Angel One Limited (Revised)
March 29, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Commercial Paper	750.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating 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 rating also factors in its strong market position on a sustained basis wherein the company has held its position as one of the leading players in terms of client base which has led to continued strong earnings 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 is also susceptible to 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: Factors likely to lead to rating actions

Positive Factors- Factors that could individually or collectively lead to positive rating action/upgrade: NA

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.

Analytical approach:

CARE Ratings Limited (CARE Ratings) has analysed the consolidated business and financial risk profiles of Angel One Limited along with its wholly owned subsidiaries. (Refer Annexure 6)

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
6. Angel Crest Ltd.
7. Angel Asset Management Ltd.
8. Angel Trustee Ltd.

Detailed description of the key rating drivers:

Key Strengths

Long track record of the company along with experienced management team

AOL was incorporated in the year 1996 and has over 28 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

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

with over three decades of experience. All key business operations of the company have been consolidated under him in the current financial year, post resignation of the former CEO.

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 3 to 4 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

During FY23, the company's gross client acquisition were 4.6 million as against 5.3 million in FY22 which led to an increase in the overall clientele from 9.2 million in March 2022 to 13.8 million in March 2023. Further, the total number of active clients of the company on NSE stood at 5.3 million as on December 31, 2023 (4.2 million as on December 31, 2022). As on March 31, 2023, AOL's market share in NSE active clients improved and stood at 13.1% as against 10.1% as on March 31, 2022. As on December 31, 2023, it further improved and stood at 14.8%. The market share has been consistently increasing over the last four years. The entire client base of the company is retail in nature and has no exposure to institutional clientele. The company's market position on NSE in terms of active client base is 3rd as on December 31, 2023. On the basis of Average Daily Turnover (ADTO), it has an overall market share of 26.8% as on December 31, 2023. During Q3FY24, the company did a gross client addition of 2.5 million; 16% increase over Q2FY24.

The company has been able to spread its presence widely and is currently available in more than 98% of the pin codes in the country. CARE will continue to monitor the company's ability to maintain its market share in the industry and is a key monitorable.

Comfortable earnings profile

Post reporting a PAT growth of 42% Y-o-Y during FY23, the company reported PAT of Rs. 786 crore during 9MFY24; Y-o-Y growth of 26%. The increase in PAT was majorly contributed by an increase in the broking income as well as interest income (interest on fixed deposits with bank). Given the continued client acquisition during 9MFY24, broking income witnessed a growth of 33% Y-o-Y to Rs. 1,993 crores. It forms around 68% of the total consolidated income during 9MFY24. Consequently, PAT margin decreased to 26.89% in 9MFY24 from 28.46% during 9MFY23. Given the increase in sub-brokerage, client acquisition and continued technology development as well as increased advertising and employee cost, opex increased to Rs.1,211 crore during 9MFY24 from Rs. 814 crore during 9MFY23. Cost to income ratio of the company deteriorated to 62.67% during 9MFY24 as against 60.74% during 9MFY23.

On a standalone level, the company reported PAT of Rs. 882 crores during FY23 as against Rs. 615 crores during FY22. During 9MFY24, PAT stood at Rs. 787 crores. AOL contributes almost 100% 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 increased and stood at Rs.2,738 crore as on December 31, 2023, as against Rs.2,030 crore as on December 31, 2022 on account of internal accruals. Also, given the continued expansion in client base, the total fund-based debt rose to Rs. 1,739 crores as on December 31, 2023, as against Rs.1,543 crore as on December 31, 2022. These funds are used for fulfilling the cash margin requirements of the clients to the exchange as well as lending through the Margin Trade Funding (MTF) product. As on December 31, 2023, the net gearing (debt adjusted for fixed deposits (FDs) lien marked against debt) remained stable at 0.72 times. The resource profile constitutes of non-fund based borrowings, i.e, Bank Guarantees (BGs) which formed 55% of the total debt as on December 31, 2023. These BGs are backed by FDs to the extent of 50%. The fund-based borrowings forms the balance 45% of the total debt consisting of overdraft (OD) against FDs, working capital demand loan (WCDL) and commercial papers (CPs). Given the short-term tenure of its lending book, short term borrowings will continue to hold the majority portion.

Key weaknesses

Broking revenue dominating the income profile

On a consolidated level, the total revenue of the company increased by 33% Y-o-Y to Rs. 2,921 crore during 9MFY24 majorly contributed by the increase in the brokerage income. Brokerage forms 68% of the total income followed by interest income which constitutes 18% of the total income. Of the total brokerage income, F&O accounts for 84% of the share followed by cash with 11% share during 9MFY24 which further concentrates the broking income in one segment.

The interest income is earned by way of interest on FDs as well as funding through the MTF product. The brokerage income and interest income from MTF lending 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 will now set up an Asset Management Company (AMC) and the trustee company for running the mutual fund business. It has already filed the application for final approval in Q2FY24 and is in process of setting up the necessary infrastructure, processes, policies and creating partnerships with key vendors.

Given the concentrated nature of revenue sources, AOL's ability to diversify its income profile will remain a key monitorable.

Susceptibility towards regulatory changes

The capital market industry has witnessed continuous regulatory revisions. With the objective of further enhancing the transparency levels and limiting the misuse of funds, the Securities and Exchange Board of India (SEBI) has introduced some new regulations in the past few years.

