

Angel One Ltd.

Investing for future growth

Angel One Ltd (AOL) reported strong growth of 11% on a QoQ and 64% on a YoY basis in the total client base during the quarter, outperforming the industry, which grew by ~8% on a QoQ and 43% on a YoY basis. During the quarter, the broking business revenue remained flat due to a decline of 2% in the total number of trades on a QoQ basis. While interest income significantly increased by 19% on a QoQ basis, led by a 92% rise in the MTF book. However, the EBTDA margin contracted by 539 bps on a QoQ and 773 bps on a YoY basis. This is due to a significant increase in upfront costs related to IPL sponsorship, increase in employee costs and ESOPs. The Company continues to gain market share in NSE’s active client base, up from 15.0% in Q4FY24 to 15.2% in Q1FY25.

Strategic brand enhancement through IPL sponsorship

AOL IPL sponsorship is strategically aimed at enhancing brand visibility across the country, particularly focusing on Tier 3 cities and beyond. The sponsorship aligns with the Company's broader marketing strategy to penetrate deeper into less saturated markets where there is a substantial opportunity for growth in the financial services sector and cross-sell their product offering as they diversify.

New product portfolio

The Company’s foray into wealth management and AMC is a strategic expansion aimed at leveraging technology to cater to the growing needs of HNIs and Ultra HNIs. It focuses on digital innovation and experienced leadership, which is expected to drive growth and enhance its position in the financial services industry. In the AMC business, the Company is waiting for the license to float.

During the quarter, AOL’s lending portfolio and fixed-income products were in the beta phase. The Company anticipates a full launch by the end of Q2FY25.

View & Valuation

We have revised our estimates and maintained our view on Angel One Ltd. with a NEUTRAL rating and a target price of Rs. 2,350 (18x FY25E earnings). Though AOL showcased a strong performance in client additions, however, the total number of trades declined by 2% on a QoQ basis. The Company is venturing into new areas such as asset management, wealth management, and distribution, but the execution of these initiatives is still pending. Additionally, we expect the cost to remain elevated as the Company is investing in new business verticals and employee addition.

18th July 2024

NEUTRAL

CMP Rs. 2,159

TARGET Rs. 2,351 (8.9%)

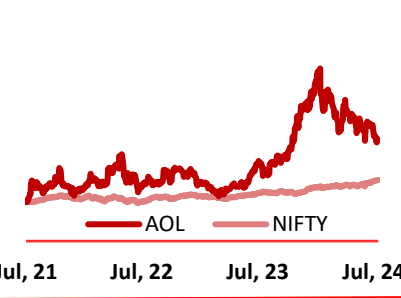
Company Data

Bloomberg Code	ANGELONE IN
MCAP (Rs. Mn)	1,94,518
O/S Shares (Mn)	90
52w High/Low	3,900 / 1,446
Face Value (Rs.)	10
Liquidity (3M) (Rs. Mn)	1,599

Shareholding Pattern %

	Apr 24	Mar 24	Dec 23
Promoters	35.72	38.21	38.24
FIIs	17.95	17.27	19.11
DIIIs	13.59	9.49	9.32
Non-Institutional	32.74	35.03	33.33

Angel One vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Bn)	FY24	FY25E	FY26E
Revenue	43	51	59
EBITDA	17	18	21
Net Profit	11	12	13
Total Assets	132	164	188
ROCE (%)	30%	20%	18%
ROE (%)	43%	27%	21%

