

# Angel One

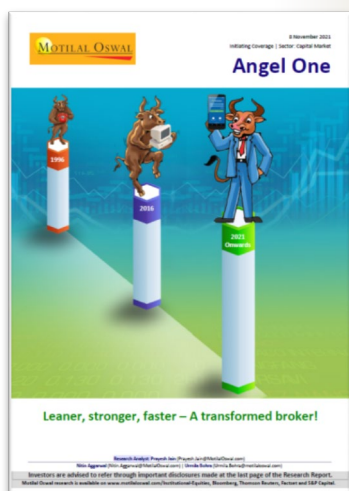


## Leaner, stronger, faster – A transformed broker!

Prayesh Jain - Research Analyst (Prayesh.Jain@MotilalOswal.com)


Research Analyst: Nitin Aggarwal (Nitin.Aggarwal@MotilalOswal.com) | Urmila Bohra (Urmila.Bohra@MotilalOswal.com)

Investors are advised to refer through important disclosures made at the last page of the Research Report.  
Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.



# Angel One: Leaner, stronger, faster – A transformed broker!

01

Page #3   
Summary

02

Page #6   
Story in charts

03

Page #9   
Indian brokerage industry at an inflection point


04

Page #15   
Angel gaining market share in client additions and ADTO

05

Page #21   
Future product offerings


06

Page #25   
Superior financial performance to continue


07

Page #26   
Valuation and view

08

Page #27   
Key risks

09

Page #28   
Bull & Bear case

10

Page #29   
Company overview

11

Page #31   
Key Management Personnel

12

Page #32   
Financials and Valuation

## Angel One

BSE Sensex  
60,546S&P CNX  
18,069

CMP: INR1,232

TP: INR1,750 (+42%)

Buy



## Stock info

Bloomberg	ANGELBRK IN
Equity Shares (m)	82.6
M.Cap.(INRb)/(USDb)	103.2 / 1.4
52-Week Range (INR)	1689 / 282
1, 6, 12 Rel. Per (%)	-10/171/256

## Financial Snapshot (INR b)

Y/E March	2021	2022E	2023E
Revenues	9.0	15.6	18.4
Opex	4.7	8.0	9.4
PBT	4.1	7.4	8.8
PAT	3.0	5.5	6.6
EPS (INR)	36.1	67.1	80.2
EPS Gr. (%)	237.3	85.9	19.6
BV/Sh. (INR)	136.9	180.6	232.8

## Ratios (%)

C/I ratio	52.1	51.5	51.0
PAT margin	33.2	35.6	36.0
RoE	34.1	42.2	38.8
Div. Payout	35.4	35.0	35.0

## Valuations

P/E (x)	34.1	18.4	15.4
P/BV (x)	9.0	6.8	5.3
Div. Yield (%)	1.0	1.9	2.3

## Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	43.8	44.3	44.6
DII	8.2	9.3	8.7
FII	4.7	4.7	4.3
Others	43.4	41.8	42.4

## IPO Details

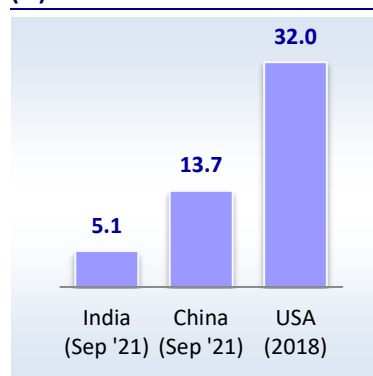
Size (INR b)	6.0
IPO price band (INR)	305-306
Date of listing	5th Oct' 20
Mcap at IPO price (INRb)	25.0
Mcap at listing price (INRb)	22.5

## Leaner, stronger, faster – A transformed broker!

## Building a digital powerhouse with revolutionized business model

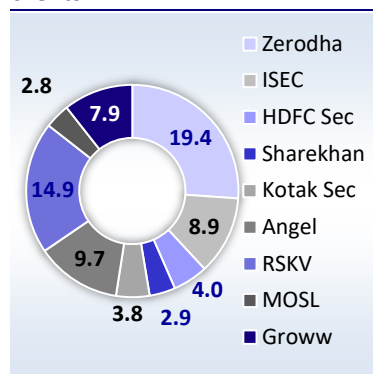
- Angel One has emerged to be India's third-largest broker with 6.5m total clients and 2.5m active clients on the NSE. It has a market share of 9.3% in active clients on the NSE, which has increased from 4.8% in 1QFY20.
- Indian brokerage industry is at an inflection point wherein only 5.1% of the Indian population have a demat account v/s 13.7% in China and 32% in the US. This is in spite of 1) number of demat accounts in India surging from 36m at the end of FY19 to 67m in Aug 2021, 2) active user accounts on NSE has jumped from 8.8m to 25.5m during the same period, and 3) retail ADTO skyrocketing from INR6t in Apr 2019 to INR27t in Sep 2021.
- Angel, with its transformational journey from being a traditional broker to adopting a completely digital model, offering a seamless online trading platform through its mobile app, website and call centre support is well placed to leverage on this growth opportunity and further strengthen its position. This transformation has been a key reason for its success so far wherein the market share in Equity ADTO has surged from 3.7% to 21.2% in a space of 10 quarters.
- Core to Angel's growth strategy has been its customer acquisition initiatives wherein it has targeted the Millennial and GenZ population in the tier 2 and tier 3 towns. As a result, the share of tier 2 and tier 3 towns in its gross customer additions has surged from 85% in 1QFY20 to 94% in 2QFY22. Also, the median age of these customers has declined from 34 years in 1QFY20 to 29 years in 2QFY22.
- In spite of the tough competition, Angel's market share in F&O has jumped up from 3.3% in 1QFY20 to 21.1% in 2QFY22. While the cash segment witnessed some pressure post the margin norms implementation (market share fell from 18.2% in 3QFY21 to 13.6% in 2QFY22), the F&O segment which contributes to 98% of the total retail industry ADTO has witnessed a sustained increase.
- In April 2021, Angel appointed Mr. Narayan Gangadhar as the CEO who has over two decades of experience with companies such as Amazon, Google, Microsoft and Uber. In addition to this, there were 11 such mid-management level hires in 2QFY22. The overall share of the digital employee base to total employee base has increased from 10% in 1QFY20 to 18% in 2QFY22. The company will continue to invest in acquiring more of such talent to enhance its technological and digital capabilities.
- Currently, brokerage and allied activities contribute ~95% of the company's revenues. Over the longer-term, diversification will accrue as Angel enhances its distribution income and sets up its own AMC.
- Scale benefits along with operating cost controls drove the company's PBT margin expansion from 41.5% in 1QFY20 to 46.2% in 2QFY22. Angel expects to maintain its cost to income ratio at around the 50% mark in the medium-term, as its incremental cash flows will be invested in employee additions, technology and customer acquisitions.
- We expect Angel to report revenue CAGR of 34% and PAT CAGR of 38% during FY21-24E. We initiate coverage on Angel One with a BUY rating and a one-year price target of INR1750 (20x Sep'23E).

### Demat penetration low in India (%)



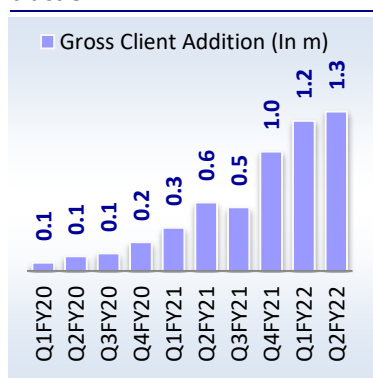
Source: MOFSL, Company

### Market share in NSE active clients



Source: MOFSL, NSE

### Angel's gross client addition traction



Source: MOFSL, Company

### Indian brokerage industry at inflection point

As compared to a total population of 1.3b and registered PAN cards of 500m, India has total demat accounts of just 67m. As compared to the US and China where the penetration of demat accounts has been 13.7% and 32% respectively, India currently has a penetration of just 5.1%. Digital brokers have played a major role in increasing India's penetration from 2.7% in FY19 to 5.1% in 1HFY22. Given the large untapped potential in the country, increasing digitization, favourable demographics, and rising affinity for equity investments, we believe that the growth momentum will sustain for a long period.

### Angel's evolution to a discount broker has been phenomenal

Angel was originally founded in 1996 as a stock broking firm that offered stock broking services through the traditional method. In 2011, the company was the first broker to launch a mobile app for stock trading and investing. While the initial response was not very encouraging, the focus on digitization by the current government created significant opportunities. In 2016, Angel undertook its digital transformation initiative. By 2019, the company completely shifted to the digital platform and has shut down all its branches. Today, Angel boasts of being the third-largest player in India with a market share of 9.3% in active accounts on the NSE, 23% in F&O ADTO, and 13% in cash ADTO. This was made possible by the company's product offerings which include its mobile trading app, trading website, AngelBEE app for mutual funds, and an app for its associate person network, which are among the best in their respective categories.

### Customer acquisitions remain at core of growth strategy, 94% clients from tier 2 & tier 3 towns with median age of 29 years

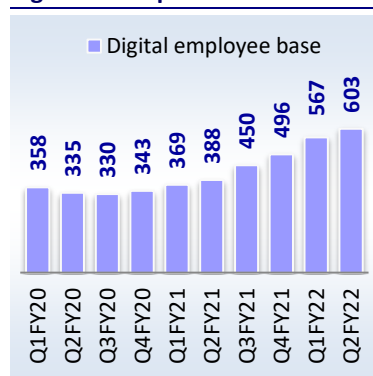
Angel has been at the forefront in terms of client acquisitions with ~12% of incremental NSE active clients recorded for the past six quarters. Its share in the incremental demat accounts has averaged 15% in the past seven quarters. The company has seen its gross client addition in a quarter rising from 68,000 in 1QFY20 to 1.3m in 2QFY22. Its active user client base with the NSE has surged upwards from 0.4m in 1QFY20 to 2.5m in 2QFY22. The company acquires customers through three engines 1) performance marketing, 2) referrals and 3) digital referral associates or digital influencers. Angel's focus has been on acquiring millennial and Gen Z clients in the tier 2 and tier 3 towns. The share of tier 2 and tier 3 towns in the company's gross client additions has increased from 85% in 1QFY20 to 94% in 2QFY22. The median age of new customer acquisitions has declined from 34 years in 1QFY20 to 29 years in 2QFY22. Angel's activation rate was also strong at 37% in 2QFY22 and has seen a steady increase in the past few quarters. The trajectory will sustain over the medium-term, as the company continues to invest incremental cash flows towards client acquisitions.

### Market share in F&O increasing rapidly, Cash segment moderates

Angel's market share in the F&O ADTO segment has increased sharply from 3.3% in 1QFY20 to 23.8% in 1QFY22. During 2QFY22, its market share fell to 21.1%, and the company is confident of recovering a large portion of the market share loss in due course. In the cash segment, the company's market share increased from 13.7% in 1QFY20 to 18.4% in 2QFY21 before declining to 13.6% in 2QFY22. The decline in



### Angel has been scaling up its digital talent pool



Source: MOFSL, Company

market share can be attributed to the impact of margin norms which led to a reduction in speculative volumes on the bourses. With the impact of margin norms as the base, the company expects a recovery, going forward. Angel has been a beneficiary of the industry trend, wherein volumes moved from cash to F&O owing to its attractive pricing as well as the platform's capabilities. In our base case assumption, we have factored in a steady increase in Angel's market share.

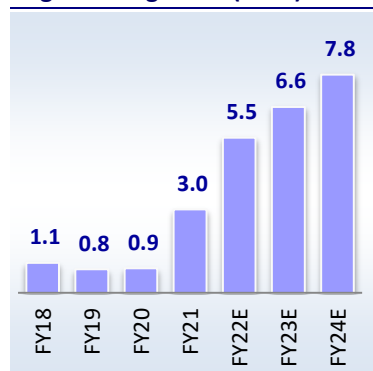
### Building a strong team with focus on technology

In April 2021, Angel appointed Mr. Narayan Gangadhar as the CEO. He has over 20 years of experience in executive leadership roles with tech edge companies such as Microsoft, Google, Uber and Amazon. In 2QFY22, the company added 11 members at the mid-management level to its digital team, all of whom having vast experience in the technology and digital fields. Over the past 10 quarters, the company has increased the share of digital-focused talent pool in its overall employee base from 12% to 18%. This will go a long way in further strengthening its technological capabilities, which will be the key driver of its market share gains.

### Revenue diversification to take place over medium-term

Angel derives ~95% of its revenues from the brokerage-linked business. The company is investing to diversify its revenue base over the medium-to-longer term. In 1HFY22, the company rechristened itself from Angel Broking to Angel One with the aim of creating a brand which tells customers that it no longer offers just broking solutions but also offers wealth management solutions over the customers' lifespan. The company is distributing insurance and mutual funds products and plans to scale up their volumes through cross selling to its fast-growing customer base. Angel has applied for setting up its own AMC and will take around six quarters to roll out its first product.

