

Incorporated on August 8, 1996, Angel Broking is now a technology-led financial services company providing broking and advisory services, margin funding, loans against shares (through one of its Subsidiaries, AFPL) and distribution of financial products to its clients. It is one of the largest retail broking houses in India in terms of active clients on NSE as of 30 June 2020.

Angel provides broking services through various web, digital and .exe platforms, which are integrated with each other enabling its clients to have a seamless trading and investment experience, increased emphasis on digitisation, and growth in returns from such financial investments. As of June 30, 2020, Angel ranks as No. 1 stock broking house in terms of authorised persons registered with NSE. The company managed ₹ 13254 crore in client assets and ~21.5 lakh operational broking accounts with a workforce strength of 2500 employees.

As of March 2020, Angel Broking's revenue from operations came in at ₹ 711 crore in FY20. Healthy ADTO growth (led by flat brokerage) and well controlled opex resulted in EBITDA of ₹ 154 crore with OPM at 22%. PAT was ₹ 87 crore, entailing into a 32% CAGR in FY17-20.

One of largest retail broking houses with strong brand equity

As per Crisil Research, Angel Broking is one of the largest retail broking houses in India, in terms of active clients on NSE as of 30th June 2020. The company has enhanced its client base by 36.8% CAGR from ~10.6 lakh in FY18 to ~21.5 lakh as on 30 June 2020. In Q1FY21, the company witnessed an average monthly client addition of ~115565 clients, over monthly average of 46,676 clients in FY20, representing a growth of 147.6%. Angel Broking witnessed an 151.91% CAGR in average monthly net client addition run rate from FY18 to June 2020, against industry growth rate of 43.63% CAGR. This led to a significant improvement in Angel's market share in incremental demat accounts from 4.16% in FY18 to 14.72% in June 2020.

Furthermore, augmentation of its digital processes, and an all-inclusive flat pricing model has enabled Angel Broking to substantially grow ADTO from ₹ 25,317.6 crore in Q1FY20 to ₹ 61,894.5 crore in Q1FY21 (up 144.5% YoY)

Key risk and concerns

- General economic conditions could impact profitability
- Statutory & regulatory requirements could impact business
- Relying extensively on brokerage business
- Concentration risks to persist

Priced at P/E of 29x FY20 on upper band

At the higher end of the price band of ₹ 306, the stock is available at P/E of ~29x FY20 EPS (post issue), while the stock is available at ~16x P/E at Q1FY21 (annualised basis) EPS.

Key Financial Summary

(₹ crore)	FY17	FY18	FY19	FY20	Q1FY21 (pre issue)	Q1FY21 (post issue)	CAGR (FY17-20)
Revenue	471.4	738.5	737.0	710.5	236.1	236.1	15%
Total Income	488.6	753.7	762.6	742.8	244.1	244.1	15%
PAT	37.9	101.1	76.7	86.6	38.2	38.2	32%
EPS (₹)	26.40	14.04	10.65	12.03	21.21	18.67	
BV (₹)	217.6	62.4	70.0	79.0	84.4	74.3	
EBITDA Margin (%)	18.7	32.5	24.1	21.6	23.9	23.9	
RoE (%)	12.1	22.5	15.2	15.2	25.1	16.8	
P/E (x)	11.6	21.8	28.7	25.4	14.4	16.4	
P/BV (x)	1.4	4.9	4.4	3.9	3.6	4.1	

Source: ICICI Direct Research, RHP



Particulars

Issue Details

Issue Opens	September 22, 2020
Issue Closes	September 24, 2020
Issue Size	₹600 crore
Fresh Issue	₹300 crore
Price Band (₹)	₹305-306
No. of shares on offer (in crore)	2.0
QIB (%)	50
Retail (%)	35
Minimum lot size (no of shares)	49

Shareholding Pattern (%)

	Pre-Issue	Post-Issue
Promoter Group	55.2	47.7
Public/Others	44.8	52.3

Objects of issue

Objects of the Issue

The Net proceeds from the fresh issue would be used to meet the working capital requirements and for general corporate purposes

Research Analyst

Kajal Gandhi
kajal.gandhi@icicisecurities.com

Vishal Narnolia
vishal.narnolia@icicisecurities.com

Yash Batra
yash.batra@icicisecurities.com

Company background

Incorporated on August 8, 1996, Angel Broking is one of the largest retail broking houses in India in terms of active clients on NSE as of 30 June 2020. It is a technology-led financial services company providing broking and advisory services, margin funding, loans against shares (through one of its Subsidiaries, AFPL) and financial products distribution to its clients under the brand "Angel Broking".

The company was initially incorporated as M. BNL Securities Private Limited on August 8, 1996. Dinesh D. Thakkar, Ashok D. Thakkar and Sunita A. Magnani are the promoters of the company. The promoters collectively hold ~2.1 crore equity shares, equivalent to ~28.8% of pre-offer issued, subscribed and paid-up equity share capital.

Angel provides broking services through various web, digital and .exe platforms, which are integrated with each other enabling its clients to have a seamless trading and investment experience, increased emphasis on digitalisation, and growth in returns from such financial investments. The company's broking and allied services are offered through (i) its online and digital platforms, and (ii) network of over 11,000 authorised persons as on 30th June 2020. As of 30 June 2020, Angel ranks as No. 1 stock broking house in terms of authorised persons registered with NSE. The company managed ₹ 13,254 crore in client assets and over ~21.5 lakh operational broking accounts with a workforce strength of 2500 employees.

Broking and Advisory: Angel provides broking services across equity (cash-delivery, intra-day, futures and options), commodity and currency segments, along with debt products. As part of broking and advisory services, the company also facilitates opening of demat accounts for its clients, participation of its clients in initial public offerings undertaken by various companies. In a bid to complement its broking and advisory services, the company also provides other services like research, investor education and investment advisory. As on Q1FY21, brokerage income accounted for ~74.7% of total revenue from operations.

Exhibit 1: Brokerage income forms ~75% of total revenue in Q1FY21

	FY18		FY19		FY20		Q1FY21	
Description	Amt (₹crore)	%	Amt (₹crore)	%	Amt (₹crore)	%	Amt (₹crore)	%
Brokerage Income	478.5	62.6	501.4	66.2	503.9	69.5	178.1	74.7
Other Revenue	285.8	37.4	256.6	33.9	220.7	30.5	60.4	25.3
Total Revenue from Operations	764.3	100.0	758.0	100.0	724.6	100.0	238.4	100.0

Source: RHP, ICICI Direct Research

Exhibit 2: Average daily turnover (ADTO) breakup trend

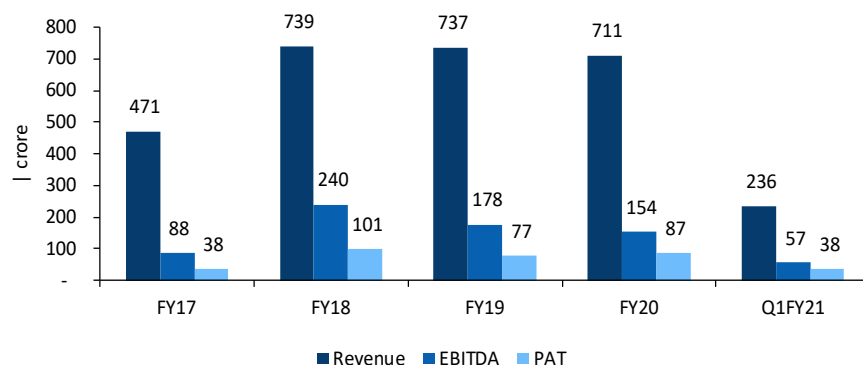
Segment	FY18	FY19	FY20	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Mar 20	April 20	May 20	June 20
Overall ADTO	12,310.3	16,808.7	41,323.8	25,317.6	35,826.8	45,007.0	58,201.8	61,894.5	42,590.0	44,446.0	54,120.0	82,885.0
Overall Equity Market share	3.2%	3.0%	5.4%	3.7%	4.7%	5.9%	6.9%	8.2%	6.4%	6.8%	7.6%	9.6%
Cash Market ADTO	1,679.3	2,138.2	2,926.2	2,554.8	2,660.9	3,173.4	3,299.5	5,781.3	3,044.0	4,858.0	5,634.0	6,664.0
Cash Market Share	8.5%	10.9%	13.7%	12.7%	13.8%	14.3%	14.0%	17.3%	11.9%	16.1%	18.4%	17.3%
F&O ADTO	8,866.2	12,407.4	33,972.9	19,808.0	29,035.3	36,947.8	49,246.8	51,108.0	34,636.0	36,527.0	43,012.0	70,030.0
Market share F&O	2.9%	2.7%	5.1%	3.4%	4.4%	5.6%	6.7%	7.8%	6.2%	6.3%	7.0%	9.2%
Commodity ADTO	1,505.5	1,937.9	3,728.5	2,458.4	3,347.5	4,180.7	4,864.3	3,775.4	3,826.0	2,049.0	4,242.0	4,785.0
Commodity Market share	8.8%	10.0%	16.9%	12.4%	14.5%	19.1%	20.9%	24.6%	18.0%	20.3%	25.3%	26.0%

