

Estimate change

TP change

Rating change



Bloomberg	ANGELONE IN
Equity Shares (m)	83
M.Cap.(INRb)/(USDb)	279.5 / 3.4
52-Week Range (INR)	3900 / 999
1, 6, 12 Rel. Per (%)	-1/82/130
12M Avg Val (INR M)	1353
Free float (%)	61.8

Financial & Valuation (INR b)

Y/E March	2024E	2025E	2026E
Revenues	31.9	38.1	45.4
Opex	16.9	19.4	22.7
PBT	14.5	18.1	22.0
PAT	10.9	13.6	16.5
EPS (INR)	131.6	163.8	199.6
EPS Gr. (%)	22.4	24.5	21.9
BV/Sh. (INR)	342.4	440.7	560.4

Ratios (%)

C/I ratio	52.9	50.9	50.0
PAT margin	34.2	35.6	36.4
RoE	43.6	41.8	39.9
Div. Payout	38.0	40.0	40.0

Valuations

P/E (x)	25.3	20.3	16.7
P/BV (x)	9.7	7.6	5.9
Div. Yield (%)	1.5	2.0	2.4

Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	38.2	38.3	43.7
DII	9.3	10.4	9.3
FII	19.1	16.8	17.3
Others	33.3	34.4	29.8

CMP: INR3,328

TP: INR4,000 (+20%)

Buy

Higher CIR adversely impacts profitability

- Angle One reported a PAT of INR2.6b, a 17% miss on our estimates and saw a growth of 14% YoY. Net Revenue grew 49% YoY to INR6.9b (broadly in line with our estimate).
- CI ratio increased significantly to 56% (vs. our estimate of 48.8%), an increase of 730bp sequentially. Expenses came in 13% higher than our estimates. This is because admin & other expenses came in 17% higher than expectations.
- The Board has declared a third Interim Dividend for FY24 at the rate of Rs. 12.7/- per share.
- The Board has approved the raising of funds through the issuance of Non-Convertible Debentures, amounting to up to INR5b, in one or more tranches on a private placement basis.
- For 9MFY24, revenue/PAT grew 41%/26% YoY to INR18.8b/INR7.8b.
- We have cut our FY24/FY25/FY26 earnings estimates by 6.8%/5.2%/3% to factor in higher operating cost (employee & admin cost) on account of continued momentum in client acquisition and investments into new businesses. **We reiterate our BUY rating on the stock with a revised TP of INR 4,000 (premised on 20x Mar'26E EPS).**

Revenues in line; overall market share improves

- The gross broking business witnessed a 39% YoY growth, primarily driven by the F&O segment (up 42% YoY but 6% below our estimates) at INR 5.9b and the cash broking segment (up 27% YoY but 10% below our estimates) at INR 0.8b.
- Gross client acquisition run rate stood at 2.5m, up 17% QoQ. The total number of orders increased to 350m in 3QFY24 from 338m in 2QFY24. This was broadly in line with estimates.
- Interest income came in at INR 2.1b, a growth of 55% YoY and 17% QoQ. MTF book stood at INR18.6b vs. INR14b in 2QFY24.
- Other income increased 44% YoY to INR 1.4b.

Higher Opex led to rise in C/I ratio

- Total Opex increased 75% YoY to INR4.6b (13% higher than our estimates). This is because admin & other expenses came in 17% higher than expectations, which led to an increase in CIR to 56%.
- The surge was owing to increase in gross client additions as well as tech investments into the new tools on the Super App
- Employee costs increased 27% YoY to INR1.4b (broadly in line with our estimate) on the back of hiring for new businesses

Highlights from the management commentary

- Change in tariff structure for the cash intraday segment led to a marginal decline in net broking income. The main purpose here is to gain market share in newer geographies.

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- Customer Acquisition costs for Angel One have not increased, and thus, life-time value justifies the cost of acquisition. The breakeven for cost of acquisition is steady at 6 months. Angel One is focused on scaling up the assisted business and building an ecosystem to offer a full product suite. This shall be achieved by deepening channel partner network with multiple products and expanding geographical reach.