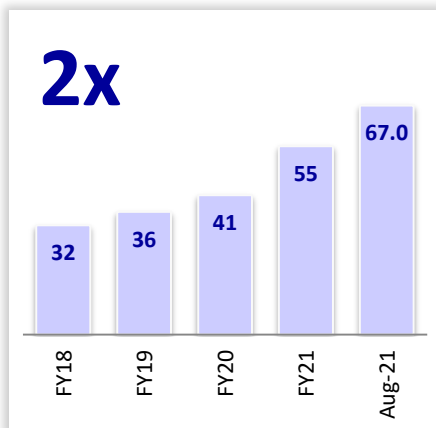
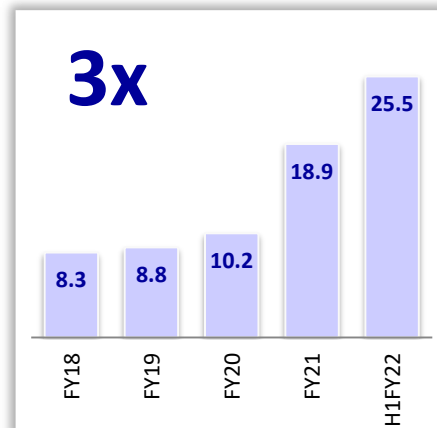
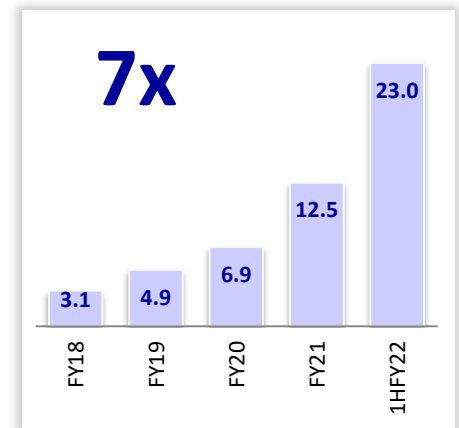
### Angel's PAT growth (INRb)



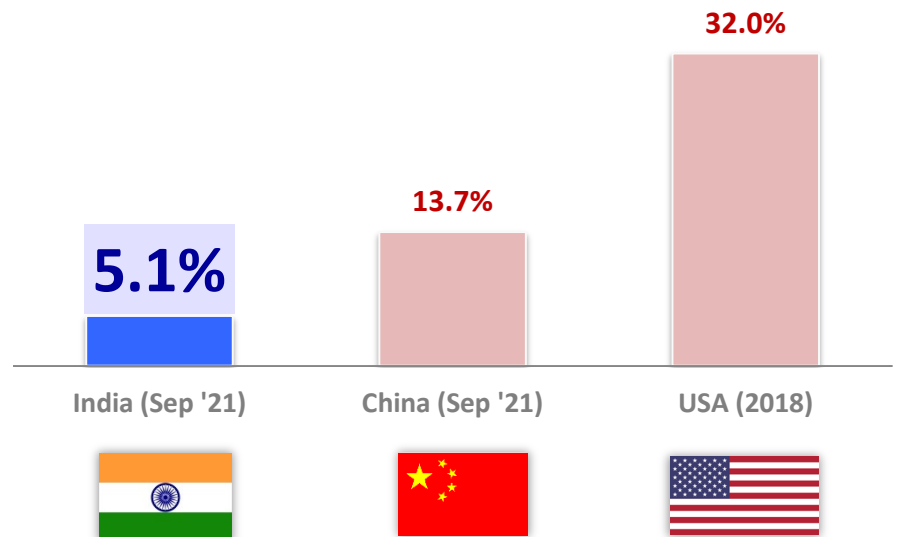
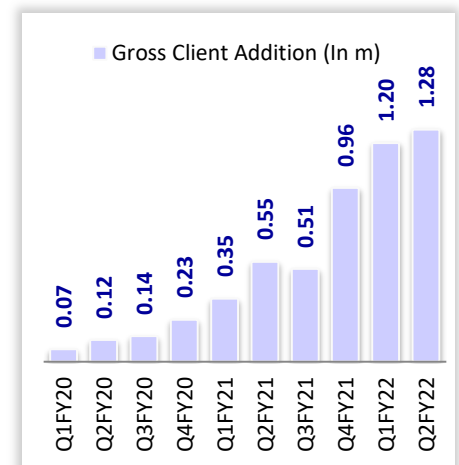
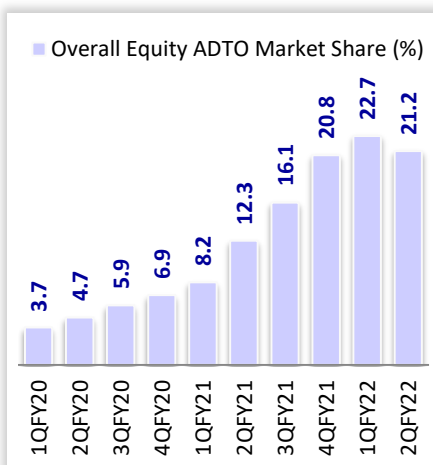
Source: MOFSL, Company

### Earnings CAGR of 38% expected over FY21-24E, Initiate with a BUY rating and 1-year target of INR1,750

Angel is a perfect play on 1) financialisation of savings and 2) digitisation. During 1HFY22, Angel reported revenues of INR10b as compared to INR7.2b in FY20. We estimate the company to record revenue CAGR of 34% for FY21-24E. The EBITDA margin is expected to remain steady at around 50% as the company has guided for sustained investments in technology and marketing with a focus on acquiring more customers and improve its activation rates. We estimate a PAT CAGR of 38% for FY21-24E and RoE of 39% in FY23E. The stock trades at FY24E P/E of 13.1x, which we find attractive in view of the company's strong earnings growth profile. Initiate coverage on Angel with a BUY rating and a one-year price target of INR1,750 (20x Sep 2023E EPS).

**INDUSTRY GROWTH****No of demat accounts 2x****NSE active clients 3x****Retail ADTO 7x**

In spite of this stupendous growth India remains grossly underpenetrated

**Angel's Phenomenal Transformation in the past 10 quarters**



### KEY ADDITIONS TO ANGEL'S DIGITAL TEAM OVER THE PAST SIX MONTHS

POSITION	DETAILS OF NEW HIRES
CEO	❖ Uber, Google, Microsoft and Amazon
Chief Technology Officer	❖ Walmart Labs, Microsoft, Goibibo, Intuit, Samsung Research and DevFactory (Trilogy)
Principal Architect	❖ Walmart Global, JP Morgan, Bank of America and start-ups in the mobile banking domain
SVP of Engineering	❖ Walmart Global Tech, Microsoft and Yahoo
SVP Data Platform	❖ Co-Founder/CTO of Yelo worked at Rupeek, Amazon and Adobe
Head of Talent Acquisition - Product & Engineering	❖ Rippling, Google, Walmart and LinkedIn

### DIGITAL PLATFORMS

#### ANGEL Broking Mobile App

- ❖ Platform for client trading and investment requirements
- ❖ Helps clients effectively manage and track their portfolio

#### ANGEL BEE Mobile App

- ❖ A mutual fund app focused on millennial clients
- ❖ Offers instant, 'on-the-go', paperless and personalised solutions

#### NXT Platform

- ❖ Advanced digital marketing and client relationship management tool
- ❖ Helps authorised persons to effectively engage and service clients through dashboards and facilitates cross-selling

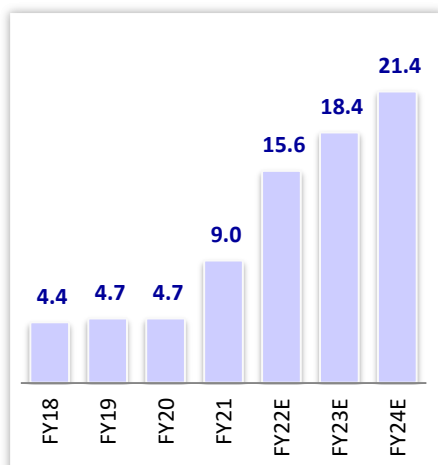
#### 'ARQ' Advisory

- ❖ Provides investment advisory services through various applications and our website, supplemented by 'ARQ' - a rule-based investment engine

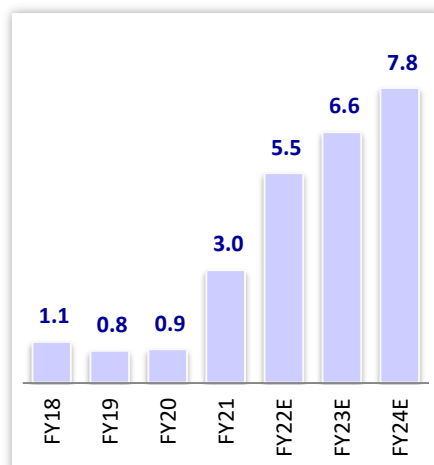
#### ANGEL Broking Web

- ❖ Web-based trading platform with a simplified interface
- ❖ Clients can manage investments, create watch lists, track stocks with technical indicators and schedule investments

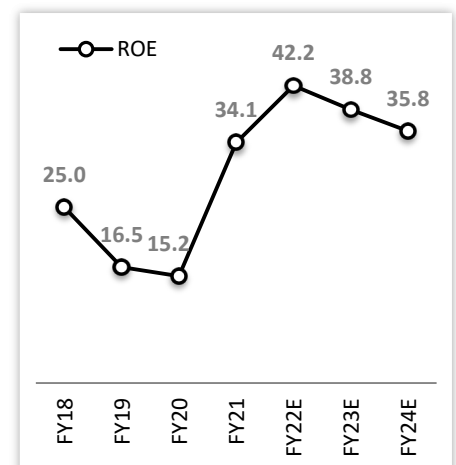
#### Trend in Revenue growth (INRb)



#### Trend in PAT growth (INRb)



#### Trend in RoE



## EXPANDED DIGITAL EDGE PRODUCT SUITE AND MORE TO COME

**Smart API:** A free-to-integrate feature that enables users, including start-ups and advisories, to execute real-time trades via Angel Broking and develop end-to-end trading services for clients

<SmartAPI>  
Built by you

**ARQ Intraday:** Launched for providing intraday advisory to clients

ARQ PRIME

**ARQ PRIME:** Recommends stocks based on a set of rules free from human intervention; also known as 'Smart Beta'

ARQ PRIME

**smallcase:** Partnership for providing thematic investment options to clients with a portfolio of stocks or ETFs

smallcase

**Smart Money:** Comprehensive guide to financial markets with structured lessons to help clients grow their wealth

Smart Money

**Sensibull:** Partnered with Sensibull to enable innovative strategies in options trading

SENSIBULL

**Streak:** Collaboration for facilitating clients with tools to create strategies, back test, and trade

Streak™

**Vested:** Partnership for providing a platform to clients for investing in US equities

Vested



## Indian brokerage industry at an inflection point

### Discount brokers in the spotlight amidst surge in demat accounts & ADTO

Share of top five discount brokers stands at 56.5% of the NSE active clients.

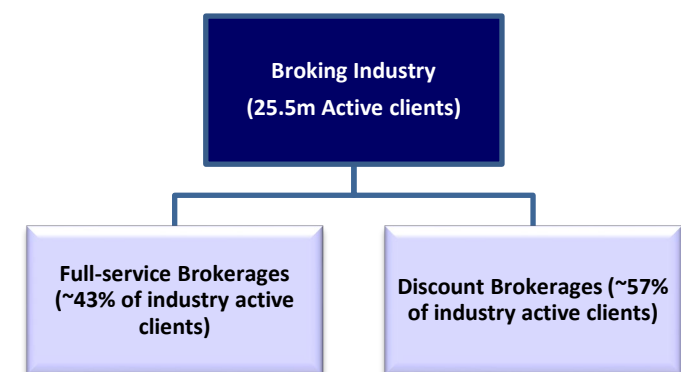
- Revenues of the brokerage industry in India grew at a CAGR of 19% over FY15-21. A large portion of the growth can be attributed to 1) increase in the number of customers and 2) surge in ADTO.
- Overall industry ADTO has grown at 47% CAGR over the past decade and at 77% CAGR over the last three years.
- Discount brokers have been at the forefront of this phenomenal surge in the past 5-6 years in both the number of accounts as well as ADTO. As of Sep 2021, the top five discount brokers (Zerodha, Angel, Groww, 5paisa and Upstox) accounted for almost 56.5% of the active clients on the NSE.
- The market has witnessed consolidation over the last few years with the share NSE active users of the top-10 players increasing from ~50.0% in FY14 to 79%, as on Sept '21.
- Ease of transacting, low brokerage cost (flat fee v/s brokerage as % of turnover for traditional brokers), investor education, and smart trading tools are the key factors that make discount brokers attractive for customers.
- With the demat penetration in India at merely 5.1%, there is huge room for growth in the industry. Further, digital players are well-positioned to capitalize on this opportunity as tapping remote geographies by way of branch model can be a very expensive proposition.
- A significant portion of the clients acquired by discount brokers are millennials from the tier 2 and tier 3 towns. With the incomes of the millennial population expected to grow, the ticket size of these customers will also increase.

Demat penetration in India stands at mere 5.1%.

### Indian brokerage industry records six-year revenue CAGR of 19%

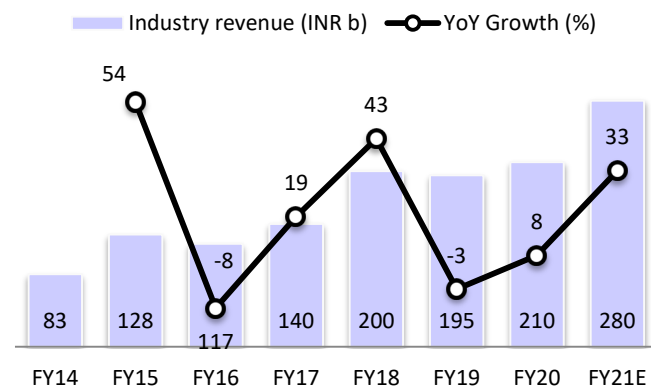
- According to ICRA, the aggregate brokerage industry income grew at 19% CAGR over FY15-FY21 to ~INR280b in FY21.
- Over the past three years (up to 6MFY22), NSE active clients for the industry grew at ~42% CAGR to ~25.5m.

