

April 18, 2024

**RESULT REPORT Q4 FY24** | Sector: Broking

# Angel One Limited

**Strong business model ready to transform into something better**

## Our view – Angel One displays that soft third quarter was a one off

Angel One closes out the year with strong traction for broking business on sequential basis: 2.9mn clients were acquired during the quarter, taking the client base to 22.2mn. The company is focusing on client addition since the unit economics is attractive. The lifetime of value of new cohorts of customers from tier 3 and beyond and from millennial and gen Z base is 7x of acquisition cost whereas the company is profitable even at a 5.5-6x ratio. The number of orders executed amounted to 471mn during the quarter, up 79% YoY and 35% QoQ. The rise in order volume has been driven by increased client addition as well as activity of vintage clients.

**Interest income also rose in healthy fashion on sequential basis, with strong outlook:** Average client funding book was up 9.1% QoQ to Rs 20.3bn. Higher activity on the cash side has aided the client funding book. Interest from client funding and other sources rose 16% QoQ and formed 18% of total gross revenue. There was a restriction on the client funding book, which has now opened up due to capital raise and it is reasonable to assume the client funding book would reach Rs 30bn in 2 years, though the aspiration is even higher.

**Management has outlined its plans for various new business initiatives:** We think there is considerable optionality, not baked into our or street numbers, that emerges from the lending, asset management and wealth management businesses.

**We maintain 'BUY' rating on Angel One with a revised price target of Rs 3750:** We value the broker at 22x FY26 P/E for an FY24-26E EPS CAGR of 12%.

**(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. 10,599mn was up 28.3%/65.9% QoQ/YoY, where the net fees and commission income has grown by 34%/67% QoQ/YoY
- **Client Base:** The total client base stood at 22.2mn up by 13.8%/61% QoQ/YoY and the NSE active client base was at 6.1mn up by 15.1%/41.9% QoQ/YoY
- **Volume:** The total order volume was 471mn, up by 35%/79% QoQ/YoY where the F&O volume was at 355mn, up by 36%/65% QoQ and YoY
- **Client Funding Book:** The average client funding book stood at Rs. 20,290mn, and have grown by 9.1% QoQ and 54.4% YoY
- **Operating profit margin:** Operating profit margin for the quarter, at 44.7%, was up 87 bps QoQ but down -1243 bps YoY

### Exhibit 1: Result table

(Rs mn)	Q4FY24	Q3FY24	% qoq	Q4FY23	% yoy
Revenue from operations	13,573	10,590	28.2	8,258	64.4
Less: Fees and commission	2,418	1,976	22.4	1,672	44.6
Less: Finance Cost	556	356	56.3	198	181.0
<b>Net Revenue</b>	<b>10,599</b>	<b>8,258</b>	<b>28.3</b>	<b>6,388</b>	<b>65.9</b>
Operating Expenses					
Employee Cost	1,587	1,416	12.1	755	110.3
Other Expenses	4,269	3,219	32.6	1,981	115.5
<b>Total Operating Expense</b>	<b>5,856</b>	<b>4,635</b>	<b>26.4</b>	<b>2,736</b>	<b>114.0</b>
Operating Profit (Ex. Other Inc.)	4,742	3,623	30.9	3,652	29.9
<b>Operating Profit Margin</b>	<b>44.7</b>	<b>43.9</b>	<b>87bps</b>	<b>57.2</b>	<b>-1243bps</b>
Other Income	13	18	(29.9)	53	(76.2)
Depreciation	167	131	27.4	89	87.5
PBT	4,588	3,510	30.7	3,616	26.9
Tax	1,188	907	31.0	946	25.6
PAT	3,400	2,603	30.6	2,670	27.3

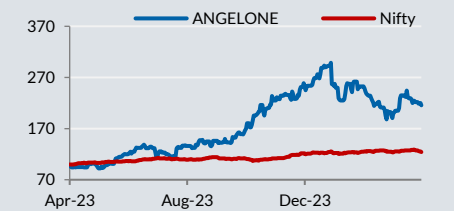
Source: Company, YES Sec-Research

Recommendation	: BUY
Current Price	: Rs 2792
Target Price	: Rs 3750
Potential Return	: +34%

