

Angel One Ltd.

17th July 2023

Continuously gaining market share

Angel One Ltd (AOL) reported strong growth of 9% Q-o-Q and 45% Y-o-Y in the total client base during the quarter, outperforming the industry, which degrew by 6% Q-o-Q and 19% Y-o-Y. With consistent growth in client base, the Company's net revenue in the broking segment has jumped by 23% Y-o-Y while degrew by 5% Q-o-Q, contributing 69% to its gross income. PAT surged by 22% Y-o-Y while degrew by 17% Q-o-Q in Q1FY24. The Company continues to gain market share in NSE's active client base, up from 13.1% in Q4FY23 to 14.3% in Q1FY24.

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

AOL reported strong growth of 20% Y-o-Y in Q1FY24 compared to a degrowth of 5% Q-o-Q in the number of trades. The strong growth was driven by a surge in ADTO in F&O and Commodities, which on a Q-o-Q basis grew by 23% and 30%, 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 ~23% to ~25% and from ~55% to ~57% in the commodity segment.

Continued market share accretion in NSE active client base

AOL reported strong growth of 9% Q-o-Q and 45% Y-o-Y in the client base during the quarter. The Company has a 29% active client ratio in Q1FY24, surpassing the industry average of ~25%. AOL has marginally grown its active client base from 4.3 Mn in Q4FY23 to 4.4 Mn in Q1FY24, despite the broking industry's NSE active client base declining by 5.5% Q-o-Q. This helped the Company increase its market share from 13.1% in Q4FY23 to 14.3% in Q1FY24 in the NSE active client base.

New development in Super-app

AOL has launched MF distribution on the platform, which saw a 4x growth in SIPs Q-o-Q. In FY24 company plans to go live by launching its consumer lending products on the platform. The Company aims to simplify product experiences that will help clients to make investments decision across asset classes. This strategic approach will help the Company to build a robust online distribution and enhance its customer experience.

View & Valuation

We have revised our estimates and maintain a BUY rating on Angel One with a target price of Rs. 1,770 (15x FY24E earnings). As expected, the growth in order volume has slowed down Q-o-Q. We expect the growth to normalize as gross client addition has started to slow down and factoring in a decrease in order volume along with higher costs associated with customer acquisition and borrowing. Despite this, we maintain our belief that AOL will outperform the industry.

BUY

CMP Rs. 1,580

TARGET Rs. 1,770 (+12%)

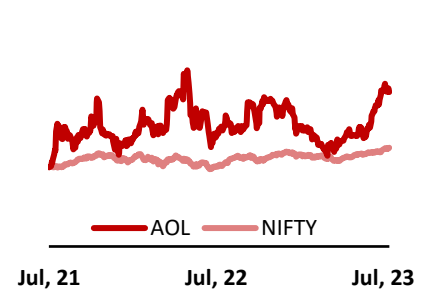
Company Data

MCAP (Rs. Mn)	1,34,245
O/S Shares (Mn)	84
52w High/Low	1,803 / 1000
Face Value (Rs.)	10
Liquidity (3M) (Rs. Mn)	711

Shareholding Pattern %

	Jun 23	Mar 23	Dec 22
Promoters	38.30	38.48	43.68
FIIs	17.04	16.61	17.25
DIIIs	10.25	9.73	9.27
Non-Institutional	34.42	35.17	29.81

Angel One vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Bn)	FY23	FY24E	FY25E
Revenue	30	35	40
EBITDA	13	14	16
Net Profit	9	10	11
Total Assets	81	95	109
ROCE (%)	34%	33%	32%
ROE (%)	48%	40%	37%