Source: RHP, ICICI Direct Research

Other Financial Services: Apart from broking and advisory services, Angel Broking also provides other financial services such as Margin Trading Facilities (~79.5% of margin funding facility provided to the client)

distribution of third-party financial products such as mutual funds, health and life insurance products and loans against shares through its subsidiary-AFPL (which is registered as an NBFC to provide loan against shares to company's retail clients).

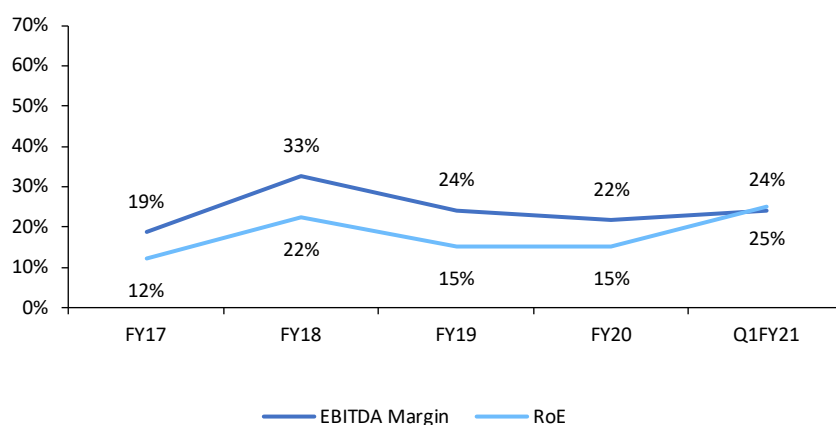
Exhibit 3: Revenue growth at 15% CAGR in FY17-20



Source: RHP, ICICI Direct Research

As of March 2020, Angel Broking's revenue from operations came in at ₹ 711 crore, leading to a CAGR growth of 15%. Healthy ADTO growth and well controlled opex has led EBITDA to come in at ₹ 154 crore with OPM at 22%. During the same period, PAT was reported at ₹ 87 crore entailing into a CAGR growth of 32% in FY17-20.

Exhibit 4: RoE stable at ~15%



Source: RHP, ICICI Direct Research

Industry Overview

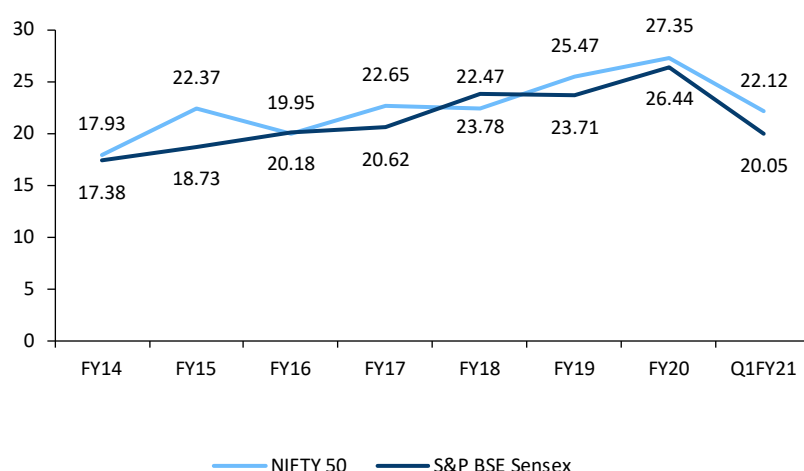
Indian broking industry

The industry can be broadly divided into two – 1) Brokerages that charge a flat transaction-based fee irrespective of volume; and 2) Those that charge a percentage fee on transaction value hereafter referred to as non-flat fee brokers.

Traditionally, larger bank-based players adopted percentage fee-based model, while some have adopted flat fee-based model, where transactions are charged on a flat fee basis irrespective of the value of transactions.

The domestic broking industry's revenue registered ~10.5% CAGR over FY15-20, to reach an estimated ₹ 22500 crore on account of ~34% increase in turnover in equity (cash and derivatives of NSE, BSE) market. Equity broking industry revenue to log 11-12% CAGR in next five fiscals driven by a growth of 23-25% in turnover volumes. This is to be led by increased scalability and reach of players to untapped markets, especially lower tiered cities, leveraging their highly agile digital models.

Exhibit 5: PE Ratio for markets from FY14 to Q1FY21



Source: RHP, ICICI Direct Research

The global market capitalisation to GDP ratio continued to improve from 56% in 2008 to 93% in calendar year 2019. This was aided by a recovery in global macros and fiscal and monetary stimulus provided by various governments. India saw the ratio improve from 54% in 2008 to 76% in 2019 (as per the World Bank). India's BSE market capitalisation in May 2020 to average GDP for fiscal 2020 stood at ~62%. With GDP growth expected to gradually pick up, increasing formalisation of economy and more entities from newer segments getting listed (insurance companies, ecommerce service providers), India's market capitalisation to GDP ratio is likely to increase further in next few fiscals.

Bigger players gaining market share

The Indian broking industry has become more concentrated over the years, with smaller players ceding market share to the bigger peers. On both BSE and NSE, top 10 brokers command ~41% and ~40% market share in turnover of cash segment in FY20. This is expected to further increase in FY21. Share of top 25 brokers stood at ~61% of NSE cash market volume in FY20, compared with 46% in FY15. In derivatives segment, top 25 brokers account for ~53% and 63% of trading volume on NSE's futures and options

markets in FY18, up from 42% in futures volume and 52% in options volume in FY12.

Exhibit 6: Share of brokers in NSE cash and derivatives market

BSE						NSE				
Top 5	Top 10	Top 25	Top 50	Remaining		Top 5	Top 10	Top 25	Top 50	Remaining
FY15	18.0%	29.0%	48.0%	65.0%	36.0%	0.15	26.0%	46.0%	64.0%	36.0%
FY16	21.0%	31.0%	50.0%	66.0%	34.0%	0.18	29.0%	50.0%	67.0%	32.0%
FY17	19.0%	29.0%	49.0%	66.0%	34.0%	0.18	28.0%	50.0%	67.0%	32.0%
FY18	21.0%	33.0%	55.0%	70.0%	29.0%	0.20	31.0%	52.0%	69.0%	32.0%
FY19	24.0%	39.0%	60.0%	73.0%	27.0%	0.22	34.0%	55.0%	73.0%	28.0%
FY20	27.0%	41.0%	65.0%	77.0%	24.0%	0.26	40.0%	61.0%	77.0%	24.0%
April 20	33.0%	50.0%	72.0%	83.0%	17.0%	0.31	45.0%	66.0%	81.0%	19.0%
NSE futures						NSE options				
Top 5	Top 10	Top 15	Top 25	Remaining		Top 5	Top 10	Top 15	Top 25	Remaining
FY12	13.0%	22.0%	29.0%	42.0%	58.0%	0.22	34.0%	41.0%	52.0%	48.0%
FY13	14.0%	24.0%	32.0%	43.0%	57.0%	0.17	28.0%	38.0%	51.0%	49.0%
FY14	16.0%	27.0%	35.0%	46.0%	54.0%	0.19	32.0%	41.0%	54.0%	46.0%
FY15	15.0%	26.0%	34.0%	46.0%	54.0%	0.24	37.0%	47.0%	58.0%	42.0%
FY16	15.0%	26.0%	34.0%	47.0%	53.0%	0.24	38.0%	48.0%	60.0%	40.0%
FY17	19.0%	30.0%	38.0%	50.0%	50.0%	0.20	34.0%	45.0%	60.0%	40.0%
FY18	20.0%	31.0%	40.0%	53.0%	48.0%	0.23	37.0%	48.0%	63.0%	37.0%