### Stock data (as on April 18, 2024)

Nifty	21,964
52 Week h/l (Rs)	3896 / 1181
Market cap (Rs/USD mn)	256400 / 3069
Outstanding Shares (mn)	90
6m Avg t/o (Rs mn):	1,742
Div yield (%):	1.3
Bloomberg code:	ANGELONE IN
NSE code:	ANGELONE

### Stock performance



	1M	3M	1Y
Absolute return	10.2%	-15.2%	115.5%

### Shareholding pattern (As of Dec'23 end)

Promoter	38.2%
FII+DII	28.4%
Others	33.3%

### Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	3750	4000

### Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Net Revenue	33,185	39,327	47,122
YoY Growth	46%	19%	20%
Op. Profit	15,490	16,277	20,926
Op. Pft. Mgn.	46.7%	41.4%	44.4%
PAT	11,257	11,690	15,196
YoY Growth	26%	4%	30%
ROE, %	43.3	28.1	26.5
EPS, Rs.	134.0	130.1	169.1
P/E, x	20.8	21.5	16.5
BV, Rs.	361.7	586.3	691.9
P/BV, x	7.7	4.8	4.0

### Δ in earnings estimates

Rs.	FY24E	FY25E	FY26E
EPS (New)	NA	130.1	169.1
EPS (Old)	NA	147.7	179.9
% change	NA	-11.9%	-6.0%

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## COMPREHENSIVE CON-CALL TAKEAWAYS

### Key revenue aspects

- **Key client traction metrics**
  - 2.9mn clients were acquired during the quarter, taking the client base to 22.2mn.
  - The number of orders executed amounted to 471mn during the quarter, up 79% YoY and 35% QoQ.
  - There was a 23% QoQ rise in ADTO (average daily turnover) to Rs 44 trn.
  - Average daily orders were up 32.3% QoQ to 7.73mn.
  - **More on order count**
    - The rise in order volume has been driven by increased client addition as well as activity of vintage clients.
  - **More on client addition**
    - The company is focusing on client addition since the unit economics is attractive.
    - Lifetime of value of new cohorts of customers from tier 3 and beyond and from millennial and gen Z base is 7x of acquisition cost whereas the company is profitable even at 5.5-6x.
    - Angel One would aim for a market share of 35% in new acquisitions.
- **Total gross revenue**
  - Highest ever total gross revenue was registered at Rs 13.6bn, up 28% QoQ.
- **Broking revenue**
  - Gross broking revenue at Rs 9.2 bn was 68% of total revenue and was up 30% QoQ.
  - **Gross broking revenue split by product**
    - F&O – 85%
    - Cash – 11%
    - Commodity – 4%
  - **Net broking revenue split by channel**
    - Direct – 77%
    - Assisted – 23%
- **Client funding / MTF**
  - Average client funding book was up 9.1% QoQ to Rs 20.3bn.
  - Period-end client funding book stood at Rs 17.7bn as of March 2024 compared with Rs 11.5bn as of March 2023.
  - Higher activity on the cash side has aided the client funding book.
  - Interest from client funding and other sources rose 16% QoQ and formed 18% of total gross revenue.
  - **Guidance**
    - There was a restriction on the client funding book, which has now opened up due to capital raise and it is reasonable to assume the client funding book would reach Rs 30bn in 2 years, though the aspiration is higher.
- **Ancillary transaction income**
  - Ancillary transaction income linked to turnover grew 34.7% QoQ to Rs 1.1bn and 8% of total gross revenue.

### Operating expenses

- **Finance cost**
  - The finance cost has risen 56% QoQ to Rs 5.56bn due to higher average borrowings and higher cost of funds.