Source: Company, Keynote Capitals estimates

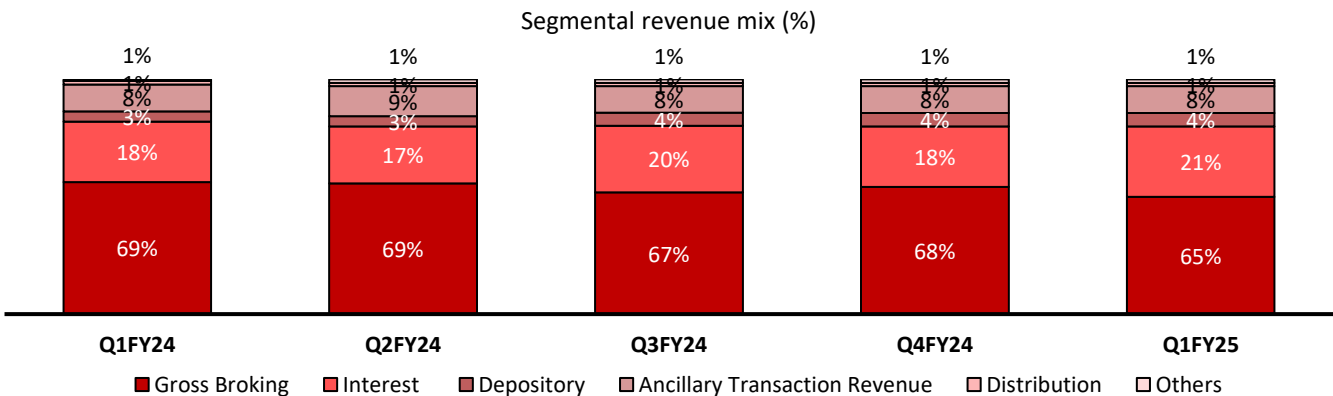
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Q1 FY25 Result Update

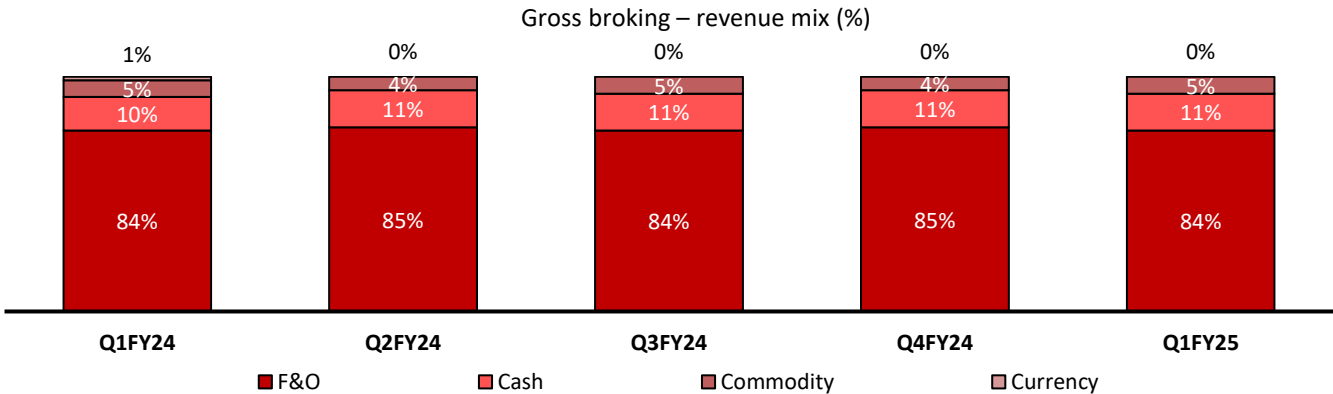
Result Highlights (Rs. Mn)