Source: RHP, ICICI Direct Research

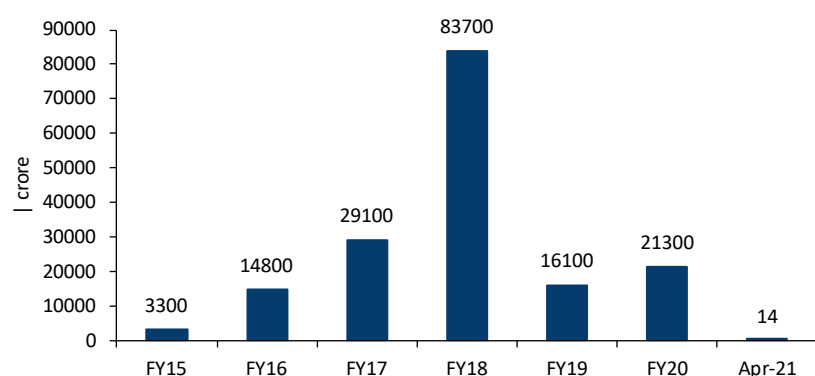
Equity Market

There are two factors that influence the performance of entities in the capital markets business – i) the performance of the primary and secondary equity markets; and ii) corporates' fund-raising through equity (initial public offer or IPO, rights issue, qualified institutions placement) or debt markets.

Growth in primary market subdued after FY18

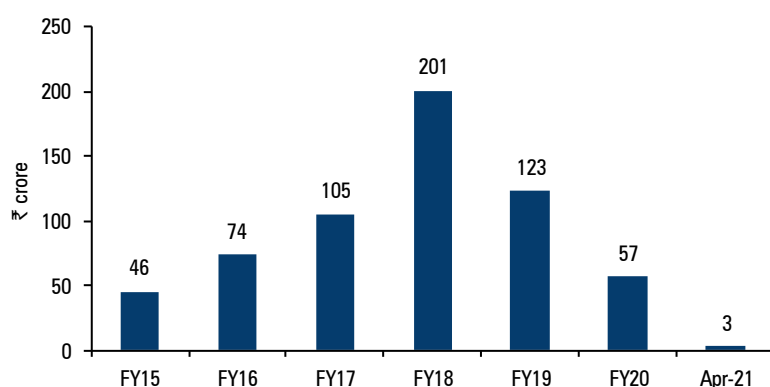
The primary market has remained subdued in FY19-20 and the first quarter of the current fiscal on account of a series of domestic and global events, including the liquidity crisis in Indian economy after IL&FS meltdown in 2018; trade stand-off between the US and China; and lower-than-expected growth in global and domestic macro-economic indicators. Although there hasn't been a sharp fall in the number of issuances, the total amount raised via primary issues in India fell below the FY17 levels. In FY21, on account of increasing economic uncertainty due to the pandemic, the primary market activity is expected to remain low.

Exhibit 7: Amounts raised via primary markets



Source: RHP, ICICI Direct Research

Exhibit 8: Number of issues through primary markets

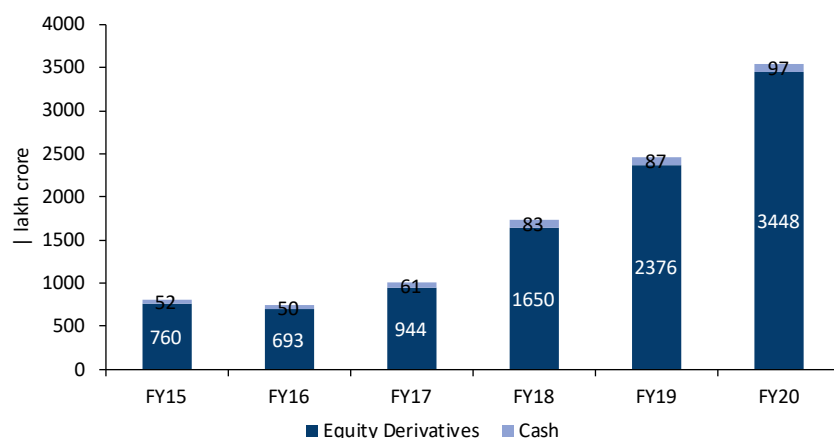


Source: RHP, ICICI Direct Research

Equity market turnover continues to soar

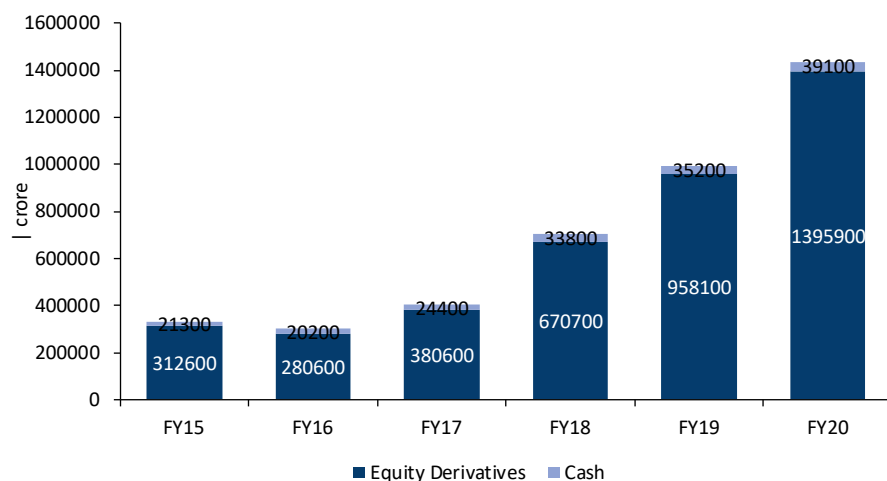
With increasing retail participation both in equity cash and derivatives segments, the ADTO clocked a strong ~34% CAGR over FY15-20, mainly led by derivatives. Equity derivative markets have outpaced cash markets, clocking 35% CAGR in FY15-20 with proportion of equity derivatives increasing to more than 97%. Key factors that aided this growth were the rise in the benchmark indices; cut in securities transaction tax (STT) on equity futures; and increasing share of high-frequency and algorithmic trading.