Exhibit 1: Indian brokerage industry overview

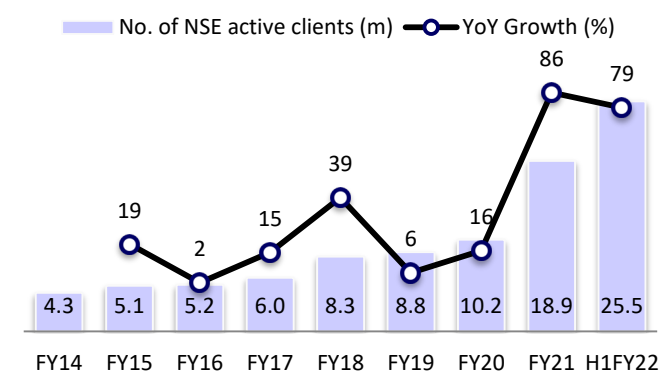


Source: MOFSL, NSE, Data as on Sept '21

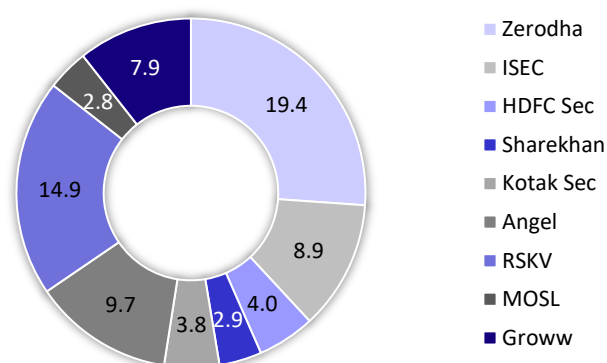
Exhibit 2: Indian brokerage industry revenue trend



Source: MOFSL, Angel DRHP, ICRA

**Exhibit 3: Trend in number of NSE active clients**

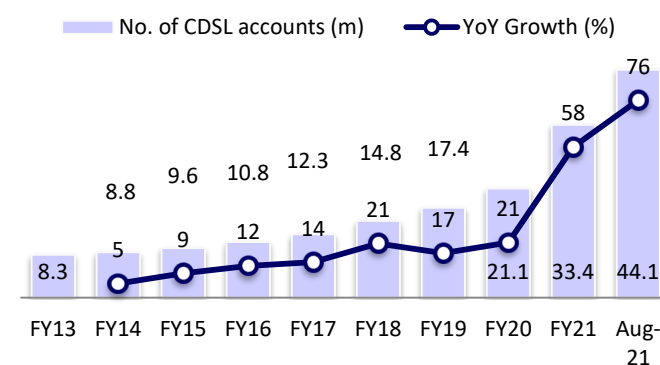
Source: MOFSL, Company, NSE

**Exhibit 4: Market share in NSE active clients for large players (%)**

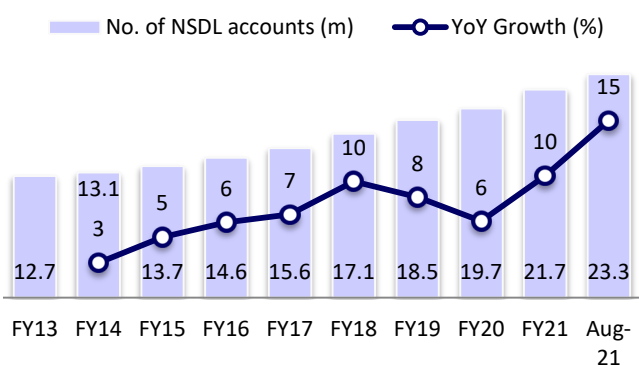
Source: MOFSL, NSE; as of Sep '21

**Surge in opening of new demat accounts with pandemic acting as catalyst**

- Over FY16-21, the number of CDSL/NSDL accounts grew at 25%/8% CAGR with an addition of 23m/7m accounts, thereby increasing the total demat count in India to 55m. As of Aug 2021, the total demat accounts increased further to 67m.
- The onset of the pandemic in India was a turning point for the broking industry as the work-from-home culture, the lure of equity market returns, and benign interest rates attracted a large number of new investors to stock market investing/trading. Discount brokers eased onboarding for new customers with their digital processes and superior TAT across initiating the process for opening an account to making the first trade. The average monthly addition in demat accounts more than doubled to 2.5m per in FY22YTD as compared to 1.2m in FY21 and ~ 0.5m in FY20.

**Exhibit 5: Number of CDSL accounts grows at 25% CAGR over last five years...**

Source: MOFSL, Company, SEBI

**Exhibit 6: ...compared to 8% CAGR for NSDL accounts over same period**

Source: MOFSL, Company, SEBI

Share of top 5/10 players in total trading turnover rising every year from 15%/25% in FY14 to 31%/44% in FY21

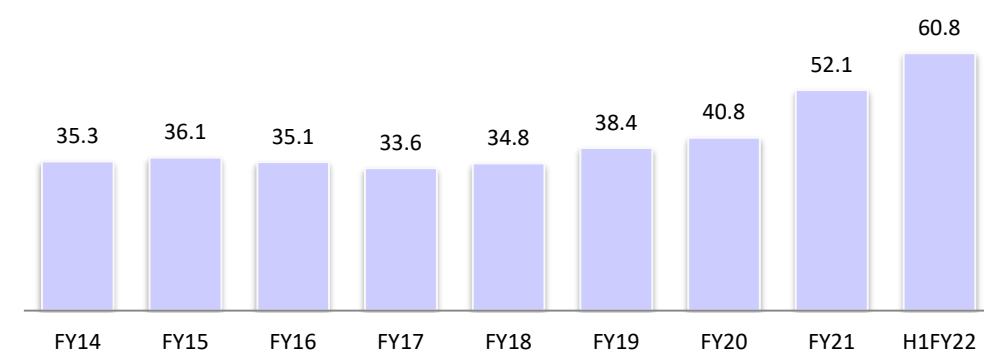
**Top digital brokers the biggest gainers**

- Despite the fragmented nature of the industry (200+ brokers), the Top players (Zerodha, Upstox, Angel and ISEC) hold ~53% share in NSE active clients, as on Sept 2021.
- The share of the top 5/10 players in the total trading turnover has increased every year from 15%/25% in FY14 to 31%/44% in FY21. Even in terms of active

client base, the top-5 players accounted for 61% of total NSE active clients in 6MFY22.

- We expect the industry consolidation to continue on back of ease of trading offered by digital brokers, which will attract the millennial and GenZ population.

**Exhibit 7: Increasing share of Top 5 players in NSE active clients base (%)**

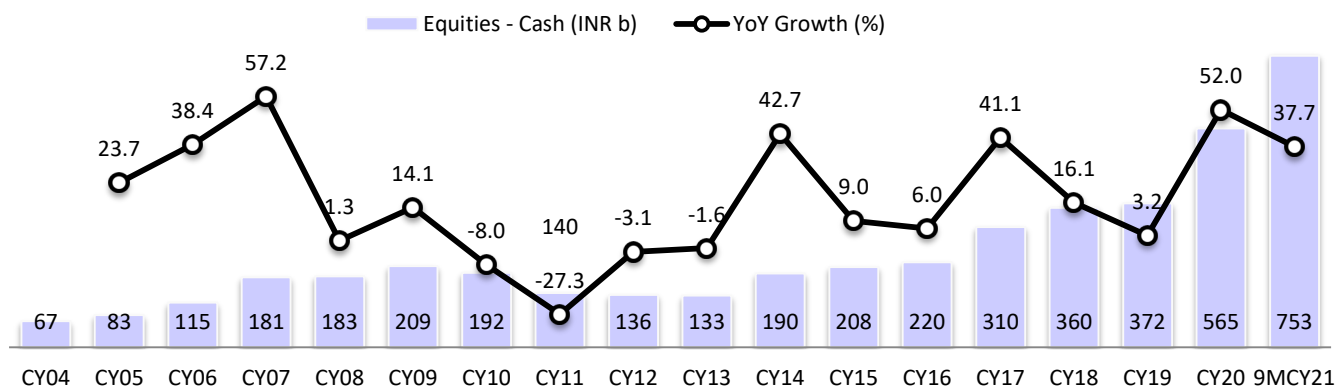


Source: MOFSL, Company, NSE;

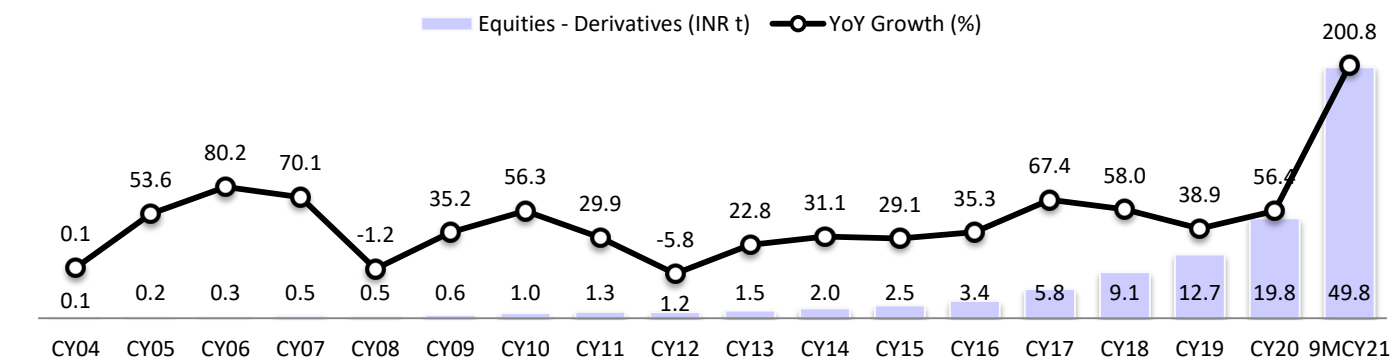
### New margin norms create business for discount brokers

- From December 2020, new margin norms were implemented wherein the upfront margins required was raised to 100% in a phased manner. In Sep 2021, the final leg of the new norms was implemented.
- These measures created a disruption in the industry by way of (1) shift in investor preference to the F&O segment from cash equities, which was clearly evident in the sharp increase of 200% in F&O ADTO, as compared to just 83% in cash equities over the period 4QFY20 to 1QFY22 (2) Earlier, traditional brokers used to attract customers by offering higher leverage; however, with the implementation of the new margin norms, these benefits were curbed, leading to investors moving away from traditional brokers to flat fee-based brokers.
- The business momentum for discount brokers was clearly visible with the total market share of the top 5 discount brokers increasing to 56% in Sep 2021.

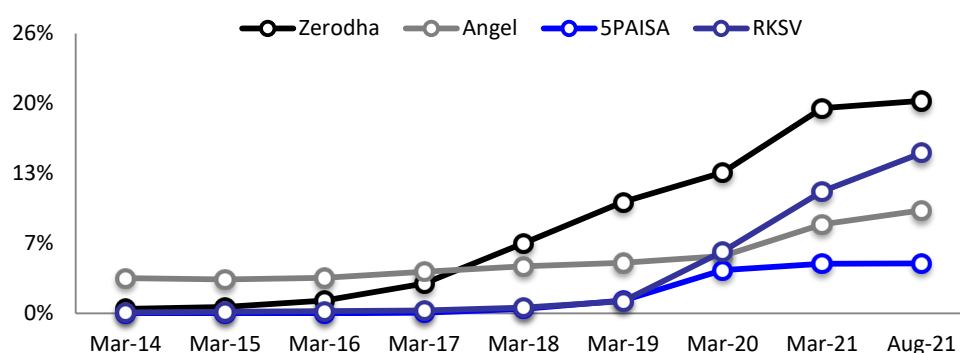
**Exhibit 8: Cash equities ADTO growth remains healthy**



Source: MOFSL, BSE, NSE, NSDL, SEBI

**Exhibit 9: Derivative equities ADTO remains robust with sharp rise in 1HCY21**

Source: MOFSL, BSE, NSE, NSDL, SEBI

**Exhibit 10: Faster market share gain by discount brokers in NSE Active clients**

Source: MOFSL, Company, NSDL

Share of mobile phone cash market turnover stood at 18% in June 2021

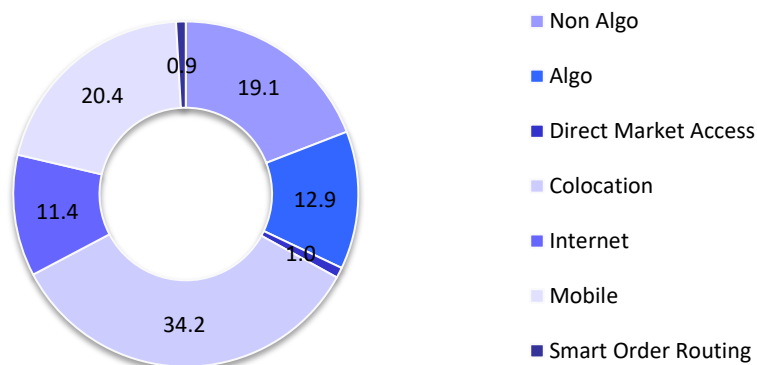
### Technological edge, lower costs and differentiated product offerings drive market share gains for discount brokers

- The strength of discount brokers is clearly evident in the jump in the share of ADTO through mobile trading to 20% on the NSE as compared to merely 10% two years ago. The proportion of cash market turnover attributable to mobile phones on the BSE has jumped up by 711 basis points in the past one year to 18% in June 2021.
- With trading platforms offering a superior experience from onboarding of the client to execution of trade in just a few clicks, discount brokers have taken the entire user engagement to an altogether different level.
- Traditional brokers levy brokerage as a percentage of turnover. However, discount brokers charge a fixed fee per trade and offer zero brokerage for certain category of trades such as cash delivery trade.
- Furthermore, discount brokers offer several tools in their app/website such as educational content, technical charting and portfolio creation, among others. This further enhances the experience for users.

