Angel One Limited

March 02, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Commercial Paper	500.00	CARE A1+ (A One Plus)	Assigned
Total Short-Term Instruments	**500.00 (Rs. Five Hundred Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the short-term debt instrument of Angel One Limited (AOL) factors in its experienced management team along with a long track record of the company in the broking industry. The ratings also factor in its strong market position wherein the company is a leading player in terms of client base which also leads to its strong earning profile and comfortable capitalization levels.

These rating strengths are however partially offset by the inherent market risk and competitive pressures that AOL is exposed in its core broking business and like other brokerage firms, it's also susceptible to severe industry-wide regulatory changes, if any. The company's ability to maintain its market share as well as diversify its income profile will continue to remain the key monitorable.

Rating Sensitivities

Negative Factors- Factors that could individually or collectively lead to negative rating action/downgrade:

- Deterioration in the market share of the company on a sustained basis.
- Moderation in earnings profile and liquidity of the company.

Detailed description of the key rating drivers

Key Rating Strengths

Long track record of the company along with experienced management team

AOL was incorporated in the year 1996 and has over 25 years of presence in the broking industry. The company is led by Mr. Dinesh Thakkar, MD and Chairman of Angel One Limited. He is also the promoter of the group. He has been in the capital market with over three decades of experience. The company also appointed Mr. Narayan Gangadhar as Chief Executive Officer of the company w.e.f April 26, 2021. He has over 20 years of global experience in leading technology businesses in companies like Google, Microsoft, Amazon etc.

In line with the change in the broking industry, AOL has successfully revamped its traditional broking business to a completely digitally-driven broking business in the last 2 to 3 years with a robust risk management framework in place which has helped the company to gain a significant market position in the broking industry.

Strong market position with 100% retail broking franchise

As on March 31, 2021, AOL's market share in NSE active clients stood at 8.30% as against 5.30% as on March 31, 2020. As on December 31, 2021, it stood at 9.70%. The market share has been consistently increasing over the last two years. The total no. of active clients on NSE stood at 3.1 million as on December 31, 2021 (1.2 million as on December 31, 2020). Given, the company's continued focus on providing best in class product offerings and client experience; from traditional to fully digital broker, has helped it in acquiring a new and higher clientele base. The company has been able to spread its presence widely and is currently available in 98% of the pin codes in the country.

During FY21, the company had achieved the highest client acquisition in a year of 2.4 million which led to a spike in the overall clientele from 1.8 million in March 2020 to 4.1 million in March 2021. Further, since April 2021, the company has acquired ~3.8 million new clients. The entire client base of the company is retail in nature and has no exposure to institutional clientele. The company is positioned as the 3rd largest broking house on NSE in terms of active client base and 4th in terms of incremental NSE active client base as of December 31, 2021.

On the basis of Average Daily Turnover (ADTO), the company has reported its best ADTO across all segments during FY21. It has an overall market share of 21% as on December 31, 2021.

Comfortable earnings profile

On a consolidated level, the company reported PAT of Rs.298 crore during FY21 as against a PAT of Rs.82 crore for FY20; a growth of 262% YoY. The substantial increase in PAT was majorly contributed by an increase in the broking income. Given the highest client acquisition during FY21, broking income saw an increase from Rs.504 crore in FY20 to Rs.907 crore in FY21. It forms around 70% of the total consolidated income during FY21 followed by interest on loans (Margin Trade Funding (MTF) and LAS) and depository income which constitutes 10% and 7% respectively. PAT margin improved to 22.95% in FY21 from 10.84% in FY20. As on March 31, 2021, the loan book (including receivables) grew substantially to Rs. 1348 crore from Rs. 318 crore as on March 31, 2020, as the company expanded its lending through the MTF product. As on December 31, 2021, the

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

total loan book (including receivables) stood at Rs. 1657 crore. There are no delinquencies under the MTF book. Given the robust risk management framework of the company, it ensures sufficient upfront margin and timely square off in case of any shortfall not being met by clients.
During 9MFY22, PAT stood at Rs.420 crore as against Rs.196 crore during 9MFY21 given the increase in brokerage and interest income. Opex increased from Rs.296 crore during 9MFY21 to Rs.602 crore during 9MFY22 largely on account of an increase in the employee cost as the company hired new talents to support their digital operations as well as on account of the substantial increase in the advertising and marketing expense which has helped the company to increase client base.
On a standalone level, the company reported PAT of Rs.290 crore during FY21 as against Rs.87 crore during FY20. During 9MFY22, PAT stood at Rs.413 crore. AOL contributes 99% share in the consolidated assets as well as the profits. Given the scale in the operations along with market volatility, the earnings profile of AOL will remain a key monitorable.

Comfortable capitalization
On a consolidated level, the tangible net worth of the company stood at Rs.1,121 crore as on March 31, 2021, as against Rs.582 crore as on March 31, 2020. AOL came up with its IPO on October 05, 2020 and got listed on NSE as well as BSE. The company raised funds of Rs.300 crore through this IPO and along with internal accretion in the form of profits led to increase in the net worth of the company. Given the increase in lending activities of the company, the debt levels also rose to Rs.1,171 crore as on March 31, 2021, as against Rs.491 crore as on March 30, 2020, leading to an increase in gearing to 1.05 times as on March 31, 2021 as against 0.84 times as on March 31, 2020. The resource profile constitutes of OD/WCDL facility which forms 99% of total borrowings on a consolidated level as on March 31, 2021. The company also started raising funds through CP. However, given the short-term tenure of its lending book, short term borrowings will continue to hold the majority portion.
As on December 31, 2021, the net-worth stood at Rs.1,431 crore with a gearing of 0.86 times.