Exhibit 9: Market turnover from FY15-FY20



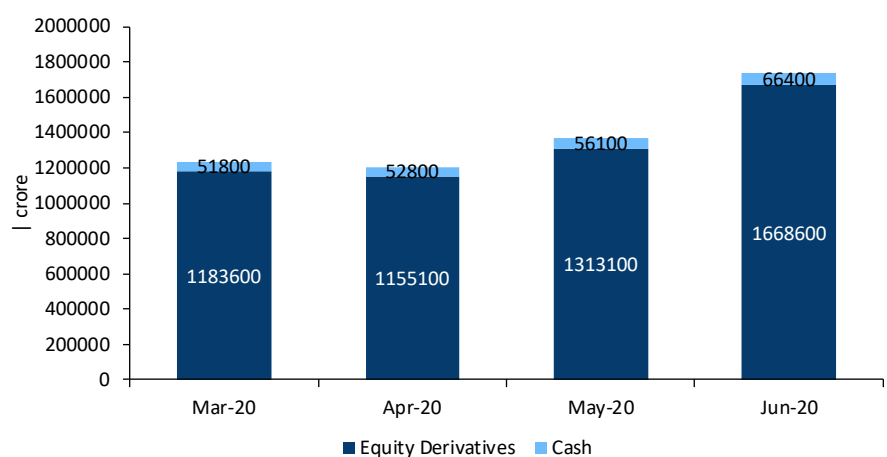
Source: RHP, ICICI Direct Research

Exhibit 10: ADTO increased with rising investor participation



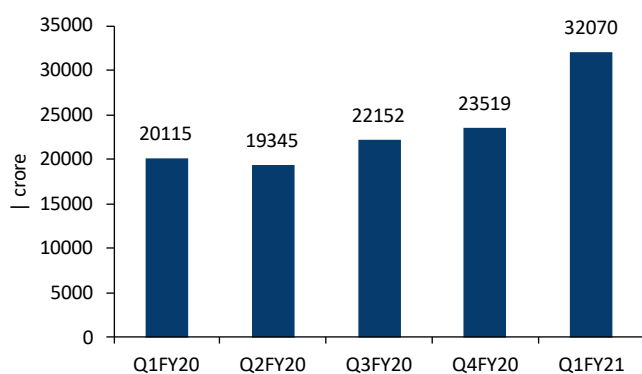
Source: RHP, ICICI Direct Research

Exhibit 11: Monthly ADTO trend



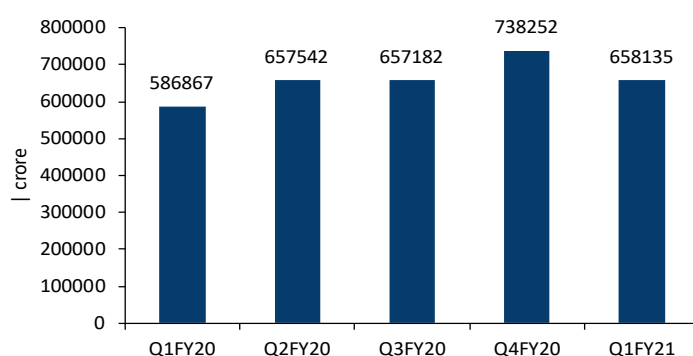
Source: RHP, ICICI Direct Research

Exhibit 12: Retail Cash ADTO Trend



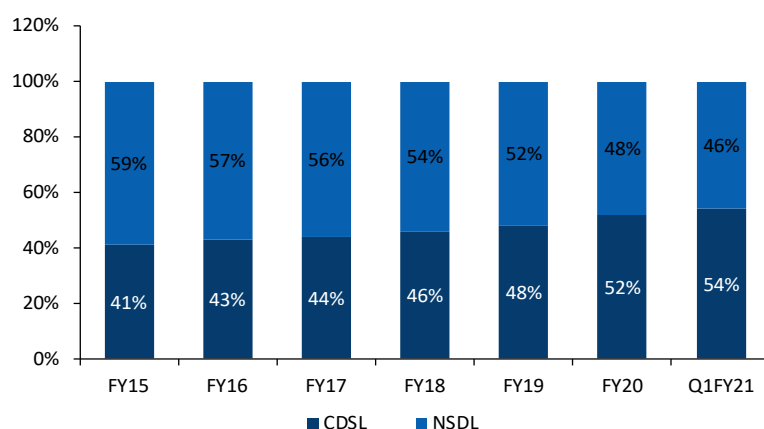
Source: RHP, ICICI Direct Research

Exhibit 13: Retail Derivatives ADTO Trend



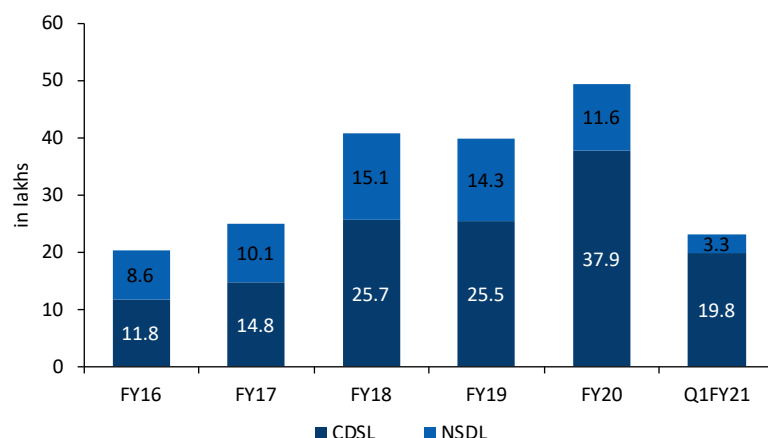
Source: RHP, ICICI Direct Research

Exhibit 14: Share of active accounts between CDSL and NSDL



Source: RHP, ICICI Direct Research

Exhibit 15: Incremental accounts in CDSL and NSDL

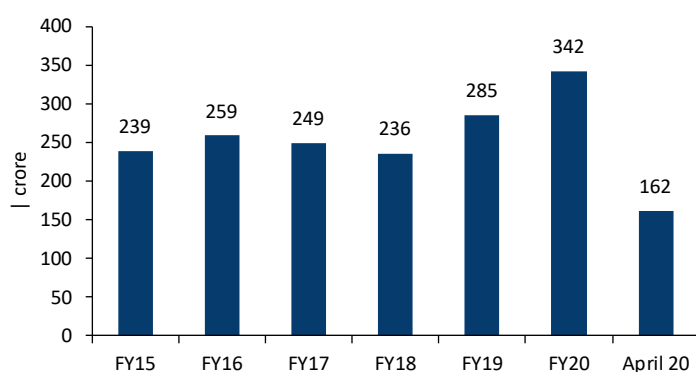


Source: RHP, ICICI Direct Research

Commodity Market

Turnover of commodity futures exchanges remains muted, revival likely in medium term. Commodity Average Daily Turnover (ADTO) increased ~20% from ₹ 28,500 crore in FY19 to ₹ 34,200 crore in FY20. ADTO dropped after FY13 due to fall in commodity prices, lower growth in price of bullion and volatility in prices. However, the segment has seen recent tailwinds in the form of revival in commodity prices and regulatory support. Allowing Category III Alternative Investment Funds (AIFs) to trade in commodity derivatives and approval to launch option trading on commodity futures to provide investors better price discovery will support ADTO of commodity exchanges. During FY20, MCX's share in all-India commodity derivatives turnover increased to 94% from 91.8% in FY19, while the share of NCDEX declined to 4.9% from 7.2% in the previous fiscal.

Exhibit 16: Trends in ADTO of commodity futures exchanges



Source: RHP, ICICI Direct Research

Currency Market

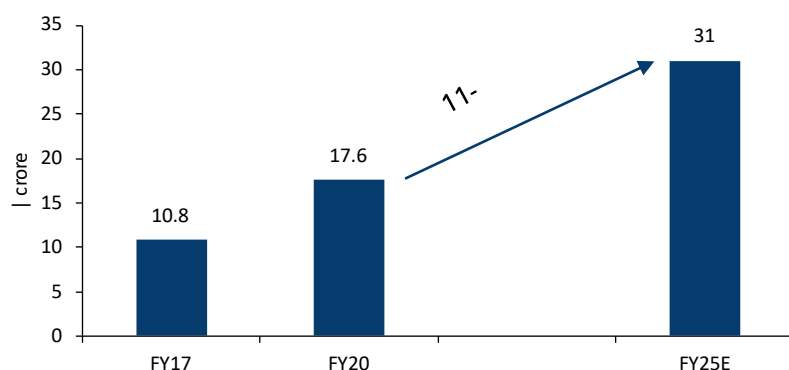
The turnover of currency derivatives market was ₹ 165 lakh crore in FY20, with NSE accounting for ~59% of turnover. BSE, which commenced currency derivatives operations in November 2013, is the second largest exchange with ~41% of turnover in FY20. Currency derivatives are used by corporates to hedge their export/import position.