Source: Company, Keynote Capitals estimates

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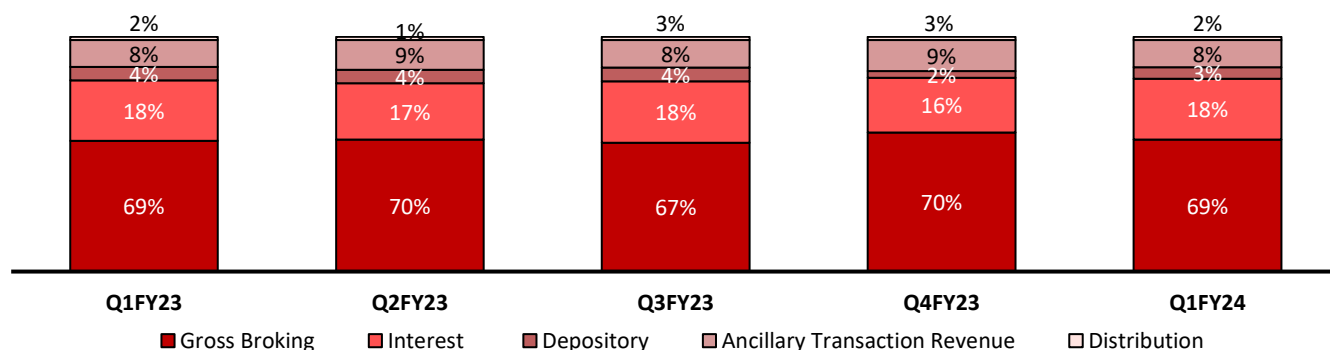
Q1 FY24 Result Update

Result Highlights (Rs. Mn)

Particulars	Q1 FY24	Q1 FY23	Change % (Y-o-Y)	Q4 FY23	Change % (Q-o-Q)	FY23
Net Interest Income	1,448	1,211	19.6%	1,370	5.7%	5,195
Net Fees & Commission Income	6,607	5,607	17.8%	6,864	-3.7%	24,760
Total Income	8,055	6,818	18.1%	8,234	-2.2%	29,955
Finance costs	183	198	-7.6%	198	-7.6%	895
Fees and commission expense	1,642	1,516	8.3%	1,672	-1.8%	6,407
Employee benefits	1,232	1,016	21.3%	755	63.2%	3,979
Impairment on financial instruments	18	15	20.0%	14	28.6%	36
Other expenses	1,980	1,609	23.1%	1,967	0.7%	6,673
Total Expense	5,055	4,354	16.1%	4,606	9.7%	17,990
EBITDA	3,000	2,464	21.8%	3,628	-17.3%	11,965
EBITDA Margin (%)	37.2%	36.1%	110 Bps	44.1%	-682 Bps	39.9%
Depreciation	89	64	39.1%	89	0.0%	303
Other Income	56	27	107.4%	77	-27.3%	256
EBT	2,967	2,427	22.2%	3,616	-17.9%	11,918
Tax	759	611	24.2%	946	-19.8%	3,016
PAT	2,208	1,816	21.6%	2,670	-17.3%	8,902
EPS (Rs.)	26	22		32		107

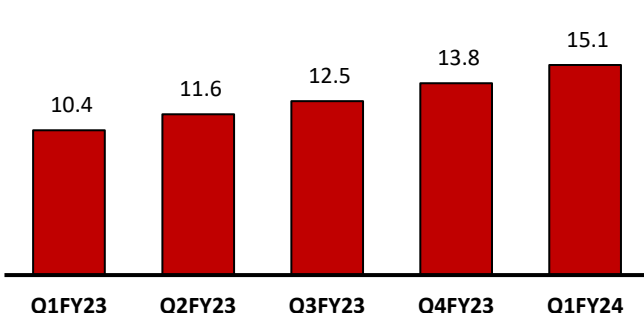
Source: Company, Keynote Capitals Ltd.

Segmental revenue mix (%)

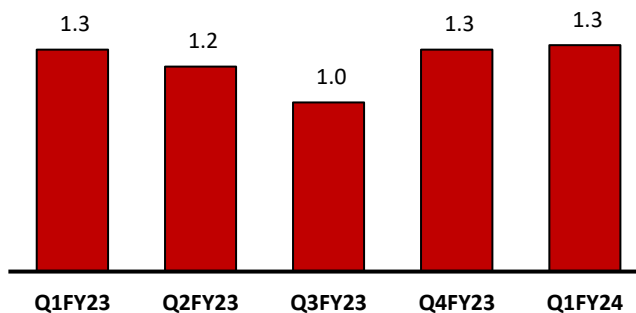


Source: Company, Keynote Capitals Ltd.

