

Angel One Ltd.

17th Oct 2022

All-round performance led by strong growth in number of orders

Angel One Ltd (AOL) reported strong growth of 11% Q-o-Q and 51% Y-o-Y in the number of trades during the quarter. The all-time high ADTO in F&O contributed to this growth. With consistent growth in client base, the Company's net revenue in the broking segment has jumped by 11% Q-o-Q and 30% Y-o-Y which contributed 70% to its gross income. PAT surged by 18% Q-o-Q and 59% Y-o-Y in Q2FY23.

Growth in trades led to market share gain in F&O and Commodity segment

AOL reported strong growth of 11% Q-o-Q in Q2FY23 compared to degrowth of 2% in Q1FY23. The strong growth was driven by a surge in ADTO in F&O and Commodities, which on a Q-o-Q basis grew by 29% and 43%, respectively, and more than doubled Y-o-Y. On a Q-o-Q basis, the Company's market share in the F&O segment increased from 20.8% to 21.7% and 44.6% to 51.1% in the commodity segment.

Improvement in Cost to Income ratio

The Company has seen an improvement in the cost-to-income ratio from 52.3% in Q2FY22 to 47.6% in Q2FY23. Operating expenses were flat Q-o-Q but grew by 32% on a Y-o-Y basis. A decline in other expenses by 3% on Q-o-Q led to a contraction in cost to income ratio by 380 basis points. AOL is witnessing softening of the client acquisition cost, and management expects this cost to normalize in the following quarters.

Strong growth in revenue from mature (>2 years) clients

AOL saw strong growth in net broking revenue by 11% Q-o-Q and 30% Y-o-Y. This growth was driven by mature clients who have spent more than two years with AOL. Net broking revenue from clients older than two years grew by 30% Q-o-Q and 90% Y-o-Y in Q2FY23, indicating the longevity of clients and an increase in their activities with the Company.

Super-app in focus

The first phase of the Super-app was rolled out on the iOS platform, which as per the management, received encouraging feedback. The number of complaints by clients saw a remarkable decline. The company expects the Android version to be rolled out in Q3FY23. As the Super-app gets launched, AOL will introduce other wealth management products on the platform to build a robust online distribution.

View & Valuation

We maintain our view on Angel One Ltd with a NEUTRAL rating and a target price of Rs. 1,781 (18x FY24E earnings). We expect the growth to normalize as gross client addition has started to slow down.

Neutral

CMP Rs. 1,626

TARGET Rs. 1,781 (+9.5%)

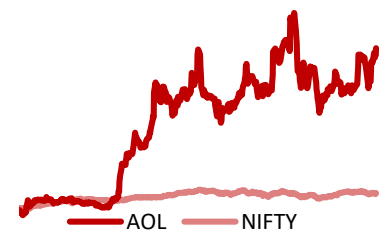
Company Data

MCAP (Rs. Mn)	1,37,363
O/S Shares (Mn)	83
52w High/Low	2,022 / 990
Face Value (Rs.)	10
Liquidity (3M) (Rs. Mn)	921.6

Shareholding Pattern %

	Jun 22	Mar 22	Dec 21
Promoters	43.83	44.00	43.68
FIIs	10.54	8.96	5.44
DIIIs	8.92	10.33	8.57
Non-Institutional	36.70	36.72	42.31

Angel One vs Nifty



Oct, 20 Oct, 21 Oct, 22

Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Mn)	FY22	FY23E	FY24E
Revenue	22,586	25,974	29,870
EBITDA	8,849	9,757	11,220
Net Profit	6,251	7,117	8,219
Total Assets	76,984	88,051	1,00,817
ROCE (%)	27%	25%	25%
ROE (%)	46%	39%	35%