Market share improves across segments

- ADTO stood at INR35.9t, up 22% QoQ and 148% YoY. The total number of orders increased to 350m in 3QFY24 from 338m in 2QFY24.
- Its F&O market share improved to 26.8% from 26.2% in 2QFY24. F&O ADTO grew 22% QoQ and 151% YoY to INR35.5t. The number of orders were flat at 262m (264m in 2QFY24). Revenue per order declined to INR22.7.
- Cash ADTO market share improved to 15.1% from 14% in 2QFY24. Cash ADTO increased 17% QoQ to INR55b (up 53% YoY). The number of orders increased 19% QoQ (up 68% YoY) to 74m. However, on account of tariff change, revenue per order declined 24% YoY to INR10.5.
- Market share for ANGELONE in the Commodity segment increased to 58.3% in 3QFY24 from 56.6% in 2QFY24.

Cut estimates to factor in miss in 3QFY24; reiterate BUY

ANGELONE is undertaking a change in its business model wherein incrementally the focus will be on gaining market share in the cash segment along with strong growth in distribution revenues over the next 2-3 years. Growth in distribution segment will arise from loans, insurance and few other products. We have cut our FY24/FY25/FY26 earnings estimates by 6.8%/5.2%/3% to factor in higher operating cost (employee & admin cost) on account of continued momentum in client acquisition and investments into new businesses. **We reiterate our BUY rating on the stock with a revised TP of INR 4,000 (premised on 20x Mar'26E EPS).**

Quarterly Performance												(INR m)
Y/E March	FY23				FY24E				FY23	FY24E	3QFY24E	Act v/s Est. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Revenue from Operations	4,203	4,559	4,625	5,313	5,198	6,747	6,875	7,692	18,700	26,512	7,019	-2.0
Other Income	948	1,029	1,126	1,129	1,088	1,411	1,401	1,441	4,232	5,341	1,408	-0.5
Total Income	5,151	5,588	5,751	6,442	6,286	8,158	8,276	9,134	22,932	31,854	8,426	-1.8
Change YoY (%)	51.2	44.0	29.3	26.4	22.0	46.0	43.9	41.8	36.3	38.9	46.5	-5.6
Operating Expenses	2,660	2,662	2,648	2,736	3,230	3,974	4,635	5,070	10,705	16,909	4,112	12.7
Change YoY (%)	52.5	30.5	20.9	19.0	21.4	49.3	75.1	85.3	29.4	57.9	55.3	35.7
Depreciation	65	69	80	89	89	112	131	138	303	469	115	13.9
PBT	2,427	2,857	3,023	3,616	2,967	4,072	3,510	3,927	11,924	14,476	4,199	-16.4
Change YoY (%)	49.6	59.2	36.9	31.8	22.3	42.5	16.1	8.6	42.5	21.4	38.9	-58.6
Tax Provisions	611	721	739	946	759	1,027	906	941	3,016	3,633	1,050	-13.7
Net Profit	1,816	2,137	2,284	2,670	2,208	3,045	2,604	2,985	8,907	10,842	3,149	-17.3
Change YoY (%)	49.6	59.0	38.7	30.3	21.6	42.5	14.0	11.8	42.5	21.7	37.8	-63.0
Key Operating Parameters (%)												
Cost to Income Ratio	51.6	47.6	46.0	42.5	51.4	48.7	56.0	55.5	46.7	53.1	48.8	720bps
PBT Margin	47.1	51.1	52.6	56.1	47.2	49.9	42.4	43.0	52.0	45.4	49.8	-742bps
Tax Rate	25.2	25.2	24.4	26.2	25.6	25.2	25.8	24.0	25.3	25.1	25.0	81bps
PAT Margins	35.3	38.2	39.7	41.4	35.1	37.3	31.5	32.7	38.8	34.0	37.4	-591bps
Revenue from Operations (INR Mn)												
Gross Broking Revenue	4,707	5,187	5,100	5,812	5,575	7,270	7,084	7,572	20,806	27,501	7,460	-5.0
F&O	3,813	4,253	4,182	5,056	4,683	6,180	5,951	6,202	17,304	23,015	6,303	-5.6
Cash	659	674	612	465	558	800	779	807	2,410	2,943	853	-8.6
Commodity	188	207	255	232	279	291	354	391	883	1,314	304	16.5
Currency	47	52	51	58	56	0	0	173	208	229	0	-
Net Broking Revenue	3,191	3,560	3,508	4,140	3,933	5,199	5,108	5,451	14,399	19,691	5,335	-4.2
Net Interest Income	1,012	999	1,117	1,172	1,265	1,548	1,767	2,241	4,300	6,821	1,684	4.9
Revenue from Operations Mix (%)												
As % of Gross Broking Revenue												
F&O	81.0	82.0	82.0	87.0	84.0	85.0	84.0	81.9	83.2	83.7	84.5	-0.6
Cash	14.0	13.0	12.0	8.0	10.0	11.0	11.0	10.7	11.6	10.7	11.4	-3.7
Commodity	4.0	4.0	5.0	4.0	5.0	4.0	5.0	5.2	4.2	4.8	4.1	22.7
Currency	1.0	1.0	1.0	1.0	1.0	0.0	0.0	2.3	1.0	0.8	0.0	-
Net Broking (As % Total Revenue)	75.9	78.1	75.8	77.9	75.7	77.1	74.3	70.9	77.0	74.3	76.0	-2.2
Net Interest Income (As % Total Revenue)	24.1	21.9	24.2	22.1	24.3	22.9	25.7	29.1	23.0	25.7	24.0	7.1
Expense Mix (%)												
Employee Expenses	37.3	40.1	40.8	26.7	37.1	32.5	29.7	30.1	36.1	32.0	32.7	-9.1
Admin Cost	59.1	57.2	56.2	69.6	59.7	64.3	67.1	67.3	60.6	65.3	64.6	3.9
Depreciation	2.4	2.5	2.9	3.2	2.7	2.7	2.7	2.6	2.7	2.7	2.7	1.0



