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Company Update

Financial Services

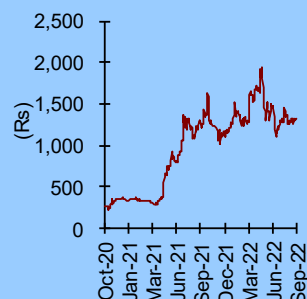
Target price: Rs1,830

Shareholding pattern

	Dec '21	Mar '22	Jun '22
Promoters	43.7	44.0	44.0
Institutional investors	14.0	19.3	19.5
MFs and others	7.9	9.1	8.3
Insurance	0.5	0.8	0.7
FIs	5.6	9.4	10.5
Others	42.3	36.7	36.5

Source: BSE

Price chart



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INDIA

Angel One

BUY

Maintain

Rs1,340

Risk-reward favourable; business momentum intact

Angel One (formerly Angel Broking) maintained its business momentum in Aug'22 with 9%/4%/29% MoM increase in number of orders/client base/gross client acquisition. This assumes significance against the backdrop of the small dip seen in Jun/Jul'22. We factor in 12% earnings CAGR over FY22-24E and expect PAT of Rs7.8bn in FY24E. Maintain BUY with a target price of Rs1,830 (unchanged) based on 20x FY24E EPS of Rs92.

► **Angel One reported recovery in operating indicators in Aug'22.** The number of orders recovered to the monthly run-rate of 72.5mn in Aug'22. The average number of daily orders traded increased from 3.2mn in Jul'22 to 3.6mn in Aug'22 (number of orders in FY22 were 680mn and average daily orders traded were 2.75mn). Client acquisition remained strong with 0.44mn adds in Aug'22 vs 0.34mn in Jul'22. Total client base stood at 11.2mn as of Aug'22 (FY22 total client acquisition was 5.3mn translating to an average monthly run-rate of 0.44mn; overall client base stood at 9.21mn). However, MTF book declined 4% MoM to Rs13.7bn despite 22% increase in cash ADTV to Rs42bn (FY22 MTF book was at ~Rs15bn). There was market share loss in all segments except commodities. Angel One's overall market share contracted 44bps MoM to 21.5%, derivatives market share fell 43bps MoM to 21.6% and cash market share declined 87bps MoM to 13.9%. Market share in commodities increased 374bps MoM to 51.6% in Aug'22.

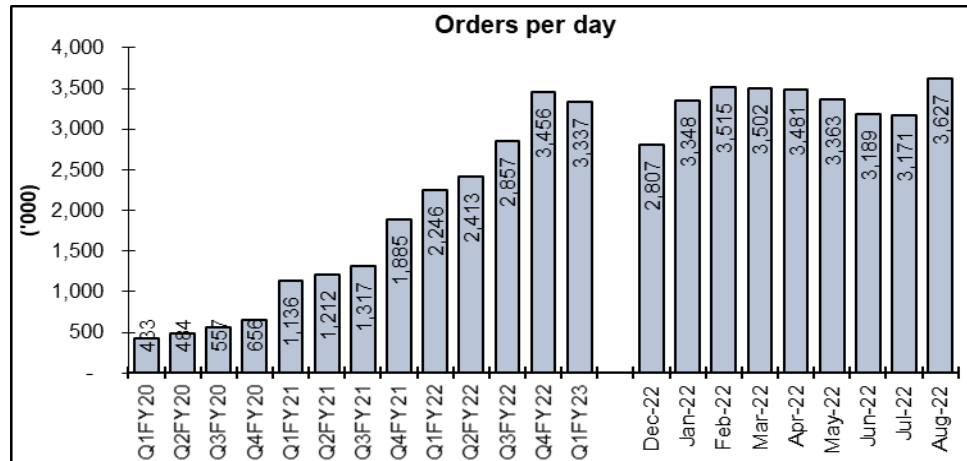
► **If Sep'22 mirrors Aug'22 operationally, Angel One can report PAT of Rs1.84bn in Q2FY23.** If average daily orders in Sep'22 remain in the similar range as in Aug'22, total orders in Q2FY23 can rise 5.8% QoQ to ~219mn. Accordingly, we estimate net brokerage income to grow 5.5% to Rs3.4bn in Q2FY23. If we assume Sep'22 MTF book to remain at the Aug'22 level of Rs13.7bn, average Q2FY23 MTF book will be at Rs13.9bn, down 20% QoQ. We have lowered Angel One's NII by 20% to Rs0.7bn in Q2FY23E in line with drop in MTF book. We expect 'other income' at Rs1bn (similar to Q1FY23). We forecast total income to grow 1% QoQ to Rs5.2bn. Employee cost / Other expenses is likely to be at Rs1.1/1.6bn (similar to Q1FY23). Angel One acquired 1.26mn clients in Q1FY23 whereas Q2FY23E client acquisition is expected to be 1.22mn based on the monthly run-rate of Jul/Aug'22. Our estimates for Q2FY23 EBITDA and EBITDA margin stand at Rs2.7bn and ~48.5%. Q2FY23E PAT is expected at Rs1.84bn, up 1% QoQ.

