

22September2020

## Angel Broking–SUBSCRIBE

### Investment Thesis

Angel Broking Ltd. (Angel Broking) is coming out with an initial public offering (IPO) on September 22, 2020. The Issue comprises of a fresh issue and an offer for sale. Angel Broking plans to issue new shares worth Rs.3,000mn and will offer shares for sale worth Rs. 3,000mn. The proceeds of the fresh issue are proposed to be utilised to meet working capital requirements and for general corporate purposes.

Angel Broking has vast experience of over two decades, which helped it to integrate its knowledge and expertise in the broking industry with the technology and provide to its retail clients through various platforms. Over the years, Angel Broking has enhanced its client engagement and experience through digitisation of processes and augmentation of technological platforms. It has launched mobile application for broking services in 2011 and KYC authentication and complete client on-boarding through the electronic and digital medium in 2015 and 2016, respectively. Angel Broking provide its broking services through various web, digital and .exe platforms, which are integrated with each other enabling its clients to have a seamless trading and investment experience. These initiatives will Angel Broking to benefit from the development of the Indian financial market going ahead.

Angel Broking is one of the largest retail broking houses in India, in terms of active clients on NSE as of June 30, 2020. Its online and digital platforms, along with vast network of Authorised Persons enables it to reach a large population of retail clients spread across 18,649 pincodes in India. This widespread reach has enabled it to increase its client base by 36.8% CAGR from 1.06mn in FY18 to 2.15mn as on June 30, 2020. Over this period, it witnessed a consistent growth in gross client addition of 0.22mn, 0.26mn, 0.56mn and 0.35mn in FY18, FY19, FY20 and Q1FY21, respectively. Over the last one year, Angel Broking has more than doubled its overall turnover market share in the retail broking space in India.

### Financials

- During the past 5 years, revenue of Angel Broking grew at a CAGR of 10.3% while PAT grew at a CAGR of 11.6% in the same period.

Consol. (Rs.Mn.)	FY18	FY19	FY20	FY21E	FY22E
Revenue	7,648	7,626	7,293	8,387	9,646
EBITDA	2,679	2,142	1,874	2,155	2,478
% growth	132.2	-20.1	-12.5	15.0	15.0
PAT	1,079	796	814	936	1,076
EPS (Rs.) *#	13.2	9.7	9.9	11.4	13.2
P/E (x) *#	23.2	31.5	30.8	26.7	23.3
RoE (%) *#	22.3%	14.7%	13.5%	14.3%	15.2%

\* At highest price band# Post listing

### IPO Details

Issue Open Date	22September, 2020
Issue Close Date	24 September, 2020
Price Band (Rs.)	305.00 to 306.00
Issue Size (Rs. Mn)	6,000.00
Issue Size (Shares)	19,607,842*
Market Lot	49 Equity Share
Listing Exchanges	BSE and NSE
Face Value (Rs.)	10/-

\* At highest price band

### Key Details

Fresh Issue	9,803,921*Equity Shares
Offer for Sales	9,803,921*Equity Shares
Issue Type	100% Book Built Issue
Book Running Lead Manager	ICICI Securities Edelweiss Financial Services and SBI Capital Markets
Issue structure	QIB: 50% Retail: 35% Non – Institutional: 15%

\* At highest price band

## Key Business Highlights

- Angel Broking is one of the largest retail broking houses in India in terms of active clients on NSE as of June 30, 2020. It is a technology-led financial services company providing broking and advisory services, margin funding, loans against shares and financial products distribution to our clients under the brand 'Angel Broking'.
- Angel Broking offered broking and allied services through its online and digital platforms and its network of over 11,000 Authorised Persons as of June 30, 2020.
- Angel Broking's customer reach across ~96.9% or 18,649 pincodes in India as of June 30, 2020. It manages Rs.132,540mn in client assets and over 2.15mn operational broking accounts as of June 30, 2020.

