(500)	(500)
Net cash from investing activities (B)	(524)	(1,851)	(900)	(1,100)	(1,100)
C. FROM FINANCING ACTIVITIES					
Increase/Decrease in Borrowings	239	(5,411)	150	150	150
Proceeds from issue of equity shares	229	114	0	0	0
Share issue expenses	0	0	0	0	0
Dividend Paid	(2,089)	(3,756)	(3,533)	(4,621)	(5,626)
Others	(30)	(19)	0	0	0
Net cash from financing activities (C)	(1,651)	(9,072)	(3,383)	(4,471)	(5,476)
Net change in cash and equivalents (A+B+C)	3,401	(2,890)	23,150	12,051	19,106

Source: Company, YES Sec – Research

Exhibit 4: 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	29,283	35,343	42,682	29,283	35,343	42,682	0.0	0.0	0.0
Operating Profit	12,821	16,689	20,297	15,141	18,372	22,317	(15.3)	(9.2)	(9.1)
Profit After Tax	9,420	12,322	15,004	11,154	13,579	16,513	(15.5)	(9.3)	(9.1)

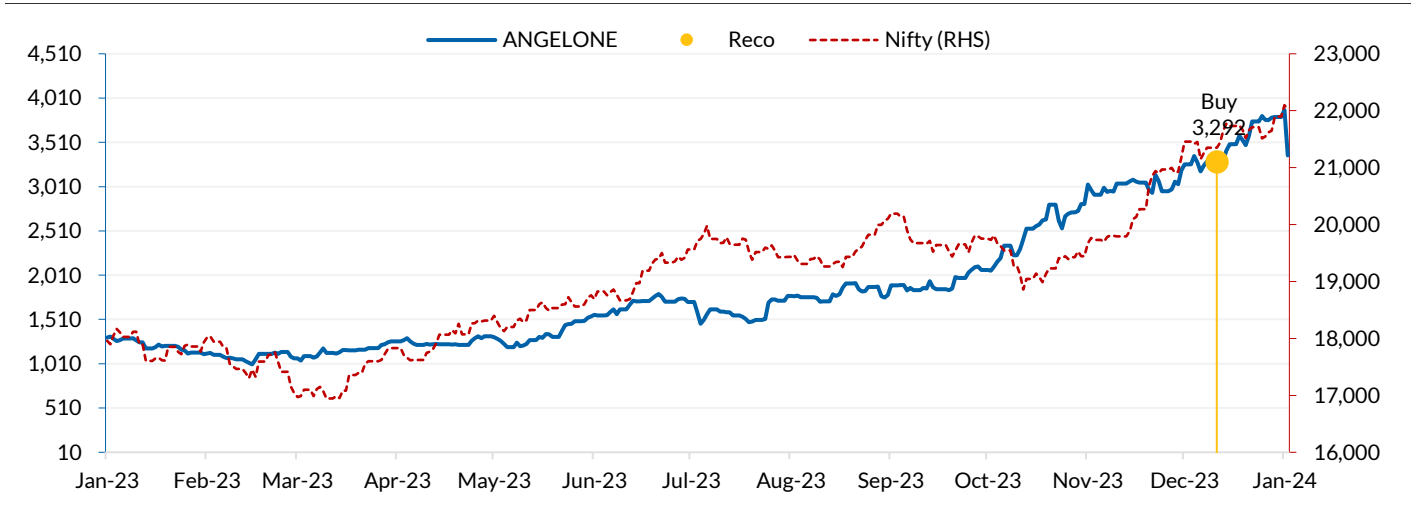
Source: Company, YES Sec – Research

Exhibit 5: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24E	FY25E	FY26E
Growth ratios (%)					
Revenue	92.2	38.2	29.3	20.7	20.8
Operating Profit	96.0	45.8	6.8	30.2	21.6
Net profit	109.7	42.4	5.8	30.8	21.8
Operating Ratios, %					
Operating Profit Margin	50.2	53.0	43.8	47.2	47.6
PBT Margin	51.0	52.6	43.1	46.7	47.1
PAT Margin	38.1	39.3	32.2	34.9	35.2
ROE	46.0	47.5	38.4	39.3	37.6
Dividend Payout Ratio	35.9	37.3	37.5	37.5	37.5
Per share, Rs.					
EPS	75.4	106.7	112.9	147.7	179.9
Book Value	191.2	259.1	329.7	422.0	534.4
Valuation Ratios, x					
PE	44.0	31.1	29.4	22.4	18.4
P/BV	17.3	12.8	10.1	7.9	6.2

Source: Company, YES Sec – Research

Recommendation Tracker



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