Wealth Management Business

Depending on goals and constraints of clients, the wealth management industry provides professional investment advice, financial planning and management services that best suits their requirement. The wealth management industry has seen robust growth over a low base, because of fresh investments from household savings going into organised financial assets, and increasing need for customisation including advice for asset management, financial planning, tax planning, estate planning, and succession planning.

The wealth management industry in India has considerable potential to become a high growth industry, supported by young affluent investor base, improving wealth levels, strengthening regulatory environment, and increasing share of organised players, including banks, independent wealth advisors, and brokers, who act as financial advisors. CRISIL Research estimates India's wealth management industry (only of banks and broking companies offering such services) was at ₹ 17.6 lakh crore in FY20. This is projected to grow at ~11-13% CAGR over next five fiscals to ₹ 31 lakh crore by FY25.

Exhibit 17: Steady growth for the wealth management industry



Source: RHP, ICICI Direct Research

Portfolio Management Services (PMS)

In India, portfolio management services (PMS) are offered by AMCs, banks, brokerages and independent investment managers. PMS are usually focused on customised discretionary, non-discretionary or advisory service

offerings tailored to meet specific investment objectives through basic portfolio management services for stocks, cash, fixed income, debt, structured products and other individual securities.

As of June 29, 2020, there were 350 portfolio managers (including AMCs) registered under SEBI. As of February 2020, discretionary PMS dominated the space with 82% share, followed by advisory (11%) and non-discretionary (7%) services.

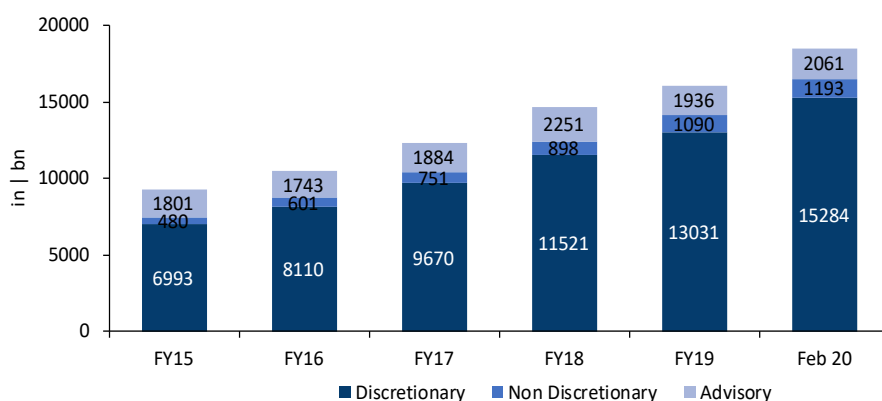
Over the last five years, the industry has seen significant growth, with increasing number of HNIs, greater need for customised asset allocation and growing awareness of PMS. As of March 2019, AUM of PMS asset managers stood at ~₹ 16.1 lakh crore, reflecting a CAGR of 16% in last five years. As of February 2020, AUM of PMS asset managers had grown ~15% over March 2019 to ~₹ 18.5 lakh crore.

Distribution of financial products

Indian broking peers distribute various financial products including insurance and mutual funds. Insurance distribution - CRISIL Research forecasts total premium to grow at 11-13% CAGR during FY20-25, from ₹ 5.6 lakh crore to ₹ 9.7 – 10.3 lakh crore. An improving economy, post the low growth in fiscal 2021 owing to the Covid-19 pandemic, increase in financial savings, and growing awareness of insurance would be the key catalysts.

Mutual fund distribution - AUM of Indian mutual fund industry has grown at a healthy pace over past 10 years against the backdrop of an expanding domestic economy, robust inflows and rising investor participation, particularly from individual investors. Average AUM grew at 13% CAGR between March 2010 and March 2020, from ₹ 7.6 lakh crore to ₹ 27 lakh crore. CRISIL Research projects quarterly average AUM of Indian mutual fund industry to log ~15-17% CAGR in FY20-25 to ₹ 45-50 lakh crore.

Exhibit 18: Mutual fund segment trend



Source: RHP, ICICI Direct Research

Mutual fund distribution industry size was ~₹ 8000 crore in FY19 with ~1,073 distributors that met the criteria as compared with 396 in FY14. However, top 10 distributors dominated with market share of ~49% in FY19. Banks constitute six of top 10 positions, supported by their large network and greater access to customers.

Exhibit 19: Trends in key mutual fund distributors

Company	FY14	FY15	FY16	FY17	FY18	FY19	CAGR (FY14-19)
NJ IndiaInvest Pvt Ltd	148.7	303.4	326.1	442.7	786.8	807.7	40%
Axis Bank	94.3	304.1	140.3	248.5	537.7	555.6	43%
HDFC Bank	158.5	329	261	396.5	641.4	496.7	26%
State Bank of India	29	69.4	62.1	178.8	557.9	487.6	76%
ICICI Bank	117.9	248	169.7	279.7	470.3	355.3	25%
ICICI Securities	75.2	159.1	111.4	172.6	316.5	318.9	34%
Kotak Mahindra Bank	99.1	255	166.4	198.7	274.3	255	21%
Prudent Corporate Advisory Services Ltd	35.2	69.9	60	99.2	217.8	234.7	46%
Citibank N.A	181.2	229	140.7	185	249	181.8	0%
IIFL Wealth Management	130	286.1	143.5	157.4	175	176.1	6%
Others	1444.6	2491.5	2076.5	2641.3	4323.1	4078.9	23%
Total	2513.7	4744.6	3657.7	5000.4	8549.8	7948.2	26%

Source: RHP, ICICI Direct Research

Comparison with Peers

Exhibit 20: Active clients on NSE for major brokerages

	FY16	FY17	FY18	FY19	FY20	Q1FY21	FY20 market share	Q1FY21 market share	CAGR (FY15-20)
Zerodha	62.0	166.0	541.0	909.0	1,414.0	1,941.0	13.1%	15.9%	116.0%
ICICI Securities	560.0	618.0	798.0	844.0	1,076.0	1,119.0	10.0%	9.2%	13.0%
RKSV	11.0	17.0	44.0	100.0	619.0	778.0	5.7%	6.4%	145.0%
Angel Broking Ltd	171.0	230.0	364.0	413.0	576.0	767.0	5.3%	6.3%	29.0%
HDFC	408.0	483.0	602.0	672.0	720.0	749.0	6.7%	6.1%	16.0%
Kotak	247.0	274.0	369.0	438.0	572.0	639.0	5.3%	5.2%	16.0%
5Paisa Capital Ltd	NA	4.0	36.0	106.0	434.0	566.0	4.0%	4.6%	237.0%
Motilal Oswal Financial	166.0	207.0	308.0	319.0	377.0	412.0	3.5%	3.4%	20.0%
Axis Securities Ltd	184.0	259.0	405.0	419.0	270.0	302.0	2.5%	2.5%	18.0%
SBICAP	126.0	169.0	214.0	209.0	250.0	269.0	2.3%	2.2%	17.0%
India Infoline Ltd	263.0	198.0	225.0	214.0	219.0	235.0	2.0%	1.9%	-5.0%
Edelweiss Broking Ltd	77.0	75.0	105.0	120.0	130.0	135.0	1.2%	1.1%	23.0%
Reliance Securities	97.0	83.0	123.0	120.0	119.0	119.0	1.1%	1.0%	1.0%
Aditya Birla Money Ltd	39.0	40.0	55.0	44.0	43.0	46.0	0.4%	0.4%	0.0%
JM Financial	28.0	32.0	39.0	36.0	40.0	43.0	0.4%	0.4%	8.0%
Total	5,170.0	5,951.0	8,290.0	8,782.0	10,796.0	12,196.0	100%	100%	16%