Particulars	Q1 FY25	Q1 FY24	Change % (Y-o-Y)	Q4 FY24	Change % (Q-o-Q)	FY24
Interest Income	2,944	1,448	103.3%	2,476	18.9%	7,859
Fees & Commission Income	11,110	6,607	68.2%	11,089	0.2%	34,792
Total Income	14,055	8,055	74.5%	13,565	3.6%	42,651
Finance costs	556	183	203.7%	556	-0.1%	1,359
Fees and commission expense	2,411	1,642	46.8%	2,418	-0.3%	8,107
Employee benefits	2,010	1,232	63.1%	1,587	26.6%	5,565
Impairment on financial instruments	33	18	82.1%	31	6.3%	89
Other expenses	4,897	1,980	147.3%	4,238	15.5%	12,042
Total Expense	9,906	5,055	96.0%	8,831	12.2%	27,161
EBTDA	4,148	3,000	38.3%	4,734	-12.4%	15,489
EBTDA Margin (%)	29.5%	37.2%	-773 Bps	34.9%	-539 Bps	36.3%
Depreciation	226	89	154.1%	167	35.5%	499
Other Income	46	56	-17.6%	20	126.3%	147
EBT	3,968	2,967	33.7%	4,588	-13.5%	15,137
Tax	1,041	759	37.1%	1,188	-12.4%	3,881
PAT	2,927	2,208	32.6%	3,400	-13.9%	11,256
EPS (Rs.)	32	26	23.1%	40	-20.0%	132

Source: Company, Keynote Capitals Ltd.

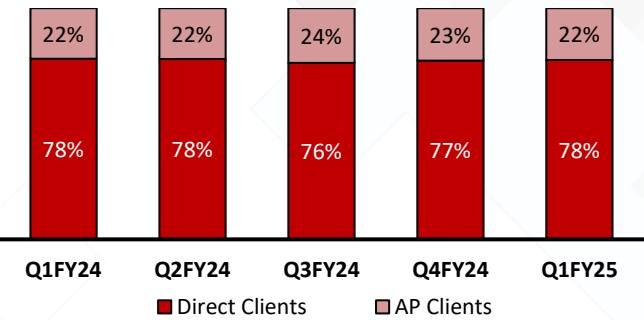


Source: Company, Keynote Capitals Ltd.

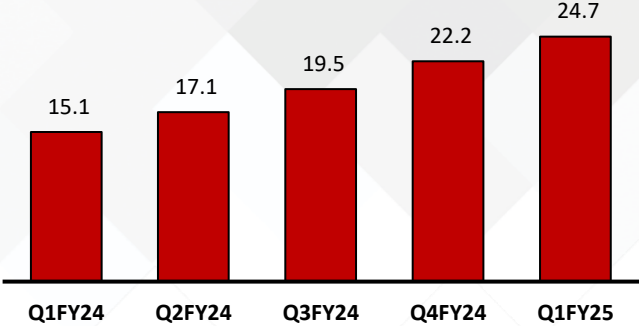


Source: Company, Keynote Capitals Ltd.

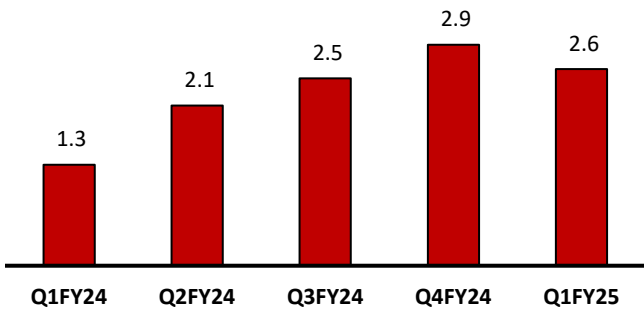
Contribution to net broking revenue (%)



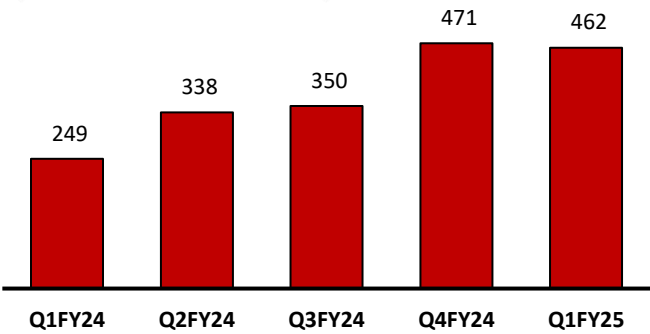
Total clients base (Mn) continues to rise