Highlights from the management commentary

Financials

- Angel One recorded the highest ever client additions in 3QFY24 at 2.5m, a growth of 16.2% QoQ.
- Client base grew 14% QoQ to ~19.5m, primarily driven by superior tech advancements. Gross client additions are counted only when the customers complete the KYC process for demat opening and not for SIP registrations.
- ADTO grew to INR 36t in 3QFY24 vs. INR 29.6t in 2QFY24, up 21.4% QoQ.
- Angel One's consolidated total gross revenue increased to INR 10,608m in 3QFY24 vs INR 10,493m in 2QFY24, flat QoQ.
- Change in tariff structure for the cash intraday segment led to a marginal decline in net broking income. The main purpose here is to gain market share in new geographies.
- Angel One's consolidated EBDAT came in at INR 3,641m in 3QFY24 vs. INR 4,185m in 2QFY24, a decline of 13% on a QoQ basis. EBDAT Margin (as % of Net Income) stood at 44% in 3QFY24.
- Consolidated PAT grew to INR 2,603m in 3QFY24 vs. INR 3,045m in 2QFY24, a decline of 14.5% on a QoQ basis.

Expenses

- Overall expenses for the quarter increased 17% QoQ and 75% YoY.
- ESOP cost for the quarter came in at INR 1.7b. This is on account of headcount addition in asset management business, data & analytics, technology and operations functions.
- Higher depreciation during the quarter was on account of commissioning of network infrastructure.
- Angel One has also strategically planned higher investment in client acquisition to capitalize on robust market environment. In 3QFY24, the company incurred higher spends on tech infrastructure, demat charges, and CSR.
- It believes that these strategic investments in client acquisitions and new businesses should reap benefits of better operating leverage.
- Customer acquisition cost for Angel One has not increased, and thus, life time value justifies the cost of acquisition. The breakeven for cost of acquisition is steady at 6 months. Angel One is expected to experience some cost impact as new businesses are still at their nascent stage.
- The anticipated INR400m rise in net finance costs is attributed to the heightened borrowing for substituting the underlying collateral for bank guarantees. These funds are directed toward margins with the clearing corporation. ~INR160m has been incurred between Jul'23 and Dec'23 and it is estimated to incur another INR150m. This is due to the fact that most of the BGs with collateral as client funds matured by the end of Sep'23 and the requirement for incremental borrowings went up after this.

Assisted Partner Network

- Angel One will be leveraging NXT (an in-house developed technology platform), to enhance partner engagement and user personalization for high impact.
- Angel One is focused on scaling up the assisted business and building an ecosystem to offer a full product suite. This shall be achieved by deepening the channel partner network with multiple products and expanding geographical reach.

Super App

- Super App has witnessed huge traction since its launch. The Super App, along with its incredible feature enhancements, has resonated well with clients. This success is instrumental in Angel One's efforts to expand the client's product portfolio, thereby enabling access to a variety of new financial products. Open Interest data and Stock discovery feature has been launched on the app, which has improved client engagement on the platform.
- It is consistently ranked among the top 10 finance apps on the play store.
- Angel One soon plans to roll out charts with tick-by-tick data and an aggregate portfolio, further enhancing its product stack.