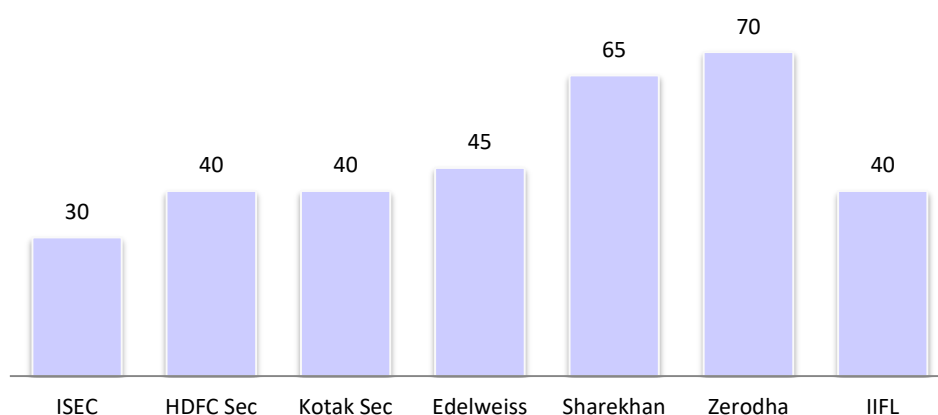
**Exhibit 11: Bouquet of service offerings of key industry players**

	Angel	Zerodha	RKSV	5 Paisa	ICICI Securities	HDFC Securities	Kotak Securities	Axis Securities	Sharekhan
Zero Account opening fee	✓	✗	✗	✓	✓	✓	✓	✗	✓
Complementary Inhouse Research/Advisory	✓	✗	✗	✓	✓	✓	✓	✓	✓
Margin trading facility	✓	✗	✓	✓	✓	✓	✓	✓	✓
Securities as collateral	✓	✓	✓	✓	✓	✓	✓	✓	✓
Paid services (Smallcase/ Sensibull/ Streak etc.)	✓	✓	✓	✓	✓	✓	✓	✓	✗
Knowledge center/ Education	✓	✓	✓	✓	✓	✓	✓	✓	✓
Instant fund payout	✓	✓	✗	✗	✓	✓	✓	✓	✗

Source: MOFSL, Angel RHP, Company

**Exhibit 12: NSE mode of trading, as on 31<sup>st</sup> Aug 2021**

Source: MOFSL, NSE

**Exhibit 13: Trade in cash market via mobile for key brokers (%)**

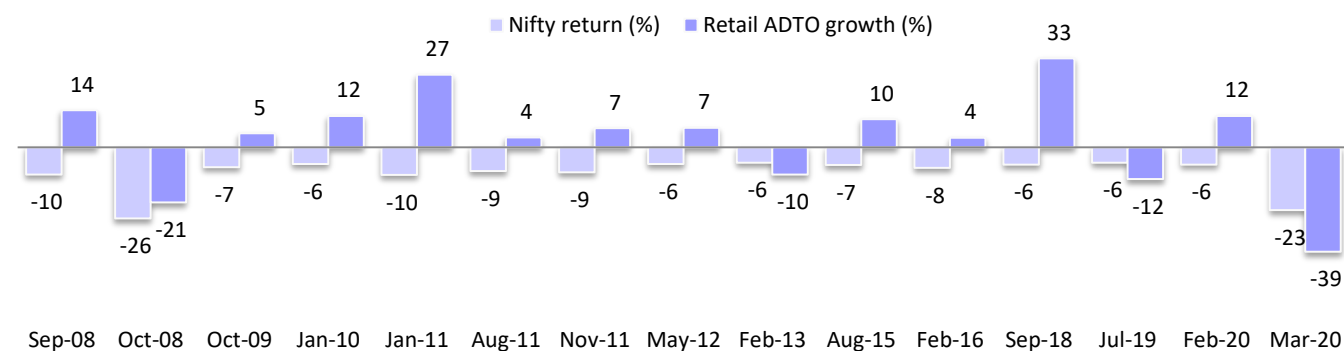
Source: MOFSL, Article of Economic Times



### Healthy equity market returns translate into higher ADTOs, flat fee reduces cyclicity for discount brokers

- Brokerage industry revenues have a strong linkage to stock market returns which further depend on the economic environment. However, out of 15 months of more than 5% decline in Nifty 50 since FY09, retail segment ADTO declined only on four occasions.
- Traditional brokers who charge a brokerage fee as a percentage of the turnover do see some impact of the decline. Discount brokers, on the other hand, charge a fixed fee per trade on most of the transactions. This reduces the cyclicity of revenues for them, as generally the activity reduces in the form of ADTO per trade rather than the number of trades.
- Furthermore, if the equity markets continue to deliver strong returns, not only do the number of trade increases but the number of new customers also increases. Sustained strong equity market returns attract investors to stock market investing and trading.

**Exhibit 14: Market returns and ADTO do not have a strong correlation**



Source: MOFSL, NSE

## Angel gaining market share in client additions and ADTO

Increased focus on accelerating pace of client acquisitions a key driver of revenue growth

10% market share in NSE active clients base with customer base of 2.5m

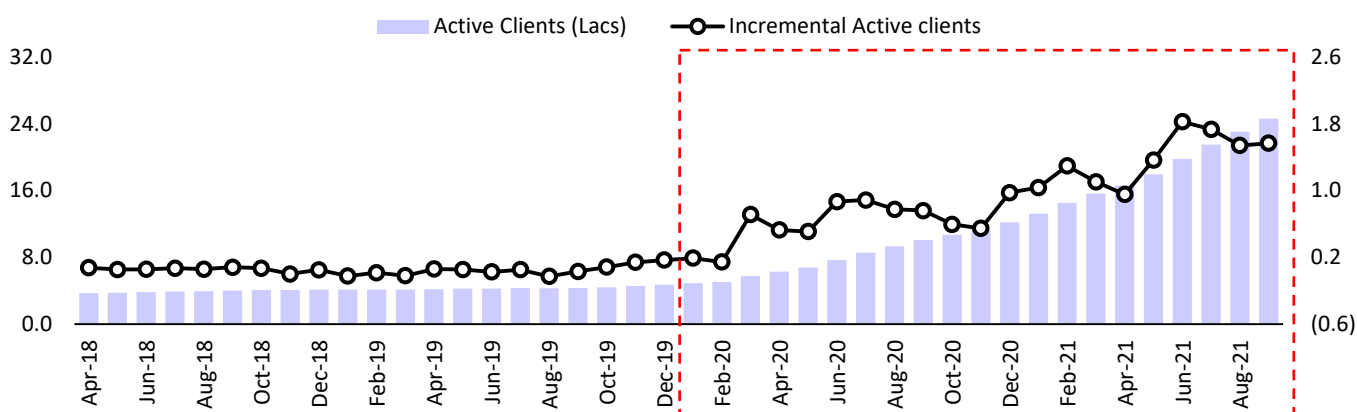
- Angel is India's third-largest retail broking company and reported 57% CAGR in its total client base over the past three years which reached 6.5m at the end of Sept'21. Out of these, 2.5m clients are 'NSE active'.
- The momentum gained in client additions was led by deepening of its geographical reach into Tier II and Tier III cities with the aid of digital capabilities.
- This strong performance was in spite of the rising competition with the emergence of new fintech players as well as traditional brokers adopting the digital route.
- Angel derives more than 95% of its revenues from broking and allied services (MTF, depository services and transaction charges), and ~75% of its revenues comes from clients who are not more than two years old for the company.
- Its rising market share in F&O and steady market share recovery in the cash segment amidst a strong overall volume growth trajectory will drive revenue CAGR of 34% for the company over FY21-24E.

Client acquisition run rate in surged from 60,000 per month to around 0.16m by Sept 2021

### Angel witnesses strong traction in customer acquisitions post its digital transformation

- Angel was a traditional broker pre 2019, post which it transformed its business model and migrated to flat fees with the introduction of "Angel i-trade plan" in 2019.
- Following this change, the company's run rate in client acquisitions saw a massive surge from 60,000 per month to around 0.16m by Sept 2021.
- Management had initially estimated a revenue impact of around 65% from every new customer acquired, although the surge in its volumes and scale of business as well as faster client acquisition more than offset this impact.

Exhibit 15: Faster client acquisition post introduction of Angel iTrade Prime (flat fee-based plan) in 2019



Source: Company, MOFSL, NSE

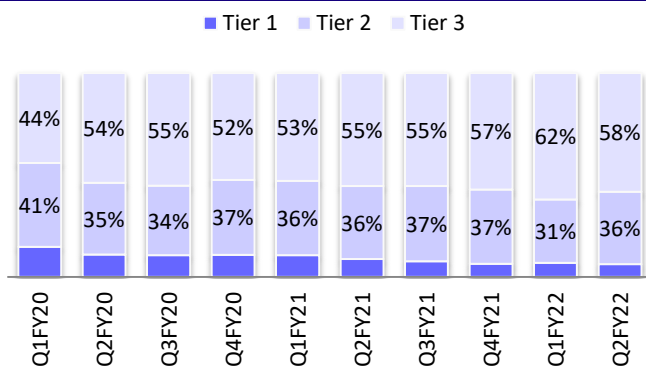
**94% of the Gross clients acquired from Tier II and Tier III cities.**

**Average age of gross customer addition declined to 29years in 2QFY22 from 34years in 1QFY20.**

### Digital client acquisition strategy pivotal for growth, increasing share of Tier II and Tier III in incremental clients

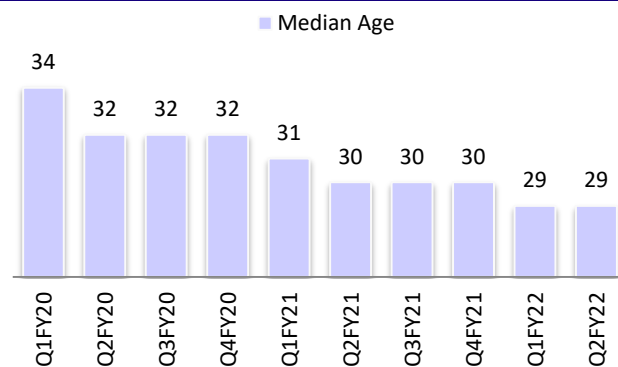
- Average age of gross customer addition declined to 29years in 2QFY22 from 34years in 1QFY20. Angel registered an astounding growth of 126% in its number of clients from 1.8m in FY20 to 4.1m in FY21. During 2QFY22, 100% of the client acquisitions took place through the digital route.
- The company has three channels for acquiring clients 1) performance marketing, 2) referrals and 3) digital referral associates or digital influencers.
- Performance marketing has been the bedrock for Angel's client acquisitions in the past couple of years. The company has adopted a targeted marketing approach to reach out to its focus audience i.e. millennial residing in lower tier towns. This was reflected in the increase in the share of tier 2 and tier 3 towns in its gross client additions from 85% in 1QFY20 to 94% in 2QFY22.
- Also, the average age of gross customer additions for the company has declined from 34 years in 1QFY20 to 29 years in 2QFY22.
- With regards to referrals, there has been a steady increase in their number which is testimony to Angel's product superiority.
- Lastly, DRAs are influencers who create digital content on their channels and help educate their followers about trading and investments in various financial products such as equities, derivatives and mutual funds. These DRAs have helped Angel source a significant share of clients.
- The confluence of these channels has led to a strong customer acquisition track record for Angel. We expect the momentum to continue as the company makes incremental investments in customer acquisition strategies.

**Exhibit 16: Increasing share of Tier 3 clients in gross additions**



Source: MOFSL, Company

**Exhibit 17: Declining trend in median customer age**

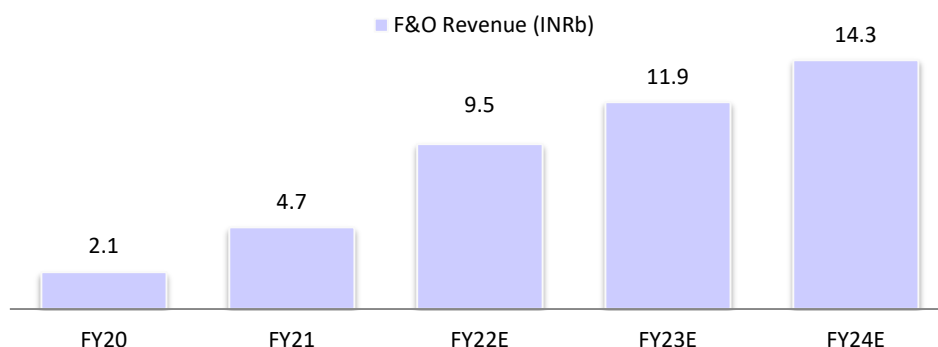


Source: MOFSL, Company

### Market share in F&O segment expanding rapidly

- Post the transformation of its business model, Angel has gained market share in the F&O segment at a fast pace, up to 21% from merely 3.3% in 1QFY21.
- The introduction of its flat fee product wherein it charges INR20/- for every trade executed has played a key role in accelerating the pace of its market share growth.
- The increase in scale, faster client additions, and favourable regulatory landscape led to a sharp revenue growth of 121% for the company in FY21.

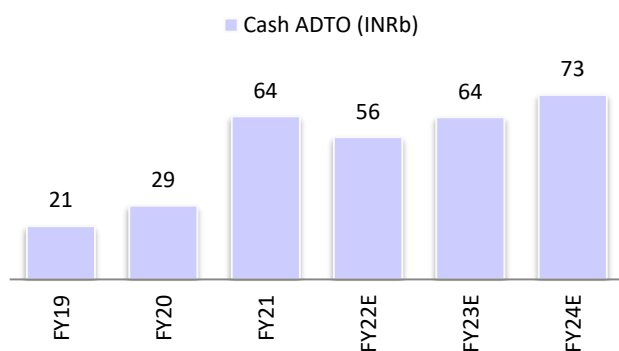
- We expect the company's F&O revenues to grow at a faster CAGR of 45% over FY21-FY24E, thereby increasing its share in net brokerage revenue to 70% by FY24E from 52% in FY21.