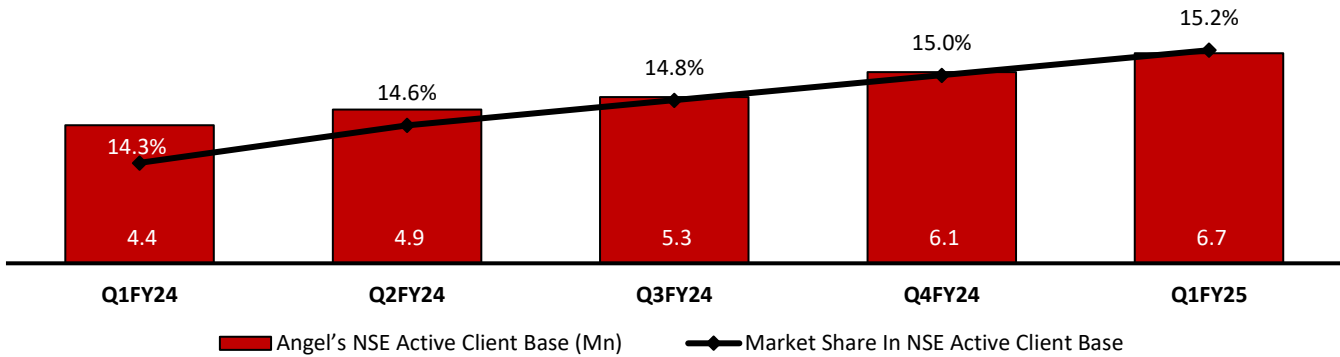
Gross client addition (Mn)



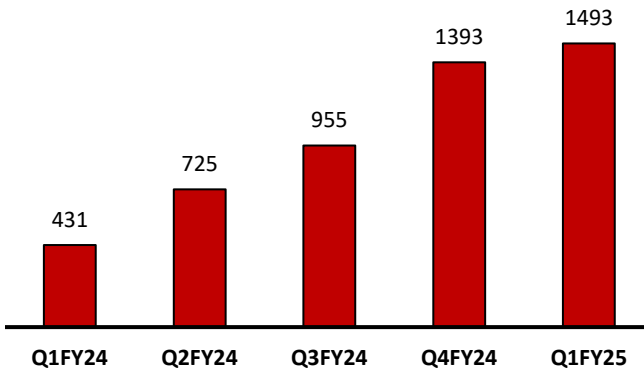
Number of trades (Mn)



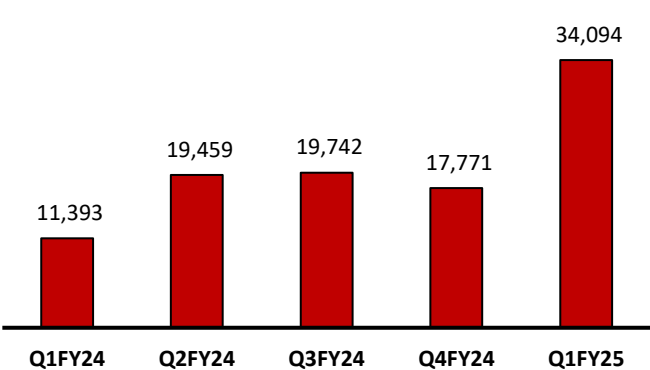
Continuous rise in NSE active client base (Mn) with market share (%) gain



Unique SIP registered ('000)



Significant increase in MTF book size (Rs. Mn)



Q1 FY25 Conference Call Takeaways

Regulatory changes

True-to-label recovery of exchange turnover charges

- SEBI's new guidelines mandate the true-to-label recovery of exchange turnover charges, which is expected to impact AOL by ~Rs. 1,120 Mn. The management claims that it has enough levers to offset this impact, potentially including pricing adjustments and charging for collateral in the F&O segment.

