

Angel Broking Ltd.

SECTOR Financial Services

Issue Highlights

Issue Open	September 22, 2020
Issue Close	September 24, 2020
Issue Price	Rs. 305 - Rs. 306 per share
Total Issue Size	Rs. 600 Cr
Of which	
Fresh Issue	Rs. 300 Cr
Offer for sale	Rs. 300 Cr
Face Value	Rs. 10/share
Market Lot	49 Equity Shares
Issue Type	Book Built Issue

Offer Structure

QIB Category	50%
Retail category	35%
Non-Institutional	15%

Lead Book Running Managers

- ICICI Securities Ltd
- Edelweiss Financial Services Ltd
- SBI Capital Markets Ltd

Registrar To The Offer

- Link Intime India Private Limited

About the Company

Angel Broking is the fourth largest retail broking houses in India in terms of active clients on NSE as of June 30, 2020, as per CRISIL Report and 2nd largest in terms of incremental NSE clients in Q1 - FY21. The company provides technology-led financial services such as broking and advisory services, margin funding, loans against shares (through one of its subsidiaries, AFPL) and financial products distribution to its clients. Its primary focus is to profitably grow their retail broking, margin funding and distribution businesses through its online and digital platforms such as "Angel Broking Mobile App", "trade.angelbroking.com", "Angel SpeedPro", "Angel BEE", which are powered by "ARQ", a rule-based investment engine.

As of June 30, 2020, it manage Rs 132,540 mn in client assets and over 2.15 mn operational broking accounts with market share of ~6.3%. The company's broking and allied services are offered through 1) online and digital platforms, and 2) Its network of over 11,000 sub-brokers. They have more than 4.39 mn downloads of Angel Broking mobile application and nearly 1 mn downloads of Angel BEE mobile application which enable its clients to avail digital services. Also its digital marketing has enabled company to garner 398 mn digital impressions on its various online platforms. It has customer spread across 18,649 pin codes in India.

Objects of the Issue

- To meet working capital requirements;
- General corporate purposes;

Valuation

According to the CRISIL Report, the financial market in India is expected to continue to grow in line with its historical trajectory, driven by strong demand and supply-side drivers, such as the expected growth in the Indian economy, increasing urbanization, more option for investments, availability of large amount of data and apps and increase in usage of digital platforms. In the last five years, there has been an increase in the amount of wealth invested in India in financial products as compared to traditional forms of investment.

We believe Angel Broking is well placed to capitalized opportunities in the capital market with well experienced management team, research capabilities, decent presence across digital platform ahead of peers and large cliental base. Further, opportunities in Indian financial market and good traction from retail participation would benefit the company in coming period. On valuation front, Angel Broking is valued at a P/E of 13x FY21 annualized EPS. Going forward, we remain positive on the company's growth and so investors having long term view can subscribe to the issue.

Strength & Strategies

Aiming to become the largest retail broking business in India: Angel broking aim to enhance its market position in the growing retail broking segment, by continuing to focus on acquiring and retaining clients, product innovation, leveraging web and digital broking platforms and brand to acquire clients through these platforms and extensive Authorized Person network, analyzing client behavior and provide personalized recommendations. Further, it intend to expand and offer all the financial services required by the retail clients. Also aim is to increase client base, by increasing number of trades and transactions, thereby increasing retail broking revenues. Lastly, they would strengthen client support systems which would provide support anytime, anywhere access through various modes of communication.

Augment investment in digital platforms and newer technologies: Angel broking is at the forefront of application of technology and digitalization in the broking business in India. They are continuously striving to reach international standards of providing services to their clients. Majority of their retail clients interact with them through electronic broking platform, and the company continuously invest in the development of technology to ensure that they can provide superior, seamless and secure experience. Further it aims to enhance client engagement through mobile technology and delivering innovative products, improving user interface across devices and ensure time optimization for an increase in the performance and execution of trades. Moreover they implement best practices in respect of cyber security which increases its ability to operate with third parties. Also its risk management framework is completely automated to meet the growing needs and requirements of regulators, market participants and clients. Going ahead it will continue to use analytics and artificial intelligence to help understand client preferences, design new products, identify targets for cross-selling and increase clients transactions.

Establish a leadership position in the investment advisory space to support business: Angel Broking provides investment advisory services through various applications and website, which are supplemented by 'ARQ', a rule based investment engine. At present, they provide clients with customized solutions to assist them achieve their investment goals across various investment asset classes such as equities, derivatives, currency and commodities, mutual funds, fixed deposits and bonds, health insurance and life insurance products. The "Angel BEE" mobile application helps as the digital interface for sourcing, client acquisition and interaction with their clients. This digital platform also provides retail wealth management and personalized investment recommendations. Further, with motive of expanding client base and increase the proportion of total spending, diversification across financial products and services, coupled with organizational structure and culture would be helpful.

Experienced management team with proven execution capabilities: The company has strong management team with experience in the Indian financial services and broking sectors. The quality of management team has been the driving force in achieving all-encompassing growth in the company's business. Its promoter, Dinesh D. Thakkar has over 27 years of experience in the broking industry and is the founder of the Angel group. Other Promoters, Ashok D. Thakkar and Sunita A. Magnani have over 20 years and over 15 years of experience, respectively. Further, the overall team is responsible for formulating business strategy, devising and executing marketing and sales plan, managing service areas, diversifying business and sector mix, ensuring strong operating and technology platforms and expanding relationship with their clients.