Source: Company, Keynote Capitals Ltd. estimates

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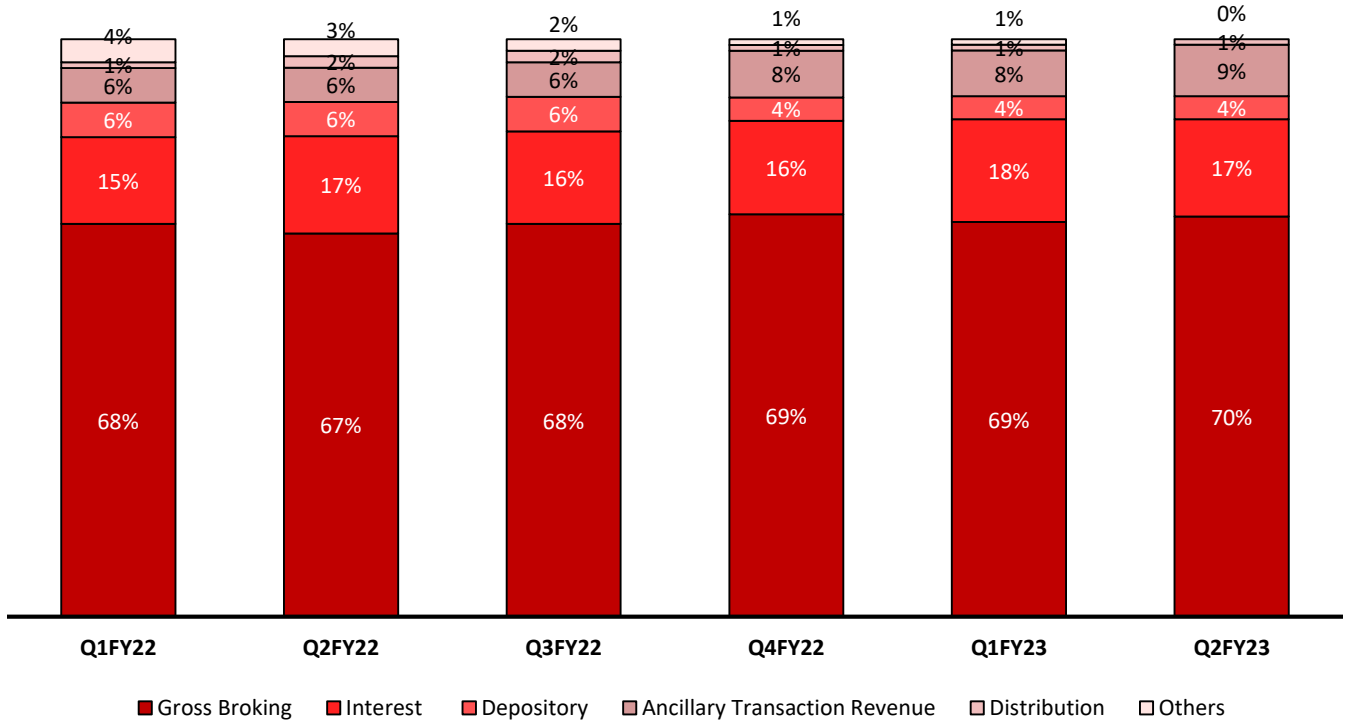
Angel One Ltd. | Quarterly Update

Result Highlight (Rs. Mn)

Particulars	Q2FY23	Q2FY22	Change % (Y-o-Y)	Q1FY23	Change % (Q-o-Q)	H1FY23	H1FY22	Change % (Y-o-Y)	FY22
Net Interest Income	714	636	12.3%	890	-19.8%	1,604	1,104	45.3%	2,607
Net Fees & Commission Income	4,570	3,040	50.3%	4,091	11.7%	8,661	5,756	50.5%	13,459
Other Income	304	183	66.1%	150	102.7%	453	383	18.3%	682
Total Income	5,588	3,859	44.8%	5,131	8.9%	10,718	7,243	48.0%	16,748
Expenses									
Employee benefits	1,095	688	59.2%	1,016	7.8%	2,111	1,281	64.8%	2,809
Impairment on financial instruments	4	14	-71.4%	15	-73.3%	19	20	-5.0%	36
Other expenses	1,563	1,318	18.6%	1,609	-2.9%	3,172	2,440	30.0%	5,350
Total Expense	2,662	2,020	31.8%	2,640	0.8%	5,302	3,741	41.7%	8,195
EBITDA	2,926	1,839	59.1%	2,491	17.5%	5,416	3,502	54.7%	8,553
EBITDA Margin (%)	52.4%	47.7%		48.5%		50.5%	48.4%		51.1%
Depreciation	69	45	53.3%	65	6.2%	133	86	54.7%	186
EBT	2,857	1,794	59.3%	2,426	17.8%	5,283	3,416	54.7%	8,367
Tax	721	451	59.9%	610	18.2%	1,331	859	54.9%	2,110
PAT	2,136	1,343	59.0%	1,816	17.6%	3,952	2,557	54.6%	6,257
PAT Margin (%)	38.2%	34.8%		35.4%		36.9%	35.3%		37.4%
Cost to Income Ratio	47.6%	52.3%		51.5%		49.5%	51.6%		48.9%

Source: Company, Keynote Capitals Ltd.