Others

- Angel One during 3QFY24 has on-boarded multiple senior personnel across AMC and broking businesses.
- The data does not suggest that tier-3 clients take a longer period to breakeven than tier-1 clients. The quality of client acquired through an authorized person surpasses than that of digitally acquired customers.
- Ancillary income has declined sequentially on account of 3 less trading days in the quarter.
- Angel One has started offering consumer credit products by offering unsecured consumer loans (ticket size ~INR 0.1m).
- Angel One is awaiting MF license from SEBI and is setting up processes for AMC business.

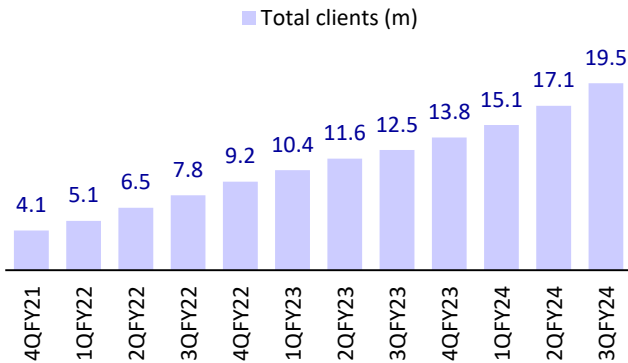
Exhibit 1: Cut in estimates

INR b	Old Est.			New Est.			Change (%)		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Net Brokerage Income	20.0	24.6	29.3	19.7	24.0	29.0	-1.6	-2.6	-0.9
Net Interest Income	6.3	7.1	8.0	6.8	7.7	8.7	8.7	8.3	8.3
Other Income	5.3	6.3	7.6	5.3	6.4	7.7	0.0	0.9	1.9
Total Income	31.6	38.1	44.9	31.9	38.1	45.4	0.7	0.0	1.2
Operating Expenses	15.6	18.4	21.6	16.9	19.4	22.7	8.1	5.2	5.4
EBITDA	16.0	19.6	23.3	15.0	18.7	22.7	-6.4	-4.8	-2.7
PBT	15.6	19.1	22.7	14.5	18.1	22.0	-6.8	-5.2	-3.0
Tax	3.9	4.8	5.7	3.6	4.5	5.5	-6.8	-5.2	-3.0
PAT	11.7	14.3	17.0	10.9	13.6	16.5	-6.8	-5.2	-3.0
C/I ratio	49.3	48.4	48.0	52.9	50.9	50.0	-3.6	-2.5	-2.0
RoE	46.4	43.2	40.0	43.6	41.8	39.9	2.7	1.3	0.2
Dividend payout ratio	38.0	40.0	40.0	38.0	40.0	40.0	0.0	0.0	0.0

