



SMC Ranking
 ★★☆☆☆ (3/5)

Issue Highlights

Industry	Finance
Total Issue (Shares) - Offer for sale	9,803,922
Total Issue (Shares) - Fresh Issue	9,803,922
Net Offer to the Public	19,607,843
Issue Size (Rs. Cr.)	598-600
Price Band (Rs.)	305-306
Offer Date	22-Sep-20
Close Date	24-Sep-20
Face Value	10
Lot Size	49

Issue Composition

	In shares
Total Issue for Sale	19,607,843
QIB	9,803,921
NIB	2,941,176
Retail	6,862,745

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	55.20%	44.56%
QIB	44.80%	43.45%
NIB	0.00%	3.60%
Retail	0.00%	8.39%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The company proposes to utilise the Net Proceeds towards funding the following objects:

1. To meet working capital requirements
2. General corporate purposes

Book Running Lead Manager

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

Name of the registrar

- Link Intime India Private Limited

About the Company

Incorporated in 1996, Angel Broking Ltd is one of India's oldest stock broking houses providing broking, margin funding, advisory and financial services through brands "Angel Broking" and "Angel Bee" powered by "ARQ". It has a strong market presence with active clientele on the National Stock Exchange (NSE) with a market share of around 6.3% and 2.15 million operational broking accounts as of June 2020. Its digital transformation helped it being the 4th Largest Company in terms of active NSE clients and 2nd largest in terms of incremental NSE clients in Q1 - FY21. From Q1 FY20 to Q1 FY21, its average daily turnover has been increased from Rs. 25317.6 Crore to Rs. 61894.5 Crore.

Strength

One of the largest retail broking houses with strong brand equity: As per Crisil, the Company is one of the largest retail broking houses in India, in terms of active clients on NSE as of June 30, 2020. The company believes that it has developed a dedicated client base due to its client-centric approach in respect of the services it provides, user-friendly digital interfaces; and the ability to provide seamless access to all segments of the stock markets. With its strong brand, the company believes that it is well placed to capitalise on the expected growth in the broking sector in India due to its advanced digital presence, pricing and early mover advantage in providing broking, financial and advisory services through both, its online and offline channels.

Client acquisition through diversified digital platforms: The company has strong capabilities to acquire customers through various diversified digital platforms. From Q2 FY 20 to Q1 FY21, 79.76% of its clients have been acquired digitally, of which, 50.76% are acquired through performance marketing, either by way of organic or paid leads, 22.24% through referrals from its existing clients and 6.77% through digital influencers. As of June 30, 2020, it has over 11,000 Authorised Persons registered with NSE, which have consistently been an important client acquisition channel for the Company.

Integrated, end to end, and advanced digital experience ensuring client satisfaction:

The company remains focused on innovation and implementation of technology across various services it offers, which it believes has resulted in an increase in client satisfaction. Its mobile based applications across the broking and advisory businesses have been consistently appreciated and awarded. Its backend systems provide an integrated and seamless access across all product platforms. Over the last three years, the Company has transformed its business into a seamless digital experience for its 2.15 million clients as on June 30, 2020. Its client's engagement and service activities are completely driven by its artificial intelligence and machine learning based strategies which provide a unique personalised experience to them. Its strategies enable it to segment its clients into various categories based on risk taking appetite, trading and investment behaviour. This also enables the company to provide personalised advisory related services and recommendations to its 2.15 million clients as on June 30, 2020, through multiple delivery channels,

Diversified product offering across segments at competitive price: Its online platforms, "Angel Broking", "trade.angelbroking.com", "Angel SpeedPro" and "Angel BEE", powered by ARQ, allow the company to provide its clients with an ability to manage their wealth and investments in an efficient and organized manner. Its Angel iTrade Prime Plan was launched comprising, ₹ 0 for equity delivery and ₹ 20 per order for all other segments.

Coupled with this competitive pricing plan, it also offers services such as complementary in-house research and advisory, margin trading facility, securities as collateral and no charges for any fund transfer.

Robust business metrics building operating leverage: The company has witnessed a growth of nearly 2.5 times in its average monthly gross client acquisition run rate to 115,565 in Q1 FY21 from an average monthly gross client acquisition run rate of 46,676 in FY20. Further, Its average monthly gross client additions in FY 18, FY 19, FY 20, and as of March 31, 2020, April 30, 2020, May 31, 2020 and June 30, 2020 was 18,337 accounts, 21,784 accounts 46,676 accounts, 104,555 accounts, 95,169 accounts, 107,359 accounts and 144,167 accounts respectively.