Key rating weakness
Presence in inherently risky and competitive broking business
AOL is exposed to fierce competition in the highly competitive brokerage space and with the introduction of 100% digital and zero brokerage firms, the entire brokerage industry is going through this change from the traditional approach to being completely digital along with competitive brokerage charges. With continuous efforts, traditional players like AOL have transformed their business from traditional platforms to digital platforms in the last 2 to 3 years with competitive brokerage plans. However, due to the entry of discount brokers which dominates the broking industry, the competition is huge and is further expected to increase with the entry of new broking firms which poses a risk to the AOL's business. Given the competition risk, the company's ability to maintain its market share will remain a key monitorable.

Broking revenue dominating the income profile
On a group level, the total income earned by the company increased to Rs.1,299 crore during FY21 as against Rs.760 crore during FY20 majorly contributed by the increase in the brokerage income.
Brokerage forms 70% of the total income followed by interest income which constitutes 14% of the total income. The brokerage income is directly a function of the market performance which is very volatile in its nature and hence the earnings of AOL may also face volatility and it may get impacted in the event of any significant change in the market performance on the negative side. However, in order to diversify its income profile, the company has applied for AMC license and in-principle approval from SEBI is under process.
Given the huge competition in the broking industry, AOL's ability to diversify its income profile will remain a key monitorable.

Susceptibility towards regulatory changes
Capital and commodities market regulator, the Securities and Exchange Board of India (SEBI) board has been constantly stepping up the vigil in the brokerage industry through a series of regulatory changes aimed at protecting investor's interests. The peak margin rules that were implemented in a phased manner, require brokers to collect full margins in advance from clients and was aimed at limiting the leverage used by traders to take positions in intraday trades. AOL has successfully managed to adopt these changes without significantly impacting their overall performance. However, the ability of the brokers to adopt new technology, systems and risk management processes in response to the constantly evolving regulatory landscape without any adverse impact on its overall business profile will remain a key monitorable.

Liquidity Profile: Strong
As on December 31, 2021, AOL had free cash and bank balance of Rs. 127 crore along with unutilized WCDL/OD and BG lines of Rs. 1555 crore. 85% of the total borrowings of the company as on December 31, 2021, is in the form of overdraft and WCDL which has no fixed repayment schedule. These facilities are matched against the exposures extended to the clients. In addition to the above liquidity, the company has been maintaining sufficient margin with the exchange majorly in the form of fixed deposits and bank guarantees over and above the required limit thus providing additional comfort.

Analytical approach: CARE has analysed the consolidated business and financial risk profiles of Angel One Limited along with its wholly owned subsidiaries.
Subsidiaries considered as a part of consolidated financials:

1. Angel Financial Advisors Private Ltd
2. Angel Fincap Private Ltd
3. Angel Securities Ltd
4. Angel Digitech Services Private Ltd
5. Mimansa Software Systems Private Ltd

Applicable Criteria
CARE's policy on default recognition
Financial Ratios- Financial Sector
Consolidation
Short Term instrument
Rating Methodology- Service sector companies

About the Company
Angel One Limited (formerly Angel Broking Limited) (AOL) was incorporated in 1996. The company is engaged in retail broking in equity, commodity, and currency segments. It is a member of BSE, NSE, Metropolitan Stock Exchange of India Ltd, Multi Commodity Exchange of India Ltd and National Commodity and Derivatives Exchange Ltd. Also, the company is a depository participant with Central Depository Services (India) Limited (CDSL). The company is a Fin-Tech entity that provides a one-stop-shop for broking & advisory services, margin trading facility, loans against shares (through one of the Subsidiaries, Angel Fincap Private Ltd (AFPL)) and financial products distribution to retail clients under the brand "Angel One". The company was listed on BSE and NSE on October 5, 2020, and the market cap as on February 25, 2022, stood at Rs.11,038 crore. As on December 31, 2021, the promoter and promoter group held 43.68% stake in the company.

The key consolidated financials of the company are presented below:

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22 (UA)
Brokerage and Fee income	569	1,078	1,322
Total income	760	1,299	1,620
PAT	82	298	420
Total Assets	2,190	4,814	6,494
ROTA (%)	3.74	8.51	10.75
RONW (%)	14.99	35.02	44.44
PAT Margin (%)	10.84	22.95	25.94

A: Audited; UA: Unaudited

The key standalone financials of the company are presented below:

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MFY22 (UA)
Brokerage and Fee income	559	1,073	1,318
Total income	743	1,290	1,605
PAT	87	290	413
Total Assets	2,159	4,782	6,389
PAT Margin (%)	11.66	22.48	25.71

A: Audited, UA: Unaudited

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Commercial Paper-Proposed	-	-	-	-	500.00	CARE A1+

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Commercial Paper	ST	500.00	CARE A1+	-	-	-	-

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1.	Commercial Paper	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please **click here**

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:
Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.
With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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