Source: MOFSL, Company

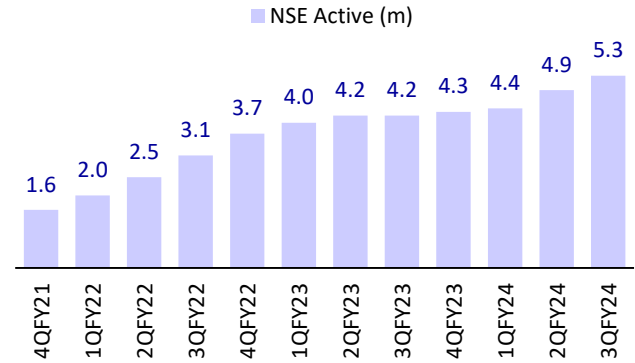
Key exhibits

Exhibit 2: Total number of clients continued to rise



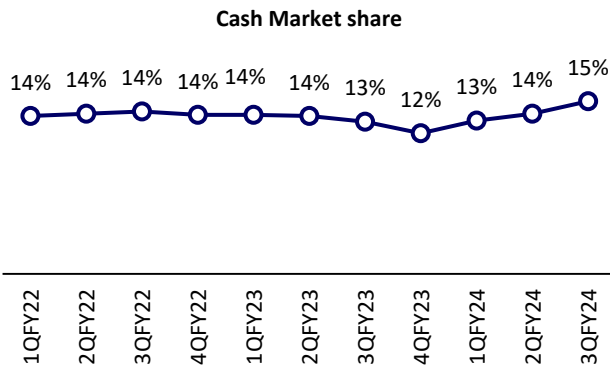
Source: MOFSL, Company

Exhibit 3: NSE active clients increased QoQ



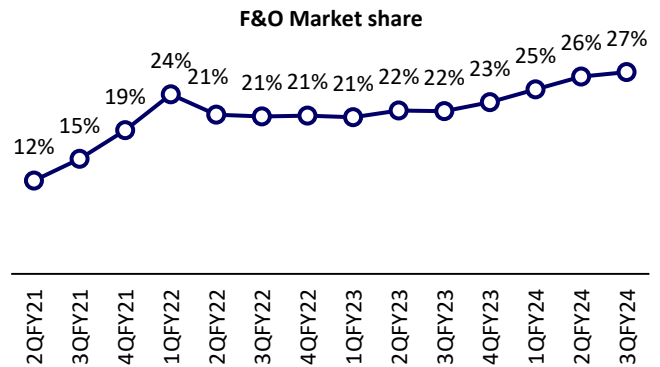
Source: MOFSL, Company

Exhibit 4: Cash segment market share improved



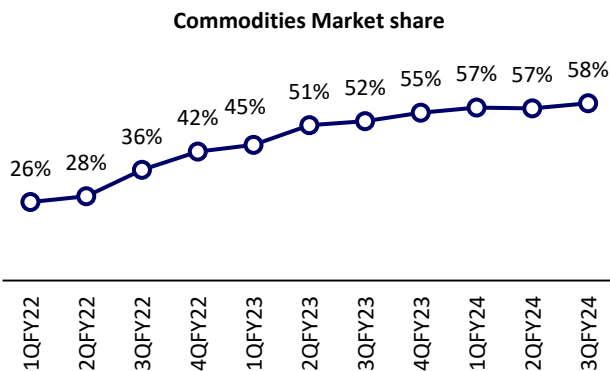
Source: MOFSL, Company

Exhibit 5: F&O Market share improved



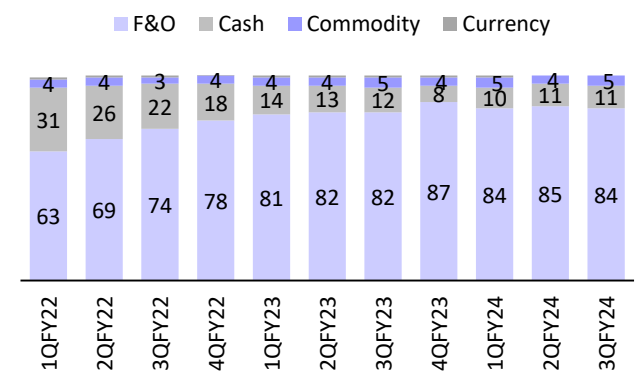
Source: MOFSL, Company

Exhibit 6: Commodities market share increased QoQ

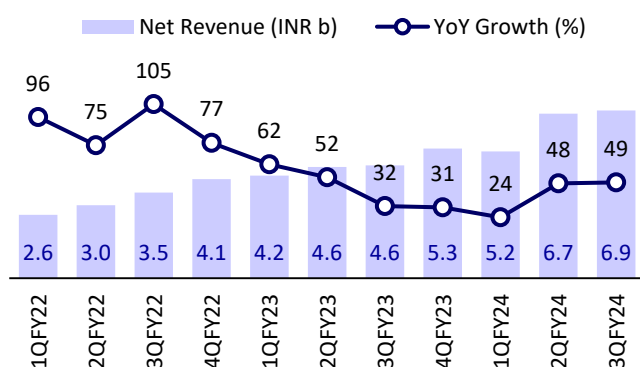


Source: MOFSL, Company