(Con call takeaways continue on the next page)

- The rise in borrowing cost is in line with the expected increase in working capital to manage bank guarantee requirements for margin obligations.
- Due to the increased working capital requirement, the dividend payout will be deferred by a few quarters.
- Despite the capital raise, the finance cost would be broadly stable as a proportion of revenue.
- The bank guarantee requirement due to the clearing corporation amounting to Rs 28bn is fully own funded now.
- There is no difficulty in finding bank guarantees.
- **ESOP cost**
  - Employee cost for the quarter was Rs 1.59bn, up 12% QoQ.
  - Higher employee cost was driven by additional headcount in wealth, AMC, data analytics and technology.
  - **Guidance**
    - The ESOP cost for FY25 would be about Rs 1bn.
    - About Rs 0.52bn would be carry forward cost from pre-existing ESOP and about Rs 0.5bn for new ESOP grants.
- **Other operating expenses**
  - Other operating expenses were up 33% QoQ to Rs 4.3bn.
  - This was a driven by a 17% QoQ growth in client acquisitions.
  - **IPL sponsorship and related cost**
    - Angel One has taken on the Associate sponsorship of the Indian Premier League (IPL) to generate extensive brand visibility, particularly in tier 2 and 3 cities.
    - Other expenses for the quarter also contained Rs 0.227bn pertaining to this IPL sponsorship and related digital and media spend.
    - The remainder of the cost related to the IPL sponsorship and related digital and media spend worth Rs 1.2bn would be incurred in 1Q.
    - Of the total cost pertaining to IPL sponsorship and related digital and media spend amounting to Rs 1.43bn, Rs 0.82bn pertains to the sponsorship alone.
- **Depreciation and amortization**
  - Depreciation and amortization is up 27% QoQ on account of augmentation of technology assets at the data centre to manage growing client base and order volumes.

## EBITDA margin

- The consolidated EBITDA margin for the quarter was 44.8% compared with 44% in 3Q and was within the guided range.
- IPL sponsorship may impact margin in the short-term but will enhance it in the long-term.
- **Guidance**
  - Normally, the guidance would have been 45-47% for FY25.
  - However, due to the impact of new business initiatives, the guidance is for 43-45%.

## Assisted business margin

- The assisted business' margin of 62% is structural in nature.

## Return on equity

- The networth of Rs 30.4bn does not include the recent capital raise.
- The return on average equity amounted to 43.3% for FY24.

(Con call takeaways continue on the next page)

## Capital raise / QIP

- Rs 15bn has been raised via QIP, with the money coming in the month of April.
- This capital will be used for margin money with exchanges and growing the business, including increasing order volume and building the MTF book.

## Enhancement / changes in technology offering

- A dedicated options expiry section has been introduced.
- The journey for the cash segment has been enhanced with introduction of new features.
- The Nxt application, which is a universal platform for channel partners, has been enhanced for better lead generation.
- Mutual fund comparison is being facilitated, which promotes SIP adoption and 1.4mn unique SIPs have been registered during the quarter.

## Lending business

- The effort is on to seamlessly integrate credit and fixed income products onto the platform.
- This is currently under beta testing and the intention is to scale up over the next few quarters.
- Angel One has also tied up with banks and NBFCs to offer their fixed deposits and corporate bonds.
- The intention is to aggressively build this business in 2-3 years and this business can grow 3x.

## Asset management business

- The core leadership team for the asset management business has been hired.

## Wealth management business

- For the wealth management foray, the team led by Srikanth Subramanian has been hired.
- He carries extensive experience at the Kotak Group, including in wealth tech at Kotak Cherry.
- The intention is to target UHNI and HNI clients through differentiated digital offerings.
- There will be 2 verticals targeted at UHNIs with USD 5mn plus ticket size and the other would be affluent or emerging HNIs.
- The HNI segment will have a mix of good quality RMs as well as the use of technology.

## Unrealised gain on client portfolio

- The value of the client portfolio held as of FY24 is Rs 66bn, of which Rs 24bn is unrealized gain.

## Corporate structure changes

- Angel One is still engaged with the regulator in this regard and there is no update as of now.