Source: RHP, ICICI Direct Research

Exhibit 21: Peer comparison based on broad parameters

	CAGR FY20 (FY17-20)		Broking income as % of total revenue				CAGR FY20 (FY17-20)		PAT margin			
	Total income		FY17	FY18	FY19	FY20	PAT		FY17	FY18	FY19	FY20
Angel Broking Ltd	7,599.00	11.0%	56.0%	64.0%	71.0%	75.0%	823.00	38.0%	6.0%	14.0%	10.0%	11.0%
Aditya Birla Money Ltd	1,737.00	12.0%	72.0%	68.0%	56.0%	54.0%	120.00	25.0%	5.0%	4.0%	6.0%	7.0%
HDFC Securities Ltd	8,623.00	16.0%	76.0%	89.0%	85.0%	80.0%	3,842.00	21.0%	39.0%	43.0%	42.0%	45.0%
ICICI Securities Ltd	17,221.00	7.0%	55.0%	55.0%	54.0%	55.0%	5,367.00	17.0%	24.0%	30.0%	28.0%	31.0%
India Infoline Ltd	6,437.00	8.0%	87.0%	68.0%	70.0%	67.0%	1,426.00	23.0%	15.0%	21.0%	21.0%	22.0%
Kotak Securities	16,900.00	11.0%	60.0%	53.0%	55.0%	NA	5,550.00	15.0%	29.0%	29.0%	24.0%	33.0%
Reliance Securities Ltd	2,083.00	0.0%	69.0%	66.0%	62.0%	66.0%	-388.00	NM	0.0%	3.0%	8.0%	-19.0%
SBICAP	4,959.00	26.0%	45.0%	43.0%	40.0%	NA	849.00	48.0%	10.0%	21.0%	14.0%	17.0%
5Paisa Capital Limited	1,081.00	144.0%	21.0%	77.0%	89.0%	67.0%	-79.00	NM	-157.0%	-129.0%	-31.0%	-7.0%

Source: RHP, ICICI Direct Research

Exhibit 22: Comparison on basis of fee structure

Brokers	Delivery	Intraday	Futures	Options	Commodity
Angel Broking	-	₹. 20	₹. 20	₹. 20	₹. 20
Zerodha	-	₹. 20	₹. 20	₹. 20	₹. 20
RKSV Securities	-	₹. 20	₹. 20	₹. 20	₹. 20
5 Paisa	₹. 20	₹. 20	₹. 20	₹. 20	₹. 20
Axis Securities	0.0	0.0	0.0	₹. 100 per lot	₹. 100 per lot
Axis securities (tiered plan)	0.0	0.0	0.0	₹. 50 per lot	₹. 50 per lot
Kotak Securities	0.0	0.0	0.0	₹. 300 per lot	₹. 300 per lot
HDFC Securities	0.0	0.0	0.0	₹. 100 per lot	₹. 100 per lot
Motilal Oswal	0.0	0.0	0.0	₹. 70 per lot	0.0
IFIL Securities	0.0	0.0	0.0	₹. 100 per lot	₹. 100 per lot
ICICI Securities	0.0	0.0	0.0	₹. 95 per lot	₹. 95 per lot
ICICI securities (tiered plan - 1)	0.0	0.0	0.0	₹. 35 per lot	₹. 35 per lot
ICICI securities (tiered plan - 2)	0.0	0.0	0.0	₹. 20 per order + ₹. 20 per order + ₹. 5 per lot	₹. 5 per lot

Source: RHP, ICICI Direct Research

Exhibit 23: Increasing share of internet-based trading in overall turnover for NSE segment

NSE cash, internet statistics	FY15	FY16	FY17	FY18	FY19	FY20
Clients (in lakhs)	63.6	94.6	91.2	74.6	NA	NA
Trading value (₹lakh crore)	10.1	10.3	13.1	21.3	25.9	22.8
Share in overall trading	23.2%	24.2%	25.8%	29.4%	29.8%	23.5%
NSE F&O, internet statistics	FY15	FY16	FY17	FY18	FY19	FY20
Clients (in lakhs)	47.0	47.5	43.5	39.3	NA	NA
Trading value (₹lakh crore)	116.1	146.2	254.9	484.1	748.3	885.9
NSE F&O, internet statistics	FY15	FY16	FY17	FY18	FY19	FY20
Share in overall trading	20.9%	22.6%	27.0%	29.3%	31.5%	25.7%
Segment	FY14	FY15	FY16	FY17	FY18	Up to Q3 FY19
NSE Mobile (cash)	0.7%	1.1%	2.2%	3.5%	5.1%	8.1%
NSE Mobile (derivatives)	0.3%	0.5%	1.0%	1.6%	2.2%	3.2%
BSE Mobile (cash)	0.2%	0.5%	1.1%	2.2%	3.1%	5.3%

Source: RHP, ICICI Direct Research

Exhibit 24: Retail ADTO trend for cash market and equity derivatives

	Total Cash ADTO	Total Derivative ADTO
FY18	19,733	3,06,090
FY19	19,619	4,62,510
FY20	21,307	6,61,198
Q1 FY20	20,115	5,86,867
Q2 FY20	19,345	6,57,542
Q3 FY20	22,152	6,57,182
Q4 FY20	23,519	7,38,252
Q1FY21	33,493	6,58,135
Mar 20	25,591	5,62,018
Apr 20	30,197	5,76,148
May 20	30,691	6,12,611
June 20	38,611	7,64,531

Source: RHP, ICICI Direct Research

Investment Rationale

One of largest retail broking houses with strong brand equity

As per Crisil Research, Angel Broking is one of the largest retail broking houses in India, in terms of active clients on NSE as of 30 June 2020. The company has enhanced its client base by 36.8% CAGR from 10.6 lakh in FY18 to 21.5 lakh as on 30 June 2020. In Q1FY21, the company witnessed an average monthly client addition of ~1,15,565 clients, over a monthly average of 46,676 clients in FY20 representing a growth of 147.6%.

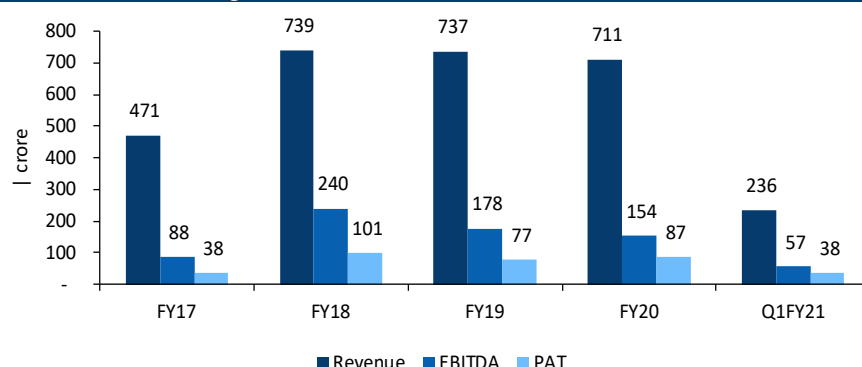
In terms of average monthly net client addition run rate, Angel Broking witnessed an 151.9% CAGR growth from FY18 to June 2020 as against industry growth rate of 43.6% CAGR. This led to a significant improvement in Angel's market share in incremental demat accounts from 4.16% in FY18 to 14.7% in June 2020.