Changes in pledge allowances

- SEBI has issued a circular removing some thousand scripts from the list of those qualifying for the pledge, which will be implemented in a staggered manner by October 2024. The Company is evaluating the internal impact and may pass on some of these changes to customers if necessary.

Potential changes in lot sizes and expiry dates for F&O contracts

- Discussions about increasing lot sizes and changing expiry dates for F&O contracts are ongoing. The Company believes that customers will continue to trade, albeit with adjusted strategies. Any minor reductions in volume due to these changes are expected to be offset by other business levers, including potential pricing adjustments.

Update on new product portfolio

- The Company is in the process of seeking the AMC license.
- In the wealth management business, the Company has onboarded co-founders and team members with deep domain expertise and extensive experience in managing wealth for HNIs and UHNIs. It will operate on an omnichannel model, involving both digital platforms and relationship managers to provide personalized services.
- During the quarter, the Company integrated credit and fixed-income products into the platform, which are currently in beta testing with select clients. It anticipates the launch of these operations in Q2FY25.
- In the lending business, the Company has integrated a lender and expects three to four more lenders during Q2FY25.

Cost

- Employee cost increases due to ESOPs led by additional headcount in wealth management business, AMC business, data analytics, technology, and product functions.
- The upfront cost of IPL-related expenses of Rs. 1,145 Mn (10.3% of Q1FY25 total net income) impacted the quarter's margin.
- Other operating expenses declined by 6.4% on a QoQ basis, mainly due to decrease in gross client acquisition.

Angel One Ltd. | Quarterly Update

MTF business update

- During the quarter, the client funding book nearly doubled. The Company expects to grow 50% in the next 6-12 months.

Others

- In Q1FY25, the Company has raised Rs. 15 Bn through QIP. During this period, a significant portion of the capital was allocated to meet margin obligations with the clearing corporation, while the remaining funds will be used to expand its client funding book.
- The EBTDA margin can be impacted by 150-200 bps due to the launch of AMC and Wealth management business. The expected margin is 42-43%.
- During the quarter, the Company has decided to defer dividend payouts for the next few quarters. The primary reason is to enhance the balance sheet and support the Company's growth trajectory.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	30,016	42,717	51,260	58,949	67,792
Growth %	33%	42%	20%	15%	15%
Employee Expenses	3,979	5,565	7,433	8,842	10,169
Other Expenses	13,113	20,237	25,630	29,475	33,896
EBITDA	12,924	16,915	18,197	20,632	23,727
Growth %	46%	31%	8%	13%	15%
Margin %	43%	40%	36%	35%	35%
Depreciation	303	499	608	707	821
EBIT	12,621	16,416	17,590	19,925	22,906
Growth %	46%	30%	7%	13%	15%
Margin %	42%	38%	34%	34%	34%
Interest Paid	909	1,360	2,110	2,321	2,532
Other Income & exceptional	207	81	210	210	210
PBT	11,918	15,137	15,690	17,814	20,584
Tax	3,016	3,881	3,922	4,454	5,146
Net Profit	8,902	11,256	11,767	13,361	15,438
Growth %	42%	26%	5%	14%	16%
Shares (Mn)	83.1	84.0	90.1	90.1	90.1
EPS (Rs.)	106.68	133.98	130.60	148.29	171.34

