



IPO note: Angel Broking Limited (Angel) - "SUBSCRIBE the issue for listing gains "

September 22, 2020

Incorporated on August 8, 1996, Angel Broking Limited ("Angel") is one of the largest independent full-service retail broking house in India in terms of active clients on NSE as of June 30, 2020 (Source: CRISIL Report). The company was initially incorporated as "M. BNL. Securities Private Limited. Dinesh D. Thakkar, Ashok D. Thakkar and Sunita A. Magnani are the Promoters of the company.

Angel is a technology led financial services company, that provides broking and advisory services, margin funding, loans against shares (through one of its Subsidiaries, AFPL) and financial products distribution to its clients under the brand "Angel Broking". Its broking services are offered through (i) its online and digital platforms, and (ii) its network of more than 11,000 sub-brokers, as of June 30, 2020. Angel has more than 43,90,000 downloads of its Angel Broking mobile app and nearly 10,00,000 downloads of its Angel BEE app as of June 30, 2020, which enables its clients to avail the services digitally.

Its primary focus is to profitably grow the retail broking, margin funding and distribution businesses through its online and digital platforms, "Angel Broking Mobile App", "trade.angelbroking.com", "Angel SpeedPro", "Angel BEE", which are powered by "ARQ", a rule-based investment engine. Angel BEE is a digital platform, developed with an aim to fulfil the financial requirements of its clients, with a focus on millennials, by inculcating investment discipline and providing avenues for independent financial management. It offers instant, "on-the-go", paperless and personalized solutions through which clients can manage their financial portfolio. Activation of an account by a client on Angel BEE is a paperless and seamless process. As of June 30, 2020, Angel has over 11,000 Authorised Persons registered with NSE, which have consistently been an important client acquisition channel for the company. Its proprietary digital platform "NXT" facilitates them to further their digital marketing initiatives. These Authorised Persons contributed to 14.79% of its client base in Q1 FY21. As of June 30, 2020, Angel ranks as No. 1 stock broking house in terms of Authorised Persons registered with NSE.

Over the last 3 years, Angel has transformed its business into a seamless digital experience for its 2.15 million clients as on June 30, 2020. Its marketing initiatives are now driven using artificial intelligence. The client on-boarding journey is largely a straight through process, without any requirement for physical documentation. Due to its continuous digital initiatives, they have increased their monthly average online order execution of direct clients to more than 99% in Q1 FY 21.

The Company's well executed strategy of being a digital first organisation enabled them to grow its business exponentially, for example, Angel 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.

Impact of COVID-19 - Its prolific use of technology and complete focus on digitalisation enables Angel to operate efficiently even through the global pandemic caused by COVID-19. Its average monthly client additions in Q1 FY21 was 115,565 against an average monthly addition of 46,676 in FY20, registering a growth of 147.59%. The robustness and scalability of its digital ecosystem was also tested during Q1 FY21 as they experienced an increase of 2.48 times, 2.21 times and 1.96 times in its average daily logins on their mobile application, average daily traded clients and average fund transfer during this period respectively. To ensure safety of its clients' data while maintaining productivity of the human capital, Angel has created a secure VPN tunnel to provide them access to its servers

Investment recommendation and rationale

We like the Company due to the following factors: a) dominant presence in Indian retail broking space, b) over 2 decades of experience in Indian Broking

Issue date	Sep. 22 – Sep. 24, 2020
Finalisation of basis of allotment	Sep. 29, 2020
Refunds/ASBA unblocking	Sep. 30, 2020
Credit of equity shares to DP account	Oct. 01, 2020
Listing date	Oct. 05, 2020
Issue type & size	Fresh Issue of Equity shares aggregating up to Rs. 300 crores and Offer for sale of equity shares aggregating up to Rs. 300 crores
Issue size	Rs. 600 crores
Issue structure	QIB – 50 %, NIB – 15%, Retail – 10%
Post issue shares	81,798,925
Post issue market cap	Rs. 2,503 crores
Price Band	Rs. 305 – Rs. 306 (Face value: Rs. 10)
Bid lot	49 equity shares and in multiples thereof
BRLM	ICICI Securities, Edelweiss Financial, SBI Capital Markets
Registrar to the issue	Link Intime India Pvt. Ltd.

Particulars (Rs. crores)	Q1FY21	FY20	FY19	FY18
Revenue from operations	247	755	784	780
Profit after tax	47	82	80	107
PAT margin (%)	19.18	10.91	10.18	13.73
Equity share cap.	72	72	72	72
Networth	639	591	531	474
Book value (Rs.)	89	82	74	66
EPS (Rs.)	6.57	11.44	11.09	14.91
Post IPO EPS (Rs.)	5.80	10.1	9.87	13.2
P/E (x)	-	30	31	23
RoE (%)	-	13.92	15.02	22.61

Source: RHP

Industry, c) one of the largest retail broking houses with strong brand equity, d) client acquisition through diversified digital platforms, e) integrated, end to end, and advanced digital experience ensuring client satisfaction, f) diversified product offering across segments at competitive price, g) Company's well executed strategy of being a digital first organisation enabled them to grow its business exponentially, h) consistent financial performance over the years and decent return ratios. The Company has already raised Rs. 180 crore by allotting 58.82 lakh shares to 12 anchor investors which include Goldman Sachs, IIFL, Bajaj Allianz, Max Life Insurance and domestic mutual funds such as ICICI Pru, HDFC, Sundaram, Nippon, Invesco etc. which instills confidence in this issue. At the upper end of price band of Rs. 306, the issue is valued at a P/E of 31x at post IPO FY20 EPS. We believe the issue is priced at a premium owing to its dominance in retail broking space and technology edge over traditional brokers, improved performance even in COVID-19 era and improving client base owing to its focus on technology. With due consideration to the above factors, we recommend "SUBSCRIBE the issue for listing gains"

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