Total clients base (Mn) continues to rise

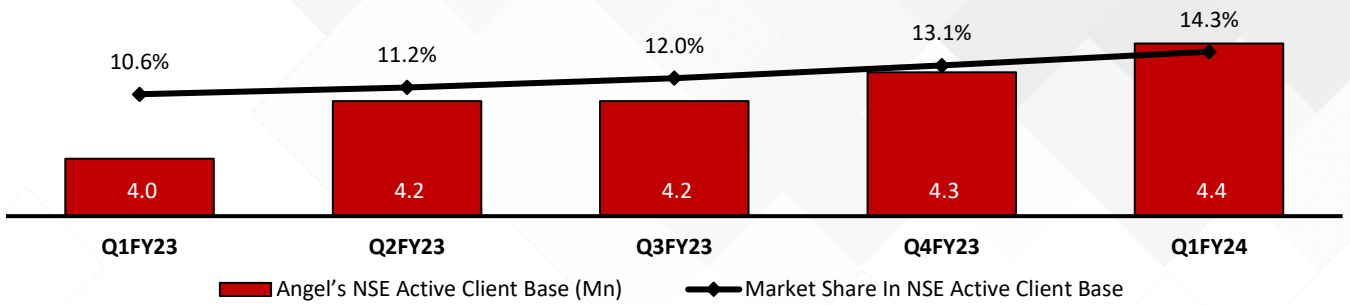


Gross client addition (Mn)

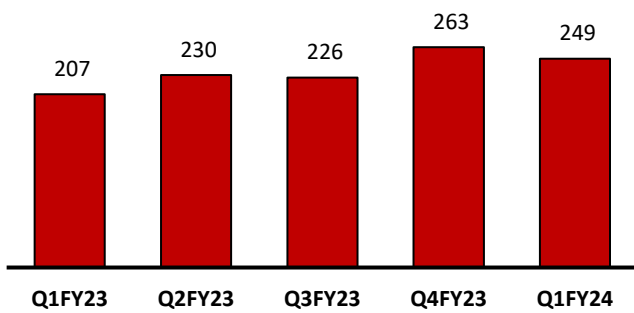


Source: Company, Keynote Capitals Ltd.

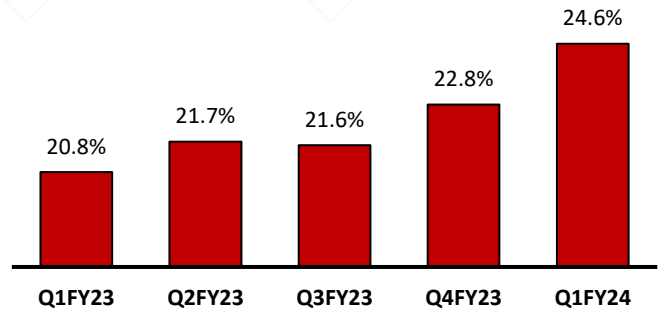
Continuous rise in NSE active client base (Mn) with market share (%) gain



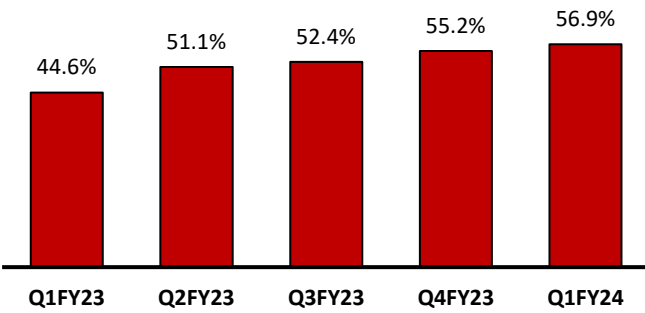
Rise in total number of trades (Mn)



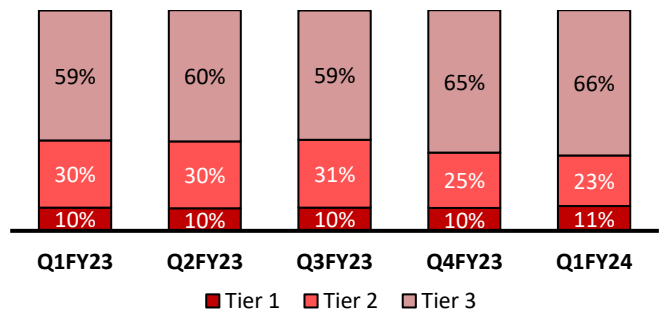
Improvement in F&O market share (%)