► **Regulatory updates are expected to have a small impact.** SEBI has released fresh guidelines to stockbrokers / exchanges to prevent access to unregulated platforms who offer algo trading. Additionally, SEBI regulation for settlement of running accounts will be applicable from Oct'22. Trading members will have to settle client funds on the first Friday of every quarter. If a client has opted for monthly settlement, the stockbrokers are obligated to do so. If a client has not undertaken any trade for past 30 days, then the amount has to be returned in next three working days. This is likely to impact the 'other income' of brokers, who earn returns similar to short term rates on client funds.

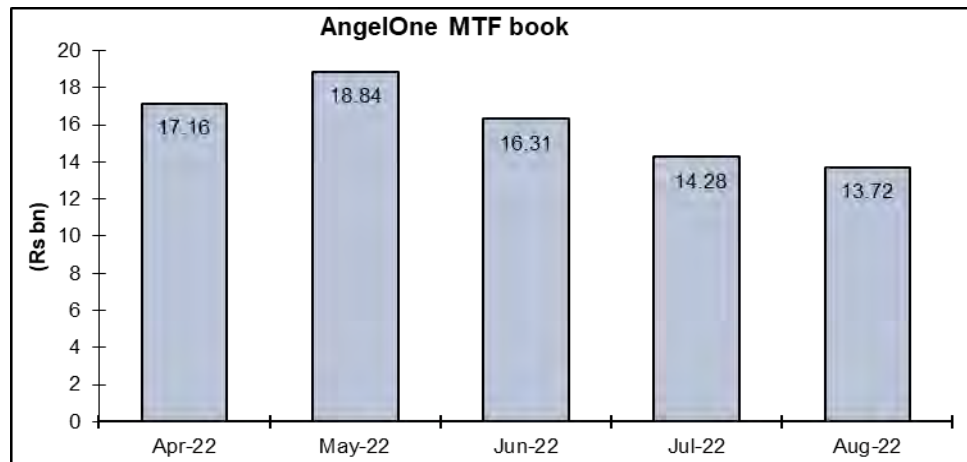
Market Cap	Rs112bn/US\$1.4bn
Bloomberg	ANGELBRK IN
Shares Outstanding (mn)	83.3
52-week Range (Rs)	1949/1014
Free Float (%)	66.0
FII (%)	10.5
Daily Volume (US\$'000)	18,368
Absolute Return 3m (%)	(9.4)
Absolute Return 12m (%)	10.9
Sensex Return 3m (%)	6.7
Sensex Return 12m (%)	3.2

Year to Mar	FY21	FY22	FY23E	FY24E
Revenue (Rs mn)	8,971	16,826	19,988	21,669
Net Income (Rs mn)	3,066	6,250	7,061	7,818
EPS (Rs)	37.5	75.4	83.9	91.5
% Chg YoY	254%	104%	13%	11%
CEPS (Rs)	39.7	77.7	86.3	94.0
EBITDA Margin (%)	47.9	50.8	48.1	49.0
P/E	35.5	17.6	15.8	14.5
Dividend Yield	1.0	2.0	2.3	2.6
RoCE (%)	17.9	29.7	24.9	23.6
RoE (%)	35.6	46.0	38.4	33.1

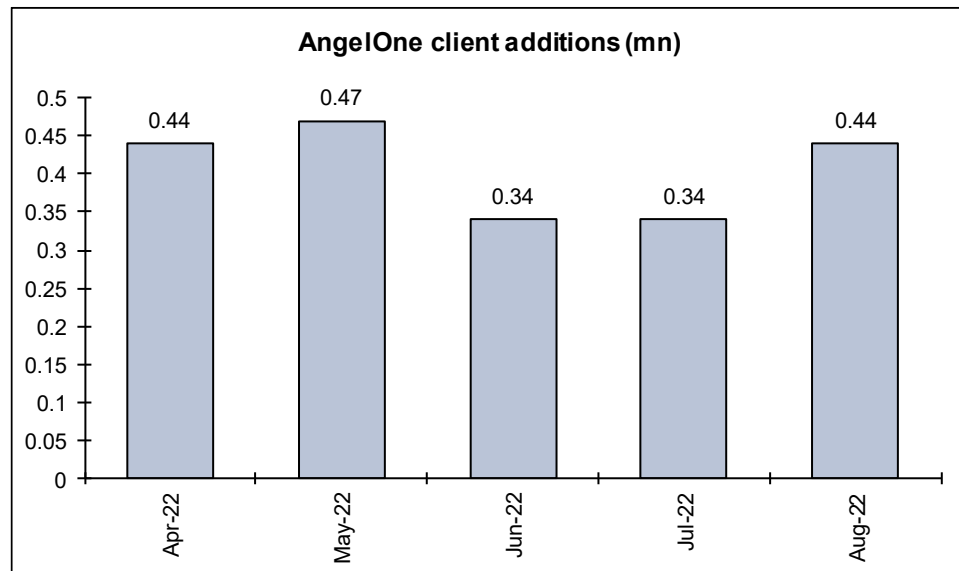
Please refer to important disclosures at the end of this report