Key Risks

- Heavily dependent on information technology system, any failure could impact the revenue of the business.
- Increase in competition could limit growth and impact businesses prospects.
- Further deterioration of economic condition due to Novel Coronavirus could have potential impact on the business performance.
- Some of the company's Directors, Promoters, Subsidiaries and certain group companies are involved in legal and other proceedings.

Financial Performance

Profit & Loss Account

Particulars (Rs Crs)	FY18	FY19	FY20	Q1FY21
Interest Income	236.9	202.4	157.7	34.9
Fees and commission income	526.6	555.6	564.4	203.2
Net gain on fair value changes	0.8	0.1	2.5	0.3
Net revenue	764.3	758.0	724.6	238.4
Fees and commission expense	246.4	242.0	230.4	76.5
Impairment on financial instruments	9.7	15.2	37.7	19.0
Employee benefits expenses	122.0	159.2	159.8	37.3
Others expenses	128.3	152.3	138.2	36.0
Total expense	506.3	568.6	566.2	168.8
EBITDA	257.9	189.4	158.5	69.6
EBITDA margin %	33.7	25.0	21.9	29.2
Depreciation, amortization and impairment	19.1	18.9	20.9	5.0
EBIT	238.9	170.5	137.5	64.6
Other income	15.7	26.1	30.1	8.2
Finance costs	94.6	68.4	48.9	8.2
PBT before exceptional	160.0	128.2	118.8	64.6
Tax	50.2	44.8	32.0	16.4
PAT	109.8	83.4	86.8	48.3
PAT Margin %	14.4	11.0	12.0	20.2
EPS	15.2	11.6	12.1	6.7

Source: Company Data, RHP

Financial Performance

Balance Sheet

Particulars (Rs Crs)	FY18	FY19	FY20	Q1FY21
Equities and Liabilities				
Shareholders' funds				
Equity Share capital	72.0	72.0	72.0	72.0
Other Equity	401.6	459.4	519.4	567.1
Total Equity	473.6	531.4	591.4	639.1
Non-current liabilities				
Trade Payables	614.7	637.8	939.5	1,503.7
Borrowings	1,137.4	871.8	490.9	658.0
Other financial liabilities	124.2	135.8	130.5	134.2
	1,876.3	1,645.4	1,560.8	2,295.8
Non-Financial Liabilities				
Tax liabilities (Net)	0.2	0.3	0.0	5.9
Provisions	4.4	5.2	6.7	7.9
Other non-financial liabilities	24.2	26.2	31.2	46.9
	28.8	31.7	37.9	60.8
Total Liabilities	2,378.7	2,208.5	2,190.2	2,995.7
Assets				
Financial Assets				
Cash and cash equivalents	123.0	447.0	613.2	515.6
Bank Balance other than	821.7	539.0	800.3	1,445.5
Trade Receivables	156.8	214.6	39.0	56.3
Loans	1,092.4	761.7	280.6	814.4
Investments	6.5	14.9	35.3	2.4
Other financial assets	29.0	68.2	270.6	13.9
	2,229.5	2,045.4	2,039.0	2,848.1
Inventories	0.1	0.0	0.0	-
Tax assets (Net)	1.5	5.2	4.9	1.1
Deferred tax assets (Net)	6.1	7.6	4.9	5.1
Investment Property	0.1	0.1	0.1	3.3
Property, Plant and Equipment	106.5	106.3	103.9	102.5
Intangible assets under development	-	0.6	2.1	2.3
Intangible assets	9.2	6.7	4.7	4.4
Right of use assets	12.1	20.8	15.3	9.4
Other non-financial assets	13.6	15.8	15.2	19.6
	149.2	163.1	152.3	147.6
Total Assets	2,378.7	2,208.5	2,190.2	2,995.7

Source: Company Data, RHP

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S. No.	Statement	Answer	
		Yes	No
		Tick appropriate	
		Yes	No
	I/we or any of my/our relative has any financial interest in the subject company? [If answer is yes, nature of Interest is given below this table]		No
	I/we or any of my/our relatives, have actual/beneficial ownership of one per cent. or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance?		No
	I / we or any of my/our relative, has any other material conflict of interest at the time of publication of the research report or at the time of public appearance?		No
	I/we have received any compensation from the subject company in the past twelve months?		No
	I/we have managed or co-managed public offering of securities for the subject company in the past twelve months?		No
	I/we have received any compensation for brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation for products or services other than brokerage services from the subject company in the past twelve months?		No
	I/we have received any compensation or other benefits from the subject company or third party in connection with the research report?		No
	I/we have served as an officer, director or employee of the subject company?		No
	I/we have been engaged in market making activity for the subject company?		No

Nature of Interest (if answer to F (a) above is Yes :

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Name(s) with Signature(s) of RA(s).

[Please note that only in case of multiple RAs and if the answers differ inter-se between the RAs, then RA specific answer with respect to questions under F (a) to F(j) above , are given below]

SS.No.	Name(s) of RA.	Signatures of RA	Serial Question of question which the signing RA needs to make a separate declaration / answer	Yes	No.

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