## Valuation

- Angel Broking provide broking services across equity (cash-delivery, intra-day, futures and options), commodity and currency segments, along with debt products. It facilitates participation of its clients in initial public offerings undertaken by various companies. As a part of the broking and advisory services offered by Angel Broking, it also facilitates opening of demat accounts for its clients. Angel Broking is a member of BSE, NSE, MSEI, MCX and NCDEX. To complement broking and advisory services, it also provides the other additional services to its clients like, Research Services, Investment Advisory, Investor Education, etc. Angel Broking also undertake distribution of third-party financial products such as mutual funds and health & life insurance products, according to clients' requirements.
- Angel Broking has strong capabilities to acquire customers through various diversified digital platforms. Based on its average client additions in Q1FY21, 85.2% of the clients have been acquired digitally, of which, 53.3% are acquired through performance marketing, either by way of organic or paid leads, 20.7% through referrals from its existing clients and ~11.2% through digital influencers. Remaining 14.8% of clients, are acquired through its network of Authorised Persons. From Q2FY20 to Q1FY21, 79.8% of clients have been acquired digitally, of which, 50.8% are acquired through performance marketing, either by way of organic or paid leads, 22.2% through referrals from existing clients and 6.8% through digital influencers.
- Angel Broking remain focussed on innovation and implemented the technology across various services offered by it, which has resulted in an increase in client satisfaction. Its mobile based applications across the broking and advisory businesses have been consistently appreciated and awarded. Angel Broking backend systems provide an integrated and seamless access across all product platforms. Over the last three years, Angel Broking has transformed its business into a seamless digital experience for its 2.15mn clients.
- With vast experience of over two decades, one of the largest retail broking houses in India, offers entire gamut of broking and advisory services, strong capabilities to acquire customers through various diversified digital platforms and focussed on innovation and implemented the technology, we are recommending **SUBSCRIBE** to the IPO of Angel Broking Ltd.

## Risk & Concern

- COVID-19 or any other severe communicable disease may have a potential impact on business and financial of Angel Broking.
- General economic and market conditions globally or in India has an impact on cash flows, operations and prospects of broking industry.
- Angel Broking is subject to extensive statutory and regulatory requirements and supervision, which may have material influence and consequences on its business operations.

## Graphs & Charts

Figure 1: Net Sales Trend

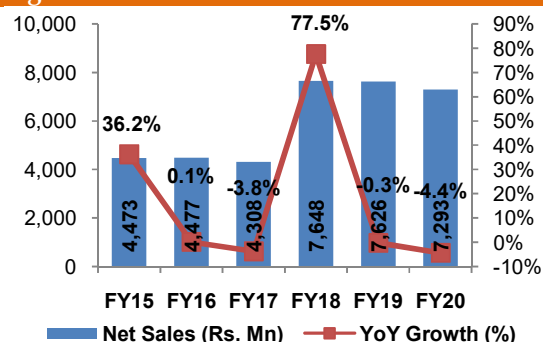


Figure 2: EBITDA & EBITDA Margin Trend

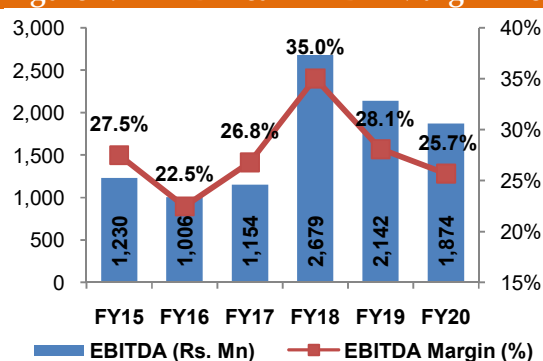


Figure 3: PAT Trend

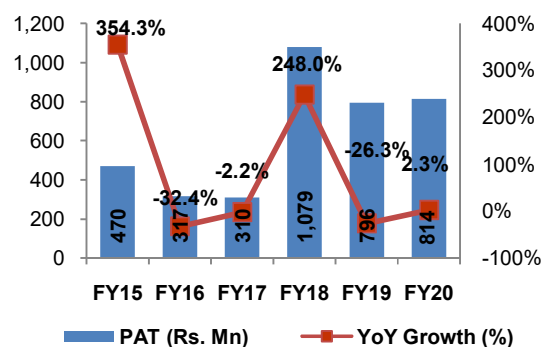
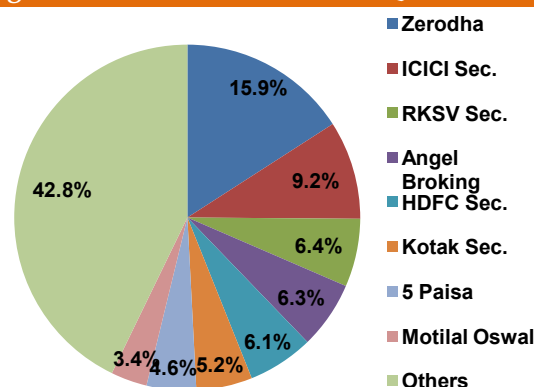


Figure 4: Active Clients on NSE (Q1FY21)



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