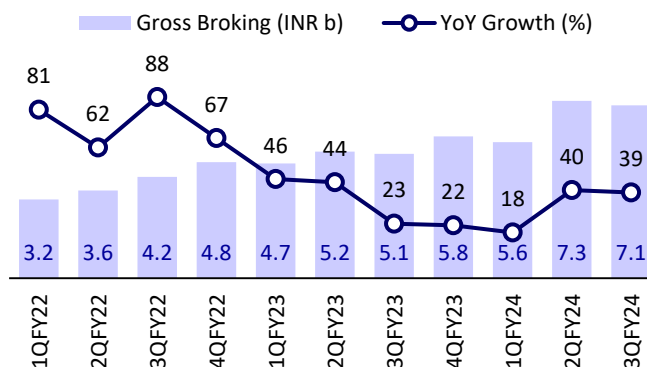
Exhibit 7: Gross broking revenue mix



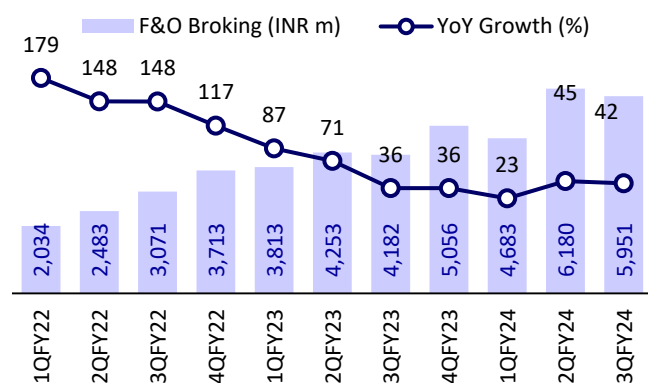
Source: MOFSL, Company

Exhibit 8: Net revenue improved YoY...

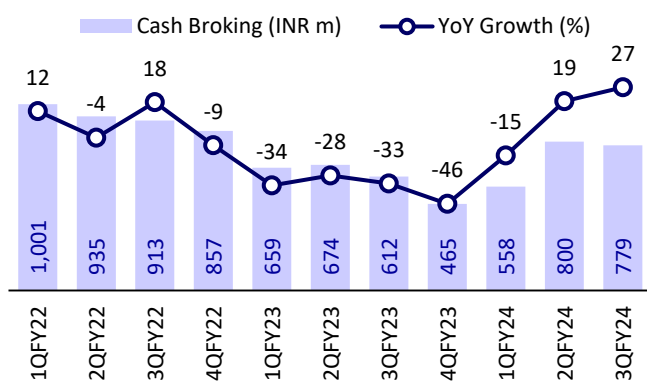
Source: MOFSL, Company

Exhibit 9: ...as Gross broking revenue improved

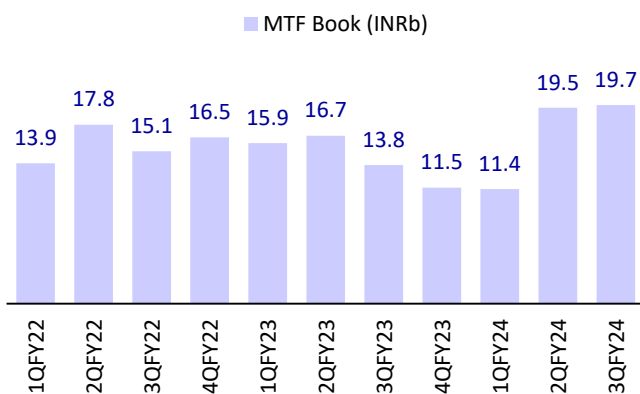
Source: MOFSL, Company

Exhibit 10: F&O growth momentum was strong

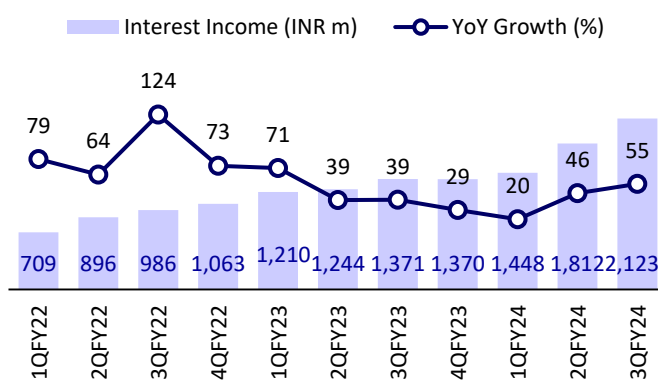
Source: MOFSL, Company

Exhibit 11: Cash broking revenue improved

Source: MOFSL, Company

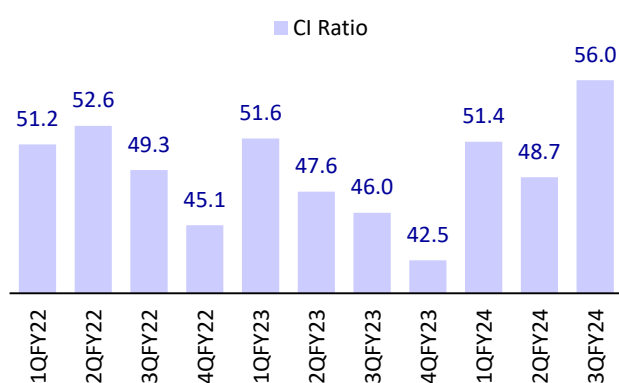
Exhibit 12: MTF book increased to INR19.7b