Strategy

Strengthen its leadership position to become the largest retail broking business in India: The company intends to strengthen its leadership position to become the largest retail broking firm in India, both by broking revenue and active clients. In particular, it aims to enhance its market position in the growing retail broking segment, by continuing to focus on acquiring and retaining clients, product innovation, leveraging its web and digital broking platforms and brand to acquire clients through these platforms and its extensive Authorised Person network, analyzing client behaviour and provide personalized recommendations. Further, it intends to expand and offer all the financial services required by its retail clients.

Augment its investment in its mobile platform, artificial intelligence, machine learning capabilities and newer technologies: The company believes that it is at the forefront of application of technology and digitalisation in the broking business in India and are continuously striving to reach international standards of providing services to its clients. Given that a majority of its retail clients interact with it through its electronic broking platform, it continuously invests in the development of technology to ensure that it provides its clients with a superior, seamless and secure experience. The company intends to continue investing in and augmenting its analytical capabilities to ensure that it is able to gain personalised and actionable insights from such data while ensuring compliance with the privacy requirements of its clients.

Establish a leadership position in the investment advisory space to support its business: It provides investment advisory services through its various applications and its website, which is supplemented by "ARQ", a rule based investment engine. "Angel BEE" is its digital platform through which it provides retail wealth management and personalised investment recommendations to its clients. It intends to continue to maintain high growth and profitability by increasing the scope and intensity of activities in its existing investment advisory business by providing such services to a wider range of clients and ensuring that other platforms of its Company are capitalised in order to efficiently manage the wealth of clients.

Capitalisation of the growing investable wealth in India: The company intends to capitalise and acquire larger market share on these opportunities in the Indian financial market, given its experience in adopting technology and automation to service its clients. Angel BEE, its digital platform for distribution of financial and investment products, which is powered by ARQ. The company is likely to get benefit from the growing market opportunities in the most efficient manner together with its wealth of experience, research capabilities, understanding of the financial markets, will result in being able to capitalise on the growing investable wealth in India.

Risk Factor

- General economic and market conditions in India and globally could have a material adverse effect on its business, financial condition, cash flows, results of operations and prospects.
- The company is subject to extensive statutory and regulatory requirements and supervision,

which have material influence on, and consequences for, its business operations.

- The operation of its businesses is highly dependent on information technology and we are subject to risks arising from any failure of, or inadequacies in, IT systems.
- The company relies on its broking and related services business for a substantial share of its revenue and profitability. Any reduction in the brokerage fee could have material adverse effect on its business, financial condition, cash flows, results of operations and prospects.
- The company faces significant competition in its businesses, which may limit its growth and prospects.

Peer comparison

Company	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
JM Financial	3288.53	511.30	5.37	15.26	1.22	67.33	1	81.95	7800.81
Geojit Fin. Ser.	323.40	67.74	2.84	14.42	1.94	21.15	1	40.95	975.84
ICICI Securities	1869.23	621.31	19.28	24.83	12.75	37.54	5	478.70	15422.84
IIFL Securities	783.21	150.11	4.70	8.37	1.43	27.53	2	39.35	1257.66
Motil.Oswal.Fin.	2600.62	220.95	19.80	32.78	3.11	208.56	1	649.05	9604.52
Angel Broking Limited	724.62	86.79	10.61	28.84	2.81	108.98	10	306.00	2503.05

* FY20 Annualised financials are taken for valuation

Valuation

Considering the P/E valuation on the upper end of the price band of Rs. 306, the stock is priced at pre issue P/E of 25.38x on its actual annualised FY20 EPS of Rs. 12.05. Post issue, the stock is priced at a P/E of 28.84x on its EPS of Rs. 10.61. Looking at the P/B ratio at Rs. 306 the stock is priced at P/B ratio of 3.73x on the pre issue book value of Rs.82.15 and on the post issue book value of Rs. 108.98 the P/B comes out to 2.81x.

On the lower end of the price band of Rs.305 the stock is priced at pre issue P/E of 25.30x on its annualised FY20 EPS of Rs. 12.05. Post issue, the stock is priced at a P/E of 28.75x on its EPS of Rs. 10.61. Looking at the P/B ratio at Rs. 305, the stock is priced at P/B ratio of 3.71x on the pre issue book value of Rs. 82.15 and on the post issue book value of Rs. 109.98, the P/B comes out to 2.80x.