## Exhibit 2: Key Business Parameters

Particulars	Q4FY24	Q3FY24	% qoq	Q4FY23	% yoy
Total Client Base, mn	22.2	19.5	13.8	13.8	60.9
Gross Client Acquisition, mn	2.9	2.5	16.0	1.3	123.1
NSE Active Client Base, mn	6.1	5.3	15.1	4.3	41.9
Share in NSE Active Client, %	15.0	14.8	20bps	13.1	190bps
Order Volume, mn	471	350	34.6	263	79.1
Average Daily Turnover, Rs. tn	44.4	36.0	23.3	18.5	140.2
Share in Retail Equity Turnover, %	18.1	17.3	83bps	NA	NA
Share of Flat fee in overall ADTO, %	99.0	99.0	0bps	98.0	100bps
Client Funding Book Size, Rs mn	17,771	19,742	(10.0)	11,533	54.1
Avg. Client Funding Book Size, Rs mn	20,290	18,590	9.1	13,140	54.4
Unique SIPs Registered, '000	1,393	955	45.9	108	1,190.2

Source: Company, YES Sec – Research

## Exhibit 3: Revenue and Channel Mix

%	Q4FY24	Q3FY24	qoq	Q4FY23	yoy
<b>Gross Revenue Mix</b>					
Gross Broking	68.0	67.0	100bps	70.0	-200bps
Interest	18.0	20.0	-200bps	16.0	200bps
Depository	4.0	4.0	0bps	2.0	200bps
Distribution	1.0	1.0	0bps	1.0	0bps
Ancillary Transaction Charges	8.0	8.0	0bps	9.0	-100bps
Other Income	1.0	1.0	0bps	1.0	0bps
<b>Gross Broking Revenue Mix</b>					
F&O	85.0	84.0	100bps	87.0	-200bps
Cash	11.0	11.0	0bps	8.0	300bps
Commodity	4.0	5.0	-100bps	4.0	0bps
Currency	0.0	0.0	0bps	1.0	-100bps
<b>Net Broking Revenue Channel Mix</b>					
Direct Channel	77.3	76.4	90bps	78.6	-134bps
Assisted Business	22.7	23.6	-90bps	21.4	134bps

Source: Company, YES Sec – Research

## Exhibit 4: Quarterly Actuals Vs Estimates

Q4FY24 (Rs. mn)	Actuals	Estimates	Diff, %
Net Revenue	10,599	9,650	9.8
Operating Profit	4,742	4,276	10.9
Profit After Tax	3,400	3,099	9.7

Source: Company, YES Sec – Research

## Exhibit 5: Order Volume Break-up

mn	Q4FY24	Q3FY24	% qoq	Q4FY23	% yoy
F&O	355	262	35.5	215	65.1
Cash	102	74	37.8	37	175.7
Commodity	14	14	0.0	10	40.0
<b>Total</b>	<b>471</b>	<b>350</b>	<b>34.6</b>	<b>263</b>	<b>79.1</b>

Source: Company, YES Sec – Research

## Exhibit 6: Revenue from Operation Break-up

(Rs mn)	Q4FY24	Q3FY24	% qoq	Q4FY23	% yoy
Interest Income	2,476	2,123	16.6	1,370	80.7
Fees and commission income	11,089	8,447	31.3	6,864	61.6
Net gain on fair value changes	8	20	(61.1)	24	(67.6)
<b>Revenue from operations</b>	<b>13,573</b>	<b>10,590</b>	<b>28.2</b>	<b>8,258</b>	<b>64.4</b>