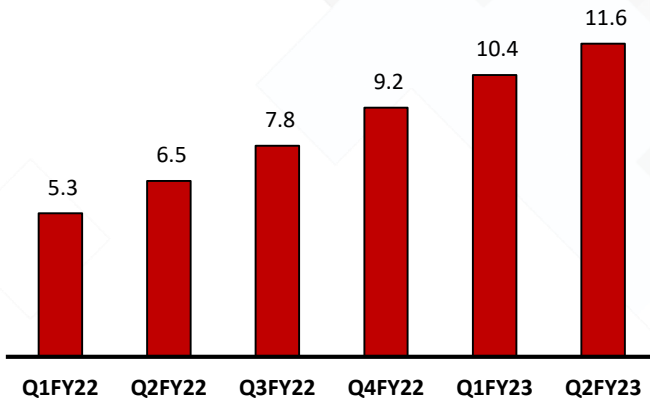
Segmental revenue mix (%)



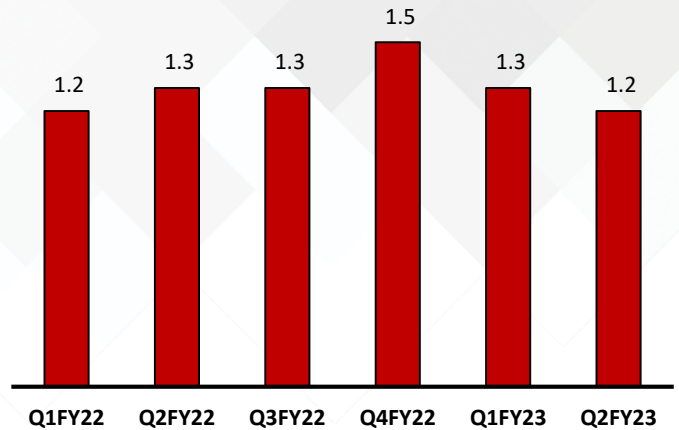
Source: Company, Keynote Capitals Ltd.