Industry overview

India's growth story remains compelling. However, there are also risks to the expected economic growth. They are political instability, a sharp increase in interest rates, slower-than-expected private investments, failure to contain fiscal deficit, geopolitical tension, a significant rise in crude oil prices, continuing hurdles in GST implementation and a deep global recession. There are two factors that influence the performance of entities in the capital markets business – i) the performance of the primary and secondary equity markets; and ii) corporates' fund-raising through equity (initial public offer or IPO, rights issue, qualified institutions placement) or debt markets. The domestic broking industry's revenue registered ~10.5% CAGR over fiscals 2015-2020, to reach an estimated Rs 225 billion on account of a ~34% increase in turnover in equity (cash and derivatives of NSE, BSE) markets during the same period. The industry is expected to see strong growth going ahead, after facing difficulties on account of pressure on yields and changing regulatory landscape. The growth will mostly be due to increased scalability and reach of players to untapped markets, especially lower tiered cities, leveraging their highly agile digital models. This will be adequately sup segments are expected to cumulatively grow at a 23-25% CAGR 141 up to fiscal 2025. This growth will be driven mainly ported by the growing turnover levels across the equity derivatives and cash segments. These by the higher investor awareness, increased retail interest across market segments, easier and faster

means to access the markets and continuing FII inflows. As advanced technology enables easier online operations, brokerages can gain access to a large amount of client information and data. This will help them better target their customers with value added services as well as credit and distribution services in addition to their core offering which is now more simple and customer-friendly. In the next five fiscals, the industry is expected to log 11-12% CAGR.

Outlook

Angel has seen strong incremental client additions during Q1FY20, which is reflecting in its bottom line for the quarter. This could result in a stronger PAT in FY21 vs FY20. The trading volumes of the retail segment is likely to remain strong in the years to come as new investors are joining the equity culture in India and hence the outlook for brokers with Retail focus remains positive from the medium to long term perspective.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	September 22, 2020
Bid/Offer Closing Date	September 24, 2020
Finalisation of Basis of Allotment with the Designated Stock Exchange	September 29, 2020
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	September 30, 2020
Credit of Equity Shares to depository accounts of Allottees	October 01, 2020
Commencement of trading of the Equity Shares on the Stock Exchanges	October 05, 2020

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-20 (6 Months)	Period ended 31-Mar-20 (12 Months)	Period ended 31-Mar-19 (12 Months)
Total Revenue from operations	238.42	724.62	757.98
Total expenditure	168.82	566.17	568.57
Operating Profit	69.60	158.45	189.41
OPM%	29.19	21.87	24.99
Other Income	8.17	30.09	26.14
PBDIT	77.78	188.54	215.55
Depreciation	4.97	20.92	18.91
PBIT	72.81	167.63	196.64
Interest	8.18	48.86	68.45
PBT	64.63	118.77	128.19
Tax	16.37	31.98	44.79
Profit After Tax	48.26	86.79	83.40

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-20	As on 31-Mar-20	As on 31-Mar-19
Financial Assets			
Cash and cash equivalents	515.63	613.24	446.96
Bank Balance other than cash and cash equivalent	1445.47	800.32	539.01
Trade Receivables	56.28	39.03	214.64
Loans	814.41	280.58	761.69
Investments	2.36	35.27	14.91
Other financial assets	13.95	270.58	68.19
Total Financial Assets	2848.09	2039.01	2045.40
Non-financial Assets			
Inventories	0.05	0.05	0.06
Tax assets (Net)	1.07	4.92	5.17
Deferred tax assets (Net)	5.11	4.89	7.57
Investment Property	3.33	0.13	0.13
Property, Plant and Equipment	102.45	103.88	106.29
Intangible assets under development	2.34	2.09	0.57
Intangible assets	4.35	4.75	6.72
Right of use assets	9.38	15.36	20.88
Other non-financial assets	19.55	15.16	15.79
Total Assets	2995.68	2190.18	2208.53
LIABILITIES			
Financial Liabilities			
Trade Payables	1503.68	939.49	637.76
Borrowings	658.01	490.88	871.82
Other financial liabilities	134.15	130.47	135.82
Non-Financial Liabilities	0.00	0.00	0.00
Tax liabilities (Net)	5.89	0.05	0.27
Provisions	7.93	6.71	5.23
Other non-financial liabilities	46.94	31.17	26.19
Total liabilities	2356.60	1598.76	1677.09
Asset-Liabilities	639.08	591.42	531.44
Net worth represented by:			
Equity share capital	72.00	72.00	72.00
Other equity	567.09	519.42	459.44
Total equity (Net Worth)	639.08	591.42	531.44

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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