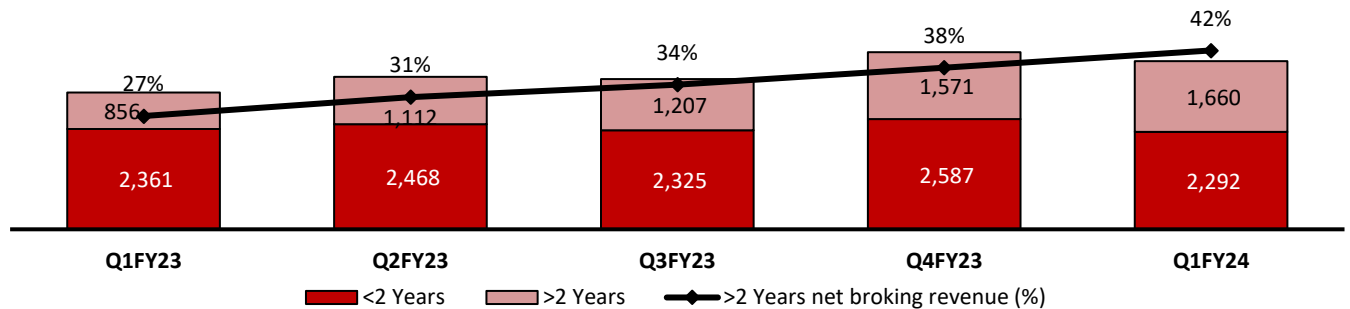
Continuous improvement in Commodities market share (%)



Continuous increase in gross client addition from Tier 3 cities



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



Source: Company, Keynote Capitals Ltd.

Q1 FY24 Conference Call Takeaways

- The company continuously invests in technology and products to enhance customer experience. AOL is launching a new feature on the platform that will enable clients to place orders at any time of the day, even when they are out of the network, thus improving engagement with the app.
- Network of Authorized Persons (AP) – The Company claims to dominate the largest AP network in the country with over 21,000 channel partners. To serve the client better across multiple asset class, the Company have upgraded the platform to augment the distribution capability of channel partners, representing a large untapped potential for growth.
- The Company is in the process of hiring a Chief Business Officer (CBO) for an authorized channel partner to enhance the distribution business.
- In the last year the Company has centralized the heterogenous data on a common data platform. Through this data, the Company collects and integrate various data to get insight into clients' behavior and preference to enhance personalized engagement further, thus improving client satisfaction and retention.
- The Company is actively exploring opportunities for inorganic acquisition and partnerships. These partnership opportunities are in the space of the consumer financial products and services landscape, including core tech product distribution platform, learning and content engagement platform.
- Other expenses will increase in line with the number of clients that are acquired and the growth in the volume of the business.
- NSE order against AP network: The NSE's Member and Core Settlement Guarantee Fund Committee issued an Order on July 14th, 2023, against AOL. The Order relates to an alleged failure by the Company to oversee its APs, which is claimed to have violated the regulations governing the Capital Market Segment and the Futures and Options Segment.

Resultantly, the following directions have been issued:

- Monetary penalty of Rs. 16.7 Mn
- Prohibition from onboarding new APs for a period of six months.
- Direction to inspect all its APs and submit a report to satisfy the exchange within six months.
- Direction to submit a detailed report on its investor grievance redressal mechanism

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	22,586	30,016	34,518	39,696	45,650
Growth %	79%	33%	15%	15%	15%
Employee Expenses	2,809	3,979	4,833	5,954	6,848
Other Expenses	10,928	13,113	15,533	17,863	20,543
EBITDA	8,849	12,924	14,152	15,878	18,260
Growth %	103%	46%	10%	12%	15%
Margin %	39%	43%	41%	40%	40%
Depreciation	186	303	354	431	508
EBIT	8,662	12,621	13,798	15,447	17,752
Growth %	107%	46%	9%	12%	15%
Margin %	38%	42%	40%	39%	39%
Interest Paid	760	909	940	940	940
Other Income & exceptional	465	207	200	210	210
PBT	8,367	11,918	13,059	14,717	17,022
Tax	2,117	3,016	3,265	3,679	4,256
Net Profit	6,251	8,902	9,794	11,038	12,767
Growth %	110%	42%	10%	13%	16%
Margin %	28%	30%	28%	28%	28%
Shares (Mn)	82.9	83.1	83.1	83.1	83.1
EPS (Rs.)	75.41	106.68	117.90	140.04	161.93