**Exhibit 18: F&O revenue growth momentum to sustain**

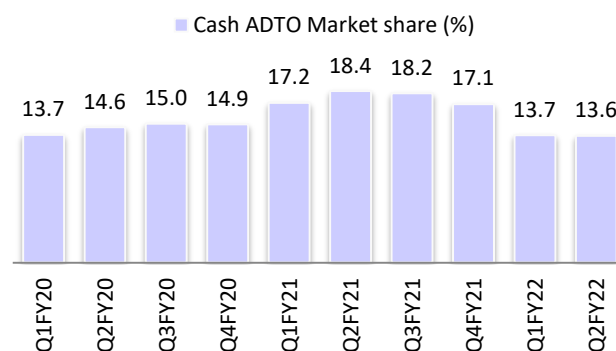
Source: Company, MOFSL

**Cash segment revenues to witness steady improvement**

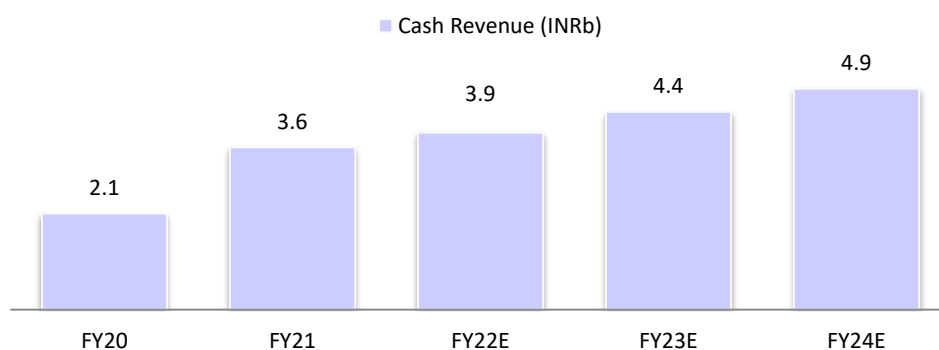
- The introduction of new margin norms adversely impacted the cash segment as there was a customer shift in preference towards the F&O segment.
- Angel's cash ADTO increased to INR50b in 2QFY22 from INR21b in FY21, but failed to translate into strong revenues due to a reduction in revenue per trade to INR8.3 in 2QFY22 from INR12.5 in 1QFY20.
- The decline in revenue per trade was on account of a change in mix between delivery and intra-day trades.
- Going forward, with the final phase of the margin norms implemented in Sept 2021, we expect the company's revenue per trade to stabilize.
- With its cash ADTO estimated to grow at 4% CAGR over FY21-24E, we estimate Angel's cash revenues to grow at 11% CAGR over the same period.

**Exhibit 19: Unfavourable regulatory changes adversely impact cash ADTO**

Source: MOFSL, Company

**Exhibit 20: Marginal decline in market share of cash segment**

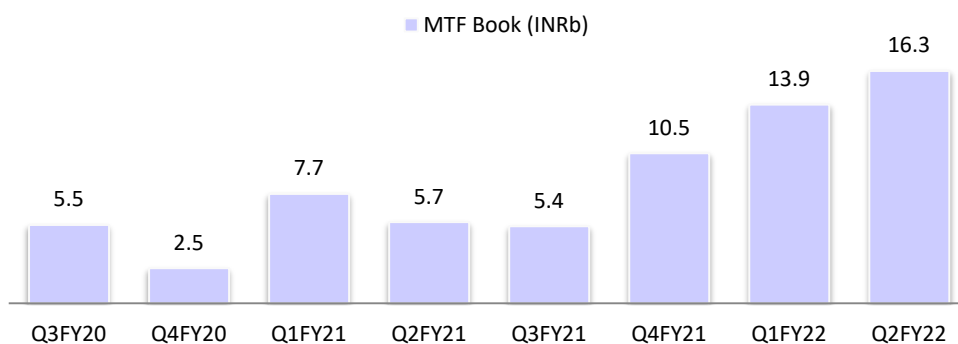
Source: MOFSL, Company

**Exhibit 21: Cash broking revenues to record moderate growth**

Source: Company, MOFSL

**Growth momentum in MTF book to sustain**

- Angel provides margin trading facility to its clients, which enables them to leverage their eligible collaterals and fund their requirements in the cash delivery segment of equities.
- Such funding is subject to exposure against margins, which are mandated by the stock exchanges, with the margin money and underlying securities forming part of the collateral, for such funding.
- This funding is exclusive to Angel's broking clients who intend to leverage their collaterals for participating further in the markets.
- Angel MTF book size has grown from INR2.4b in FY20 to INR16b in 2QFY22. The average funding ticket size stands at INR51,088.
- Empirically, we have witnessed that brokers run down their MTF book during periods of high volatility. For instance, ICICI Securities ran down its MTF + ESOP funding book to INR5.8b at the end of 4QFY20 from INR11.5b at the end of 3QFY20. Even Angel ran down its book to INR2.5b in 4QFY20 from INR5.5b in 3QFY20.
- Hence, unless the market heads towards a high volatility period for a longer duration, we expect the MTF book growth momentum to sustain for Angel, which in turn, will translate into a net interest income CAGR of 44% over FY21-FY24E.

**Exhibit 22: Gradual increase in size of MTF book**

Source: MOFSL, Company



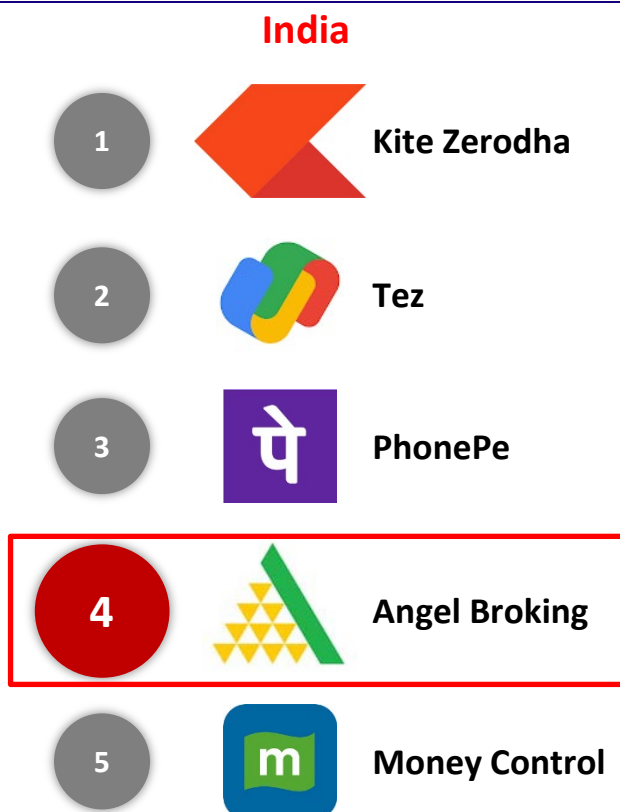
### Strong product suite catering to digital needs of customers

The changing landscape of the Indian broking industry, entry of tech savvy younger clients, and deepening penetration of internet trading have increased the significance of product proposition, digitalization and technological infrastructure for scaling up business. Over the years, Angel has built in strong product offerings across all segments at competitive prices.

## DIGITAL PLATFORMS

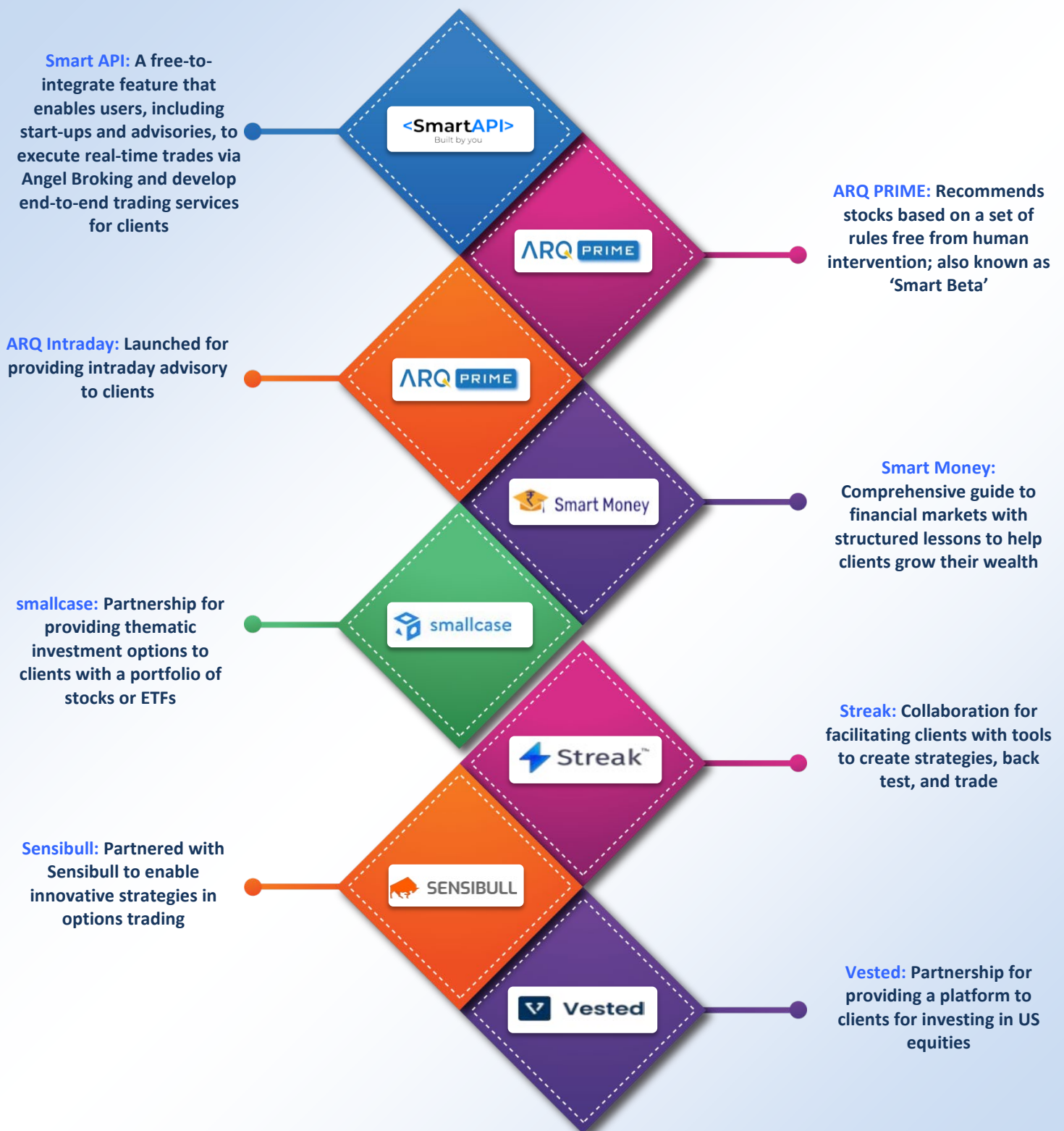


Exhibit 23: Angel Broking app ranked 4<sup>th</sup> in India Mobile App Stats 2020



Source: Company, MOFSL

## EXPANDED DIGITAL EDGE PRODUCT SUITE AND MORE TO COME



## Future product offerings

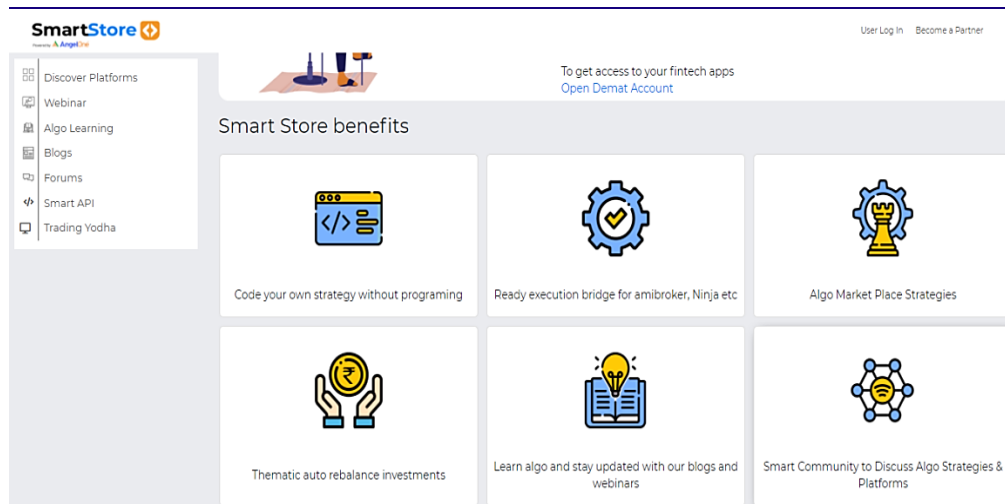
### Super app

- In addition to its existing offerings, Angel is also looking at launching its Super app by end of FY22 that will be a one-stop solution for investors to initiate their journey in the stock market and eventually increase wallet share by cross selling mutual funds and insurance products.
- Management expects this launch to increase traction in third-party products.

### SmartStore

- SmartStore will enable Angel's clients to participate, learn and develop automated trading strategies.
- This is a collection of the latest trading Fintech platforms and algo education providers. The platform focuses on creating an ecosystem of technological solutions to empower traders by enhancing their trading performance.

**Exhibit 24: SmartStore**



Source: MOFSL, Company

### Technology driving advancement towards becoming Fintech player

- Integrating technology has been the cornerstone of Angel's growth strategy. The impact of the company's unwavering focus on technology is clearly visible across all its operational and financial parameters.
- Over the past two years, Angel has acquired significant talent in the digital domain and ramped up its contact centre capacity. The company's technological spend increased by ~70.8% from the FY20 levels to INR357m in FY21.
- With 11 new key additions in its digital team, along with the appointment of the new CEO, Mr. Narayan Gangadhar in April 2021 who has over 20 years of experience in various executive leadership roles at tech edge companies such as Google, Uber, Amazon and Microsoft, Angel is well-poised to strengthen its position as a fintech player.
- Going forward, we expect Angel's technological investments to continue and an increase in the headcounts of its product and technology teams, as the company reaches the cusp of new-age innovation in the fintech space.