Source: MOFSL, Company

Exhibit 13: Interest income increased

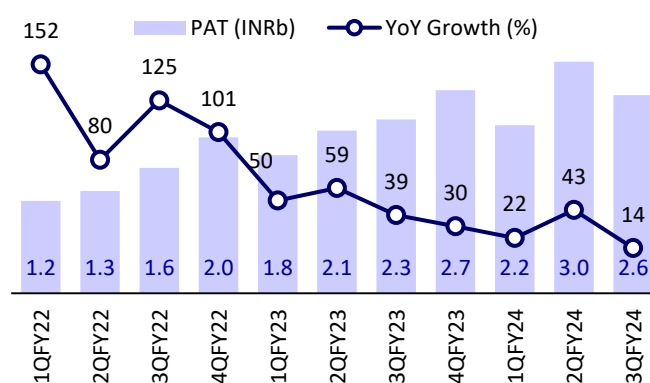
Source: MOFSL, Company

Exhibit 14: C-I ratio increased sequentially



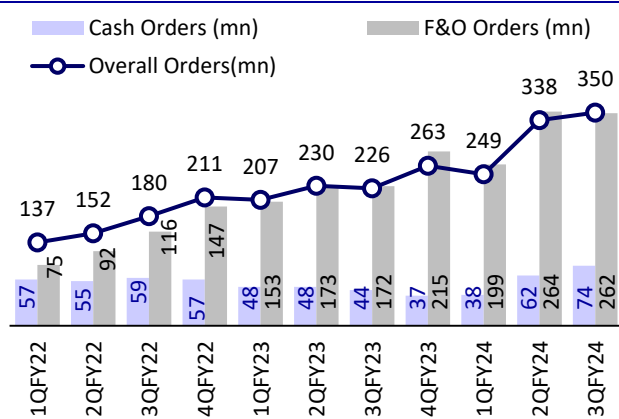
Source: MOFSL, Company

Exhibit 15: Trend in PAT growth



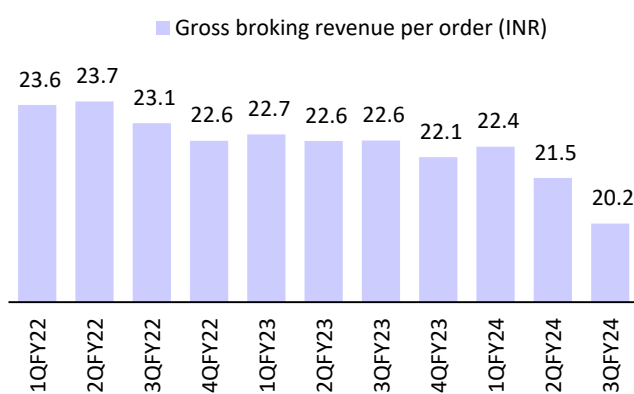
Source: MOFSL, Company

Exhibit 16: The number of orders increased...



Source: MOFSL, Company

Exhibit 17: ...whereas gross broking revenue per order declined



Source: MOFSL, Company

Financials and valuation

Income Statement								(INR m)
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Total Income	4,723	4,721	8,971	16,827	22,931	31,854	38,096	45,433
Change (%)	6.5	0.0	90.0	87.6	36.3	38.9	19.6	19.3
Gross Brokerage Income	5,014	5,039	9,065	15,737	20,806	27,501	33,675	40,795
Less - Brokerage / direct expenses	2,420	2,304	3,630	5,502	6,407	7,810	9,698	11,749
Net Brokerage Income	2,595	2,735	5,436	10,235	14,399	19,691	23,977	29,046
Interest income	1,696	1,254	1,998	3,653	5,195	8,170	8,899	9,930
Less - Finance costs	666	489	389	721	895	1,349	1,181	1,251
Net Interest income	1,031	765	1,609	2,932	4,300	6,821	7,718	8,679
Other Income	1,098	1,221	1,927	3,661	4,232	5,341	6,402	7,708
Operating Expenses	3,245	3,142	4,675	8,273	10,705	16,851	19,391	22,717
Change (%)	20.2	-3.2	48.8	76.9	29.4	57.4	15.1	17.2
Employee expenses	1,593	1,598	1,718	2,809	3,979	5,543	6,248	7,269
Admin expense	1,652	1,544	2,957	5,464	6,726	11,308	13,143	15,447
Operating Margin	1,478	1,578	4,296	8,554	12,226	15,003	18,705	22,717
Depreciation	188	209	184	187	303	469	613	671
Exception	0	166	0	0	0	0	0	0
Profit Before Tax	1,290	1,204	4,112	8,367	11,923	14,534	18,093	22,046
Change (%)	-18.7	-6.7	241.6	103.5	42.5	21.9	24.5	21.9
Tax	448	320	1,131	2,117	3,016	3,633	4,523	5,512
Tax Rate (%)	34.7	26.6	27.5	25.3	25.3	25.0	25.0	25.0
PAT	842	884	2,981	6,251	8,907	10,900	13,570	16,535
Change (%)	-22.0	5.0	237.3	109.7	42.5	22.4	24.5	21.9
Dividend	234	227	1,056	2,245	3,324	4,142	5,428	6,614