In May 2023, SEBI prohibited stockbrokers from using client's funds for BGs. Brokers will now have to deploy their own funds; hence, increase in the funding requirements will lead to higher finance cost. The on-book gearing will also increase for brokers.

In June 2023, SEBI introduced a regulation under which stockbrokers are required to upstream clients' funds to clearing corporation. No clients' funds can be retained by the stockbrokers or clearing members on an end-of-day basis. These funds must be up streamed to clearing corporation in the form of cash, lien on FD receipts or pledged of units of mutual fund overnight schemes. Similarly, the funds received from the clearing corporation should be further down streamed to the clients' accounts. This is expected to increase operational and compliance cost for the brokers. However, the ability of the company 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.

Presence in inherently risky and competitive broking business

About 68% of the revenue for AOL is in the form of brokerage which is highly dependent on capital market activities which exposes the company's earnings to volatility in stock markets and trading volumes. Further, the company is exposed to fierce competition in the highly competitive brokerage space and with the introduction of 100% digital and zero brokerage firms the brokerage rates are at competitive levels across the industry.

Even though AOL has been still able to acquire incremental client base, given the competition risk, the company's ability to maintain its market share will remain a key monitorable.

Liquidity: Strong

As on December 31, 2024, AOL had free cash and bank balance of ₹325 crore along with unutilized WCDL/OD lines of ₹ 3,360 crore. 89% of the total fund-based borrowings of the company is in the form of overdraft and WCDL. 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.

Environment, social and governance (ESG) risks

AOL maintains adequate transparency in its business ethics practices as can be inferred from the entity's disclosures regarding its grievance redressal, related party transactions, fair practice code, whistle blower policy and prevention of sexual harassment policy. The board comprises of seven directors, of which there is one female director. The entity has the necessary Audit Committee, Nomination and Remuneration committee and Corporate Social Responsibility (CSR) committee in place. AOL has constituted an ESG Committee, and it reports to the board. AOL continues to work on several community development initiatives through its CSR projects.

Applicable criteria

Rating Methodology- Broking Firms

CARE's policy on default recognition

Financial Ratios- Financial Sector

Consolidation

Short Term instrument

About the company and industry

Industry Classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Financial Services	Financial Services	Capital Markets	Stockbroking & Allied

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 March 20, 2024, stood at ₹20,801 crore. As on December 31, 2023, the promoter and promoter group held 38.24% stake in the company.

The key consolidated financials of the company are presented below:

Brief Financials (Rs. crore)	FY22 (A)	FY23 (A)	9MFY24 (UA)
Brokerage and Fee income	1,896	2,476	2,370
Total income	2,305	3,021	2,921
PAT	625	890	786
Total Assets	7,220	7,478	12,504
ROTA (%)	10.39	12.11	12.24
RONW (%)	46.35	48.06	43.93
PAT Margin (%)	27.11	29.47	26.89

A: Audited; UA: Unaudited

Note: 'the above results are latest financial results available'

The key standalone financials of the company are presented below:

Brief Financials (Rs. crore)	FY22 (A)	FY23 (A)	9MFY24 (UA)
Brokerage and Fee income	1,889	2,468	2,363
Total income	2,281	3,002	2,906

Brief Financials (Rs. crore)	FY22 (A)	FY23 (A)	9MFY24 (UA)
Brokerage and Fee income	1,889	2,468	2,363
PAT	615	882	787
Total Assets	7,178	7,423	12,448
PAT Margin (%)	26.95	29.38	27.08

A: Audited, UA: Unaudited

Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
*Commercial Paper	INE732I14719	01-01-2024		20-03-2024	50.00	CARE A1+
*Commercial Paper	INE732I14727	05-01-2024		21-03-2024	25.00	CARE A1+
Commercial Paper	INE732I14735	19-01-2024		18-07-2024	25.00	CARE A1+
Commercial Paper	INE732I14743	06-02-2024	-	27-03-2024	25.00	CARE A1+
Commercial Paper	INE732I14750	15-02-2024		15-05-2024	75.00	CARE A1+
Commercial Paper	INE732I14776	29-02-2024		30-03-2024	25.00	CARE A1+
Commercial Paper	INE732I14768	23-02-2024		24-05-2024	10.00	CARE A1+
Commercial Paper-Proposed	-	-	-	-	515.00	CARE A1+

**Matured as on date*

CareEdge RATINGS

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Commercial Paper-Commercial Paper (Standalone)	ST	750.00	CARE A1+	1)CARE A1+ (05-Apr-23)	1)CARE A1+ (22-Sep-22)	1)CARE A1+ (02-Mar-22)	-

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Commercial Paper-Commercial Paper (Standalone)	Simple

Annexure-5: Lender details

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

Annexure-6: List of all the entities consolidated

Sr No	Name of the entity	Extent of consolidation	Rationale for consolidation
1	Angel Financial Advisors Private Ltd	Full	Subsidiary
2	Angel Fincap Private Ltd	Full	Subsidiary
3	Angel Securities Ltd	Full	Subsidiary
4	Angel Digitech Services Private Ltd	Full	Subsidiary
5	Mimansa Software Systems Private Ltd	Full	Subsidiary
6	Angel Crest Ltd.	Full	Subsidiary
7	Angel Asset Management Ltd.	Full	Subsidiary
8	Angel Trustee Ltd.	Full	Subsidiary

Note on the complexity levels of the rated instruments: CARE Ratings 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 us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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