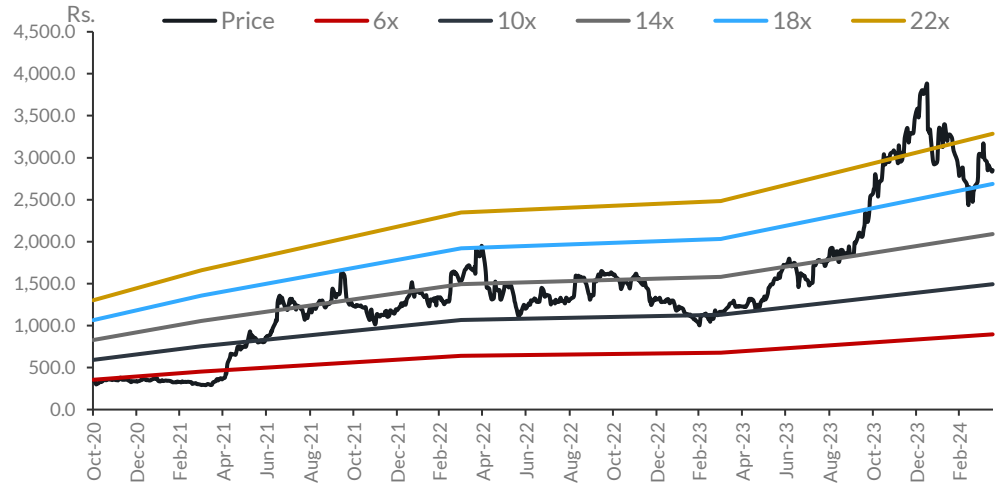
Source: Company, YES Sec – Research

## Exhibit 7: Net Broking Revenue by Business Channel

(Rs mn)	Q4FY24	Q3FY24	% qoq	Q4FY23	% yoy
Direct Channel	5,298	3,930	34.8	3,270	62.0
Assisted Business	1,557	1,215	28.1	889	75.1
<b>Net Broking Revenue</b>	<b>6,855</b>	<b>5,145</b>	<b>33.2</b>	<b>4,159</b>	<b>64.8</b>

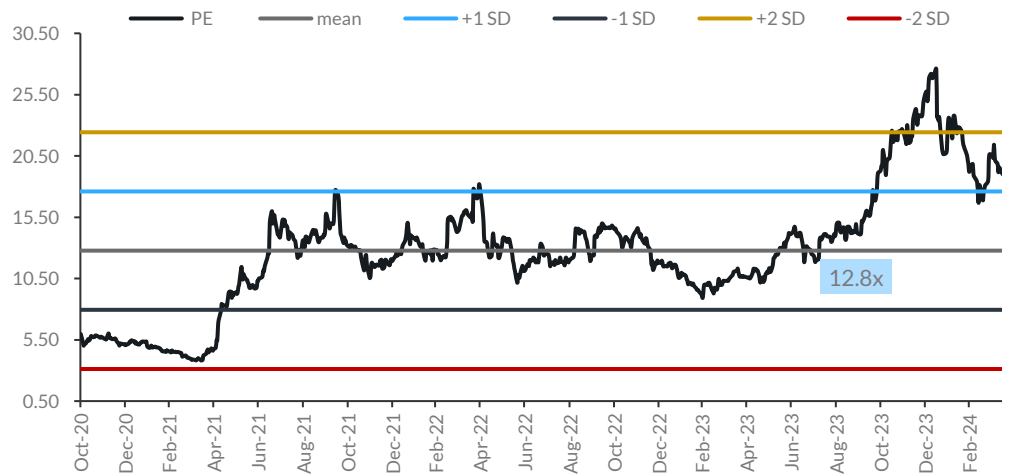
Source: Company, YES Sec – Research

**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	FY24	FY25E	FY26E
Net Brokerage Revenue	10,234	14,398	21,062	24,798	29,758
Net Interest Income	2,932	4,300	6,499	8,006	9,562
Other Operating Revenue	3,224	3,955	5,623	6,523	7,803
<b>Net Operating Revenue</b>	<b>16,390</b>	<b>22,653</b>	<b>33,185</b>	<b>39,327</b>	<b>47,122</b>
<b>Operating Expenses</b>					
Employee Expense	2,809	3,979	5,565	6,983	8,372
Other Operating Expense	5,349	6,673	12,130	16,067	17,824
<b>Total Operating Expense</b>	<b>8,158</b>	<b>10,652</b>	<b>17,695</b>	<b>23,049</b>	<b>26,196</b>
<b>Operating Profit</b>	<b>8,232</b>	<b>12,001</b>	<b>15,490</b>	<b>16,277</b>	<b>20,926</b>
Depreciation	186	303	499	797	778
Other Income	321	220	147	169	195
<b>Profit Before Tax</b>	<b>8,367</b>	<b>11,918</b>	<b>15,138</b>	<b>15,650</b>	<b>20,342</b>
Tax	2,117	3,016	3,881	3,959	5,147
<b>Profit After Tax</b>	<b>6,251</b>	<b>8,902</b>	<b>11,257</b>	<b>11,690</b>	<b>15,196</b>