Angel One Ltd. | Quarterly Update

Total clients base (Mn) continues to rise

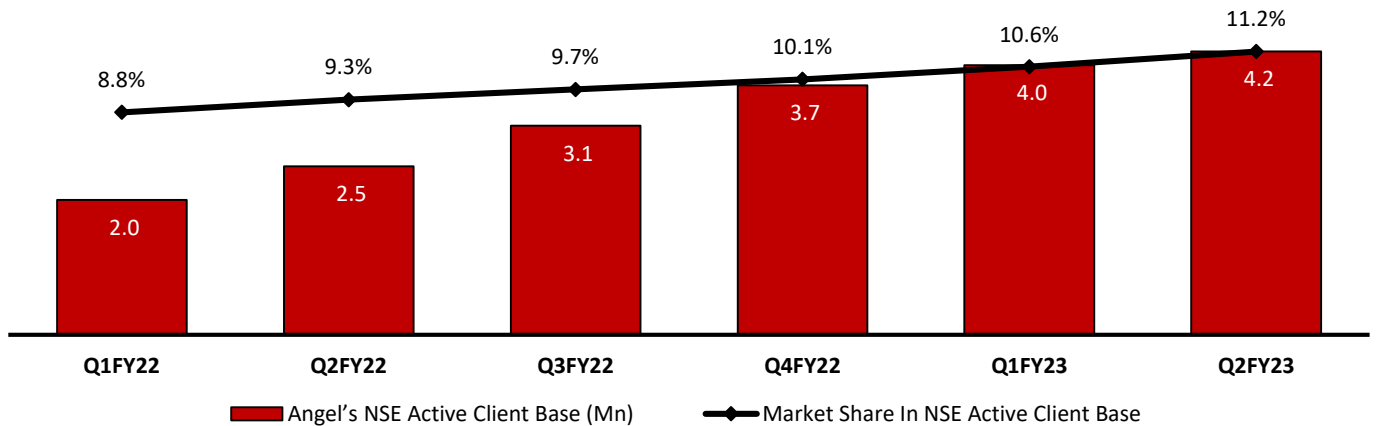


Gross client addition (Mn) slowed down
Q1FY23



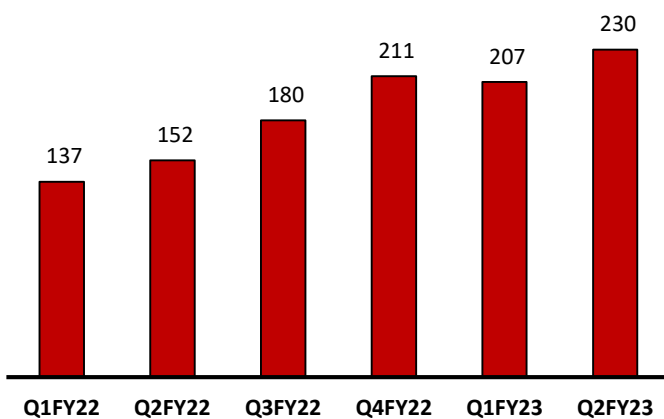
Source: Company, Keynote Capitals Ltd.

Continuous rise in NSE active client base with market share gain



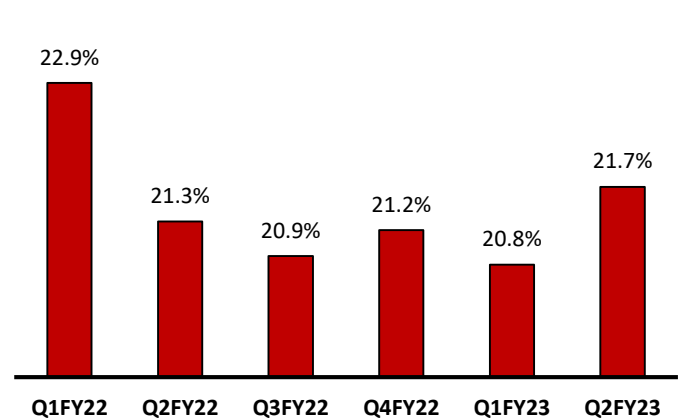
Source: Company, Keynote Capitals Ltd.

Constant rise in total number of trades (Mn)

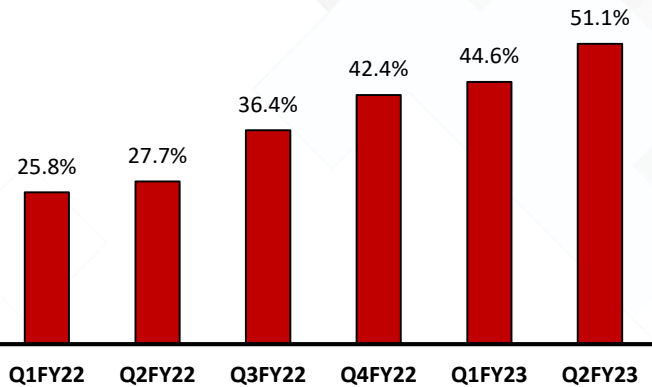


Source: Company, Keynote Capitals Ltd.

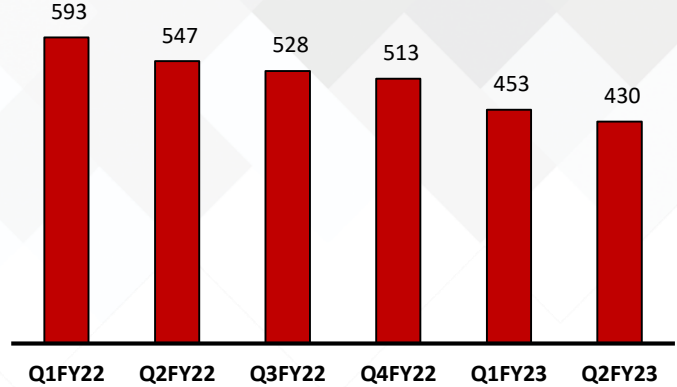
Improvement in F&O market share in Q2FY23