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Cash, Cash equivalents & Bank	54,911	98,443	1,28,175	1,51,303	1,78,571
Current Investments	1,095	0	0	0	0
Debtors	3,749	4,870	6,664	8,253	9,491
Short Term Loans & Advances	16,421	14,841	14,841	14,841	14,841
Other Current Assets	605	8,510	8,510	8,510	8,510
Total Current Assets	76,781	1,26,663	1,58,190	1,82,907	2,11,413
Net Block & CWIP	2,448	4,088	3,567	3,745	3,941
Other Non-current Assets	1,558	1,786	1,786	1,786	1,786
Total Assets	80,786	1,32,537	1,63,544	1,88,438	2,17,140
Creditors	40,715	71,970	76,890	88,424	1,01,687
Provision	6,241	663	663	663	663
Short Term Borrowings	7,867	25,353	25,353	25,353	25,353
Other Current Liabilities	4,295	4,005	4,005	4,005	4,005
Total Current Liabilities	59,118	1,01,991	1,06,912	1,18,445	1,31,709
Long Term Debt	5	0	0	0	0
Deffered Tax Liabilities	39	160	160	160	160
Other Long-Term Liabilities	9	0	0	0	0
Total Non-Current Liabilities	53	160	160	160	160
Paid-up Capital	834	840	901	901	901
Reserves & Surplus	20,781	29,546	55,571	68,931	84,370
Shareholders' Equity	21,616	30,386	56,472	69,832	85,271
Total Equity & Liabilities	80,786	1,32,537	1,63,544	1,88,438	2,17,140

Source: Company, Keynote Capitals Ltd.

Cash Flow

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	11,918	15,137	15,690	17,814	20,584
Adjustments	1,389	2,229	2,508	2,818	3,143
Change in Working Capital	-2,385	-24,766	3,126	9,944	12,026
Total Tax Paid	-2,889	-3,877	-3,922	-4,454	-5,146
Cash flow from operating Activities	8,033	-11,276	17,401	26,123	30,607
Net Capital Expenditure	-1,005	-2,073	-769	-884	-1,017
Change in investments	-848	1,161	0	0	0
Other investing activities	0	2	210	210	210
Cash flow from investing activities	-1,853	-911	-559	-674	-807
Equity raised / (repaid)	114	131	15,000	0	0
Debt raised / (repaid)	-4,726	17,520	0	0	0
Dividend (incl. tax)	-3,756	-3,242	0	0	0
Other financing activities	-704	-1,100	-2,110	-2,321	-2,532
Cash flow from financing activities	-9,072	13,309	12,890	-2,321	-2,532
Net Change in cash	-2,892	1,122	29,732	23,128	27,268

Valuation Ratios

	FY23	FY24	FY25E	FY26E	FY27E
Per Share Data					
EPS	107	134	131	148	171
Growth %	41%	26%	-3%	14%	16%
Book Value Per Share	260	362	627	775	946
Return Ratios					
Return on Assets (%)	11%	11%	8%	8%	8%
Return on Equity (%)	48%	43%	27%	21%	20%
Return on Capital Employed (%)	34%	30%	20%	18%	22%
Turnover Ratios					
Asset Turnover (x)	0.4	0.4	0.3	0.3	0.3
Sales / Gross Block (x)	12.9	11.7	10.1	10.0	9.9
Liquidity Ratios					
Current Ratio (x)	1.3	1.2	1.5	1.5	1.6
Interest Coverage Ratio (x)	14.1	12.1	8.4	8.7	9.1
Total Debt to Equity	0.4	0.8	0.4	0.4	0.3
Net Debt to Equity	-2.2	-2.4	-1.8	-1.8	-1.8
Valuation					
PE (x)	10.9	17.0	17.0	15.0	12.9
Earnings Yield (%)	9%	6%	6%	7%	8%
Price to Sales (x)	3.2	4.8	3.9	3.4	2.9
Price to Book (x)	4.5	6.8	3.5	2.9	2.3
EV/EBITDA (x)	3.9	10.0	9.0	7.9	6.9
EV/Sales (x)	1.7	4.0	3.2	2.8	2.4

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
7 th Sep 2022	BUY	1,506	+18.3%
17 th Oct 2022	NEUTRAL	1,626	+9.5%
18 th Jan 2023	BUY	1,267	+17.1%
19 th Apr 2023	BUY	1,261	+17.5%
17 th July 2023	BUY	1,605	+12.1%
13 th Oct 2023	BUY	2,319	+12.0%
16 th Jan 2024	SELL	3,330	-22.0%
19 th April 2024	NEUTRAL	2,783	+0.4%
18 th July 2024	NEUTRAL	2,159	+8.9%

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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