Source: Company, YES Sec – Research

### Exhibit 2: Balance sheet

Rs. mn	FY22	FY23	FY24	FY25E	FY26E
<b>ASSETS</b>					
<b>Financial Assets</b>					
(a) Cash and Bank balance	48,750	54,911	98,443	134,044	150,539
(b) Trade receivables	5,653	3,749	4,869	5,933	7,119
(c) Loans	13,575	10,052	14,841	17,793	21,351
(d) Investments	187	1,095	0	500	1,000
(e) Other financial assets	1,947	1,855	8,510	9,780	11,316
<b>Non-financial Assets</b>					
(a) Fixed Assets	1,605	2,449	4,062	3,964	3,886
(b) Other non-financial assets	483	667	1,813	1,851	2,201
<b>Total Assets</b>	<b>72,199</b>	<b>74,777</b>	<b>132,537</b>	<b>173,864</b>	<b>197,413</b>
<b>LIABILITIES AND EQUITY</b>					
<b>LIABILITIES</b>					
<b>Financial Liabilities</b>					
(a) Trade payables	40,668	40,715	71,970	88,409	100,479
(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	5,309	6,136
<b>Non-Financial Liabilities</b>					
(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	664	767
<b>EQUITY</b>					
(a) Equity share capital	829	834	840	899	899
(b) Other equity	15,015	20,781	29,546	51,794	61,291
<b>Net Worth</b>	<b>15,844</b>	<b>21,616</b>	<b>30,386</b>	<b>52,692</b>	<b>62,190</b>
<b>Total Liabilities and Equity</b>	<b>72,199</b>	<b>74,777</b>	<b>132,537</b>	<b>173,864</b>	<b>197,413</b>

Source: Company, YES Sec – Research



## Exhibit 3: Cashflow statement

Rs. mn	FY22	FY23	FY24	FY25E	FY26E
<b>A. FROM OPERATING ACTIVITIES</b>					
Profit before tax	8,364	11,915	15,137	15,650	20,342
Depreciation expense	189	305	500	797	778
Others	568	1,086	1,730	0	0
<b>Profit before WC changes</b>	<b>9,121</b>	<b>13,307</b>	<b>17,366</b>	<b>16,447</b>	<b>21,121</b>
Working Capital Changes	(1,331)	(2,385)	(16,788)	12,648	6,370
<b>Cash generated from operations</b>	<b>7,790</b>	<b>10,922</b>	<b>578</b>	<b>29,094</b>	<b>27,491</b>
Income tax paid	(2,215)	(2,889)	(3,877)	(3,959)	(5,147)
<b>Net cash from operating activities (A)</b>	<b>5,575</b>	<b>8,032</b>	<b>(3,299)</b>	<b>25,135</b>	<b>22,344</b>
<b>B. FROM INVESTING ACTIVITIES</b>					
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)
<b>Net cash from investing activities (B)</b>	<b>(524)</b>	<b>(1,851)</b>	<b>(910)</b>	<b>(1,200)</b>	<b>(1,200)</b>
<b>C. FROM FINANCING ACTIVITIES</b>					
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)	(4,384)	(5,698)
Others	(30)	(19)	(24)	0	0
<b>Net cash from financing activities (C)</b>	<b>(1,651)</b>	<b>(9,072)</b>	<b>13,309</b>	<b>11,666</b>	<b>(4,648)</b>
<b>Net change in cash and equivalents (A+B+C)</b>	<b>3,401</b>	<b>(2,890)</b>	<b>9,099</b>	<b>35,601</b>	<b>16,496</b>

