

## Angel Broking Q4FY21

### Financial Results & Highlights

#### Brief Introduction:

Angel Broking is one of the largest retail broking houses in India in terms of active clients on NSE as of June 30, 2020 (Source: CRISIL Report). It has a network of 11,000 Authorised Persons and has had more than 4.39 million downloads of Angel Broking mobile application and nearly 1 million downloads of Angel BEE mobile application as of June 30, 2020. It manages ₹ 132,540 million in client assets and over 2.15 million operational broking accounts as of June 30, 2020.

Standalone Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	414	199	108.04%	312	32.69%	1290	743	73.62%
PBT	139	46	202.17%	105	32.38%	398	117	240.2%
PAT	100	35	185.71%	73	36.99%	290	87	233.33%
Consolidated Financials (In Crs)								
	Q4FY21	Q4FY20	YoY %	Q3FY21	QoQ %	FY21	FY20	YoY%
Sales	419	200	109.50%	316	32.59%	1299	755	72.05%
PBT	142	44	223%	105	35.24%	411	119	245%
PAT	102	33	209%	73	39.73%	298	87	242.53%

#### Detailed Results:

1. The company had an excellent quarter with 110% YoY growth in consolidated revenues and 209% YoY growth in consolidated profits.
2. It has an 8.3% share in NSE Active Client Base in Mar'21 from 5.3% a year ago. Angel has a total client base of 4.12 million as of Mar '21 across 97.9% of pin codes in India.
3. Q4 & FY22 saw gross client addition of 87% QoQ & 322% YoY respectively.
4. In FY21, revenues rose 72% YoY while profits rose 243% YoY.
5. FY21 saw the top 5 digital brokers hold around 73% share of Incremental NSE Active Clients. Top 5 brokers now have a share of 47% In Cumulative NSE Active Clients Base.
6. Overall equity market share of Angel has risen to 20.8% in Q4FY21 vs 6.9% a year ago. F&O market share has risen to 20.9% in Q4FY21 from 6.7% a year ago.
7. Cash market share was at 16.3% vs 14% a year ago while commodity market share has risen to 25.5% vs 20.9% a year ago.
8. ~94% Of Gross Client Addition Contributed By Tier 3 & Tier 2 Cities In Q4 '21 with Angel's share in Incremental Demat Accounts of 17.6% vs 15% a year ago.
9. Around 90% Of Gross Clients Added Under Flat Fee Plan.
10. The gross client base grew 29% QoQ and 127% YoY. Average daily turnover grew 66% QoQ in Q4 and 380% YoY in FY21.
11. Angel announced a dividend of Rs 7.5 per share.

12. Segment revenue breakup was 68% from Gross Broking, 15% from Interest, 6% from Depository, 1% from distribution, and 9% from other income.
13. Gross Broking split was 60% from F&O, 33% from Cash, 6% from Commodity & 1% from Currency.
14. Traditional broking plan now accounts for only 17% of sales.
15. Cost to net income was at 52.1% in FY21 vs 70.6% in FY20.
16. Angel has cash and cash equivalents of Rs 1877.4 Cr as of 31st March 2021.
17. It has a book value of Rs 138 per share.

#### **Investor Conference Call Highlights:**

1. The company appointed Mr. Narayan Gangadhar as the new CEO. Mr. Gangadhar has extensive experience and has been part of global experience leading technology businesses like Google, Microsoft, Amazon, and Uber.
2. Angel saw its highest ever overall ADTO of over Rs. 3.75 trillion in Q4 FY2021 which has grown close to 15x between Q1 FY2020 to Q4 FY2021.
3. The company has endeavored is to share at least 35% of its profits in the form of dividends every quarter.
4. Around 72% of broking revenue comes from direct clients.
5. The management has highlighted that Angel is also looking to become a platform company where it can offer lots of other financial services to its customers.
6. For the next 2-3 years, the focus will be to get maximum market share from the stockbroking business, to get maximum market share in the mutual fund business, and to get some inroads in the insurance business on the digital platform.
7. Angel is looking to make a multifunctional app where it will be selling mutual funds and insurance on the same app platform.
8. The management also sees huge scope in passive investment and ETF business and smart beta product through the digital app route.
9. It will be looking to introduce a mutual fund having backed by its Robo advisory passive strategy where it can reduce costs of distribution as well as the cost of managing funds.
10. The company is not spending on mass media and is instead targeting social media and search engines and the internet for acquiring customers with AI/ML-led acquisition plans. It is also specifically targeting Tier 2 & 3 areas that remain underpenetrated.
11. The scope for expansion in the underpenetrated tier 2 & 3 regions is present for all digital players due to the lack of physical branch accessibility here.
12. Angel boasts of an activation rate of 38% to 40%.
13. The company is earning an OPM of 44% from the digital model and it is aiming to bring this up to 50%. The company is also looking to maintain a breakeven time of 3-4 months for every new customer.
14. The company is aiming to become the largest player in the stockbroking space in the next 2 years.
15. The vision for becoming a preferred fintech company through the all-in-one app should take 6-7 years according to the management.
16. Angel has not had to burn cash like other online brokers as it has a well-established customer base already and didn't need to spend too much on expanding its scale. Given its size in broking space, it can easily put up the acquisition cost for new segments from cash flows from the established segment.

17. In the AMC business, the company will be going the passive funds' way with its ARQ engine and it will not be doing any human stock selections as its model has proved to give good performance over the past few years.
18. The new CEO states that a big part of his focus shall be to build large teams with the right skill set on machine learning, data science, and AI sides.
19. The tech investment should be around 13-14% of total OPEX excluding fees & commissions for Angel.
20. The increase in opex in Q4 was mainly due to higher customer acquisition as the acquisition costs are always front-loaded.
21. >90% of customers added in Q4 were young people with an average age of 30.
22. The main cost in setting up the AMC will be coming in year 3 which is the marketing cost.
23. The management is looking to launch the new super app in the next 2 quarters.
24. Easy access to stock markets through mobile apps, declining interest rates, and significant under-penetration of equity investment in India are expected to be the key factors driving growth for the industry.
25. On average a customer takes around 4-4.5 months to break even for Angel and provides at least 5 years in terms of regular revenues.
26. The company is not looking to acquire any existing AMCs as it is looking to make its disruptive model rather than pay a premium for an old model in the AMC business.

#### **Analyst's View:**

Angel Broking is one of the front runners of the online broking space in India. They have been in the broking business for over 25 years now and have time and again showed remarkable adaptability by pivoting its business model and transforming from a traditional physical broking house to an AI/ML-led digital-only broker that has its eyes set on becoming a fintech platform. FY21 was a phenomenal year for Angel with gross client addition of over 300% YoY and a rise in equity market share to over 20% from 6.9% a year ago. The company has made good inroads in sourcing customers through the internet through social media and search engines which has seen them acquire >90% of customers in Q4 from Tier 2& 3 regions with an average age of 30 years only. Angel also has big plans to launch its super app to offer a variety of financial services from mutual funds to insurance and transform itself into a fintech powerhouse in the next 6-7 years. It remains to be seen whether Angel will be able to maintain its growth momentum amidst the highly competitive space with seemingly everyone in the financial sector from traditional banks like HDFC Bank & NBFCs like Bajaj Finance to fintech unicorns like Paytm & Zerodha looking to get a slice of the pie and go a similar way to become fintech giants. Nonetheless, given the sustained momentum Angel has in this crowded space and the history of successful pivots along with the vision of the new tech-oriented CEO, Angel Broking may prove to be a reliable bet in the ever-rising fintech space.

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