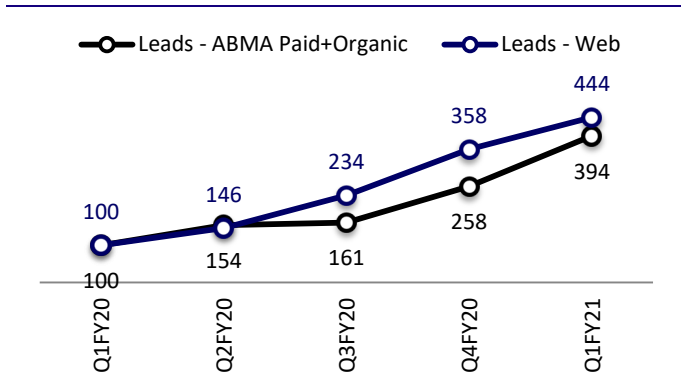
**Exhibit 25: Key additions to Angel's digital team**

Position	Details of new hires
Chief Technology Officer	❖ 20+ years of experience Worked at Walmart Labs, Microsoft, Goibibo, Intuit, Samsung Research and DevFactory (Trilogy)
Principal Architect	❖ 15+ years of experience Worked at Walmart Global, JP Morgan, Bank of America and start-ups in the mobile banking domain
SVP of Engineering	❖ 18+ years of experience Handled engineering leadership roles at Walmart Global Tech, Microsoft and Yahoo
SVP Data Platform	❖ 16+ years of experience Co-Founder/CTO of Yelo, handled engineering leadership roles at Rupeek, Amazon and Adobe
Head of Talent Acquisition - Product & Engineering	❖ 17 years of experience Led various HR roles, focusing on managing talent acquisition for tech organizations like Rippling, Google, Walmart and LinkedIn

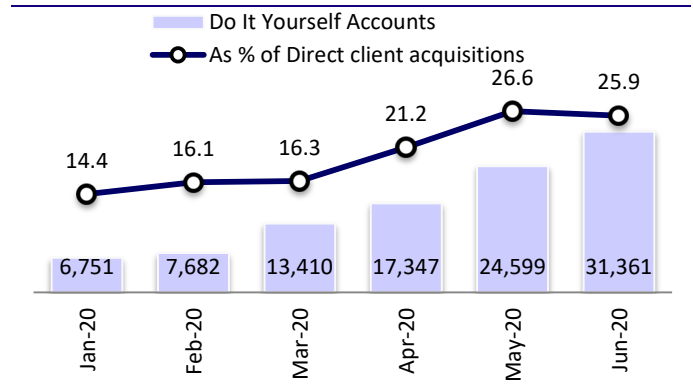
Source: MOFSL, Company

### Investor education and client engagement hold key to client acquisitions as well as activation

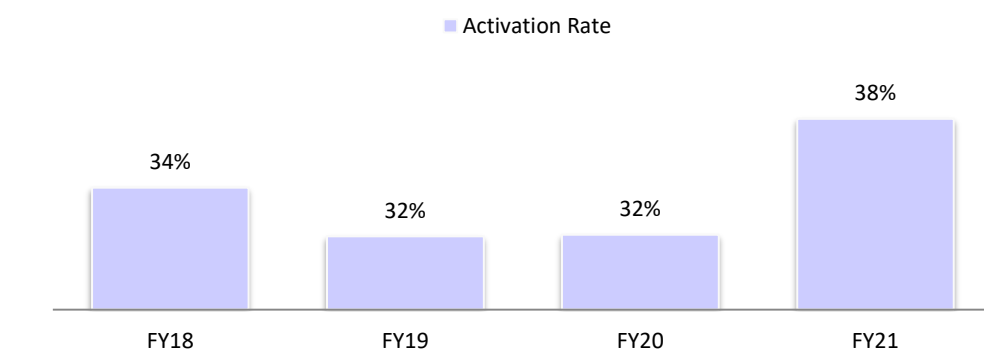
- Angel has a knowledge centre on its website which aims to empower clients in trading and investments in financial products. It has a dedicated team that focuses on only educating clients on futures and options.
- It also has active blog, podcast and video platforms to provide clients with an understanding of securities and financial matters.
- These investor education initiatives have helped the company achieve higher conversions, organic growth and activation rates.

**Exhibit 26: Higher lead volumes from websites (Indexed to 100)**

Source: Company RHP, MOFSL

**Exhibit 27: Increasing number of DIY customers**

Source: Company RHP, MOFSL

**Exhibit 28: Visible improvement of 4% in activation rate over FY18-FY21**

Source: MOFSL, Company

**Exhibit 29: Knowledge Center to provide knowledge on fundamentals of stock markets to first time equity customers**

We use cookies to improve your journey and to personalize your web experience. By continuing to use this site, you are accepting our [Terms of Use](#). [I accept](#)

**Angel Broking** is now  [Pricing](#) [About Us](#) [Contact Us](#) [Login](#) [Open Demat Account](#)

[Current Offers](#) [NEW](#) [Platforms - Tools & Research](#) [Products & Services](#) [Knowledge Center](#) [Become a Business Partner](#) [Learn to Earn](#) [Subscribe to Active IPOs](#)

## KNOWLEDGE CENTER

To avail lucrative returns on your investments, Angel One empowers you with the knowledge of stock trading and investment. Our knowledge bank is divided into different modules that explain related investment concepts, terms, strategies, and practices, such that you will be able to trade in the market in a better manner.

### DEMAT ACCOUNT

With the standardisation of share trading transactions, establishment of NSE, and the use of the internet and

### TRADING ACCOUNT

Similar to a bank account, a trading account acts as a common platform to sell or purchase securities.

### ONLINE SHARE TRADING

Online share trading involves buying and selling of stocks through online platform. Use the online

**ZERO + FREE**  
BROKERAGE + MARGIN TRADE FUNDING  
ON ALL SEGMENTS  
FOR 30 DAYS

Name

Mobile No

Current City

[Get Free\\* Account](#)

Source: MOFSL, Company

**Exhibit 30: Learn to Earn – Self-paced free course for different customer learning needs**

**Angel Broking** is now  [Pricing](#) [About Us](#) [Contact Us](#) [Login](#) [Open Demat Account](#)

[Current Offers](#) [NEW](#) [Platforms - Tools & Research](#) [Products & Services](#) [Knowledge Center](#) [Become a Business Partner](#) [Learn to Earn](#) [Subscribe to Active IPOs](#)

### Smart Money

Curated Self-Paced Learning Modules for

- OVERVIEW >
- BEGINNERS >
- INVESTORS >
- TRADERS >

### Join Free Webinars & Get a Chance to Learn More

[Register for Free Now](#)

### Refer Your Buddies & Earn Vouchers from Best Brands

[START REFERRING NOW!](#)

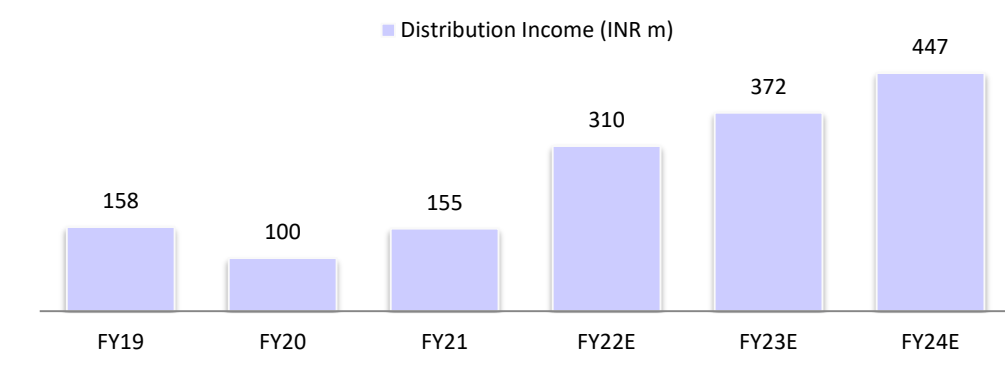
Source: MOFSL, Company



### Revenue diversification on the cards

- Angel's distribution business primarily consists of the distribution of third-party mutual funds, and life and health insurance products. It earns commissions from third parties for the distribution of their products that are in the form of recurring commissions for longer-term products.
- Angel follows an "open-source" distribution model, pursuant to which it distributes mutual funds of third parties irrespective of their affiliation or size. As of June 30, 2021, it distributed mutual funds schemes of 40 asset management companies. The company also provides its clients with a range of tools and information, including ratings (including third-party ratings), and historical performance, to identify the right funds to invest in.
- Angel is empanelled as a broker (1) with Birla SunLife and HDFC Life in the life insurance space, (2) with Bajaj Allianz, HDFC Ergo and ICICI Lombard in the general insurance space, and (3) for selling products of ManipalCigna Health Insurance in the health insurance space.
- In FY21, distribution income comprised merely 2% of the company's total income. Over the medium-to-long term, management sees distribution income as a key business area for achieving revenue diversification. However, it do not expect any material shift in the business mix in the near-term.
- In addition to this, Angel has applied with SEBI for in-principal approval as a Sponsor to set up an AMC. It will take around four quarters to set up the AMC business and an additional 2-3 quarters to launch a scheme and begin contributing to the topline and bottom line. The key rationale behind entering the AMC business is to tap the fast growing ETF/ passive segment with the aid of ARQ technology that is already in existence.

**Exhibit 31: Distribution income headed for healthy growth**



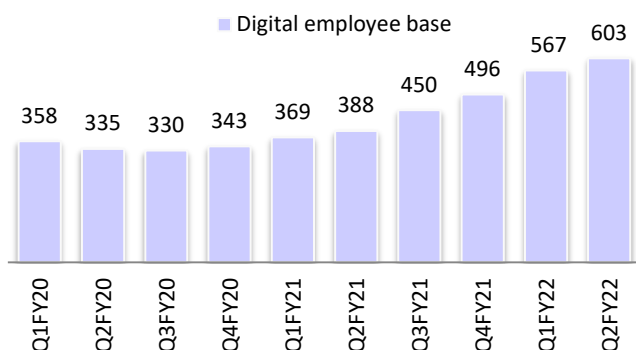
Source: MOFSL, Company

## Superior financial performance to continue

Angel has shut down all its branches and also reduced its overhead opex

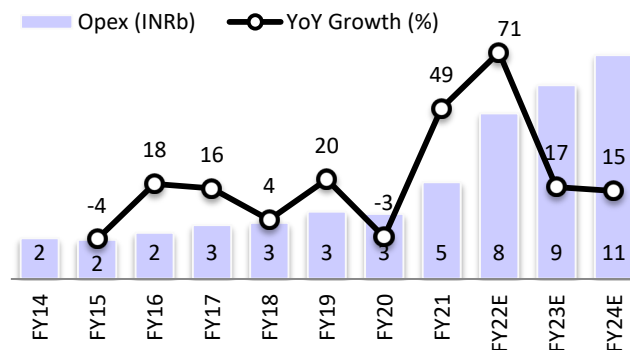
- Angel reported a revenue growth of 90%/95% for FY21/1HFY22, driven by 1) a surge in the number of clients, 2) jump in industry ADTO, and 3) increase in market share, especially in the F&O segment.
- This growth was made possible by Angel's asset light model, wherein the company closed down all its branches and diverted its resources towards technology and client acquisitions.
- For FY21-24E, we estimate revenue CAGR of 34%, driven by sustained momentum in client additions and a steady increase in the company's market share in both the F&O and cash segments, along with expansion in its MTF book. Distribution income will witness a steady uptrend over the same period.
- Angel recorded an opex CAGR of 20% over FY19-21, mainly on account of continuous investments in technology and appointment of senior management in its digital team.
- Angel's C/I ratio declined by 3500bp to 52% over FY14-FY21. However, the company expects to maintain its C/I ratio at these levels as it will be investing its incremental profits in 1) client acquisitions, 2) further talent addition and, 3) technology improvement.
- The company is expected to record PAT CAGR of 38% during FY21-24E, led by a strong revenue growth and steady margins.
- Angel's RoE is expected to remain healthy in the range of 34-42% over the next three years.