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	NA	39,327	47,122	NA	35,343	42,682	NA	11.3	10.4
Operating Profit	NA	16,277	20,926	NA	16,689	20,297	NA	(2.5)	3.1
Profit After Tax	NA	11,690	15,196	NA	12,322	15,004	NA	(5.1)	1.3

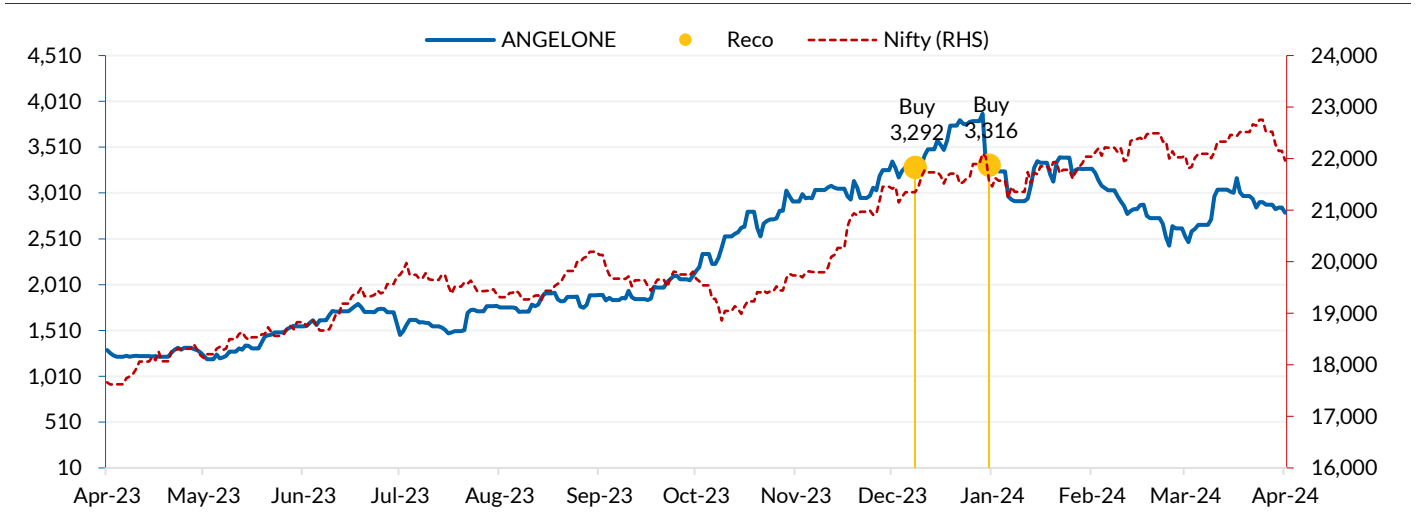
Source: Company, YES Sec – Research

## Exhibit 5: Ratio analysis

Y/e 31 Mar	FY22	FY23	FY24	FY25E	FY26E
<b>Growth ratios (%)</b>					
Revenue	92.2	38.2	46.5	18.5	19.8
Operating Profit	96.0	45.8	29.1	5.1	28.6
Net profit	109.7	42.4	26.5	3.9	30.0
<b>Operating Ratios, %</b>					
Operating Profit Margin	50.2	53.0	46.7	41.4	44.4
PBT Margin	51.0	52.6	45.6	39.8	43.2
PAT Margin	38.1	39.3	33.9	29.7	32.2
ROE	46.0	47.5	43.3	28.1	26.5
Dividend Payout Ratio	35.9	37.3	25.9	37.5	37.5
<b>Per share, Rs.</b>					
EPS	75.4	106.7	134.0	130.1	169.1
Book Value	191.2	259.1	361.7	586.3	691.9
<b>Valuation Ratios, x</b>					
PE	37.0	26.2	20.8	21.5	16.5
P/BV	14.6	10.8	7.7	4.8	4.0

Source: Company, YES Sec – Research

## Recommendation Tracker



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