Chart 1: Average daily orders improved sequentially in Aug'22

Source: Company data, I-Sec research

Chart 2: Angel One MTF book has been trending lower

Source: Company data, I-Sec research

Chart 3: Angel One client additions bounced back sharply in Aug'22

Source: Company data, I-Sec research

Financial summary

Table 1: Profit and Loss statement

(Rs mn, year ending Mar 31)

Year to March	FY21	FY22	FY23E	FY24E
Operating Income (Sales)	8,971	16,826	19,988	21,669
Operating Expenses	4,675	8,273	10,381	11,042
EBITDA	4,296	8,553	9,607	10,627
% margins	47.9	50.8	48.1	49.0
Depreciation & Amortisation	184	186	198	210
Recurring PBT	4,112	8,367	9,409	10,417
Add: Extraordinaries	-	-	-	-
Less: Taxes	1,046	2,117	2,347	2,599
Net Income (Reported)	3,066	6,250	7,061	7,818
Recurring Net Income	3,066	6,250	7,061	7,818

Source: Company data, I-Sec research

Table 2: Balance sheet

(Rs mn, year ending Mar 31)

	FY21	FY22	FY23E	FY24E
Assets				
Cash and cash equivalents	18,774	48,750	30,907	26,481
Trade Receivables	2,277	5,653	7,704	9,631
Loans	11,285	13,576	9,482	20,518
Investments	14,345	2,136	29,365	36,659
Fixed Assets	1,061	1,581	1,681	1,781
Other assets	395	503	503	503
Total Assets	48,138	72,199	79,642	95,573
Liabilities				
Equity share capital	818	829	841	854
Reserves and surplus	10,492	15,015	20,064	25,511
Networth	11,310	15,844	20,905	26,365
Borrowings	11,715	12,332	16,870	17,713
Other Liabilities	25,114	44,023	41,867	51,495
Total Liabilities	48,138	72,199	79,642	95,573

Source: Company data, I-Sec research

Table 3: Cashflow statement

(Rs mn, year ending Mar 31)

	FY21	FY22	FY23E	FY24E
Operating Cashflow	4,900	8,787	10,009	11,017
Working Capital Changes	-13,371	25,584	-27,342	-10,628
Taxes paid	-972	-2,117	-2,347	-2,599
Capital Commitments	-140	-520	-100	-100
Free Cashflow	-9,583	31,733	-19,781	-2,311
Cashflow from Investing Activities	248	-652	-100	-100
Dividend paid	-427	-2,245	-2,613	-2,971
Extraordinary Items				
Chg. in Cash & Bank balance	-254	29,973	-17,855	-4,438

Source: Company data, I-Sec research

Table 4: Key ratios*(Year ending Mar 31)*

	FY21	FY22	FY23E	FY24E
Per Share Data (in Rs)				
EPS(Basic Recurring)	37.5	75.4	83.9	91.5
Recurring Cash EPS	39.7	77.7	86.3	94.0
Dividend per share (DPS)	13.1	27.1	31.1	34.8
Book Value per share (BV)	138.3	191.2	248.4	308.7
Growth Ratios (%)				
Operating Income	88.7%	87.6%	18.8%	8.4%
EBITDA	207.8%	99.1%	12.3%	10.6%
Recurring Net Income	253.8%	103.9%	13.0%	10.7%
Recurring CEPS	165.3%	95.5%	11.1%	9.0%
Operating Ratio (%)				
Employee expenses/Sales	19.2%	16.7%	18.6%	18.9%
Opex & Other exps /Sales	33.0%	32.5%	33.3%	32.1%
Effective Tax Rate	25%	25%	25%	25%
D/E Ratio (x)	1.04	0.78	0.81	0.67
Valuation				
P/E	35.5	17.6	15.8	14.5
P/B	9.6	7.0	5.4	4.3
Dividend Yield	0.99	2.04	2.33	2.62
Return/Profitability Ratios (%)				
Recurring Net Income Margins	34.2%	37.1%	35.3%	36.1%
RoCE	17.9%	29.7%	24.9%	23.6%
RoNW	35.6%	46.0%	38.4%	33.1%
Dividend Payout Ratio	35.0%	35.9%	37.0%	38.0%
EBITDA Margins	47.9%	50.8%	48.1%	49.0%

Source: Company data, I-Sec research

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