Exhibit 25: ADTO breakup trend

Segment	FY18	FY19	FY20	Q1 FY20	Q2 FY20	Q3 FY20	Q4 FY20	Q1 FY21	Mar 20	April 20	May 20	June 20
Overall ADTO	12,310.3	16,808.7	41,323.8	25,317.6	35,826.8	45,007.0	58,201.8	61,894.5	42,590.0	44,446.0	54,120.0	82,885.0
Overall Equity Market share	3.2%	3.0%	5.4%	3.7%	4.7%	5.9%	6.9%	8.2%	6.4%	6.8%	7.6%	9.6%
Cash Market ADTO	1,679.3	2,138.2	2,926.2	2,554.8	2,660.9	3,173.4	3,299.5	5,781.3	3,044.0	4,858.0	5,634.0	6,664.0
Cash Market Share	8.5%	10.9%	13.7%	12.7%	13.8%	14.3%	14.0%	17.3%	11.9%	16.1%	18.4%	17.3%
F&O ADTO	8,866.2	12,407.4	33,972.9	19,808.0	29,035.3	36,947.8	49,246.8	51,108.0	34,636.0	36,527.0	43,012.0	70,030.0
Marketshare F&O	2.9%	2.7%	5.1%	3.4%	4.4%	5.6%	6.7%	7.8%	6.2%	6.3%	7.0%	9.2%
Commodity ADTO	1,505.5	1,937.9	3,728.5	2,458.4	3,347.5	4,180.7	4,864.3	3,775.4	3,826.0	2,049.0	4,242.0	4,785.0
Commodity Market share	8.8%	10.0%	16.9%	12.4%	14.5%	19.1%	20.9%	24.6%	18.0%	20.3%	25.3%	26.0%

Source: RHP, ICICI Direct Research

Exhibit 26: Revenue growth at 15% CAGR in FY17-20



Source: RHP, ICICI Direct Research

As of March 2020, Angel Broking's revenue from operations came in at ₹ 711 crore, leading to a CAGR growth of 15%. Healthy ADTO growth and well controlled opex has led EBITDA to come in at ₹ 154 crore with OPM at 22%. During the same period, PAT was reported at ₹ 87 crore entailing into a CAGR growth of 32% in FY17-20.

Exhibit 27: RoE stable at ~15%

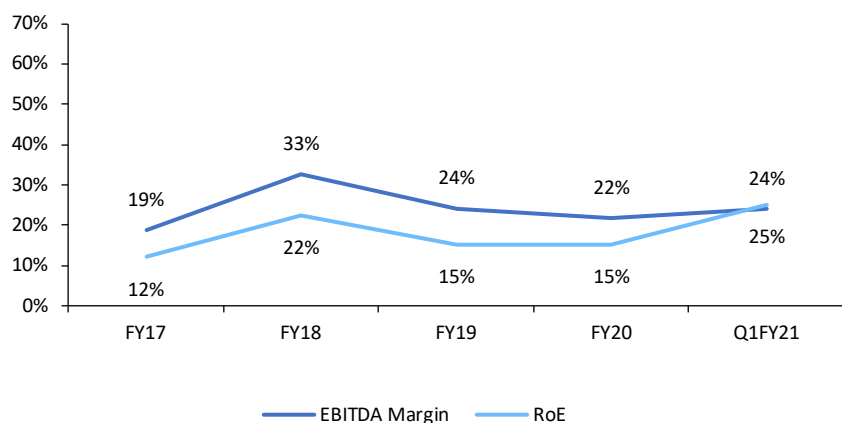
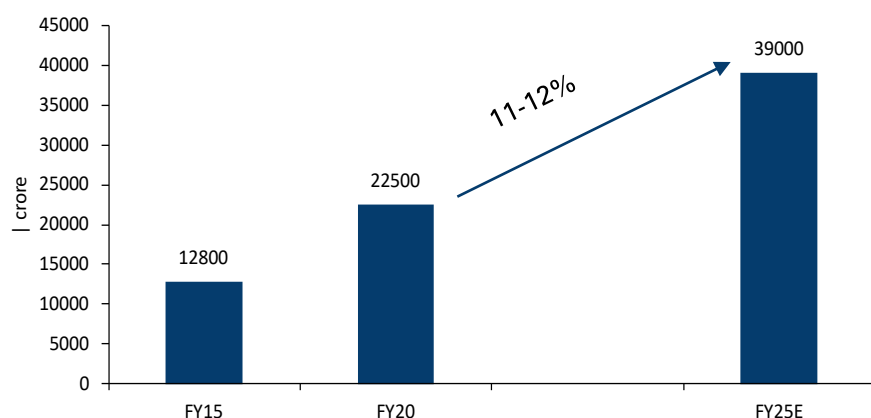


Exhibit 28: Healthy growth projected for equity broking industry



Source: RHP, ICICI Direct Research

Client acquisition through diversified digital platforms

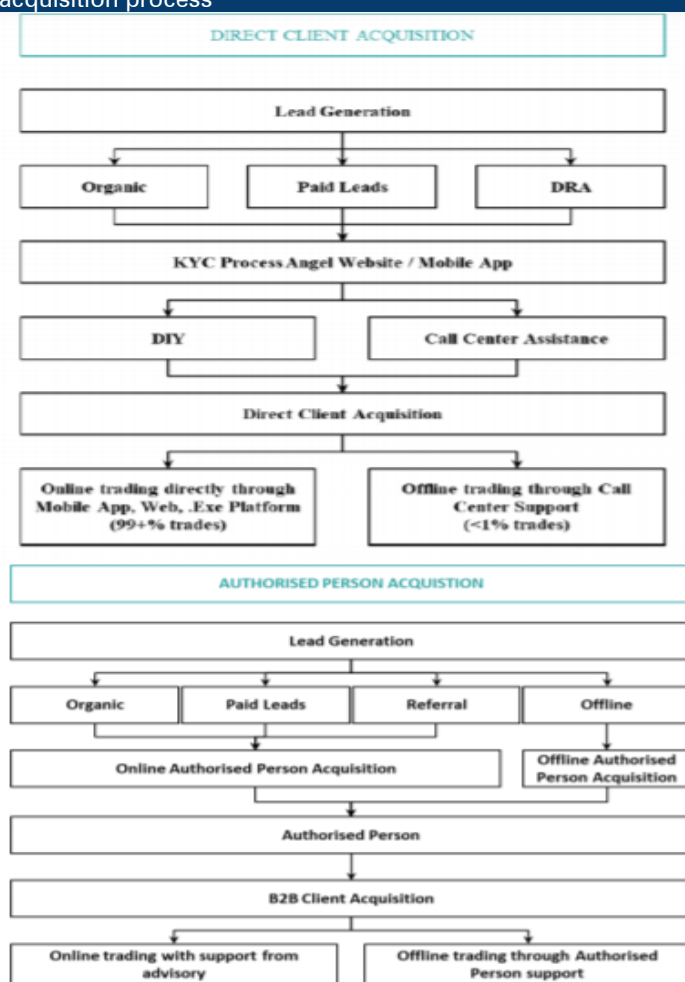
Angel Broking depicted strong capabilities to acquire customers through various diversified digital platforms. Based on its average client additions in Q1FY21, ~85.2% clients have been acquired digitally of which ~53.3% are acquired through performance marketing, either by way of organic or paid leads, ~20.72% through referrals from existing clients and ~11.2% through digital influencers. The balance ~14.8% clients are acquired through network of authorised persons.

Exhibit 29: Angel Broking client base trend (in lakhs)

	FY18	FY19	FY20	Q4 FY20	Q1 FY21	April, 2020	May, 2020	June, 2020
Client Base/Operational Accounts	10.6	12.9	18.2	18.2	21.5	19.1	20.1	21.5