Exhibit 32: Investment in expansion of digital employee base



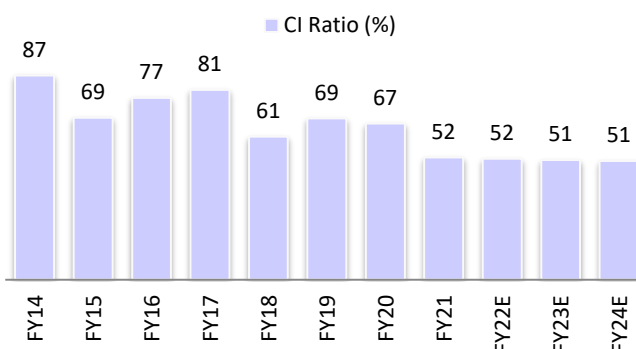
Source: MOFSL, Company

Exhibit 33: Opex growth



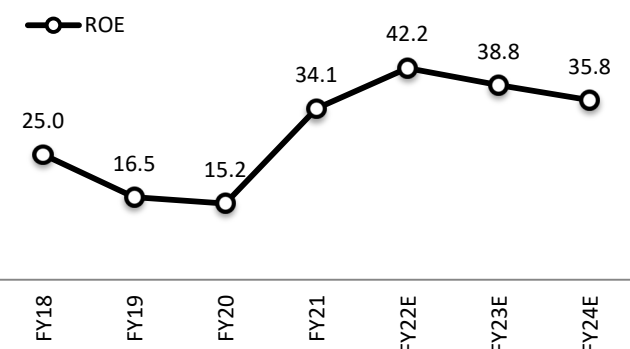
Source: MOFSL, Company

Exhibit 34: Improving C/I ratio



Source: MOFSL, Company

Exhibit 35: Healthy RoE



Source: MOFSL, Company

## Valuation and view

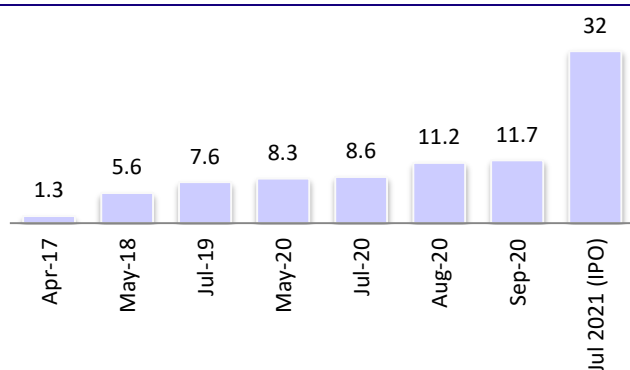
### Initiate with Buy

- Angel is a perfect play on 1) financialisation of savings and 2) digitisation
- The broking business has high element of cyclicity, and shifting to a fixed fee per trade model has reduced risks to a great extent
- With its new Angel One branding, the company is trying to move away from its image of a retail broker to a one-stop shop for all financial needs.
- Over the next three years, we expect Angel's revenues to grow at 34% CAGR and C/I ratio to remain steady at 51%. As a result, the company should deliver 38% PAT CAGR to INR7.8b in FY24E.
- Angel's business is largely capital-light, and its entire revenues are cash-flow based (no accrual income). We initiate coverage with a Buy rating and a TP of INR1750 (20x Sep'23E EPS).

### Robinhood Markets valuation study – Growing in line with number of users

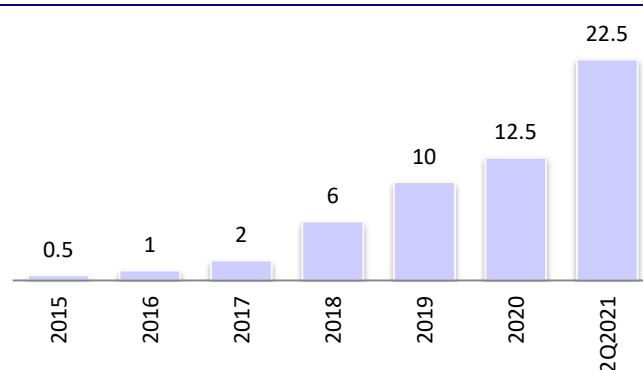
Robinhood Markets, a discount broker in the US, has seen an astronomical rise in its valuations over the years. The valuations ascribed in various rounds of funding and its recent IPO has driven a surge in number of customers using Robinhood to invest in the US equity market. Robinhood's per customer valuation stands at USD1,422 as compared to USD56 for Angel.

Exhibit 36: Robinhood Markets' valuation (US\$b)



Source: MOFSL, craft.co



Exhibit 37: Robinhood Markets' customers (m)



Source: MOFSL, Statista

Within the Indian discount brokers, recently Groww has raised funding at \$3b valuation compared to its valuation at \$1b in April 2021 and \$250 m in September'20 as per media sources. At the latest valuation, Groww's per active customer valuation stands at USD150 which is thrice that of Angel's valuation at \$56 per active customer.

Exhibit 38: Valuation per active user

Company	Valuation (In USD b)	NSE Active users (In m)	Valuation (USD per active user)
 <b>Groww</b>	3.0	20.0	150.0
 <b>AngelOne</b>	1.4	24.6	55.7

Source: MOFSL, NSE, Media articles

## Key risks

### **Market correction impacting retail cash ADTO**

Retail customers are highly sensitive to market returns, and a shorter-than-expected bull run or market correction can have a material impact on the number of trades, thereby impacting the company's revenue growth.

### **Complete dependence on retail brokerage business**

Angel derives its entire revenues from retail customers. Any reduction in retail participation in direct equities can materially impact its revenue and profitability.

### **High competition among discount brokers**

The past few years have witnessed formidable competition among discount brokers. Continued competition from other discount brokers could slowdown Angel's pace of customer acquisition.

## Bull & Bear case



### Bull Case

- ✓ In our bull case, we have factored in 44% revenue CAGR for FY21-24E, driven by a sharp pick-up in retail brokerage revenues (v/s 33% revenue CAGR in base case).
- ✓ C/I ratio is likely to decline to 48.6% by FY24 v/s 51% in base case.
- ✓ As a result, PAT is likely to grow at 50% CAGR over FY21-24E to INR10.1b (v/s INR7.8b in base case).
- ✓ Based on the above assumptions, we value the company at INR2,615 (24x Sep 23E E EPS) – marking an upside of 110%.



### Bear Case

- ✓ In our bear case, we have factored in 3% revenue CAGR, driven by sluggish brokerage (v/s 33% revenue CAGR in base case).
- ✓ C/I ratio is likely to increase to 53% by FY23 v/s 51% in base case.
- ✓ As a result, PAT is likely to grow at 2% CAGR over FY21-24E to INR5.9b (v/s INR7.8b in base case).
- ✓ Based on the above assumptions, we value the company at INR960 (14x Sep 23E EPS) – marking a downside of 22%.

**Exhibit 39: Scenario analysis – Bull Case**

INR b	FY22E	FY23E	FY24E
Net revenues	16.5	21.1	26.7
Operating expenses	8.5	10.6	13.1
PBT	8.0	10.5	13.5
PAT	6.0	7.9	10.1
Change YoY (%)	101.0	31.2	29.0
Revenue Growth (%)	83.4	28.2	26.3
Cost to Income (%)	50.5	49.5	48.6
RoE (%)	45.7	45.5	44.7
EPS	72.5	95.2	122.7
Target PE multiple (Sep' 23E)	24.0		
Target price (INR)	2,615		
Upside (%)	112.6		

Source: MOFSL, Company

**Exhibit 40: Scenario analysis – Bear Case**

INR b	FY22E	FY23E	FY24E
Net revenues	14.7	15.9	16.9
Operating expenses	8.0	8.6	9.1
PBT	6.7	7.3	7.8
PAT	5.0	5.5	5.9
Change YoY (%)	67.5	9.4	7.3
Revenue Growth (%)	63.4	8.2	6.3
Cost to Income (%)	53.5	53.0	52.6
RoE (%)	35.8	32.7	28.3
EPS	60.5	66.1	71.0
Target PE multiple (Sep '23E)	14.0		
Target price (INR)	960		
Upside (%)	-22.0		

Source: MOFSL, Company



## Company overview

---



Angel is one of the largest retail-focused Fintech broking houses in India in terms of active clients on the NSE. Angel. It offers broking and advisory services, margin funding, loans against shares and financial products distribution.

The company offers these services through (i) online and digital platforms and (ii) network of over 15,000 authorised persons. The company has a customer outreach spanning across approximately 97.9% or 18,854 pincodes in India, as on 31<sup>st</sup> March 2021.

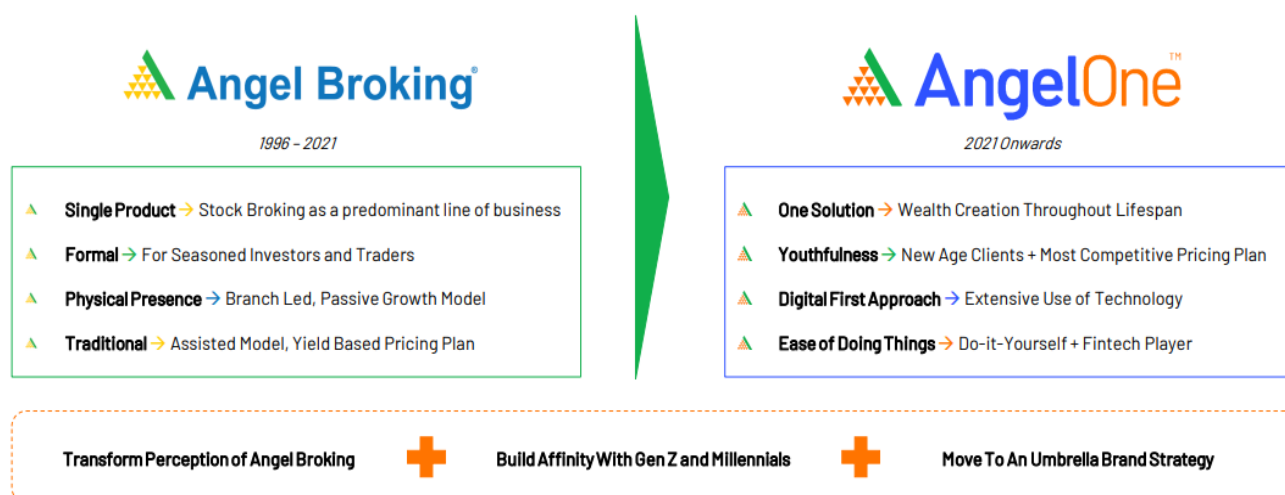
The company currently offers a flat fee broking plan of INR0 / 20 to its direct clients, wherein all the equity delivery trades are zero brokerage and a nominal flat brokerage fee of INR20 / order is charged for intraday, F&O, currency and commodity orders.

### Exhibit 41: Operating business segments

---



## Exhibit 42: Business transformation journey



Source: MOFSL, Company

## Key Management Personnel



**Mr. Dinesh D. Thakkar; CMD**

Mr. Thakkar has obtained HSC degree from the Maharashtra State Board of Secondary and Higher Secondary Education. He has over 25 years of experience in the broking industry. He is also one of the company's promoters.



**Mr. Narayan Gangadhar; CEO**

Mr. Gangadhar has more than two decades of global experience in leading technology businesses at top tier Silicon Valley companies, such as Google, Microsoft, Amazon and Uber. He brings in a lot of operating experience in leading highly disruptive businesses by driving innovation in product, technology, capability building and processes automation. He was appointed as the company's CEO in April 2021.



**Mr. Vineet Agrawal; CFO**

Mr. Agrawal holds a Bachelor's degree in Commerce from the University of Calcutta. He is also an associate of the Institute of Chartered Accountants of India, the Institute of Company Secretaries of India, and the Institute of Cost and Works Accountants of India. He has worked with STP Limited, Kitply Industries Limited, Reliance Communications Limited, BhartiAirtel Limited, Suzlon Energy Limited, Secure Meters Limited and Bergwerff Organic (India) Private Limited.



**Mr. Jyotishwarup Raiturkar; CTO**

Mr. Jyotishwarup has 20+ years of experience in building high scale tech products. He joins the Angel team following a very successful stint at Walmart Labs'. Prior to Walmart, he held various senior tech leadership positions at Mint; and Goibibo. He has in the past, also worked at Microsoft on the Windows platform and Samsung on the multimedia framework.

## Financials and Valuation

Income Statement						(INRM)	
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
<b>Total Income</b>	<b>4,433</b>	<b>4,723</b>	<b>4,721</b>	<b>8,971</b>	<b>15,559</b>	<b>18,390</b>	<b>21,394</b>
Change (%)	37.9	6.5	0.0	90.0	73.4	18.2	16.3
Gross Brokerage Income	4,785	5,014	5,039	9,065	14,022	16,857	19,754
Less - Brokerage / direct expenses	2,464	2,420	2,304	3,630	5,329	6,406	7,506
Net Brokerage Income	2,321	2,595	2,735	5,436	8,694	10,452	12,247
Interest income	2,038	1,696	1,254	1,769	3,769	4,296	4,891
Less - Finance costs	947	666	489	389	644	688	743
Net Interest income	1,091	1,031	765	1,380	3,125	3,609	4,149
Other Income	1,021	1,098	1,221	2,155	3,740	4,330	4,998
<b>Operating Expenses</b>	<b>2,701</b>	<b>3,245</b>	<b>3,142</b>	<b>4,675</b>	<b>8,013</b>	<b>9,379</b>	<b>10,825</b>
Change (%)	3.9	20.2	-3.2	48.8	71.4	17.0	15.4
Employee expenses	1,245	1,593	1,598	1,718	2,801	3,310	3,808
Admin expense	1,456	1,652	1,544	2,957	5,212	6,069	7,017
<b>Operating Margin</b>	<b>1,732</b>	<b>1,478</b>	<b>1,578</b>	<b>4,295</b>	<b>7,546</b>	<b>9,011</b>	<b>10,569</b>
Depreciation	145	188	209	184	159	173	180
Exception	0	0	166	0	0	0	0
<b>Profit Before Tax</b>	<b>1,587</b>	<b>1,290</b>	<b>1,204</b>	<b>4,112</b>	<b>7,387</b>	<b>8,838</b>	<b>10,388</b>
Change (%)	231.3	-18.7	-6.7	241.5	79.7	19.6	17.5
Tax	508	448	320	1,131	1,847	2,210	2,597
Tax Rate (%)	32.0	34.7	26.6	27.5	25.0	25.0	25.0
<b>PAT</b>	<b>1,079</b>	<b>842</b>	<b>884</b>	<b>2,981</b>	<b>5,540</b>	<b>6,629</b>	<b>7,791</b>
Change (%)	248.0	-22.0	5.0	237.3	85.9	19.6	17.5
Dividend	235	234	227	1,056	1,939	2,320	2,727