Balance Sheet								(INR m)
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
Equity Share Capital	720	720	818	829	834	834	834	834
Reserves & Surplus	4,765	5,427	10,492	15,015	20,781	27,540	35,681	45,602
Net Worth	5,485	6,147	11,310	15,844	21,616	28,374	36,516	46,436
Borrowings	8,666	4,880	11,715	12,577	7,872	15,872	16,872	17,872
Other Liabilities	8,018	11,043	25,114	43,777	45,175	54,829	66,044	79,720
Total Liabilities	22,168	22,070	48,138	72,198	74,663	99,074	1,19,432	1,44,029
Cash and Investments	10,134	14,607	18,830	48,936	56,006	66,102	82,527	1,02,154
Change (%)	8.6	44.1	28.9	159.9	14.4	18.0	24.8	23.8
Loans	7,617	2,806	11,285	13,575	11,533	19,972	21,753	24,273
Change (%)	-32.6	-63.2	302.2	20.3	-15.0	73.2	8.9	11.6
Net Fixed Assets	1,181	1,104	1,150	1,638	2,482	3,172	3,477	3,782
Current Assets	3,236	3,553	16,873	8,050	4,642	9,829	11,675	13,820
Total Assets	22,168	22,070	48,138	72,199	74,663	99,074	1,19,432	1,44,029

E: MOSL Estimates

Financials and valuation

Ratios	(%)							
Y/E March	2019	2020	2021	2022	2023	2024E	2025E	2026E
As a percentage of Revenues								
Net Brokerage Income	54.9	57.9	60.6	60.8	62.8	61.8	62.9	63.9
Net Interest Income	21.8	16.2	17.9	17.4	18.8	21.4	20.3	19.1
Other Income	23.2	25.9	21.5	21.8	18.5	16.8	16.8	17.0
Total cost	68.7	66.6	52.1	49.2	46.7	52.9	50.9	50.0
Employee Cost	33.7	33.9	19.2	16.7	17.4	17.4	16.4	16.0
Opex (ex emp) Cost	35.0	32.7	33.0	32.5	29.3	35.5	34.5	34.0
PBT	27.3	25.5	45.8	49.7	52.0	45.6	47.5	48.5
PAT	17.8	18.7	33.2	37.1	38.8	34.2	35.6	36.4
Profitability Ratios (%)								
RoE	16.5	15.2	34.2	46.0	47.6	43.6	41.8	39.9
Dividend Payout Ratio	27.8	25.7	35.4	35.9	37.3	38.0	40.0	40.0
Valuations	2019	2020	2021	2022	2023	2024E	2025E	2026E
BVPS (INR)	66.2	74.2	136.5	191.2	260.9	342.4	440.7	560.4
Change (%)	15.5	12.1	84.0	40.1	36.4	31.3	28.7	27.2
Price-BV (x)	50.3	44.9	24.4	17.4	12.8	9.7	7.6	5.9
EPS (INR)	10.2	10.7	36.0	75.4	107.5	131.6	163.8	199.6
Change (%)	-22.0	5.0	237.3	109.7	42.5	22.4	24.5	21.9
Price-Earnings (x)	327.5	312.0	92.5	44.1	31.0	25.3	20.3	16.7
DPS (INR)	3.3	3.2	12.9	27.1	39.9	49.7	65.1	79.3
Dividend Yield (%)	0.1	0.1	0.4	0.8	1.2	1.5	2.0	2.4
E: MOSL Estimates								

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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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