Balance Sheet

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Cash, Cash equivalents & Bank	48,750	54,911	67,468	80,397	95,722
Current Investments	187	1,095	1,095	1,095	1,095
Debtors	5,653	3,749	4,833	5,954	6,848
Short Term Loans & Advances	18,621	16,421	16,421	16,421	16,421
Other Current Assets	393	605	605	605	605
Total Current Assets	73,603	76,781	90,421	1,04,472	1,20,691
Net Block & CWIP	1,518	2,448	2,784	2,948	3,124
Other Non-current Assets	1,863	1,558	1,558	1,558	1,558
Total Assets	76,984	80,786	94,763	1,08,978	1,25,373
Creditors	40,668	40,715	48,326	55,574	63,910
Provision	4,920	6,241	6,241	6,241	6,241
Short Term Borrowings	12,569	7,867	7,867	7,867	7,867
Other Current Liabilities	2,979	4,295	4,295	4,295	4,295
Total Current Liabilities	61,136	59,118	66,728	73,977	82,313
Long Term Debt	8	5	5	5	5
Deffered Tax Liabilities	-18	39	39	39	39
Other Long-Term Liabilities	14	9	9	9	9
Total Non-Current Liabilities	4	53	53	53	53
Paid-up Capital	829	834	834	834	834
Reserves & Surplus	15,015	20,781	27,147	34,114	42,173
Shareholders' Equity	15,844	21,616	27,982	34,948	43,007
Total Equity & Liabilities	76,984	80,786	94,763	1,08,978	1,25,373

Source: Company, Keynote Capitals Ltd.

Cash Flow

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	8,367	11,918	13,059	14,717	17,022
Adjustments	837	1,389	1,094	1,161	1,238
Change in Working Capital	-1,411	-2,385	6,527	6,127	7,443
Total Tax Paid	-2,215	-2,889	-3,265	-3,679	-4,256
Cash flow from operating Activities	5,578	8,033	17,414	18,326	21,448
Net Capital Expenditure	-691	-1,005	-690	-595	-685
Change in investments	166	-848	0	0	0
Other investing activities	1	0	200	210	210
Cash flow from investing activities	-524	-1,853	-490	-385	-475
Equity raised / (repaid)	228.6	114.15	0	0	0
Debt raised / (repaid)	903	-4,726	0	0	0
Dividend (incl. tax)	-2,089	-3,756	-3,428	-4,072	-4,708
Other financing activities	-694	-704	-940	-940	-940
Cash flow from financing activities	-1,651	-9,072	-4,367	-5,011	-5,648
Net Change in cash	3,404	-2,892	12,557	12,929	15,325

Valuation Ratios

	FY22	FY23	FY24E	FY25E	FY26E
Per Share Data					
EPS	75	107	118	140	162
Growth %	108%	41%	11%	19%	16%
Book Value Per Share	191	260	336	426	530
Return Ratios					
Return on Assets (%)	10%	11%	11%	11%	11%
Return on Equity (%)	46%	48%	40%	37%	34%
Return on Capital Employed (%)	27%	34%	33%	32%	30%
Turnover Ratios					
Asset Turnover (x)	0.4	0.4	0.4	0.4	0.4
Sales / Gross Block (x)	12.4	12.9	11.7	11.0	10.8
Liquidity Ratios					
Current Ratio (x)	1.2	1.3	1.4	1.4	1.5
Interest Coverage Ratio (x)	12.0	14.1	14.9	17.5	20.1
Total Debt to Equity	0.8	0.4	0.3	0.2	0.2
Net Debt to Equity	-2.3	-2.2	-2.1	-2.1	-2.0
Valuation					
PE (x)	20.4	16.3	14.8	12.5	10.8
Earnings Yield (%)	5%	6%	7%	8%	9%
Price to Sales (x)	5.6	4.9	4.2	3.7	3.2
Price to Book (x)	8.0	6.8	5.2	4.1	3.3
EV/EBITDA (x)	10.3	8.5	7.8	6.6	5.7
EV/Sales (x)	4.0	3.7	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%

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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