Balance Sheet						(INR M)	
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
Equity Share Capital	720	720	720	818	826	826	826
Reserves & Surplus	4,029	4,765	5,427	10,492	14,093	18,401	23,466
<b>Net Worth</b>	<b>4,749</b>	<b>5,485</b>	<b>6,147</b>	<b>11,310</b>	<b>14,919</b>	<b>19,227</b>	<b>24,292</b>
Borrowings	11,223	8,666	4,880	11,715	12,500	13,500	14,500
Other Liabilities	7,702	8,018	11,043	25,114	43,622	55,134	67,142
<b>Total Liabilities</b>	<b>23,674</b>	<b>22,168</b>	<b>22,070</b>	<b>48,138</b>	<b>71,041</b>	<b>87,862</b>	<b>1,05,934</b>
Cash and Investments	9,330	10,134	14,607	18,830	47,257	60,782	75,199
Change (%)	39.9	8.6	44.1	28.9	151.0	28.6	23.7
<b>Loans</b>	<b>11,309</b>	<b>7,617</b>	<b>2,806</b>	<b>11,285</b>	<b>19,743</b>	<b>22,504</b>	<b>25,620</b>
Change (%)	748.3	-32.6	-63.2	302.2	74.9	14.0	13.8
Net Fixed Assets	1,158	1,181	1,104	1,150	1,318	1,373	1,428
Current Assets	1,877	3,236	3,553	16,873	2,723	3,202	3,687
<b>Total Assets</b>	<b>23,674</b>	<b>22,168</b>	<b>22,070</b>	<b>48,138</b>	<b>71,041</b>	<b>87,862</b>	<b>1,05,934</b>

E: MOFSL Estimates

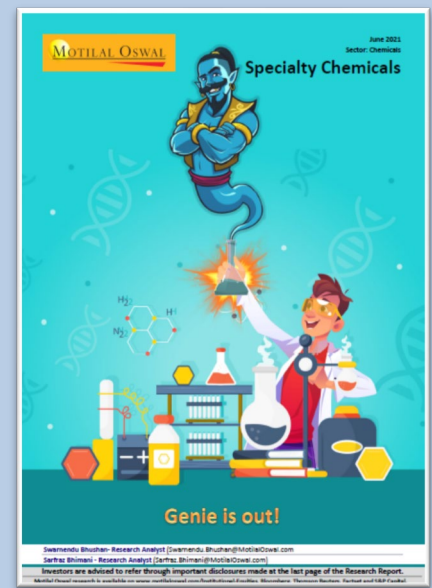
## Financials and Valuation

Ratios	(%)						
Y/E March	2018	2019	2020	2021	2022E	2023E	2024E
As a percentage of Revenues							
Net Brokerage Income	52.3	54.9	57.9	60.6	55.9	56.8	57.2
Net Interest Income	24.6	21.8	16.2	15.4	20.1	19.6	19.4
Other Income	23.0	23.2	25.9	24.0	24.0	23.5	23.4
<b>Total cost</b>	<b>60.9</b>	<b>68.7</b>	<b>66.6</b>	<b>52.1</b>	<b>51.5</b>	<b>51.0</b>	<b>50.6</b>
Employee Cost	28.1	33.7	33.9	19.2	18.0	18.0	17.8
Opex (ex emp) Cost	32.8	35.0	32.7	33.0	33.5	33.0	32.8
<b>PBT</b>	<b>35.8</b>	<b>27.3</b>	<b>25.5</b>	<b>45.8</b>	<b>47.5</b>	<b>48.1</b>	<b>48.6</b>
<b>PAT</b>	<b>24.3</b>	<b>17.8</b>	<b>18.7</b>	<b>33.2</b>	<b>35.6</b>	<b>36.0</b>	<b>36.4</b>
<b>Profitability Ratios (%)</b>							
RoE	25.0	16.5	15.2	34.1	42.2	38.8	35.8
Dividend Payout Ratio	21.8	27.8	25.7	35.4	35.0	35.0	35.0
<b>Valuations</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
BVPS (INR)	57.5	66.4	74.4	136.9	180.6	232.8	294.1
Change (%)	22.0	15.5	12.1	84.0	31.9	28.9	26.3
Price-BV (x)	<b>21.4</b>	<b>18.6</b>	<b>16.6</b>	<b>9.0</b>	<b>6.8</b>	<b>5.3</b>	<b>4.2</b>
EPS (INR)	13.1	10.2	10.7	36.1	67.1	80.2	94.3
Change (%)	248.0	-22.0	5.0	237.3	85.9	19.6	17.5
Price-Earnings (x)	<b>94.3</b>	<b>120.9</b>	<b>115.2</b>	<b>34.1</b>	<b>18.4</b>	<b>15.4</b>	<b>13.1</b>
DPS (INR)	3.3	3.3	3.2	12.9	23.5	28.1	33.0
Dividend Yield (%)	<b>0.3</b>	<b>0.3</b>	<b>0.3</b>	<b>1.0</b>	<b>1.9</b>	<b>2.3</b>	<b>2.7</b>
E: MOFSL Estimates							

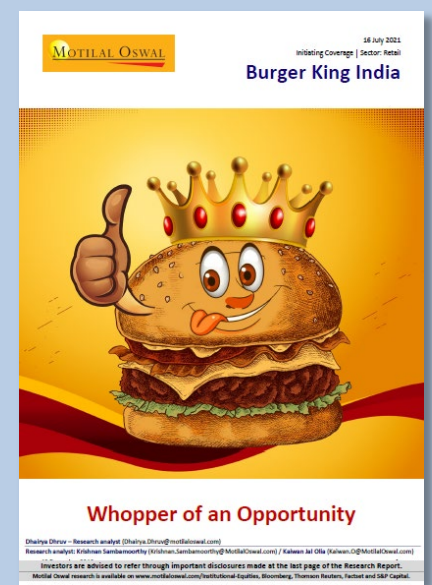
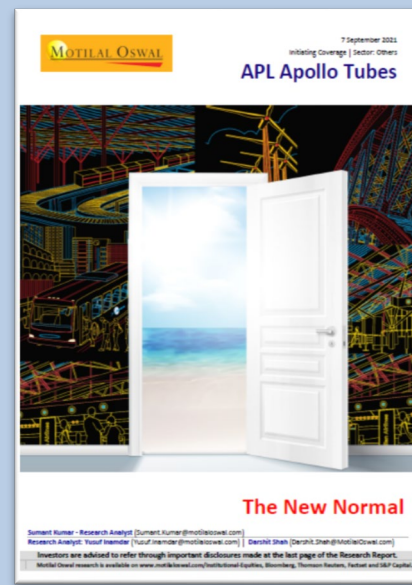


# REPORT GALLERY

## RECENT SECTOR THEMATIC REPORTS



## RECENT INITIATING COVERAGE REPORTS



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

#### Disclosures

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Motilal Oswal Financial Services Ltd. (MOFSL) is a SEBI Registered Research Analyst having registration no. INH000000412. MOFSL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Investment Advisory Services, Depository participant services & distribution of various financial products. MOFSL is a subsidiary company of Passionate Investment Management Pvt. Ltd., (PIMPL). MOFSL is a listed public company, the details in respect of which are available on [www.motilaloswal.com](http://www.motilaloswal.com). MOFSL (erstwhile Motilal Oswal Securities Limited - MOSL) is registered with the Securities & Exchange Board of India (SEBI) and is a registered Trading Member with National Stock Exchange of India Ltd. (NSE) and Bombay Stock Exchange Limited (BSE), Multi Commodity Exchange of India Limited (MCX) and National Commodity & Derivatives Exchange Limited (NCDEX) for its stock broking activities & is Depository participant with Central Depository Services Limited (CDSL) National Securities Depository Limited (NSDL), NERL, COMRIS and CCRL and is member of Association of Mutual Funds of India (AMFI) for distribution of financial products and Insurance Regulatory & Development Authority of India (IRDA) as Corporate Agent for insurance products. Details of associate entities of Motilal Oswal Financial Services Limited are available on the website at <http://onlinereports.motilaloswal.com/Dormant/documents/List%20of%20Associate%20companies.pdf>

MOFSL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report

MOFSL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that MOFSL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions. Details of pending Enquiry Proceedings of Motilal Oswal Financial Services Limited are available on the website at <https://galaxy.motilaloswal.com/ResearchAnalyst/PublishViewLitigation.aspx>

A graph of daily closing prices of securities is available at [www.nseindia.com](http://www.nseindia.com), [www.bseindia.com](http://www.bseindia.com). Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of MOFSL or its associates maintains arm's length distance with Research Team as all the activities are segregated from MOFSL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

#### Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL & its group companies to registration or licensing requirements within such jurisdictions.

#### For Hong Kong:

This report is distributed in Hong Kong by Motilal Oswal capital Markets (Hong Kong) Private Limited, a licensed corporation (CE AYY-301) licensed and regulated by the Hong Kong Securities and Futures Commission (SFC) pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) "SFO". As per SEBI (Research Analyst Regulations) 2014 Motilal Oswal Securities (SEBI Reg No. INH000000412) has an agreement with Motilal Oswal capital Markets (Hong Kong) Private Limited for distribution of research report in Hong Kong. This report is intended for distribution only to "Professional Investors" as defined in Part I of Schedule 1 to SFO. Any investment or investment activity to which this document relates is only available to professional investor and will be engaged only with professional investors." Nothing here is an offer or solicitation of these securities, products and services in any jurisdiction where their offer or sale is not qualified or exempt from registration. The Indian Analyst(s) who compile this report is/are not located in Hong Kong & are not conducting Research Analysis in Hong Kong.

#### For U.S.

Motilal Oswal Financial Services Limited (MOFSL) is not a registered broker - dealer under the U.S. Securities Exchange Act of 1934, as amended (the "1934 act") and under applicable state laws in the United States. In addition MOFSL is not a registered investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act" and together with the 1934 Act, the "Acts"), and under applicable state laws in the United States. Accordingly, in the absence of specific exemption under the Acts, any brokerage and investment services provided by MOFSL, including the products and services described herein are not available to or intended for U.S. persons. This report is intended for distribution only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the Exchange Act and interpretations thereof by SEC (henceforth referred to as "major institutional investors"). This document must not be acted on or relied on by persons who are not major institutional investors. Any investment or investment activity to which this document relates is only available to major institutional investors and will be engaged in only with major institutional investors. In reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act") and interpretations thereof by the U.S. Securities and Exchange Commission ("SEC") in order to conduct business with Institutional Investors based in the U.S., MOFSL has entered into a chaperoning agreement with a U.S. registered broker-dealer, Motilal Oswal Securities International Private Limited. ("MOSIPL"). Any business interaction pursuant to this report will have to be executed within the provisions of this chaperoning agreement.

The Research Analysts contributing to the report may not be registered /qualified as research analyst with FINRA. Such research analyst may not be associated persons of the U.S. registered broker-dealer, MOSIPL, and therefore, may not be subject to NASD rule 2711 and NYSE Rule 472 restrictions on communication with a subject company, public appearances and trading securities held by a research analyst account.

#### For Singapore

In Singapore, this report is being distributed by Motilal Oswal Capital Markets Singapore Pte Ltd ("MOCMSPL") (Co.Reg. NO. 201129401Z) which is a holder of a capital markets services license and an exempt financial adviser in Singapore. As per the approved agreement under Paragraph 9 of Third Schedule of Securities and Futures Act (CAP 289) and Paragraph 11 of First Schedule of Financial Advisors Act (CAP 110) provided to MOCMSPL by Monetary Authority of Singapore. Persons in Singapore should contact MOCMSPL in respect of any matter arising from, or in connection with this report/publication/communication. This report is distributed solely to persons who qualify as "Institutional Investors", of which some of whom may consist of "accredited" institutional investors as defined in section 4A(1) of the Securities and Futures Act, Chapter 289 of Singapore ("the SFA"). Accordingly, if a Singapore person is not or ceases to be such an institutional investor, such Singapore Person must immediately discontinue any use of this Report and inform MOCMSPL.

#### Specific Disclosures

- 1 MOFSL, Research Analyst and/or his relatives does not have financial interest in the subject company, as they do not have equity holdings in the subject company.
- 2 MOFSL, Research Analyst and/or his relatives do not have actual/beneficial ownership of 1% or more securities in the subject company
- 3 MOFSL, Research Analyst and/or his relatives have not received compensation/other benefits from the subject company in the past 12 months
- 4 MOFSL, Research Analyst and/or his relatives do not have material conflict of interest in the subject company at the time of publication of research report
- 5 Research Analyst has not served as director/officer/employee in the subject company
- 6 MOFSL has not acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- 7 MOFSL has not received compensation for investment banking/ merchant banking/brokerage services from the subject company in the past 12 months
- 8 MOFSL has not received compensation for other than investment banking/merchant banking/brokerage services from the subject company in the past 12 months
- 9 MOFSL has not received any compensation or other benefits from third party in connection with the research report
- 10 MOFSL has not engaged in market making activity for the subject company

The associates of MOFSL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MOFSL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.



The associates of MOFSL has not received any compensation or other benefits from third party in connection with the research report

Above disclosures include beneficial holdings lying in demat account of MOFSL which are opened for proprietary investments only. While calculating beneficial holdings, It does not consider demat accounts which are opened in name of MOFSL for other purposes (i.e holding client securities, collaterals, error trades etc.). MOFSL also earns DP income from clients which are not considered in above disclosures.

#### Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

#### Terms & Conditions:

This report has been prepared by MOFSL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of MOFSL. The report is based on the facts, figures and information that are considered true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. MOFSL will not treat recipients as customers by virtue of their receiving this report.

#### Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative products as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. MOFSL, its associates, their directors and the employees may from time to time, effect or have effected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of MOFSL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject MOFSL to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt MOFSL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold MOFSL or any of its affiliates or employees responsible for any such misuse and further agrees to hold MOFSL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website [www.motilaloswal.com](http://www.motilaloswal.com). CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)\*: INZ000158836(BSE/NSE/MCX/NCDX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: [na@motilaloswal.com](mailto:na@motilaloswal.com), Contact No.:022-71881085.

\* MOSL has been amalgamated with Motilal Oswal Financial Services Limited (MOFSL) w.e.f August 21, 2018 pursuant to order dated July 30, 2018 issued by Hon'ble National Company Law Tribunal, Mumbai Bench.