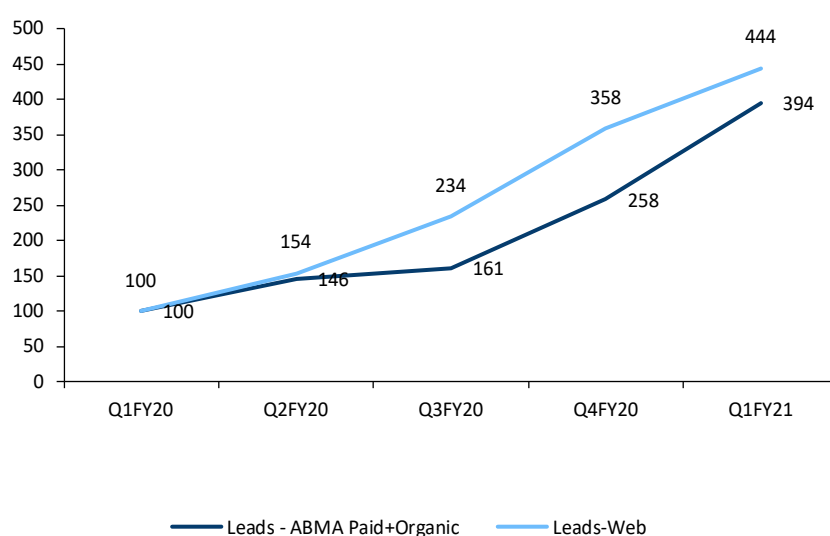
Source: RHP, ICICI Direct Research

Exhibit 30: Client acquisition process



Source: RHP, ICICI Direct Research

Exhibit 31: Lead volume growth data from mobile application & website



Source: RHP, ICICI Direct Research

Robust business metrics building operating leverage

The company's well executed strategy of being a digital first organisation enabled it to grow its business exponentially. As on Q1FY21, the company's average monthly gross client acquisition run rate stood at 1,15,565 which was 46,676 in FY20. The company's operational client base increased from 10.6 lakh in FY18 to 18.2 lakh clients in FY20. Furthermore, the augmentation

of its digital processes, technological platforms, performance marketing, client engagement strategy, robust client acquisition and an all-inclusive flat pricing model has enabled Angel Broking to substantially grow ADTO from ₹ 25,317.6 crore in Q1FY20 to ₹ 61,894.5 crore in Q1FY21 (up 144.5% YoY)

Corresponding to an increase in market share, Angel broking's base of NSE active clients witnessed growth from 3.6 lakh in FY18 to 7.7 lakh clients in June 2020. Due to the growing base of NSE active clients, the company's market share and rank improved to 6.29%, registering an increase of 95 bps in June, 2020.

Capitalisation of growing investable wealth in India

According to CRISIL Report, financial market in India is expected to continue to grow in line with its historical trajectory, due to strong demand and supply-side drivers, such as expected growth in the Indian economy, increasing urbanisation, increased consumerism due to higher per capita incomes. This indicates market growth potential for established financial service providers in India such as Angel Broking. Further, clients in India are also increasingly willing to pay a premium for higher quality of infrastructure and service, such as technology, automation and other value-added services and higher product safety.

In the last five years, there has been an increase in the amount of wealth invested in India in financial products as compared to traditional forms of investment. The company intends to capitalise and acquire larger market share on these opportunities in the Indian financial market, given its experience in adopting technology and automation to service clients.

Apart from this, the company anticipates that Angel BEE (digital platform for distribution of financial and investment products, which is powered by ARQ) would benefit from the growing market opportunities in the most efficient manner together with its wealth of experience, research capabilities, understanding of the financial markets. Thus, this will help Angel to capitalise on the growing investable wealth in India.

Experienced management team with proven capabilities

Angel Broking has a strong management team with experience in the Indian financial services and broking sector. The quality of management team has been the driving force in achieving all-encompassing growth. All members of senior management team have substantial experience. One of promoters and founder - Dinesh D. Thakkar has over 27 years of experience in the broking industry. Other promoters - Ashok D. Thakkar and Sunita A. Magnani have over 20 years and over 15 years of experience, respectively, in the Angel group. Driven by an agile mindset, management has been instrumental in transforming the business from a largely physical to a completely digital model over last three years. The team is responsible for formulating business strategy, devising and executing marketing and sales plan, managing service areas, diversifying business and sector mix, ensuring strong operating and technology platforms and expanding client relationships.

Key risks and concerns

Highly dependent on activity in securities markets

Angel Broking's business is highly dependent on economic and political conditions in India and other countries. As brokerage income accounted for 66.77% of its total income in FY20 and 72.21% of its total income in Q1FY21, the company is highly dependent on the levels of activity in the securities markets in India. Any adverse change in global economic and political conditions may impact, the volume of financial assets traded, the number of listed securities and liquidity of the listed securities. Moreover, market conditions may change rapidly due to any adverse economic and political conditions and could impact volume of trading in securities, demand for third-party products distributed which would affect profitability.

Statutory & regulatory requirements could impact business

Angel Broking's business activities are subject to extensive supervision and regulation by Government and various regulatory authorities, such as SEBI, exchanges etc. For instance, the SEBI Circular dated November 19, 2019 read with the SEBI Circulars dated July 31, 2020 and September 15, 2020 requires broking firms to collect margin upfront from clients for any sales in the equity segment by the clients and seeks to impose a penalty for non-collection or short-collection of upfront margin in the cash segment with effect from September 1, 2020. Any failure to manage controls and measures could harm company's reputation and erode client confidence. Potential or perceived conflicts of interest may also give rise to litigation or regulatory actions which could adversely affect Angel's business.

Relying extensively on the brokerage business

Angel Broking relies on its broking and related services business for a substantial share of revenue and profitability. As on 30 June 2020, brokerage income represented ~72.2% of company's total income. Thus, any reduction in brokerage fee could have material adverse effect on business and financial performance. Apart from this, any change in business model, reduction in the number of orders could also adversely impact profitability.

Concentration risks to persist

As on 30 June 2020, Angel Broking had ~21.5 lakh operational broking account of which ~8.1 lakh clients had traded on the exchanges in the preceding 12 months. Top 20% of its active clients (~1.6 lakh clients) accounted for over 91.3% of company's brokerage income. Thus, loss or financial difficulties of any top client/s, or significant decreases in overall volumes of trading from such clients, could adversely affect company's business, results of operation, financial condition and cash flows.

Financial Summary

Exhibit 32: Profit & Loss Statement

(₹ crore)

Particulars (in ₹ crore)	FY17	FY18	FY19	FY20	Q1FY21
Income					
Revenue From Operations	471	739	737	711	236
Other Income	17	15	26	32	8
Total Income	489	754	763	743	244
Expenses					
Employee benefits expense	109	115	151	151	36
Finance costs	50	89	66	49	9
Depreciation and amortization expense	10	18	18	20	5
Fee & Commission expenses	-	246	242	230	76
Other expenses	274	136	166	175	67
Total Expenses	443	606	644	626	193
PBT	45	148	119	117	51
Tax	7	47	42	30	13
PAT	38	101	77	87	38

Source: RHP, ICICI Direct Research

Exhibit 33: Balance Sheet

(₹ crore)

	FY17	FY18	FY19	FY20	Q1FY21
Assets					
Property, plant and equipment	87	88	89	88	87
Intangible assets	8	9	7	5	4
Loans	12	987	704	250	774
Investments	101	95	95	95	83
Cash and cash equivalents	454	891	948	1,375	1,917
Other current assets	564	212	326	346	108
Total Assets	1,541	2,283	2,169	2,159	2,973
Equity & Liabilities					
Share Capital	14	72	72	72	72
Reserves & Surplus	298	377	432	497	535
Total Equity	312	449	504	569	607
Other financial liabilities	85	115	134	129	131
Borrowings	697	1,078	866	488	671
Other Liabilities	439	633	657	974	1,563
Total Equity and Liabilities	1,541	2,283	2,169	2,159	2,973

Source: RHP, ICICI Direct Research

Exhibit 34: Key Ratios

	FY17	FY18	FY19	FY20	Q1FY21 (pre issue)	Q1FY21 (post issue)
No. of shares (crore)	1.44	7.20	7.20	7.20	7.20	8.18
BV (₹)	217.6	62.4	70.0	79.0	84.4	74.3
EPS (₹)	26.4	14.0	10.7	12.0	21.2	18.7
P/E (x)*	11.6	21.8	28.7	25.4	14.4	16.4
P/BV*	1.4	4.9	4.4	3.9	3.6	4.1
RoA (%)	2.5	4.4	3.5	4.0	5.1	5.1
RoE (%)	12.1	22.5	15.2	15.2	25.1	16.8
EBITDA Margin (%)	18.7	32.5	24.1	21.6	23.9	23.9

Source: RHP, ICICI Direct Research (EPS is annualised)

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Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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