Continuous improvement in Commodities market share

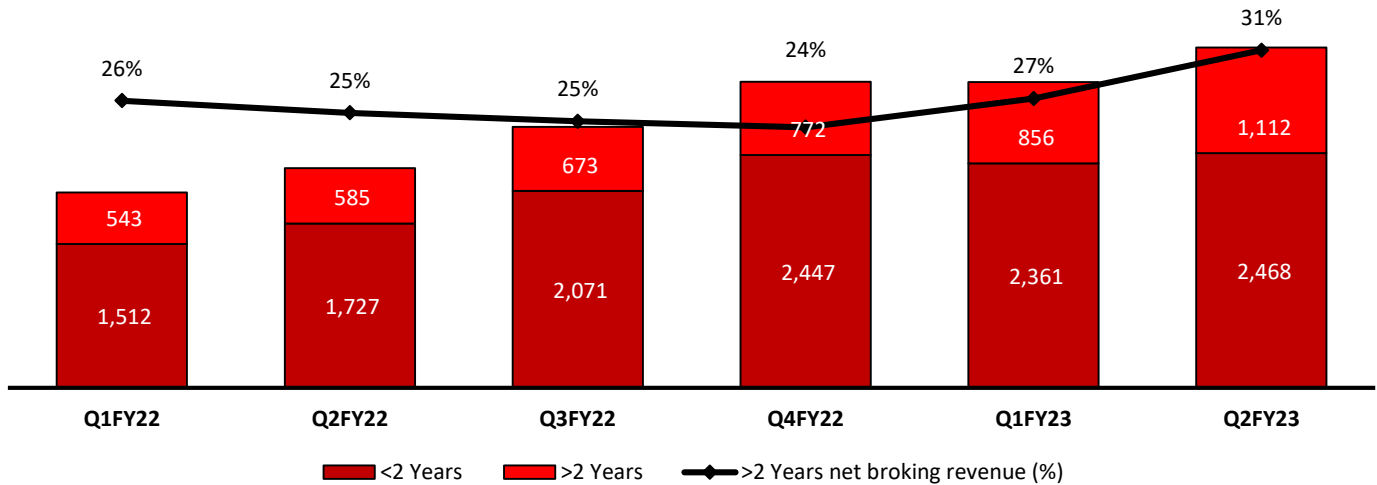


In Q2FY23 88% clients are new to market, resulting in lower ARPU



Source: Company, Keynote Capitals Ltd.

Mix of matured clients in net broking revenue (Rs. Mn) is increasing



Source: Company, Keynote Capitals Ltd.

Q2FY23 Conference Call Takeaways

- The gross client addition stood at 1.2 Mn in Q2FY23. Around 88% were new to the market, resulting in lower ARPU. As per management guidance, it takes two years for the client to mature.
- As per management guidance, the operating margin will be in the range of 45-50%
- Management expects to see stringent regulations in clients' interests. Management believes they have already built systems to handle tighter regulations and give clients an uninterrupted experience.
- The Company continues to build a brand presence in Tier 2 and 3 markets and eventually wants to focus on Tier 4, 5, and 6. The entire client acquisition in these geographies happens digitally.
- The Company says 80-90% of its new customer additions are not contributing significantly to the revenue. As the client base matures, revenue will start accruing from these customers, leading to higher ARPUs for the Company.
- The continued investment in developing the Super-app and augmentation of IT infra, such as the data center, led to an increase in fixed assets by Rs. 540 Mn to Rs. 2,200 Mn as of Sep'22.
- In FY24, the Company expects activation of MF business in a big way.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	12,637	22,586	25,974	29,870	34,351
Growth %		79%	15%	15%	15%
Employee Expenses	1,718	2,809	3,230	3,715	4,272
Other Expenses	6,553	10,928	12,987	14,935	17,175
EBITDA	4,365	8,849	9,757	11,220	12,903
Growth %		103%	10%	15%	15%
Margin%	35%	39%	38%	38%	38%
Depreciation	184	186	212	226	242
EBIT	4,182	8,662	9,545	10,994	12,661
Growth %		107%	10%	15%	15%
Margin%	33%	38%	37%	37%	37%
Interest Paid	423	760	755	755	755
Other Income & exceptional	353	465	700	720	740
PBT	4,112	8,367	9,489	10,959	12,646
Tax	1,131	2,117	2,372	2,740	3,161
PAT	2,981	6,251	7,117	8,219	9,484
Net Profit	2,981	6,251	7,117	8,219	9,484
Growth %		110%	14%	15%	15%
Margin%	24%	28%	27%	28%	28%
Shares (Mn)	81.8	82.9	83.1	83.1	83.1
EPS	36.28	75.41	85.67	98.94	114.17

Balance Sheet

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Cash, Cash equivalents & Bank	18,774	48,750	59,578	71,525	85,269
Current Investments	55	187	187	187	187
Debtors	2,277	5,653	5,974	6,870	7,901
Short Term Loans & Advances	14,077	18,621	18,621	18,621	18,621
Other Current Assets	164	393	393	393	393
Total Current Assets	35,348	73,603	84,752	97,595	1,12,369
Net Block & CWIP	1,148	1,518	1,436	1,359	1,289
Other Non-current Assets	14,312	1,863	1,863	1,863	1,863
Total Assets	50,809	76,984	88,051	1,00,817	1,15,521
Creditors	22,764	40,668	46,753	53,766	61,831
Provision	2,831	4,920	4,920	4,920	4,920
Short Term Borrowings	11,703	12,569	12,569	12,569	12,569
Other Current Liabilities	2,138	2,979	2,979	2,979	2,979
Total Current Liabilities	39,436	61,136	67,221	74,234	82,299
Long Term Debt	12	8	8	8	8
Deffered Tax Liabilities	-47	-18	-18	-18	-18
Other Long Term Liabilities	98	14	14	14	14
Total Non Current Liabilities	63	4	4	4	4
Paid-up Capital	818	829	829	829	829
Reserves & Surplus	10,492	15,015	19,997	25,750	32,389
Shareholders' Equity	11,310	15,844	20,826	26,579	33,218
Total Equity & Liabilities	50,809	76,984	88,051	1,00,817	1,15,521

Source: Company, Keynote Capitals Ltd.

Cash Flow

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Pre-tax profit	4,112	8,367	9,489	10,959	12,646
Adjustments	815	837	267	261	257
Change in Working Capital	-15,915	-1,411	5,764	6,117	7,034
Total Tax Paid	-988	-2,215	-2,372	-2,740	-3,161
Cash flow from operating Activities	-11,976	5,578	13,149	14,597	16,776
Net Capital Expenditure	-140	-691	-130	-149	-172
Change in investments	386	166	0	0	0
Other investing activities	2	1	700	720	740
Cash flow from investing activities	248	-524	570	571	568
Equity raised / (repaid)	3005.84	228.6	0	0	0
Debt raised / (repaid)	6,904	903	0	0	0
Dividend (incl. tax)	-427	-2,089	-2,135	-2,466	-2,845
Other financing activities	-543	-694	-755	-755	-755
Cash flow from financing activities	8,941	-1,651	-2,890	-3,221	-3,601
Net Change in cash	-2,787	3,404	10,828	11,947	13,744

Valuation Ratios

	FY21	FY22	FY23E	FY24E	FY25E
Per Share Data					
EPS	36	75	86	99	114
Growth %		108%	14%	15%	15%
Book Value Per Share	138	191	251	320	400
Return Ratios					
Return on Assets (%)	8%	10%	9%	9%	9%
Return on Equity (%)	35%	46%	39%	35%	32%
Return on Capital Employed (%)	21%	27%	25%	25%	24%
Turnover Ratios					
Asset Turnover (x)	0.3	0.4	0.3	0.3	0.3
Sales / Gross Block (x)	8.1	12.4	12.2	13.2	14.2
Liquidity Ratios					
Current Ratio (x)	0.9	1.2	1.3	1.3	1.4
Interest Coverage Ratio (x)	10.7	12.0	13.6	15.5	17.7
Total Debt to Equity	1.0	0.8	0.6	0.5	0.4
Net Debt to Equity	-0.6	-2.3	-2.3	-2.2	-2.2
Valuation					
PE (x)	8.0	20.4	15.4	13.3	11.5
Earnings Yield (%)	12%	5%	7%	8%	9%
Price to Sales (x)	1.9	5.6	4.2	3.7	3.2
Price to Book (x)	2.1	8.0	5.3	4.1	3.3
EV/EBITDA (x)	3.8	10.3	7.5	6.6	5.7
EV/Sales (x)	1.3	4.0	2.8	2.5	2.1

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%

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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